

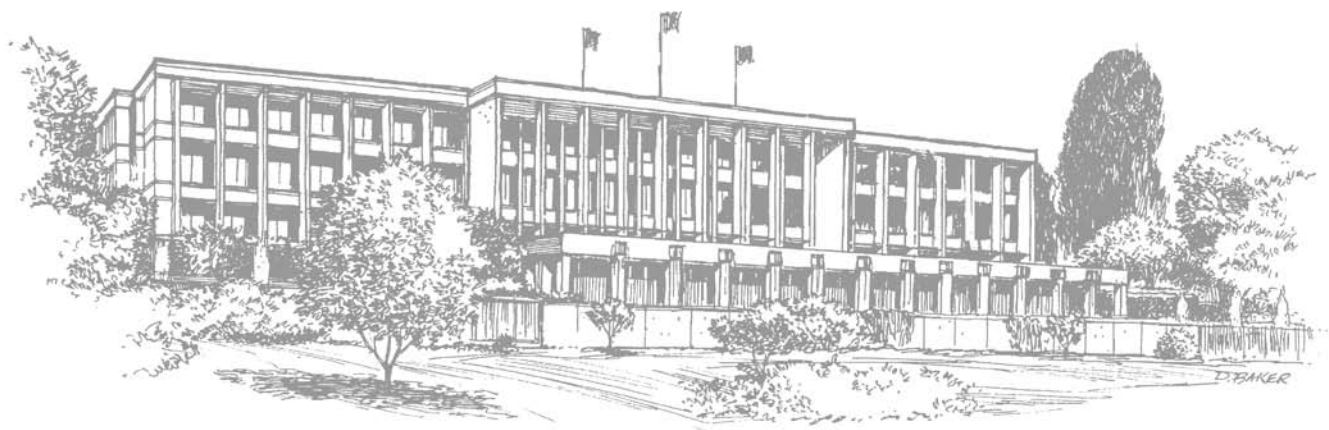


2008-09 BUDGET

ECONOMIC AND FISCAL OUTLOOK

Budget Paper No. 3

**PRESENTED TO THE LEGISLATIVE ASSEMBLY
ON 8 MAY 2008**



2008–09 Economic and Fiscal Outlook

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2008-09 BUDGET

ECONOMIC AND FISCAL OUTLOOK

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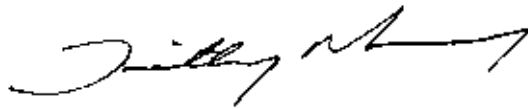
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Under Treasurer's Certification

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 7 April 2008 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 6: *The Western Australian Economy*. These assumptions were finalised on 7 April 2008.

A handwritten signature in black ink, appearing to read 'Timothy Marney', with a stylized flourish at the end.

Timothy Marney
UNDER TREASURER

8 May 2008

Economic and Fiscal Outlook – Overview

Fiscal Outlook

Highlights of the 2008-09 Budget include:

- a record \$26.1 billion four year Capital Works Program which delivers new schools, hospitals, roads, port enhancements, electricity, water and other essential infrastructure, as well as commencement of works on the State's new museum, new major stadium and the Perth Waterfront;
- additional spending on a range of community and social issues, including public housing, disability services, child protection (including mandatory reporting of child sexual abuse), and higher funding of non-government service providers; and
- tax relief measures worth \$1.2 billion over four years, including a 15% cut in stamp duty on the purchase of a median-priced house. This is the fifth consecutive budget in which the Government has provided tax relief.

The State's financial position remains strong, with a general government operating surplus of \$1,855 million projected for 2008-09, following an expected \$2,093 million surplus for 2007-08.

In the medium term, however, the operating surplus is forecast to decline to around \$200 million, primarily reflecting an expected softening in commodity prices (most notably iron ore), and a significant reduction in Western Australia's share of national GST revenue as a result of the lagged Commonwealth Grants Commission process.

Combined with the size of the Capital Works Program, lower surpluses will place upward pressure on debt, with total public sector net debt projected to reach \$11.4 billion by 30 June 2012. Nevertheless, this represents an affordable level of borrowing, with the net debt to revenue ratio forecast to remain below the 47% limit imposed by the Government's financial targets.

Table 1

KEY BUDGET AGGREGATES

Western Australia

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
GENERAL GOVERNMENT						
Net Operating Balance (\$m)	2,254	2,093	1,855	1,670	1,073	203
Revenue (\$m)	17,573	18,829	19,872	20,600	20,687	20,694
Revenue Growth (%)	5.4	7.1	5.5	3.7	0.4	0.0
Expenses (\$m)	15,320	16,736	18,017	18,930	19,614	20,491
Expense Growth (%)	8.9	9.2	7.7	5.1	3.6	4.5
Net Lending (\$m)	1,477	880	125	525	129	-1,385
TOTAL NON-FINANCIAL PUBLIC SECTOR						
Net Debt to Revenue Ratio (%)	17.9	23.9	34.8	36.9	38.0	43.9
TOTAL PUBLIC SECTOR						
Net Debt at 30 June (\$m)	2,984	4,711	7,911	9,028	9,489	11,443
Capital Works Program (\$m)	5,089	6,729	7,643	6,631	5,715	6,152

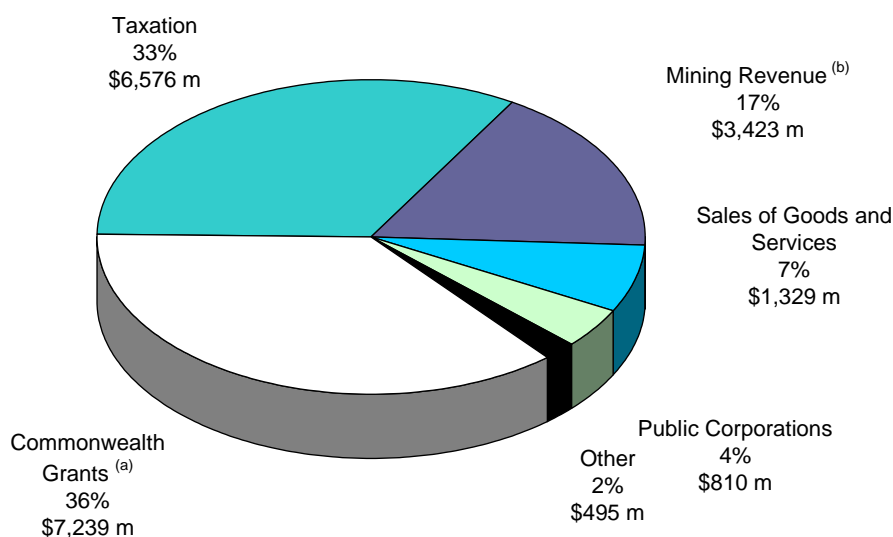
Revenue Outlook

General government operating revenue is forecast to grow by 5.5% in 2008-09, compared to average growth of 9.7% per annum over the past five years.

Figure 1

2008-09 REVENUE

General Government



(a) Includes GST revenue grants and specific purpose payments.

(b) Includes North West Shelf petroleum royalties, which are classified as a Commonwealth grant in the State's Uniform Presentation Framework financial statements at Appendix 1 (reflecting the Commonwealth's constitutional responsibility for off-shore areas), and lease rentals.

Note: Components may not add to 100% due to rounding.

The most notable feature of the revenue outlook for 2008-09 is an estimated \$806 million (or 69.4%) increase in the value of iron ore royalties. This reflects an assumed 67% rise in the benchmark price for iron ore and continued expansion of production. Overall, mining revenue is forecast to grow by 34.3% in 2008-09, and account for 4.6 percentage points of total revenue growth of 5.5%.

At the same time, duty on transfers is expected to detract around 1.1 percentage points from total revenue growth in 2008-09, with activity in the housing market likely to soften after several years of exceptionally strong growth, and a substantial cut in transfer duty on residential properties from 1 July 2008.

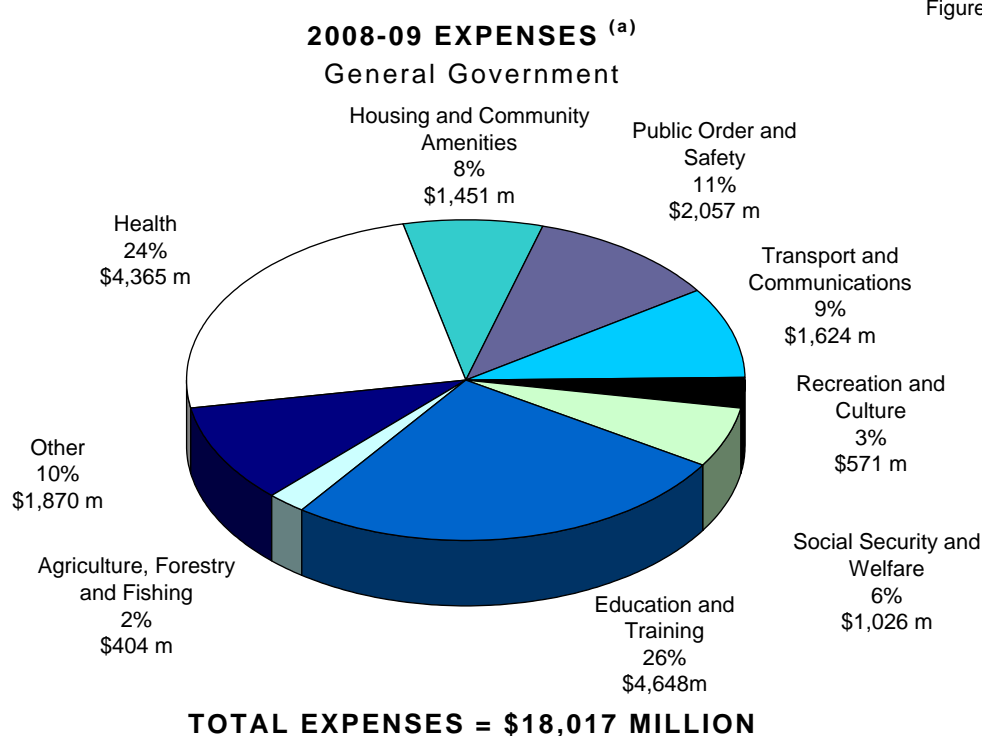
Solid growth in other taxes, including payroll tax and insurance duty, is forecast in 2008-09. This reflects expectations of continued strong growth in most sectors of the State's economy. Overall, taxation revenue is forecast to be relatively flat in 2008-09, with growth of just 0.9% expected.

A further reduction in Western Australia's share of the national GST pool is expected in 2008-09. Notwithstanding projected growth in the national pool of 5.9%, Western Australia's GST revenue is forecast to *decrease* by \$83 million in the budget year. However, the total level of Commonwealth grants is expected to grow modestly (up 1.6% or \$115 million), with an increase in tied grants expected to offset the reduction in GST grants.

Across the forward estimates period, Western Australia's share of national GST revenue is forecast to decline to just 6.2% by 2011-12, compared to our population share of 10.3%. This represents a loss of around \$2.2 billion in 2011-12 alone (relative to our population share of the GST pool).

Key Areas of Expenditure

Delivering high quality services to the Western Australian community, particularly in the core areas of health, law and order, education and training, and child protection, remains a major priority in the 2008-09 Budget.



(a) Spending categories shown above are consistent with ABS Government Purpose Classifications. These differ from Departmental spending aggregates quoted elsewhere in the Budget Papers.

Note: Components may not add to 100% due to rounding.

Relative to the estimated outturn for 2007-08, budgeted expenses for 2008-09 include:

- a \$247 million (or 5.8%) increase in spending on health services, including:
 - increased spending on mental health services;
 - increased spending on essential support services to the elderly and people with disabilities to enhance independent living;
 - implementation of initiatives to address emergency department demand; and
 - higher employee costs, including the outcome of recent wage negotiations with nurses and medical practitioners;

- a \$138 million (or 8.3%) increase in law and order-related spending, due mainly to:
 - deployment of Crime Regional Response Teams to investigate issues facing local and regional Indigenous communities, including serious cases of child abuse;
 - establishment of a Legal Aid Office and an additional magistrate for the Kimberley region, as well as an additional magistrate and associated support staff for the Goldfields and the South-West regions;
 - restructure of the management of the East Perth Watch House to release police officers to frontline duties;
 - implementation of the State Graffiti Vandalism Reduction Strategy;
 - targeted responses to the outcomes of the Government Action Plan arising out of the WA Illicit Amphetamine Summit; and
 - salaries growth for sworn police officers (up an average 6.4%);
- a \$135 million (or 3.9%) increase in spending on education and training services, reflecting:
 - strategies aimed at improving teacher attraction and retention;
 - improved starting salaries and allowances for new graduate teachers;
 - provision of \$73 million to improve wages and conditions for teachers and TAFE lecturers; and
 - enabling up to 39,000 total places for apprentices and trainees in 2008-09; and
- a \$48 million (or 16.5%) increase in spending on child protection services, primarily reflecting:
 - an estimated 210 additional caseworkers and support staff to address increased demand for child protection and care services; and
 - the establishment of a professionally staffed call centre and reporting unit with 25 full-time staff and recruitment of an estimated 20 caseworkers to manage the expected increase in assessments and investigations resulting from the implementation of mandatory reporting of child sexual abuse.

The following table summarises the expense estimates for the key service delivery agencies.

Table 2

KEY AGENCY EXPENSES

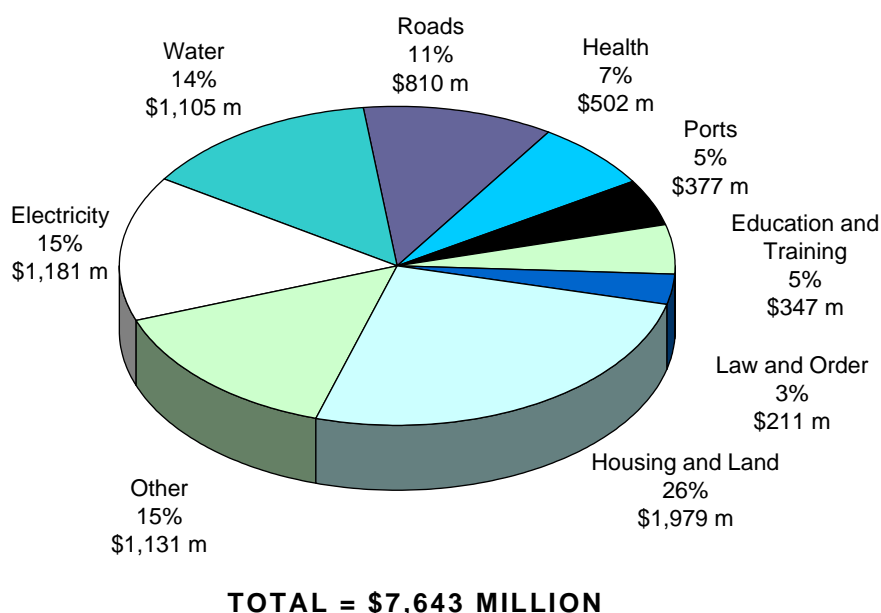
	2008-09			Forward Estimates Period	
	Budget Estimate \$m	Annual Increase \$m	Annual Growth %	Total Increase \$m	Annual Average Growth %
Health	4,535	247	5.8	994	5.4
Education and Training	3,592	135	3.9	447	3.1
Western Australia Police	900	64	7.6	116	3.3
Attorney General	369	30	8.8	50	3.5
Corrective Services	530	45	9.2	83	4.0
Child Protection	341	48	16.5	108	8.2
Disability Services	388	17	4.7	102	6.3

(a) Departmental spending data in this table may differ from data quoted elsewhere which in some cases is based on the ABS Government Purpose Classifications.

Capital Works Program

To bolster the productive capacity of the State's economy and keep pace with the rapid growth in demand for service delivery, the Government is continuing to invest in essential infrastructure at an unprecedented level, with a record \$7.6 billion Capital Works Program in 2008-09, and \$26.1 billion over the next four years.

Figure 3

2008-09 CAPITAL WORKS PROGRAM

Note: Components may not add to 100% due to rounding.

In 2008-09, the Capital Works Program includes major investment in the following areas:

- \$1.2 billion on improving, extending and maintaining the electricity infrastructure across the State, with a major focus on safety and reliability, along with meeting the demands associated with a strong economy and fast-growing population;
- \$1.1 billion on the State's water, wastewater and drainage services, including commencement of the \$955 million Southern Seawater Desalination Plant;
- \$810 million on road construction and maintenance, including \$246 million for the New Perth - Bunbury Highway (total cost \$705 million) and \$25 million on the Geraldton Southern Transport Corridor Stage 2;
- \$502 million on new and improved health infrastructure, including commencement of the \$1.76 billion Fiona Stanley Hospital and Stage 1 of the redevelopment of the Rockingham Kwinana Hospital;
- \$377 million on improvements to port infrastructure to ensure ongoing export capacity, including \$155 million on construction of Port Hedland Port Authority's Multi-user Panamax Berth at Utah Point and commencement of a \$126 million project to deepen the Fremantle Inner Harbour to enable increased trade volumes;
- \$347 million on schools and TAFE colleges across the State, including 9 new high schools and 17 new primary schools and \$43 million for the continuation of the redevelopment of the Central TAFE campus; and
- \$211 million on law and order-related projects, such as the Kimberley Prison and Work Camp, CBD Courts and Central Law Courts refurbishment, the Kalgoorlie Court upgrade, the Perth Police Complex and the Carnarvon Police and Justice Complex.

This budget also includes the allocation of funding for a new major stadium at Kitchener Park (at a total cost of \$1.07 billion), the construction of a museum on the site of the former East Perth power station (at a total cost of \$506 million), and a new project to reinvent and revitalise the Perth Waterfront (at a total cost of \$319 million).

An additional \$450 million has also been provided to accommodate higher land development and housing construction and purchase costs in support of the Government's social housing and residential land policy.

Further details on these and other projects in the Capital Works Program are provided in Chapter 5: *Capital Investment*.

Economic Outlook

Following growth of 6.3% in 2006-07, Western Australia's economy is forecast to grow by 7.5% in 2007-08, well above the long-term average of 4.5%.

Economic growth in 2007-08 has been driven by both international trade and domestic activity. Net exports are estimated to rise by 7.25% in 2007-08 and contribute 1.9 percentage points to growth in Gross State Product (GSP)¹. State Final Demand (SFD)² is forecast to rise by 7.5%, due mainly to growth in household consumption and business investment.

Export volumes are expected to increase steadily in the next few years, as recent investment in the resource sector flows through to higher output. As a result, net exports are forecast to make an increasing contribution to the State's economic growth over the next few years.

The Western Australian economy is expected to continue growing strongly in 2008-09, with growth of 6.25% forecast. The external sector's contribution to overall growth is forecast to rise to 3.6 percentage points, while growth in domestic demand is forecast to slow to 4.0%, mainly due to weaker growth in household consumption and business and dwelling investment.

Strong economic growth has led to a tight labour market, with the State's unemployment rate at its lowest level since the 1970s, and labour force participation at record highs. Employment is forecast to grow by 3.75% in 2007-08, with limits to labour supply constraining what could have otherwise been a higher rate of employment growth. Even with some slowing in labour demand, labour market conditions are expected to stay tight, with the unemployment rate forecast to remain at a low 3.25% in 2008-09.

Rapidly rising house prices were a major contributor to growth of 3.9% in Perth's Consumer Price Index (CPI) over 2006-07, and also explained most of the gap between Perth's inflation rate and the 2.9% growth rate in the national CPI. The Perth and national CPI growth rates are expected to converge as a result of the slowing housing market in Western Australia.

Wage pressures have recently intensified, with growth in the Wage Price Index (WPI) of 5.75% forecast for 2007-08, well above long-term average growth of 3.5%. The WPI is forecast to grow by 5.25% over 2008-09. Above-average wages growth is expected over the next few years because of strong overall economic growth and the tendency for wages to lag employment pressures.

¹ GSP is the total output of the State's economy, comprising State Final Demand (see note below), changes in inventories, plus exports minus imports from interstate and overseas. Unless otherwise stated, all growth rates in this section are in real (chain volume) terms, rather than nominal terms (that is, they abstract from any price movements).

² SFD is a measure of domestic demand in the State, and is a subset of GSP (see note above). It comprises expenditure on household and government consumption, dwelling investment, business investment, and public sector investment.

The State's economy has so far suffered few adverse effects from the global credit crunch and associated financial instability. The State has faced these risks well to date, and will probably continue to do so. However, the risks to the favourable economic outlook are greater than they have been for a number of years. For further information on the State's economic outlook and associated risks, see Chapter 6: *The Western Australian Economy*.

Table 3

MAJOR ECONOMIC FORECASTS
Western Australia

	2006-07 Actual ^(a) %	2007-08 Estimated Actual %	2008-09 Budget Estimate %	2009-10 Forward Estimate %	2010-11 Forward Estimate ^(d) %	2011-12 Forward Estimate ^(d) %
Real Gross State Product Growth ^(b)	6.3	7.5	6.25	5.75	4.5	4.5
Real State Final Demand Growth ^(b)	8.8	7.5	4.0	4.0	5.25	5.25
Employment Growth	2.5	3.75	2.5	2.25	2.5	2.5
Unemployment Rate	3.2	3.0	3.25	3.25	4.25	4.25
Wage Price Index Growth ^(c)	4.7	5.75	5.25	4.5	3.5	3.5
Average Weekly Earnings Growth ^(c)	9.6	8.5	6.0	5.5	4.75	4.75
Perth Consumer Price Index Growth	3.9	3.25	3.25	3.0	2.75	2.75

(a) Gross State Product (GSP) and State Final Demand (SFD) data are based on 2006-07 State Accounts data, released by the Australian Bureau of Statistics (ABS) in November 2007 (ABS Catalogue Number 5220.0). All other data are based on other various ABS data sources.

(b) In real (chain volume) terms, which abstract from price effects.

(c) The Wage Price Index is a better measure of underlying wages growth than Average Weekly Earnings, as it is designed to measure wage changes rather than levels, and is not influenced by changes in the composition of the workforce (unlike Average Weekly Earnings).

(d) Beyond 2009-10, forward estimates are not forecasts, but are generally projections based on long-term averages (usually 10 years). The only exception is the unemployment rate, which is based on a shorter period (the past four years).

Other forecasting notes: Currency exchange rates and interest rates are assumed to be constant over the forecast period. Population growth assumptions are based on the Commonwealth Treasury's *Mid Year Economic and Fiscal Outlook* 'GST payment' projections for all States and Territories, as well as long-term historical growth averages for the budget outyears (2010-11 and 2011-12).

Fiscal Strategy and Financial Projections¹

Overview

Solid revenue growth is expected to continue in 2008-09, although the composition of that growth is changing. In the current financial year (2007-08), taxation revenue (mainly payroll tax and duty on transfers) is expected to account for more than half of the total increase in general government revenue. In 2008-09, taxation revenue is forecast to be relatively flat, due largely to a softening in property market conditions. Instead, revenue from mining royalties is expected to take over as the major driver of revenue growth, largely on the back of an assumed 67% increase in contract iron ore prices.

At the same time, cost pressures from the State's rapidly growing economy and tight labour market are continuing to impact expense growth, with above-target growth of 7.7% forecast for 2008-09.

All up, a general government sector operating surplus of \$1,855 million is forecast for 2008-09, down slightly on an expected surplus of \$2,093 million for 2007-08. The operating surplus is the difference between revenue (from taxes, royalties, Commonwealth grants, etc.) and operating or day-to-day expenses (like public sector wages). It gives a clear indication of the financial sustainability of public sector operations over time.

These surpluses on day-to-day operating (or recurrent) activities provide a critical source of funding for the State's Capital Works Program, which:

- totals a record \$7.6 billion in 2008-09, and \$26.1 billion over the four years to 2011-12;

¹ A change in the Uniform Presentation Framework, which all States, Territories and the Commonwealth use in their budgets, is reflected in the 2008-09 Budget Papers for the first time. These changes have a minor impact on the aggregates discussed in this chapter. Appendix 4 : *Changes to Whole-of-Government Financial Reporting and Presentation* contains more detail on these presentation changes.

- continues the Government's re-building of the State's health infrastructure, including the new \$1.76 billion Fiona Stanley Hospital, which will be built free of any debt;
- includes significant new funding injections for social housing, electricity infrastructure, port developments, roads and other essential infrastructure; and
- allocates \$436 million over the forward estimates period to commence works on the new museum, the new major stadium at Kitchener Park, and the Perth Waterfront.

Across the forward estimates period, the general government operating surplus is projected to decline to around \$200 million by 2011-12, due to a forecast weakening in revenue growth, combined with continued growth in expenses. The slowing in revenue growth primarily reflects:

- an assumed levelling off in iron ore prices in 2009-10 and 2010-11, followed by a 25% reduction in 2011-12 as world supplies of iron ore increase to accommodate demand; and
- further reduction in the State's share of national GST revenue through the lagged Commonwealth Grants Commission process (this is expected to cost Western Australia around \$2.2 billion in 2011-12 alone, relative to the State's population share).

The declining operating surplus, coupled with the magnitude of the Capital Works Program, is expected to see the level of public sector net debt increase from \$4.7 billion at 30 June 2008 to \$11.4 billion by 30 June 2012. However, this level of net debt remains affordable, with the key net debt to revenue ratio forecast to remain below the Government's 47% target limit, reaching a projected maximum of 43.9% in 2011-12.

The remainder of this chapter outlines the impact of the budget on the Government's financial targets, and the outlook for the key budget aggregates.

Fiscal Strategy

The Government's financial strategy is centred around delivering a Capital Works Program that meets the State's needs for essential social and economic infrastructure, while containing net debt to affordable and sustainable levels by achieving general government operating surpluses.

Financial Targets

The Government's financial targets for the 2008-09 Budget remain unchanged. Specifically, the targets are to:

- maintain or increase the real net worth of the total public sector;
- achieve an operating surplus for the general government sector;

- retain the State's triple-A credit rating, represented by the following specific targets:
 - maintain the net debt to revenue ratio for the total non-financial public sector at or below 47%; and
 - ensure that real per capita own-purpose expenses for the general government sector do not increase; and
- maintain Western Australia's tax competitiveness, as measured by maintaining tax revenue as a share of Gross State Product (GSP) below the average of the other States.

These targets assist the Government in managing the competing demands for services, public sector wage increases, infrastructure provision, and tax relief, while ensuring that the State's finances remain on a sustainable footing.

The outlook for each of these targets is outlined below.

Net Worth: Maintain Or Increase Real Net Worth Of The Total Public Sector

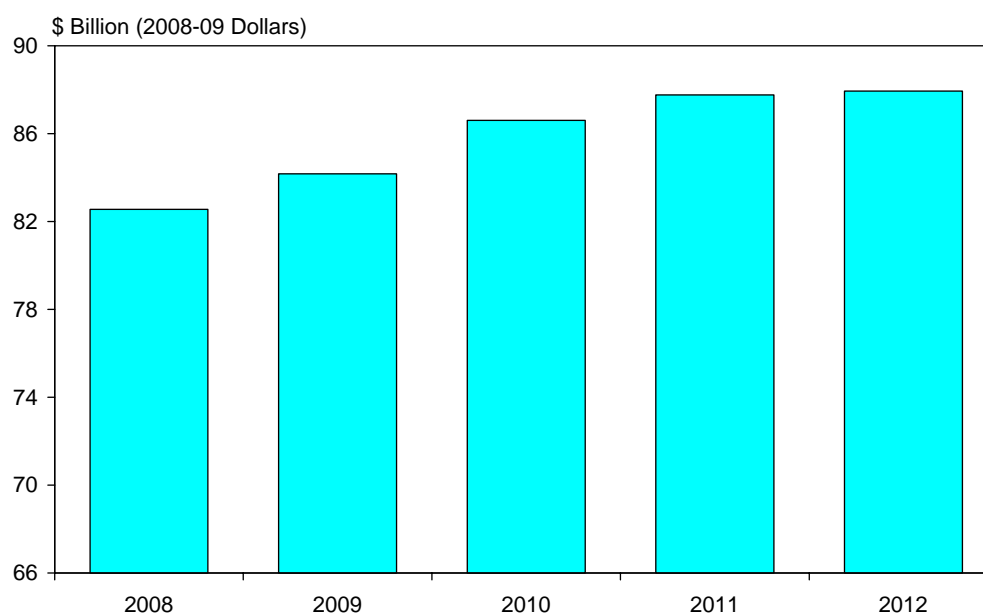
This target is expected to be achieved in the current year and across the forward estimates period.

Real net worth is the difference between total assets and total liabilities, adjusted to remove the changing value of money over time (i.e. inflationary impacts are removed). Positive net worth means that the public sector has more assets under its control than liabilities it must meet in the future. Net worth is the most comprehensive measure of the overall strength of the State's financial position.

Net worth is projected to be around \$80 billion at 30 June 2008 and to rise modestly over the forward estimates period, due largely to the impact of general government operating surplus projections (discussed later).

Figure 1

REAL NET WORTH AT 30 JUNE Total Public Sector

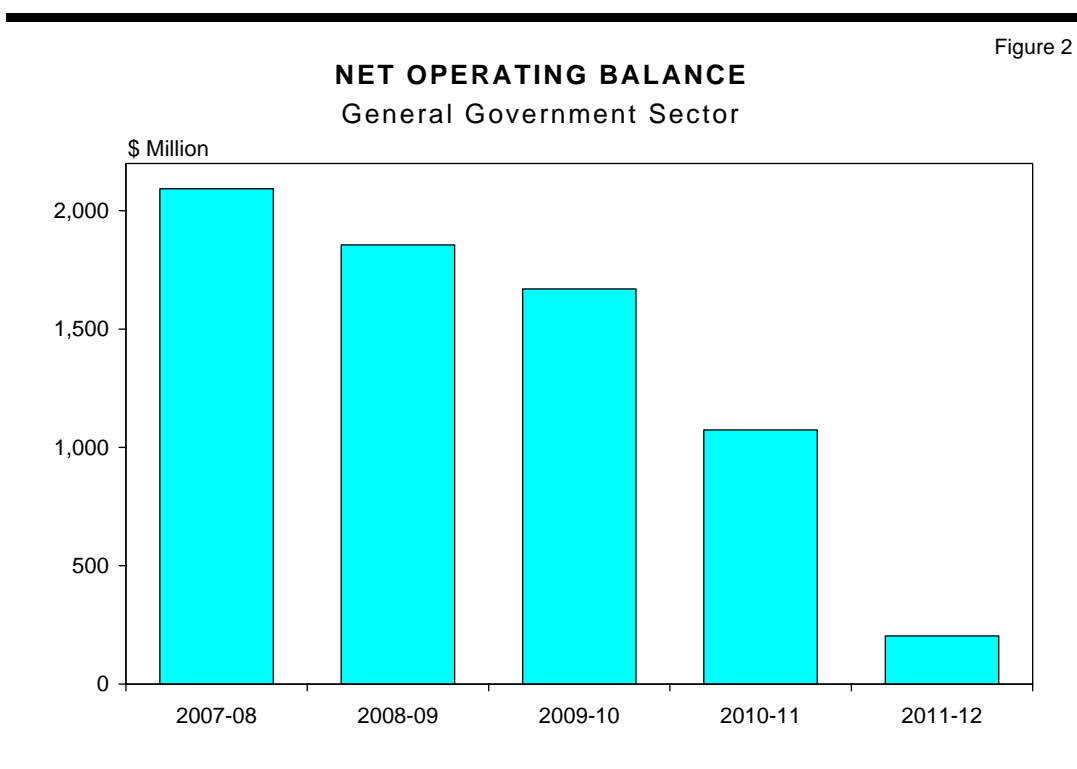


Operating Balance: Achieve An Operating Surplus For The General Government Sector

This target is expected to be achieved in the current year and across the entire forward estimates period.

An operating surplus provides a key source of non-debt funding for current and future infrastructure investment, easing the debt burden on State finances into the future.

Reflecting the continued impact of strong economic conditions and commodity prices, an operating surplus of \$1,855 million is forecast for 2008-09. The surplus is forecast to ease over the forward estimates period, declining to around \$200 million by 2011-12.



The trend to lower surpluses largely reflects:

- the lagged impact of the Commonwealth Grants Commission process, which reduces the expected share of GST grants in future years². In 2007-08, Western Australia's GST grants are estimated to be \$4.0 billion. By 2011-12, the State's GST grants are forecast to decline to \$3.3 billion, notwithstanding solid growth in the national GST pool over this period;

² This process will significantly reduce the State's share of GST grants (reflecting the Commonwealth's redistribution of the State's growth in own source revenue in recent years to other States and Territories). The State's share of national GST revenue is forecast to decline to 6.2% by 2011-12, compared to our population share of around 10.3%. This differential will cost the State an estimated \$2.2 billion annually by 2011-12.

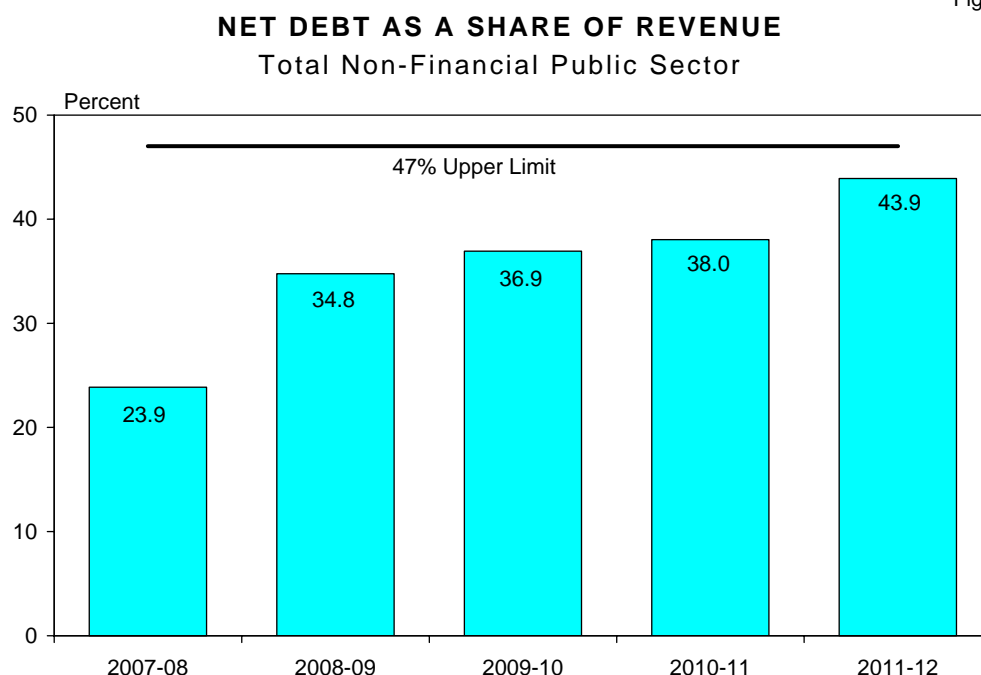
- lower mining revenue, mainly due to a forecast correction in iron ore prices as world supply begins to match demand. Annual mining revenue is forecast to fall from \$3.4 billion in 2008-09 to \$2.7 billion in 2011-12³; and
- the impact of the Government's tax relief measures taking full effect (including the combined effect of measures announced in this budget and in previous budgets). The tax relief package announced in this budget is estimated to cost around \$1.2 billion over the next four years, with the annual cost rising from \$238 million in 2008-09 to \$356 million by 2011-12.

³ Including North West Shelf petroleum royalties and lease rentals.

Retain Triple-A Credit Rating – Maintain Net Debt To Revenue For The Total Non-Financial Public Sector At Or Below 47%

This target is expected to be achieved in the current year and across the entire forward estimates period, with the ratio reaching a forecast maximum of 43.9% by 2011-12. This represents a ‘buffer’ below the 47% target limit of around \$900 million.

Figure 3



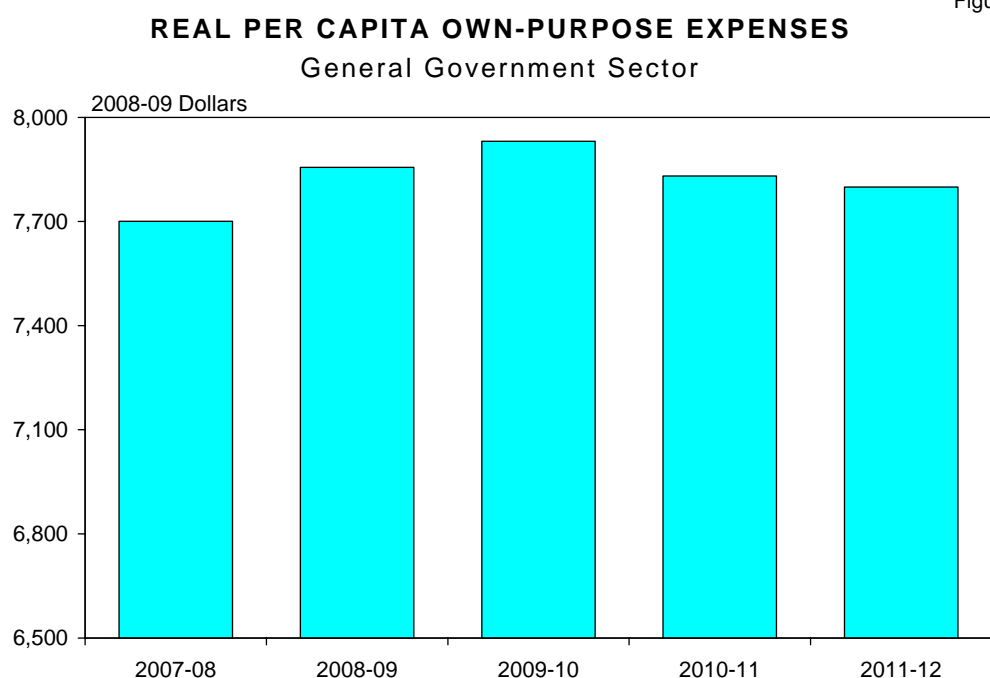
The forecast increase in the net debt to revenue ratio highlights the impact of lower operating surplus projections at the same time that infrastructure investment is continuing to run at historically high levels. The softer revenue outlook (see previous section) is expected to result in higher levels of debt to support the Capital Works Program over the medium term. Essentially, lower GST revenue and iron ore royalties in the outyears are being replaced by increased borrowings to support the Government’s \$26.1 billion Capital Works Program.

Nonetheless, the increase in debt is from a record low, and the strength of the State’s balance sheet – including the impact of significant debt retirement in recent years – means that projected debt growth is both affordable and sustainable.

Retain Triple-A Credit Rating – Ensure That Real Per Capita Own-Purpose Expenses For The General Government Sector Do Not Increase

Reflecting a range of cost pressures addressed in the 2007-08 mid-year review and in this budget, this target is not expected to be met until 2010-11.

In 2008-09, general government expenses are forecast to increase by around \$1.3 billion or 7.7%, compared to real per capita growth of around 5.3%.



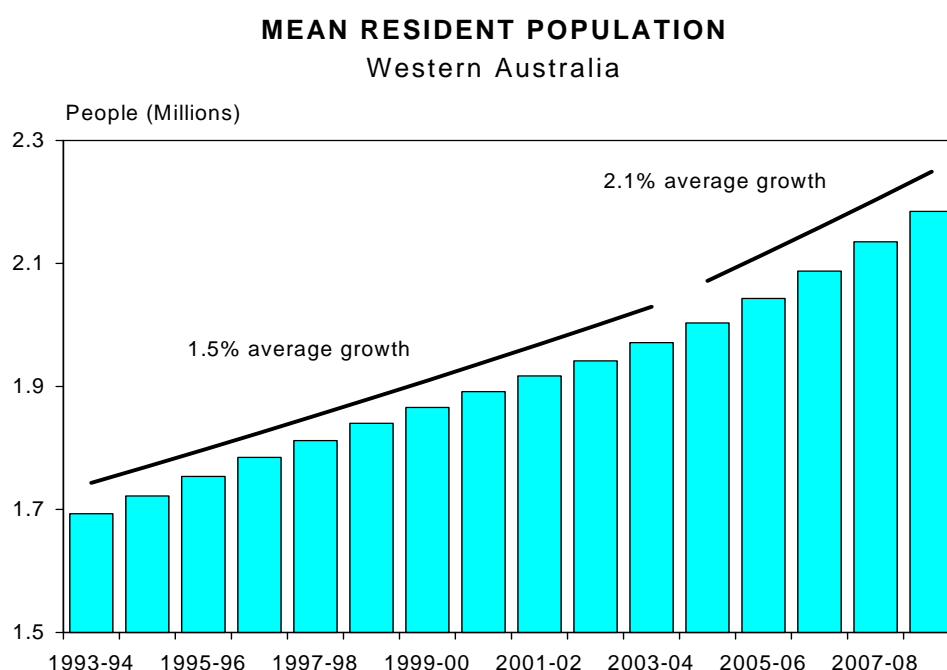
The following factors add significantly to expense growth in the forward estimates period:

- wage rises under Enterprise Bargaining Agreements (EBAs) finalised since the 2007-08 Budget, including for nurses, medical practitioners, hospital support workers and prison officers, as well as current EBA offers to teachers, TAFE lecturers and general public servants – however, these agreements and offers are necessary to sustain a public sector workforce for the delivery of key services;
- increased Community Service Obligation payments to the State's electricity sector from 2009-10, compensating for the impact of below-cost electricity tariffs. While these payments have no impact on total public sector net debt (as they simply involve a transfer from one sector of government to another for transparency purposes), they do impact on general government sector expenses; and
- other changes in expenses from both new policy decisions and parameter changes (outlined later in this chapter and in more detail in Chapter 4: *General Government Expenses*).

While forecast expense growth is running above target over the period to 2009-10, the Government's capacity to afford these higher rates of growth is reflected in the projected operating surpluses over this period.

Projected population growth (2.3% in 2008-09, and an annual average rate of 2.1% between 2003-04 and 2008-09) is running well above the long-run average rate of growth in the State's population (1.5% per annum for the ten years ending 2003-04). This underlines the significant pressures related to maintaining service delivery levels, as well as the impact of population growth on the Capital Works Program.

Figure 5



Tax Competitiveness: Maintain Western Australia's Tax Competitiveness, As Measured By Maintaining Tax Revenue As A Share Of Gross State Product Below The Other States' Average

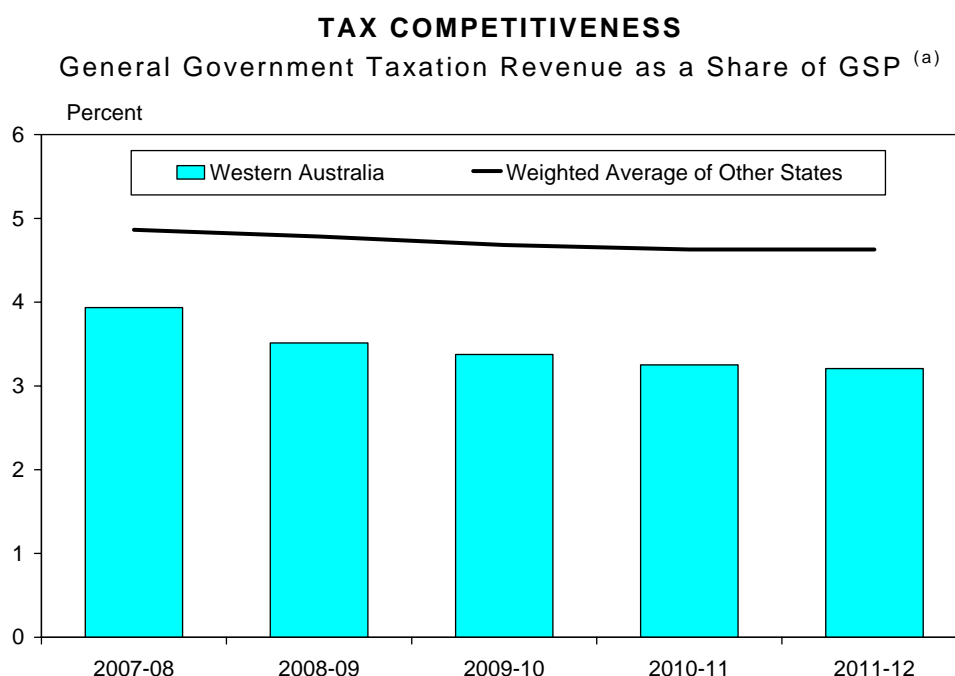
This target is expected to be met in each year of the forward estimates.

Tax as a proportion of Gross State Product (GSP) is widely considered to be a better measure of tax competitiveness than tax per capita, because the latter ignores the impact of the difference in size and composition of each State's economy on taxes. Furthermore, tax as a proportion of the economy is an internationally recognised measure of tax competitiveness.

Maintaining a competitive tax environment in Western Australia is a priority for the Government, which has announced tax relief in each year since 2004-05. This includes a number of tax relief measures arising from the Government's State Tax Review.

Based on the budget forecasts for Western Australia and the latest published data for other States, Western Australia's tax to GSP ratio is currently well below the average of other States, and is expected to remain so over the budget period. Indeed, Western Australia's ratio is estimated to be the second lowest of all States (after Tasmania) over the entire forward estimates period.

Figure 6



(a) Estimates for other States are based on the latest published data available at the time these Budget Papers were finalised.

Summary of Financial Projections

General Government Sector

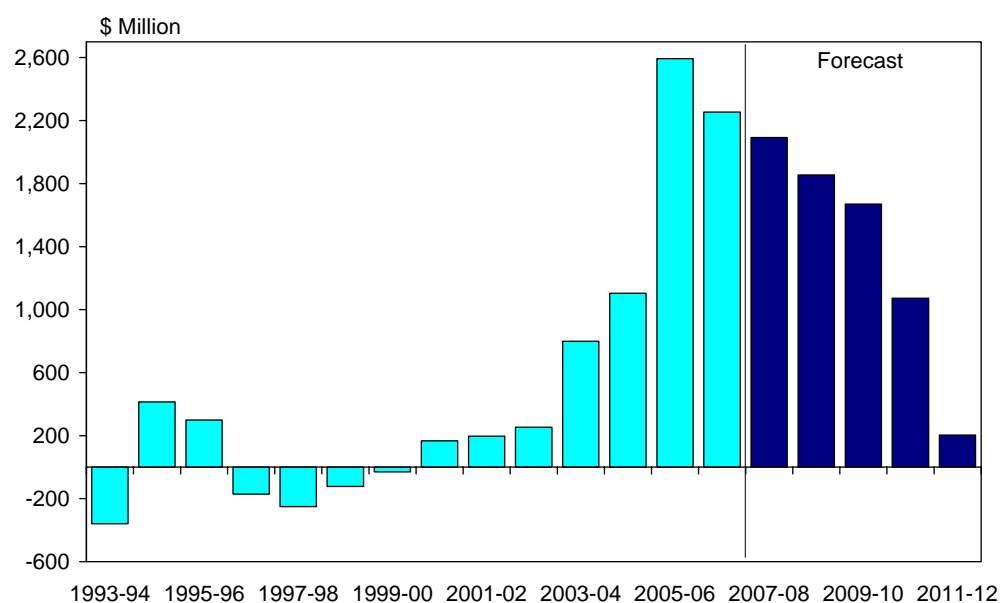
Summary

The general government sector is expected to record sound financial outcomes in 2008-09, reflecting the continuing strength of economic conditions in Western Australia.

An operating surplus of \$1,855 million is projected for 2008-09, following an estimated surplus of \$2,093 million in 2007-08. The surplus is projected to moderate in each of the next two years before declining to around \$200 million by 2011-12. This pattern reflects a forecast softening in revenue growth due to an assumed correction in iron ore prices in the outyears, coupled with a reduction in the State's share of national GST revenue as a result of the lagged Commonwealth Grants Commission process.

NET OPERATING BALANCE
General Government Sector

Figure 7



The surplus is crucial in paying for substantial infrastructure investment in projects like the Fiona Stanley Hospital, the new major stadium, the New Perth-Bunbury Highway, the new museum in East Perth, Perth Waterfront and the Perth Arena. As a result, the general government sector is forecast to remain net debt-free across the forward estimates period.

Table 1

GENERAL GOVERNMENT
Summary Financial Statements

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
OPERATING STATEMENT						
Revenue	17,573	18,829	19,872	20,600	20,687	20,694
Expenses	15,320	16,736	18,017	18,930	19,614	20,491
Net Operating Balance	2,254	2,093	1,855	1,670	1,073	203
Net Lending	1,477	880	125	525	129	-1,385
BALANCE SHEET						
Assets	85,686	90,535	94,358	98,572	102,234	105,067
Liabilities	9,831	10,272	10,180	10,097	10,123	10,225
Net Worth	75,856	80,262	84,178	88,475	92,110	94,842
STATEMENT OF CASH FLOWS						
Net increase in cash and equivalents	74	530	-342	315	78	-1,285
Cash Surplus	1,460	857	150	622	260	-1,165
<i>Memorandum Item: Net Debt</i>	-2,716	-2,968	-2,747	-3,183	-3,339	-2,041

Note: Columns may not add due to rounding.

Operating Statement

The estimated general government operating surplus for 2007-08 (\$2,093 million) has been revised up by \$262 million since the mid-year review was released in December 2007. The increase includes an upward revision to revenue and a more moderate increase in expenses.

In relation to revenue, a \$313 million (or 1.7%) higher estimate is largely due to:

- a \$97 million (or 0.5%) rise in mining revenue (including North West Shelf petroleum royalties and lease rentals), mainly reflecting the impact (from April 2008) of an assumed 67% increase in iron ore prices, partly offset by a higher exchange rate (which is now forecast to be US 92.5 cents for the remainder of the year, compared with US 90 cents in the mid-year review);
- an \$86 million (or 0.5%) increase in Commonwealth grants (excluding North West Shelf petroleum royalties), including \$95 million in health-related grants and \$77 million in GST grants, partly offset by lower grants for non-government schools (down \$24 million) and roads (down \$22 million);
- a \$72 million accounting change resulting from the implementation of a new whole-of-government accounting standard (see Appendix 4: *Changes to Whole of Government Financial Reporting and Presentation*); and
- a \$30 million (or 0.2%) upward revision to taxation revenue, mainly due to increased duty on transfers from a small number of large non-residential transactions.

General government expenses for 2007-08 are forecast to be \$52 million (or 0.3%) higher than the mid-year review estimate, with policy decisions totalling \$24 million and parameter changes (including the above-mentioned accounting change) totalling \$28 million.

Further details on the major factors affecting projections of the general government operating balance since the 2007-08 mid-year review, including a breakdown of policy decisions and parameter movements for both revenue and expenses, are provided in the following table.

Table 2

SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE VARIATIONS SINCE THE 2007-08 MID-YEAR REVIEW

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	Total \$m
2007-08 MID-YEAR REVIEW – NET OPERATING BALANCE	1,831	1,867	1,802	1,254		
Revenue						
<i>Policy Decisions</i>						
Taxation relief	-	-238.0	-301.0	-326.2	-356.0	-1,221.2
- Transfer Duty – Residential Scale	-	-104.0	-119.0	-127.0	-137.0	-487.0
- Adjustment to Land Tax and MRIT Scales	-	-120.0	-132.0	-145.0	-161.0	-558.0
- Bring forward of Motor Vehicle Duty Threshold Increase	-	-12.0	-	-	-	-12.0
- Payroll Tax Harmonisation	-	-2.0	-50.0	-54.2	-58.0	-164.2
<i>Total Policy</i>	-	-238.0	-301.0	-326.2	-356.0	-1,221.2
<i>Parameter</i>						
Taxation						
- Insurance Duty	11.4	30.9	48.5	69.0		159.8
- Land tax/MRIT	-4.8	218.0	238.1	262.7		714.1
- Transfer Duty	42.1	14.7	-74.3	-114.1		-131.6
- Motor vehicle taxes	8.9	-1.6	13.8	20.0		41.0
- All other taxes	-27.2	-20.3	-20.8	-22.7		-91.0
<i>Sub Total</i>	30.3	241.8	205.3	214.8		692.3
Commonwealth grants						
- North West Shelf petroleum royalties	15.7	27.0	6.5	10.3		59.5
- SPPs 'through' the State	-47.0	-38.2	-62.4	-86.2		-233.8
- Road grants	-22.5	42.5	-19.7	-29.8		-29.4
- Health grants	95.2	31.3	12.2	11.0		149.7
- GST revenue grants	76.9	-12.2	35.1	-3.2		96.6
- All other Commonwealth grants	-16.2	-12.1	2.9	4.3		-21.1
<i>Sub Total</i>	102.2	38.2	-25.4	-93.6		21.5
Mining and land royalties						
- Iron Ore Royalties	85.0	391.8	463.9	449.0		1,389.7
- Gold Royalties	-6.1	6.1	51.4	36.5		87.9
- Nickel Royalties	-29.8	-12.3	26.1	28.3		12.3
- Lease Rentals	17.6	14.5	12.5	9.5		54.1
- All other royalties	14.3	38.9	57.8	59.4		170.3
<i>Sub Total</i>	81.0	439.0	611.7	582.7		1,714.3
Revenue from public corporations	15.1	61.2	82.8	37.3		196.5
Other	12.6	-3.9	-6.9	-28.3		-26.6
<i>Total Parameter</i>	241.2	776.2	867.5	713.0		2,597.9
<i>Transition to AASB 1049</i>	72.1	18.7	42.0	121.2		254.0
TOTAL REVENUE	313.3	556.9	608.6	507.9		1,986.7
Expenses						
<i>Policy Decisions</i> ^(a)	23.8	142.4	395.7	386.4	318.1	1,266.3
<i>Parameter</i>						
Salaries (excluding policy decisions)	103.8	117.0	102.9	45.7		369.4
Grants to the Public Transport Authority	11.4	28.7	24.0	30.2		94.4
Community Service Obligations	3.1	58.6	72.4	70.1		204.2
Other	-230.9	90.9	20.7	28.4		-81.8
<i>Total Parameter</i>	-112.5	295.2	220.0	174.5		577.1
<i>Transition to AASB 1049</i>	140.5	130.9	125.4	128.1		524.9
TOTAL EXPENSES	51.7	568.4	741.1	689.1		2,059.3
TOTAL VARIANCE	261.6	-11.5	-132.5	-181.1		-72.6
2008-09 BUDGET – NET OPERATING BALANCE	2,093	1,855	1,670	1,073	203	

(a) Excludes the public debt net interest effect of policy measures. An agency breakdown is provided in Table 3.

Note: Columns may not add due to rounding.

The following table provides a breakdown of expense policy decisions by agency since the 2007-08 mid-year review. Further information on these initiatives can be found in Chapter 4: *General Government Expenses*.

**EXPENSE POLICY DECISIONS BY AGENCY SINCE THE
2007-08 MID-YEAR REVIEW**

Table 3

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	Total \$m
Synergy ^(a)	-	-	277.0	298.6	227.4	803.0
Education and Training	6.1	18.5	16.2	16.9	17.4	75.1
Child Protection	0.3	13.4	15.1	15.8	16.7	61.2
Housing Authority	-	29.9	14.1	0.3	0.3	44.7
Health	2.0	6.5	7.0	8.4	9.8	33.6
Corrective Services	1.2	8.5	7.7	8.0	8.0	33.4
Industry and Resources	10.7	4.3	15.0	-	-	30.0
Environment and Conservation	-	8.3	7.6	6.1	6.1	28.1
Culture and The Arts	0.3	2.6	5.1	6.4	7.5	21.7
Water	0.3	7.1	5.9	3.2	2.3	18.8
Office of Energy	-	8.1	2.2	2.1	2.0	14.5
Indigenous Affairs	-	4.9	3.3	2.9	3.1	14.2
Legal Aid Commission	-	1.4	1.6	3.2	3.6	9.7
Treasury and Finance	-	1.7	2.6	2.3	2.3	8.9
Fisheries	0.3	1.5	2.2	2.1	2.1	8.2
Swan River Trust	-	0.1	3.0	2.4	2.4	7.8
Tourism Commission	-	6.3	0.5	0.5	0.5	7.8
Attorney General	1.0	1.5	1.4	1.4	1.5	6.7
Western Australia Police	0.3	2.5	1.2	1.1	1.3	6.5
Public Transport Authority ^(a)	-	1.7	1.2	1.2	1.3	5.4
Office of Native Title	-	2.5	2.5	-	-	5.0
Small Business Development Corporation	-(b)	1.0	1.5	1.5	-	4.0
Main Roads	-	3.8	-	-	-	3.8
Premier and Cabinet	0.9	0.6	0.6	0.6	0.6	3.2
Horizon Power ^(a)	-	-	0.5	0.9	1.3	2.7
Disability Services Commission	-	1.2	0.4	0.4	0.4	2.5
Housing and Works	-	2.2	-	-	-	2.2
Education Services	-	0.8	0.5	0.2	0.2	1.6
Heritage Council	-	1.3	-	-	-	1.3
Communities	0.3	0.3	-	-	-	0.6
Consumer and Employment Protection	-(b)	0.1	0.1	-	-	0.3
Sport and Recreation	0.1	-	-	-	-	0.1
TOTAL	23.8	142.4	395.7	386.4	318.1	1,266.3

(a) Represented in general government expenses as grants and subsidies from the Consolidated Account to these public corporations, paid through Treasury and Finance.

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

Revenue

Total operating revenue in the general government sector is forecast to be \$19.9 billion in 2008-09, an increase of \$1.0 billion (or 5.5%) relative to the estimated outturn for 2007-08.

Mining revenue⁴ is forecast to be the major driver of revenue growth in 2008-09, largely due to expectations of a substantial increase in the benchmark price of iron ore. The estimated increase in mining revenue (of \$874 million or 34.3%) accounts for around 84% of the higher forecast for total operating revenue in 2008-09.

⁴ Includes territorial mining royalties, North West Shelf petroleum royalties (which are classified as a Commonwealth grant) and lease rentals.

Solid growth in a number of taxes, including payroll tax, land tax (despite the budget measure to increase thresholds and cut rates) and insurance duty will also make a moderate contribution to revenue growth in 2008-09.

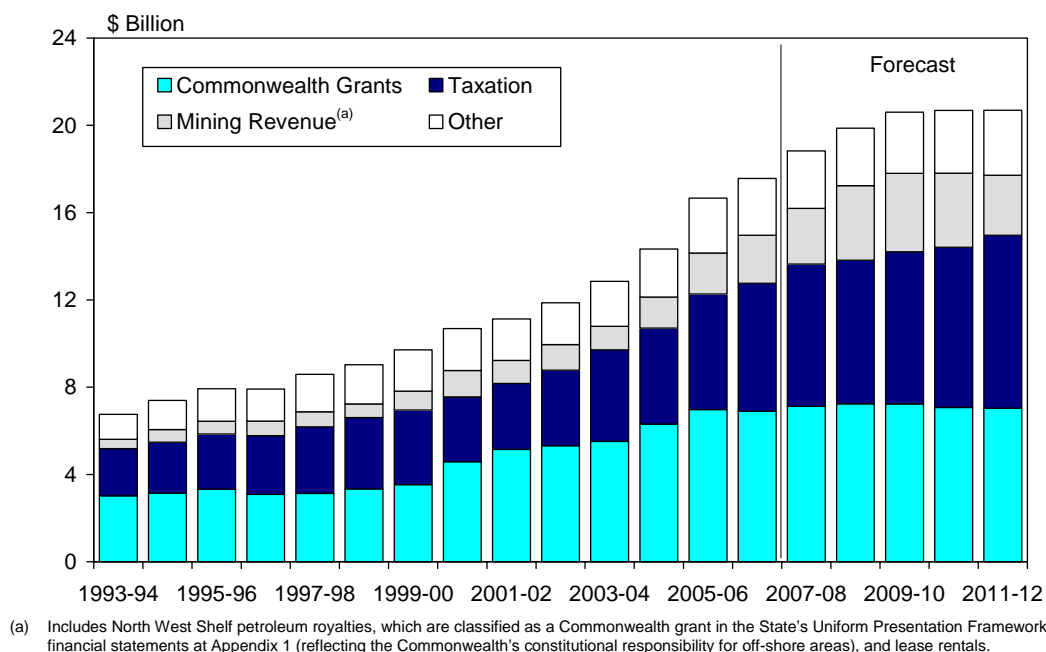
However, duty on transfers is forecast to decrease by \$202 million (or 8.8%) due to expectations of weaker conditions in the housing market. The contribution of these duties to total revenue is further dampened by the tax relief measures introduced in this budget.

Also detracting from revenue growth is an estimated \$83 million reduction in GST grant revenue from the Commonwealth. This reflects the continuing decline in Western Australia's share of the national GST pool, which will more than offset a projected increase in the national pool of 5.9%. However, the total level of Commonwealth grants is expected to grow modestly in 2008-09, with an increase in tied grants offsetting the reduction in GST grants.

Total operating revenue is expected to increase by an average of 1.4% a year in the outyears. This modest rate of growth reflects the combined impact of a continuing decline in Western Australia's share of national GST revenue, and projected declines in most commodity prices (most notably iron ore) as global supply responds to current market strength.

Figure 8

OPERATING REVENUE General Government Sector



Detailed information on the revenue estimates, including the tax relief measures introduced in this budget, is contained in Chapter 3: *General Government Revenue*.

Expenses

General government expenses are forecast to be \$18.0 billion in 2008-09, \$1.3 billion (or 7.7%) higher than the expected outturn for 2007-08. The major drivers of expense growth in 2008-09 are:

- salaries, which are projected to increase by \$481 million (or 7.1%) to \$7.3 billion. Salary costs are the single largest component of expenses, accounting for 40% of total general government expenses. Reflecting the key priorities of Government, Health, Education and Training, and Police account for around 70% of the sector's wages bill in 2008-09. More information on salaries is provided in the feature at the end of this section;
- services and contracts expenses, which are forecast to increase by \$241 million (or 12.3%) to \$2.2 billion. Almost half of this increase is due to spending undertaken by the Department of Housing and Works on behalf of other public sector agencies on buildings and maintenance (reflecting the increase in the size and value of the Capital Works Program). A further \$40 million is associated with Corrective Services contracts (including factors such as strategies to reduce imprisonment, and operating costs of the Perth Watch House), and \$30 million reflects road network maintenance undertaken by Main Roads; and
- current transfers, which are forecast to rise by \$329 million (or 8.9%) to \$4.0 billion. Major factors underpinning this increase are:
 - an increase in grants on-passed 'through' the State from the Commonwealth (up \$85 million), including grants for non-government schools and local governments;
 - higher grants to the Housing Authority (up \$72 million), reflecting recent policy decisions to increase the capacity of the community housing sector (as part of Government housing initiatives announced in the 2007-08 Budget and in September 2007), increases in essential services provision to remote Indigenous communities, the provision of a grant to the Shire of Derby/West Kimberley for the construction of a community swimming pool, and the on-passing of Commonwealth housing grants;
 - a \$42 million increase in Community Service Obligation (CSO) payments to the public corporations, predominantly to the Water Corporation for country water, sewerage and drainage operations (as a result of increasing costs), and an upward revision in the cost of pensioner and senior concessions;
 - an increase of \$29 million in grants paid to the Public Transport Authority, mainly reflecting higher fuel costs, increased depreciation costs, and higher interest costs due to rises in interest rates; and
 - a range of other grants including for native title agreements, home and community care services, and State funding of non-government schools.

Across the outyears, current transfers are projected to rise by an average 4.4% per annum. This includes the provision of a higher CSO payment to Synergy from 2009-10 (totalling \$779 million over three years), reflecting the Government's recent announcement that electricity prices will rise by 10% in 2009-10 (with further annual increases to be phased in over a six to eight-year period). The CSO is required while electricity prices remain below cost-reflective levels, and will gradually reduce as prices increase⁵.

General Government Salaries

Between 1993-94 and 2000-01, general government salaries expenses grew at an average of 3.6% per annum. Between 2000-01 and 2006-07, this increased to a significant 7.7% per annum. This compares with 6.0% (1993-94 to 2000-01) and 8.8% (2000-01 to 2006-07) for the equivalent economy-wide growth in salaries⁶.

The shift reflects a number of factors, including:

- the delivery of services by general government employees that were previously outsourced to the private sector;
- Government policy initiatives and commitments resulting in additional police officers, nurses, teachers, child protection workers, and other key service delivery personnel; and
- the need to offer competitive wages to attract and retain public sector workers in the State's tight labour market of recent years.

Salaries growth in 2008-09 (7.1%) reflects:

- wage increases under Enterprise Bargaining Agreements (EBAs) that have been finalised since the 2007-08 Budget, including those for registered and enrolled nurses, medical practitioners, hospital support workers, and prison officers. The estimates also include the impact of current Government offers to teachers, TAFE lecturers, and general public servants; and
- growth in the number of employees required to deliver new Government policy initiatives (further details of service delivery initiatives are available in Chapter 4: *General Government Expenses*).

The following table shows the projected impact on the forward estimates of recently concluded EBAs, as well as current Government offers to teachers, TAFE lecturers, and general public servants.

⁵ As noted earlier, these payments have no impact on total public sector net debt as they simply involve a transfer from one sector of government to another for transparency purposes.

⁶ *Compensation of Employees*, ABS 5206.0.

Table 4

ENTERPRISE BARGAINING AGREEMENTS ^(a)

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	Total \$m
Teachers	29	92	134	173	211	639
Nurses ^(b)	72	109	148	145	145	620
Public Servants	11	52	76	90	93	323
Medical Practitioners	40	29	46	33	33	181
TAFE Lecturers	8	18	24	27	27	104
Prison Officers	12	17	20	19	19	87
Other ^(c)	19	31	43	48	50	191
TOTAL	191	348	490	536	579	2,145

(a) Includes salaries, superannuation and other employee-related expenses where applicable.

(b) Includes nurses employed by the Department of Corrective Services.

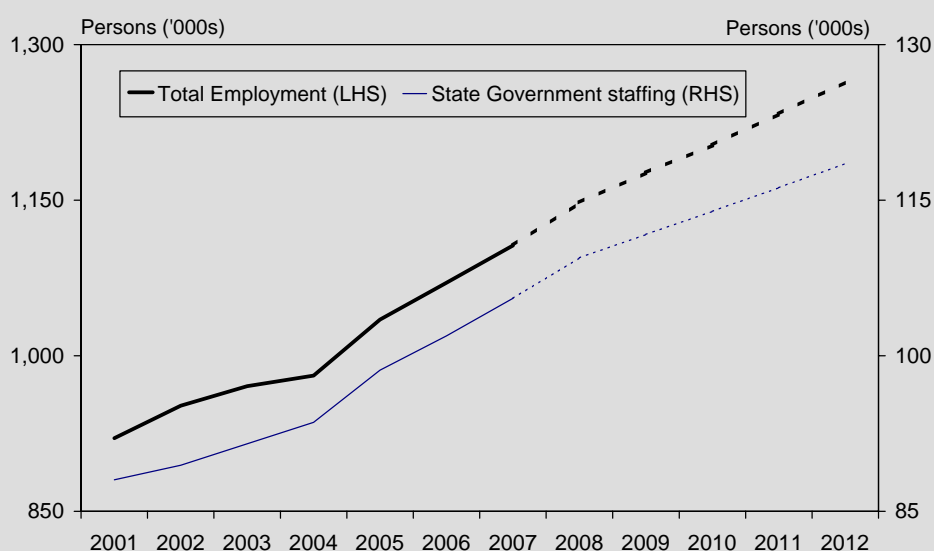
(c) Includes Public Transport Authority and hospital support workers.

Across the outyears, salaries growth is projected to average around 5.8% per annum. This reflects growth in pay rates and some growth in expected staffing levels.

Although the general government wages bill has increased in recent years due to both wage rises and staff growth, the increase in staff numbers mirrors the overall increase in employment levels across the Western Australian economy. That is, actual growth in the public sector's workforce between June 2001 and June 2007 (19.9%) has been in line with growth in the State's entire workforce (20.2%) – see following figure.

Figure 9

EMPLOYMENT LEVELS AT 30 JUNE
Western Australia



Source: ABS, Public Sector Management Division of the Department of Premier and Cabinet, and 2008-09 Budget forecasts.

Capital Investment

The Government is continuing to invest heavily in hospitals, schools, law and order facilities and other infrastructure provided by the general government sector.

In 2008-09, general government spending on fixed assets is projected to be a record \$2.7 billion, an increase of \$0.7 billion (or 32.7%) on the estimated outturn for 2007-08.

The forward estimates include \$334 million for the recently announced new major stadium at Kitchener Park (worth a total of \$1.07 billion). This development will replace Subiaco Oval as Western Australia's premier sporting venue, with a capacity of 60,000 seats and the potential for expansion to 70,000 seats.

The estimates also incorporate construction work on the Fiona Stanley Hospital. Spending of almost \$1.1 billion is scheduled for this key project over the forward estimates period, with the total cost of the new hospital estimated at \$1.76 billion. This budget includes the appropriation of an additional \$221 million of surplus cash from 2007-08 to the Fiona Stanley Hospital Construction Account to ensure that this key health reform project remains debt-free on completion.

The Government has announced the construction of a new world-class museum to be built on the site of the former East Perth power station. The forward estimates include \$52 million of the total project cost of \$506 million. Works are due to commence in 2012 and, when completed, the new facility will showcase Western Australia's history, indigenous heritage and unique environment.

In addition to the above projects, capital investment by the general government sector in 2008-09 includes:

- \$810 million for the expansion, maintenance and improvement of the road network, including completion of the \$705 million New Perth-Bunbury Highway, upgrading the Geraldton Southern Transport Corridor, and completion of the Mitchell Freeway extension from Hodges Drive to Burns Beach Road;
- \$502 million on improving health infrastructure, including \$145 million for the Central Tertiary Hospital, which has a total project cost of \$378 million, and \$108 million for Regional Resource Centres in Albany, Broome and Kalgoorlie;
- \$347 million on schools and education facilities, including the redevelopment of Karratha Senior High School and planning for the replacement of Governor Stirling Senior High School; and
- \$211 million on police, prisons and other law and order-related projects, including continuation of works on the \$93 million Perth Police Complex, construction of the \$38 million Carnarvon Police and Justice Complex, and \$25 million for the construction of the Kimberley Prison and Work Camp.

Chapter 5: *Capital Investment* contains further details of the Capital Works Program.

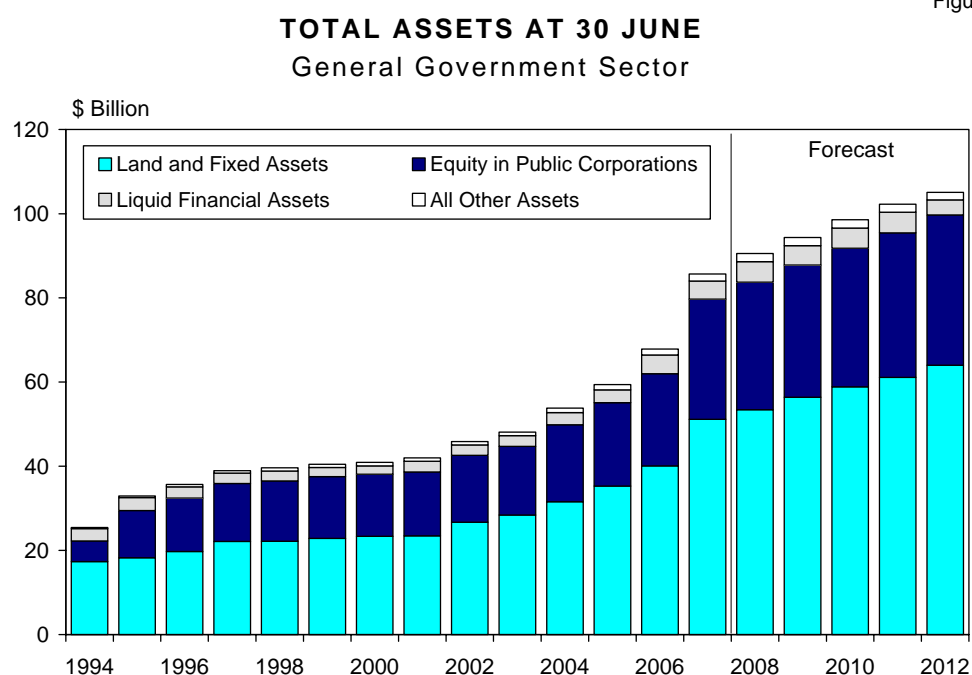
Balance Sheet

General government sector net worth is projected to increase from an estimated \$80 billion at 30 June 2008 to almost \$95 billion by 30 June 2012.

Total assets are forecast to increase by an average of \$3.6 billion per annum. This largely reflects increases in the stock of land and fixed assets (i.e. buildings, roads and other infrastructure), including the impact of significant infrastructure investment underway across the sector as part of the Government's ongoing record Capital Works Program.

Equity holdings in public corporations (the general government sector's ownership interest in agencies such as Synergy, Western Power and the Water Corporation) are expected to increase over the forward estimates, largely reflecting a trend to stronger operating outcomes and capital contributions by the general government sector for infrastructure investment.

Figure 10



General government liabilities are forecast to decline slightly over the forward estimates period, from \$10.3 billion at 30 June 2008 to \$10.2 billion at 30 June 2012.

Unfunded superannuation liabilities are forecast to gradually decline over the forward estimates period from \$5.4 billion to \$4.9 billion by 30 June 2012. This reflects the full concurrent funding of superannuation for the majority of public sector employees. The remaining unfunded liabilities are largely associated with the now closed Pension and GoldState schemes, and are expected to gradually decline to immaterial levels as these entitlements are extinguished over the next two decades.

General government sector net debt is discussed later in this chapter.

Cash Flow Statement

Cash surpluses are projected in all but the final year of the forward estimates. The forecast cash deficit in 2011-12 reflects the impact of the easing in operating surplus projections while capital spending remains at high levels across the forward estimates period. Factors impacting operating activities and capital investment are discussed earlier in this chapter.

Total Public Sector

Summary

The total public sector information below brings the finances of all State agencies into a single set of financial statements, and is useful when considering overall net debt levels and the strength of the public sector balance sheet⁷.

The following table provides summary financial outcomes for the total public sector.

TOTAL PUBLIC SECTOR						
Summary Financial Statements						
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
OPERATING STATEMENT						
Revenue	24,316	25,819	27,378	28,996	29,561	30,299
Expenses	21,594	23,772	25,673	26,874	27,926	29,485
Net Operating Balance	2,772	2,047	1,704	2,122	1,635	814
BALANCE SHEET						
Assets	102,871	109,234	114,800	119,799	123,714	126,194
Liabilities	27,016	28,972	30,622	31,324	31,604	31,352
Net Worth	75,856	80,262	84,178	88,475	92,110	94,842
STATEMENT OF CASH FLOWS						
Net increase in cash and equivalents	1,304	501	-403	422	234	-1,100
Cash Surplus	426	-1,382	-2,660	-994	-381	-1,857
<i>Memorandum Item: Net Debt</i>	2,984	4,711	7,911	9,028	9,489	11,443

Note: Columns may not add due to rounding.

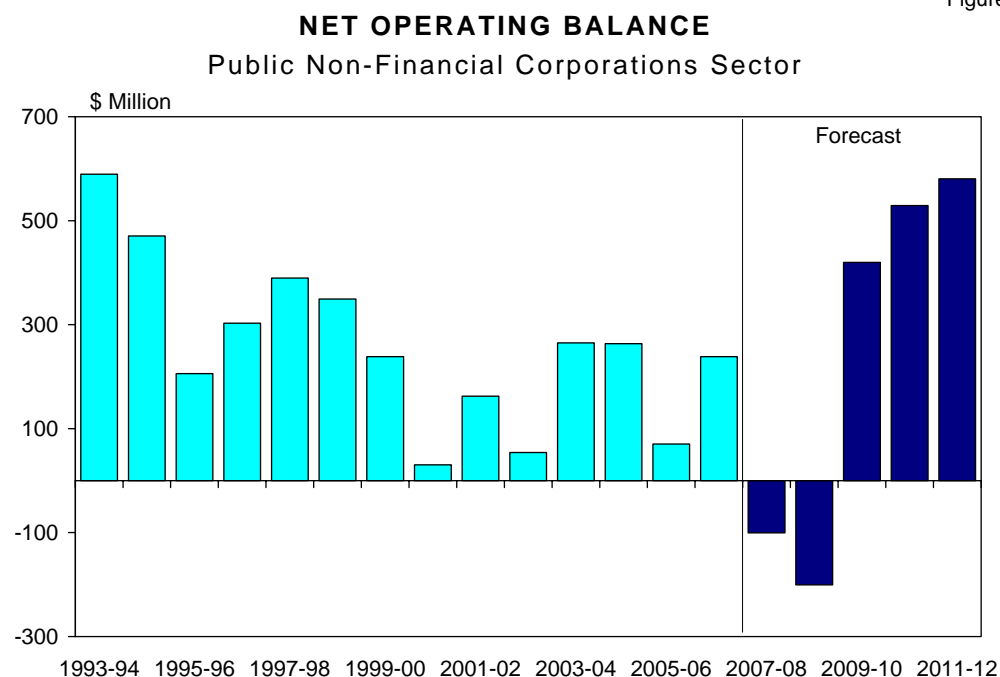
Operating Statement

The general government operating surpluses discussed earlier in this chapter are also reflected in surplus outcomes projected for the total public sector.

⁷ The total public sector combines the general government sector, the public non-financial corporations (PNFC) sector and the public financial corporations (PFC) sector into a consolidated whole. The general government sector is primarily funded from central revenue such as taxes, royalties and Commonwealth grants, while the public corporations sectors include agencies that largely seek to recover costs through user charges in non-financial and financial markets.

The public non-financial corporations (PNFC) sector is expected to record operating deficits in 2007-08 and 2008-09, with healthy surpluses projected for the remainder of the forward estimates period.

Figure 11



Reaching a projected surplus of \$581 million by 2011-12, the medium-term outlook for the PNFC sector represents a substantial improvement from the mid-year review. This is due largely to changes in electricity pricing assumptions from 2009-10 onwards, and the provision of Community Service Obligation support (for below-cost electricity prices) totalling \$779 million over the three years to 2011-12.

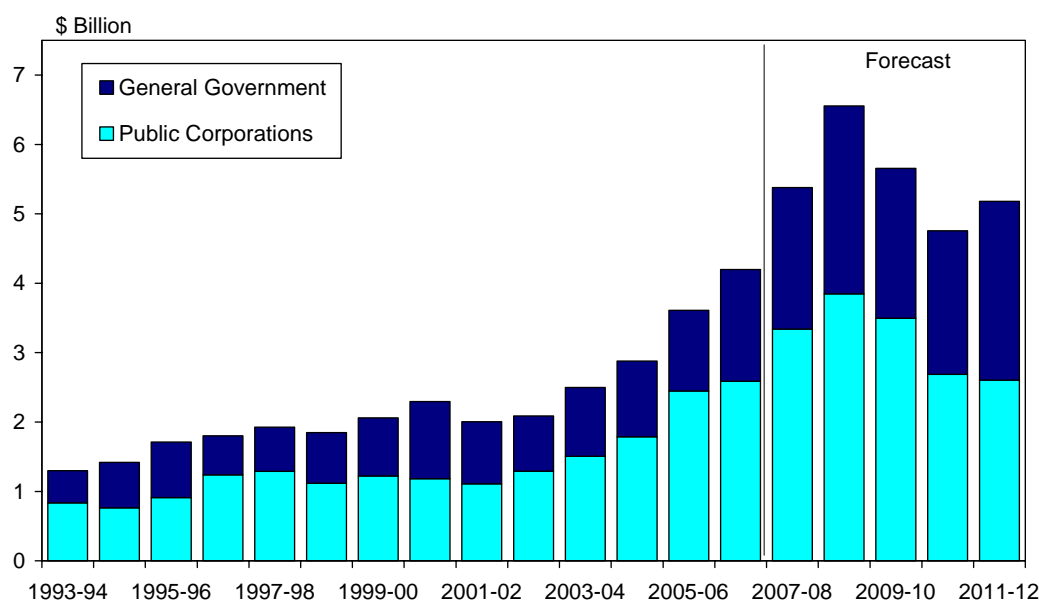
An operating surplus of \$50 million is projected for the public financial corporations (PFC) sector for 2008-09, similar to the estimated surplus for 2007-08 (\$55 million). Across the outyears, operating surpluses of around \$30 million are forecast for the PFC sector.

Capital Investment

In addition to the general government sector capital investment discussed earlier, the PNFC sector is delivering significant economic infrastructure to support the State's economy into the future.

Figure 12

CAPITAL INVESTMENT – PURCHASES OF FIXED ASSETS Total Public Sector



The forward estimates incorporate construction of the new \$955 million Southern Seawater Desalination Plant at Binningup, with this project scheduled for completion by 2012. The desalination plant is expected to provide 50 gigalitres of water per year to the Integrated Water Supply Scheme, with potential to double the plant's capacity to 100 gigalitres, and is to be powered by renewable energy sources.

The Government has also announced the Perth Waterfront project, which is currently in the planning stages and will cost \$50 million over the forward estimates period, with a total cost of \$319 million. A further \$9 million will be invested to develop the land between Perth Arena and the Entertainment Centre as part of The Northbridge Link project.

In addition to the above projects, capital investment by the PNFC sector in 2008-09 includes:

- \$1.2 billion for the State's electricity infrastructure, including commencement of a \$295 million 330 kV transmission line between Pinjar and Geraldton, a \$169 million 330 kV line from Collie to the Eastern Terminal, and \$50 million to initiate a number of renewable energy projects;
- \$1.1 billion on water, wastewater and drainage infrastructure, including \$177 million for the Alkimos Wastewater Scheme (which has an estimated total cost of \$411 million), \$164 million on the Southern Seawater Desalination Plant, and \$71 million on the Beenyup Wastewater Treatment Plant; and

- \$377 million on upgrades and improvements to port facilities, including the construction of the Port Hedland Port Authority's Multi-User Panamax Berth at Utah Point, and commencement of works on a \$126 million project to deepen the Fremantle Inner Harbour.

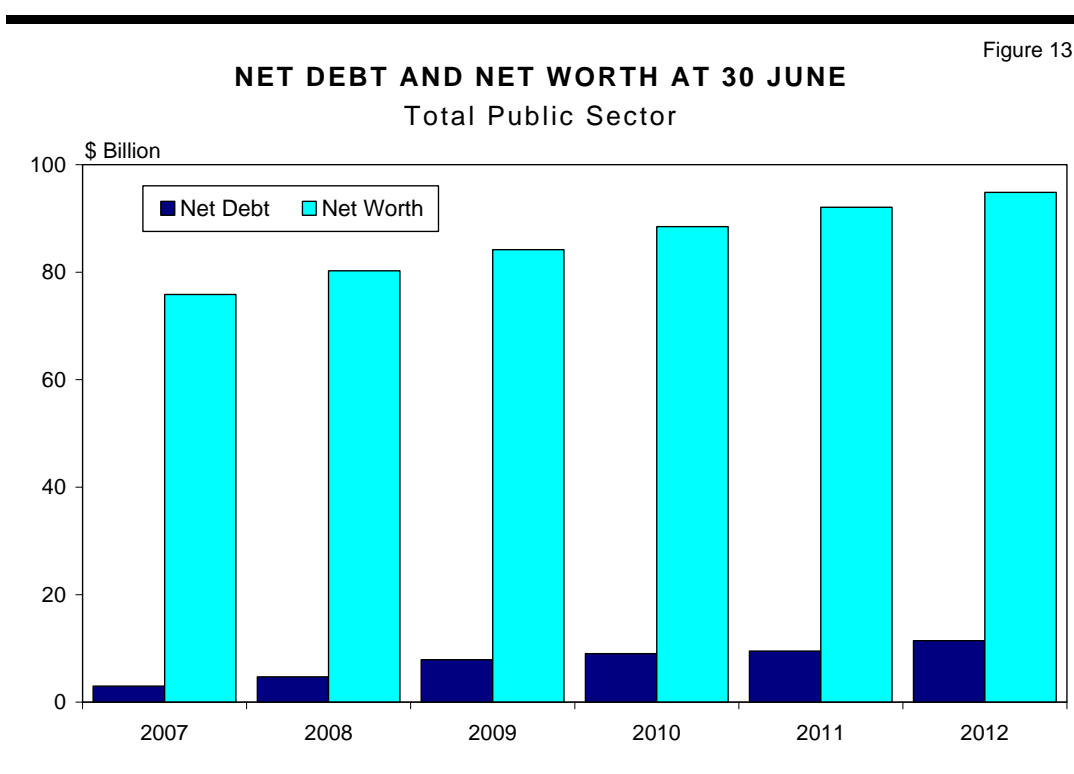
The forward estimates also include an additional \$450 million to accommodate higher land development and housing construction and purchase costs in support of the Government's social housing and residential land policy.

Further details of the Capital Works Program are available in Chapter 5: *Capital Investment*.

Net Debt⁸

Total public sector net debt is forecast to rise in the medium term. This reflects the ongoing strength of infrastructure investment and a declining general government operating surplus over the forward estimates period (see earlier discussion).

Nevertheless, while net debt is set to increase to around \$11.4 billion by 30 June 2012, the following chart shows that relative to the total net worth of the public sector, net debt levels remain comparatively low.



⁸ Net debt is a balance sheet indicator based on Government Finance Statistics concepts. It is calculated as the difference between liquid financial assets (including loans made by governments) and financial liabilities, and is an important indicator of the strength of the public sector's financial position and the sustainability of the future call on public sector cash.

The projected increase in debt remains affordable. The total non-financial public sector net debt to revenue ratio is forecast to reach a maximum of 43.9% by 2011-12, below the Government's 47% target limit.

Were the Government to plan to deliver the same Capital Works Program with significantly lower surplus projections, the net debt to revenue ratio would be significantly higher.

For example, if the general government operating surplus was around \$200 million per year in 2008-09 and beyond, net debt would be around \$15.5 billion by 30 June 2012, and the net debt to revenue ratio would rapidly rise to around 57.4%, well above the financial target limit. This illustrates the importance of operating surpluses in containing debt to manageable levels.

The following table summarises changes in the projected level of total public sector net debt since the 2007-08 mid-year review.

Table 6

NET DEBT OF THE TOTAL PUBLIC SECTOR AT 30 JUNE

	2008 \$m	2009 \$m	2010 \$m	2011 \$m	2012 \$m
2007-08 MID-YEAR REVIEW – TOTAL PUBLIC SECTOR NET DEBT	5,163	7,530	8,567	9,126	
<i>Less change in net cash flows from operating activities and distributions paid</i>					
- general government	206.6	99.4	-45.1	-185.6	
- public non-financial corporations	-165.9	-159.1	324.6	625.4	
- public financial corporations	1.6	-	-	-	
<i>Total public sector</i>	<i>42.3</i>	<i>-59.6</i>	<i>279.5</i>	<i>439.8</i>	
<i>Plus purchases of non-financial assets</i>					
<i>Policy decisions ^(a)</i>	<i>23.9</i>	<i>376.8</i>	<i>382.4</i>	<i>266.0</i>	<i>444.0</i>
<i>Parameter movements:</i>					
- Horizon Power	-	78.4	74.5	12.0	
- Housing Authority	103.9	110.8	122.7	112.2	
- Treasury and Finance	-20.6	7.2	11.3	-0.6	
- Housing and Works	-32.0	15.0	13.0	4.0	
- Health	-54.7	79.0	-39.9	-2.8	
- Port Hedland Port Authority	-45.0	-8.5	50.0	15.5	
- Land Authority	-23.5	45.5	144.4	93.1	
- Public Transport Authority	-43.6	61.1	6.6	11.4	
- Main Roads	136.0	120.9	-141.7	91.2	
- Provision for Revised Cashflows	-300.0	-	-	-	
- Partial Allocation of Cost Escalation Global	-22.5	-27.9	-34.9	-32.4	
All Other	-63.0	15.2	-72.6	-2.7	
<i>Total parameter</i>	<i>-383.4</i>	<i>510.2</i>	<i>157.1</i>	<i>301.8</i>	
<i>Total purchase of non-financial assets</i>	<i>-359.6</i>	<i>886.9</i>	<i>539.5</i>	<i>567.8</i>	
<i>Less proceeds from sale of non-financial assets</i>	<i>68.1</i>	<i>94.3</i>	<i>130.2</i>	<i>165.0</i>	
<i>Plus all other financing</i>	<i>18.3</i>	<i>-19.6</i>	<i>-50.0</i>	<i>-60.6</i>	
<i>Cumulative impact on net debt at 30 June</i>	<i>-451.9</i>	<i>380.6</i>	<i>460.4</i>	<i>363.0</i>	
2008-09 BUDGET – TOTAL PUBLIC SECTOR NET DEBT	4,711	7,911	9,028	9,489	11,443

(a) Further information on policy decisions impacting fixed asset spending is provided in Chapter 5: *Capital Investment*.

Note: Columns may not add due to rounding.

General Government

Continuing a trend that began in 2003-04, the general government sector is projected to remain net debt-free across the forward estimates period. The sector's net asset position (i.e. the excess of liquid financial assets over gross debt liabilities) is expected to decline from \$3.0 billion at 30 June 2008 to \$2.0 billion by 30 June 2012, reflecting the declining operating surplus outlook discussed earlier, and the acceleration of spending on key infrastructure projects like the Fiona Stanley Hospital.

Over the last few years, the Government has used cash surpluses to retire existing borrowings and avoid new borrowings totalling \$3.9 billion. This includes repayment of all Consolidated Account borrowings, and the debt-free construction of the New MetroRail project and the new Fiona Stanley Hospital. This prudent use of cash surpluses has reduced interest costs by around \$250 million per year, and significantly reduced interest rate risk into the future.

Table 7

APPLICATION OF CONSOLIDATED ACCOUNT CASH SURPLUSES

	Debt Repaid or Avoided \$m	Estimated Annual Interest Saving \$m
<i>2003-04 Cash Surplus</i>		
Consolidated Account debt	481	32
<i>2004-05 Cash Surplus</i>		
Consolidated Account debt	244	23
Residual rail freight debt	322	16
<i>2005-06 Cash Surplus</i>		
Full debt-free funding of New MetroRail	1,275	76
Remaining Consolidated Account debt	49	3
Western Australian Coastal Shipping Commission debt	18	1
Culture and the Arts debt	17	1
Planning and Infrastructure debt	12	1
Disability Services Commission debt	7	1
Industry and Resources debt	4	— ^(a)
Water and Rivers Commission debt	1	— ^(a)
Swan River Trust debt	— ^(a)	— ^(a)
Curriculum Council debt	— ^(a)	— ^(a)
<i>2006-07 Cash Surplus</i>		
Fiona Stanley Hospital (2007-08 Budget)	1,089	64
Equity injection for additional New MetroRail costs	50	3
Western Australian Building Management Authority debt	116	8
Fire and Emergency Services Authority debt	33	4
<i>2007-08 Cash Surplus</i>		
Fiona Stanley Hospital (2008-09 Budget)	221	15
TOTAL	3,938	248

(a) Less than \$500,000.

Note: Columns may not add due to rounding.

Public Non-Financial Corporations

The public sector's net debt is held by the PNFC sector and is used to fund the provision of the State's essential economic infrastructure.

Agencies within this sector, including the Water Corporation, electricity utilities and port authorities, meet the associated debt servicing costs through user charges raised through commercial operations.

PNFC net debt is projected to rise by \$3.0 billion in 2008-09 to stand at around \$12.0 billion by 30 June 2009. Net debt is projected to further rise to around \$15.0 billion by 30 June 2012, reflecting substantial infrastructure spending over the period (summarised earlier in this chapter and outlined in more detail in Chapter 5: *Capital Investment*).

Importantly, this increase in net debt provides assets which support the State's ongoing development, but which also generate revenue flows which service these borrowings into the future.

PNFC interest expenses are expected to rise from \$645 million in 2007-08 to \$1,130 million by 2011-12, representing a call of less than 10% of the sector's total revenue. This highlights the affordability of current debt projections.

Public Financial Corporations

The PFC sector is expected to continue in a growing net asset position across the forward estimates.

Agencies within the PFC sector, including the Western Australian Treasury Corporation and the Insurance Commission of Western Australia, deal primarily in financial assets and liabilities. The sector's holdings of financial assets are expected to more than offset gross debt liabilities by \$1.3 billion at 30 June 2009, mainly reflecting the value of financial asset holdings against (non-debt) insurance claims held by the Insurance Commission of Western Australia.

Issues in Public Sector Finances

Infrastructure Provision, Funding and Strategy

Overview

Infrastructure is critical to Western Australia's continued economic success and the well-being of its people. Efficient transport networks, modern information and communication technology, and sustainable water and energy supplies, as well as social infrastructure such as schools and hospitals, are vital to maintain Western Australia's living standards. They are also vital to expanding growth potential in current boom conditions and warding off inflationary pressures.

Strong economic and population growth are underpinning the need for record levels of infrastructure investment, with a Capital Works Program of \$26.1 billion over the next four years. Based on the latest ABS data for 2006-07, Western Australia was second only to Queensland, and 35% higher than the average spend across all other Australian States in per capita terms.

PURCHASE OF NON-FINANCIAL ASSETS – 2006-07^(a)							Table 8
	WA	NSW	VIC	QLD	SA	TAS	C'WLTH
Per Capita (\$)	1,997	1,409	945	2,569	749	1,189	359
Share of budget revenue (%) ^(b)	23.9	20.5	14.0	33.3	10.1	15.8	2.7

(a) Australian Bureau of Statistics ('Government Finance Statistics' Catalogue Number: 5512.0), 2006-07.
 (b) Total public sector purchases of non-financial assets as a share of general government revenue.

The level of investment in Western Australia has been made possible through responsible financial management, including the achievement of seven consecutive budget surpluses.

The Government is conscious that infrastructure projects must be delivered efficiently and effectively, and it is therefore continuously monitoring and refining its infrastructure policy and planning framework. In this regard, the Government has overseen the implementation of the Strategic Asset Management Framework (SAMF), established guidelines for public-private partnerships (Partnerships for Growth), created the Centre for Excellence and Innovation in Infrastructure Delivery (CEIID), and recently established the Office of Strategic Projects (OSP).

The CEIID and OSP report to the Major Government Projects Taskforce. The taskforce is chaired by the Minister for Housing and Works, and its members include the Treasurer and Minister for Planning and Infrastructure. It oversees those projects that present risk or strategic challenges in terms of their delivery in the current economic conditions.

The Treasurer has also promoted international awareness of opportunities to invest in, and deliver, Western Australian infrastructure projects.

In addition, the Government has implemented a number of reforms to infrastructure service providers. This includes significant reform programs in the key utility industries - electricity, gas, water and rail - as well as the Health sector, which is underpinned by the provision of appropriate infrastructure to support and reform the delivery of safe, high quality, accessible and efficient health services.

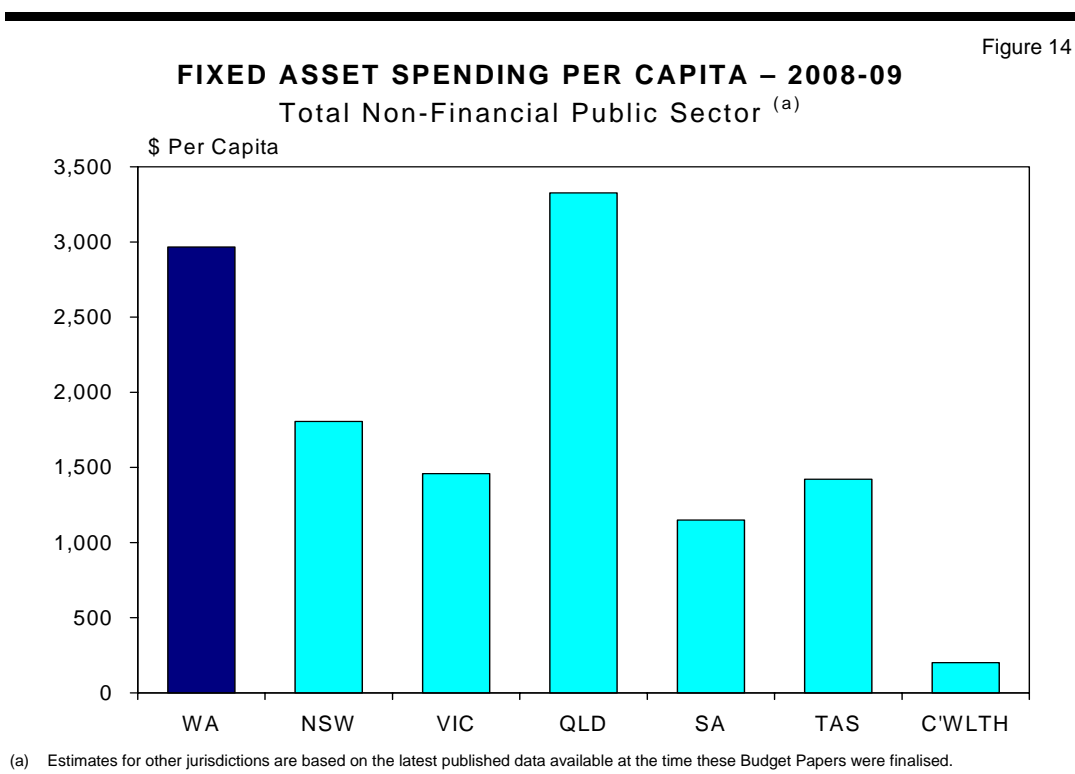
Going forward, one of the most important infrastructure initiatives the Government has undertaken is the development of the State Infrastructure Strategy. The Strategy will be released shortly and will provide a strategic plan to assist in identifying infrastructure priorities in Western Australia over the next 20 years. This will provide greater certainty for budget and economic management for the State, as well as to private sector investors who rely upon integration with public infrastructure.

Infrastructure Provision

Western Australia's demand for infrastructure has consistently been higher than in the other Australian States. This reflects:

- the State's rapid rate of economic growth and population growth relative to Australia as a whole;
- the State's large geographical area and low population density; and
- our abundant natural resources, which have generated a requirement for expanded infrastructure to support industries meeting the rising demand for commodity exports.

A comparison of fixed asset spending per capita across jurisdictions is provided below.

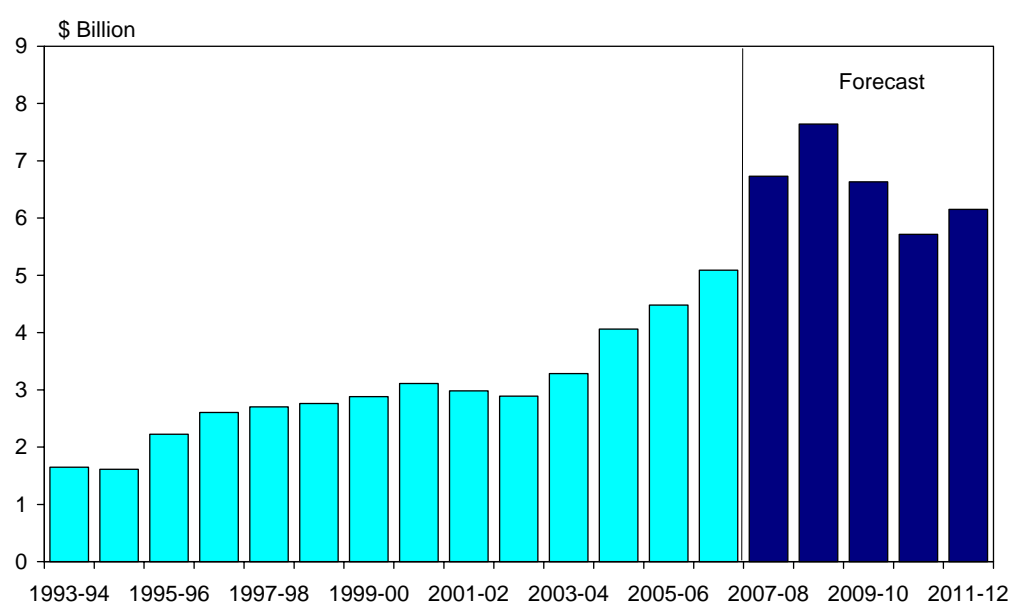


Despite rapid economic and population growth pressures, there has been little evidence to suggest a backlog in essential infrastructure provision is inhibiting economic growth in Western Australia. This is largely due to the Government's commitment to heavily invest in infrastructure improvements, with the Capital Works Program more than doubling since 2003-04.

The following chart illustrates the investment commitment in infrastructure to secure the State's future economic growth, with a new record level of investment being established in each financial year since 2003-04.

CAPITAL WORKS PROGRAM
Western Australia

Figure 15



The Capital Works Program totals \$7.6 billion in 2008-09 and \$26.1 billion over the next four years, and covers a broad range of infrastructure projects – electricity network upgrades, major new water sources and wastewater treatment plants, new roads and public transport systems, new hospitals and schools, as well as major sporting, entertainment and cultural facilities that will make Western Australia a more vibrant place to live.

Significant projects that have recently been completed, and projects currently under construction, include:

- the Cockburn power station (\$320 million), which was completed in 2003 and is Verve Energy's second largest power station;
- the Perth Seawater Desalination Plant (\$387 million), which opened on 18 April 2007 and is Perth's largest single source of water, supplying approximately 17% of the city's water needs;

- the New MetroRail project (\$1.66 billion), which was opened in December 2007 and is the largest public transport infrastructure project ever undertaken in Western Australia, and has effectively doubled Perth's metropolitan rail network;
- the Central Business District Courts project (\$195 million), incorporating a new home for the District Court and due to be completed in June 2008, and a \$45 million refurbishment of the Central Law Courts, which is due to be completed in June 2009;
- Perth Arena (\$335 million), which is a multi-purpose indoor entertainment and sports stadium that will accommodate 14,000 spectators for concerts and 12,000 for sporting events. This project is due to be completed in 2010;
- the Australian Marine Complex Upgrade (\$174 million), which involves a floating dock facility and services to accommodate naval shipbuilding, repair and maintenance, which is due for completion in 2011-12; and
- the new Performing Arts Theatre (\$91 million) to be situated in Perth's cultural precinct and due for completion in 2009-10.

Detailed information on the composition of the 2008-09 Capital Works Program is provided in Chapter 5: *Capital Investment*.

Role of the Budget Surplus in Funding Infrastructure

The Government has achieved general government operating surpluses consistently since 2001-02, and has substantially contained net debt growth in recent years by applying these surpluses to reduce existing borrowings and minimise new borrowings.

As noted earlier in this chapter, were the Government to plan to deliver the same Capital Works Program with significantly lower surplus projections, the net debt to revenue ratio would be significantly higher, as would the total level of net debt.

As part of the 2006-07 Budget, the Government utilised surplus cash from 2005-06 to fully fund the New MetroRail project, repaying existing borrowings and obviating the need to borrow further, enabling the delivery of this \$1.66 billion project free of any debt.

The Government continued to apply this principle in 2007-08, setting aside \$1.09 billion of the 2006-07 cash surplus to fund the new Fiona Stanley Hospital, construction of which commences in 2008-09. The 2008-09 Budget allocates a further \$221 million from the expected 2007-08 cash surplus to fund cost increases for the Fiona Stanley Hospital announced in the 2007-08 mid-year review, ensuring that this \$1.76 billion project will be debt-free on completion.

Infrastructure Planning and Delivery

Strategic Asset Management Framework

The key element of the infrastructure policy and planning framework is the Strategic Asset Management Framework (SAMF), which was implemented across the public sector in August 2005. The SAMF is an integrated, strategic approach to facilitate improved asset management and capital investment practices across the State public sector. The SAMF:

- promotes linkages between agencies' management of their asset portfolios with asset planning and corporate planning processes;
- outlines the processes to manage assets through the lifecycle from planning to disposal, including emphasis on maintaining existing assets; and
- provides a framework of support to assist agencies in following the process.

Centre for Excellence and Innovation in Infrastructure Delivery (CEIID)

CEIID was established in 2007 to promote formal collaboration between works agencies on infrastructure-related issues. Its key objectives are to:

- enhance knowledge sharing, develop best practice, and drive innovation;
- improve strategic asset management, project planning, design, construction, and facilities management;
- improve the delivery of major infrastructure; and
- ensure a more consistent approach across works agencies' systems, processes, standards and management practices.

One of the key CEIID projects is a project development process based on staged approvals for major projects (known as the Gateway Review Process).

A Gateway review is a project assurance process where independent practitioners from outside of the project use their experience and expertise to examine the progress and likelihood of successful delivery of the project (i.e. a peer review). Gateway reviews are based around six key decision points in the project's life cycle.

Gateway provides three key deliverables for Government and its agencies:

- a consistent, disciplined process applied to major procurement projects, which assists in reducing project variance against agreed time, cost and scope parameters;
- increased confidence by Government, agency chief executive officers and project sponsors in the health of major projects, at all stages of their life cycles; and

- improved alignment of major projects with Government and agency strategic objectives.

Other key CEIID initiatives include defining best practice in cost and value management, project management, project announcements, and project delivery mechanisms. These projects are being managed in conjunction with the newly formed Office of Strategic Projects.

Office of Strategic Projects (OSP)

The establishment of the OSP was announced in February 2008 to address the unique challenges faced in the delivery of Government's highest risk projects. Its role is to improve performance of project delivery in the current environment of unprecedented demand in those sectors of the construction industry essential to the success of such projects.

OSP will provide specialist expertise in project management practices for high-risk projects, including legal and commercial support in consultation with the State Solicitor's Office. It will oversee and assist Government agencies managing complex infrastructure works.

OSP and CEIID share common objectives in relation to reform of the practices used to deliver infrastructure projects and consequently are working closely together on these matters.

Key strategic projects allocated for OSP oversight include the Fiona Stanley Hospital, the new major stadium, the Western Australian Museum, the New Perth-Bunbury Highway, Perth Arena, the New Performing Arts Venue, and the Albany Entertainment Centre. The Major Government Projects Taskforce will allocate further projects to OSP on the basis of scale, complexity and risk.

Infrastructure Services Reform

Recognising the importance of structural reform as a means of enhancing the efficiency of the Western Australian economy, the Government has implemented a comprehensive raft of reforms of the key utilities markets aimed at improving competition and encouraging private sector investment in these sectors. This includes:

- the establishment of the Economic Regulation Authority (ERA) in January 2004 to independently oversee regulation of the electricity, water, gas and rail industries;
- the establishment of the Wholesale Electricity Market in September 2006, and the disaggregation of the former Western Power Corporation into four separate government-owned energy businesses as a key measure to encourage the entry of new participants into the electricity market;
- the introduction of full retail contestability in the Western Australian gas market on 31 May 2004, which essentially completed reform of the gas market;

- the introduction of more cost-reflective water pricing for residential customers from July 2007 to encourage efficient water use and water saving, as well as encourage appropriate investment. The ERA is now conducting annual pricing reviews; and
- a full review of the *Railways (Access) Code 2000* in 2005 to improve the efficiency of the State's railway infrastructure and create a fair and reasonable access regime for both access providers and seekers.

The Government has also made significant progress towards long-term reform of the Western Australian health system. This includes implementing key initiatives such as the Clinical Services Framework, Metropolitan Infrastructure Development Plan, and Regional Resource Centres in regional areas.

A substantial reconfiguration of public health services to support reform is progressing. This includes the redevelopment and expansion of Perth's general hospitals to enable the shift of non-tertiary care away from tertiary hospitals and to facilitate the provision of health care closer to where people live. In addition, complex and specialised tertiary services will be concentrated at the new Fiona Stanley Hospital and the future redeveloped Central Tertiary Hospital (QEII site).

State Infrastructure Strategy

To maximise the economic and social benefits from the provision of infrastructure throughout Western Australia, the Government has recognised the need to take a strategic and long-term approach to the determination of priorities that ensure timely supply of appropriate infrastructure capacity.

Current and future needs for economic and social infrastructure must be identified and a plan for the optimal delivery of this infrastructure developed. This plan is also able to provide for identification of appropriate contributions by the private sector and all tiers of government to the development of new and replacement infrastructure within the State that will support future growth.

Over the past two and a half years, the Western Australian Government has been working with the private sector and the general community to develop a State Infrastructure Strategy that will guide long-term infrastructure planning and delivery. The State Infrastructure Strategy, planned for release in mid-2008, is expected to include detail on the possible timing and potential location of infrastructure projects and programs across the State over the next 20 years.

Terms of Reference

The objectives of the State Infrastructure Strategy are to:

- engage the wider community and other tiers of government to identify existing and emerging infrastructure pressures throughout Western Australia over the next 10 to 20 years;

- bring together and articulate the infrastructure requirements and priorities of the State's public and private sectors over this period, enabling the private sector to identify investment opportunities;
- create a greater level of certainty about the priorities and timing of major infrastructure development that will allow better-informed decisions in both the public and private sectors;
- provide an infrastructure agenda that will facilitate engagement with the private sector and the Commonwealth Government to meet their share of responsibility for infrastructure provision; and
- ensure proposals for future investment are affordable and based on an appropriate mix of investment of skills from both the public and private sectors.

Process

The State Infrastructure Strategy has been developed by the State Infrastructure Strategy Working Group, made up of representatives from relevant State Government agencies, and overseen by the State Infrastructure Strategy Reference Group, comprising representatives from the private sector and the State and local governments.

Information on intentions to provide infrastructure over the next 20 years was sought from State Government agencies, the Federal Government, local governments, universities and the private sector.

The State Infrastructure Strategy White Paper will be the final product in the process of developing a strategy to address the State's infrastructure needs over the medium to long term. It will follow on from the Green Paper that was released in September 2006. The Green Paper was a framework document that set out processes for developing the Strategy and discussed policy and planning issues relevant to the provision of infrastructure in Western Australia. Thirty-seven public submissions were received in response to the Green Paper which, in addition to 70 others submitted earlier, were considered in developing the White Paper.

Infrastructure Challenges

The Strategy will identify a number of challenges for future infrastructure delivery. In this regard, the Strategy is being developed in the context of assumptions about macroeconomic conditions and broad infrastructure needs based on currently available information. Major changes in macroeconomic conditions, affordability and infrastructure needs that cannot be foreseen or rationally provided for at the present time may later impact on the range, scope and timeframe of projects that are ultimately delivered. In view of this it is anticipated that the Strategy will be periodically updated, potentially as often as every two years.

Other challenges to delivery of the Strategy that will be monitored over time include:

- project cost escalation and delays in delivery due to skilled labour shortages;

- promoting competition between infrastructure suppliers;
- regulation of infrastructure, including economic, technical and environmental regulation; and
- matters such as coordination of infrastructure, pricing of infrastructure services, funding of infrastructure, and achieving better alignment of infrastructure and land-use planning.

Scenario Planning

The State Infrastructure Strategy will be based heavily on a ‘business as usual’ outlook that reflects the most likely issues and trends that will develop or eventuate over the next 20 years, based on what is known at present.

However, it is not possible to anticipate or predict the State’s infrastructure needs over a 20 year period with absolute certainty. There is a significant risk that, over this period, economic conditions and demographic factors will not be consistent with the assumptions underpinning the Strategy’s ‘Base-Case’, and that the degree of importance and urgency of some issues and investment intentions will change.

It is also highly likely that the emergence of some of the forces capable of shaping economic conditions and demographic factors in the future will not be foreseen by the conventional strategic planning processes employed by government agencies and private firms. Political, environmental, social and technological forces may emerge quickly and without warning.

While it is intended that the State Infrastructure Strategy will be updated every two years to ensure that its relevance does not diminish as a result of outdated assumptions, it is important that the associated strategic planning processes possess some sensitivity to the possibility of unexpected trends, events and developments. This means that the processes should be able to recognise the emergence of these forces as early as possible, and factor them into the assumptions underpinning the State’s expected infrastructure needs.

Scenario planning, under which ‘alternative futures’ are visualised, is one way of augmenting strategic planning to achieve this.

As one of the objectives of the Strategy is improved infrastructure decision-making, a scenario planning exercise has been undertaken to help improve the capacity of subsequent updates of the Strategy to respond flexibly to the possible emergence of significant future trends or events.

Statement of Risks

Estimating Assumptions

The major economic parameters underlying the 2008-09 Budget are detailed in the following table.

Table 9

MAJOR ECONOMIC PARAMETERS						
Western Australia						
	2006-07 Actual ^(a) %	2007-08 Estimated Actual %	2008-09 Budget Estimate %	2009-10 Forward Estimate %	2010-11 Forward Estimate ^(f) %	2011-12 Forward Estimate ^(f) %
Real Gross State Product Growth ^(b)	6.3	7.5	6.25	5.75	4.5	4.5
Real State Final Demand Growth ^(b)	8.8	7.5	4.0	4.0	5.25	5.25
Employment Growth	2.5	3.75	2.5	2.25	2.5	2.5
Unemployment Rate	3.2	3.0	3.25	3.25	4.25	4.25
Wage Price Index Growth ^(c)	4.7	5.75	5.25	4.5	3.5	3.5
Average Weekly Earnings Growth ^(c)	9.6	8.5	6.0	5.5	4.75	4.75
Consumer Price Index Growth	3.9	3.25	3.25	3.0	2.75	2.75
Public Consumption Deflator	6.0	3.5	3.0	2.5	3.25	3.25
Oil Price (\$US per barrel)	67.1	98.3 ^(d)	95.9	93.7	93.1	93.1
\$A/\$US (cents)	78.6	92.5 ^(d)	92.5	92.5	92.5	92.5
Population Growth ^(e)	2.2	2.3	2.3	1.5	1.5	1.5

(a) Gross State Product (GSP) and State Final Demand (SFD) data are based on 2006-07 State Accounts data, released by the Australian Bureau of Statistics (ABS) in November 2007 (ABS Catalogue Number 5220.0); most other data are based on other various ABS data sources.

(b) In real (chain volume) terms, which abstract from price effects.

(c) The Wage Price Index is a better measure of underlying wages growth than Average Weekly Earnings, as it is designed to measure wage changes rather than levels, and is not influenced by changes in the composition of the workforce (unlike Average Weekly Earnings).

(d) Estimated average over the remainder of 2007-08.

(e) Growth in mean resident population over the year. Forecasts for 2007-08 and 2008-09 are based on the Commonwealth Treasury's *Mid-Year Economic and Fiscal Outlook* "GST payment pool" population projections for Western Australia, while for 2009-10, 2010-11 and 2011-12, the long-term historical growth rate has been used.

(f) Beyond 2009-10, forward estimates are not forecasts, but are generally projections based on long-term averages (usually 10 years). The only exception is the unemployment rate, which is based on a shorter period (the past four years).

Overall economic conditions are robust, and the State's economy has so far suffered few adverse effects from the global credit crunch and associated financial instability. As indicated by the economic growth forecasts in the table above, prospects for the Western Australian economy over the next few years are favorable.

However, the number and severity of risks to this outlook are greater than they have been for a number of years. The primary risks are: a more severe and widespread worldwide economic slowdown than is currently expected; falling commodity prices; a sharper than expected downturn in the Western Australian housing market; a drop in consumer spending and confidence; strong growth in wages and prices; a decline in business investment (if the credit squeeze, risk aversion and falling share prices impede businesses' capacity to raise capital); and unfavourable movements in exchange rates. Notably, most of these risk elements are currently being realised to some extent.

For further information on the State's economic outlook and associated risks, see Chapter 6: *The Western Australian Economy*.

Revenue Estimates

The revenue estimates are sensitive to changes in key economic parameters, including the \$A/\$US exchange rate, the price of crude oil and benchmark prices for iron ore. Approximate annual impacts of these changes are outlined in the following table⁹.

Table 10

APPROXIMATE PARAMETER SENSITIVITY OF REVENUE ESTIMATES
2008-09

	Variability (\$m)	Detail
Total mining revenue ^(a)	±36	For each US1 cent decrease/increase in the \$A/\$US exchange rate
Petroleum royalties ^(b)	±5	For each \$US1 increase/decrease in the price of a barrel of oil
Iron ore royalties ^(c)	±19	For each percentage point change in the growth rate of the price of a dry metric tonne of iron ore
Duty on transfers ^(d)	±28	For each percentage point change in the growth rate of average property prices

(a) Includes North West Shelf petroleum royalties.

(b) The petroleum sensitivity varies according to the strength of the relationship between crude oil prices and the price of LNG.

(c) This sensitivity is based on the assumption that prices will increase by 67% in the 2008-09 Japanese fiscal year. It gives an indication of the potential change in iron ore royalties due to any *subsequent* variation in the contract price of iron ore (i.e. arising from negotiation from 2009-10 Japanese fiscal year). To estimate the effect of any variation between actual and forecast prices in the 2008-09 Japanese fiscal year, the relevant sensitivity is \$12 million. Thus, if prices increase by say 75% in 2008-09 (instead of the assumed rise of 67%), this will increase royalties by approximately \$96 million (i.e. 8 times \$12 million).

(d) This estimate incorporates the effect of average price changes on the number of transactions within different tax brackets.

In addition to the above sensitivities, specific factors that are considered to represent a potential risk to the revenue estimates are discussed below.

State Taxes (\$6,576 million in 2008-09)

Forecasts of duty on transfers in this budget have been predicated on the basis of a flat outlook for house prices in 2008-09, and a modest increase in the level of total property market transactions.

⁹ These impacts are not mutually exclusive and vary over time in accordance with movements in the underlying level of each variable.

Duty on transfers is difficult to forecast due to underlying volatility in the State's property market. This difficulty is compounded by the substantial contribution of these duties to total taxation revenue. For instance, a 1% forecasting error in property prices in 2008-09 would give rise to a variation of around \$28 million between the forecast and the actual level of duty collected.

To the extent that weakness in the property market is more severe and prolonged than currently anticipated, there is a risk that the forecasts for this tax will not be realised in full.

Mining Revenue (\$3,423 million in 2008-09¹⁰)

The mining revenue estimates are particularly sensitive to movements in the \$A/\$US exchange rate, contract prices for iron ore, and oil price fluctuations (see Table 10).

The exchange rate and oil price assumptions underlying the budget estimates are based on average levels (of futures prices in the case of oil) in the lead-up to the budget cut-off date. Both the exchange rate and oil price are inherently volatile, for example:

- the \$A/\$US exchange rate ranged from US78.1 cents to US94.7 cents between 1 July 2007 and 1 April 2008 (as an illustration of this sensitivity, an exchange rate sustained at US94 cents would reduce general government revenue by an aggregate \$230 million over the forward estimates period); and
- the oil price (West Texas Intermediate crude) ranged from a low of \$US69 per barrel to around \$US110 per barrel over the same period.

The impact of oil price movements on petroleum royalties is also influenced by the extent of flow-through to the price of LNG exports. While the extent of the flow-through is not clear (as contractual arrangements for LNG prices are kept commercial-in-confidence), recent evidence suggests that this relationship has strengthened over the past year.

The outcome of annual iron ore price negotiations has a very significant influence on the level of mining revenue in Western Australia (iron ore royalties are expected to account for around 60% of total mining revenue over the period 2007-08 to 2011-12).

The benchmark price of iron ore is currently well above its long-term average, and is likely to fall over the medium term as new projects and capacity expansions come on-stream. The budget estimates assume that following an expected price hike of around 67%¹¹ in 2008-09 (Japanese fiscal year), prices will remain unchanged in 2009-10 and 2010-11, before dropping by 25% in 2011-12.

¹⁰ Including North West Shelf royalties and lease rentals.

¹¹ This is a weighted average of the price of 'fines' ore and higher-quality 'lump' ore, forecast to increase by 65% and 71% respectively (in the 2008-09 Japanese fiscal year).

In the short term, there are some upside risks in relation to the iron ore royalty estimates, with major producers in Australia currently seeking price increases greater than those secured by producers in Brazil (of between 65% and 71%). If local producers were successful in negotiating a price increase of say 75%, this would increase royalties by around \$96 million in 2008-09¹².

The longer-term risks to the iron ore price assumptions centre mainly on the outlook for global demand, and the timing and extent of expansions in global supply.

Aside from iron ore, a number of other commodities are currently trading above their long-term averages. The budget estimates factor in a decline in most of these commodities (including nickel, copper, zinc and gold)¹³ over the forward estimates period as producers increase supply in response to current high prices. The assumption of declining commodity prices over the forward estimates period is consistent with a number of commodity price forecasters, including the Australian Bureau of Agricultural and Resource Economics.

The timing and extent of the anticipated decline in commodity prices depends on changes in the balance between demand and supply for individual commodities on world markets. If demand grows more strongly or slowly than anticipated, or supply increases at a faster or slower pace, commodity prices may differ from that assumed in the estimates. In addition, the level of some commodity prices, notably gold and oil, may reflect the impact of geopolitical tensions or uncertainty in global financial markets. Any change in market sentiment in response to these events would likely be reflected in changes in commodity prices, with consequent impacts on the royalty estimates.

Expenses

Wages

There are a number of wage agreements applicable to significant occupational groups that have expired or are due to expire in the near future and are yet to be finalised, including the teachers' and TAFE lecturers' EBAs and the Civil Service Association's claim for State public servants.

In addition, other major wage agreements that have recently expired, or are due to do so over 2008, include those for Hospital Salaried Officers, Firefighters, and Public Transport Authority employees.

While the forward estimates include a provision for these EBAs (consistent with existing offers), there is a risk that the actual outcomes may be in excess of this provision, leading to an increase in expenses. As an example, a 1% increase in general government wages in 2008-09 results in an increase in general government salaries and superannuation costs of around \$80 million.

¹² See Table 9 for more information on the parameter sensitivities.

¹³ Futures prices have been used to set the price assumptions for nickel, copper, zinc and gold in 2008-09 and 2009-10.

Health Expense Pressures

The health sector has particular cost and demand pressures that make budgeting and expense management a challenging task. However, given the continued commitment by the Department of Health to rigorously pursue the implementation of the full package of health reforms and realise the benefits, combined with the provision of additional funding for core services and specific initiatives, the Department of Health is expected to fully manage budget shortfalls, if any. However, a risk going forward includes the renegotiation of the next round of health-related EBAs beginning in 2010-11.

Council of Australian Governments (COAG)

On 26 March 2008, the COAG acknowledged that the Commonwealth Government should be responsible for implementing its election commitments. In a number of the reports from Joint Commonwealth/State Working Groups, Commonwealth election commitments have been identified as having legitimate and additional financial implications for the States and Territories. In response to this issue, COAG agreed that consideration of these additional costs will be included in the work currently being undertaken by the Federal and State Treasurers in the final determination of the new generation Specific Purpose Payments at the end of 2008.

Child Protection/Mandatory Reporting

The Department of Child Protection has been experiencing above-average demand growth since 2006-07 and the Government has provided substantial additional funding to assist the Department meet this demand. The Department is expected to manage any budget shortfalls within its statutory responsibility. However, should the above-average demand growth continue, further expenditure across the forward estimates may need to be considered within the Government's overall financial priorities and objectives.

The implementation of mandatory reporting of child sexual abuse is subject to enactment of the *Children and Community Services Amendment (Reporting Sexual Abuse of Children) Bill 2007* in its present form. There is a risk that the Bill may be amended by the Parliament to increase the range of professions included as Mandated Reporters and/or the extent of child abuse covered, and accordingly further expenditure may be required to meet the associated increase in demand for services.

Capital Works

The prolonged period of strong economic growth and the tight labour market in Western Australia continues to place upward pressure on construction costs and the operational capacity in the contracting and sub-contracting markets. While the budget estimates are based on the latest available cost estimates, further cost increases could arise depending on the conditions and capacity in the construction sector.

The forward estimates allow for the impact of capital works projects that have been approved by the Government. The Capital Works Program includes some projects that are subject to confirmation of Commonwealth Government funding, finalisation of contract negotiations, and/or other events.

Contingent Liabilities

Contingent liabilities are costs that the Government will have to meet if particular events occur. Typically, contingent liabilities consist of guarantees, indemnities and sureties, as well as legal and contractual claims, and constitute a potential risk to the financial projections.

At 30 June 2007, quantifiable contingent liabilities of the Treasurer¹⁴ were in the order of \$604 million, comprising:

- contingent liabilities under guarantees, indemnities and sureties (\$519 million); and
- guaranteed warranties of the Bank of Western Australia Ltd (\$85 million at credit risk equivalent).

A range of unquantified contingent liabilities that the State may face at some future point are outlined in Note 36 to the Consolidated Financial Statements of the Government of Western Australia (see pp.126-129, 2006-07 *Annual Report on State Finances*). The following additional unquantified contingent liabilities have also arisen since the 2006-07 results were finalised.

- A number of contractual claims and disputes associated with major infrastructure contracts delivered by RailLink Joint Venture and Leighton Contractors Pty Ltd have yet to be resolved. These matters are the subject of ongoing commercial negotiations between these parties and the Public Transport Authority.
- Four contractual disputes between Leighton Contractors Pty Ltd and the Public Transport Authority have escalated to litigation in the Supreme Court of Western Australia. The most advanced of these matters is expected to be determined prior to 30 June 2008. No determination on any of the remaining matters is expected before the end of 2008.

In addition, the State has negotiated with the Australian Taxation Office (ATO) a full and final settlement of all tax exposures related to the Matrix Vehicle Leasing Transaction, which was terminated in November 2001. The settlement, including payment to the ATO of \$14 million, was completed in January 2008.

¹⁴ Excluding guaranteed borrowings and unfunded superannuation liabilities, which are identified as part of the liabilities determining net worth in the balance sheet of the total public sector.

CHAPTER 3

General Government Revenue

Overview

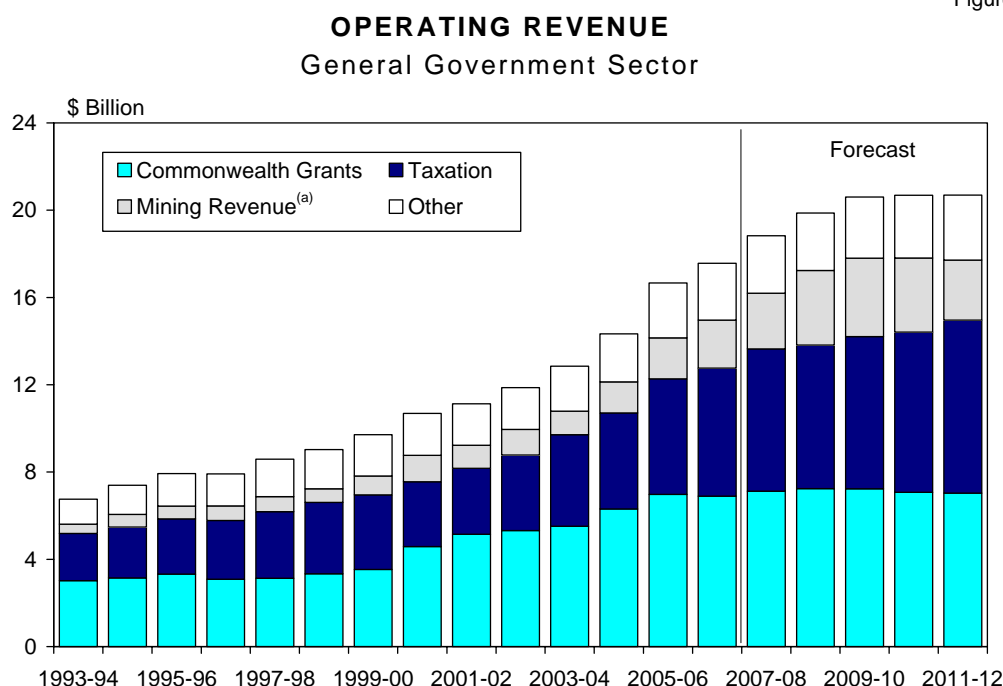
Although a moderation in residential property market activity is becoming increasingly evident, conditions in the domestic economy generally remain strong, creating a sound foundation for growth in general government revenue. Total revenue growth will be boosted in the short term by continuing strength in global commodity markets and resulting increases in mining royalties.

Overall, total operating revenue is forecast to grow by 5.5% in 2008-09. Partly offsetting the royalty revenue benefits of an assumed increase of 67% in benchmark iron ore prices is an expected decline in duty on transfers, with activity in the housing market likely to continue to soften after several years of exceptionally strong growth. The contribution of property taxes to revenue growth in this year is further tempered by the tax relief measures introduced in this budget.

The outyear revenue projections incorporate a significant moderation in growth from the current very high base, with total revenue forecast to increase by an average of only 1.4% a year. While the residential property market is expected to gather pace by the end of the projection period (driving an increase in transfer duty), mining royalties are expected to decline as commodity prices respond to expansions in global production.

A sharp decline in GST grant revenues is also expected to detract from revenue growth in the outyears. This is a consequence of the lagged adjustment process employed by the Commonwealth Grants Commission, which will penalise Western Australia for the current strength in mining revenues. By 2011-12, the annual level of GST grant revenue is forecast to be 18.8% (or \$759 million) lower than the expected level in 2007-08.

Figure 1



(a) Includes North West Shelf petroleum royalties, which are classified as a Commonwealth grant in the State's Uniform Presentation Framework financial statements at Appendix 1 (reflecting the Commonwealth's constitutional responsibility for off-shore areas), and lease rentals.

2007-08

The estimated outturn for total operating revenue in 2007-08 is expected to be 7.1% (or \$1.3 billion) higher than in 2006-07, with growth underpinned by strong increases in taxation revenue (up 11.1%) and mining revenue (up 15.7%).

Buoyant conditions in the labour market have supported strong growth in payroll tax in 2007-08, whilst property taxes are also expected to increase, notwithstanding the tax relief measures introduced in the 2007-08 Budget and emerging weakness in the residential property market.

Growth in mining revenue reflects higher commodity prices, especially for iron ore and petroleum. This has only been partly offset by adverse movements in the exchange rate.

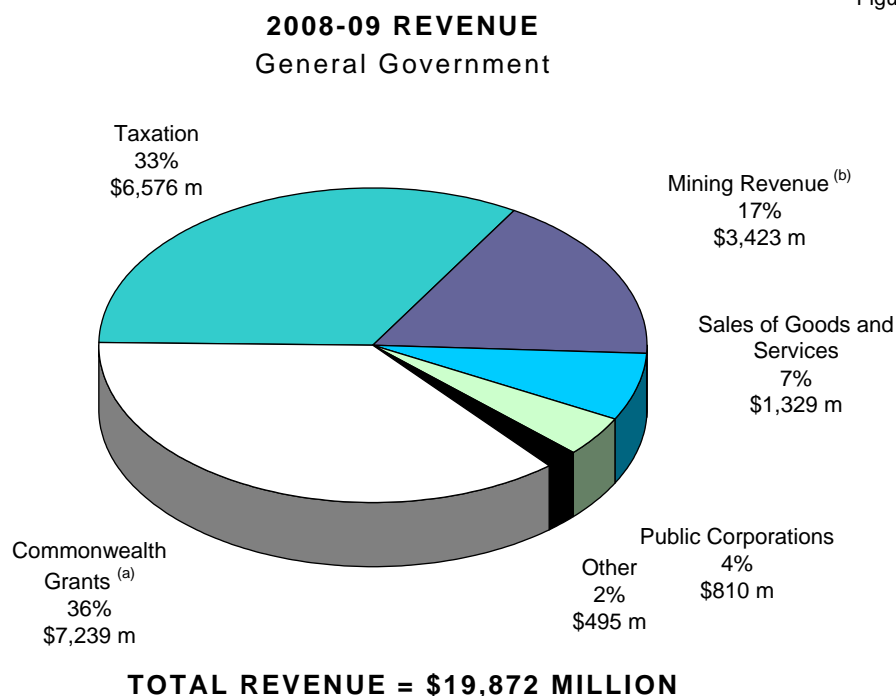
Strong gains in taxation and mining revenues are accompanied by more modest growth in other heads of revenue, including specific purpose payments (SPPs) (up 5.8%) and GST revenue grants (up only 1.8%) from the Commonwealth.

2008-09

Total operating revenue is expected to grow by 5.5% (or \$1.0 billion) to \$19.9 billion in 2008-09. The standout contributor to this rise is an estimated \$874 million increase in the value of mining revenue. Solid gains in specific purpose payments (up \$202 million) and taxation revenue (up \$57 million) will also contribute significantly.

As in previous years, Commonwealth grants (including GST revenue grants and SPPs) are expected to remain the largest source of total operating revenue (\$7.2 billion), followed by taxation revenue (\$6.6 billion), mining revenue (\$3.4 billion), sales of goods and services revenue (\$1.3 billion) and revenue from public corporations (\$810 million).

Figure 2



(a) Comprises GST revenue grants and specific purpose payments.

(b) Includes territorial mining royalties, North West Shelf petroleum royalties (which are classified as a Commonwealth grant in the State's Uniform Presentation Framework, reflecting the Commonwealth's constitutional responsibility for off-shore areas), and lease rentals.

Mining revenue is forecast to grow by 34.3% in 2008-09, underpinned by an assumed 67% hike in the benchmark price of iron ore and solid gains in production. Iron ore royalties are forecast to account for more than 90% of the estimated increase in total mining revenues in 2008-09, and around 77% of the total increase in general government operating revenue.

SPPs are also expected to increase strongly in 2008-09, supported by growth in roads grants and assistance to non-government schools.

Modest growth in taxation revenue is anticipated in 2008-09 (up 0.9%). Conditions in the State's domestic economy are expected to remain strong, supporting growth in payroll tax and insurance duty. Partly offsetting these gains, however, is an expected decline in transfer duty due to weaker activity in the property market, and the tax relief measures introduced in this budget.

GST revenue grants are also expected to detract from growth in 2008-09.

GENERAL GOVERNMENT Operating Revenue

Table 1

	2006-07 Actual	2007-08 Estimated Actual	2008-09 Budget Estimate	2009-10 Forward Estimate	2010-11 Forward Estimate	2011-12 Forward Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
Taxation	5,867	6,519	6,576	6,973	7,348	7,927
Growth (%)	10.8	11.1	0.9	6.0	5.4	7.9
GST revenue	3,968	4,040	3,957	3,822	3,502	3,281
Growth (%)	4.0	1.8	-2.1	-3.4	-8.4	-6.3
Other Commonwealth grants to Western Australia ^(a)	2,147	2,311	2,429	2,515	2,607	2,739
Growth (%)	-11.7	7.6	5.1	3.5	3.7	5.1
SPPs 'through' the State ^(b)	779	773	854	901	958	1,017
Growth (%)	6.6	-0.8	10.4	5.6	6.2	6.3
Sales of goods and services	1,232	1,272	1,329	1,390	1,452	1,517
Growth (%)	9.9	3.3	4.5	4.5	4.5	4.5
Interest Income	246	256	252	258	273	236
Growth (%)	44.9	4.1	-1.7	2.5	5.6	-13.3
Revenue from public corporations						
Dividends	421	491	476	536	543	574
Growth (%)	-21.1	16.5	-7.0	12.5	1.3	5.7
Tax equivalent payments	319	332	334	367	363	404
Growth (%)	1.2	4.2	0.7	9.9	-1.2	11.3
Royalties ^(c)	2,141	2,490	3,366	3,542	3,345	2,701
Growth (%)	18.0	16.3	35.2	5.2	-5.6	-19.3
Other	453	345	300	297	298	298
Growth (%)	3.1	-24.0	-12.9	-1.1	0.2	-0.1
Total	17,573	18,829	19,872	20,600	20,687	20,694
Growth (%)	5.4	7.1	5.5	3.7	0.4	0.0

(a) Other Commonwealth grants to Western Australia comprise SPPs 'to' the State and National Competition Policy payments.

(b) SPPs 'through' the State include payments distributed to local government and private schools.

(c) Royalties comprise the UPF 'royalty income' revenue category plus North West Shelf petroleum royalties.

Note: Columns may not add due to rounding.

2009-10 Onwards

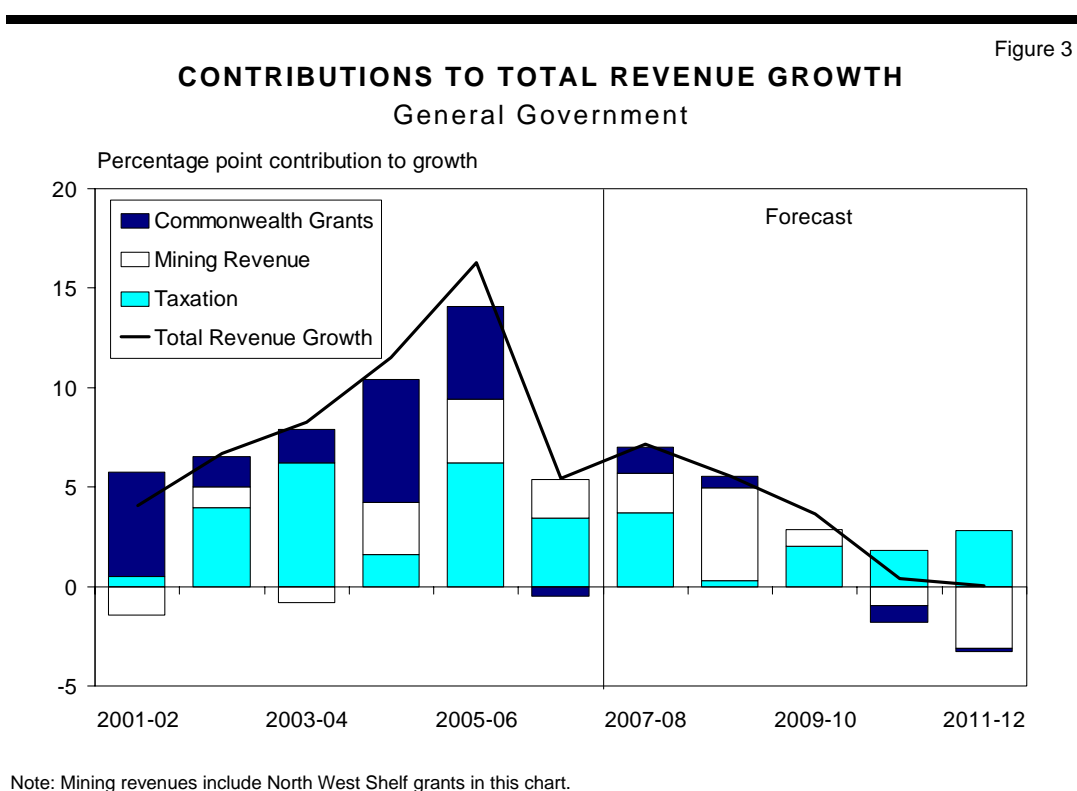
There are significant compositional changes in the State's revenue stream projected over the period 2009-10 to 2011-12.

Taxation revenue is forecast to grow by an average of 6.4% a year, supported by a recovery in residential property market activity, and expectations of continued robust activity in other segments of Western Australia's domestic economy.

However, a number of factors are likely to constrain growth over this period, including:

- a continued substantial decline in Western Australia's share of GST revenue grants, due to the lagged impact of current strength in the State's mining royalty revenue base relative to other States; and
- an expected reduction in mining revenue in both 2010-11 and 2011-12. Consistent with futures markets (where applicable) and forecasts by external commodity analysts, including the Australian Bureau of Agricultural and Resource Economics (ABARE), commodity prices are projected to fall in the long-term after several years of very strong growth.

GST revenue grants are projected to fall from an estimated \$3.8 billion in 2009-10 to around \$3.3 billion in 2011-12. Over the same period, the annual level of mining royalty income is expected to drop by around \$841 million. These factors are expected to largely offset the increase in taxation revenue (see Figure 3).



Overall, total operating revenue is projected to grow at a modest average rate of 1.4% a year over the period 2009-10 to 2011-12, considerably lower than the average growth rate in recent years (2002-03 to 2006-07) of 9.7% per annum.

A more detailed breakdown of total operating revenue estimates by source of revenue, consistent with the Uniform Presentation Framework revenue categories, is provided in Appendix 2: *General Government Operating Revenue*.

The remainder of this chapter focuses on taxation relief measures in this budget, and the detailed basis for the revenue estimates through to 2011-12 in each of the major revenue categories. Information on major tax and royalty exemptions and concessions is included in Appendix 6: *Tax and Royalty Expenditure Statement*.

Revenue Relief Measures

Summary

Table 2 summarises the impact on total operating revenue of the tax relief measures included in the 2008-09 Budget. These measures will assist housing affordability by reducing duty on residential property transfers and the impact of higher land values on land tax on rental properties. They will also deliver benefits to businesses through payroll tax reforms and the land tax changes. Families and businesses who are intending to purchase vehicles valued between \$20,000 and \$50,000 in the near term will also benefit from a bringing forward of a scheduled \$5,000 increase in motor vehicle licence duty thresholds by six months to 1 July 2008.

Table 2

SUMMARY OF TAX RELIEF MEASURES IN THE 2008-09 BUDGET					
	2008-09 Budget Estimate \$m	2009-10 Forward Estimate \$m	2010-11 Forward Estimate \$m	2011-12 Forward Estimate \$m	Four Year Total \$m
Transfer Duty					
Introduce concessional scale for residential property transactions from 1 July 2008	-104	-119	-127	-137	-487
Land Tax and MRIT					
Increases in thresholds and cuts in rates	-120	-132	-145	-161	-558
Payroll Tax					
Harmonisation and associated relief measures	-2	-50	-54	-58	-164
Motor Vehicle Duty					
Bring forward the scheduled \$5,000 increase in thresholds by six months to 1 July 2008	-12	-	-	-	-12
TOTAL	-238	-301	-326	-356	-1,221

Note: Columns may not add due to rounding.

In addition, the Government will implement a range of measures which have negligible costs but will serve to enhance the equity and efficiency of the taxation system. These measures were either recommended in the Final Report of the State Tax Review (released after the 2007-08 Budget) or will address issues in areas where more recent developments have indicated there is a need to improve the clarity of the taxation laws.

A 'variation of statute' mechanism is also to be implemented so that in future there will be more flexibility to administer tax scale changes from the day of announcement (i.e. from budget day).

Transfer Duty – Concessional Scale for Residential Property

From 1 July 2008, a concessional transfer duty scale will be introduced for residential property transfers. This scale will apply to principal places of residence, rental properties and land on which the building of a residence is subsequently commenced within five years. Compared to the current general transfer duty scale under the *Stamp Act*, the concessional scale for residential property will incorporate:

- an average 47% increase in value thresholds (ranging from 44% for the upper thresholds to 50% for the lower thresholds); and
- the average 5% reduction in transfer duty rates (for all property transactions) that will take effect from 1 July 2008 under the *Duties Act*, which was recently passed by the Parliament.

The existing first home owner concessions (exempting purchases of vacant land up to \$300,000 and established homes up to \$500,00) will remain in place. The existing 1.5% rate concession for low value principal places of residence up to \$100,000 will continue until its scheduled abolition on 1 July 2010.

Table 3

TRANSFER DUTY SCALES**NEW CONCESSIONAL SCALE FOR RESIDENTIAL PROPERTY
(FROM 1 JULY 2008)**

Property Value \$'000	Base Amount at Threshold \$	Marginal Rate on Excess %
0 – 120	0	1.90
120 – 150	2,280	2.85
150 – 360	3,135	3.80
360 – 725	11,115	4.75
Over 725	28,453	5.15

**GENERAL SCALE
(CURRENT STAMP ACT SCALE AND DUTIES ACT SCALE)**

Current Stamp Act (Ceases 1 July 2008)			Duties Act (From 1 July 2008)		
Property Value \$'000	Base Amount at Threshold \$	Marginal Rate on Excess %	Property Value \$'000	Base Amount at Threshold \$	Marginal Rate on Excess %
0 – 80	0	2.00	0 – 80	0	1.90
80 – 100	1,600	3.00	80 – 100	1,520	2.85
100 – 250	2,200	4.00	100 – 250	2,090	3.80
250 – 500	8,200	5.00	250 – 500	7,790	4.75
Over 500	20,700	5.40	Over 500	19,665	5.15

Table 4 provides a comparison of the duty amounts payable on residential properties (not including purchases of first homes) under the current general duty scale in the *Stamp Act*, the general transfer duty scale in the *Duties Act* and the new concessional scale for residential property. For a median priced home of \$457,000 (estimated as at March quarter 2008), the duty payable will fall by 15.2% from \$18,550.00 to \$15,722.50 (a reduction of \$2,827.50).

Table 4

TRANSFER DUTY PAYABLE ON RESIDENTIAL PROPERTY

Value	Current Scale	Duties Act Scale	Residential Concession Scale	Change On Current Scale	
				\$	%
\$	\$	\$	\$		
100,000	2,200	2,090	1,900	-300	-13.6
200,000	6,200	5,890	5,035	-1,165	-18.8
300,000	10,700	10,165	8,835	-1,865	-17.4
400,000	15,700	14,915	13,015	-2,685	-17.1
457,000^(a)	18,550	17,623	15,723	-2,828	-15.2
500,000	20,700	19,665	17,765	-2,935	-14.2
600,000	26,100	24,812	22,515	-3,585	-13.7
700,000	31,500	29,965	27,265	-4,235	-13.4
800,000	36,900	35,115	32,315	-4,585	-12.4
900,000	42,300	40,265	37,465	-4,835	-11.4
1,000,000	47,700	45,415	42,615	-5,085	-10.7
5,000,000	263,700	254,415	248,615	-15,085	-5.7
25,000,000	1,343,700	1,281,415	1,278,615	-65,085	-4.8

(a) March quarter 2008 median house price.

Note: Numbers are rounded to nearest dollar amount.

Table 5 provides a comparison of duty payable on residential property for a median priced house in each State capital city. While some other States have concessional scales for principal places of residence (and for first home buyers), Western Australia's will be unique in extending to rental housing.

TRANSFER DUTY ON MEDIAN PRICED HOMES^(a)								Table 5
	Perth		Syd.	Melb.	Bris.	Adel.	Hob.	WA's
	Current	Revised						Ranking
Median House Price \$	457,000		551,000	485,000	410,000	350,000	330,000	4 th Lowest
Transfer Duty \$								
– Principal Place of Residence	18,550	15,723	20,285	21,910	6,350	13,830	10,750	4 th Lowest
– Other Residential (includes investment/ rental properties)	18,550	15,723	20,285	24,760	12,825	13,830	10,750	4 th Lowest
– First Home Owner^(b)	-	-	11,470	21,760	4,050	13,830	6,750	Lowest

(a) Preliminary March quarter 2008 median-house price is shown for Perth. Latest available data for other States (at the Budget cut-off date) is for the December quarter 2007.

(b) In Victoria, first home owners are eligible for a first home bonus for homes purchased up to \$500,000. For established homes the bonus is \$3,000. For new homes, the bonus is valued at \$5,000.

Land Tax and MRIT – Scale Adjustments

The Valuer General has provided preliminary advice that unimproved land values for the 2008-09 land tax assessment year will increase by an average of around 29% on 2007-08 values for properties above the current land tax exemption threshold of \$250,000. With no change to the scales, the resulting estimated increase in land tax and metropolitan region improvement tax (MRIT) revenues in 2008-09 would be much higher than the average growth in land values.

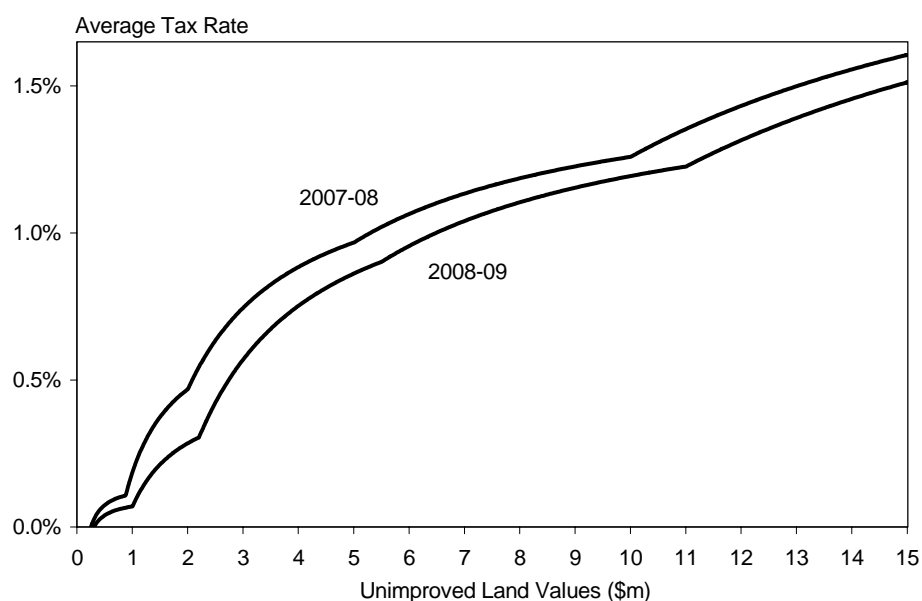
The new 2008-09 land tax and MRIT scales will, on average, offset the impact of 'bracket creep' through a combination of an average 13% increase in all thresholds (ranging from 20% for the minimum thresholds to 10% for the two highest thresholds for land tax), 33% reductions in the two lowest marginal land tax rates (applying to properties valued up to \$2.2 million under the new scale) and reducing the MRIT rate by 17% (from 0.18% to 0.15%). As a result, the increase in total land tax and MRIT revenue in 2008-09 will be around 29%, broadly the same as the average increase in land values. The increase in the minimum threshold to \$300,000 (for both land tax and MRIT) also reduces the number of taxpayers by about 26,600, compared to if the threshold remained unchanged at \$250,000.

Table 6

LAND TAX AND MRIT SCALES

2007-08 Scales			2008-09 Scales		
Unimproved Value of Land \$'000	Base Value at Threshold \$	Marginal Rate on Excess %	Unimproved Value of Land \$'000	Base Value at Threshold \$	Marginal Rate on Excess %
LAND TAX			LAND TAX		
0 - 250	Nil	Nil	0 - 300	Nil	Nil
250 - 875	Nil	0.15	300 - 1,000	Nil	0.10
875 - 2,000	938	0.75	1,000 - 2,200	700	0.50
2,000 - 5,000	9,375	1.30	2,200 - 5,500	6,700	1.30
5,000 - 10,000	48,375	1.55	5,500 - 11,000	49,600	1.55
Over 10,000	125,875	2.30	Over 11,000	134,850	2.30
MRIT			MRIT		
0 - 250	Nil	Nil	0 - 300	Nil	Nil
Over 250	Nil	0.18	Over 300	Nil	0.15

Figure 4

LAND TAX SCALE

The total cost of the revised land tax and MRIT scales (i.e. the additional revenue which would be collected if there were no changes to the scale) is estimated to be \$120 million in 2008-09 and \$558 million over four years.

Table 7 compares the land tax payable under the 2007-08 and 2008-09 scales.

Table 7

LAND TAX PAYABLE – WESTERN AUSTRALIA

Value	2007-08 Scale	2008-09 Scale	Change	
\$	\$	\$	\$	%
300,000	75	0	-75	-100
400,000	225	100	-125	-56
500,000	375	200	-175	-47
600,000	525	300	-225	-43
700,000	675	400	-275	-41
800,000	825	500	-325	-39
900,000	1,125	600	-525	-47
1,000,000	1,875	700	-1,175	-63
5,000,000	48,375	43,100	-5,275	-11
10,000,000	125,875	119,350	-6,525	-5
25,000,000	470,875	456,850	-14,025	-3

Note: Numbers are rounded to nearest dollar amount.

Table 8 compares the land tax scales in each State and the ACT. Western Australia generally has lower land tax than the other States for property values up to \$10 million.

Table 8

LAND TAX PAYABLE AS AT 1 JULY 2008 ^(a)**NEW SOUTH WALES, VICTORIA AND QUEENSLAND**

Value	WA	NSW		VIC		QLD	
	General	General	Companies	General	Special Trusts	Persons	Companies
\$'000	\$	\$	\$	\$	\$	\$	\$
100	-	-	1,600	-	375	-	-
200	-	-	3,200	-	750	-	-
300	-	-	4,800	400	1,275	-	-
400	100	756	6,400	600	1,850	-	3,000
500	200	2,356	8,000	800	2,425	-	4,500
1,000	700	10,356	16,000	3,480	6,980	5,875	12,375
5,000	43,100	74,356	80,000	79,980	79,980	62,500	75,000
10,000	119,350	154,356	160,000	204,980	204,980	125,000	150,000
25,000	456,850	394,356	400,000	579,980	579,980	312,500	375,000

SOUTH AUSTRALIA, TASMANIA AND THE ACT

Value	SA	TAS	ACT		WA's Ranking
	General	General	Residential	General	
\$'000	\$	\$	\$	\$	
100	-	463	673	-	Equal Lowest
200	270	1,013	1,693	270	Equal Lowest
300	570	1,563	2,905	570	Equal Lowest
400	1,070	2,838	4,305	1,070	2 nd Lowest
500	1,770	4,838	5,705	1,770	2 nd Lowest
1,000	11,420	16,088	12,705	11,420	Lowest
5,000	159,420	116,088	68,705	159,420	Lowest
10,000	344,420	241,088	138,705	344,420	Lowest
25,000	899,420	616,088	348,705	899,420	4 th Lowest

(a) Based on sources of other jurisdictions as at budget cut-off date. The NT does not levy land tax but has been excluded from the rankings.

Payroll Tax - Harmonisation Measures

In 2006, Western Australia initiated and led a major multilateral project with other States and Territories which examined the scope for harmonisation of eight areas of payroll tax 'administration'. The final recommendations were endorsed by State and Territory Treasurers in March 2007 and included in the "early harvest" components of the new business regulation reform agenda of the Council of Australian Governments (COAG).

The timing of the implementation in Western Australia of the harmonisation of the eight areas covered by the multilateral project (and the key changes involved) will be:

From 1 July 2008:

- timing of lodgements – extending the due date for June returns from 7 July to 21 July and bringing forward the due date for annual reconciliation payments from 31 August to 21 July (the due date for other monthly returns remains the 7th day of the following month, as is the case in other States);
- accommodation allowances exemption – adopting the "lowest salary band/lowest capital city" rate prescribed by the Australian Taxation Office (ATO) for income tax purposes (these are higher than current exemption rates in Western Australia for payroll tax purposes);
- vehicle allowances exemption – adopting a mechanism to automatically adopt the "large car" rate prescribed by the ATO for income tax purposes (annual regulations are currently required to implement this rate);
- treatment of fringe benefits – taxing only that part of a living-away-from-home allowance that is a fringe benefit and adopting the ATO's "otherwise deductible" rule and only its "type 2" gross-up factor (currently a "type 1" factor may also be used) when calculating the value of fringe benefits (these will reduce the calculated value of fringe benefits for payroll tax purposes for some taxpayers);
- employee share acquisition schemes – introducing flexible liability dates (grant date or vesting date) and provision for refunds of tax paid on shares which do not vest in an employee, and deeming the wages to be paid in the jurisdiction where the entity providing the shares is incorporated (in circumstances where it is difficult to determine in which jurisdiction the services have been performed);
- services performed outside a jurisdiction – extending the exemption for services performed in another country to include the wages paid in the first six months (current exemption is only for wages paid after the first six months); and
- superannuation contributions – introducing provisions to specifically clarify that non-monetary contributions and contributions paid on behalf of non-working directors are taxable (these are already taxable in Western Australia but some other States have specific provisions).

From 1 July 2009:

- grouping provisions - introduce a Commissioner of State Revenue's discretion to de-group commonly controlled businesses which operate substantially independently of each other and provisions for the tracing of ownership which take into account direct and indirect interests (to address complex business structures which may otherwise result in corporations avoiding grouping).

These measures will improve the equity of payroll tax and reduce complexity and compliance costs for all businesses. While the main beneficiaries in terms of reduced complexity will be businesses operating in Western Australia and one or more of the other States, those businesses only operating within Western Australia will also share the benefits of reduced payroll tax liabilities and streamlined compliance processes (such as the closer alignment of allowances with the ATO's rates).

Under the harmonised grouping provisions, commonly controlled businesses that operate independently of each other may no longer be denied the benefit of the payroll tax exemption threshold, delivering a payroll tax saving for de-grouped businesses of up to \$41,250 each year, and helping to ensure competitive neutrality with stand-alone businesses operating in the same industry. It is estimated that around 2,900 businesses that are grouped under the existing common control provisions will benefit from harmonisation of these arrangements with other States. The nature of these businesses is varied, but many are family-based retail and service enterprises.

The harmonisation measures that will be implemented from 1 July 2008 are estimated to cost around \$2 million in 2008-09 and \$8 million over the four years to 2011-12. The greater part of this cost (around \$1.3 million per annum) is due to the adoption of the ATO's type-2 gross up factor for fringe benefits.

The harmonisation of grouping provisions from 1 July 2009 is estimated to have a revenue cost of around \$48 million in 2009-10 and \$156 million over the three years to 2011-12. The later commencement date will provide more time to put supporting processes in place to help ensure that the new legislative provisions can be administered consistently with other States from the first day of operation (the Office of State Revenue will receive additional funding of \$2 million over three years to administer the new provisions).

Vehicle Licence Duty – Bring Forward Increase in Thresholds

In the 2007-08 Budget, the Government announced that motor vehicle duty thresholds would be increased by \$10,000 in two tranches – an initial \$5,000 increase on 1 July 2007 and a second \$5,000 increase on 1 January 2009.

The second of the \$5,000 increases will now be brought forward to take effect from 1 July 2008, involving a one-off cost of \$12 million in 2008-09.

The changes to the duty scale are illustrated in the following table.

Table 9

VEHICLE LICENCE DUTY RATE SCALE

Rates	Thresholds		
	Pre-1 July 2007	From 1 July 2007	From 1 July 2008 (was 1 Jan 2009)
2.75%	Under \$15,000	Under \$20,000	Under \$25,000
2.75% - 6.5% (Sliding Scale)	\$15,000 - \$40,000	\$20,000 - \$45,000	\$25,000 - \$50,000
6.50%	Over \$40,000	Over \$45,000	Over \$50,000

Taken together, the two tranches of threshold increases target relief to vehicles valued between \$15,000 and \$50,000, which accounts for around 60% of annual new vehicle licence transfers and includes typical ‘family vehicles’ such as Commodores and Falcons. The expected stamp duty savings for consumers are illustrated in the table below.

Table 10

VEHICLE LICENCE DUTY PAYABLE AND SAVINGS ON SELECTED VALUES

Price \$	Duty Payable			Total Duty Savings	
	Pre-1 July 2007 \$	From 1 July 2007 \$	From 1 July 2008 \$	\$	%
5,000	138	138	138	0	0
10,000	275	275	275	0	0
15,000	413	413	413	0	0
20,000	700	550	550	-150	-21
25,000	1,063	875	688	-375	-35
30,000	1,500	1,275	1,050	-450	-30
35,000	2,013	1,750	1,488	-525	-26
40,000	2,600	2,300	2,000	-600	-23
45,000	2,925	2,925	2,588	-337	-12
50,000	3,250	3,250	3,250	0	0

Table 11 provides an updated interstate comparison of the annualised cost of motor vehicle fees and charges (including compulsory third party insurance premiums).

Table 11

MOTOR VEHICLE LICENCE FEES (\$) ^(a)									
	WA	NSW	VIC	QLD	SA	TAS	ACT	NT	WA's Ranking
Holden Commodore ^(b)	\$	\$	\$	\$	\$	\$	\$	\$	
Motor vehicle licence fees	218.60	322.00	172.80	320.50	186.00	179.50	359.00	152.00	4 th Highest
Compulsory third party (CTP) insurance	235.59	331.00	366.00	264.40	382.00	338.00	396.60	387.55	Lowest
Duty on CTP insurance	23.56	0.00	36.60	0.10	60.00	6.00	0.00	38.75	4 th Highest
Admin/recording fee	12.15	51.00	0.00	0.00	21.00	0.00	66.50	8.40	4 th Highest
Total	489.90	704.00	575.40	585.00	649.00	523.50	822.10	586.70	Lowest
Duty (annualised over 5 years)	332.47	220.74	183.95	257.53	282.32	249.38	220.74	220.74	Highest 4 th
Total	822.37	924.74	759.35	842.53	931.32	772.88	1,042.84	807.44	Lowest

(a) From 1 July 2008. Based on data available from other jurisdictions as at 11 April 2008.

(b) Based on a six cylinder Holden Commodore with a tare weight of 1,622 kg.

Other Measures

Variation of Statute

As part of the 2008-09 Budget legislation, the Government will be amending the taxation statutes to enable (in future budgets) a new tax scale to be implemented and administered from the day of announcement (subject to passage of legislation within six months of gazettal of a relevant notice by the Minister).

This will provide the flexibility to avoid current and past circumstances where, for a short period following announced adjustments to conveyance duty scales, property buyers may:

- if the new scale does not apply from the day of announcement, opt to defer their purchases for several weeks; or
- if the scales do apply from the day of announcement, be required to pay conveyance duty under the old scale and then have to wait to receive a refund when the relevant backdated legislation has been passed by the Parliament.

While the potential impacts on market activity are acknowledged, the fact that transfer duty reductions announced in this Budget will commence from 1 July 2008 rather than immediately is to avoid the latter difficulty. It will also allow more time to settle the final details and administrative requirements of the new duty arrangements for residential property transactions.

Other

The following recommendations of the State Tax Review will be implemented from 1 July 2008 (further details are provided in the Final Report of State Tax Review, which is available on the internet at www.statetaxreview.wa.gov.au).

Land Tax - Exemption for Principal Places of Residence: recognising rights to a principal place of residence under a will; removing the 'no rent' condition for independent accommodation provided by relatives of disabled persons; and linking eligibility of disabled persons to the Commonwealth's criteria for the disability support pension (this will also extend to rebates and concessions funded by the State on local government rates and charges, rebates and concessions).

Tax Administration: improve administration of small tax credits; provide the Commissioner with the power to make compromise assessments; provide the Commissioner with the power to place a memorial on a mining tenement; clarify that a memorial covers subsequent increases in the amount of a tax liability; and introduce measures to support the administrative practice of giving verbal extensions of time, of one month or less, to pay land tax.

The following technical measures will also be implemented from 1 July 2008 to improve the clarity of the taxation laws in certain areas.

Land Tax: provision for reassessment of 50% caravan park concession (to ensure the concession can be extended to caravan park owners who did not apply for an initial determination of eligibility by the Commissioner of State Revenue when the concession was introduced in 2005-06); clarify the exemption for public purposes (such as for a zoo or agricultural show); and clarify the exemption for two or more lots of land which are being used as a single integrated principal place of residence.

Tax Administration: clarify that disposition of land does not relieve the assessed owner (i.e. the vendor when the land is sold) from any outstanding land tax obligation.

Taxation Revenue Estimates

Summary

Table 12 summarises the budget projections for State taxes, incorporating the revenue measures outlined above.

The estimated outturn for taxation revenue in 2007-08 is expected to total \$6.5 billion, \$652 million or 11.1% higher than in 2006-07. This increase reflects substantial growth in payroll tax and another solid rise in property transfer duty. This higher than forecast revenue was achieved despite the tax relief measures introduced in the 2007-08 Budget and emerging weakness in the residential property market.

Growth in taxation revenue is expected to moderate significantly in 2008-09, mainly on the back of a decline in transfer duty from residential property – the combined effect of tax cuts and a softening in the market. However, this is expected to be offset by continued robust activity in other sectors of Western Australia's domestic economy, which should result in solid growth in payroll tax and insurance duty. Overall, taxation revenue is forecast to grow by 0.9% in 2008-09.

Over the outyears, total taxation revenue is projected to grow by an average of 6.4% a year. The return to solid growth incorporates an expectation of a gradual recovery in residential property market activity.

Table 12

TAXATION REVENUE
Western Australia

	2006-07 Actual \$m	2007-08 Estimated Actual \$m	2008-09 Budget Estimate \$m	2009-10 Forward Estimate \$m	2010-11 Forward Estimate \$m	2011-12 Forward Estimate \$m
TAXES OF EMPLOYERS' PAYROLL						
Payroll tax	1,610	1,963	2,129	2,267	2,464	2,671
<i>Growth (%)</i>	18.8	22.0	8.5	6.5	8.7	8.4
TAXES ON PROPERTY						
Duty on transfers	2,079	2,294	2,092	2,175	2,156	2,312
Stamp duty on mortgages	121	116	10	-	-	-
Land tax	394	426	563	615	678	744
Metropolitan Regional Improvement Tax	65	78	86	94	104	114
Other	179	168	174	187	197	205
<i>Total</i>	2,838	3,082	2,924	3,072	3,136	3,375
<i>Growth (%)</i>	7.1	8.6	-5.1	5.0	2.1	7.6
TAXES ON GAMBLING						
Lotteries Commission	112	111	114	117	121	124
Casino tax	77	78	81	84	87	90
TAB Betting tax	69	32	35	37	40	43
Other	-	1	1	1	1	1
<i>Total</i>	259	221	230	239	248	258
<i>Growth (%)</i>	14.0	-14.5	4.1	3.9	3.8	3.8
TAXES ON INSURANCE						
Insurance duty	309	353	388	427	470	517
Other	27	27	18	18	19	19
<i>Total</i>	336	380	406	445	489	536
<i>Growth (%)</i>	2.9	13.0	6.9	9.7	9.8	9.7
MOTOR VEHICLE TAXES						
Vehicle licence duty	393	396	376	415	450	500
Motor vehicle registrations	396	439	465	489	514	538
Other	36	38	44	46	47	49
<i>Total</i>	825	873	886	950	1,011	1,087
<i>Growth (%)</i>	12.1	5.8	1.5	7.2	6.4	7.5
TOTAL TAXES	5,867	6,519	6,576	6,973	7,348	7,927
<i>Growth (%)</i>	10.8	11.1	0.9	6.0	5.4	7.9

Note: Columns may not add due to rounding.

DTF Revenue Forecasting Performance

In 2005-06, the Department of Treasury and Finance (DTF) undertook a major review of its revenue forecasting, focussing on forecasting methodology, governance, resourcing and communication, with the objective of making the forecasting process more informed, systematic and transparent.

The recommendations of the review have been implemented progressively, including:

- internal restructuring and dedicated resourcing to better reflect the importance of DTF's forecasting functions;
- wider and more frequent consultation with industry experts on the outlook for the property market and associated taxes;
- the adoption of futures market contract prices as the basis for the oil price assumptions (more recently this approach has been extended to certain other commodities);
- research and development of a new, more comprehensive model for forecasting Western Australia's future share of GST revenues; and
- research and development of statistical models of the State's major taxes, linking growth more robustly to past trends and to economic drivers.

While forecasting revenue in periods of exceptional, and potentially volatile, economic performance remains a challenge, there has been a significant improvement in DTF's revenue forecasting performance.

DTF's revenue forecasting error in 2006-07 was 5.7%, which is substantially lower than the 18.6% error in 2005-06. The forecasting error in 2006-07 was also below the weighted-average forecasting error in other States of 6.9%.

Detail

Payroll Tax

Payroll tax is expected to grow by 22.0% in 2007-08, following an increase of 18.8% in 2006-07. Robust conditions in the State's labour market have been the key driver of growth over this period, with average weekly earnings growing by an estimated average rate of 9.0% per annum over the past two years.

Growth in payroll tax is forecast to moderate to 8.5% in 2008-09, and average 7.9% a year between 2009-10 and 2011-12. This growth profile partly reflects the cost of the payroll tax harmonisation changes introduced in this budget. It is also consistent with expectations of a slight moderation in labour market activity, with growth in both employment and average weekly earnings expected to settle at long-term average rates in the outyears (for more information, see Chapter 6: *The Western Australian Economy*).

Taxes on Property

Despite recent weakness in the State's residential property market, duty on transfers is expected to grow by 10.3% in 2007-08. In part, this is due to buoyant activity in the industrial and commercial property markets, and an associated rise in the prevalence of high-value transactions. Tax collections in 2007-08 also received a major boost from a very large one-off transfer producing duty of around \$140 million. Abstracting from this single transaction, estimated growth in duty on transfers in 2007-08 is a more modest 3.5%.

In 2008-09, the residential property market is expected to be characterised by:

- flat house prices, with downward pressure resulting from current low levels of affordability and recent interest rate hikes expected to be offset by continued growth in household incomes and the State's high population growth; and
- a modest increase in the volume of property transactions, following a decrease in activity over the past two years.

Overall, property transfer duty is forecast to decline by 8.8% in 2008-09. Aside from expectations of subdued activity in the residential property market, this also reflects the tax relief measures introduced in this budget, and the 'base effect' of the large one-off transaction in 2007-08.

Aside from the tax relief measures announced in this budget, previous policy decisions will also detract from growth in property taxes over the budget period. These include the abolition of stamp duty on mortgages from 1 July 2008, and the removal of duty on non-real business transfers from 1 July 2010.

The outyear projections for transfer duty are based on expectations of a gradual recovery in property market activity. Abstracting from policy measures, duty on transfers is expected to grow at an average rate of 6.8% a year over the period 2009-10 to 2011-12.

Land tax and MRIT are forecast to grow by 28.6% to \$648 million in 2008-09. This reflects the net effect of a substantial rise in taxable land values, which will be partly offset by the increase in tax thresholds and rate reductions announced in this budget. Over the period from 2009-10 to 2011-12, land tax revenue is projected to grow by around 10% a year.

Taxes on gambling

Taxes on gambling mainly comprise lotteries, casino and TAB betting taxes. Since gaming machines in hotels and clubs are prohibited in Western Australia, gambling taxes in this State account for a much smaller share of taxes than in other jurisdictions.

Gambling taxes are expected to fall by around 14.5% in 2007-08, largely due to the changes in TAB betting tax announced in the 2007-08 Budget. A resumption to moderate growth of 4.1% is expected in 2008-09, with average growth of 3.8% a year forecast in the outyears.

Taxes on Insurance

Taxes on insurance include duty on insurance policies and the employers' superannuation indemnity supplementation levy. Tax revenue from insurance duty is forecast to increase by 9.9% in 2008-09, following the expected growth of 14.3% in 2007-08. Over the outyears, total taxes on insurance are forecast to grow at an average rate of 9.8% a year.

Motor Vehicle Taxes

Motor vehicle taxes comprise duty on the registration and transfer of vehicle licences, annual vehicle registration fees, permit fees for oversize vehicles and loads, and the motor vehicle recording fee. Motor vehicle taxes are forecast to grow by 1.5% in 2008-09, after increasing by 5.8% in 2007-08. Average growth of around 7.0% a year is projected across the outyears.

Revenue from vehicle licence duty is forecast to decline by 4.9% in 2008-09, following estimated growth of 0.8% in 2007-08. The anticipated contraction in duty in 2008-09 largely reflects the policy measure in this budget to bring forward the increase of \$5,000 in vehicle licence duty thresholds from 1 January 2009 to 1 July 2008. In the absence of further policy measures, growth in vehicle licence duty is projected to return to the long-term rate of 9.9% a year over the period 2009-10 to 2011-12.

Commonwealth Grants¹

Commonwealth grants are the largest revenue source for the State and take two forms:

- general purpose grants – which have no restrictions on how the money can be spent (around 55% of total Commonwealth grants for Western Australia are in this form). General purpose grants to Western Australia consist of GST revenue grants (and in 2007-08, competition payments); and
- specific purpose payments (SPPs) – which must be spent on specific activities and have various other conditions attached (around 45% of total Commonwealth grants).

North West Shelf royalty payments are treated as mining revenue in the State budget papers, but are reported under the Uniform Presentation Framework (UPF) as grants because of the Commonwealth's constitutional jurisdiction over offshore areas.

The March 2008 meeting of the Council of Australian Governments agreed to major reforms of SPPs, to be implemented from 1 January 2009 (see Chapter 7: *Economic Reform*). These are not reflected in the Budget, as the details of the reforms will be developed in the remainder of 2008. There will be no reduction in Commonwealth funding under the new arrangements.

¹ These projections do not reflect the impact of the Commonwealth's 2008-09 Budget estimates of national GST revenue on Western Australia's GST revenue grants (to be released as part of the Commonwealth Budget on 13 May 2008).

Table 13

COMMONWEALTH GRANTS						
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
General Purpose Grants						
GST revenue	3,968	4,040	3,957	3,822	3,502	3,281
Growth (%)	4.0	1.8	-2.1	-3.4	-8.4	-6.3
Competition payments	-	4	-	-	-	-
Total general purpose grants	3,968	4,044	3,957	3,822	3,502	3,281
SPPs 'to' the State ^(a)	2,147	2,307	2,429	2,515	2,607	2,739
Growth (%)	-9.2	7.5	5.3	3.5	3.7	5.1
SPPs 'through' the State	779	773	854	901	958	1,017
Growth (%)	6.6	-0.8	10.4	5.6	6.2	6.3
TOTAL ABOVE	6,894	7,124	7,239	7,238	7,066	7,038
Growth (%)	-1.2	3.3	1.6	0.0	-2.4	-0.4
North West Shelf royalties	657	742	720	724	708	653
Growth (%)	7.7	13.0	-3.0	0.6	-2.2	-7.8
TOTAL COMMONWEALTH GRANTS (UPF basis)	7,551	7,866	7,959	7,962	7,775	7,691
Growth (%)	-0.5	4.2	1.2	0.0	-2.4	-1.1

(a) Payments in areas of State responsibility. Includes all SPPs other than payments on-passed through the State.

Note: Columns may not add due to rounding.

GST Revenue

The Commonwealth's national GST collections are distributed among the States according to the Commonwealth Grants Commission's recommendations.

GST revenue grants to Western Australia are projected to fall by \$83 million in 2008-09. The forecast 5.9% growth in the national pool of GST revenue is more than offset by a cut in Western Australia's share of GST collections (from 9.4% of the pool in 2007-08 to 8.7% of the pool in 2008-09), reflecting the February 2008 recommendations of the Grants Commission.

Over the three outyears, GST grants are also forecast to decline in every year. Again, solid growth in the national pool of GST revenue is more than offset by a significant decline in the share for Western Australia.

GST Shares in 2007-08

The Grants Commission determines States' GST grant shares annually, applying the principle of 'fiscal equalisation' and the latest available data. A State whose revenue bases have grown faster than other States, or whose relative costs of providing a 'standard' level of services has declined, will have its grant share reduced.

However, as grant shares are based on a rolling average of States' circumstances for five consecutive years of historical data, there is a significant time lag between (say) an increase in a State's relative fiscal strength, and the resulting decline in its GST grant share.

The Grants Commission's latest (February 2008) report will see a \$353 million cut in Western Australia's share of the GST pool in 2008-09. Most of this is due to Western Australia's revenue raising capacity (which is essentially independent of its own tax rates) growing faster than that of the other States between 2001-02 and 2006-07 in the areas of mining royalties and conveyance duty.

Table 14 shows the impact of the Grants Commission's recommendations for all States in 2008-09 terms, both for the latest year and over a longer period. Notably, the latest result for Western Australia is part of a longer term trend that has seen Western Australia's grant share decline by far more, in per capita terms, than any other State's, reflecting Western Australia's strong economic and revenue base growth.

Table 14

IMPACT OF GRANTS COMMISSION RECOMMENDATIONS
(2008-09 Terms)

	2008 Report		1994 – 2008 Reports	
	\$m	\$ per capita	\$m	\$ per capita
New South Wales	+366	+52	+221	+32
Victoria	+341	+64	+812	+152
Queensland	-440	-102	-876	-203
Western Australia	-353	-162	-1,232	-565
South Australia	+7	+4	+278	+173
Tasmania	-17	-34	+221	+443
Australian Capital Territory	+86	+391	+339	+1,531
Northern Territory	+9	+26	+237	+681

Forecasts of Future GST Shares

The forward estimates of Western Australia's GST grants are based on projections of:

- the national pool of GST grants (as estimated by the Department of Treasury and Finance, updated from the Commonwealth's 2007-08 *Mid-Year Economic and Fiscal Outlook*);
- Western Australia's share of the national population; and
- Western Australia's relative per capita share of the national pool of GST grants (i.e. the GST 'relativity').

In line with the Grants Commission's approach, the GST relativity projections for each year of the forward estimates (2009-10 to 2011-12) are based on a rolling average of assessments of Western Australia's revenue capacity and expenditure requirements (relative to other States) for five consecutive years (with a lag reflecting data availability). For example, the relativity projections for 2011-12 are based on assessments for the years 2005-06 to 2009-10. Assessments for years up to 2006-07 were published in the Grants Commission's February 2008 report. Assessments for later years (i.e. 2007-08 to 2009-10) are projected on the basis of no changes in the methods used by the Grants Commission, and no revisions to historical data used.

In key areas, changes in revenue capacity after 2006-07 are estimated, generally using projected underlying changes in revenue collections in Western Australia and other States sourced from the latest published estimates². These areas are royalties from metallic and precious minerals, coal royalties, off-shore petroleum royalties, payroll tax, duty on property transfers and land tax. In other areas, the projections of assessments for 2007-08 to 2009-10 assume no change in Western Australia's relative revenue capacity and expenditure requirements compared to 2006-07.

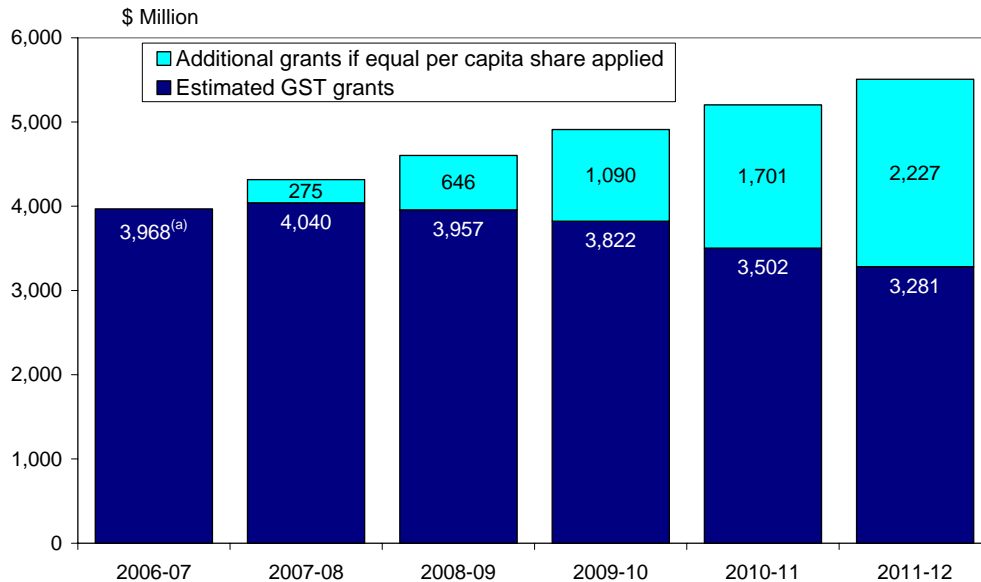
The Grants Commission is currently undertaking a major review of its methods. The result of this review will be reported in February 2010, and will apply from 2010-11. The GST revenue grant estimates for 2010-11 and 2011-12 assume no net financial impact from this method review. However, the review could move Western Australia's grant share up or down by a significant amount.

The forecasting methodology has been improved over the last few budgets, reflecting the risks to Western Australia's GST grant share resulting from the State's exceptionally strong economic and revenue growth.

As the current strength of Western Australia's revenue raising capacity becomes fully reflected in the five data years used by the Grants Commission, Western Australia's GST grant share is forecast to drop from 9.4% in 2007-08, to only 6.2% by 2011-12. Western Australia would receive an additional \$6 billion by 2011-12 if it received its population share of the GST pool of just over 10% (see Figure 5).

² Where necessary, revenue collections are adjusted to exclude the impact of policy changes, to reflect underlying changes in revenue raising capacity.

Figure 5

FORECAST GST GRANTS AND GRANTS COMMISSION CUTS

(a) \$20 million more than an equal per capita share.

Source: Department of Treasury and Finance estimates.

Western Australia's declining GST share is likely to significantly increase Western Australia's overall net contribution to the Federation, which already stands at \$6.2 billion according to latest (2006-07) estimates (see Table 16).

Specific Purpose Payments

SPPs are grants from the Commonwealth to the States for specified activities, and with conditions attached to their uses that are usually set out in individual agreements. Distinctions are made between:

- SPPs 'to' the State, that support specific areas of State responsibility; and
- SPPs that are channelled 'through' the State, primarily to local governments and private schools.

In 2008-09, Western Australia expects to receive around \$2.4 billion in SPPs 'to' the State, representing an increase of 5.3% compared with 2007-08. This is largely due to significant growth in project-based roads grants. Estimates for SPPs are based largely on advice from State agencies.

Over the outyears only moderate growth in SPPs 'to' the State is projected, with some programs now up for renegotiation. Funding will be negotiated as part of the SPP reforms to be implemented from 1 January 2009.

Commonwealth SPPs that pass ‘through’ the State’s accounts, mainly to local governments and private schools, are expected to grow by 10.4% in 2008-09, primarily reflecting a large increase in Commonwealth payments to private schools. Strong growth is expected to continue in the outyears.

Appendix 11: *State-Local Government Finances* provides further details on local government finances.

Currently, there are nearly 100 separate SPPs, although a small number account for a large proportion of the total annual payments (see Table 15).

SPECIFIC PURPOSE PAYMENTS - WESTERN AUSTRALIA			Table 15
	2008-09 Budget Estimate	Share of total SPPs ‘to’ WA	
	\$m	%	
SPPs ‘To’			
Australian Health Care Agreement	972	30	
Government Schools	306	9	
Other Health	322	10	
Road Programs	179	5	
Vocational Education and Training	119	4	
Other ^(a)	529	16	
SPPs ‘Through’			
Non-government Schools Assistance	606	18	
Local Government Financial Assistance Grants	128	4	
Other	119	4	
Total SPPs	3,282	100	

(a) Comprise a large number of smaller specific purpose payments.
Note: Columns may not add due to rounding.

The distribution of individual SPPs among the States is based on a variety of arrangements, including population shares, historical shares, Commonwealth discretionary allocations and various formulae that attempt to reflect relative costs or demand. However, most SPPs are subject to the Grants Commission’s ‘equalisation’ process, such that a higher share of SPPs may be offset by a lower GST share. In 2008-09, Western Australia expects to receive 10.3% of total Commonwealth SPPs ‘to’ States (compared with Western Australia’s 10.1% share of the national population).

Redistribution of Resources Across States by the Commonwealth

The distribution of GST revenue grants among the States by the Grants Commission according to 'equalisation', rather than 'State of origin' principles, is one prominent way in which Australia's federal system redistributes resources across States.

However, the rest of the Commonwealth budget also redistributes resources from the richer States to the poorer States. States with higher incomes and business profits contribute more to total Commonwealth taxes, while those with younger, healthier populations draw less on social security and health benefits.

The Department of Treasury and Finance performs an annual estimation of the net redistribution of resources from each State. Results using the latest available data (for 2006-07) are shown in Table 16, together with the 'GST-only' redistribution for comparison purposes.

Table 16

NET REDISTRIBUTION OF RESOURCES FROM EACH STATE

2006-07^(a)

	GST only ^(b)		Total Resources	
	\$m	\$ per capita	\$m	\$ per capita
New South Wales	2,737	399	5,635	822
Victoria	1,367	264	-326	-63
Queensland	-767	-185	-1,873	-453
Western Australia	-187	-90	6,209	2,982
South Australia	-802	-508	-4,492	-2,849
Tasmania	-728	-1,480	-2,542	-5,170
Northern Territory	-1,620	-7,615	-2,613	-12,277
Total	0	0	0	0

(a) Estimates calculated by allocating all Commonwealth outlays and revenues relating to the ACT among the other States 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.

(b) Difference between GST revenues raised from economic activity in each State and GST grants paid to the State.

Source: Department of Treasury and Finance estimates, using a range of data sources including the Commonwealth Final Budget Outcome publications and Australian Bureau of Statistics Nos. 3101.0 and 5220.0. Results are based on the latest available data. In some cases, data has been provided by escalating earlier data using relevant economic indicators.

In 2006-07, it is estimated that the Commonwealth derived \$32.8 billion from Western Australia, while expenditure for the benefit of the State (including future benefits from the Commonwealth surplus) totalled only \$26.6 billion, yielding a net redistribution from Western Australia of \$6.2 billion. In per capita terms, Western Australia's contribution was more than three times larger than the only other net contributor (New South Wales).

This result was despite Western Australia receiving more GST revenue grants than it contributed to the pool in that year (which should no longer be the case in 2007-08).

Table 17 provides an estimated breakdown of the components of Western Australia's net contribution over the last three years, based on the extent to which Western Australia's share of each area of revenue and spending exceeds or falls short of its population share. The table shows that Western Australia's large net contribution to the federation reflects the high levels of personal income tax, company tax and petroleum extraction revenues derived from the State, as well as the low level of social security and health payments received by State residents.

Table 17

COMPONENTS OF WESTERN AUSTRALIA'S NET CONTRIBUTION TO THE COMMONWEALTH

Relative to Western Australia's Population Share

	2004-05	2005-06	2006-07
	\$m	\$m	\$m
Personal Income Tax	568	1,281	1,239
Company Tax	1,230	1,264	2,610
Fuel Excise (net of rebates) ^(a)	105	148	109
Taxes and Royalties on Petroleum Extraction ^(b)	1,155	1,290	1,321
Commonwealth Services ^(c)	842	958	893
Personal Benefit Payments	563	641	736
Net impact of GST	-335	-293	-187
<i>GST Collections</i>	<i>-186</i>	<i>-164</i>	<i>-152</i>
<i>GST Grants</i>	<i>-150</i>	<i>-129</i>	<i>-34</i>
Other Grants to State and Local Governments ^(d)	35	-65	-64
Other	-337	-527	-448
Total	3,825	4,698	6,209

(a) Reflects revised method of redistributing fuel rebates on an industry by industry basis (introduced to remove distortions from the location of head offices).

(b) Net of the share of North West Shelf royalties passed on to Western Australia by the Commonwealth.

(c) Departmental expenditures, including defence.

(d) Includes grants to universities. Excludes North West Shelf royalties paid as grants to Western Australia.

Source: Department of Treasury and Finance estimates, using a range of data sources including the Commonwealth Final Budget Outcome publications and ABS Catalogue Nos. 3101.0 and 5220.0. Results are based on the latest available data at the budget cut-off date. In some cases, data has been proxied by escalating earlier data using relevant economic indicators.

Mining Revenue³

Summary

In 2007-08, mining revenue is expected to increase by 15.7% (or \$346 million), with growth underpinned by higher iron ore prices and a strong rise in production. High oil prices have also boosted petroleum royalties, while elevated \$US prices for other commodities have been largely offset by movements in the exchange rate.

Mining revenue is forecast to increase by 34.3% (or \$874 million) to \$3.4 billion in 2008-09. This reflects expectations of a substantial hike in the price of iron ore and increased iron ore shipments. Overall, iron ore royalties are expected to account for around 92% of the total increase in mining revenue in 2008-09.

Mining revenue is forecast to grow by a further 5.1% (or \$174 million) 2009-10, with higher production of iron ore and gold expected to offset a general moderation in commodity prices and lower sales of crude oil. In 2010-11 and 2011-12 royalties are projected to decline as commodity prices moderate following several years of very strong growth. In particular, the price of iron ore is expected to fall significantly as a consequence of substantial increases in global supply.

Key assumptions underpinning the mining royalty estimates include the following:

- an assumed \$US/\$A exchange rate of US92.5 cents across all years (the average rate in the lead-up to the budget cut-off date of 7 April 2008);
- as assumed 67%⁴ increase in the contract price of iron ore in the 2008-09 Japanese fiscal year, followed by flat prices in 2009-10 and 2010-11, and a 25% decrease in 2011-12; and
- an expected average oil price of \$US98 per barrel over the remainder of 2007-08, \$US96 per barrel in 2008-09, \$US94 per barrel in 2009-10 and \$US93 in 2010-11 and 2011-12 (based on the average futures price in the lead-up to the budget cut-off date).

Mining production forecasts are based on a survey undertaken by the Department of Industry and Resources. Only those new mining projects or project expansions assessed as having a strong likelihood of proceeding have been included in the estimates (in most cases this will involve the new project or project expansion having received both final investment approval by the company and formal government approvals).

Further detail on the outlook for mining revenue is set out below.

³ Mining revenue include mining royalties, North West Shelf royalties and lease rentals. Mining royalties are payments for the right to extract resources owned by the community.

⁴ This is a weighted average of the price of 'fines' ore and higher-quality 'lump' ore, forecast to increase by 65% and 71% respectively (in the 2008-09 Japanese fiscal year).

Table 18

MINING ROYALTIES						
	2006-07 Actual \$m	2007-08 Estimated Actual \$m	2008-09 Budget Estimate \$m	2009-10 Forward Estimate \$m	2010-11 Forward Estimate \$m	2011-12 Forward Estimate \$m
Iron Ore	868	1,162	1,968	2,151	2,070	1,584
Petroleum – excluding North West Shelf royalties	54	59	56	52	47	44
Alumina	84	79	73	67	71	76
Diamonds	26	34	28	22	25	29
Mineral Sands	32	24	28	27	27	26
Nickel	207	156	221	197	149	105
Gold	105	112	138	166	129	91
Other	110	121	134	135	118	92
Mining Royalties (excluding North West Shelf grant)^(a)	1,484	1,748	2,646	2,818	2,636	2,047
Petroleum – North West Shelf grant ^(b)	657	742	720	724	708	653
Total Mining Royalties (including North West Shelf Grant)	2,141	2,490	3,366	3,542	3,345	2,701
Lease Rentals ^(c)	63	60	58	56	53	50
TOTAL MINING REVENUE	2,204	2,550	3,423	3,597	3,397	2,751

(a) This is the UPF Royalty Income category.

(b) North West Shelf royalties are classified as a Commonwealth grant for UPF purposes (these revenues are collected under Commonwealth off-shore legislation).

(c) Lease rentals revenue is classified under 'other revenue' for UPF purposes.

Note: Columns may not add due to rounding.

Detail

Iron ore

Iron ore royalties are forecast to increase by \$806 million in 2008-09. This largely reflects the assumption of a 67% hike in benchmark prices following the current round of price negotiations. Production is also expected to increase as several projects become fully operational (including Rapid Growth Project 3, Hope Downs and Cloud Break). These projects will contribute to an estimated 22% increase in production in 2008-09, taking total output to 375 million tonnes. It is anticipated that iron ore prices will remain unchanged in 2009-10 and 2010-11, and decline by 25% in the 2011-12 Japanese fiscal year as global supply increases.

Petroleum

In 2008-09, petroleum royalties (including North West Shelf royalties) are expected to decrease as higher \$US oil prices are more than offset by lower crude oil production and a higher \$US/\$A exchange rate. Petroleum royalties are expected to gradually decline over the outyears due to projected moderate falls in \$US oil prices and lower production as a number of oil fields mature. This will more than offset recent increases in the price of LNG and the projected expansion in LNG production as the 5th LNG Train moves towards capacity.

Alumina

Alumina royalties are forecast to decline in 2008-09 and 2009-10, as prices moderate in response to an increase in global supply. In the outyears, modest increases in royalties are expected due to minor increases in production and prices.

Diamonds

Diamond royalties are forecast to decline in 2008-09 and 2009-10 as a consequence of expectations of lower production. A modest increase is anticipated in the outyears on the back of a ramping up of production from new underground mining operations.

Mineral Sands

Royalties from minerals sands are expected to remain relatively stable over the forecast period as modest price increases in zircon, leucoxene and rutile are expected to be offset by lower production volumes for ilmenite and leucoxene.

Nickel

After declining significantly in 2007-08 due to lower prices, nickel royalties are expected to increase in 2008-09 as a result of a ramp-up in production at the Ravensthorpe mine. However, in 2009-10 and the outyears, lower production in other mines and a moderation in prices is expected to result in a reduction in royalties.

Gold

Gold royalties are expected to increase strongly in 2008-09 and 2009-10 due to higher production volumes (as a number of projects ramp-up production) and continued high prices (of around \$US900/oz). Over the remainder of the forecast period, the decline in royalties reflects an expected return to long-term average prices of around \$US600/oz and lower production as several mines reach maturity.

Lease Rentals

These mining related charges are essentially for exploration and production licences. Future lease rental payments will mainly be determined by the level of exploration activity and measures adopted to address a backlog of mining lease applications. The commencement of the *Mining Amendment Act 2004* led to a surge in mining lease applications (and associated payments of rent in advance), resulting in a high level of lease rental revenues in 2005-06 and 2006-07. Lease rentals are forecast to decline gradually over the budget period, reflecting an expected decrease in the level of tenement approval activity.

Other Revenue

Sales of Goods and Services

Revenue from the sale of goods and services is forecast to grow by an average 4.5% per annum across the forward estimates period. This rate of growth reflects movements in the volume of goods and services provided by agencies, in line with demand for public services, and forecast increases in the cost of providing these public services, including any indexation for fees and charges.

Interest Income

Interest earnings from investments of cash and other liquid financial assets is projected to total \$252 million in 2008-09, broadly similar to 2006-07. Movements across the outyears reflect projected cash balances for the sector and assumptions for interest rate movements (which are based on 90 day bank bill rates adjusted for long and short securities in the State's investment portfolio).

Revenue from Public Corporations

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

Tax and local government rate equivalents are levied by the State to ensure competitive neutrality between significant government business activities and private sector businesses.

Revenue from public corporations in 2008-09 is estimated at \$810 million, which represents a decrease of around \$12 million, or 1.5%, from the previous year.

REVENUE FROM PUBLIC CORPORATIONS

Table 18

	2006-07 Actual \$m	2007-08 Estimated Actual \$m	2008-09 Budget Estimate \$m	2009-10 Forward Estimate \$m	2010-11 Forward Estimate \$m	2011-12 Forward Estimate \$m
Income Tax Equivalent	312	320	321	353	349	389
Local Government Rate Equivalent	6	12	13	14	14	15
Dividends	421	491	476	536	543	574
TOTAL	740	823	810	903	906	977

Note: Columns may not add due to rounding.

The decrease in revenue in 2008-09 is largely a result of projected reductions in payments from Western Power and the Western Australian Land Authority, partially offset by projected increases in payments from the Water Corporation.

The reductions in Western Power's income tax equivalent revenue and dividends are due to reduced profitability mainly as a result of increased capital expenditure and accompanying depreciation, combined with significant increases in operating costs (this includes increases in the cost of materials, labour and maintenance). Revenue from Western Power is expected to improve following the Economic Regulation Authority's Network Tariff Reset in 2009-10, as current tariffs do not reflect Western Power's current cost and asset base.

The lower income tax equivalent revenue and dividends from the Western Australian Land Authority is due to lower profitability margins associated with a higher percentage of overall land sales being based on regional projects, combined with the effect of a one-off special dividend in 2007-08 relating to the Townsite Development Program.

The budgeted increase in income tax equivalent revenue from the Water Corporation is a result of forecasted higher operating profit. This is primarily due to forecasts of higher customer and community service obligations revenue more than offsetting forecast increases in operating expenditure (including higher staffing costs, energy costs, borrowing costs and depreciation).

Increases in revenue in 2009-10 and 2011-12 are mainly due to an expectation of improved returns from Western Power and Verve Energy, partially offset by reduced returns from the Water Corporation.

A more detailed overview of revenue from individual public corporations can be found in Appendix 9: *Public Corporations - Impact on General Government Revenue and Expenses*.

Other Revenue

'Other' revenue incorporates a range of revenue not elsewhere classified including fines for traffic infringements, judicial fines and penalties, donations and grants from private organisations, local government, etc., net asset transfers, and mining-related lease rentals for exploration and production licences (discussed earlier). Excluding mining lease rentals, 'other' revenue is forecast to remain relatively flat at around \$245 million per annum.

General Government Expenses

Overview

This chapter is focused on spending by general government agencies and in particular the new policy decisions that have been taken by the Government in accordance with its key service delivery objectives.

This chapter is linked with information provided in the 2007-08 mid-year review and should be read in conjunction with that publication.

A key Government focus for the 2008-09 Budget is the continued resourcing of priority service delivery areas such as health, education and training, child protection and law and order. Specific programs to be delivered include mandatory reporting, additional places for employees and trainees, and essential services to remote indigenous communities.

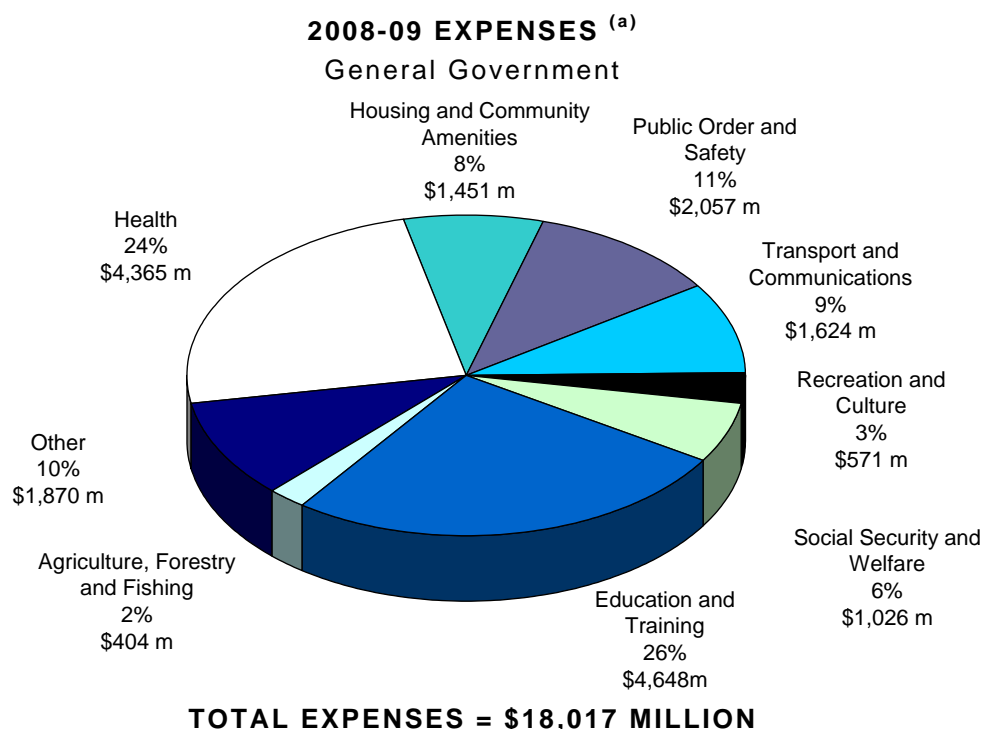
Table 1

KEY AGENCY EXPENSES

	2006-07 Actual	2007-08 Estimated Actual	2008-09 Budget Estimate	2009-10 Forward Estimate	2010-11 Forward Estimate	2011-12 Forward Estimate
Education and Training Expenses (\$m)	3,087	3,457	3,592	3,686	3,791	3,904
Growth (%)	3.5	12.0	3.9	2.6	2.9	3.0
Health Expenses (\$m)	3,880	4,288	4,535	4,761	5,003	5,282
Growth (%)	9.7	10.5	5.8	5.0	5.1	5.6
Western Australia Police Expenses (\$m)	732	836	900	918	935	953
Growth (%)	11.4	14.2	7.6	2.0	1.9	1.8
Attorney General Expenses (\$m)	337	340	369	375	387	389
Growth (%)	25.4	0.6	8.8	1.6	3.1	0.5
Corrective Services Expenses (\$m)	452	485	530	539	547	568
Growth (%)	8.3	7.4	9.2	1.7	1.5	3.9
Child Protection Expenses (\$m)	246	293	341	358	383	400
Growth (%)	12.8	6.8	16.5	5.1	7.0	4.4
Disability Services Expenses (\$m)	332	370	388	417	446	472
Growth (%)	9.2	11.4	4.7	7.5	7.1	5.9

The following section outlines the expenditure initiatives in the 2008-09 Budget with details presented of major policy decisions for the relevant Government ministerial portfolios and agencies.

Figure 1



(a) Spending categories shown above are consistent with ABS Government Purpose Classifications. These differ from Departmental spending aggregates quoted elsewhere in this section.

Note: Components may not add to 100% due to rounding.

Total expenses in the areas of Health, Education and Training and Public Order and Safety account for 61% of annual general government expenses. While these areas remain the Government's priority, the 2008-09 Budget also provides additional spending in the areas of Housing and Community Amenities, Social Security and Welfare, and Transport and Communications.

Recent Australian Bureau of Statistics data shows that Western Australia has consistently invested at significant levels in the delivery of key services over the period 2000-01 to 2006-07¹. On this basis, Western Australia's spending on:

- Public order and safety continues to lead the States, with the highest spending per capita (\$856 in 2006-07) compared with an average \$675 for the other States. Spending in this area has grown by an average 12.2% per annum since 2000-01, compared with an average of 7.8% per annum for the other States.
- Education has grown by an average of 7.9% per annum since 2000-01, compared with an average of 6.4% for the other States. In per capita terms, Western Australia's spend of \$1,912 in 2006-07 was significantly higher than the average of \$1,753 for the other States.

¹ Australian Bureau of Statistics ('Government Finance Statistics' Catalogue Number: 5512.0), latest full-year actual data for all Australian jurisdictions.

- Health continues to grow, increasing by an annual average 11.0% since 2000-01 compared with an average of 8.9% for the other States. In per capita terms, Western Australia's spend of \$1,782 in 2006-07 was marginally higher than the average of the other States (\$1,767).

Health

Spending in the health sector, which includes spending by the Department of Health and related agencies such as the Office of Health Review and the Health Promotion Foundation, is forecast to increase by \$238 million (or 5.8%) in 2008-09.

Spending by the Department of Health will increase by \$247 million (or 5.8%) and reflects a continuing commitment to implement the State's health reform program, while managing an increasing demand for key health services.

A significant proportion of this increase relates to recently negotiated enterprise bargaining agreements for registered nurses, enrolled nurses, medical practitioners and support workers. A total of \$941 million will be spent over the period 2007-08 and 2011-12 to ensure that salaries for the Health workforce are nationally competitive thereby contributing to attracting and retaining health sector employees.

In addition, between 2008-09 and 2011-12 a total of \$87 million will be spent on the ongoing implementation of the Mental Health Strategy and related initiatives. The delivery of mental health services will be strengthened with a focus on increasing access to in-patient and community based services, enhancing the early detection and treatment of children and adolescents with mental illness, and meeting the increasing demand for accommodation for people with mental illness.

Additional spending will also reflect increased activity with regard to ambulatory initiatives that target hospital bed substitutions, such as Hospital in the Home and Rehabilitation in the Home.

Education and Training

Spending in the education and training sector, undertaken by the Department of Education and Training and other education-related agencies such as the Curriculum Council, the Department of Education Services, the Country High School Hostels Authority, and the TAFE colleges, is forecast to increase by \$207 million (or 4.7 %) in 2008-09.

Spending by the Department of Education and Training will increase by \$135 million (or 3.9%) in 2008-09. The increase relates predominantly to improvements in wages and conditions for teachers, particularly higher starting salaries and allowances for graduates commencing employment in 2008.

The key policy decisions that will drive expenditure for the 2008-09 budget year focus on a number of workforce strategies aimed at improving teacher attraction and retention and a continued emphasis on skills training as a strategy to respond to the skills shortages being experienced in Western Australia. Since December 2006, the number of apprenticeship and traineeship places have increased from 32,543 to 35,242 in December 2007 and are forecast to reach 39,000 by December 2008.

Of note, between the period September 2001 to September 2007, Western Australia had an 88.6% increase in apprentices and trainees in training, compared with a 26.9% increase for the average of other States.

Public Order and Safety

Spending in the public order and safety sector, which includes spending by the Western Australia Police, the Departments of Corrective Services and the Attorney General and the Fire and Emergency Services Authority, is forecast to increase by \$120 million (or 6.2%).

Spending by the Departments of the Attorney General and Corrective Services will increase by \$30 million (or 8.8%) and \$45 million (or 9.2%) respectively in 2008-09. The increase in spending by Western Australia Police in 2008-09 is estimated at \$64 million (or 7.6%).

Key factors underlying these increases in spending include:

- the provision for an additional 44 career firefighters and seven community fire management officers;
- the establishment of Crime Regional Response Teams to investigate issues facing local and regional Indigenous communities in response to the Indigenous Safety Taskforce;
- the roll-out of the State Graffiti Vandalism Reduction Strategy;
- targeted responses to the outcomes of the Government Action Plan arising out of the WA Illicit Amphetamine Summit;
- the establishment of a Legal Aid Office in the East Kimberley which has been complemented by the approval of an additional magistrate and associated support staff being allocated for the Kimberley region;
- the provision of an additional magistrate and associated support staff to the rapidly expanding areas of the Goldfields and the South-West;
- the replacement and upgrade of the Department of Corrective Services' secure vehicle fleet, utilised in the transportation of offenders throughout the State as part of the Court Security and Custodial Services contract, which will be undertaken progressively over a two to three year period; and
- the introduction of a range of Reducing Imprisonment Strategies, which primarily include the expanding offender program and the expanding re-entry program.

Transport and Communications

Spending in the transport and communications sector is forecast to increase by \$52 million (or 3.3%) in 2008-09. Spending in this sector includes the expenses of the Department for Planning and Infrastructure, Main Roads and central government grants to the Public Transport Authority.

The increased levels of expenditure in the sector, amongst other things, is primarily a result of the expansion of the public transport system with 2008-09 being the first full year of services on the Southern Suburbs Railway. Other factors impacting on the increase include expenditure on road maintenance and the ongoing implementation of improvements to the Department for Planning and Infrastructure's Licensing Business Unit.

Housing and Community Amenities

Spending in this area includes the operations of the Departments of Housing and Works, Environment and Conservation, and Water, the Land Information Authority, Community Service Obligation (CSO) payments to the Water Corporation and central government grants to the Housing Authority. In 2008-09, housing and community amenities sector expenses are forecast to rise by \$93 million (or 6.8%) and primarily relate to increases in grants to the Housing Authority and higher CSOs to the Water Corporation.

Recurrent expenditure by the Housing Authority is forecast to increase by \$103 million (or 11.5%) in 2008-09. The increased level of expenditure by the Authority is primarily due to an increase of \$45 million in grants for Community Housing, an additional \$25 million to ensure continued delivery of essential services to remote indigenous communities and a \$5 million grant to the Shire of Derby/West Kimberley to enable the construction of a new community swimming pool. The remainder of the increase in expenses is accounted for by higher building maintenance costs (up \$10 million) and interest costs (up \$20 million).

CSO payments to the Water Corporation have increased by \$54 million in 2008-09 as a result of higher forecast operating expenditures that require larger payments to subsidise the increased cost. Forecast operating expenditure increases include higher staffing, energy and borrowing costs and depreciation.

Social Security and Welfare

Expenditure in the Social Security and Welfare sector, which includes the Departments for Communities and Child Protection, and the Disability Services Commission along with the Home and Community Care Service provided by the Department of Health, is forecast to increase by \$93 million (or 10.0%) in 2008-09.

Spending by the Department for Child Protection will increase by \$48 million (or 16.5%) in 2008-09 while the increase in spending by the Disability Services Commission is estimated at \$17 million (or 4.7%).

The 2008-09 Budget and forward estimates include expenditure on a number of initiatives to address demand and cost pressures in this sector, including:

- a total of \$34 million in 2008-09 and a further \$120 million in the outyears for additional caseworkers and support staff to address the increased demand for child protection and care services, and the proposed introduction of mandatory reporting;
- a total of \$6 million in 2008-09 and a further \$106 million in the outyears to provide support services and compensate people who have been abused while in State care under the Western Australian Redress Scheme, approved by the Government in December 2007; and

- a total of \$9 million in 2008-09 and a further \$51 million in the outyears to support the provision of services by the Non-Government Human Services sector under the revised indexation policy approved by the Government in November 2007.

General government expense decisions by agency since the 2007-08 mid-year review are summarised in Table 4.

Table 2

**EXPENSE POLICY DECISIONS BY AGENCY SINCE THE
2007-08 MID-YEAR REVIEW**

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	Total \$m
Synergy ^(a)	-	-	277.0	298.6	227.4	803.0
Education and Training	6.1	18.5	16.2	16.9	17.4	75.1
Child Protection	0.3	13.4	15.1	15.8	16.7	61.2
Housing Authority	-	29.9	14.1	0.3	0.3	44.7
Health	2.0	6.5	7.0	8.4	9.8	33.6
Corrective Services	1.2	8.5	7.7	8.0	8.0	33.4
Industry and Resources	10.7	4.3	15.0	-	-	30.0
Environment and Conservation	-	8.3	7.6	6.1	6.1	28.1
Culture and The Arts	0.3	2.6	5.1	6.4	7.5	21.7
Water	0.3	7.1	5.9	3.2	2.3	18.8
Office of Energy	-	8.1	2.2	2.1	2.0	14.5
Indigenous Affairs	-	4.9	3.3	2.9	3.1	14.2
Legal Aid Commission	-	1.4	1.6	3.2	3.6	9.7
Treasury and Finance	-	1.7	2.6	2.3	2.3	8.9
Fisheries	0.3	1.5	2.2	2.1	2.1	8.2
Swan River Trust	-	0.1	3.0	2.4	2.4	7.8
Tourism Commission	-	6.3	0.5	0.5	0.5	7.8
Attorney General	1.0	1.5	1.4	1.4	1.5	6.7
Western Australia Police	0.3	2.5	1.2	1.1	1.3	6.5
Public Transport Authority ^(a)	-	1.7	1.2	1.2	1.3	5.4
Office of Native Title	-	2.5	2.5	-	-	5.0
Small Business Development Corporation	-(b)	1.0	1.5	1.5	-	4.0
Main Roads	-	3.8	-	-	-	3.8
Premier and Cabinet	0.9	0.6	0.6	0.6	0.6	3.2
Horizon Power ^(a)	-	-	0.5	0.9	1.3	2.7
Disability Services Commission	-	1.2	0.4	0.4	0.4	2.5
Housing and Works	-	2.2	-	-	-	2.2
Education Services	-	0.8	0.5	0.2	0.2	1.6
Heritage Council	-	1.3	-	-	-	1.3
Communities	0.3	0.3	-	-	-	0.6
Consumer and Employment Protection	-(b)	0.1	0.1	-	-	0.3
Sport and Recreation	0.1	-	-	-	-	0.1
TOTAL	23.8	142.4	395.7	386.4	318.1	1,266.3

(a) Represented in general government expenses as grants and subsidies from the Consolidated Account to these public corporations, paid through Treasury and Finance.

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

Note: Columns may not add due to rounding.

Policy Decisions Affecting Expense (by Portfolio)

Summary

The 2008-09 Budget includes total general government expenses in 2008-09 of \$18,017 million which is \$568 million greater than the estimates presented in the December 2007 mid-year review, attributable to both policy decisions (\$142 million) and parameter variations (\$426 million)². For the period 2007-08 to 2011-12, expense policy decisions since the 2007-08 mid-year review total \$1,266 million.

Areas of Strategic Priority

The focus of the 2008-09 Budget since the mid-year review, is highlighted by major policy decisions in the following key service delivery objectives.

Electricity Tariff Community Service Obligation (\$779 million)

In response to the Office of Energy's Electricity Retail Market Review (ERMR) Draft Recommendations Paper released on 4 April 2008, the Government announced a transition to cost reflective tariffs for non-contestable customers (those with no ability to competitively source their supplies³), which includes both households and small businesses, from 2009-10. This involves a 10% increase in 2009-10, with further annual increases to be phased in over a six to eight-year period. The ERMR's Draft Recommendations Paper supports an explicit CSO payment be provided by the Government to Synergy to recognise a transition to cost-reflective tariffs for non-contestable customers. The Government has announced that it will provide a subsidy for electricity consumers.

The CSO is the difference between glide path tariffs⁴ (in cents/kWh) and cost reflective tariffs (in cents/kWh), multiplied by the expected energy to be consumed by customers under the relevant tariff. The CSO is estimated at approximately \$273 million in 2009-10, \$291 million in 2010-11 and \$215 million in 2011-12. The cumulative value over the forward estimates is \$779 million.

Mandatory Reporting (\$65 million)

The Government is committed to protecting children from sexual abuse and, subject to the successful passage of enabling legislation, from 1 January 2009, doctors, nurses, teachers and police officers will be required to formally report any evidence of such abuse. Additional expenditure of \$1 million in 2007-08, \$15 million in 2008-09 and a further \$49 million in the outyears has been approved in the 2008-09 Budget to enable this initiative to be implemented across the Departments of Health, Education and Training, Education Services and Child Protection and the Western Australia Police.

² Includes a \$131 million accounting change resulting from the implementation of a new whole-of-government accounting standard (see Appendix 4: Changes to Whole-of-Government Financial Reporting and Presentation).

³ Customers that consume less than 50 MWh per annum (equating to an annual bill of less than \$8,000).

⁴ Glide path tariffs is any movement away from cost-reflective tariffs.

The Department for Child Protection will co-ordinate the implementation of mandatory reporting, including the establishment of a professionally-staffed central Call Centre and associated child sexual abuse investigation and support services.

Additional Places for Apprentices and Trainees (\$61 million)

The Department of Education and Training will spend an additional \$61 million in 2008-09 and the outyears to increase the number of places for apprentices and trainees to a total of 39,000 by December 2008. This is part of the Government's skilled workforce policy which aims to drive the current economic prosperity of the State into the future. As a result, there will be 108% more apprentices and trainees in training than in 2001, a rate that is double the national growth rate.

Essential Services to Remote Indigenous Communities (\$38 million)

The Government has approved additional expenditure of \$38 million through the forward estimates period for the delivery of essential services (power, water and wastewater) to remote indigenous communities. Essential services are delivered to 91 communities through the Remote Area Essential Services Program (RAESP). The RAESP provides for regular maintenance of infrastructure, emergency breakdown repairs and monthly water sampling. The additional expenditure will ensure essential services to remote communities continue to be delivered while new delivery arrangements are considered.

Energy Concessions Package (\$27 million)

The Government has approved additional CSO payments to provide an increase in concession card holder's energy rebates (such as rebates for Pensioners and the Dependent Child Rebate). The increases will ensure that concession customers are not worse off than general customers following the rises in electricity tariffs in 2009-10 and beyond.

Utilities Hardship Package (\$24 million)

The Government has committed a total of \$24 million in the 2008-09 Budget to improve the delivery and coordination of essential services (energy and water) to the community's most financially and socially disadvantaged individuals and families. The package consists of three initiatives:

- Hardship Efficiency Program - expenditure of \$8 million has been approved for the Office of Energy to assist eligible individuals and households to install insulation, water and energy efficient fixtures;
- Improved Financial Counselling Program - financial counsellors will offer a range of services to assist those in financial distress. Expenditure of \$9 million has been approved for the Department for Child Protection to increase resourcing for financial counsellors, enabling an increase in the quantity and quality of service; and
- Hardship Utilities Grants Scheme - Expenditure of \$7 million has been approved to provide short-term emergency payments of electricity bills for individuals and households who have been deemed by a financial counsellor to be under severe financial distress.

Expanding Re-Entry Program (\$20 million)

As part of the Reducing Imprisonment Strategy, the Department of Corrective Services is expanding the delivery of re-entry services at a total cost of \$20 million over 2007-08, 2008-09 and the outyears. The expanded re-entry program will support the reintegration of offenders back into the community by providing accommodation and assistance with day-to-day living requirements.

Health (\$19 million)

Additional expenditure of \$19 million over the forward estimates period has been approved to enable the Department of Health to provide additional renal dialysis services in the Kimberley region, meet increasing demand for neonatal services and fund advertising campaigns with the aim of recruiting nurses and improving the management of emergency department services.

The following section provides detailed portfolio and agency commentary.

**PREMIER; MINISTER FOR FEDERAL-STATE RELATIONS;
TRADE; INNOVATION; SCIENCE; PUBLIC SECTOR
MANAGEMENT**

Table 3

**POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING
GENERAL GOVERNMENT EXPENSES**

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 BUDGET AND 2007-08 MID YEAR REVIEW ^(a)					
Industry and Resources					
- China-Zhejiang Province	0.8	0.6	0.7	0.7	0.7
- SciTech	-	7.7	8.1	8.1	8.6
- <i>Total</i>	0.8	8.3	8.8	8.8	9.3
Premier and Cabinet					
- Western Australia Fulbright Scholarships	0.5	-	-	-	-
- Garnaut Climate Change Review – State Contribution	0.3	-	-	-	-
- Additional Electorate Offices	0.3	0.7	1.1	1.1	1.1
- Copyright Agency Limited – State Liability	2.3	-	-	-	-
- Functional Review – Department of Education and Training	0.1	-	-	-	-
- <i>Total</i>	3.5	0.7	1.1	1.1	1.1
PORTFOLIO TOTAL	4.3	9.0	9.9	9.9	10.4
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Industry and Resources					
- Brilliant West Week	-	0.5	-	-	-
- <i>Total</i>	-	0.5	-	-	-
Premier and Cabinet					
- Road Safety Initiatives	0.6	-	-	-	-
- Federalism Reform Agenda	0.3	0.6	0.6	0.6	0.6
- <i>Total</i>	0.9	0.6	0.6	0.6	0.6
PORTFOLIO TOTAL	0.9	1.1	0.6	0.6	0.6

(a) Further information is contained in Appendix 3: 2007-08 Government Mid-year Review Financial Projections Statement. Figures for 2011-12 were not published on the mid-year review, which only provided details for the then official forward estimates period.

Note: Columns may not add due to rounding.

Industry and Resources

Brilliant West Week

Expenditure of \$500,000 in 2008-09 will be incurred for the introduction of a WA Innovation (Brilliant West) Week to develop and promote innovation and creativity in Western Australia and provide the opportunity to build on the success of the Inventor of the Year Award program. One of the main objectives of the Brilliant West Week program is to work collaboratively with industry, government, academia and schools to foster an environment of innovation.

Premier and Cabinet

Road Safety Initiatives

A total of \$600,000 has been allocated to Office of Road Safety Initiatives in 2007-08. This amount includes \$40,000 to further enhance the Driver Reviver Program to provide safe road stops where drivers can take a break from driving during the peak travel times of school holidays and long weekends. The remaining \$560,000 has been allocated to the promotion of regional road safety through roadside billboards. This initiative has been put forward in response to the significant proportion of deaths and serious injury in regional Western Australia through motor vehicle accidents. It is proposed to increase targeted promotion of road safety messages in identified regional areas.

Federalism Reform Agenda

With the election of a new Australian Government, the frequency of the Council of Australian Governments (COAG) and Council of Australian Federation (CAF) meetings is to increase and the scope of national negotiations with direct impact on the State's financial position will expand. A Federation Summit, planned for 2008-09, will look at the allocation of Commonwealth – State roles and responsibilities, as well as funding levels.

DEPUTY PREMIER; TREASURER; MINISTER FOR STATE DEVELOPMENT

Table 4

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 BUDGET AND 2007-08 MID YEAR REVIEW ^(a)					
Industry and Resources					
- Goolari Media Enterprise	1.0	0.7	0.4	-	-
- Indigenous Economic Development Strategy	2.5	2.5	-	-	-
- <i>Total</i>	3.5	3.2	0.4	-	-
Treasury and Finance					
- Duties Bill 2007	0.1	0.5	0.5	0.5	0.5
- <i>Total</i>	0.1	0.5	0.5	0.5	0.5
PORTFOLIO TOTAL	3.6	3.7	0.9	0.5	0.5
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Industry and Resources					
- Northern Development Taskforce	9.0	-	-	-	-
- Burrup-Maitland Industrial Estate Agreement	-	2.0	-	-	-
- Ord Expansion Project	-	-	15.0	-	-
- <i>Total</i>	9.0	2.0	15.0	-	-
Treasury and Finance					
- Strengthen Regulatory Gatekeeping	-	0.8	1.0	1.0	1.0
- Pilbara Housing Study	-	0.2	-	-	-
- Conveyance Duty	-	0.2	0.1	0.1	0.2
- Payroll Tax	-	-	0.8	0.5	0.5
- Continuation of the Life Support Equipment Subsidy Scheme	-	0.6	0.6	0.6	0.6
- Energy Concessions Package - Thermoregulatory and Life Support Schemes	-	-	0.1	0.1	0.1
- <i>Total</i>	-	1.7	2.6	2.3	2.3
Office of Native Title					
- South West Area Management Strategy	-	2.5	2.5	-	-
- <i>Total</i>	-	2.5	2.5	-	-
PORTFOLIO TOTAL	9.0	6.2	20.1	2.3	2.3

(a) Further information is contained in Appendix 3: 2007-08 Government Mid-year Review Financial Projections Statement. Figures for 2011-12 were not published on the mid-year review, which only provided details for the then official forward estimates period.

Note: Columns may not add due to rounding.

Industry and Resources

Northern Development Taskforce

An amount of \$9.0 million will be spent in 2007-08 to select the single common user hub site for LNG processing in the West Kimberley region, while also protecting the environmental and heritage values of the region and securing the informed consent of Indigenous traditional owners. The taskforce is also responsible for managing negotiations with the Federal Government on the management of the Burrup.

Burrup-Maitland Industrial Estate Agreement

Expenditure of \$2.0 million will be made in 2008-09 to complete the State's commitments under the Burrup and Maitland Industrial Estate Agreement to conduct heritage surveys over a number of sites that have been earmarked for future industrial development.

Ord Expansion Project

Expenditure of \$15.0 million in 2009-10 has been committed to progress the development of horticultural land, including the provision of infrastructure in the Ord Expansion project. The project will broaden the State's economic base in agriculture, deliver employment and development opportunities for the local Indigenous community and fulfil Government commitments under the Ord Native Title Final Agreement.

Treasury and Finance

Strengthen Regulatory Gatekeeping

The Department will spend \$3.8 million over the forward estimates period to provide better support to agencies in the conduct of regulatory reviews by improving public transparency, rigour and independence. Regulatory Gatekeeping helps to ensure long term economic prosperity by avoiding unnecessary restrictions on business, reducing regulatory compliance costs and improving choice for consumers.

Further details on this initiative are contained in Chapter 7: *Economic Reform*.

Pilbara Housing Study

Under the auspices of the Pilbara Industry Community Council, expenditure of \$150,000 will be incurred in 2008-09 (as part of a joint \$300,000 project with the Department of Housing and Works) to conduct a study into the housing requirements of the Pilbara region. The study, amongst other things, will include an analysis of housing requirements for public housing, essential and small business workers, and non-government organisations.

Conveyance Duty and Payroll Tax

The Office of State Revenue will spend \$200,000 in 2008-09 and a further \$2.2 million in the outyears on additional resources required to administer a concessional conveyance duty scale for residential property from 1 July 2008 and the harmonisation of payroll tax grouping provisions with other States from 1 July 2009. The majority of this expenditure (\$1.8 million) is associated with the harmonisation of payroll tax grouping provisions, which will involve the administration of a new Commissioner's discretion to de-group commonly controlled businesses which operate substantially independently of each other.

Continuation of the Life Support Equipment Subsidy Scheme

An amount of \$560,000 per annum from 2008-09 will be spent on the continuation of the Life Support Equipment Electricity Subsidy. The subsidy is provided to assist households and individuals to meet the electricity cost of operating life support equipment at home.

Energy Concessions Package - Thermoregulatory and Life Support Schemes

The Government has committed \$106,000 per annum from 2009-10 to ensure that the level of support for recipients of the Life Support Equipment Electricity Subsidy and the Thermoregulatory Dysfunction Subsidy is not impacted following rises in electricity tariffs in 2009-10 and beyond.

Office of Native Title

South West Area Management Strategy

Additional expenditure of \$5.0 million will be incurred over 2008-09 and 2009-10 to progress native title negotiations in the South West region. The negotiations centre on developing benefits packages for each of the five large underlying claims that will be applied either as compensation for the extinguishment of native title or form part of an alternative settlement agreement which recognises the claimants' traditional connections to the land.

MINISTER FOR AGRICULTURE AND FOOD; FORESTRY; THE MID WEST AND WHEATBELT; GREAT SOUTHERN

Table 5

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 BUDGET AND 2007-08 MID YEAR REVIEW ^(a)					
Agriculture and Food					
- Natural Heritage Trust Phase 3	-	15.0	26.0	26.0	26.0
- <i>Total</i>	-	15.0	26.0	26.0	26.0
Rural Business Development Corporation					
- 2007 Dry Seasons – Government Assistance Scheme	9.1	-	-	-	-
- Ord Sugar Industry Assistance Scheme	4.0	-	-	-	-
- <i>Total</i>	13.1	-	-	-	-
PORTFOLIO TOTAL	13.1	15.0	26.0	26.0	26.0

(a) Further information is contained in Appendix 3: 2007-08 Government Mid-year Review Financial Projections Statement. Figures for 2011-12 were not published on the mid-year review, which only provided details for the then official forward estimates period.

Note: Columns may not add due to rounding.

MINISTER FOR LOCAL GOVERNMENT; RACING AND GAMING; MULTICULTURAL INTERESTS AND CITIZENSHIP; GOVERNMENT ENTERPRISES; MINISTER ASSISTING THE MINISTER FOR PLANNING AND INFRASTRUCTURE; GOLDFIELDS-ESPERENCE; YOUTH

Table 6

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 BUDGET AND 2007-08 MID YEAR REVIEW ^(a)					
Racing, Gaming and Liquor					
- Emergency Funds to Prevent the Spread of Equine Influenza to Western Australia	1.2	-	-	-	-
- <i>Total</i>	1.2	-	-	-	-
Goldfields Esperance Development Commission					
- Esperance Tourism	0.5	-	-	-	-
- <i>Total</i>	0.5	-	-	-	-
PORTFOLIO TOTAL	1.7	-	-	-	-

(a) Further information is contained in Appendix 3: 2007-08 Government Mid-year Review Financial Projections Statement. Figures for 2011-12 were not published on the mid-year review, which only provided details for the then official forward estimates period.

Note: Columns may not add due to rounding.

MINISTER FOR POLICE AND EMERGENCY SERVICES; COMMUNITY SAFETY; WATER RESOURCES; SPORT AND RECREATION

Table 7

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 BUDGET AND 2007-08 MID YEAR REVIEW ^(a)					
Sport and Recreation					
- Conversion of Logue Brook Dam from Recreational Use to Water Supply	0.2	3.8	3.4	3.3	-
- <i>Total</i>	0.2	3.8	3.4	3.3	-
Water					
- Water Efficiency Measures	3.0	0.6	0.4	0.4	0.4
- <i>Total</i>	3.0	0.6	0.4	0.4	0.4
Water Corporation					
- Country Water Restrictions Grants	3.4	3.4	3.4	3.4	-
- <i>Total</i>	3.4	3.4	3.4	3.4	-
Western Australia Police					
- Office of Crime Prevention- State Graffiti Vandalism Reduction Strategy	0.7	1.4	1.3	-	-
- WA Illicit Amphetamine Summit- Government Action Plan	0.7	1.4	1.4	1.4	1.4
- Indigenous Safety Taskforce	2.2	4.9	6.2	6.4	6.6
- <i>Total</i>	3.6	7.7	8.9	7.8	8.0
PORTFOLIO TOTAL	10.2	15.5	16.1	14.9	8.4
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Water					
- Water Reform Implementation	-	5.7	5.3	2.8	1.9
- State Water Recycling Strategy	0.3	1.3	0.6	0.4	0.4
- <i>Total</i>	0.3	7.1	5.9	3.2	2.3
Sport and Recreation					
- Regional Sport and Recreation Needs Review	0.1	-	-	-	-
- <i>Total</i>	0.1	-	-	-	-
Western Australia Police					
- Advertising- Recruitment Campaign	-	0.8	-	-	-
- Implementation of Mandatory Reporting of Child Sexual Abuse	-	1.3	1.0	1.1	1.3
- Office of Crime Prevention- Advertising for State Graffiti Strategy	0.3	0.4	0.2	-	-
- <i>Total</i>	0.3	2.5	1.2	1.1	1.3
PORTFOLIO TOTAL	0.7	9.6	7.1	4.3	3.6

(a) Further information is contained in Appendix 3: 2007-08 Government Mid-year Review Financial Projections Statement. Figures for 2011-12 were not published on the mid-year review, which only provided details for the then official forward estimates period.

Note: Columns may not add due to rounding.

Water⁵

Water Reform Implementation

The Department will spend \$5.7 million in 2008-09 and a further \$10.0 million in the outyears on priority water resource management reform actions including:

- investigation and assessment to improve scientific knowledge of key water resources;
- statutory allocation planning to set sustainable water usage limits and provide the framework for water accounting;
- improved management of water licensing and new water access entitlements; and
- strengthened compliance, including the roll-out of state-wide metering for water extraction license holders.

State Water Recycling Strategy

Expenditure of \$300,000 in 2007-08, \$1.3 million in 2008-09 and a further \$1.4 million in the outyears has been approved for the implementation of the State Water Recycling Strategy. This includes the development of a Waterwise Communities Toolkit and the creation of a policy and regulatory framework that facilitates increased recycling of water where this is safe and appropriate.

Sport and Recreation

Regional Sport and Recreation Needs Review

The Department will spend \$100,000 in 2007-08 to analyse and assess the future needs for sport and recreation in regional Western Australia.

Western Australia Police

Advertising – Recruitment Campaign

In order to meet recruitment targets, additional expenditure of \$800,000 will occur in 2008-09 to continue a marketing campaign to attract new recruits to Western Australia Police.

⁵ The former Water and Rivers Commission (WRC) ceased operating on 1 February 2008 following the proclamation of the *Water Resources Legislation Amendment Act 2007*. The functions, appropriation and assets of the WRC were transferred to the Department of Water (DOW). For ease and consistency of presentation, all decisions relating to the WRC prior to 1 February 2008 are listed under the DOW.

Implementation of Mandatory Reporting of Child Sexual Abuse

A total of \$1.3 million in 2008-09 and a further \$3.4 million in the outyears will be spent by Western Australia Police on the implementation of mandatory reporting from 1 January 2009. This reflects the Government's decision in March 2007 to expand the scope of mandated reporters in Western Australia to include doctors, nurses, teachers and police.

Additional expenditure will also be incurred by the Departments of Child Protection, Education and Training, Education Services and Health as a result of this decision.

Office of Crime Prevention – Advertising for State Graffiti Strategy

Additional expenditure of \$900,000 over three years, commencing in 2007-08, has been approved for advertising in relation to the State Graffiti Vandalism Reduction Strategy. This expenditure includes a range of marketing activities to promote government and community actions and encourage community participation in the prompt reporting of graffiti through the State Graffiti 1800 number and the Goodbye Graffiti website.

ATTORNEY GENERAL; MINISTER FOR HEALTH; ELECTORAL AFFAIRS

Table 8

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 BUDGET AND 2007-08 MID YEAR REVIEW ^(a)					
Health					
- Mental Health Initiatives	11.4	15.1	17.7	18.4	19.4
- Attention Deficit Hyperactivity Disorder Teams	-	0.8	1.6	3.3	-
- Management of Anaphylaxis	0.9	2.0	2.0	1.7	-
- WA Illicit Amphetamine Summit programs	2.2	2.9	3.0	3.1	-
- Foodbank WA	0.2	0.2	0.3	-	-
- Broome Mental Health Unit	-	-	3.2	3.9	4.1
- Health Risk Assessments (Esperance Lead Pollution)	0.2	0.4	0.4	0.4	0.4
- Little Sisters of the Poor (Kalgoorlie)	1.9	-	-	-	-
- <i>Total</i>	16.7	21.3	28.1	30.7	23.8
Legal Aid Commission					
- Kununarra Legal Aid Office	0.2	0.7	0.7	0.8	0.8
- New Community Legal Centre Joondalup	0.3	0.3	0.3	-	-
- <i>Total</i>	0.5	1.0	1.0	0.8	0.8
Attorney General					
- Additional Kalgoorlie Magistrate	0.5	0.5	0.5	0.5	0.5
- Cross-Border Justice Legislation	0.1	0.2	0.2	0.2	0.2
- <i>Total</i>	0.6	0.7	0.7	0.7	0.7
PORTFOLIO TOTAL	17.8	23.0	29.8	32.2	25.3
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Attorney General					
- Ex-gratia Payment to Ray and Peter Mickelberg	1.0	-	-	-	-
- Additional Kimberley and South West Magistrates	-	1.5	1.4	1.4	1.5
- <i>Total</i>	1.0	1.5	1.4	1.4	1.5
Health					
- South Perth Hospital Financial Assistance	0.4	-	-	-	-
- Mandatory Reporting of Child Sexual Abuse	0.2	2.5	3.2	3.3	3.5
- Increase in Neonatal Demand	-	1.8	2.9	4.2	5.4
- Advertising Campaigns – Emergency Departments and Nurse Recruitment	1.3	1.3	-	-	-
- Expansion of Renal Services in the Kimberley	-	0.9	0.9	0.9	1.0
- <i>Total</i>	2.0	6.5	7.0	8.4	9.8
Legal Aid Commission					
- Private Practitioner Fees	-	1.4	1.6	3.2	3.6
- <i>Total</i>	-	1.4	1.6	3.2	3.6
PORTFOLIO TOTAL	3.0	9.4	10.0	13.0	14.9

(a) Further information is contained in Appendix 3: 2007-08 *Government Mid-year Review Financial Projections Statement*. Figures for 2011-12 were not published on the mid-year review, which only provided details for the then official forward estimates period.

Note: Columns may not add due to rounding.

Attorney General

Ex-gratia Payment to Ray and Peter Mickelberg

An ex-gratia payment of \$1.0 million to Ray and Peter Mickelberg was approved in relation to their acquittal by the Court of Criminal Appeal in July 2004.

Additional Kimberley and South West Magistrates

An amount of \$1.5 million in 2008-09 and a further \$4.3 million in the outyears will be spent on an additional magistrate and support staff in the Kimberley and South West regions to address increased workloads.

Health

South Perth Hospital Financial Assistance

The Government has approved a \$400,000 grant in 2007-08 to provide assistance for the redevelopment of the South Perth Hospital.

Mandatory Reporting of Child Sexual Abuse

A total \$12.7 million will be spent by Department over five years, commencing in 2007-08, to enable the scheduled implementation of mandatory reporting from 1 January 2009. This reflects the Government's decision in March 2007 to expand the scope of mandated reporters in Western Australia to include doctors, nurses, teachers and police officers.

Additional expenditure will also be incurred by the Department for Child Protection, Departments of Education and Training and Education Services, and the Western Australia Police as a result of this decision.

Increase in Neonatal Demand

Commencing in 2008-09, \$14.2 million will be spent over four years to manage unexpected peaks in demand for neonatal services. The increase in demand for neonatal services is due to the dramatic rise in the number of births in recent years, coupled with an associated increase in complexity and acuity of conditions presented.

Advertising Campaigns – Emergency Departments and Nurse Recruitment

A total of \$2.6 million will be spent over two years, commencing in 2007-08, for advertising campaigns to provide the community with information to improve the management of Emergency Department services and to encourage nurses to pursue a career in the public health system.

Expansion of Renal Services in the Kimberley

The Kimberley region has the highest incidence of end stage renal disease in Western Australia, five times that of the Perth metropolitan area. An additional \$3.6 million will be spent over four years, commencing in 2008-09, for the expansion of renal services in the Kimberley region, including renal education, pre-dialysis training, early detection and management of kidney disease as well as additional support for home dialysis.

Increased support for home dialysis will facilitate the provision of appropriate care where people live, mitigate the adverse impact of transferring ill patients to metropolitan health services, and free up the capacity in the metropolitan area for the treatment of local patients.

Legal Aid Commission

Private Practitioner Fees

In 2007, the Legal Aid Commission (LAC) conducted a Criminal Law Cost Scale Review of Time Allowance to determine the adequacy of current allowable hours in the preparation of, and overall conduct of criminal legal services for LAC clients. The study was conducted due to a concern that fees paid to private practitioners, which are less than the ongoing market rate, are further discounted by inadequate time allowances, contributing to a reduced standard of service provided to LAC clients. Following the results of this study, an additional \$9.7 million was approved across the forward estimates period to increase the allowable hours and the base rate paid to private practitioners.

MINISTER FOR HOUSING AND WORKS; INDIGENOUS AFFAIRS; HERITAGE; LAND INFORMATION

Table 9

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 BUDGET AND 2007-08 MID YEAR REVIEW ^(a)					
Heritage Council of Western Australia					
- St. Mary's Cathedral	1.0	-	-	-	-
- <i>Total</i>	1.0	-	-	-	-
Housing and Works					
- Office of Strategic Projects	2.5	5.0	5.0	5.0	5.0
- Under Occupancy Program	0.2	0.2	-	-	-
- <i>Total</i>	2.7	5.2	5.0	5.0	5.0
Indigenous Affairs					
- Ashburton/Roeboorne Regional Partnership Agreement	0.6	-	-	-	-
- Gordon Monitoring and Evaluation Secretariat	0.3	0.2	0.2	0.4	-
- Stolen Wages Taskforce	0.3	-	-	-	-
- COAG Indigenous Reform Action	0.1	0.1	0.1	0.1	-
- <i>Total</i>	1.3	0.3	0.3	0.5	-
PORTFOLIO TOTAL	5.0	5.5	5.3	5.5	5.0
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Heritage Council of WA					
- Carnarvon Jetty Restoration	-	1.3	-	-	-
- <i>Total</i>	-	1.3	-	-	-
Housing and Works					
- Establishment of the Building Commission	-	2.2	-	-	-
- <i>Total</i>	-	2.2	-	-	-
Housing Authority ^(b)					
- Essential Service to Remote Indigenous Communities	-	24.5	13.2	-	-
- Rectification of Smoke Alarms	-	0.8	0.6	-	-
- Fitzroy Crossing Pool	-	4.5	0.3	0.3	0.3
- Pilbara Housing Study	-	0.2	-	-	-
- <i>Total</i>	-	29.9	14.1	0.3	0.3
Indigenous Affairs					
- Restructure of the Department of Indigenous Affairs	-	4.9	3.3	2.9	3.1
- <i>Total</i>	-	4.9	3.3	2.9	3.1
PORTFOLIO TOTAL	-	38.3	17.4	3.2	3.4

(a) Further information is contained in Appendix 3: 2007-08 Government Mid-year Review Financial Projections Statement. Figures for 2011-12 were not published on the mid-year review, which only provided details for the then official forward estimates period.

(b) Represented in general government expenses as grants and subsidies from the Consolidated Account, paid through Treasury and Finance.

Note: Columns may not add due to rounding.

Heritage Council of WA

Carnarvon Jetty Restoration

A grant of \$1.3 million will be provided in 2008-09 for the full restoration of the One Mile Jetty following a major fire that occurred in October 2007.

Housing and Works

Establishment of the Building Commission

In July 2007, Cabinet endorsed the creation of a new statutory authority, the Building Commission, under the proposed *Building Commission Act* to oversee building legislation, set building standards, register practitioners, regulate building practices, advise government and provide services to industry and consumers.

The Department will spend \$2.2 million in 2008-09 on implementation costs associated with the establishment of the Building Commission.

Housing Authority

Essential Service to Remote Indigenous Communities

An amount of \$24.5 million in 2008-09 and \$13.2 million in 2009-10 has been allocated to ensure remote Indigenous communities continue to receive essential services such as water, wastewater and power, while the best way to achieve normalisation of these services is investigated.

Rectification of Smoke Alarms

The Government has committed \$817,000 in 2008-09 and \$583,000 in 2009-10 for the commencement of a fault rectification program for smoke alarms. The program involves an inspection of smoke alarms in all Department owned properties and rectification of isolated smoke alarms by re-fitting the alarm's tamper locking screw (that allows easy identification of tampering). This program is estimated to cost approximately \$40 per property.

Fitzroy Crossing Swimming Pool

The Government will contribute \$4.5 million in 2008-09 and a further \$300,000 per annum in the outyears for the construction and ongoing maintenance and operation of a new community swimming pool at Fitzroy Crossing. In other locations, swimming pools have benefited all age groups in the community by enabling their participation in sporting and recreational activities.

Pilbara Housing Study

Under the auspices of the Pilbara Industry Community Council, expenditure of \$150,000 will occur in 2008-09 (as part of a joint \$300,000 project with the Department of Treasury and Finance) to conduct a study into the housing requirements of the Pilbara region. The study, amongst other things, will include an analysis of housing requirements for public housing, essential and small business workers, and non-government organisations.

Indigenous Affairs

Restructure of the Department of Indigenous Affairs

A provisional allocation of up to \$5.0 million in 2008-09 and a further \$9.3 million in the outyears has been approved to restructure the Department to progress the new directions and functions recently endorsed by Government.

MINISTER FOR PLANNING AND INFRASTRUCTURE

Table 10

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 BUDGET AND 2007-08 MID YEAR REVIEW ^(a)					
Planning and Infrastructure					
- Acquisition of Subsiding House at Woodvale	1.0	-	-	-	-
- Feasibility Assessment of Outer Harbour at Port Hedland	1.0	0.3	-	-	-
- General Industrial Land Planning Strategy	0.5	0.5	-	-	-
- Planning Approvals – Assistance to Local Government	3.0	-	-	-	-
- <i>Total</i>	5.5	0.8	-	-	-
Public Transport Authority ^(b)					
- WA Special Veterans Transport Subsidy	0.3	0.3	0.3	0.3	0.3
- <i>Total</i>	0.3	0.3	0.3	0.3	0.3
Armadale Redevelopment Authority					
- Wungong Urban Waters Development	- 0.3	- 0.5	- 0.5	- 0.6	- 0.6
- <i>Total</i>	0.3	0.5	0.5	0.6	0.6
PORTFOLIO TOTAL	6.1	1.6	0.8	0.9	0.9
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Main Roads					
- Grant to City of Joondalup – Dualling Connolly Drive	-	3.8	-	-	-
- <i>Total</i>	-	3.8	-	-	-
Public Transport Authority ^(b)					
- Joondalup CAT Service Trial – Route Extension	-	0.6	-	-	-
- Extension of Peak Hour Bus Services in the Northern Suburbs	-	1.1	1.2	1.2	1.3
- <i>Total</i>	-	1.7	1.2	1.2	1.3
PORTFOLIO TOTAL	-	5.5	1.2	1.2	1.3

(a) Further information is contained in Appendix 3: *2007-08 Government Mid-year Review Financial Projections Statement*. Figures for 2011-12 were not published on the mid-year review, which only provided details for the then official forward estimates period.

(b) Represented in general government expenses as grants and subsidies from the Consolidated Account, paid through Treasury and Finance.

Note: Columns may not add due to rounding.

Main Roads

Grant to the City of Joondalup – Dualling Connolly Drive

A \$3.8 million grant will be provided to the City of Joondalup in 2008-09 for the construction of a second carriageway between Burns Beach Road and MacNaughton Crescent to relieve severe congestion and safety concerns. This construction has been given priority due to the increasing likelihood that the immediate need for a dual carriageway will be intensified by traffic associated with the new Mitchell Freeway extension to Burns Beach Road, which is due for completion in September 2008.

Public Transport Authority

Joondalup CAT Service trial - Route Extension

A total of \$563,000 will be spent in 2008-09 to conduct a one-year trial extending the existing Joondalup CAT service to include a new route to the Joondalup Arena sports stadium, with regular stops along the route.

Extension of Peak Hour Bus Services in the Northern Suburbs

A total of \$4.8 million will be spent, commencing in 2008-09, to extend the peak period bus feeder services for the Northern Suburbs thereby providing more choice of travel times for patrons.

MINISTER FOR DISABILITY SERVICES; TOURISM; CULTURE AND THE ARTS; CONSUMER PROTECTION

Table 11

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 BUDGET AND 2007-08 MID YEAR REVIEW ^(a)					
Consumer and Employment Protection					
- Residential Gas Appliance Survey	1.0	-	-	-	-
- <i>Total</i>	1.0	-	-	-	-
Culture and the Arts					
- Inside Australia Exhibit at Lake Ballard – Gormley Collection	0.3	0.1	0.1	0.1	-
- 'Ignite' Package	-	15.9	7.8	8.2	4.8
- <i>Total</i>	0.3	16.0	7.9	8.3	4.8
Disability Services Commission					
- Deafblind International World Conference	0.1	-	-	-	-
- <i>Total</i>	0.1	-	-	-	-
Western Australian Tourism Commission					
- Aboriginal Tourism Employment Initiatives and Business Development	0.2	0.5	0.5	0.4	-
- 2011 ISAF Sailing World Championships	0.5	2.2	1.6	4.4	0.1
- <i>Total</i>	0.6	2.7	2.1	4.8	0.1
PORTFOLIO TOTAL	2.0	18.7	10.0	13.1	4.9
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Consumer and Employment Protection					
- Fair Pay and Conditions Policy	-(b)	0.1	0.1	-	-
- <i>Total</i>	-	0.1	0.1	-	-
Disability Services Commission					
- Companion Card	-	0.3	0.3	0.3	0.3
- Equipment for Living	-	0.8	-	-	-
- Support for Young Carers and Siblings	-	0.2	0.2	0.2	0.2
- <i>Total</i>	-	1.2	0.4	0.4	0.4
Culture and the Arts					
- Fremantle Arts Centre Press	0.3	-	-	-	-
- New Museum-Operating Costs	-	2.6	5.1	6.4	7.5
- <i>Total</i>	0.3	2.6	5.1	6.4	7.5
Western Australian Tourism Commission					
- Landbank	-	0.5	0.5	0.5	0.5
- Continuation of Boost Marketing Funds	-	5.8	-	-	-
- <i>Total</i>	-	6.3	0.5	0.5	0.5
PORTFOLIO TOTAL	0.3	10.2	6.1	7.3	8.4

(a) Further information is contained in Appendix 3: 2007-08 *Government Mid-year Review Financial Projections Statement*. Figures for 2011-12 were not published on the mid-year review, which only provided details for the then official forward estimates period.

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

Note: Columns may not add due to rounding.

Consumer and Employment Protection

Fair Pay and Conditions Policy

Expenditure of \$100,000 per annum in 2008-09 and 2009-10 for an initial two-year period for additional resources to assist agencies in assessing tender applications and auditing contractors for compliance with the Fair Pay and Conditions policy.

Disability Services Commission

Companion Card

Expenditure of \$285,000 per annum for four years, commencing in 2008-09, will enable the Companion Card to be made available free of charge to assist people with a disability who require an attendant or carer. The Department will work with the Australian Government and other States and Territories to develop a national Companion Card scheme for eligible people with disabilities who require a companion to accompany them on public transport or to functions and events.

Equipment for Living

Additional grants of \$750,000 in 2008-09 will be provided to people with disabilities to assist with daily living and to enable their participation more fully within daily life activities.

Support for Young Carers and Siblings

Expenditure of \$150,000 per annum for four years, commencing in 2008-09, will enable Carers WA to coordinate the provision of information, counselling and peer support for young carers and siblings aged under 26 years of age who care for a family member or a friend with a disability.

Culture and the Arts

Fremantle Arts Centre Press

Financial assistance of \$300,000 will be provided in 2007-08 to the Fremantle Arts Centre Press.

New Museum – Operating Costs

Expenditure of \$2.6 million in 2008-09 and a further \$19.0 million in the outyears will occur for project planning and preliminary costs associated with the construction of the new museum on the former East Perth power station site.

This expenditure covers staffing costs, equipment, transportation, and operating costs for the new museum project.

Western Australian Tourism Commission

Landbank

Additional expenditure of \$500,000 per annum over four years will be incurred to continue the identification and lease of land for an estimated 20 tourism development sites by 2010.

Continuation of Boost Marketing Funds

An additional \$5.8 million will be spent in 2008-09 to enable the Commission to continue an expanded trade and marketing program. This expenditure will fund international marketing activities in the United Kingdom, Japan, New Zealand, Korea, China, Malaysia, Singapore and Germany. Marketing funds will also be allocated to domestic interstate and intrastate markets.

MINISTER FOR EDUCATION AND TRAINING; SOUTH WEST

Table 12

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 BUDGET AND 2007-08 MID YEAR REVIEW ^(a)					
Education and Training					
- Attraction and Retention of Teachers	12.2	5.6	2.5	1.0	0.3
- Enhanced Salaries for Graduate Teachers	2.6	7.9	12.8	17.9	21.1
- <i>Total</i>	14.8	13.5	15.3	18.9	21.4
South West Development Commission					
- Lake Kepwari	2.3	0.2	-	-	-
- <i>Total</i>	2.3	0.2	-	-	-
PORTFOLIO TOTAL	17.1	13.7	15.3	18.9	21.4
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Education and Training					
- Implementation of Mandatory Reporting of Child Sexual Abuse	0.5	1.7	0.9	1.0	1.0
- Additional Places for Apprentices and Trainees	5.6	14.5	14.9	15.5	16.0
- Advertising Campaign for Teachers	-	1.9	-	-	-
- East Kimberley Clontarf Football Academy Program	-	0.4	0.4	0.4	0.4
- <i>Total</i>	6.1	18.5	16.2	16.9	17.4
Education Services					
- Implementation of Mandatory Reporting of Child Sexual Abuse	-	0.6	0.3	-	-
- University of Notre Dame	-	0.2	0.2	0.2	0.1
- <i>Total</i>	-	0.8	0.5	0.2	0.1
PORTFOLIO TOTAL	6.1	19.3	16.7	17.1	17.5

(a) Further information is contained in Appendix 3: 2007-08 *Government Mid-year Review Financial Projections Statement*. Figures for 2011-12 were not published on the mid-year review, which only provided details for the then official forward estimates period.

Note: Columns may not add due to rounding.

Education and Training

Implementation of Mandatory Reporting of Child Sexual Abuse

A total of \$5.1 million over five years will be spent to enable the Department to undertake its role in relation to the scheduled implementation of mandatory reporting from 1 January 2009. This reflects the Government's decision in March 2007 to expand the scope of mandated reporters in Western Australia to include doctors, nurses, teachers and police.

Additional expenditure will also be incurred by the Departments of Education Services and Health, the Department for Child Protection and the Western Australia Police as a result of this decision.

Additional Places for Apprentices and Trainees

Expenditure of \$5.6 million in 2007-08, \$14.5 million in 2008-09 and a further \$46.4 million in the outyears has been approved to increase the number of apprentice and trainee positions to 39,000 as part of the State Government's skilled workforce policy. Ultimately this policy seeks to ensure that Western Australia can meet the skills shortages that are a consequence of the State's current economic boom.

Between December 2006 and December 2007, apprentice and trainee places have increased from 32,543 to 35,242 and are forecast to reach 39,000 by December 2008. Over the period 2001 to 2007, Western Australia had an 88.6% increase in apprentices and trainees in training, compared with a 26.9% average increase across all other States.

Advertising Campaign for Teachers

The Department has developed a range of initiatives to address teacher recruitment and retention including improvements in teacher salaries, conditions and incentives. Advertising will communicate these changes to encourage new graduates to enter the education system as well as to encourage former teachers back into the system. It also seeks to raise the status of teachers in the community. Campaign activities have commenced in Western Australia, interstate and overseas.

East Kimberley Clontarf Football Academy Program

Around \$400,000 per annum for four years, commencing in 2008-09, will be spent on expanding the East Kimberley Clontarf Football Academy program in Kununurra and Halls Creek. This program has been effective in re-engaging Indigenous male students in education, and have improved their attendance and retention at school.

Education Services

Implementation of Mandatory Reporting of Child Sexual Abuse

A total of \$591,000 in 2008-09 and \$300,000 in 2009-10 will be spent to enable the Department to undertake its role in relation to the scheduled implementation of mandatory reporting from 1 January 2009. This reflects the Government's decision in March 2007 to expand the scope of mandated reporters in Western Australia to include doctors, nurses, teachers and police.

Additional expenditure will also be incurred by the Departments of Child Protection, Education and Training, Health and the Western Australia Police as a result of this decision.

University of Notre Dame

Interest subsidy payments totaling \$666,000 over the forward estimates period will be incurred through providing a low interest loan of \$3 million to Notre Dame University. The loan will assist in the building of facilities for the expansion of the University's teacher education program.

MINISTER FOR ENERGY; RESOURCES; INDUSTRY AND ENTERPRISE

Table 13

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 BUDGET AND 2007-08 MID YEAR REVIEW ^(a)					
Department of Industry and Resources					
- Mining Tenement Applications	1.0	1.0	1.0	0.5	0.5
- <i>Total</i>	1.0	1.0	1.0	0.5	0.5
PORTFOLIO TOTAL	1.0	1.0	1.0	0.5	0.5
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Horizon Power (Regional Power Corporation) ^(b)					
- Energy Concessions Package	-	-	0.5	0.9	1.3
- <i>Total</i>	-	-	0.5	0.9	1.3
Office of Energy					
- Utilities Hardship Package	-	2.1	2.2	2.1	2.0
- Energy Smart campaign	-	6.0	-	-	-
- <i>Total</i>	-	8.1	2.2	2.1	2.0
Synergy (Electricity Retail Corporation) ^(b)					
- Electricity Tariff Community Service Obligation	-	-	272.8	290.7	215.6
- Energy Concessions Package	-	-	4.2	7.9	11.9
- <i>Total</i>	-	-	277.0	298.6	227.0
Industry and Resources					
- Coal Royalty Rebates	1.7	1.8	-	-	-
- <i>Total</i>	1.7	1.8	-	-	-
PORTFOLIO TOTAL	1.7	9.9	279.7	301.6	230.8

(a) Further information is contained in Appendix 3: 2007-08 *Government Mid-year Review Financial Projections Statement*. Figures for 2011-12 were not published on the mid-year review, which only provided details for the then official forward estimates period.

(b) Represented in general government expenses as grants and subsidies from the Consolidated Account, paid through Treasury and Finance.

Note: Columns may not add due to rounding.

Horizon Power (Regional Power Corporation)

Energy Concessions Package

Additional CSO payments of \$2.7 million will provide for an increase in concession card holders' energy rebates, such as rebates for pensioners and dependent children.

Office of Energy

Utilities Hardship Package

Expenditure of \$2.1 million in 2008-09 and a further \$6.4 million in the outyears will be spent to assist low income families in financial hardship to install energy and water efficient equipment (such as housing insulation and efficient water heads) and implement other programs to help them use water and energy more efficiently. This initiative is part of a \$24.4 million package to assist those members of the community deemed by a financial counsellor to be under severe financial distress.

Energy Smart Campaign

An amount of \$6.0 million will be spent in 2008-09 to make available to households an *Energy Smart* information package. The package will also increase public awareness on energy saving options and the resultant greenhouse gas reductions.

Synergy (Electricity Retail Corporation)

Electricity Tariff Community Service Obligation

From 2009-10, a CSO will be paid to Synergy to recognise the Government's decision to set retail electricity tariffs below cost-reflective levels. The CSO is estimated at approximately \$272.8 million in 2009-10, \$290.7 million in 2010-11 and \$215.6 million in 2011-12. The cumulative value over the forward estimates period is \$779.1 million.

While these payments impact on general government sector expenses, they have no impact on total public sector net debt (as they simply involve a transfer from one sector of government to another for transparency purposes).

Further details on this CSO payment are contained in Appendix 9: *Public Corporations - Impact on General Government Revenue and Expenses*.

Energy Concessions Package

To ensure that concession customers are not worse off than general customers following rises in electricity tariffs in 2009-10 and beyond, the Government has approved additional CSO payments totalling \$24.0 million to provide for increases in concession card holders' energy rebates, such as rebates for pensioners and dependent children.

Industry and Resources

Coal Royalty Rebates

A total of \$3.5 million over 2007-08 and 2008-09 will be provided in the form of royalty rebates to the coal industry, consistent with the State Government's 2005 Election commitment (the Western Australian Coal Future Strategy). This will assist the Western Australian coal industry in exploring new domestic and export markets.

MINISTER FOR EMPLOYMENT PROTECTION; REGIONAL DEVELOPMENT; FISHERIES; THE KIMBERLEY, PILBARA AND GASCOYNE

Table 14

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 BUDGET AND 2007-08 MID YEAR REVIEW ^(a)					
Fisheries					
- West Coast and Gascoyne Scalefish	1.3	1.3	1.3	1.3	1.3
- Walpole and Nornalup Inlets Marine Park	0.1	0.2	0.2	0.2	0.2
- Fish for the Future	0.4	-	-	-	-
- <i>Total</i>	1.8	1.5	1.5	1.5	1.5
Kimberley Development Commission					
- Weaber Plains Flood Mitigation	0.5	-	-	-	-
- <i>Total</i>	0.5	-	-	-	-
PORTFOLIO TOTAL	2.3	1.5	1.5	1.5	1.5
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Fisheries					
- Compliance Resourcing	-	1.5	2.2	2.1	2.1
- Pearl Oyster Disease Management	0.3	-	-	-	-
- <i>Total</i>	0.3	1.5	2.2	2.1	2.1
PORTFOLIO TOTAL	0.3	1.5	2.2	2.1	2.1

(a) Further information is contained in Appendix 3: 2007-08 *Government Mid-year Review Financial Projections Statement*. Figures for 2011-12 were not published on the mid-year review, which only provided details for the then official forward estimates period.

Note: Columns may not add due to rounding.

Fisheries

Compliance Resourcing

Expenditure of \$1.5 million in 2008-09 and a further \$6.4 million in the outyears has been committed to increase fishing compliance resourcing to enable the recovery of important fish stocks including Pink Snapper, Baldchin Groper and Dhufish. The additional compliance is necessary to complement a suite of community supported comprehensive fisheries management arrangements.

Pearl Oyster Disease Management

The Department will spend \$300,000 in 2007-08 as the State's contribution to researching and minimising the spread of an infectious oyster disease within the Exmouth Gulf and Kimberley fisheries.

MINISTER FOR CORRECTIVE SERVICES; SMALL BUSINESS

Table 15

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 BUDGET AND 2007-08 MID YEAR REVIEW ^(a)					
Corrective Services					
- East Perth Watch House	2.2	5.0	5.2	5.4	5.6
- Cross-Border Justice Legislation	-	0.2	0.1	0.1	0.1
- State Graffiti Vandalism Reduction Strategy 2007-2010	0.1	0.2	0.2	-	-
- Additional temporary accommodation	-	0.3	0.5	0.5	-
- Strategies to manage the increasing offender population	0.9	3.1	3.1	3.2	3.2
- WA Illicit Amphetamine Summit – diversion programs	0.2	0.2	0.3	0.3	0.3
- <i>Total</i>	3.4	9.0	9.4	9.5	9.2
Small Business Development Corporation					
- 2007 Dry Season – Government Assistance Package	0.2	-	-	-	-
- 'Go West Now' skills attraction campaign	1.1	-	-	-	-
- <i>Total</i>	1.3	-	-	-	-
PORTFOLIO TOTAL	4.7	9.0	9.4	9.5	9.2
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Corrective Services					
- Expanding Offender Programs	0.9	2.1	2.3	2.3	2.3
- Expanding Re-entry Programs	0.3	4.7	4.8	5.0	5.0
- <i>Cannabis Control Act 2003</i> – Review Recommendations	-	0.2	0.2	0.3	0.3
- ICE Summit Initiatives – Drug Testing	-	0.2	0.2	0.2	0.2
- Costs Associated with Additional Magistrate for the Kimberley Region	-	0.2	0.2	0.2	0.2
- Reducing Indigenous Imprisonment Strategy	-	1.0	-	-	-
- <i>Total</i>	1.2	8.5	7.7	8.0	8.0
Small Business Development					
- Continuation of the 'Go West Now' Program	-	1.0	1.5	1.5	-
- Franchise Enquiry	- ^(b)	-	-	-	-
- <i>Total</i>	-	1.0	1.5	1.5	-
PORTFOLIO TOTAL	1.2	9.5	9.2	9.5	8.0

(a) Further information is contained in Appendix 3: *2007-08 Government Mid-year Review Financial Projections Statement*. Figures for 2011-12 were not published on the mid-year review, which only provided details for the then official forward estimates period.

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

Note: Columns may not add due to rounding.

Corrective Services

Expanding Offender Programs

An amount of \$900,000 in 2007-08, \$2.1 million in 2008-09 and a further \$6.9 million in the outyears will be spent to expand offender programs by contracting out to non-government service providers the delivery of programs focusing on violent offending, domestic violence and substance abuse. The outsourcing of these offender programs will allow the Department to focus on the delivery of sex offender programs.

Expanding Re-Entry Programs

Expenditure of \$300,000 in 2007-08, \$4.7 million in 2008-09 and a further \$14.8 million in the outyears will be spent on the expansion of re-entry programs to increase the number of prisoners accessing re-entry programs as part of a strategy aimed at reducing recidivism rates. Historically, prisoners who have participated in re-entry programs have been less likely to re-offend.

***Cannabis Control Act 2003* – Review Recommendations**

The Review of the *Cannabis Control Act 2003* recommended that there be mandatory intervention for juvenile cannabis offenders via the issuing of Cannabis Infringement Notices (CIN) under the amended *Cannabis Control Act 2003*. The Government has committed \$200,000 in 2008-09 and a further \$800,000 in the outyears to cater for juveniles who fail to comply with the requirements of a CIN resulting in a referral to a Juvenile Justice Team.

ICE Summit Initiatives – Drug Testing

As an outcome of the ICE Summit, expenditure of \$200,000 per annum for four years, commencing in 2008-09, will allow for enhancements to the current drug-testing program. A drug-testing regime is critical to monitor client compliance with court orders or instructions. Without such a supporting regime, the outcome of providing interventions to address drug use and dependency will be severely compromised.

Costs Associated with Additional Magistrate for the Kimberley Region

The approval of an additional magistrate in the Kimberley region requires the Department to spend \$200,000 per annum, commencing in 2008-09, on the lease of a new prison truck to be based in Kununurra and the upgrade of security arrangements to a level similar to those provided to the Broome magistrate.

Reducing Indigenous Imprisonment Strategy

Expenditure of \$1.0 million will occur in 2008-09 to provide for a coordinated response across government for the implementation of strategies to reduce Indigenous imprisonment as a result of fine default and unlicensed driving offences.

Small Business Development

Continuation of the 'Go West Now' Program

Expenditure of \$1.0 million in 2008-09 and \$1.5 million per annum in 2009-10 and 2010-11 will allow for the continuation of the 'Go West Now' Program. This initiative will continue to pro-actively assist in addressing the issue of skill shortages in the Western Australian workforce.

Franchise Enquiry

Expenditure of \$35,000 will be incurred as a result of the appointment of Mr Chris Bothams to chair a State Government inquiry into franchise arrangements. The inquiry will analyse and assess the operation of franchise businesses in Western Australia.

MINISTER FOR THE ENVIRONMENT; CLIMATE CHANGE; PEEL

Table 16

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 BUDGET AND 2007-08 MID YEAR REVIEW ^(a)					
Environment and Conservation					
- Esperance Health and Ecological Risk Assessment	0.7	-	-	-	-
- Pemberton Sawmill Site	0.5	-	-	-	-
- Cane Toad Initiatives	1.0	-	-	-	-
- Walpole and Nornalup Inlets Marine Park	0.1	0.3	0.3	0.3	0.3
- Lake Kepwari	0.5	0.4	0.4	0.4	0.4
- Fire damage – Dwellingup and South Coast	1.0	-	-	-	-
- Inspections and Compliance Monitoring	0.4	1.3	1.3	1.3	1.3
- <i>Total</i>	4.2	1.9	1.9	1.9	1.9
Peel Development Commission					
- Hotham Valley Tourist Rail – Fire Relief	2.1	-	-	-	-
- <i>Total</i>	2.1	-	-	-	-
PORTFOLIO TOTAL	6.3	1.9	1.9	1.9	1.9
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Environment and Conservation					
- Fire Management Resources	-	4.7	4.7	4.7	4.7
- Native Vegetation Clearing Approvals	-	1.4	1.4	1.4	1.4
- Major Development Approvals	-	2.2	1.5	-	-
- <i>Total</i>	-	8.3	7.6	6.1	6.1
Swan River Trust					
- Swan Canning Riverpark Management	-	0.1	3.0	2.4	2.4
- <i>Total</i>	-	0.1	3.0	2.4	2.4
PORTFOLIO TOTAL	-	8.4	10.6	8.5	8.5

(a) Further information is contained in Appendix 3: 2007-08 Government Mid-year Review Financial Projections Statement. Figures for 2011-12 were not published on the mid-year review, which only provided details for the then official forward estimates period.

Note: Columns may not add due to rounding.

Environment and Conservation

Fire Management Resources

A total of \$4.7 million per annum will be spent over the forward estimates period to increase fire prevention and suppression capacity. This expenditure includes the operational costs of recently purchased satellite telephone and resource tracking equipment to improve communication and the recruitment of 20 additional fire fighters to address fatigue management issues.

Native Vegetation Clearing Approvals

Additional expenditure of \$1.4 million per annum, commencing in 2008-09, will be incurred to maintain, on a permanent basis, the native vegetation clearing approvals process and to strengthen the enforcement of native vegetation clearing controls.

Major Development Approvals

In response to the resources boom, a total of \$2.2 million in 2008-09 and \$1.5 million in 2009-10 will be spent to enable the expansion of capacity to process major development approvals, including an additional 14 employees to undertake environmental assessments in 2008-09.

Swan River Trust

Swan Canning Riverpark Management

A total of \$7.8 million will be spent over the forward estimates period to maintain the Trust's current level of operations in accordance with the new *Swan and Canning Rivers Management Act 2006*, which formally created the Riverpark River Reserve in September 2007.

The Riverpark is a river reserve consisting of the waterways and adjacent public land of the Swan, Canning, Helena and Southern rivers. The Riverpark River Reserve requires ongoing maintenance and management to protect and enhance ecological and community benefits and amenities, including the provision of foreshore management and restoration, drainage nutrient intervention, water quality management, waste and hazard removal, regulation compliance, local government and community liaison, and logistical support for river incidents.

MINISTER FOR CHILD PROTECTION; COMMUNITIES; WOMEN'S INTERESTS; SENIORS AND VOLUNTEERING

Table 17

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 BUDGET AND 2007-08 MID YEAR REVIEW ^(a)					
Child Protection					
- Mandatory Reporting – Implementation Planning	0.7	-	-	-	-
- Kimberley Response - Interviewers	0.3	0.7	0.7	0.7	0.7
- Warmun Community Child Protection Officer	0.1	0.3	0.3	0.3	0.3
- <i>Total</i>	1.1	0.9	0.9	1.0	1.0
Communities					
- Western Australian Redress Scheme	2.6	5.8	89.1	16.9	-
- <i>Total</i>	2.6	5.8	89.1	16.9	-
PORTFOLIO TOTAL	3.7	6.7	90.0	17.9	1.0
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Child Protection					
- Housing Affordability – Crisis Accommodation	-	0.4	0.5	0.5	0.5
- Implementation of Mandatory Reporting of Child Sexual Abuse	0.3	8.7	10.4	11.1	11.8
- Oombulgurri Child Protection	-	0.3	0.3	0.3	0.3
- Utilities Hardship Package	-	4.0	3.9	4.0	4.1
- <i>Total</i>	0.3	13.4	15.1	15.8	16.7
Communities					
- Communities Concessions and Rebate Campaign	0.3	0.3	-	-	-
- <i>Total</i>	0.3	0.3	-	-	-
PORTFOLIO TOTAL	0.6	13.7	15.1	15.8	16.7

(a) Further information is contained in Appendix 3: 2007-08 Government Mid-year Review Financial Projections Statement. Figures for 2011-12 were not published on the mid-year review, which only provided details for the then official forward estimates period.

Note: Columns may not add due to rounding.

Child Protection

Housing Affordability – Crisis Accommodation

To assist young mothers and their children at risk of homelessness and domestic violence, expenditure of \$450,000 in 2008-09, increasing to \$490,000 per annum in 2011-12, will meet the operational costs of the Hills Safe House crisis accommodation service.

Implementation of Mandatory Reporting of Child Sexual Abuse

Additional expenditure of \$300,000 in 2007-08, \$8.7 million in 2008-09 and a further \$33.3 million in the outyears will enable the Department to implement mandatory reporting and undertake its lead-agency role under proposed legislation commencing from 1 January 2009. The legislation will expand the scope of mandated reporters in Western Australia to include doctors, nurses, teachers and police officers.

Additional expenditure will also be incurred by the Departments of Education and Training, Education Services, Health and the Western Australia Police as a result of this decision.

Oombulgurri Child Protection

Additional expenditure of \$1.1 million over four years, commencing in 2008-09, will enable the continued provision of child protection services to the remote Kimberley community of Oombulgurri and surrounding districts.

Utilities Hardship Package

A Utilities Hardship Assistance package totalling \$15.9 million will be spent to assist members of the community deemed by a financial counsellor to be under severe financial distress and at risk of disconnection from essential services.

This package comprises \$7.0 million for a Hardship Utilities Grants Scheme, and \$8.9 million for improved financial counselling services to the most disadvantaged in the community.

Communities

Communities Concessions and Rebate Campaign

A total of \$300,000 per annum over 2007-08 and 2008-09 has been committed to the Community Concessions and Rebates Campaign. The Government supports progressive social and business initiatives and assists all Western Australian citizens through a range of grants, sponsorships, subsidies and rebates. The expenditure promotes these concessions within the community.

Capital Investment

Overview

The Western Australian Government plays a key role in the ongoing development of the State through the provision of high quality economic and social infrastructure.

Consistent with the Government's established track record, 2008-09 will see significant investment made in the priority areas of education, health, law and order, energy, water and transport. The Capital Works Program for 2008-09 will be a record \$7.6 billion, with a total of \$26.1 billion planned to be spent in the budget year and the outyears.

The emphasis in 2008-09 remains on the provision of essential infrastructure to satisfy the State's ability to meet the demand for services. However, many of the new infrastructure initiatives in the 2008-09 Capital Works Program provide significant social dividends to the community and are aimed at making Western Australia a more vibrant place to live and invest.

Cost and Demand Pressures

The Government's first priority is to ensure the delivery of its current commitments. The 2008-09 Budget includes adjustments necessary to address cost increases associated with capacity constraints in the construction industry, as well as the increased demand for services throughout the State.

Significant cost and demand driven adjustments include:

- an increase of \$298.7 million across the forward estimates period for the Water Corporation to enable it to continue to maintain the provision of high quality and reliable water, wastewater and drainage services to the State, during this period of strong economic growth and climate uncertainty; and

- additional capital investment of \$146.2 million over the forward estimates period in the State's electricity generation and distribution. This expenditure includes:
 - \$35.1 million to improve safety and reliability in the network;
 - further developments in infrastructure to accommodate business and residential growth;
 - the continued replacement and maintenance of assets; and
 - \$61.7 million to be spent across the forward estimates period to enable Verve Energy to maintain existing generation capacity.

Major Initiatives

While the Government continues to focus on delivering existing infrastructure commitments, there are significant new capital works projects in the 2008-09 Capital Works Program as well as a number of previously approved projects which are scheduled to commence in 2008-09. These include:

- a new major stadium in Kitchener Park to replace Subiaco Oval as the premier sporting venue in the State, with a capacity of 60,000 seats and the potential for expansion to 70,000 seats. Construction will commence in 2011 and the stadium will be completed in 2016, at a total expected cost of \$1.07 billion;
- a new world-class museum on the site of the former East Perth power station at an expected total cost of \$505.8 million;
- the first stage of the Perth Waterfront project which will transform the Esplanade and waterfront between William Street and Barrack Square. The initial stage of this project is expected to cost \$319.2 million;
- construction of a 330 kV transmission line between Pinjar and Geraldton, over a distance of 380 km, at a total expected cost of \$295.0 million;
- the deepening of the Fremantle Port Authority's Inner Harbour, at an expected total cost of \$125.5 million, to ensure the ongoing patronage of large vessels;
- the Southern Seawater Desalination Plant in the State's south west, at a total cost of \$955.0 million and scheduled for completion in 2011;
- the second stages of Comet Bay College (\$25.0 million), Ellenbrook Senior College (\$25.0 million), and Karratha Senior High School (\$46.0 million) and the replacement of Governor Stirling Senior High School (\$63.0 million);
- the \$225 million expansion of Port Hedland Port Authority's Multi-User Panamax Berth at Utah Point, (\$155.0 million in 2008-09), which will increase capacity by 16.5 million tonnes per annum; and
- Stage 2 of the Cervantes to Greenhead Road linking Lancelin to Cervantes, at a total cost of \$110.0 million, enabling the Indian Ocean Drive to be completed by 2011.

Capital Spending Aggregates

By far the largest component of the Capital Works Program is the fixed asset spending undertaken by the total public sector (which incorporates the general government sector and the public financial and non-financial corporations sectors). Fixed asset spending creates or maintains the value of an asset held by the agency and is reflected on the agency's balance sheet. However, by long-standing convention, the Capital Works Program also includes expenditure provided by the Government in support of fixed asset spending outside of the total public sector. From year-to-year this has included:

- assistance in facilitating construction of strategic assets which will have flow-on benefits to the State economy;
- grants to local government, non-government agencies and community groups to purchase fixed assets; and
- the Keystart housing loan program, which provides loans to lower-income home buyers to facilitate their entry to the housing market, as well as other home lending programs, including the FirstStart and GoodStart programs.

Fixed asset spending in 2008-09 is forecast at \$6.5 billion, and a total \$22.0 billion across the forward estimates period, the highest level of such expenditure on record. Irrespective of the definition used, the Government's investment in significant infrastructure in the 2008-09 Budget is at historically high levels.

The following table reconciles the key capital spending aggregates (fixed asset purchases, expensed capital items and Keystart home lending loans, etc.) to the Government's Capital Works Program.

Table 1

RECONCILING CAPITAL SPENDING AGGREGATES
Western Australia

	2007-08 Estimated Actual \$m	2008-09 Budget Estimate \$m	2009-10 Forward Estimate \$m	2010-11 Forward Estimate \$m	2011-12 Forward Estimate \$m
PURCHASES OF FIXED ASSETS					
General government	2,040	2,707	2,160	2,069	2,577
Public non-financial corporations	3,340	3,847	3,496	2,687	2,605
Public financial corporations	7	4	4	4	3
<i>plus</i>					
Expensed Capital Works Program ^(a)	216	167	168	166	157
Keystart home lending loans	762	599	539	536	534
All other ^(b)	375	323	266	258	279
<i>less</i>					
Capital spending by agencies outside the Capital Works Program ^(c)	11	4	3	3	3
CAPITAL WORKS PROGRAM	6,729	7,643	6,631	5,715	6,152

(a) Includes items expensed as operating activities such as grants to local government and private sector agencies.

(b) Includes purchase of inventories and loans to external parties by agencies other than Keystart.

(c) Agencies such as the Burswood Park Board and statutory marketing authorities.

Note: Columns may not add due to rounding.

Capital Works Program

Summary

The 2008-09 Capital Works Program is forecast at \$7.6 billion and includes major investment in the following areas:

- \$1.2 billion expenditure on improving, extending and maintaining the electricity infrastructure across the State. Safety and reliability have been the main focus, whilst catering for strong economic and population growth. Specific initiatives include:
 - the start of large transmission works to service the growing power needs of the Perth metropolitan area and the Mid-West region, and to facilitate the connection of coal and gas fired generation and renewable generation. This includes expenditure on new 330 kV transmission lines from Pinjar to Moonyoonooka (near Geraldton) and from Collie to the Eastern Terminal (near the Perth metropolitan area);
 - increased distribution capacity for customers to support growth;
 - the continuation of the Bushfire Mitigation program; and
 - the continuation of the underground power project;

- \$1.1 billion on the State's water, wastewater and drainage services to ensure the ongoing quality and reliability of water services, and meet increasing demands of a State undergoing a sustained economic boom. The program includes:
 - the ongoing construction of wastewater treatment schemes at Alkimos, East Rockingham and Beenyup;
 - commencement of construction of the Southern Seawater Desalination Plant at Binningup; and
 - further investigation and research into alternative water sources for the State;
- \$810 million on road construction and maintenance, with continued progress on major projects such as:
 - the \$705 million New Perth-Bunbury Highway;
 - the Geraldton Southern Transport Corridor Stage 2; and
 - the completion of the extension of the Mitchell Freeway from Hodges Drive to Burns Beach Road;

- \$502 million on infrastructure to improve and extend the State's health care facilities. The program will continue the work on implementing the recommendations of the Health Reform Committee with a number of significant projects now into their construction phase, most notably Stage 1 of the Rockingham Kwinana Hospital;

Planning will also continue on Stage 1 of the redevelopment of the Fiona Stanley Hospital, and Stage 1 of the Joondalup Health Campus Development. The program also includes investment in equipment replacement and information technology infrastructure;

- \$377 million on improvements to the infrastructure of ports around the State to ensure export capacity keeps pace with the State's booming economy. The program includes Stage 1 of the deepening of the Inner Harbour at the Fremantle Port Authority, and the construction of the Port Hedland Port Authority's Multi-User Panamax Berth at Utah Point;
- \$347 million on schools and TAFE colleges across the State, including construction of 9 new high schools, 17 new primary schools and improvements to 7 high schools and one primary school, as well as the continuation of the redevelopment of the Central TAFE campus (\$42.9 million);
- \$219 million on the public transport system, including \$55 million on new rail cars, \$52 million on 96 new buses (including for regional areas), facility improvements for various stations and investment in public safety measures; and
- \$211 million on law and order-related projects including:
 - the Perth Police Complex;
 - the Pilbara District Police Complex;

- the Carnarvon Police and Justice Centre;
- refurbishments of the Perth Central Law Courts;
- the Kalgoorlie Courthouse; and
- the Kimberley Prison and Work Camp.

Capital Works Policy Decisions

The following table provides a breakdown of total public sector capital spending¹ policy decisions made since the mid-year review.

Table 2

**SUMMARY OF CAPITAL SPENDING POLICY DECISIONS BY AGENCY
SINCE THE 2007-08 MID-YEAR REVIEW**

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	Total \$m
Western Power	14.7	130.8	220.3	193.6	82.4	641.8
Sport and Recreation	1.9	76.9	15.1	9.6	232.8	336.2
Fremantle Port Authority	-	80.2	45.3	-	-	125.6
Horizon Power	-	25.0	26.0	20.3	22.4	93.7
Water Corporation	5.4	25.1	29.0	14.7	9.0	83.1
Culture and the Arts	-	2.0	2.0	10.0	38.0	52.0
WA Land Authority	0.6	1.5	2.4	2.8	43.3	50.6
Verve Energy	-	11.2	23.9	13.8	1.1	50.0
Fire and Emergency Services Authority	-	-	-	-	13.3	13.3
Health	-	6.0	5.9	0.2	0.2	12.3
East Perth Redevelopment Authority	-	2.9	2.8	1.1	1.5	8.2
Armadale Redevelopment Authority	0.8	4.1	2.4	-	-	7.4
Public Transport Authority	0.1	1.0	5.0	-	-	6.0
Planning and Infrastructure	-	3.2	-	-	-	3.2
Water	-	1.1	1.9	-	-	3.0
Department of Indigenous Affairs	-	1.8	-	-	-	1.8
Child Protection	-	1.5	-	-	-	1.5
Attorney General	-	1.1	-	-	-	1.1
Fisheries	-	0.4	0.4	- (a)	- (a)	0.8
Education and Training	-	0.5	-	-	-	0.5
Zoological Parks Authority	0.5	-	-	-	-	0.5
Western Australia Police	-	0.4	-	-	-	0.4
TOTAL	23.9	376.8	382.4	266.0	444.0	1,493.1

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

Note: Columns may not add due to rounding.

The following discussion provides details on new policy decisions since the mid-year review, and should be read in conjunction with that publication. The timing of cash flows for some projects may have since been revised (refer to agency estimates contained in Budget Paper No. 2: *Budget Statements*).

¹ Measured in terms of the purchase of non-financial assets.

Armadale Redevelopment Authority

Table 3

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING					
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Armadale Redevelopment Authority					
- Kelmscott District Centre Works - Gilwell Avenue Extension	-	2.0	-	-	-
- Armadale and Kelmscott Rail Infrastructure	0.8	2.1	2.4	-	-
- <i>Total</i>	0.8	4.1	2.4	-	-

Note: Columns may not add due to rounding.

Kelmscott District Centre Works – Gilwell Avenue Extension

A total of \$2.0 million will be spent on the Gilwell Avenue Extension in 2008-09 to complete the revitalisation of the Kelmscott district centre in accordance with the overall concept plan.

Armadale and Kelmscott Rail Infrastructure

The Armadale Redevelopment Authority will utilise proceeds from the sale of surplus railway reserves in Armadale and Kelmscott for the development of parking and civic infrastructure adjacent to the railway stations. This project is considered essential to the revitalisation of the rail precincts in both Armadale and Kelmscott and will encourage the use of public transport, which is a key outcome for the Network City metropolitan planning strategy for Perth and the Peel region.

Attorney General

Table 4

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING					
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Attorney General					
- Additional Kimberley Magistrate	-	1.1	-	-	-
- <i>Total</i>	-	1.1	-	-	-

Note: Columns may not add due to rounding.

Additional Kimberley Magistrate

Expenditure of \$1.1 million in 2008-09 has been approved to refurbish the existing courthouse at Kununurra to accommodate an additional magistrate and support staff.

Child Protection

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING					
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Child Protection					
- Implementation of Mandatory Reporting of Child Sexual Abuse	-	1.5	-	-	-
- <i>Total</i>	-	1.5	-	-	-

Note: Columns may not add due to rounding.

Implementation of Mandatory Reporting of Child Sexual Abuse

Expenditure of \$1.5 million in 2008-09 to establish a professionally staffed Call Centre, which will become the initial reference/entry point and source of guidance available to assist doctors, nurses, teachers and police officers to comply with their legal obligations as mandated reporters under proposed legislation scheduled to commence from 1 January 2009.

Corrective Services

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING					
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 BUDGET AND 2007-08 MID YEAR REVIEW ^(a)					
Corrective Services					
- Additional Temporary Accommodation	4.6	5.5	-	-	-
- <i>Total</i>	4.6	5.5	-	-	-

(a) Further information is contained in Appendix 3: 2007-08 *Government Mid-year Review Financial Projections Statement*. Figures for 2011-12 were not published in the mid-year review that only provided details for the then official forward estimates period.

Note: Columns may not add due to rounding.

Culture and the Arts

Table 7

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING					
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 BUDGET AND 2007-08 MID YEAR REVIEW ^(a)					
Culture and the Arts					
- Ignite! Package	-	17.6	-	5.0	-
- <i>Total</i>	-	17.6	-	5.0	-
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Culture and the Arts					
- New Museum	-	2.0	2.0	10.0	38.0
- <i>Total</i>	-	2.0	2.0	10.0	38.0

(a) Further information is contained in Appendix 3: 2007-08 *Government Mid-year Review Financial Projections Statement*. Figures for 2011-12 were not published in the mid-year review that only provided details for the then official forward estimates period.

Note: Columns may not add due to rounding.

New Museum

\$52.0 million will be spent over the forward estimates period on planning and preliminary construction work on a new world class Museum on the site of the former East Perth power station. The project will include over 10,000 square metres of new exhibition space and will incorporate the heritage listed power station as public and orientation space.

The new Museum project, at an estimated total cost of \$505.8 million, will portray the State's rich history, indigenous heritage and unique environment. Planning and design of the new Museum commences in 2008, with construction expected to begin in 2012 and completion expected in late 2015.

East Perth Redevelopment Authority

Table 8

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING					
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
East Perth Redevelopment Authority					
- Northbridge Link	-	2.9	2.8	1.1	1.5
- <i>Total</i>	-	2.9	2.8	1.1	1.5

Note: Columns may not add due to rounding.

Northbridge Link

A total of \$2.9 million in 2008-09 and a further \$5.4 million over the outyears will be spent on the construction of Stages 1 and 2 of the Northbridge Link. The Northbridge Link will develop land along Wellington Street near the Perth Arena as public open space and for mixed, commercial, residential and tourism uses. The project will create a forecourt for the Perth Arena, an upgrade of Wellington and Milligan Streets and a road transport link that would allow the redevelopment of the Perth Entertainment Centre site.

Education and Training

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING					
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 BUDGET AND 2007-08 MID YEAR REVIEW ^(a)					
Education and Training					
- Mobile Trade Training Facilities for Indigenous Communities	0.5	1.5	-	-	-
- Upgrade and Replacement of Primary Schools	-	47.7	18.0	-	-
- Expansion of Comet Bay and Ellenbrook High Schools	-	1.0	40.0	9.0	-
- <i>Total</i>	0.5	50.2	58.0	9.0	-
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Education and Training					
- East Kimberly Clontarf Football Academy Program	-	0.5	-	-	-
- <i>Total</i>	-	0.5	-	-	-

(a) Further information is contained in Appendix 3: 2007-08 *Government Mid-year Review Financial Projections Statement*. Figures for 2011-12 were not published in the mid-year review that only provided details for the then official forward estimates period.

Note: Columns may not add due to rounding.

East Kimberley Clontarf Football Academy Program

The Halls Creek District High School will be expanded with additional facilities at a cost of \$500,000 to enable the Clontarf Football Academy to operate at the site. These programs have been effective in re-engaging Indigenous male students in education and have improved their attendance and retention at school.

Environment and Conservation

Table 10

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING					
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 BUDGET AND 2007-08 MID YEAR REVIEW ^(a)					
Environment and Conservation					
- Walpole and Nornalup Inlets Marine Park	0.1	0.1	0.1	-	-
- <i>Total</i>	0.1	0.1	0.1	-	-

(a) Further information is contained in Appendix 3: 2007-08 Government Mid-year Review Financial Projections Statement. Figures for 2011-12 were not published in the mid-year review that only provided details for the then official forward estimates period.

Note: Columns may not add due to rounding.

Fire and Emergency Services Authority

Table 11

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING					
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Fire and Emergency Services Authority					
- Australind Career and Volunteer Fire Station	-	-	-	-	8.4
- Kambalda Volunteer Fire Station	-	-	-	-	2.5
- Joondalup Career Fire Station	-	-	-	-	2.4
- <i>Total</i>	-	-	-	-	13.3

Note: Columns may not add due to rounding.

Australind Career and Volunteer Fire Station

Expenditure of \$8.4 million to construct a new fire and rescue service facility in Australind/Eaton.

Kambalda Volunteer Fire Station

An amount of \$2.5 million to relocate and replace the current Kambalda Volunteer Fire and Rescue Service Station to the more populous Kambalda West area.

Joondalup Career Fire Station

A total of \$2.4 million will be spent on significant upgrades to the current Joondalup Career Fire and Rescue Service Station.

Fisheries

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING					
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 BUDGET AND 2007-08 MID YEAR REVIEW ^(a)					
Fisheries					
- Patrol Vessel McLaughlan Replacement	-	1.9	-	-	-
- <i>Total</i>	-	1.9	-	-	-
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Fisheries					
- Compliance Resourcing	-	0.4	0.4	- ^(b)	- ^(b)
- <i>Total</i>	-	0.4	0.4	-	-

(a) Further information is contained in Appendix 3: 2007-08 *Government Mid-year Review Financial Projections Statement*. Figures for 2011-12 were not published in the mid-year review that only provided details for the then official forward estimates period.

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

Note: Columns may not add due to rounding.

Compliance Resourcing

An additional \$400,000 per annum will be spent in 2008-09 and 2009-10 on patrol boats, for use during increased compliance operations to enable the recovery of important fishstocks. Additional compliance resources are necessary to complement a suite of community supported comprehensive fisheries management arrangements.

Fremantle Port Authority

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING					
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Fremantle Port Authority					
- Inner Harbour Deepening – Stage 1	-	80.2	45.3	-	-
- <i>Total</i>	-	80.2	45.3	-	-

Note: Columns may not add due to rounding.

Inner Harbour Deepening – Stage 1

Expenditure of \$80.2 million in 2008-09 and \$45.3 million in 2009-10 has been committed to the deepening of the Fremantle Inner Harbour. The project involves dredging of the Inner Harbour approach and channels, the existing container berths, and the Deepwater Channel. This is necessary to enable the port to accommodate larger and deeper draft container vessels.

Health

Table 14

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING					
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Health					
- Increase in Neonatal Demand	-	0.4	0.2	0.2	0.2
- GP Super Clinics	-	5.0	5.0	-	-
- Expansion of Renal Services in the Kimberley	-	0.6	0.8	-	-
- <i>Total</i>	-	6.0	5.9	0.2	0.2

Note: Columns may not add due to rounding.

Increase in Neonatal Demand

A total of \$1.0 million will be spent over the forward estimates period to purchase additional equipment such as monitors, warmers and incubators to meet the increase in demand for neonatal services. The increase in demand for neonatal services in the main is due to a dramatic rise in the number of births in recent years, coupled with an associated increase in the complexity and acuity of conditions presented.

GP Super Clinics

Additional spending of \$10.0 million in 2008-09 and 2009-10 has been approved in principle to match Commonwealth Government expenditure for two GP Super Clinics announced during the 2007 Federal Election Campaign. Planning for these clinics is at an early stage with details yet to be determined between the two levels of government. Currently, it is envisaged that these clinics will incorporate privately practising general practitioners and a range of other health services.

Expansion of Renal Services in the Kimberley

The Kimberley has the highest incidence of end stage renal disease in Western Australia, five times that of the metropolitan area. A total of \$1.4 million will be spent in 2008-09 and 2009-10 to provide for infrastructure that will support the expansion of renal services in the Kimberley region, including renal education, pre-dialysis training, early detection and management of kidney disease.

Heritage Council

Table 15

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 BUDGET AND 2007-08 MID YEAR REVIEW ^(a)					
Heritage Council					
- St. Mary's Cathedral Restoration	1.0	-	-	-	-
- <i>Total</i>	1.0	-	-	-	-

(a) Further information is contained in Appendix 3: 2007-08 *Government Mid-year Review Financial Projections Statement*. Figures for 2011-12 were not published in the mid-year review that only provided details for the then official forward estimates period.

Note: Columns may not add due to rounding.

Horizon Power

Table 16

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 BUDGET AND 2007-08 MID YEAR REVIEW ^(a)					
Horizon Power					
- Aboriginal Remote Communities Power Supply	8.0	20.0	-	-	-
- <i>Total</i>	8.0	20.0	-	-	-

CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET

Horizon Power					
- Replacement of Power Stations at:					
Carnarvon	-	-	26.0	20.3	22.4
Marble Bar	-	13.7	-	-	-
Nulligine	-	11.3	-	-	-
- <i>Total</i>	-	25.0	26.0	20.3	22.4

(a) Further information is contained in Appendix 3: 2007-08 *Government Mid-year Review Financial Projections Statement*. Figures for 2011-12 were not published in the mid-year review that only provided details for the then official forward estimates period.

Note: Columns may not add due to rounding.

Replacement of Power Stations

The power stations at Carnarvon, Marble Bar and Nulligine are at, or nearing, the end of their serviceable lives. Expenditure of \$93.7 million over the forward estimates period has been approved for the replacement of all three power stations.

Housing Authority

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING					
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 BUDGET AND 2007-08 MID YEAR REVIEW ^(a)					
Housing Authority					
- Social Housing Spot Purchase Program	25.0	25.0	-	-	-
- Fremantle Lodging Houses	1.5	-	-	-	-
- Accommodation for Homeless Women - Fremantle	1.8	-	-	-	-
- Safe House Midland	0.5	-	-	-	-
- St Bartholemews House East Perth	2.5	-	-	-	-
- Land Purchases	60.0	-	-	-	-
- Government Employees Housing Stock Growth	46.0	42.2	7.0	-	-
- Mental Health Strategy - Accommodation	12.0	12.0	-	-	-
- <i>Total</i>	149.3	79.2	7.0	-	-

(a) Further information is contained in Appendix 3: 2007-08 Government Mid-year Review Financial Projections Statement. Figures for 2011-12 were not published in the mid-year review that only provided details for the then official forward estimates period.

Note: Columns may not add due to rounding.

Indigenous Affairs

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING					
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Department of Indigenous Affairs					
- Restructure of the Department of Indigenous Affairs	-	1.8	-	-	-
- <i>Total</i>	-	1.8	-	-	-

Note: Columns may not add due to rounding.

Restructure of the Department of Indigenous Affairs

A provisional allocation of up to \$1.8 million in 2008-09 has been approved to restructure the Department to progress the new directions and functions recently endorsed by Government.

Parliamentary Commissioner for Administrative Investigations

Table 19

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 BUDGET AND 2007-08 MID YEAR REVIEW ^(a)					
Parliamentary Commissioner for Administrative Investigations					
- Accommodation	0.3	-	-	-	-
- <i>Total</i>	0.3	-	-	-	-

(a) Further information is contained in Appendix 3: 2007-08 *Government Mid-year Review Financial Projections Statement*. Figures for 2011-12 were not published in the mid-year review that only provided details for the then official forward estimates period.

Note: Columns may not add due to rounding.

Planning and Infrastructure

Table 20

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Planning and Infrastructure					
- Fremantle Fishing Boat Harbour – Construction of an Additional 67 Boat Pens	-	3.2	-	-	-
- <i>Total</i>	-	3.2	-	-	-

Note: Columns may not add due to rounding.

Fremantle Fishing Boat Harbour - Construction of an Additional 67 Boat Pens

In response to strong demand for pens to cater for recreational vessels, which is considered a growth market, the Government has committed to the construction of an additional 67 boat pens at the Fremantle Fishing Boat Harbour.

Port Hedland Port Authority

Table 21

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 BUDGET AND 2007-08 MID YEAR REVIEW ^(a)					
Port Hedland Port Authority					
- Utah Point New Berth	50.0	165.5	-	-	-
- <i>Total</i>	50.0	165.5	-	-	-

Note: Columns may not add due to rounding.

Public Transport Authority

Table 22

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Public Transport Authority					
- Edgewater Rail Station Shelter Improvements	0.1	1.0	4.9	-	-
- <i>Total</i>	0.1	1.0	5.0	-	-

Note: Columns may not add due to rounding.

Edgewater Rail Station Shelter Improvements

An additional \$6.0 million will be spent over three years, commencing in 2007-08 to improve the amenity of Edgewater Train Station, by improving protection from the weather and freeway noise.

Sport and Recreation

Table 23

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Sport and Recreation					
- New Major Stadium	1.9	76.9	15.1	9.6	232.8
- <i>Total</i>	1.9	76.9	15.1	9.6	232.8

Note: Columns may not add due to rounding.

New Major Stadium

Expenditure of \$336.3 million is planned to occur over 2007-08 and the forward estimates period in developing a new major stadium at Kitchener Park, Subiaco (at a total estimated cost of around \$1.07 billion). The new stadium will replace the old Subiaco Oval, provide a seating capacity of 60,000 (with the potential for expansion to seat 70,000) and cater for the Australian Football League (AFL), rugby, soccer, cricket and other major events.

The design and planning stage for the new stadium will commence in 2008 with construction beginning in 2011. The first AFL game will be played in 2014 with two-thirds of the stadium complete and an initial capacity of 40,000 seats. The 60,000 seat capacity stadium is expected to be completed for the 2016 AFL season.

The stadium development will be supported by associated precinct infrastructure that includes improved passenger transport facilities at the West Leederville railway station, bus and road infrastructure improvements and the replacement of social housing within the Subiaco precinct.

Verve Energy

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING					
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Verve Energy					
- Development of Renewable Energy Projects	-	11.2	23.9	13.8	1.1
- <i>Total</i>	-	11.2	23.9	13.8	1.1

Note: Columns may not add due to rounding.

Development of Renewable Energy Projects

Verve Energy will spend \$50.0 million over four years, commencing in 2008-09 on the development of renewable energy projects, such as wind farms to expand wind generation capability within the South West Interconnected System.

Water

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING					
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Water					
- Water Reform Implementation	-	1.1	1.9	-	-
- <i>Total</i>	-	1.1	1.9	-	-

Note: Columns may not add due to rounding.

Water Reform Implementation

Expenditure of \$1.1 million in 2008-09 and \$1.9 million in 2009-10 for the roll-out of state-wide metering for water extraction licence holders. This will enable water users to better manage their usage and will ensure that they do not exceed their licence extraction limits.

Water Corporation

Table 26

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 BUDGET AND 2007-08 MID YEAR REVIEW ^(a)					
Water Corporation					
- Southern Seawater Desalination Plant	19.9	164.2	488.6	280.5	1.8
- Hopetoun Wastewater Treatment Plant	-1.1	6.0	-	-	-
- Woodman Point Odour Control	23.0	28.9	8.1	-	-
Less global provision for new water sources	-	-250.0	-250.0	-250.0	-
- Total	41.8	-50.9	246.7	30.5	1.8
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Water Corporation					
- Boddington Water and Waste Water Schemes	5.4	5.4	14.4	-	-
- Infill Sewerage	-	10.7	5.6	5.7	-
- Prevention of Falls	-	9.0	9.0	9.0	9.0
- Total	5.4	25.1	29.0	14.7	9.0

(a) Further information is contained in Appendix 3: 2007-08 Government Mid-year Review Financial Projections Statement. Figures for 2011-12 were not published in the mid-year review that only provided details for the then official forward estimates period.

Note: Columns may not add due to rounding.

Boddington Water and Waste Water Schemes

Following the re-opening and expansion of the Boddington Gold Mine, \$25.2 million over three years, commencing in 2007-08, will be spent to meet the associated demand for water and wastewater infrastructure in Boddington.

Infill Sewerage

A total of \$22.0 million will be spent over three years, commencing in 2008-09, to ensure the completion of the Water Corporation's Infill Sewerage Program by 2012-13. This expenditure is intended to ensure that approximately 1,500 developed residential properties are connected to reticulated sewerage by this time.

Prevention of Falls

A total of \$36.0 million will be spent over the forward estimates period to meet a new standard for prevention of falls by the general public and the Water Corporation's employees in use of Water Corporation assets. These assets include dam intake towers, dry well pumping stations, elevated tanks, wet well pumping stations, and treatment plants (both water and wastewater).

Western Australian Land Authority

Table 27

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING					
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
WA Land Authority					
- Perth Waterfront - Stage 1	0.6	1.5	2.4	2.8	43.3
- <i>Total</i>	0.6	1.5	2.4	2.8	43.3

Note: Columns may not add due to rounding.

Perth Waterfront - Stage 1

This project proposes to develop a mix of commercial, social and residential infrastructure between William Street and Barrack Square.

Stage 1 of the development of Perth's Swan River foreshore involves significant engineering and earth works, road realignments, landscaping and the creation of a new water's edge in preparation for private sector investment. The total cost of Stage 1 of the project is expected to be \$319.2 million (of which \$50.6 million is between 2007-08 and 2011-12), and will be recouped in subsequent years through the proceeds of land sales.

Western Australia Police

Table 28

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING					
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Western Australia Police					
- Implementation of Mandatory Reporting of Child Sexual Abuse	-	0.4	-	-	-
- <i>Total</i>	-	0.4	-	-	-

Note: Columns may not add due to rounding.

Implementation of Mandatory Reporting of Child Sexual Abuse

Expenditure of \$400,000 in 2008-09 will enable enhancements to information technology equipment to support the scheduled implementation of mandatory reporting from 1 January 2009. This reflects the Government's decision in March 2007 to expand the scope of mandated reporters in Western Australia to include doctors, nurses, teachers and police.

Western Power

Table 29

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Western Power					
Transmission lines:					
- Pinjar to Moonyoonooka	3.9	75.7	121.1	78.7	15.5
- Collie to Eastern Terminal	10.8	50.6	61.9	42.7	3.3
- Grange Resources	-	4.6	37.2	72.2	63.6
- Total	14.7	130.8	220.3	193.6	82.4

Note: Columns may not add due to rounding.

Pinjar to Moonyoonooka Transmission Line

This project involves the construction of a new 330 kV transmission line over a distance of around 360 km from Pinjar to Moonyoonooka (near Geraldton), planned to be in service by 2011 at a cost of \$294.9 million over five years. This transmission line will facilitate the connection of coal and gas fired generation, wind farms, large industrial and mining loads in the Mid-West region, as well as facilitate the retirement of aging gas turbines at Mungarra power station.

Collie to Eastern Terminal Transmission Line

A new 330 kV transmission line covering a distance of approximately 165 km from Collie to the Eastern Terminal (near the Perth metropolitan area) is planned to be in service by 2011 at a cost of \$169.3 million over five years. This work will allow the connection of significant generation capacity in the south of Western Australia, which is required to meet the growing power needs of the Perth metropolitan area and the Mid-West region.

Grange Resources

A provision of \$177.6 million over the forward estimates period has been allocated for transmission work to connect Grange Resources' iron ore mine at Southdown (90 kilometres north east of Albany). Grange Resources will make a capital contribution to Western Power to pay for the transmission work.

Zoological Parks Authority

Table 30

POLICY DECISIONS SINCE 2007-08 BUDGET AFFECTING TOTAL PUBLIC SECTOR CAPITAL SPENDING

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
CHANGES BETWEEN 2007-08 MID YEAR REVIEW AND 2008-09 BUDGET					
Zoological Parks Authority					
- Catering Facilities Upgrade	0.5	-	-	-	-
- <i>Total</i>	0.5	-	-	-	-

Note: Columns may not add due to rounding.

Catering Facilities Upgrade

A total of \$500,000 will be spent in 2007-08 on the upgrade of the Perth Zoo function centre and catering facilities.

The Western Australian Economy

Overview

Economic conditions in Western Australia are exceptionally strong.

In 2006-07, Western Australia's real Gross State Product (GSP)¹ increased by 6.3% and its population increased by 2.2%, both the fastest growth rates of the Australian States.

In 2007, Western Australia:

- recorded its lowest unemployment rate since the 1970s;
- experienced business investment growth of 19.9%;
- experienced strong growth in wages and consumer spending;
- achieved a record rate of labour force participation; and
- accounted for 27% of national merchandise exports over the year, more than the combined exports of New South Wales (15%) and Victoria (10%), and almost double that of New Zealand².

The Western Australian economy is expected to grow by 7.5% in 2007-08, well above its long-term average growth rate of 4.5%³.

¹ Gross State Product is the broadest overall measure of economic activity in the State, including both domestic demand and trade.

² In Australian dollar terms.

³ The long-run growth rate is calculated as a ten year average growth rate.

Overall economic conditions are robust, and the State's economy has so far suffered few adverse effects from the global credit crunch and associated financial instability. Continuing financial market volatility and the possibility of a recession in the United States of America (USA) are nonetheless among a number of risks that threaten the favourable prospects for Western Australia's economy.

The State has faced these risks well to date, and will probably continue to do so. However, it is possible that recent international economic and financial volatility and their effects will have more influence on the State's economy than projected. The number and severity of risks to the favourable economic outlook is greater than it has been for a number of years (see *Risks to the Economic Outlook* section).

Economic growth in 2007-08 is expected to be driven by both domestic activity and net exports. State Final Demand⁴ is forecast to rise by 7.5%, due to strong growth in household consumption and business investment. Net exports (exports less imports) are estimated to increase by 7.25% in 2007-08 and contribute 1.9 percentage points to growth in GSP.

The State's economic growth profile is changing, with investment in resource-related projects starting to generate rising export volumes that will make increasing contributions to growth over the next few years. The contribution of domestic economic activity is expected to diminish, however, with domestic demand growth decelerating from its recent peak of 8.8% in 2006-07.

Growth of 6.25% is forecast for GSP in 2008-09. The external sector is forecast to contribute 3.6 percentage points to this growth, as additional capacity resulting from growth in business investment in recent years flows through to higher production and exports. Growth in State Final Demand is forecast to slow to 4.0% in 2008-09, mainly due to weaker growth in household consumption, and business and dwelling investment.

⁴ State Final Demand is a measure of aggregate domestic economic activity, including consumption, business investment, housing investment and government spending, but not interstate or overseas trade. It is also referred to as "domestic demand."

Table 1

MAJOR ECONOMIC AGGREGATES
Western Australia

	2006-07 Actual ^(a)	2007-08 Estimated Actual	2008-09 Budget Estimate	2009-10 Forward Estimate	2010-11 Forward Estimate ^(e)	2011-12 Forward Estimate ^(e)
	%	%	%	%	%	%
Real Gross State Product Growth ^(b)	6.3	7.5	6.25	5.75	4.5	4.5
Real State Final Demand Growth ^(b)	8.8	7.5	4.0	4.0	5.25	5.25
Employment Growth	2.5	3.75	2.5	2.25	2.5	2.5
Unemployment Rate	3.2	3.0	3.25	3.25	4.25	4.25
Wage Price Index Growth ^(c)	4.7	5.75	5.25	4.5	3.5	3.5
Average Weekly Earnings Growth ^(c)	9.6	8.5	6.0	5.5	4.75	4.75
Consumer Price Index Growth	3.9	3.25	3.25	3.0	2.75	2.75
SFD Implicit Price Deflator Growth	5.4	3.25	3.0	2.25	2.75	2.75
GSP Implicit Price Deflator Growth ^(d)	10.6	7.0	6.5	4.5	4.75	4.75

(a) Gross State Product (GSP) and State Final Demand (SFD) data are based on 2006-07 State Accounts data, released by the Australian Bureau of Statistics (ABS) in November 2007 (ABS Catalogue Number 5220.0); all other data are based on other various ABS data sources.

(b) In real (chain volume) terms, which abstract from price effects.

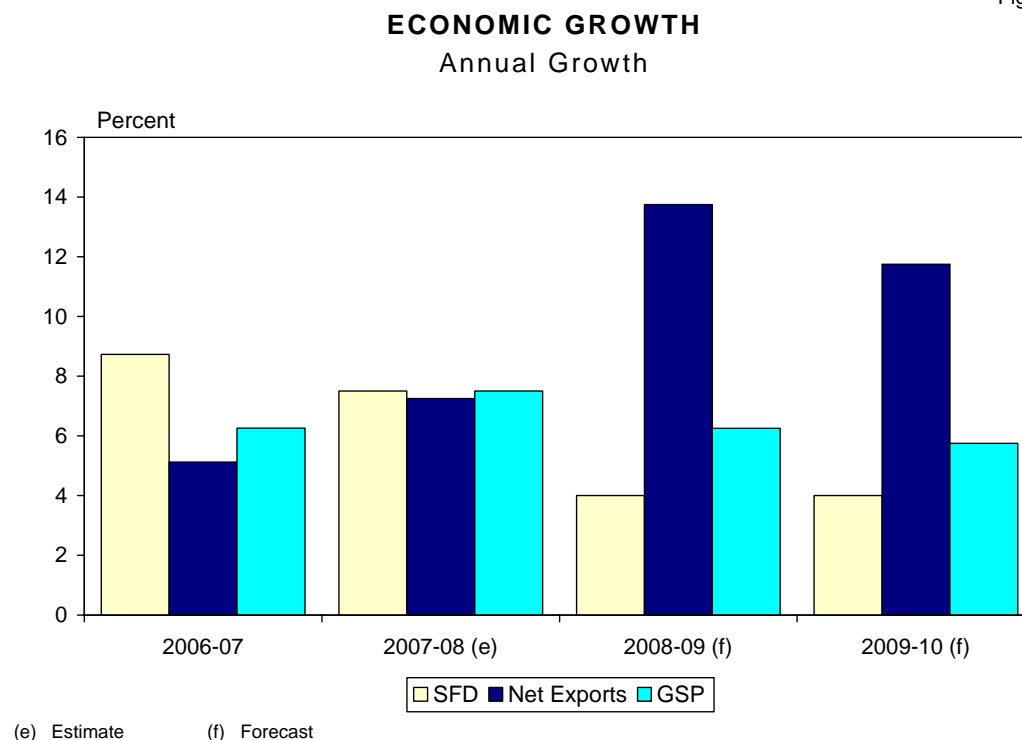
(c) The Wage Price Index is a better measure of underlying wages growth than Average Weekly Earnings, as it is designed to measure wage changes rather than levels, and is not influenced by changes in the composition of the workforce (unlike Average Weekly Earnings).

(d) GSP Implicit Price Deflator forecasts include a technical assumption that export and import prices do not change.

(e) Beyond 2009-10, forward estimates are not forecasts, but are generally projections based on long-term averages (usually 10 years). The only exception is the unemployment rate, which is based on a shorter period (the past four years).

Other forecasting notes: Currency exchange rates and interest rates are assumed to be constant over the forecast period, and are based on actual data prior to the forecasting cut-off date. Population growth assumptions are based on the Commonwealth Treasury's *Mid-Year Economic and Fiscal Outlook* 'GST payment' population projections for all States and Territories, as well as long-term historical growth averages for the budget outyears (2010-11 and 2011-12).

Figure 1



The outlook for the State's economy in 2009-10 is similar to 2008-09, with GSP forecast to grow by 5.75%. Though slower than in the previous three years, this is still above the long-term GSP growth rate of 4.5%. As in 2008-09, the domestic economy and the external sector are expected to make roughly equal contributions to growth in 2009-10. Estimates for the two budget out-years (2010-11 and 2011-12) are projections based on long-term historical average growth rates.

These forecasts are subject to a number of risks. Key domestic risks include:

- a drop in consumer spending and confidence, associated with increased interest rates and lower share prices;
- declining house prices, due to demand being suppressed by higher interest rates and declining affordability. This would have flow-on consequences for households' net wealth and confidence;
- the impact on consumer and business confidence from accelerating inflation; and
- a decline in capital availability for business investment, due to tightening lending practises, the credit squeeze and risk aversion, combined with falling share prices.

Key global risks include:

- a worldwide economic slowdown that is more severe and widespread than currently expected, following the USA's sub-prime mortgage market crisis and the ensuing international credit crunch;

- a possible recession in the USA, and its spill-over effects to our State's major export markets; and
- a dampening in demand and prices for our major commodity exports caused by weaker global growth.

Table 2

COMPONENTS OF GROSS STATE PRODUCT
Western Australia

	2006-07 Actual ^(a)	2007-08 Estimate	2008-09 Budget Forecast %	2009-10 Forward Estimate %
	%	%		
ANNUAL AVERAGE GROWTH				
Private				
Household Consumption	5.5	5.5	4.0	3.75
Business Investment	22.2	16.5	5.25	5.0
Dwelling Investment	9.8	4.75	0.25	2.0
Public				
Consumption	4.5	2.0	2.5	2.5
Investment	4.5	2.75	9.5	7.0
State Final Demand	8.8	7.5	4.0	4.0
External Sector ^(b)				
Exports	8.1	8.25	10.75	8.75
Imports	12.9	9.75	6.25	4.0
Net Exports	4.7	7.25	13.75	11.75
Balancing Item ^(c)	22.1	7.5	6.25	5.75
Gross State Product	6.3	7.5	6.25	5.75
CONTRIBUTIONS TO GROWTH				
Private				
Household Consumption	2.4	2.4	1.7	1.6
Business Investment	4.5	3.8	1.3	1.2
Dwelling Investment	0.6	0.3	0.0	0.2
Public				
Consumption	0.6	0.2	0.3	0.3
Investment	0.2	0.1	0.3	0.3
State Final Demand	7.8	6.9	3.7	3.5
External Sector ^(b)				
Exports	3.7	3.5	4.6	3.9
Imports	2.5	1.6	1.1	0.7
Net Exports	1.2	1.9	3.6	3.3
Balancing Item ^(c)	-3.3	-1.3	-1.1	-1.0
Gross State Product	6.3	7.5	6.2	5.8

(a) Based on 2006-07 States Accounts data, released in November 2007 (ABS Catalogue Number 5220.0)

(b) International trade in merchandise exports and imports only. Does not include services.

(c) The balancing item includes international services trade, interstate trade, changes in stocks and a statistical discrepancy. Given the balancing item's significant size (over the past few years it has fluctuated between 15% to 17% of GSP), the forecasts above include an estimation of the balancing item. However, given the difficulty of forecasting individual components of the balancing item, for any given forecast year the estimation is based on a fixed ratio of Gross State Product (based on the balancing item's proportion of the domestic economy and net exports from the previous year).

Note: Columns may not add due to rounding.

International Conditions

Exports represented 43% of the State's GSP in 2007, so Western Australia has a high degree of exposure to global economic conditions.

The International Monetary Fund *World Economic Outlook* report of April 2008 notes that world economic growth slowed modestly in 2007 to 4.9% compared with 5.0% in 2006, a downturn largely due to weaker growth in high-income countries. However, global growth in 2008 is expected to be only 3.7%⁵.

China and other Asian countries are so far showing resilience to the slowdown in the United States and Europe. Real GDP growth in emerging and developing countries is expected to ease to 6.7% in 2008 from 7.9% in 2007, while advanced economies are predicted to grow by 1.3%.

Most analysts expect the USA's economy to stall in the first half of 2008, followed by a mild recovery in the second half of 2008, accompanied by slower growth in Japan and Europe. Substantially higher world oil and food prices are expected to affect real incomes in East Asia.

Growth in East Asian economies will probably ease for the first time in three years in 2008, with inflation regarded as a greater current threat to the region than the USA-led global slowdown.

In this global slowdown, East Asian economic growth is expected to fall to 8.6% in 2008, the lowest since 2002, and down from 10.2% in 2007⁶.

China is forecast to sustain strong growth based on rising domestic investment and consumption, despite falling import growth in the USA and rising volatility in global financial markets. The World Bank cut its forecast for China's economic growth for 2008 to 9.4%, down from a 9.6% forecast in February 2008⁷.

Economic growth in China has been a major driver of Western Australian investment and exports (particularly iron ore and gas) in recent years. China is now Western Australia's largest export destination. Weaker global growth could dampen demand and prices of the State's major commodity exports, especially if slower growth spreads to the State's main Asian trading partners (see also the *Global Risks* section).

State Final Demand

Household Consumption

Real household consumption spending has grown at an annual average rate of 5.7% over the past four years, with 5.5% growth estimated for 2007-08.

⁵ The International Monetary Fund, *World Economic Outlook*, April 2008.

⁶ The World Bank, *East Asia and Pacific Update – Testing Times Ahead*, 1 April 2008.

⁷ Ibid.

Factors supporting this strong household consumption growth in recent years include:

- growth in employment and earnings, which has improved the financial position of households;
- growth in asset prices, particularly house and share prices;
- until recently, low real interest rates;
- sound economic fundamentals, which have encouraged high consumer confidence; and
- relatively rapid population growth (2.4% over the year to the September quarter 2007, the fastest of the States and Territories)⁸.

Household consumption growth is expected to slow despite these positive fundamentals, with 4.0% growth forecast for 2008-09 and 3.75% for 2009-10. These rates are lower than the average annual growth rate of 5.7% over the past four years.

The softening in consumption growth is partly a response to 12 consecutive interest rate rises by the Reserve Bank of Australia, with the official cash rate reaching 7.25% in March 2008. The major banks have independently increased their retail lending rates due to higher wholesale borrowing costs as a result of the global credit crunch, in addition to passing on increases in the official cash rate. Households are also facing increased financial pressure from higher prices for food, petrol, private health insurance and housing costs.

Recent global financial market turmoil has increased uncertainty, with share market volatility adding pressure to household balance sheets. Households have become more exposed to share markets in recent years because of increases in the household sector's holdings of market-linked financial assets, particularly equities and superannuation⁹. Also, the double digit growth recorded for Perth house prices in the middle of the decade is over, with most indicators showing negligible growth in Perth house prices over 2007. Households are no longer able to borrow against increasing wealth, and combined with tight credit conditions, this will probably restrain household spending growth.

These factors have led to a marked decline in consumer sentiment. The Westpac-Melbourne Institute Consumer Sentiment Index for Western Australia recorded its fourth consecutive fall in March 2008, taking consumer sentiment in the State to its lowest level since November 2002. There is already some evidence of consumer spending slowing, with retail sales declining in late 2007 and early 2008.

However, household expenditure is expected to be supported by growth in the State's population and wages growth (see *Labour Market and Wages* sections below).

⁸ ABS Catalogue number 3101.0, Australian Demographic Statistics, September quarter 2007.

⁹ Source: The Reserve Bank of Australia, Financial Stability Review, March 2008.

Business Investment

Growth in business investment has been the main reason for Western Australia's rapid economic growth in recent years. This investment has been concentrated in the resource sector, with the Western Australian mining industry accounting for almost 70% of the State's business investment, and over 19% of investment nationwide, in the year to December 2007¹⁰.

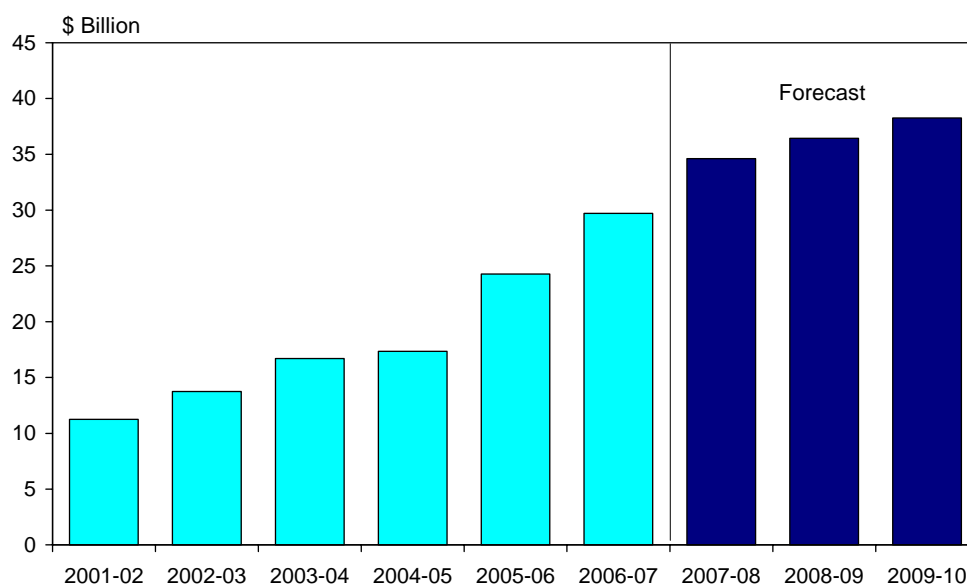
Some \$165 billion worth of investment projects are currently under construction, soon to commence, or under consideration in the State, with mining projects accounting for almost two thirds of this amount¹¹. The long construction period of current and potential projects is expected to sustain investment levels over the next few years.

Favourable market outlooks for major Western Australian commodity exports such as iron ore, LNG, petroleum, gold, alumina and wheat indicate that global demand for a number of the State's main export commodities will stay strong, and support further high levels of business investment in Western Australia.

Business investment is forecast to grow by 16.5% in 2007-08, followed by growth of 5.25% in 2008-09 and 5.0% in 2009-10. These forecasts come after business investment volumes more than doubled over the four years to 2006-07.

Figure 2

BUSINESS INVESTMENT IN WESTERN AUSTRALIA



(a) Chain weighted reference year for measure is 2005-06.

Note: Excludes net purchases of second-hand public sector assets by the private sector.

¹⁰ ABS Catalogue number 5625.0 Private New Capital Expenditure and Expected Expenditure, Australia.

¹¹ Access Economics *Investment Monitor* December quarter 2007.

The positive near term outlook for business investment is supported by business expectations¹². In addition, Australian Bureau of Statistics data show a 29.9% increase in the level of private expected capital expenditure over the past year¹³ together with \$22 billion of engineering construction activity still to be done¹⁴.

Business investment in Western Australia tends to be volatile and lumpy. The expected start dates and duration of construction of major resource projects depends on a number of factors, including global commodity market demand and supply, labour and materials availability and cost, corporate activity and the Australian dollar.

Investment levels are expected to stay strong, but capacity constraints will probably prevent a repeat of the exceptional growth rates in investment recorded in recent years.

Chinese-led Asian demand for commodities should outweigh any dampening of demand resulting from the economic slowdown in the USA and global financial market turmoil. However, if Western Australia's major trading partners in Asia suffer weaker growth as a result of the slowdown in the USA and Europe, there could be consequences for the State's investment prospects (see *Risks to the Economic Outlook* section).

Dwelling Investment

Leading indicators of dwelling construction, such as building approvals, housing finance levels and dwelling commencements, are currently flat, and are lower than their levels at the peak of the State's housing boom in 2006.

Dwelling investment consists of new dwelling construction, residential alterations and additions, and ownership transfer costs¹⁵. Dwelling investment is estimated to grow by 4.75% in 2007-08, followed by forecast growth of 0.25% in 2008-09 and 2.0% in 2009-10.

The pipeline of work still to be done is expected to support residential building activity over the remainder of 2007-08.

The dwelling investment forecast of weak growth (0.25%) in 2008-09 is based on the expectation that current flat market conditions will continue. A modest recovery is expected for 2009-10, with investment forecast to grow by 2.0%.

Flat prices and turnover are also anticipated in the established housing market (see *Chapter 3: General Government Revenue* for a discussion of transfer duty forecasts).

¹² Chamber of Commerce and Industry – Bankwest Survey of Business Expectations March quarter 2008 reports 73% of survey respondents expect the Western Australian economy to remain strong or strengthen over the next 12 months.

¹³ ABS Catalogue number 5625.0 Private New Capital Expenditure and Expected Expenditure, Australia.

¹⁴ ABS Catalogue number 8762.0 Engineering Construction Activity, Australia.

¹⁵ Ownership transfer costs (which typically comprise around a quarter of total dwelling investment for Western Australia) includes fees and charges paid to lawyers, real estate agents and auctioneers; as well as various government charges/taxes related to residential and commercial property transactions (such as stamp duty, title office charges and local government charges).

Low affordability due to high prices and higher interest rates is expected to dampen demand for new housing. Rising incomes and flat house prices should lead to improvements in affordability, albeit gradually and from a historically low level. High population growth, a low unemployment rate and high earnings are supporting underlying demand and should allow Western Australia to avoid a marked and prolonged housing downturn.

Rising rents may also begin to make home ownership a relatively more attractive alternative to renting, providing further support to new dwelling construction.

Public Activity

Government consumption and investment comprises spending by Commonwealth, State and local governments within Western Australia. The public expenditure share of GSP has trended downwards over the past few years, from around 20% in the early and mid 1990s, to 15.5% of the State's GSP in 2006-07¹⁶.

Public consumption is expected to grow by 2.0% in 2007-08, following growth in 2006-07 of 4.5%. Similar growth is forecast over the two Budget years, with 2.5% growth forecast for both 2008-09 and 2009-10.

Based mainly on the State Government's capital expenditure plans in this Budget, forecast growth in public investment is faster than expected growth in government consumption over the forecast period. Growth of 2.75% is expected for 2007-08, followed by forecast growth of 9.5% in 2008-09 and 7.0% in 2009-10. These forecast growth rates are above the long-term average growth rate of 4.6% a year.

As with business investment, public investment tends to be quite volatile, due to the timing of large projects.

For details of the Western Australian Government's expenditure and major investment projects, see Chapter 4: *General Government Expenses* and Chapter 5: *Capital Investment*.

Net Exports

Net exports (exports less imports) are expected grow by 7.25% in 2007-08, contributing 1.9 percentage points to economic growth. Export volumes growth is forecast to increase, and imports growth to slow.

Long project lead times and construction phases in new resource projects, combined with labour and materials shortages, mean that it has taken a number of years for export volumes to respond to favourable demand and prices for many of the State's main commodity exports. Export capacity is expected to increase over the next two years as output from the large number of new and newly expanded resource projects adds to production capacity.

¹⁶ Source: ABS Catalogue number. 5220.0.

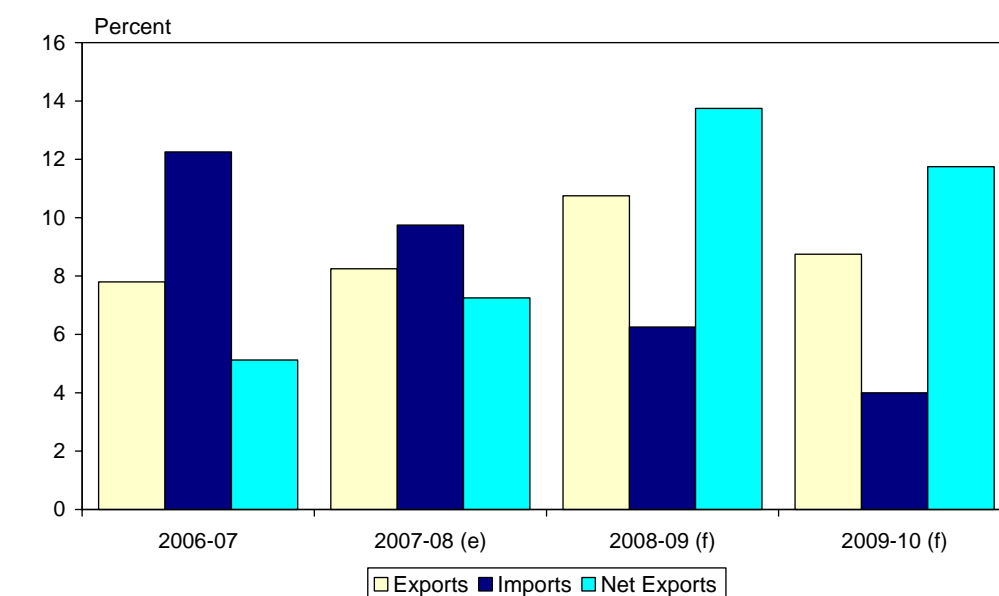
Imports of consumer goods and plant and equipment are forecast to grow at a slower pace due to lower levels of consumer spending and business investment. The forecast growth rate in imports for 2008-09 (6.25%) is still quite strong, however, partly due to the strength of the Australian dollar making imports relatively cheap.

Net exports are forecast to grow by 13.75% in 2008-09 and contribute 3.6 percentage points (more than half) to overall GSP growth of 6.25%.

Net exports are forecast to increase by 11.75% in 2009-10, contributing 3.3 percentage points to the forecast GSP growth rate of 5.75%, as a result of further boosts to the State's export capacity and moderate growth in imports.

Figure 3

GROWTH IN THE EXTERNAL SECTOR Western Australia



Exports

Growth in exports has strengthened recently, and is expected to rise markedly over the next few years as recently completed resource projects move into production, while those still under construction reach completion.

Access Economics' *Business Outlook*¹⁷, the World Bank's *Prospects for the Global Economy*¹⁸ and the IMF's *World Economic Outlook*¹⁹ expect 2008 to be another year of above-trend global growth. However, risks to demand are growing – notably the economic slowdown in the USA and Europe, financial market volatility and scarce credit. Sustained global growth has led to tighter world capacity and high commodity prices. If commodity prices fall due to weaker demand rather than expanded supply, there is a risk that the end of the cycle may be more abrupt and severe than generally expected (see the *Mining Revenue* section of Chapter 3).

High global prices for many of the State's most valuable resource commodities have induced a large increase in business investment both locally and globally - particularly in China, with investment in steel mills and processing plants rising to meet domestic demand.

Gold and platinum prices have reached record highs in response to the uncertainty about the global economic conditions following the economic slowdown in the USA, and rising inflationary pressures due to higher energy and food prices²⁰.

Exports growth is expected to increase from 8.1% in 2006-07 to 8.25% in 2007-08, then 10.75% in 2008-09, easing to 8.75% in 2009-10.

China's economic expansion has affected Western Australia more than any other Australian state. Mining has benefited the most, but there has also been an expansion of associated infrastructure such as ports, rail lines and power and water facilities²¹.

The value of non-residential construction work yet to be done has risen sevenfold in the past four years, which will sustain the State's engineering construction sector in the short term regardless of the effects of global economic and financial instability.

Many major projects are under way. Major resource projects (over \$1.0 billion) under construction (or recently completed²²) in the State include:

- Woodside Petroleum's \$11.2 billion Pluto energy project (expected date for first production towards the end of 2010);
- BHP Billiton's \$2.9 billion Ravensthorpe nickel project (recently completed, with commissioning at the end of 2007);

¹⁷ Source: Access Economic *Business Outlook* - December 2007

¹⁸ The World Bank, *Prospects for the Global Economy*, 9 January 2008.

¹⁹ IMF, *World Economic Outlook*, April 2008.

²⁰ Source: Access Economic *Business Outlook* – December 2007.

²¹ Source: Access Economic *Business Outlook* – December 2007.

²² Although, most resource projects usually take some time to reach name-plate capacity.

- North West Shelf Consortium's \$2.6 billion 5th train LNG project (December 2008 production);
- BHP Billiton's \$2.1 billion Rapid Growth Project 3 for Pilbara iron ore (recently completed, with commissioning in December 2007);
- Newmont's \$2.0 billion expansion of the Boddington gold mine (October 2008 production);
- North West Shelf Consortium's \$1.6 billion Angel gas field development (December 2008 production);
- Hancock Prospecting's \$1.3 billion Hope Downs iron ore project (recently completed, with commissioning in January 2008);
- Rio Tinto's \$1.8 billion Argyle diamond mine expansion - underground phase (December 2010 production); and
- Woodside Petroleum's \$1.0 billion Vincent gas field (July 2008 production).

Imports

Imports are expected to grow strongly by 9.75% in 2007-08, following growth of 12.9% in 2006-07, but growth is expected to slow over the remainder of the forecast period. Several companies are embarking on new projects or expanding existing operations, and large inflows of plant and equipment are generated by such business investment.

If it is sustained, the high Australian dollar could also stimulate growth in import volumes.

Manufactured goods and passenger motor vehicles are the main components to underpin growth over the past year, followed by petroleum. Consumer goods are also expected to underpin growth of imports over the next few years.

Imports growth is expected to slow to 6.25% in 2008-09 and 4.0% in 2009-10. This trend largely reflects the expected easing of household consumption and business and dwelling investment over the forecast period.

Labour Market

Employment

Employment growth has been strong over the past few years, with growth of 4.1% in 2004-05, 4.9% in 2005-06 and 2.5% in 2006-07. Employment is expected to grow by 3.75% in 2007-08, with limits to labour supply constraining what could have otherwise been a higher rate of employment growth.

Western Australia's very low unemployment rate and high participation rate mean that there is probably limited scope for further employment growth to be generated from people currently classified as unemployed or not in the labour force. Employment growth is likely to depend on increases in the working age population, which is expected to continue to grow at a rate similar to that seen in the past few years. The working age population in Western Australia has grown by an average of 2.2% per year over the past three years.

Some indicators of labour demand in Western Australia suggest that demand has peaked, and will begin to fall off in the medium term. For example, most indicators of job vacancies²³ have fallen from their recent highs.

These factors, and the forecast slower growth in the domestic economy, account for the forecast deceleration of employment growth to 2.5% in 2008-09 and 2.25% in 2009-10.

Unemployment

The unemployment rate in Western Australia is currently at 30-year lows, and long-term unemployment in the State has also fallen to historic lows²⁴.

The seasonally adjusted unemployment rate in February 2008 was at its equal lowest level since the Australian Bureau of Statistics monthly labour force series began in February 1978, at 2.8%²⁵. The State's unemployment rate has been below 4.0% since April 2006 and is expected to remain at these levels in the short-term. As a result, the annual unemployment rate for 2007-08 is estimated to be 3.0%.

Even with some slowing in labour demand, labour market conditions are expected to stay tight, with the unemployment rate forecast at 3.25% in both 2008-09 and 2009-10.

Labour Force Participation

Western Australia's labour force participation rate²⁶ has risen to a record high over the past year, driven by labour demand and wages growth.

The State's seasonally adjusted participation rate was 68.3% in February 2008 – more than three percentage points higher than the national participation rate of 65.2%.

The employment growth and unemployment rate forecasts above assume that the State's participation rate will remain at an average rate similar to its current rate for the next few years.

²³ Such as the Department of Employment and Workplace Relations' Skilled Vacancies Index and the ANZ Job Advertisements series.

²⁴ Around a decade ago, the long term unemployed (those unemployed for a duration of a year or more) represented about one fifth of all unemployed persons in the State, whereas currently, they represent 7.2% of all unemployed persons (average for the year to February 2008).

²⁵ The previous labour force series, which was collected quarterly and did not produce seasonally adjusted state estimates, suggests that the last time Western Australia's unemployment rate was below its current level was in September 1974, when the State's unemployment rate was 2.5%.

²⁶ The ABS calculates the participation rate as the percentage of the adult population (aged 15+) that is active in the labour force; that is, the proportion of the population aged 15 and over who are either employed or unemployed.

Prices

Consumer Price Index

Rapidly rising house prices were a major contributor to Perth's 3.9% Consumer Price Index (CPI) growth over 2006-07. They also explained most of the gap between Perth's inflation rate and the 2.9% growth in the national CPI.

The Perth and national CPI growth rates are expected to converge as a result of the slowing housing market in Western Australia. The house purchases²⁷ sub-category of Perth's CPI is expected to be flat over 2007-08. However, this is likely to be partly offset by accelerating growth in dwelling rents, which were a major contributor to growth in housing-related prices over the first two quarters of 2007-08. With price pressures intensifying in most other categories of goods and services (similar to national price pressures), Perth's CPI is forecast to increase by 3.25% over 2007-08.

Rapid economic growth and rising wages should see price pressures remain over 2008-09. As a result, Perth's CPI is expected to grow by a similar rate in 2008-09, at 3.25%.

While price pressures are expected to persist over 2009-10, growth in the Perth CPI is forecast to ease to 3.0%, as softer domestic economic conditions alleviate some inflationary pressures. Even so, this rate of growth would be above the long-term growth rate of 2.75% a year.

Inflation and Interest Rate Rises

Recent increases in underlying inflation have prompted the Reserve Bank of Australia to raise interest rates, and refocussed attention on the relationship between inflation and monetary policy.

Inflation is defined as a sustained increase in the general level of prices for goods and services.

When prices rise, the purchasing power of money declines, and people who hold money balances see them deteriorate in real terms. Long-term borrowing, lending and contracts need to be adjusted for price changes, and if these adjustments are not accurate, large unintended real gains or losses can accrue to the parties concerned. Inflation therefore introduces risk and uncertainty that adds to costs and discourages long-term economic planning.

Rising prices generate costs directly. Businesses must alter their marketing materials, labels, packaging and displays. Tax and accounting rules expressed in dollar terms need to be adjusted as prices and nominal earnings increase.

²⁷ House purchase prices measure only net additions to the housing stock through acquisition of newly constructed residences (not land), and major improvements to existing homes. It excludes prices for the purchase of established houses, and imputed rent or capital accumulation for existing owner-occupiers.

Stable low inflation, if anticipated accurately, can be accommodated by lenders varying their interest rates and regular adjustments to wages, tax thresholds.

Particular problems arise when inflation is high and unanticipated. Uncertainty about inflation levels can make businesses and consumers less willing to spend, which in turn affects economic output. Generally, creditors lose and debtors gain. Real wealth and the purchasing power of those on fixed incomes declines, resulting in lower standards of living for some people. Price signals become less effective in guiding resource allocation, lessening economic efficiency.

If the inflation rate is greater than in other countries, domestic products become less competitive in global markets.

Once inflation starts to rise, it can be hard to stabilise. Expectations adjust, and as interest rates and wages rise in anticipation of price increases they add to costs, so higher inflation becomes self-sustaining. This can set off an inflationary cycle that is difficult to control.

The Reserve Bank of Australia uses monetary policy in order to control inflation, by changing the overnight target interest rate, which feeds through to short and medium term personal and commercial interest rates.

Rising interest rates affect savings and investment, the spending patterns of households, the supply of credit, asset prices and the exchange rate, all of which will dampen demand growth and, hence, inflation.

Wages

Strong labour demand and tight supply saw Western Australia's Wage Price Index²⁸ grow by 4.7% in 2006-07. Until 2007, wage pressures were mainly confined to those industries directly affected by the resource and housing booms (e.g. mining, construction and property and business services).

Recently, however, wage pressures have broadened, and wages in all industries²⁹ are growing faster than the long-term average growth rate of the State's overall Wage Price Index of 3.7%.

Continuing wage pressures across all industries are expected for the remainder of 2007-08. As a result, the Wage Price Index is estimated to grow by 5.75% over the year.

A positive outlook for the State's domestic economy, and the tendency for wages to lag employment pressures, means that above-average wages growth is expected to persist in Western Australia over the next few years. Over 2008-09, the Wage Price Index is forecast to grow by 5.25%, before slowing to 4.5% over 2009-10, as a result of a slight easing in employment demand.

²⁸ The Wage Price Index is an index of the cost of a fixed basket of jobs. It is designed to measure changes in wages over time for a fixed quantity and quality of labour input.

²⁹ Data at the State level are only available for selected industries.

Growth in average weekly earnings will be driven by the same factors as the Wage Price Index, but is also affected by compositional changes in the workforce such as more rapid full-time than part-time employment growth³⁰. The effect of these factors is estimated to have peaked in 2006-07 – when average weekly earnings grew by 9.6% – and is expected to unwind over the forecast period. As a result, average weekly earnings are forecast to grow by 8.5% over 2007-08, 6.0% over 2008-09 and 5.5% over 2009-10.

Implicit Price Deflators

The CPI measures price changes for a wide range of consumer goods and services, but it does not measure economy-wide inflation. The State Final Demand (SFD) and Gross State Product (GSP) implicit price deflators provide a broader measure of price levels as they include business investment, dwelling investment and government spending (and in the case of the GSP deflator, also prices relating to the external sector – that is, export and import prices).

Over 2006-07, the SFD deflator grew by 5.4%. Growth in the deflator is expected to moderate over the next few years with a forecast of 3.25% in 2007-08, 3.0% in 2008-09 and 2.75% in 2009-10.

Over 2006-07, the GSP implicit price deflator grew by 10.6%, with the higher growth rate (relative to the SFD deflator) mainly the result of very strong growth in export prices (up 12.8% over the year). As with the State Final Demand deflator, the GSP implicit price deflator is expected to moderate over the next few years. The GSP deflator is forecast to grow by 7.0% in 2007-08, 6.5% in 2008-09 and 4.5% in 2009-10.

Risks to the Outlook

While the forecasts are for Western Australia to experience strong economic growth in the short to medium term, the risks to that favourable outlook are the most extensive and severe for many years. This section outlines the major risks and how these could affect the forecasts.

Global Risks

Financial market volatility and the threat of recession in the USA and slower growth in Europe and Japan pose the greatest risk to the State's economic outlook. The forecasts in this Budget assume that China and most of the State's other major trading partners are not significantly affected by slower growth in the large developed economies. However, a global slowdown that hindered Chinese growth would dampen the outlook of the Western Australian economy, potentially affecting exports and investment.

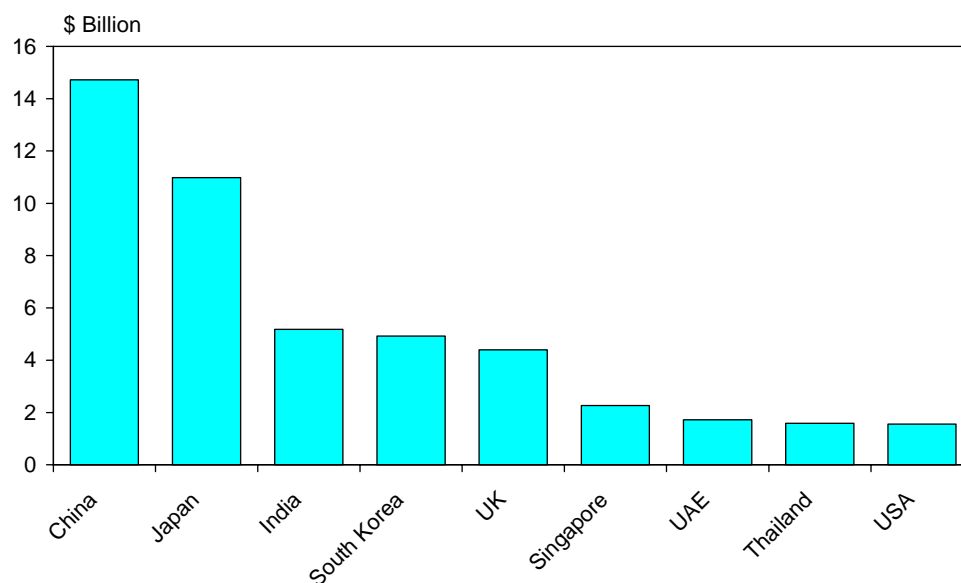
³⁰ Compositional effects that can influence average weekly earnings growth include variations over time in the occupational distribution within and across industries; variations in the distribution of employment between industries; variations in the proportion of male and female employees and junior employees; and variations over time in the proportions of full-time, part-time and casual workers. For this reason, the Wage Price Index is the preferred measure of underlying wage pressures, as it is designed to measure changes for a fixed quantity and quality of labour input.

The transmission of economic shocks from one economy to another is usually slower than financial market contagion, and the transmission mechanisms are not always readily evident, though a downturn in trade is the most likely immediate cause. The USA is not a large enough trading partner of Western Australia's for its weaker import demand to directly affect the State's growth significantly, but if the economies of the State's larger trading partners slow as a result of weaker growth in the USA and Europe, it could in turn affect the State's export demand.

In 2007, China became Western Australia's largest export market, but its importance to the State's economy is broader than its direct contribution to exports. China is also an important export market for many of Western Australia's other key regional trading partners, such as Japan and South Korea. Its contribution to global economic growth has underpinned recent high prices for the State's commodity exports. As noted earlier in this chapter, China's forecast growth of 9.4% for 2008 is mainly predicated on rising domestic investment and consumption³¹.

WESTERN AUSTRALIA'S MAJOR EXPORT DESTINATIONS
Year to February 2008

Figure 4



Note: Approximately 82.9% (or \$4.3 billion) of Western Australia's exports to India over the year to February 2008 was gold. However, not all of this would have come from Western Australian gold production. Trade data on gold should be interpreted with some caution - as a result of a restructuring of Australia's gold refining industry in 2002, large quantities of gold from other Australian States and Territories are now refined in Western Australia, before being exported.

Global commodity prices could also fall if demand weakens in the USA, affecting the State's exporters even if they do not export there directly. This could affect not just export earnings but also business investment – in the aftermath of the Asian economic crisis of 1997, for example, a decrease in business investment rather than falling exports was the most severe consequence for the Western Australian economy.

³¹ The World Bank, *East Asia and Pacific Update – Testing Times Ahead*, 1 April 2008.

The transmission pattern in the bursting dotcom bubble in 2000-01 was different from the 1997 crisis. Declining demand in the USA and falling share prices flowed through to the technology and manufacturing focused Asian economies. The USA experienced a mild but prolonged recession in 2001, and Europe's economic growth slowed, but Australia and Western Australia were relatively unaffected and enjoyed economic growth in 2001 and beyond.

In both these crises, there was little harm to real economic activity in China. However, given its greater trade and financial exposure to global markets in recent years, this time it might be harder for China to protect its economy from global financial volatility. China is also facing some domestic risks in the form of inflationary pressures and lack of spare capacity. However, such price and cost pressures are taking place against a backdrop of large balance of payment surpluses that boost liquidity. China's growth is expected to remain robust and the economy is well positioned to stimulate demand if exports slow.

The turmoil in the USA's sub-prime mortgage market since August 2007 has broadened and intensified, leading to a tightening in global credit markets and failing financial institutions. The financial strains of Northern Rock mortgage lender and Bear Stearns investment bank are a clear indicator of the severity of the crisis. The path the crisis will take, and its potential effects on world economic growth, trade and financial flows represent a major uncertainty for economic policy makers.

Domestic Risks

Household consumption growth is forecast to slow in 2008-09 and 2009-10, but remain positive. However, consumption growth may slow more than forecast if interest rates continue rising. This may occur if recent monetary policy tightening fails to sufficiently reduce inflation, or if financial market conditions increase the funding costs faced by commercial banks. However, market commentators and the futures market suggest that we are close to, if not already at, the peak of the current cycle of interest rate increases³².

Perth house prices are expected to remain mostly flat across the forecast period, however a steep or sustained price fall would devalue households' balance sheets and could reduce confidence and consumption expenditure. Worsening global financial market volatility causing further large share price decreases could also dampen household confidence and spending.

Higher interest rates affect businesses as well as households, raising borrowing costs and possibly leading to some reductions in business investment, especially among small businesses. For larger businesses the falling share market affects capital raising, and both large and small businesses are affected by the credit squeeze and increased risk aversion in the financial sector.

Low housing affordability and higher interest rates could also lead to lower dwelling investment levels.

³² Source: Ari Sharp, *Rate cycle may have peaked*, 2 April 2008 (<http://business.theage.com/rate-cycle-may-have-peaked/20080401-22z3.html>).

Rising wages and labour shortages are affecting most employers in Western Australia, in some cases having significant effects on operations. Wage and other cost pressures also pose a risk to the inflation outlook, if the recent acceleration in wage pressures is sustained.

Cost pressures and the scheduling of major public and private investment projects represent further domestic risks. In an environment characterised by cost pressures and capacity constraints, both the private and public sectors face project delays, deferrals or an increase in project costs. The general tightness of the State's labour market, the availability of skilled workers, and the ease at which materials can be sourced and workers housed (particularly for the more remote areas of the State), all have some bearing on the public and private investment aggregates going forward, and the realisation of forecasts for these components.

If domestic demand increases at a faster rate than the productive capacity of the economy, then inflationary pressures are likely to accelerate. This means that measures to improve productivity, such as the new National Reform Agenda and other economic reforms, are important to sustaining economic growth (see Chapter 7: *Economic Reform* for a discussion of developments in economic reform issues affecting Western Australia).

Severe weather such as cyclones or droughts can affect production, especially in mining and agriculture. These can cause increases in food prices if they restrict supply. Such events could lead to a large and unexpected increase in the Perth (and national) CPI, similar to the effect of Cyclone Larry on banana prices and aggregate inflation in 2006. In the Pilbara, the production and export of commodities such as iron ore and oil and gas, and the building of new or expanded resource projects, can be temporarily halted by cyclones.

Economic Reform

Overview

Implementing effective, targeted economic and policy reform is essential to ensure the State obtains the greatest benefits from the current strong economic conditions, and to ensure the State is well-placed to adapt to the challenges that will arise when the resources boom inevitably ends. The reforms aim to create the right economic environment in which businesses can operate. This requires the creation of the correct price signals to allow markets to efficiently allocate resources to their highest value uses by removing restrictions on business to increase their responsiveness to changes in demand. The overall effect of these reforms will be to foster competition and encourage growth such that it delivers tangible benefits to the community through improved living standards and increased capacity to deal with social, economic and environmental issues.

In recent years a number of significant reforms have enhanced the efficiency of the Western Australian economy and allowed the State to respond more quickly, and with flexibility, to the current opportunities for growth. This includes reforms to State taxation, electricity, gas, water and important areas of State service delivery, administration and regulation.

In addition to State initiated reforms, Western Australia is committed to the new national reform agenda being coordinated through the Council of Australian Governments (COAG), which encompasses a range of reform initiatives in the areas of business regulation, competition, environment, indigenous, infrastructure, housing, health and productivity.

Taxation Reform

The State's major tax reform program has abolished a total of 11 taxes and implemented a fairer, simpler and more efficient tax system.

- The Business Tax Review, completed in 2003, resulted in the abolition of six taxes, the simplification of tax scales for payroll and land tax, a broadening of the conveyance duty base and the commencement of the process for rewriting the *Stamp Act 1921*.
- The *Taxation Administration Act 2003*, amalgamated and standardised four major taxation Acts and rewrote them in clear and contemporary language.
- The State Tax Review, completed in 2007, led to the abolition of three more taxes and included measures to further improve the equity of the tax system. From this review, Western Australia also proactively led a project with other States and Territories to harmonise payroll tax administration. The required changes in Western Australia will apply from 1 July 2008 and other components from 1 July 2009.
- The *Duties Act 2008* (the Act) will come into operation on 1 July 2008, replacing the outdated stamp duty arrangements that are currently imposed by the *Stamp Act 1921*. The Act will make the duty laws easier to understand and slash the size of the legislation by about half. It will also deliver a range of recommendations made by the State Tax Review, culminating in the adoption of a broader, more efficient tax base, in turn providing the opportunity for an offsetting average rate reduction of 5%. Key measures include:
 - a new landholder regime which imposes duty in a more consistent and understandable manner on land acquired indirectly through interests in company and unit trust structures;
 - the most generous entity restructuring exemption in the nation. This will allow business to improve their efficiencies by restructuring without incurring further stamp duty; and
 - a general anti-avoidance provision to better protect the revenue base.
- The tax measures in the 2008-09 Budget will assist housing affordability by reducing duty on all residential property transfers (Western Australia already has the most generous first home owner exemption in the nation) and the impact of higher land values on land tax bills for rental properties. They will also deliver benefits to businesses through the payroll tax harmonisation reforms and land tax relief. Families and businesses who are intending to purchase vehicles valued between \$20,000 and \$50,000 in the near term will also benefit from a bringing forward by six months to 1 July 2008 of a scheduled \$5,000 increase in motor vehicle license duty thresholds.

Electricity Reform

The Western Australian Government has acknowledged the importance of electricity and has vigorously pursued reform of the State's electricity industry to introduce greater competition. The Government is committed to maintaining a fair, open, and competitive market for electricity in Western Australia. Reforms implemented include:

- the disaggregation of the former Western Power Corporation on 31 March 2006;
- the establishment of an open, transparent and non-discriminatory network access process, which includes an independent regulator, the Economic Regulation Authority (ERA);
- the establishment on 21 September 2006 of a new Wholesale Electricity Market (WEM);
- introduction of measures to constrain the market power of the incumbent government-owned electricity businesses to ensure competition; and
- the reduction of both electricity and gas contestability thresholds.

Electricity reforms facilitate the sustainable supply of reliable and competitively priced electricity, encourage private sector investment, allow consumer choice, and underpin the competitiveness of Western Australian industry. These reforms also allow service providers to focus on core areas of service delivery.

Reforms have already seen an increase in private sector investment into the electricity industry and an increase in the number of customers able to choose their electricity suppliers. The ERA's *2007 Annual WEM Report*, published on 19 March 2008, highlighted that a number of new participants (generators and retailers) had entered the market since 2006. These new entrants encourage competition, which serves to offset major cost pressures on the electricity supply chain. Approximately 60% of the electricity sold in the SWIS is now subject to competition.

Electricity tariffs have largely remained unchanged in an environment of increasing costs. With the exception of the introduction of the GST in 2000-01 residential tariffs have not increased since 1997-98. With the exception of the 2007-08 Budget, regulated business tariffs have not increased since 1991-92, with a large number of businesses now contestable and free to choose the lowest cost provider.

In real terms this means electricity tariffs have fallen significantly. Relative to general inflation from 1991-92 large business tariffs have decreased by 30% to 2006-07, small business tariffs will decrease by 38% to 2009-10 and residential tariffs will decrease 30% between 1997-98 and 2009-10.

At the same time there have been recent substantial increases in the cost of producing and supplying electricity. For example, since 1997 to June 2007 crude oil increased by 312%, iron ore prices increased by 118% and labour costs have increased over 37%. Historic under-expenditure during the 1990s has also seen increases in maintenance, safety and preventative programs. Additionally, the price of gas is expected to increasing from historic levels of \$2.00-\$2.50 per GJ in early 2006 to between \$7.00-\$10.00 per GJ in 2009.

These factors, together with Western Australia's strong economy have put substantial cost pressures on electricity suppliers (both generators and network providers) in the form of increased capital, labour, fuel and other costs. The pressures on retail tariffs are the result of these increased costs and not reform. Without reforms to increase competition it is likely that the impact of cost pressures would have been greater. Similar pressures have also been experienced in other parts of Australia, resulting in increases to regulated tariffs in the other jurisdictions. The introduction of an emissions trading scheme to achieve national emissions target reductions will also add significantly to future electricity costs.

Tariffs are now well below the cost of supplying electricity. In the contestable market, tariffs are acting as a price floor (instead of a price cap). In effect taxpayers are subsidising electricity users.

The Office of Energy's (OoE) Electricity Retail Market Review (ERMR) details the pressures on electricity costs through its review of electricity retail tariff arrangements and levels¹. The ERMR estimates that A1 Tariffs for residential customers would need to rise 47% in 2009-10 to fully reflect current costs of electricity supply. Such an increase would still leave electricity tariffs in real terms below their levels in the 1990s.

In response to the ERMR Draft Recommendations Paper, the Government has announced a transition to cost reflective tariffs from 2009-10 for non-contestable customers, which includes households and small businesses. This involves a 10% increase in 2009-10, with further annual increases to be phased in over a six to eight-year period. Annual increases in these tariffs beyond 2009-10 are not expected to be less than 10%.

The Government is yet to make a determination of the size of the increase for contestable customers and will consider this matter once the ERMR consultation process closes on 30 May 2008.

If electricity tariffs continue to be set below costs, this will deter new entrants (both generators and retailers), encourage inappropriate and inefficient electricity use, be inconsistent with environmental objectives, risk increasing future State generation investment requirements, and prevent Verve Energy and Synergy from operating in a financially viable manner.

Sending appropriate price signals to customers supports the efficient allocation of resources and provides incentives for energy efficiency. In the current environment of increasing demand, increasing costs, high network utilisation and environmental awareness, economic and energy efficiency are of particular importance in setting prices. Tariffs need to ensure that the correct signals are sent to customers reflecting the cost of energy and capacity, including environmental impacts.

¹ The ERMR Draft Recommendations Paper was publicly released on 4 April 2008. The ERMR also reviews the introduction of Full Retail Contestability in electricity and the roll out of smart meters. Further details are at www.energy.wa.gov.au.

Water Reforms

An important part of water reform is pricing reform and the application of appropriate pricing principles. Charges need to reflect costs in full to avoid excessive water consumption and to provide the right incentive to consumers to adopt water saving technology and to make water recycling appropriately attractive. Based on recommendations of the Economic Regulation Authority, a cost-based approach to water pricing was introduced in the 2006-07 Budget. This has since been extended to country commercial water tariffs and used to set a limit on tariff increases of the Busselton and Aquwest (Bunbury) Water Boards.

Liquor Licensing

In response to the growing needs of Western Australian consumers and visitors for a vibrant and dynamic social environment, the Government has undertaken reform of the State's liquor licensing laws to provide greater flexibility for hospitality and tourism businesses, and allow for greater choice for consumers whilst minimising harm from alcohol consumption.

Metropolitan Perth Taxi Reforms

Following the 2003 review of the industry, significant reforms have been progressed within the Western Australian taxi industry to alleviate the taxi shortage and improve service levels. These reforms have included:

- legislative amendments to give Government the capacity to issue additional plates and to upgrade specified peak-period plates to full-time plates, addressing head-on the State's taxi scarcity problem;
- the issue of Government lease plates to lower operator entry costs to the industry;
- a program to supply 'green' taxis using hybrid technologies; and
- the buy-back of Multi-Purpose Taxi plates to improve wheelchair taxi service levels and the viability of wheelchair taxi operators.

All of these reforms are targeted at providing a better, more timely taxi service for all taxi users. These reforms have seen the number of operational taxis in Perth increase by more than any other Australian jurisdiction over the same period, with over 26% more standard plates and 76% more peak period plates released in the past two years.

Public Sector Reforms

Since 2003, the public sector procurement reform agenda has introduced many important changes that have impacted on the Western Australian public service, in areas such as revised purchasing thresholds, standardised contract documentation, new procurement systems and the expanded suite of common-use contracting arrangements. Cost and efficiency savings of \$440 million across the procurement reform program are estimated to have been achieved by July 2008, exceeding the target of \$380 million. The cost of the reform program has been around \$35 million.

Improved regional buying through four regional centres has supported the provision of procurement expertise at the local level including a new regional buying centre established in Albany.

The implementation of shared corporate services across the Western Australian public sector is being rolled out progressively following the recommendation of the 2002 Functional Review Taskforce.

The reform involves a significant investment in new technology and systems design, a shift in the employment arrangements of public servants and major structural changes to the delivery of finance, procurement, human resources and payroll services across the sector.

Three shared service centres have been established. The Health Corporate Network (HCN) and the Education and Training Shared Service Centre commenced operating in 2005-06 utilising existing systems combined with some new tools, such as HCN implementing an electronic document and records management system which reduces paper flow and improves efficiencies. The Department of Treasury and Finance Shared Services (DTFSS), which will ultimately deliver services to 90 general government agencies, commenced providing finance and procurement services in 2006-07.

The expected completion date for agencies to roll into DTFSS is 2012-13. Based on the original analysis this reform was expected to deliver annual savings of \$55 million for Government, as well as a range of other benefits to agencies, employees and suppliers (adjusted for inflation since that analysis, this is equivalent to \$64.4 million in today's dollars).

Whilst there have been implementation delays, there are now 23 agencies receiving shared finance and procurement services from DTFSS. In addition, the human resource/payroll system has now achieved operational status. Between July 2007 and March 2008, DTFSS processed approximately 62,000 expenditure and revenue transactions totalling \$395 million, compared to 21,000 transactions totalling \$223 million for the 12 months to June 2007.

Health Services Reform

The health reform agenda involves a fundamental reprioritisation of the public health system with the aim of improving the sector's financial and clinical sustainability over the longer term. A key driver of the reforms recommended by the Health Reform Committee is to enable the health sector to improve service delivery in a financially sustainable environment for Government. Given an annual expenditure of over \$4 billion and a workforce in excess of 30,000, fundamental reform of the State health system is an immensely challenging task. Achievements include:

- increasing activity in cost-effective non-hospital based services, with Hospital and Rehabilitation in the Home activity rising by 82% from 2,261 to 4,117 discharges in the year to February 2008;
- Chronic Disease Management Teams (CDMT) achieved 276 referrals per month, exceeding the target of 250 referrals per month by June 2007. CDMT services enable patients with chronic illnesses to be cared for in the community setting and reduce unnecessary hospital admissions and presentations to emergency departments;
- completion of the South Metropolitan Area Health Service and North Metropolitan Area Health Service Clinical Service Plans (CSP) and significant progress of CSPs for each country region. These CSPs provide operational detail on the provision of clinical services, consistent with the recommendations of the Health Reform Committee; and
- further improvements to the suite of management tools that together form an integrated business-planning model, including increased levels of robustness and sophistication for demand, whole of health cost and resource allocation models.

Work continues on the substantial reconfiguration of health infrastructure that supports reform and is aligned with the CSPs of area health services. The redevelopment and expansion of Perth's general hospitals will enable the shift of non-tertiary care away from tertiary hospitals and facilitate the provision of health care closer to where people live. Current work is being undertaken at Rockingham Kwinana District Hospital, Armadale Kelmscott Memorial Hospital, Joondalup Health Campus and at Midland Health Campus to expand and redevelop a range of medical services. In addition, complex and specialised tertiary services will be concentrated at the Fiona Stanley Hospital and the Central Tertiary Hospital (QEII site).

Infrastructure Reforms

Infrastructure is critical to Western Australia's continued economic success and the well being of its population. Efficient transport networks, sustainable energy and water supplies, as well as social infrastructure such as schools and hospitals, are vital to improving living standards.

Fuelled by the booming economy and a large population influx, expenditure on economic and social infrastructure in Western Australia has increased to \$6.7 billion in 2007-08 compared to \$2.0 billion in 2000-01. To help manage infrastructure delivery in the future, the Centre for Excellence and Innovation in Infrastructure Delivery has been established to promote formal collaboration and knowledge sharing between works agencies on infrastructure related issues. In addition, the Office of Strategic Projects has been created to assist agencies in the effective planning, development and delivery of key strategic infrastructure projects. Further information is provided in 'Issues in Public Sector Finances' in Chapter 2: *Fiscal Strategy and Financial Projections*.

A New Reform Agenda: Council Of Australian Governments

In December 2007, COAG agreed to a new reform program and established working groups to progress reforms in the areas of:

- health and ageing
- productivity, including education, skills, training and early childhood;
- climate change and water;
- infrastructure;
- business regulation and competition;
- housing; and
- indigenous reform.

In March 2007, COAG also agreed to reform the Commonwealth-State funding arrangements by addressing specific purpose payment (SPP) arrangements.

Health And Ageing

COAG has agreed to a number of health reform initiatives with the aim of improving health outcomes for all Australians and the sustainability of the Australian health system. Reform is intended to have implications for the entire health sector and extend across the full range of preventative, primary, acute and aged care.

In order to provide the foundations for longer-term reform of the health system, initial work focuses on the Health Workforce Registration reform and the Australian Health Care Agreement (AHCA), with a new AHCA scheduled to be signed in late 2008. The aim is to move towards a more nationally-consistent and equitable approach to activity-based funding for public hospitals.

Specific areas of reform are:

- Funding of \$600 million being provided nationally over four years to reduce elective surgery waiting times. The first phase of this program (totalling \$150 million nationally) will provide Western Australia with \$15.4 million for an elective surgery “blitz”, targeting patients who are waiting longer than clinically recommended guidelines. Western Australia has committed to deliver an additional 2,720 elective surgery cases in 2008.
- Funding of \$158 million being provided to create up to 2,000 additional transitional care places for older Australians waiting in hospital for residential aged-care beds. In addition, \$300 million has been allocated nationally to provide zero interest loans to aged-care service providers to enable up to an additional 2,500 permanent places to be created.
- The Commonwealth Dental Health Program aims to assist State and Territory governments to reduce waiting lists for public dental services by funding up to one million additional dental consultations over three years with a focus on oral health services for Aboriginal and Torres Strait Islander people and those with chronic disease.
- As part of creating a stronger primary care system with an increased focus on health promotion, illness prevention and better coordination between GP services, two GP Super Clinics have been announced for Western Australia with a funding commitment of up to \$5 million for each clinic from the Commonwealth Government and an equivalent matched commitment by the State Government.
- Incentives have been established to encourage nurses and midwives who have not been employed for at least 12 months to return to the workforce. Western Australia will be allocated an estimated 621 nurses and midwives to public hospitals over five years.
- A Preventative Health Care Taskforce will be established by June 2008 to develop a National Preventative Health Care Strategy to increase the health of the population and improve workforce participation and productivity.
- COAG has agreed to the creation of a national registration and accreditation scheme for health professionals with the aim of reducing red tape, facilitating mobility of health professionals around the country and providing greater safeguards for the public.

Productivity, Including Education, Skills, Training And Early Childhood

Substantial reform of Australia’s education and training systems is required to boost productivity and participation in the economy, with future policy measures focusing on improving early childhood, schooling and skills and workforce development and reducing entrenched disadvantages in Indigenous and other communities. The Productivity Commission has estimated that early childhood, schooling and skills and workforce development reforms could boost national participation by 0.7% and productivity by up to 1.2% by 2030. This corresponds to a potential increase of Gross Domestic Product of around 2.2%, or around \$25 billion (in today’s dollars).

COAG has agreed to pursue substantial reform in the areas of early childhood development, schooling and skills and workforce development, to deliver significant improvements in human capital outcomes for all Australians. The COAG reform agenda aligns closely with ongoing work in Western Australia to improve educational outcomes and lift workforce participation through apprenticeship and training.

The national COAG Productivity work program includes:

- improving and expanding vocational and technical education by developing future management arrangements for the Australian Technical Colleges and creating an additional 450,000 training places over the next four years;
- providing oversight of the work of implementation groups involving the State/Territory Independent and Catholic school systems for the Commonwealth's Digital Education Revolution and trades training centres in secondary schools;
- promoting the study of Asian languages in schools;
- investing in early childhood education through universal access to early learning for all four year olds and increasing the quality and availability of child care;
- nominating representatives to the National Curriculum Board and participating fully in the development and implementation of a national curriculum in key learning areas by 2010; and
- lifting the Year 12 or the equivalent retention rate to 90% by 2020.

Climate Change And Water

The climate change reforms identified by COAG include:

- introducing a national emissions trading scheme;
- expanding the national Mandatory Renewable Energy Target;
- developing an appropriate set of measures to complement an emissions trading scheme (and streamline existing measures); and
- preparing for long-term adaptation to climate change (including accelerating implementation of actions agreed under the National Adaptation Framework).

For water, COAG agreed to coordinate efforts in purchasing water for the environment, enhance the effectiveness of water markets and assess water supply in remote communities, including Indigenous communities. COAG also agreed to actions to address over-allocation and improve environmental outcomes, enhance water markets and progress urban water reforms.

Infrastructure

COAG aims to achieve better co-ordination of infrastructure planning across the nation, across governments and the private sector as well as identify and remove any blockages to productive investment in infrastructure.

Infrastructure Australia is a new independent statutory authority that will report to the Commonwealth Minister for Infrastructure. In partnership with the States, Territories, local government and the private sector, Infrastructure Australia will be responsible for developing a strategic blueprint for the nation's infrastructure needs and facilitating its implementation. Infrastructure Australia will:

- conduct audits to determine the adequacy, capacity and condition of infrastructure;
- develop an Infrastructure Priority List to guide public and private investment; and
- provide advice to governments, investors and owners of infrastructure on regulatory reforms.

Infrastructure Australia will complete the National Infrastructure Audit by the end of 2008, develop the Infrastructure Priority List for COAG's consideration in March 2009, and develop best practice guidelines for Public Private partnerships (PPPs) for COAG's consideration by October 2008.

The National PPP Forum that was created in 2004 (of which Western Australia is a member) will assist Infrastructure Australia in the development of best practice guidelines for PPPs as well as providing a common objective to deliver a co-ordinated national PPP market, with greater consistency of practices and increased information sharing across jurisdictions. The guidelines will be submitted for COAG's consideration by October 2008.

It is expected that the COAG infrastructure initiative will provide Western Australia with a number of opportunities in the longer term, through:

- greater Commonwealth funding support for infrastructure with national benefits;
- the facilitation of partnerships with the private sector;
- the alignment of Commonwealth funding programs with the National Infrastructure Priority List, and the delivery of Western Australia's infrastructure priorities;
- reform of infrastructure pricing to be more cost reflective; and
- streamlined planning and approval processes, and better infrastructure coordination.

Further, the Commonwealth Government has recognised Western Australia's need for Commonwealth infrastructure investment to support nationally significant projects, with an election commitment to allocate up to \$100 million per year of petroleum resource rent tax (PRRT) revenues from the Gorgon and/or Pluto gas developments to a Western Australian Infrastructure Fund. The Fund is to be quarantined from the Commonwealth Grants Commission Processes.

Business Regulation And Competition

The COAG objectives for business regulation and competition reform include accelerating and broadening the regulation reduction agenda and improving processes for regulation making and review, in order to deliver significant improvements in Australia's competition, productivity and international competitiveness.

The Business Regulation and Competition Working Group (BRCWG), established under COAG in December 2007, has outlined an implementation plan for 27 reform items. These include national regulatory reforms to:

- occupational health and safety laws in order to create consistency across Australia;
- environmental assessments and approvals processes concerning the Commonwealth *Environment Protection and Biodiversity Conservation Act 1999*;
- consumer protection in the finance and credit provider markets;
- payroll tax harmonisation across Australia; and
- development assessment to reduce development costs and improve housing affordability.

Western Australia has a strong interest in reform of business regulation and in initiatives that improve the competitiveness of the economy generally. Its economy is growing faster than any of the other Australian States meaning it needs to ensure businesses and employees can operate seamlessly across State boundaries. It also needs to ensure Commonwealth Government regulatory processes that affect the State's development are efficient.

Western Australia has committed, through the February 2006, July 2006 and April 2007 COAG Agreements, to implement better regulatory gatekeeping processes. The adoption of a transparent, rigorous and independent regulatory gatekeeping and review system is desirable as it will aid Ministers and their agencies in making informed decisions and will provide support during the development of new regulations.

The new gatekeeping process would include analysis and information to support decisions on regulation, with public interest as the overarching objective. Specifically, this would involve:

- compulsory reporting and consultation during the early stages of policy development including the publication of a regulatory impact statement (RIS) with a public interest justification;
- more rigorous analyses underpinned by support from a central agency; and
- independent assessment of the rigour of reviews and the compliance of agencies with the review process.

A longer-term reform agenda is also proposed for COAG's consideration. This agenda will focus on reducing red tape across a broad range of business sectors, which will improve the efficiency of resource allocation and promote competition so the broader public can enjoy the benefits of reduced costs and greater choice.

Housing

Western Australia's resources boom has placed considerable pressure on housing affordability. The State recognises that housing affordability is a major priority and supported the adoption of measures by COAG to improve housing affordability for lower income earners and the most disadvantaged in the community.

COAG is developing five key housing initiatives to:

- facilitate improved housing supply through identifying surplus government land suitable for housing development;
- provide incentives to construct affordable rental housing;
- lower the burden of infrastructure and regulatory costs built into the purchase price of a new home;
- improve the evidence base for housing policy and program development; and
- support the most needy in society through joint Commonwealth-State investment in 600 houses and units for homeless people.

Western Australia is to be engaged in the allocation of \$500 million of Commonwealth funding through the Housing Affordability Fund, which will be directed at regulatory reform and infrastructure development for local governments.

With the introduction of the Commonwealth and State funded Rental Affordability Scheme, consideration will also be given to options for private participation in the delivery of affordable rental accommodation. As part of the consideration, the State is exploring options to ensure government expenditure on social housing and government-worker housing goes further.

Indigenous Reform

The objective of the Working Group on Indigenous Reform (WGIR) is to close the gap on Indigenous disadvantage, in partnership with all levels of Government and Indigenous communities, with particular focus on:

- closing the life expectancy gap within a generation;
- halving the gap in mortality rates for Indigenous children under five within a decade;
- halving the gap in reading, writing and numeracy achievements within a decade; and
- halving employment outcomes between Indigenous and non-Indigenous Australians within the next decade.

Western Australia participates on three of the sub-working groups (addressing passive welfare and economic development, reducing alcohol and substance abuse, and optimising service delivery).

An indicative forward work program for the WGIR includes:

- identifying duplication/overlap between the Commonwealth and States and developing a new framework of roles/responsibilities;
- ensuring that new Commonwealth/State agreements on health, schools and housing contain specific targets for Indigenous Australians; and
- identifying further joint reforms and implementation timetables by the end of 2008, for areas such as employment and business development opportunities, school attendance, access to health services, early childhood, safe home environment and protection from violence.

A focus of the WGIR is to involve local Indigenous people in the formulation of programs that support them. In addition funding of up to \$16 million over four years has been approved to restructure the Department of Indigenous Affairs to progress the new directions and functions recently endorsed by the Government.

Specific Purpose Payments Reform

In March 2007, COAG agreed to develop a new Commonwealth State financial relations framework, incorporating a number of the SPP best practice principles previously developed and endorsed by the States. The new framework is based on six key elements:

- a significant rationalisation of SPPs, without a reduction in total Commonwealth funding for these activities;
- mutually agreed statements of roles and responsibilities, objectives and outcomes for each of the new national SPP agreements, with the SPPs to be ongoing rather than for fixed terms, but subject to review;
- simpler, standardised and more transparent performance reporting, with a new focus on the achievement of outcomes, value for money and timely public reporting. This will replace input controls and other controls on how State funding is spent;
- the provision of National Partnerships Payments (NPPs) to fund specific projects and to drive reforms of national importance. Some existing SPPs will become NPPs;
- overall funding arrangements to be negotiated as a financial package by Treasurers; and
- all aspects of the arrangements to be endorsed and actively monitored through a reinvigorated COAG process, including a COAG Intergovernmental Agreement to underpin the reforms.

The SPP reforms have the potential to reduce administrative overheads and give States greater flexibility to allocate scarce resources to areas of greatest local need. This should be of particular benefit in Western Australia, where circumstances and needs can differ significantly from other States and are less likely to be recognised by a Canberra-based central government.

The proposed ongoing (rather than fixed-term) SPP agreements and overarching Intergovernmental Agreement should also provide greater long-term funding certainty and stability for the new arrangements.

COAG will consider a reporting framework for the new SPPs in July 2008, and a funding framework in October 2008. The final funding package and a new Intergovernmental Agreement will be considered in December 2008. The new arrangements will commence from 1 January 2009.

COAG has also agreed a new and expanded role for the COAG Reform Council (CRC), to help enhance accountability and promote reform as part of the new Commonwealth-State funding framework. This may extend to the publication of nationally comparable performance information on SPPs and the independent assessment of whether predetermined benchmarks have been met under the proposed NPP arrangements.

APPENDIX 1

Detailed Financial Projections

This appendix contains detailed financial projections for the various sectors of the total public sector defined by the Government Finance Statistics (GFS) framework. The tables in this section also satisfy Uniform Presentation Framework (UPF) requirements, and from this budget, are also consistent with Australian Accounting Standards.

The UPF was recently amended to reflect the presentational impact of AASB 1049: *Whole of Government and General Government Sector Financial Reporting*, issued in October 2007 by the Australian Accounting Standards Board. See Appendix 4: *Changes to Whole-of-Government Financial Reporting and Presentation* for more detail.

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Table 1.1

GENERAL GOVERNMENT
Operating Statement

	Note	2006-07 Actual \$m	2007-08 Estimated Actual \$m	2008-09 Budget Estimate \$m	2009-10 Forward Estimate \$m	2010-11 Forward Estimate \$m	2011-12 Forward Estimate \$m
<i>Revenue</i>							
Taxation		5,867	6,519	6,576	6,973	7,348	7,927
Current grants and subsidies		7,155	7,480	7,526	7,487	7,291	7,174
Capital grants		396	386	433	475	484	517
Sales of goods and services		1,232	1,272	1,329	1,390	1,452	1,517
Interest Income		246	256	252	258	273	236
Revenue from public corporations							
Dividends		421	491	476	536	543	574
Tax equivalent payments		319	332	334	367	363	404
Royalty income		1,484	1,747.5	2,646	2,818	2,636	2,047
Other		453	345	300	297	298	298
<i>Total revenue</i>	3	17,573	18,829	19,872	20,600	20,687	20,694
<i>Expenses</i>							
Salaries		6,182	6,797	7,278	7,731	8,167	8,625
Superannuation							
Concurrent costs		602	666	713	754	794	842
Superannuation interest cost		289	316	309	297	293	286
Other employee costs		232	271	283	292	300	308
Depreciation and amortisation		672	740	775	818	857	881
Services and contracts		1,663	1,966	2,207	2,369	2,402	2,491
Other gross operating expenses		1,590	1,681	1,843	1,773	1,856	1,998
Other interest		112	109	121	118	117	117
Other property expenses		-	-	-	-	-	-
Current transfers	4	3,564	3,697	4,026	4,400	4,466	4,581
Capital transfers	4	413	492	462	378	362	362
<i>Total expenses</i>	5	15,320	16,736	18,017	18,930	19,614	20,491
NET OPERATING BALANCE	6	2,254	2,093	1,855	1,670	1,073	203
<i>Other economic flows</i>							
Net gains on sale of non-financial assets		-2	91	183	172	68	-6
Net actuarial gains		-51	-	-	-	-	-
Provision for doubtful debts		-27	-	-	-	-1	-
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		-81	90	182	172	68	-6
OPERATING RESULT		2,173	2,183	2,038	1,841	1,141	197
<i>All other movements in equity</i>							
Revaluations		9,890	976	1,011	1,100	1,248	1,213
Gains recognised directly in equity		1	8	-1	-1	-1	-1
Changes in accounting policy/correction of prior period errors		367	-	-	-	-	-
Change in net worth of the public corporations sectors		5,268	1,240	867	1,356	1,247	1,322
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		15,526	2,224	1,878	2,456	2,495	2,534
TOTAL CHANGE IN NET WORTH		17,699	4,407	3,916	4,297	3,635	2,732
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	2,254	2,093	1,855	1,670	1,073	203
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	5	1,610	2,040	2,707	2,160	2,069	2,577
Changes in inventories		1	-	-	-	-	-
Other movement in non-financial assets		7	124	-38	-	-	1
<i>less:</i>							
Sales of non-financial assets		169	212	164	198	268	109
Depreciation		672	740	775	818	857	881
<i>Total net acquisition of non-financial assets</i>		<i>777</i>	<i>1,212</i>	<i>1,730</i>	<i>1,145</i>	<i>944</i>	<i>1,588</i>
NET LENDING/-BORROWING	6	1,477	880	125	525	129	-1,385

Note: Columns may not add due to rounding.

Table 1.2

GENERAL GOVERNMENT
Balance Sheet at 30 June

	Note	2007	2008	2009	2010	2011	2012
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		394	414	401	396	396	399
Advances paid		752	741	730	716	703	693
Investments, loans and placements		3,152	3,735	3,417	3,662	3,787	2,486
Receivables		1,267	1,532	1,592	1,658	1,611	1,512
Investment property		12	12	12	12	12	12
Equity							
Investments in other public sector entities - equity method		26,097	27,337	28,204	29,561	30,808	32,130
Investments in other public sector entities - direct injections		2,449	2,961	3,244	3,373	3,511	3,588
Investments in external entities - shareholdings		-	-	-	-	-	-
Other financial assets		2	12	5	2	2	2
Total financial assets		34,124	36,744	37,605	39,380	40,830	40,821
<i>Non-financial assets</i>							
Land		28,501	29,096	29,736	30,389	31,090	31,826
Property, plant and equipment		22,630	24,305	26,640	28,480	30,028	32,158
Biological assets		2	2	2	2	2	2
Inventories							
Land inventories		54	61	44	43	41	40
Other inventories		56	56	56	56	56	56
Intangibles		216	226	197	184	149	129
Non-current assets held for sale		103	45	78	36	36	36
Total non-financial assets		51,562	53,791	56,754	59,192	61,403	64,246
TOTAL ASSETS		85,686	90,535	94,358	98,572	102,234	105,067
LIABILITIES							
Deposits held		151	209	248	216	213	219
Advances received		523	510	496	483	469	456
Borrowings		996	1,291	1,143	981	953	949
Unfunded superannuation		5,498	5,366	5,170	5,088	4,972	4,860
Other employee benefits		1,635	1,743	1,830	1,916	2,001	2,082
Payables		304	302	303	307	300	301
Other liabilities		724	851	989	1,106	1,216	1,357
TOTAL LIABILITIES		9,831	10,272	10,180	10,097	10,123	10,225
NET ASSETS		75,856	80,262	84,178	88,475	92,110	94,842
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		6,597	8,780	10,817	12,658	13,799	13,997
Other reserves		69,259	71,483	73,361	75,817	78,311	80,846
NET WORTH	6	75,856	80,262	84,178	88,475	92,110	94,842
MEMORANDUM ITEMS							
<i>Net financial worth</i>		24,294	26,471	27,425	29,283	30,707	30,596
<i>Net financial liabilities</i>		4,252	3,826	4,024	3,650	3,612	5,122
<i>Net debt</i>							
Gross debt liabilities		1,670	2,010	1,888	1,680	1,635	1,624
less: liquid financial assets		4,298	4,890	4,547	4,774	4,886	3,577
less: convergence differences impacting net debt		88	88	88	88	88	88
Net debt		-2,716	-2,968	-2,747	-3,183	-3,339	-2,041

Note: Columns may not add due to rounding.

Table 1.3

GENERAL GOVERNMENT
Cash Flow Statement

	Note	2006-07 Actual \$m	2007-08 Estimated Actual \$m	2008-09 Budget Estimate \$m	2009-10 Forward Estimate \$m	2010-11 Forward Estimate \$m	2011-12 Forward Estimate \$m
OPERATING ACTIVITIES							
<i>Receipts from operating activities</i>							
Taxes received		5,775	6,519	6,431	6,823	7,188	7,756
Grants and subsidies received		7,550	7,865	7,943	7,969	7,773	7,696
Receipts from sales of goods and services		1,280	1,289	1,477	1,553	1,625	1,711
Interest receipts		238	257	245	243	261	236
Dividends and tax equivalents		706	781	848	892	906	924
Other receipts		2,598	2,688	3,866	4,074	3,947	3,556
<i>Total receipts from operating activities</i>		18,146	19,398	20,811	21,555	21,699	21,878
<i>Payments for operating activities</i>							
Wages, salaries and supplements, and superannuation		-6,959	-6,634	-7,109	-7,560	-7,998	-8,459
Payments for goods and services		-3,582	-5,078	-5,595	-5,630	-5,846	-6,101
Interest paid		-112	-113	-120	-119	-120	-119
Grants and subsidies paid		-3,626	-3,806	-4,086	-4,404	-4,459	-4,566
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-966	-1,082	-1,207	-1,258	-1,215	-1,329
<i>Total payments for operating activities</i>		-15,245	-16,713	-18,118	-18,970	-19,638	-20,575
NET CASH FLOWS FROM OPERATING ACTIVITIES		2,901	2,684	2,694	2,585	2,061	1,304
INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-1,610	-2,040	-2,707	-2,160	-2,069	-2,577
Sales of non-financial assets		169	212	164	198	268	109
<i>Total cash flows from investments in non-financial assets</i>		-1,441	-1,828	-2,544	-1,962	-1,801	-2,468
<i>Cash flows from investments in financial assets</i>							
Receipts from investing activities:							
For policy purposes		1	-	-	-	-	-
For liquidity purposes		32	-	-	-	-	-
Payments for investing activities:							
For policy purposes		-1,407	-378	-283	-129	-138	-77
For liquidity purposes		-	-9	-10	-	-	-2
<i>Total cash flows from investments in financial assets</i>		-1,374	-386	-293	-129	-138	-78
NET CASH FLOWS FROM INVESTING ACTIVITIES		-2,815	-2,214	-2,837	-2,091	-1,939	-2,546
FINANCING ACTIVITIES							
<i>Receipts from financing activities</i>							
Advances received		13	-	1	1	1	1
Borrowings		108	200	58	40	36	49
Deposits received		-	-	-	-	-	-
Other financing receipts		37	33	27	27	26	24
<i>Total receipts from financing activities</i>		157	233	85	67	63	73
<i>Payments for financing activities</i>							
Advances paid		-17	-	-	-	-	-
Borrowings repaid		-131	-122	-177	-184	-46	-54
Deposits paid		-	-	-	-	-	-
Other financing payments		-21	-50	-107	-61	-62	-61
<i>Total payments for financing activities</i>		-170	-172	-284	-245	-107	-115
NET CASH FLOWS FROM FINANCING ACTIVITIES		-12	60	-199	-178	-45	-42
Net increase in cash and cash equivalents		74	530	-342	315	78	-1,285
Opening balance		3,272	3,346	3,876	3,534	3,849	3,927
Closing balance		3,346	3,876	3,534	3,849	3,927	2,641
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		2,901	2,684	2,694	2,585	2,061	1,304
Net cash flows from investing in non-financial assets		-1,441	-1,828	-2,544	-1,962	-1,801	-2,468
Cash surplus/-deficit	6	1,460	857	150	622	260	-1,165

Note: Columns may not add due to rounding.

Table 1.4

PUBLIC NON-FINANCIAL CORPORATIONS
Operating Statement

	Note	2006-07 Actual \$m	2007-08 Estimated Actual \$m	2008-09 Budget Estimate \$m	2009-10 Forward Estimate \$m	2010-11 Forward Estimate \$m	2011-12 Forward Estimate \$m
<i>Revenue</i>							
Current grants and subsidies		1,184	1,290	1,436	1,730	1,775	1,703
Capital grants		153	119	92	91	91	88
Sales of goods and services		6,574	6,910	7,497	8,521	9,007	9,678
Interest Income		152	139	146	147	156	158
Other		470	469	386	384	382	578
<i>Total revenue</i>		<i>8,533</i>	<i>8,927</i>	<i>9,557</i>	<i>10,873</i>	<i>11,410</i>	<i>12,204</i>
<i>Expenses</i>							
Salaries		611	752	805	837	862	893
Superannuation							
Concurrent costs		60	72	75	78	80	84
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		27	22	21	21	21	22
Depreciation and amortisation		743	851	937	1,013	1,087	1,135
Services and contracts		357	243	253	264	268	288
Other gross operating expenses		4,532	4,911	5,302	5,385	5,597	6,173
Other interest		551	645	791	907	1,002	1,130
Dividend and tax equivalents		712	798	785	886	889	961
Current transfers		696	671	782	1,056	1,068	930
Capital transfers		6	61	6	7	7	8
<i>Total expenses</i>		<i>8,294</i>	<i>9,027</i>	<i>9,757</i>	<i>10,453</i>	<i>10,881</i>	<i>11,624</i>
NET OPERATING BALANCE	6	238	-101	-200	420	529	581
<i>Other economic flows</i>							
Net gains on sale of non-financial assets		161	292	322	400	397	376
Net actuarial gains		-22	-	-	-	-	-
Provision for doubtful debts		-8	-8	-8	-9	-9	-9
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		<i>132</i>	<i>284</i>	<i>314</i>	<i>392</i>	<i>388</i>	<i>367</i>
OPERATING RESULT		370	183	114	812	917	947
<i>All other movements in equity</i>							
Revaluations		3,000	988	757	565	323	389
Gains recognised directly in equity		162	-21	-46	-46	-32	-50
Changes in accounting policy/correction of prior period errors		1,497	-	-	-	-	-
Capital injections from general government		1,409	512	283	129	138	77
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		<i>6,067</i>	<i>1,479</i>	<i>995</i>	<i>649</i>	<i>430</i>	<i>416</i>
TOTAL CHANGE IN NET WORTH		6,437	1,662	1,108	1,460	1,347	1,363
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	238	-101	-200	420	529	581
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		2,588	3,340	3,847	3,496	2,687	2,605
Changes in inventories		-99	202	-17	7	-9	5
Other movement in non-financial assets		-6	94	413	-13	-3	-
<i>less:</i>							
Sales of non-financial assets		726	935	951	1,141	1,106	1,008
Depreciation		743	851	937	1,013	1,087	1,135
<i>Total net acquisition of non-financial assets</i>		<i>1,014</i>	<i>1,850</i>	<i>2,354</i>	<i>1,336</i>	<i>482</i>	<i>467</i>
NET LENDING/-BORROWING	6	-776	-1,951	-2,554	-916	47	114

Note: Columns may not add due to rounding.

Table 1.5

PUBLIC NON-FINANCIAL CORPORATIONS**Balance Sheet at 30 June**

	Note	2007 Actual \$m	2008 Estimated Actual \$m	2009 Budget Estimate \$m	2010 Forward Estimate \$m	2011 Forward Estimate \$m	2012 Forward Estimate \$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		552	508	424	485	562	657
Advances paid		-	-	-	-	-	-
Investments, loans and placements		1,716	1,808	1,932	1,985	2,066	2,197
Receivables		1,772	1,313	1,320	1,424	1,465	1,555
Investment property		-	-	-	-	-	-
Equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in external entities - shareholdings		29	39	28	27	28	29
Other financial assets		32	466	626	760	901	1,044
Total financial assets		4,102	4,134	4,330	4,682	5,022	5,483
<i>Non-financial assets</i>							
Land		8,917	9,363	9,841	10,333	10,849	11,391
Property, plant and equipment		24,707	27,619	30,922	33,259	34,550	35,692
Biological assets		331	351	353	355	358	360
Inventories							
Land inventories		1,049	1,315	1,465	1,517	1,551	1,650
Other inventories		628	830	813	820	811	817
Intangibles		98	96	118	124	120	118
Non-current assets held for sale		12	10	11	11	11	11
Total non-financial assets		35,742	39,585	43,523	46,419	48,249	50,037
TOTAL ASSETS		39,843	43,719	47,853	51,101	53,271	55,520
LIABILITIES							
Deposits held		6	1	1	1	1	1
Advances received		523	510	496	483	469	456
Borrowings		8,645	10,746	13,843	15,585	16,447	17,420
Unfunded superannuation		155	149	144	140	135	130
Other employee benefits		242	248	252	256	259	263
Payables		1,668	1,823	1,823	1,892	1,846	1,891
Other liabilities		1,326	1,300	1,243	1,234	1,256	1,138
TOTAL LIABILITIES		12,564	14,778	17,803	19,590	20,413	21,299
NET ASSETS		27,280	28,942	30,050	31,510	32,858	34,221
<i>Of which:</i>							
Contributed equity		2,449	2,961	3,244	3,373	3,511	3,588
Accumulated surplus		18,153	18,337	18,450	19,262	20,179	21,127
Other reserves		6,677	7,645	8,356	8,876	9,167	9,506
NET WORTH	6	27,280	28,942	30,050	31,510	32,858	34,221
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-35,742	-39,585	-43,523	-46,419	-48,249	-50,037
<i>Net debt</i>							
Gross debt liabilities		9,173	11,257	14,341	16,069	16,918	17,877
less: liquid financial assets		2,269	2,316	2,356	2,470	2,628	2,854
less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		6,904	8,941	11,985	13,599	14,290	15,022

Note: Columns may not add due to rounding.

Table 1.6

PUBLIC NON-FINANCIAL CORPORATIONS
Cash Flow Statement

	Note	2006-07 Actual \$m	2007-08 Estimated Actual \$m	2008-09 Budget Estimate \$m	2009-10 Forward Estimate \$m	2010-11 Forward Estimate \$m	2011-12 Forward Estimate \$m
OPERATING ACTIVITIES							
<i>Receipts from operating activities</i>							
Grants and subsidies received		1,245	1,308	1,405	1,656	1,725	1,650
Receipts from sales of goods and services		6,933	6,991	7,449	8,294	8,703	9,332
Interest receipts		154	145	145	146	154	158
Dividends and tax equivalents		27	-	-	-	-	-
Other receipts		702	598	644	684	752	731
<i>Total receipts from operating activities</i>		9,061	9,043	9,644	10,781	11,334	11,871
<i>Payments for operating activities</i>							
Wages, salaries and supplements, and superannuation		-666	-788	-849	-892	-915	-947
Payments for goods and services		-5,008	-5,203	-5,545	-5,517	-5,679	-6,197
Interest paid		-558	-644	-793	-944	-1,039	-1,129
Grants and subsidies paid		-475	-651	-719	-955	-995	-860
Dividends and tax equivalents		-687	-777	-831	-872	-894	-912
Other payments		-1,105	-882	-934	-969	-995	-1,041
<i>Total payments for operating activities</i>		-8,499	-8,945	-9,671	-10,149	-10,517	-11,086
NET CASH FLOWS FROM OPERATING ACTIVITIES		561	98	-27	632	817	785
INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-2,588	-3,340	-3,847	-3,496	-2,687	-2,605
Sales of non-financial assets		726	935	951	1,141	1,106	1,008
<i>Total cash flows from investments in non-financial assets</i>		-1,862	-2,405	-2,895	-2,355	-1,580	-1,597
<i>Cash flows from investments in financial assets</i>							
Receipts from investing activities:							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		197	345	165	44	345	285
Payments for investing activities:							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		-230	-224	-187	-57	-157	-214
<i>Total cash flows from investments in financial assets</i>		-32	122	-22	-13	187	71
NET CASH FLOWS FROM INVESTING ACTIVITIES		-1,895	-2,283	-2,918	-2,367	-1,393	-1,526
FINANCING ACTIVITIES							
<i>Receipts from financing activities</i>							
Advances received		-	-	-	-	-	-
Borrowings		8,511	7,321	7,755	8,268	7,294	7,377
Deposits received		-	-	-	-	-	-
Other financing receipts		1,432	378	284	129	138	77
<i>Total receipts from financing activities</i>		9,943	7,699	8,039	8,397	7,432	7,454
<i>Payments for financing activities</i>							
Advances paid		-13	-13	-13	-13	-14	-14
Borrowings repaid		-8,472	-5,521	-5,139	-6,538	-6,688	-6,516
Deposits paid		-	-	-	-	-	-
Other financing payments		-37	-8	-1	-1	-2	-2
<i>Total payments for financing activities</i>		-8,523	-5,542	-5,154	-6,553	-6,704	-6,532
NET CASH FLOWS FROM FINANCING ACTIVITIES		1,420	2,157	2,885	1,845	729	923
Net increase in cash and cash equivalents		87	-28	-60	109	153	181
Opening balance		793	880	852	792	901	1,054
Closing balance		880	852	792	901	1,054	1,235
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		561	98	-27	632	817	785
Net cash flows from investing in non-financial assets		-1,862	-2,405	-2,895	-2,355	-1,580	-1,597
Cash surplus/-deficit	6	-1,301	-2,307	-2,922	-1,723	-763	-812

Note: Columns may not add due to rounding.

Table 1.7

TOTAL NON-FINANCIAL PUBLIC SECTOR
Operating Statement

	Note	2006-07 Actual \$m	2007-08 Estimated Actual \$m	2008-09 Budget Estimate \$m	2009-10 Forward Estimate \$m	2010-11 Forward Estimate \$m	2011-12 Forward Estimate \$m
<i>Revenue</i>							
Taxation		5,617	6,313	6,359	6,744	7,111	7,681
Current grants and subsidies		7,155	7,480	7,526	7,487	7,291	7,174
Capital grants		396	386	433	475	484	517
Sales of goods and services		7,614	7,927	8,547	9,629	10,179	10,911
Interest income		361	365	365	372	399	366
Royalty income		1,484	1,748	2,646	2,818	2,636	2,047
Other		798	804	699	686	683	877
<i>Total revenue</i>		23,426	25,023	26,575	28,210	28,783	29,573
<i>Expenses</i>							
Salaries		6,794	7,549	8,083	8,568	9,029	9,519
Superannuation							
Concurrent costs		662	738	787	832	874	926
Superannuation interest cost		289	316	309	297	293	286
Other employee costs		201	198	199	204	208	211
Depreciation and amortisation		1,415	1,591	1,713	1,831	1,944	2,016
Services and contracts		2,020	2,208	2,459	2,633	2,670	2,779
Other gross operating expenses		5,858	6,318	6,847	6,857	7,153	7,867
Other interest		626	724	879	993	1,090	1,218
Other property expenses		-	-	-	-	-	-
Current transfers		2,811	2,963	3,266	3,613	3,643	3,685
Capital transfers		260	424	377	294	278	282
<i>Total expenses</i>		20,934	23,031	24,920	26,121	27,181	28,789
NET OPERATING BALANCE	6	2,492	1,992	1,655	2,089	1,602	784
<i>Other economic flows</i>							
Net gains on sale of non-financial assets		159	382	505	572	465	370
Net actuarial gains		-73	-	-	-	-	-
Provision for doubtful debts		-35	-8	-9	-9	-10	-10
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		51	374	496	563	456	361
OPERATING RESULT		2,543	2,366	2,151	2,653	2,058	1,145
<i>All other movements in equity</i>							
Revaluations		12,890	1,964	1,768	1,665	1,571	1,602
Gains recognised directly in equity		163	-13	-46	-46	-32	-51
Changes in accounting policy/correction of prior period errors		1,864	-	-	-	-	-
Change in net worth of the PFC sector		240	90	42	25	38	35
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		15,156	2,041	1,764	1,644	1,577	1,587
TOTAL CHANGE IN NET WORTH		17,699	4,407	3,916	4,297	3,635	2,732
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	2,492	1,992	1,655	2,089	1,602	784
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		4,162	5,295	6,481	5,603	4,695	5,182
Changes in inventories		-98	202	-17	7	-9	5
Other movement in non-financial assets		1	218	375	-13	-3	1
<i>less:</i>							
Sales of non-financial assets		859	1,063	1,043	1,286	1,313	1,117
Depreciation		1,415	1,591	1,713	1,831	1,944	2,016
<i>Total net acquisition of non-financial assets</i>		1,791	3,062	4,084	2,481	1,426	2,055
NET LENDING/-BORROWING	6	701	-1,070	-2,429	-391	176	-1,271

Note: Columns may not add due to rounding.

Table 1.8

TOTAL NON-FINANCIAL PUBLIC SECTOR**Balance Sheet at 30 June**

	Note	2007	2008	2009	2010	2011	2012
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		780	841	708	797	877	968
Advances paid		229	231	234	233	234	237
Investments, loans and placements		5,003	5,532	5,338	5,636	5,842	4,672
Receivables		2,618	2,701	2,808	2,962	2,966	2,916
Investment property		12	12	12	12	12	12
Equity							
Investments in other public sector entities - equity method		1,266	1,356	1,398	1,423	1,461	1,497
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in external entities - shareholdings		29	39	28	27	28	29
Other financial assets		33	48	73	61	59	49
Total financial assets		9,972	10,760	10,599	11,153	11,480	10,381
<i>Non-financial assets</i>							
Land		37,418	38,457	39,576	40,720	41,937	43,214
Property, plant and equipment		47,337	52,000	57,638	61,815	64,654	67,926
Biological assets		333	353	356	358	360	362
Inventories							
Land inventories		1,103	1,301	1,435	1,486	1,518	1,615
Other inventories		684	886	869	876	867	873
Intangibles		315	322	315	308	270	247
Non-current assets held for sale		115	55	89	47	47	47
Total non-financial assets		87,304	93,376	100,277	105,611	109,653	114,283
TOTAL ASSETS		97,275	104,136	110,876	116,763	121,133	124,664
LIABILITIES							
Deposits held		126	118	122	123	123	122
Advances received		523	510	496	483	469	456
Borrowings		9,640	12,038	14,987	16,565	17,400	18,369
Unfunded superannuation		5,652	5,516	5,314	5,228	5,107	4,991
Other employee benefits		1,877	1,991	2,083	2,172	2,260	2,345
Payables		1,870	990	1,035	1,087	1,044	1,040
Other liabilities		1,732	2,711	2,661	2,631	2,619	2,499
TOTAL LIABILITIES		21,420	23,873	26,698	28,288	29,022	29,822
NET ASSETS		75,856	80,262	84,178	88,475	92,110	94,842
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		24,750	27,116	29,267	31,920	33,978	35,123
Other reserves		51,105	53,146	54,911	56,555	58,132	59,719
NET WORTH	6	75,856	80,262	84,178	88,475	92,110	94,842
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-11,448	-13,114	-16,099	-17,136	-17,543	-19,441
<i>Net financial liabilities</i>		12,743	14,508	17,525	18,586	19,032	20,968
<i>Net debt</i>							
Gross debt liabilities		10,289	12,665	15,605	17,171	17,992	18,947
less: liquid financial assets		6,013	6,605	6,280	6,667	6,953	5,878
less: convergence differences impacting net debt		88	88	88	88	88	88
Net debt		4,189	5,973	9,238	10,416	10,951	12,981

Note: Columns may not add due to rounding.

Table 1.9

TOTAL NON-FINANCIAL PUBLIC SECTOR
Cash Flow Statement

	Note	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m	\$m
OPERATING ACTIVITIES							
<i>Receipts from operating activities</i>							
Taxes received		5,483	6,315	6,217	6,597	6,953	7,512
Grants and subsidies received		7,550	7,865	7,943	7,969	7,773	7,696
Receipts from sales of goods and services		8,022	8,029	8,649	9,567	10,050	10,760
Interest receipts		354	358	332	329	356	335
Dividends and tax equivalents		46	8	22	25	17	17
Other receipts		3,024	3,250	4,495	4,743	4,683	4,272
<i>Total receipts from operating activities</i>		24,479	25,824	27,658	29,230	29,833	30,592
<i>Payments for operating activities</i>							
Wages, salaries and supplements, and superannuation		-7,604	-7,422	-7,958	-8,452	-8,913	-9,406
Payments for goods and services		-8,281	-10,030	-10,862	-10,867	-11,247	-12,016
Interest paid		-632	-713	-855	-1,002	-1,100	-1,190
Grants and subsidies paid		-2,803	-3,093	-3,369	-3,670	-3,695	-3,739
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-1,696	-1,834	-2,001	-2,076	-2,054	-2,208
<i>Total payments for operating activities</i>		-21,017	-23,091	-25,046	-26,068	-27,009	-28,560
NET CASH FLOWS FROM OPERATING ACTIVITIES		3,462	2,732	2,613	3,162	2,824	2,032
INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-4,162	-5,295	-6,481	-5,603	-4,695	-5,182
Sales of non-financial assets		859	1,063	1,043	1,286	1,313	1,117
<i>Total cash flows from investments in non-financial assets</i>		-3,303	-4,233	-5,439	-4,317	-3,381	-4,065
<i>Cash flows from investments in financial assets</i>							
<i>Receipts from investing activities:</i>							
For policy purposes		1	-	-	-	-	-
For liquidity purposes		229	346	165	44	345	285
<i>Payments for investing activities:</i>							
For policy purposes		-1	-	-	-	-	-
For liquidity purposes		-230	-232	-197	-57	-157	-215
<i>Total cash flows from investments in financial assets</i>		-1	113	-33	-13	187	69
NET CASH FLOWS FROM INVESTING ACTIVITIES		-3,304	-4,119	-5,471	-4,330	-3,194	-3,996
FINANCING ACTIVITIES							
<i>Receipts from financing activities</i>							
Advances received		-	-	1	1	1	1
Borrowings		8,618	7,521	7,813	8,308	7,329	7,426
Deposits received		-	-	-	-	-	-
Other financing receipts		63	26	27	27	26	24
<i>Total receipts from financing activities</i>		8,682	7,547	7,840	8,335	7,356	7,450
<i>Payments for financing activities</i>							
Advances paid		-17	-13	-13	-13	-14	-14
Borrowings repaid		-8,604	-5,643	-5,317	-6,722	-6,734	-6,570
Deposits paid		-	-	-	-	-	-
Other financing payments		-59	-52	-107	-63	-63	-63
<i>Total payments for financing activities</i>		-8,679	-5,708	-5,437	-6,798	-6,811	-6,647
NET CASH FLOWS FROM FINANCING ACTIVITIES		2	1,839	2,403	1,537	546	804
Net increase in cash and cash equivalents		161	452	-456	370	176	-1,161
Opening balance		4,066	4,226	4,678	4,222	4,592	4,767
Closing balance		4,226	4,678	4,222	4,592	4,767	3,607
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		3,462	2,732	2,613	3,162	2,824	2,032
Net cash flows from investing in non-financial assets		-3,303	-4,233	-5,439	-4,317	-3,381	-4,065
Cash surplus/-deficit	6	159	-1,501	-2,826	-1,155	-557	-2,033

Note: Columns may not add due to rounding.

Table 1.10

PUBLIC FINANCIAL CORPORATIONS
Operating Statement

	Note	2006-07 Actual \$m	2007-08 Estimated Actual \$m	2008-09 Budget Estimate \$m	2009-10 Forward Estimate \$m	2010-11 Forward Estimate \$m	2011-12 Forward Estimate \$m
<i>Revenue</i>							
Current grants and subsidies		-	-	-	-	-	-
Capital grants		1	-	-	-	-	-
Sales of goods and services		847	715	736	787	840	894
Interest Income		860	1,000	1,107	1,140	1,188	1,222
Other		-	-	-	-	-	-
<i>Total revenue</i>		<i>1,708</i>	<i>1,715</i>	<i>1,843</i>	<i>1,927</i>	<i>2,028</i>	<i>2,116</i>
<i>Expenses</i>							
Salaries		27	29	32	34	35	37
Superannuation							
Concurrent costs		3	3	3	3	3	3
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		1	1	2	2	2	2
Depreciation and amortisation		3	13	13	12	12	12
Services and contracts		3	9	8	8	6	5
Other gross operating expenses		574	664	691	769	825	885
Other interest		811	913	1,016	1,046	1,092	1,123
Dividend and tax equivalents		55	24	25	17	17	16
Current transfers		2	2	3	3	2	3
Capital transfers		1	1	1	1	1	1
<i>Total expenses</i>		<i>1,478</i>	<i>1,660</i>	<i>1,793</i>	<i>1,895</i>	<i>1,996</i>	<i>2,087</i>
NET OPERATING BALANCE	6	230	55	50	32	33	30
<i>Other economic flows</i>							
Net gains on sale of non-financial assets		78	-	-	-	-	-
Net actuarial gains		1	-	-	-	-	-
Provision for doubtful debts		-	-	-	-	-	-
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		<i>79</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
OPERATING RESULT		309	55	50	32	32	30
<i>All other movements in equity</i>							
Revaluations		47	35	-7	-7	6	6
Gains recognised directly in equity		135	-	-	-	-	-
Changes in accounting policy/correction of prior period errors		-252	-	-	-	-	-
Capital injections from general government		-	-	-	-	-	-
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		<i>-70</i>	<i>35</i>	<i>-7</i>	<i>-7</i>	<i>6</i>	<i>6</i>
TOTAL CHANGE IN NET WORTH		240	90	42	25	38	35
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	230	55	50	32	33	30
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		7	7	4	4	4	3
Changes in inventories		-	-	-	-	-	-
Other movement in non-financial assets		-	-	-	-	-	-
<i>less:</i>							
Sales of non-financial assets		-	-	-	-	-	-
Depreciation		3	13	13	12	12	12
<i>Total net acquisition of non-financial assets</i>		<i>4</i>	<i>-5</i>	<i>-9</i>	<i>-8</i>	<i>-9</i>	<i>-9</i>
NET LENDING/-BORROWING	6	226	60	58	40	41	39

Note: Columns may not add due to rounding.

Table 1.11

PUBLIC FINANCIAL CORPORATIONS**Balance Sheet at 30 June**

	Note	2007	2008	2009	2010	2011	2012
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		25	24	23	21	22	22
Advances paid		1,253	1,434	1,542	1,570	1,598	1,626
Investments, loans and placements		14,014	15,600	16,950	17,853	18,471	18,530
Receivables		422	399	399	399	404	406
Investment property		367	388	416	444	475	507
Equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in external entities - shareholdings		1,320	1,401	1,506	1,612	1,728	1,847
Other financial assets		1	53	49	44	41	38
Total financial assets		17,402	19,300	20,885	21,945	22,739	22,976
<i>Non-financial assets</i>							
Land		16	17	18	18	19	20
Property, plant and equipment		220	228	225	224	224	223
Biological assets		8	8	7	8	6	5
Inventories							
Land inventories		-	-	-	-	-	-
Other inventories		-	-	-	-	-	-
Intangibles		8	8	7	8	6	5
Non-current assets held for sale		-	-	-	-	-	-
Total non-financial assets		251	261	258	258	256	254
TOTAL ASSETS		17,653	19,561	21,143	22,203	22,994	23,230
LIABILITIES							
Deposits held		-	-	-	-	-	-
Advances received		3	3	3	3	3	3
Borrowings		14,084	15,793	17,186	18,053	18,625	18,637
Unfunded superannuation		11	12	12	12	13	13
Other employee benefits		6	6	6	6	6	6
Payables		197	254	270	276	291	306
Other liabilities		2,086	2,137	2,267	2,429	2,596	2,769
TOTAL LIABILITIES		16,387	18,205	19,745	20,779	21,533	21,733
NET ASSETS		1,266	1,356	1,398	1,423	1,461	1,497
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		1,178	1,233	1,282	1,315	1,347	1,377
Other reserves		88	123	116	108	114	120
NET WORTH	6	1,266	1,356	1,398	1,423	1,461	1,497
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-251	-261	-258	-258	-256	-254
<i>Net debt</i>							
Gross debt liabilities		14,087	15,797	17,189	18,056	18,628	18,640
less: liquid financial assets		15,292	17,058	18,516	19,444	20,090	20,178
less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		-1,205	-1,262	-1,327	-1,388	-1,462	-1,538

Note: Columns may not add due to rounding.

Table 1.12

PUBLIC FINANCIAL CORPORATIONS**Cash Flow Statement**

	Note	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
OPERATING ACTIVITIES							
<i>Receipts from operating activities</i>							
Grants and subsidies received	1	-	-	-	-	-	-
Receipts from sales of goods and services	622	637	691	739	801	852	
Interest receipts	906	1,000	1,107	1,140	1,189	1,222	
Dividends and tax equivalents	-	-	-	-	-	-	
Other receipts	87	61	72	75	76	80	
<i>Total receipts from operating activities</i>		1,616	1,698	1,870	1,954	2,065	2,154
<i>Payments for operating activities</i>							
Wages, salaries and supplements, and superannuation	-29	-29	-32	-34	-35	-37	
Payments for goods and services	-479	-559	-561	-607	-656	-707	
Interest paid	-668	-913	-1,014	-1,046	-1,092	-1,123	
Grants and subsidies paid	-1	-1	-1	-	-	-	
Dividends and tax equivalents	-46	-8	-22	-25	-17	-17	
Other payments	-119	-111	-121	-129	-140	-148	
<i>Total payments for operating activities</i>		-1,343	-1,621	-1,752	-1,841	-1,940	-2,032
NET CASH FLOWS FROM OPERATING ACTIVITIES		273	77	118	113	126	122
INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets	-7	-7	-4	-4	-4	-3	
Sales of non-financial assets	-	-	-	-	-	-	
<i>Total cash flows from investments in non-financial assets</i>		-7	-7	-4	-4	-4	-3
<i>Cash flows from investments in financial assets</i>							
Receipts from investing activities:							
For policy purposes	-	-	-	-	-	-	
For liquidity purposes	3,870	1,281	1,227	1,281	1,317	1,355	
Payments for investing activities:							
For policy purposes	-	-	-	-	-	-	
For liquidity purposes	-3,528	-1,536	-1,448	-1,421	-1,467	-1,503	
<i>Total cash flows from investments in financial assets</i>		342	-255	-221	-140	-150	-148
NET CASH FLOWS FROM INVESTING ACTIVITIES		336	-262	-225	-144	-154	-151
FINANCING ACTIVITIES							
<i>Receipts from financing activities</i>							
Advances received	-	-	-	-	-	-	
Borrowings	17,284	24,115	23,645	23,694	23,421	22,875	
Deposits received	-	-	-	-	-	-	
Other financing receipts	-	-	-	-	-	-	
<i>Total receipts from financing activities</i>		17,284	24,115	23,645	23,694	23,421	22,875
<i>Payments for financing activities</i>							
Advances paid	-	-	-	-	-	-	
Borrowings repaid	-16,750	-23,930	-23,537	-23,663	-23,389	-22,842	
Deposits paid	-	-	-	-	-	-	
Other financing payments	-	-	-	-	-	-	
<i>Total payments for financing activities</i>		-16,750	-23,930	-23,537	-23,663	-23,389	-22,842
NET CASH FLOWS FROM FINANCING ACTIVITIES		535	185	108	31	32	32
Net increase in cash and cash equivalents		1,144	-	1	-	4	4
Opening balance		929	2,073	2,073	2,074	2,074	2,078
Closing balance		2,073	2,073	2,074	2,074	2,078	2,082
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		273	77	118	113	126	122
Net cash flows from investing in non-financial assets		-7	-7	-4	-4	-4	-3
Cash surplus/-deficit	6	267	70	114	109	122	119

Note: Columns may not add due to rounding.

Table 1.13

TOTAL PUBLIC SECTOR
Operating Statement

	Note	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
<i>Revenue</i>							
Taxation		5,615	6,311	6,357	6,742	7,109	7,679
Current grants and subsidies		7,155	7,480	7,526	7,487	7,291	7,174
Capital grants		396	386	433	475	484	517
Sales of goods and services		8,326	8,462	9,104	10,227	10,820	11,599
Interest income		602	653	639	579	554	422
Royalty income		1,484	1,748	2,646	2,818	2,636	2,047
Other		738	779	674	668	666	861
<i>Total revenue</i>		<i>24,316</i>	<i>25,819</i>	<i>27,378</i>	<i>28,996</i>	<i>29,561</i>	<i>30,299</i>
<i>Expenses</i>							
Salaries		6,820	7,579	8,116	8,602	9,064	9,555
Superannuation							
Concurrent costs		664	741	790	835	877	929
Superannuation interest cost		289	316	309	297	293	286
Other employee costs		202	200	201	205	210	213
Depreciation and amortisation		1,418	1,603	1,725	1,843	1,956	2,028
Services and contracts		2,023	2,217	2,467	2,641	2,675	2,784
Other gross operating expenses		6,290	6,802	7,359	7,438	7,781	8,545
Other interest		817	925	1,062	1,106	1,149	1,176
Other property expenses		-	-	-	-	-	-
Current transfers		2,811	2,963	3,266	3,613	3,643	3,685
Capital transfers		260	425	378	295	279	283
<i>Total expenses</i>		<i>21,594</i>	<i>23,772</i>	<i>25,673</i>	<i>26,874</i>	<i>27,926</i>	<i>29,485</i>
NET OPERATING BALANCE	6	2,722	2,047	1,704	2,122	1,635	814
<i>Other economic flows</i>							
Net gains on sale of non-financial assets		238	382	505	572	465	370
Net actuarial gains		-72	-	-	-	-	-
Provision for doubtful debts		-35	-8	-9	-9	-10	-10
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		<i>130</i>	<i>374</i>	<i>496</i>	<i>563</i>	<i>456</i>	<i>360</i>
OPERATING RESULT		2,852	2,421	2,201	2,685	2,090	1,174
<i>All other movements in equity</i>							
Revaluations		12,937	1,999	1,761	1,658	1,577	1,608
Gains recognised directly in equity		297	-13	-46	-46	-32	-51
Changes in accounting policy/correction of prior period errors		1,612	-	-	-	-	-
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		<i>14,847</i>	<i>1,986</i>	<i>1,715</i>	<i>1,612</i>	<i>1,545</i>	<i>1,557</i>
TOTAL CHANGE IN NET WORTH		17,699	4,407	3,916	4,297	3,635	2,732
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	2,722	2,047	1,704	2,122	1,635	814
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		4,169	5,295	6,481	5,603	4,695	5,182
Changes in inventories		-98	202	-17	7	-9	5
Other movement in non-financial assets		1	218	375	-13	-3	1
<i>less:</i>							
Sales of non-financial assets		859	1,063	1,043	1,286	1,313	1,117
Depreciation		1,418	1,591	1,713	1,831	1,944	2,016
<i>Total net acquisition of non-financial assets</i>		<i>1,794</i>	<i>3,062</i>	<i>4,084</i>	<i>2,481</i>	<i>1,426</i>	<i>2,055</i>
NET LENDING/-BORROWING	6	928	-1,070	-2,429	-391	176	-1,271

Note: Columns may not add due to rounding.

Table 1.14

TOTAL PUBLIC SECTOR
Balance Sheet at 30 June

	Note	2007	2008	2009	2010	2011	2012
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		805	865	730	818	898	990
Advances paid		1,479	1,662	1,773	1,800	1,828	1,860
Investments, loans and placements		8,567	8,426	6,910	6,202	5,839	3,497
Receivables		2,663	2,749	2,807	2,942	2,924	2,851
Investment property		379	400	428	457	488	519
Equity - investments in external entities - shareholdings		1,350	1,440	1,534	1,640	1,756	1,877
Other financial assets		74	55	83	72	72	63
<i>Total financial assets</i>		<i>15,316</i>	<i>15,597</i>	<i>14,266</i>	<i>13,930</i>	<i>13,805</i>	<i>11,657</i>
<i>Non-financial assets</i>							
Land		37,434	38,474	39,593	40,739	41,956	43,234
Property, plant and equipment		47,564	52,162	57,796	61,972	64,810	68,080
Biological assets		333	353	356	358	360	362
Inventories							
Land inventories		1,103	1,376	1,509	1,560	1,592	1,689
Other inventories		684	886	869	876	867	873
Intangibles		322	331	323	316	276	252
Non-current assets held for sale		115	55	89	47	47	47
<i>Total non-financial assets</i>		<i>87,555</i>	<i>93,638</i>	<i>100,534</i>	<i>105,868</i>	<i>109,909</i>	<i>114,538</i>
TOTAL ASSETS		102,871	109,234	114,800	119,799	123,714	126,194
LIABILITIES							
Deposits held		126	118	122	122	122	122
Advances received		523	510	496	483	469	456
Borrowings		13,274	15,124	16,794	17,330	17,551	17,300
Unfunded superannuation		5,664	5,527	5,326	5,240	5,119	5,004
Other employee benefits		1,883	1,997	2,088	2,177	2,266	2,350
Payables		1,883	2,208	2,268	2,333	2,306	2,320
Other liabilities		3,664	3,488	3,527	3,637	3,770	3,801
TOTAL LIABILITIES		27,016	28,972	30,622	31,324	31,604	31,352
NET ASSETS		75,856	80,262	84,178	88,475	92,110	94,842
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		25,784	28,205	30,406	33,091	35,181	36,356
Other reserves		50,072	52,057	53,772	55,384	56,929	58,486
NET WORTH	6	75,856	80,262	84,178	88,475	92,110	94,842
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-11,699	-13,375	-16,356	-17,394	-17,798	-19,695
<i>Net financial liabilities</i>		13,049	14,815	17,890	19,033	19,555	21,572
<i>Net debt</i>							
Gross debt liabilities		13,922	15,752	17,412	17,935	18,142	17,878
less: liquid financial assets		10,851	10,953	9,413	8,820	8,566	6,347
less: convergence differences impacting net debt		88	88	88	88	88	88
<i>Net debt</i>		<i>2,984</i>	<i>4,711</i>	<i>7,911</i>	<i>9,028</i>	<i>9,489</i>	<i>11,443</i>

Note: Columns may not add due to rounding.

Table 1.15

TOTAL PUBLIC SECTOR
Cash Flow Statement

	Note	2006-07 Actual \$m	2007-08 Estimated Actual \$m	2008-09 Budget Estimate \$m	2009-10 Forward Estimate \$m	2010-11 Forward Estimate \$m	2011-12 Forward Estimate \$m
OPERATING ACTIVITIES							
<i>Receipts from operating activities</i>							
Taxes received		5,443	6,276	6,175	6,553	6,906	7,461
Grants and subsidies received		7,550	7,865	7,943	7,969	7,773	7,696
Receipts from sales of goods and services		8,510	8,516	9,160	10,117	10,638	11,389
Interest receipts		621	637	588	469	448	367
Dividends and tax equivalents		-	-	-	-	-	-
Other receipts		3,103	3,301	4,557	4,809	4,749	4,341
<i>Total receipts from operating activities</i>		<i>25,227</i>	<i>26,595</i>	<i>28,424</i>	<i>29,917</i>	<i>30,514</i>	<i>31,254</i>
<i>Payments for operating activities</i>							
Wages, salaries and supplements, and superannuation		-7,653	-7,451	-7,990	-8,485	-8,948	-9,443
Payments for goods and services		-8,605	-10,439	-11,244	-11,285	-11,690	-12,500
Interest paid		-662	-904	-1,018	-1,049	-1,095	-1,123
Grants and subsidies paid		-2,803	-3,094	-3,370	-3,671	-3,695	-3,739
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-1,769	-1,849	-2,020	-2,099	-2,082	-2,239
<i>Total payments for operating activities</i>		<i>-21,492</i>	<i>-23,737</i>	<i>-25,641</i>	<i>-26,589</i>	<i>-27,510</i>	<i>-29,044</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES		3,735	2,858	2,782	3,327	3,004	2,211
INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-4,169	-5,303	-6,485	-5,607	-4,698	-5,185
Sales of non-financial assets		859	1,063	1,043	1,286	1,313	1,117
<i>Total cash flows from investments in non-financial assets</i>		<i>-3,310</i>	<i>-4,240</i>	<i>-5,443</i>	<i>-4,322</i>	<i>-3,385</i>	<i>-4,068</i>
<i>Cash flows from investments in financial assets</i>							
Receipts from investing activities:							
For policy purposes		1	-	-	-	-	-
For liquidity purposes		3,573	1,627	1,391	1,325	1,662	1,640
Payments for investing activities:							
For policy purposes		-1	-	-	-	-	-
For liquidity purposes		-3,232	-1,768	-1,645	-1,478	-1,625	-1,719
<i>Total cash flows from investments in financial assets</i>		<i>341</i>	<i>-141</i>	<i>-253</i>	<i>-152</i>	<i>37</i>	<i>-79</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES		-2,968	-4,382	-5,696	-4,474	-3,348	-4,146
FINANCING ACTIVITIES							
<i>Receipts from financing activities</i>							
Advances received		-	-	1	1	1	1
Borrowings		8,759	18,473	18,329	16,974	16,689	16,306
Deposits received		-	-	-	-	-	-
Other financing receipts		63	26	27	27	26	24
<i>Total receipts from financing activities</i>		<i>8,822</i>	<i>18,499</i>	<i>18,356</i>	<i>17,001</i>	<i>16,716</i>	<i>16,331</i>
<i>Payments for financing activities</i>							
Advances paid		-17	-13	-13	-13	-14	-14
Borrowings repaid		-8,209	-16,410	-15,725	-15,356	-16,061	-15,418
Deposits paid		-	-	-	-	-	-
Other financing payments		-59	-52	-107	-63	-63	-63
<i>Total payments for financing activities</i>		<i>-8,285</i>	<i>-16,475</i>	<i>-15,846</i>	<i>-15,432</i>	<i>-16,138</i>	<i>-15,495</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES		537	2,024	2,511	1,569	578	836
Net increase in cash and cash equivalents		1,304	501	-403	422	234	-1,100
Opening balance		4,995	6,299	6,800	6,397	6,820	7,054
Closing balance		6,299	6,800	6,397	6,820	7,054	5,954
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		3,735	2,858	2,782	3,327	3,004	2,211
Net cash flows from investing in non-financial assets		-3,310	-4,240	-5,443	-4,322	-3,385	-4,068
Cash surplus/-deficit	6	426	-1,382	-2,660	-994	-381	-1,857

Note: Columns may not add due to rounding.

NOTE 1: STATEMENT OF COMPLIANCE

The projected public sector financial statements presented in this appendix have been prepared in accordance with Australian Accounting Standards and the Australian Bureau of Statistics' *Government Finance Statistics Concepts, Sources and Methods 2005*.

The presentation in this appendix is consistent with AASB 1049: *Whole of Government and General Government Sector Financial Reporting*, applying to all reporting periods from 1 July 2008.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements constitute general purpose financial reports for the total public sector (also known as the whole-of-government), general government sector, and each of the subsidiary public corporations sectors. The financial projections of the non-financial public sector (i.e. general government and the public non-financial corporations - such as water and electricity utilities, and the ports) are also presented as the total non-financial public sector.

The financial projections are a requirement of the *Government Financial Responsibility Act 2000*.

(a) *The reporting entity*

The reporting entity is the *Government of Western Australia* (the public sector) and includes entities under its control.

(b) *Basis of preparation*

These financial projections do not include all the notes of the type normally included in an annual financial report. The accounting policies adopted in this publication are consistent with those outlined in the 2006-07 *Annual Report on State Finances* (ARSF), which are described in detail in Note 3: *Summary of Significant Accounting Policies* in Appendix 6 of the 2006-07 ARSF.

The projections are presented in Australian dollars and all amounts are rounded to the nearest million dollars (\$m).

(c) *Unaudited data*

These financial projections are not subject to audit.

(d) *Comparative figures*

Comparative information has been restated where necessary to match the adoption of AASB 1049 presentation formats. Further detail is included in Appendix 4: *Changes to Whole-of-Government Financial Reporting and Presentation*.

NOTE 3: GENERAL GOVERNMENT OPERATING REVENUE

A detailed dissection of general government revenue (which includes the Uniform Presentation Framework taxation disclosure) is included at Appendix 2: *General Government Operating Revenue*.

A comparison of estimated outturn to previous projected operating revenue for 2007-08 is shown at Appendix 3: *2007-08 General Government Operating Revenue*.

NOTE 4: GENERAL GOVERNMENT TRANSFER EXPENSES

Transfer expenses are defined as the provision of something of value for no specific return or consideration and include grants, subsidies, donations, transfers of assets free of charge, etc.

The following table provides detail of current and capital transfer expenses of the general government sector, in line with Uniform Presentation Framework disclosure requirements.

TRANSFER EXPENSES ^(a)						
General Government						
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
<i>CURRENT TRANSFERS</i>						
Local Government	79	96	87	73	95	96
Local Government on-passing	116	122	128	133	139	144
Private and Not-for-profit sector	1,518	1,581	1,720	1,771	1,718	1,847
Private and Not-for-profit sector on-passing	566	545	588	632	680	730
Other sectors of Government	1,285	1,352	1,504	1,790	1,835	1,764
Other	-	-	-	-	-	-
<i>Total Current Transfers</i>	<i>3,564</i>	<i>3,697</i>	<i>4,026</i>	<i>4,400</i>	<i>4,466</i>	<i>4,581</i>
<i>CAPITAL TRANSFERS</i>						
Local Government	55	152	115	67	38	39
Local Government on-passing	79	83	86	90	93	97
Private and Not-for-profit sector	106	115	151	117	126	125
Private and Not-for-profit sector on-passing	19	23	18	13	13	13
Other sectors of Government	154	119	92	91	91	88
Other	-	-	-	-	-	-
<i>Total Capital Transfers</i>	<i>413</i>	<i>492</i>	<i>462</i>	<i>378</i>	<i>362</i>	<i>362</i>

(a) Includes grants, subsidies and other transfer expenses.

**NOTE 5: GENERAL GOVERNMENT EXPENSES AND SPENDING ON
THE PURCHASE OF NON-FINANCIAL ASSETS BY GOVERNMENT
PURPOSE CLASSIFICATION ^(a)**

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
<i>Expenses</i>						
General public services	411	339	766	919	1,092	1,368
Public order and safety	1,788	1,937	2,057	2,105	2,158	2,220
Education	3,991	4,357	4,560	4,721	4,906	5,112
Health	3,721	4,126	4,365	4,590	4,824	5,094
Social security and welfare	815	933	1,026	1,168	1,168	1,205
Housing and community amenities	1,128	1,359	1,451	1,420	1,391	1,359
Recreation and culture	538	539	571	559	566	570
Fuel and energy	97	87	115	399	426	361
Agriculture, forestry, fishing and hunting	378	430	404	352	352	359
Mining and mineral resources other than fuels; manufacturing; and construction	212	261	270	248	220	208
Transport and communications	1,478	1,572	1,624	1,671	1,733	1,860
Other economic affairs	353	371	378	363	368	372
Other purposes	409	426	430	416	410	403
Total General Government Expenses	15,320	16,736	18,017	18,930	19,614	20,491
<i>Purchases of new non-financial assets</i>						
General public services	177	207	234	219	204	190
Public order and safety	157	244	223	200	117	71
Education	351	371	344	299	271	226
Health	159	243	473	543	559	849
Social security and welfare	19	45	31	28	26	52
Housing and community amenities	128	239	375	234	119	113
Recreation and culture	59	111	178	60	64	303
Fuel and energy	5	2	1	6	1	1
Agriculture, forestry, fishing and hunting	12	26	16	36	94	74
Mining and mineral resources other than fuels; manufacturing; and construction	8	19	5	2	2	2
Transport and communications	509	791	770	479	546	521
Other economic affairs	25	39	57	32	21	16
Other purposes	-	-300	-	23	45	162
Total Purchases of Non-financial Assets	1,610	2,040	2,707	2,160	2,069	2,577

(a) Data in this table are for consolidated general government aggregates. The data exclude internal transactions within the sector. In relation to purchases of non-financial assets, the information in this table represents spending by function on fixed assets, which may be different to Capital Works Program spending which has a broader definition and different sectoral coverage.

NOTE 6: CONVERGENCE DIFFERENCES

Where possible, AASB 1049 harmonises GFS and accounting concepts into a single presentation. Where harmonisation cannot be achieved (e.g. the recognition of a doubtful debts provision is excluded from GFS net worth), a convergence difference arises.

The following tables detail all convergence differences in the forward estimates.

AASB 1049 TO GFS CONVERGENCE DIFFERENCES

Net Operating Balance

	2006-07 Actual \$m	2007-08 Estimated Actual \$m	2008-09 Budget Estimate \$m	2009-10 Forward Estimate \$m	2010-11 Forward Estimate \$m	2011-12 Forward Estimate \$m
<u>General government</u>						
AASB1049 net operating balance	2,254	2,093	1,855	1,670	1,073	203
Plus GFS revenue adjustments						
Capital grants - prepaid AusLink road grants	52	68	112	83	7	-
Goods and services revenue - intersector equity/asset transfers recorded as revenue	-2	-	-	-	-	-
Total GFS revenue adjustments	50	68	112	83	7	-
Total GFS adjustments to AASB 1049 net operating balance	50	68	112	83	7	-
GFS net operating balance	2,303	2,161	1,967	1,753	1,080	203
<u>Public non-financial corporations</u>						
AASB1049 net operating balance	238	-101	-200	420	529	581
Less GFS expense adjustments						
Capitalised interest	-	-	5	13	3	-
Total GFS expense adjustments	-	-	5	13	3	-
Total GFS adjustments to AASB 1049 net operating balance	-	-	-5	-13	-3	-
GFS net operating balance	238	-101	-206	407	526	580
<u>Total non-financial public sector</u>						
AASB1049 net operating balance	2,492	1,992	1,655	2,089	1,602	784
Plus GFS revenue adjustments						
Capital grants - prepaid AusLink road grants	52	68	112	83	7	-
Goods and services revenue - intersector equity/asset transfers recorded as revenue	-2	-	-	-	-	-
Total GFS revenue adjustments	50	68	112	83	7	-
Less GFS expense adjustments						
Capitalised interest	-	-	5	13	3	-
Total GFS expense adjustments	-	-	5	13	3	-
Total GFS adjustments to AASB 1049 net operating balance	50	68	107	70	4	-
GFS net operating balance	2,542	2,060	1,761	2,160	1,606	784
<u>Public financial corporations</u>						
AASB1049 net operating balance	230	55	50	32	33	30
Total GFS adjustments to AASB 1049 net operating balance	-	-	-	-	-	-
GFS net operating balance	230	55	50	32	33	30
<u>Total public sector</u>						
AASB1049 net operating balance	2,722	2,047	1,704	2,122	1,635	814
Plus GFS revenue adjustments						
Capital grants - prepaid AusLink road grants	52	68	112	83	7	-
Goods and services revenue - intersector equity/asset transfers recorded as revenue	-2	-	-	-	-	-
Total GFS revenue adjustments	50	68	112	83	7	-
Less GFS expense adjustments						
Capitalised interest	-	-	5	13	3	-
Total GFS expense adjustments	-	-	5	13	3	-
Total GFS adjustments to AASB 1049 net operating balance	50	68	107	70	4	-
GFS net operating balance	2,772	2,115	1,811	2,192	1,639	814

AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

Net Worth at 30 June

	2007 Actual \$m	2008 Estimated Actual \$m	2009 Budget Estimate \$m	2010 Forward Estimate \$m	2011 Forward Estimate \$m	2012 Forward Estimate \$m
<u>General government</u>						
AASB1049 net worth	75,856	80,262	84,178	88,475	92,110	94,842
Plus						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	88
Provision for doubtful debts						
General government sector	138	138	138	139	139	139
Impact on public corporations net worth	19	12	12	12	12	12
Impact of AusLink Road grants prepayments	-270	202	90	7	-	-
Total GFS net worth adjustments	-25	440	328	245	238	238
GFS net worth	75,830	80,703	84,506	88,720	92,349	95,081
<u>Public non-financial corporations</u>						
AASB1049 net worth	27,280	28,942	30,050	31,510	32,858	34,221
Plus						
Impact of general government equity injections	-2,449	-2,961	-3,244	-3,373	-3,511	-3,588
Provision for doubtful debts	18	12	12	12	12	12
Total GFS net worth adjustments	-2,431	-2,949	-3,232	-3,361	-3,499	-3,576
GFS net worth	24,849	25,993	26,818	28,149	29,358	30,645
<u>Total non-financial public sector</u>						
AASB1049 net worth	75,856	80,262	84,178	88,475	92,110	94,842
Plus						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	88
Provision for doubtful debts						
Total non-financial public sector	156	150	150	150	150	150
Impact on public corporations net worth	1	-	-	-	-	-
Impact of AusLink Road grants prepayments	-270	202	90	7	-	-
Total GFS net worth adjustments	-25	440	328	245	238	238
GFS net worth	75,830	80,703	84,506	88,720	92,349	95,081
<u>Public financial corporations</u>						
AASB1049 net worth	1,266	1,356	1,398	1,423	1,461	1,497
Plus						
Provision for doubtful debts	1	-	-	-	-	-
Total GFS net worth adjustments	1	-	-	-	-	-
GFS net worth	1,267	1,356	1,398	1,423	1,461	1,497
<u>Total public sector</u>						
AASB1049 net worth	75,856	80,262	84,178	88,475	92,110	94,842
Plus						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	88
Provision for doubtful debts	157	151	151	151	152	152
Impact of AusLink Road grants prepayments	-270	202	90	7	-	-
Total GFS net worth adjustments	-25	441	329	246	240	240
GFS net worth	75,830	80,704	84,507	88,721	92,350	95,082

AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

Cash Surplus/-Deficit

	2006-07 Actual \$m	2007-08 Estimated Actual \$m	2008-09 Budget Estimate \$m	2009-10 Forward Estimate \$m	2010-11 Forward Estimate \$m	2011-12 Forward Estimate \$m
<u>General government</u>						
AASB1049 cash surplus/-deficit	1,460	857	150	622	260	-1,165
Less Acquisitions under finance leases and similar arrangements	-	198	-	-	-	1
GFS cash surplus/-deficit	1,460	659	150	622	260	-1,166
<u>Public non-financial corporations</u>						
AASB1049 cash surplus/-deficit	-1,301	-2,307	-2,922	-1,723	-763	-812
Less Acquisitions under finance leases and similar arrangements	-	94	419	-	-	-
GFS cash surplus/-deficit	-1,301	-2,401	-3,341	-1,723	-763	-812
<u>Total non-financial public sector</u>						
AASB1049 cash surplus/-deficit	159	-1,501	-2,826	-1,155	-557	-2,033
Less Acquisitions under finance leases and similar arrangements	-	292	419	-	-	2
GFS cash surplus/-deficit	159	-1,792	-3,245	-1,155	-558	-2,035
<u>Public financial corporations</u>						
AASB1049 cash surplus/-deficit	267	70	114	109	122	119
Less Acquisitions under finance leases and similar arrangements	-	-	-	-	-	-
GFS cash surplus/-deficit	267	70	114	109	122	119
<u>Total public sector</u>						
AASB1049 cash surplus/-deficit	426	-1,382	-2,660	-994	-381	-1,857
Less Acquisitions under finance leases and similar arrangements	-	292	419	-	-	2
GFS cash surplus/-deficit	426	-1,674	-3,079	-994	-381	-1,859

NOTE 7: LOAN COUNCIL ALLOCATIONS

The Australian Loan Council oversees State, Territory and Commonwealth governments' public sector borrowings using a system of Loan Council Allocations (LCAs). LCAs are based on net borrowings as indicated by a government's deficit position¹.

LOAN COUNCIL ALLOCATIONS
Western Australia

	2007-08 Estimated Actual \$m	2008-09 Nomination \$m	2008-09 Budget Estimate \$m
General Government deficit	-659	-368	-150
Public Non-financial Corporations' net financing requirement	2,402	2,290	3,343
Net Capital Advances	-	-	-
<i>Total non-financial public sector deficit</i>	<i>1,744</i>	<i>1,922</i>	<i>3,193</i>
<i>Memorandum Items ^(a)</i>	<i>-217</i>	<i>-222</i>	<i>-398</i>
Loan Council Allocation	1,527	1,700	2,795
<i>Tolerance Limit</i>	<i>-</i>	<i>495</i>	<i>-</i>

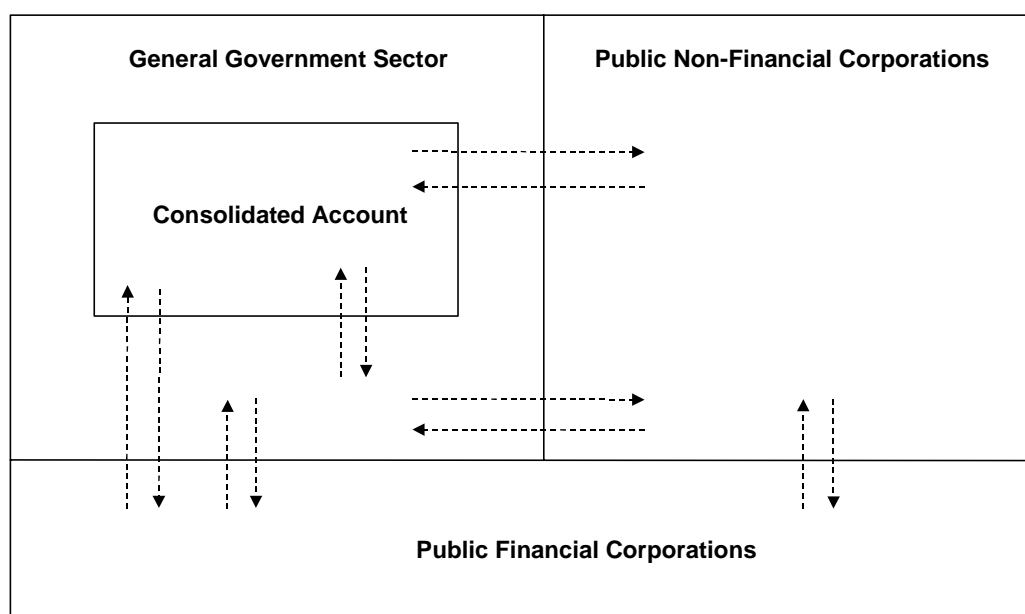
(a) Memorandum items are used to adjust the ABS deficit/surplus to include in LCAs certain transactions (e.g. operating leases) that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. Where appropriate, they are also used to deduct from the deficit/surplus 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.

¹ For the purposes of LCAs, deficits are positive and surpluses are negative.

NOTE 8: COMPOSITION OF SECTORS

The following diagram shows the sectors within which public sector agencies are classified by the Government Finance Statistics framework, and which are all included in the consolidated whole-of-government.

TOTAL PUBLIC SECTOR


All public sector-controlled agencies, regardless of funding source or sector classification, have been included in these financial projections.

The agencies included within each sector are listed below.

This list differs from the portfolio list that appears in Budget Paper No. 2. The listing in that budget paper covers only those agencies that receive appropriations and/or have a Capital Works Program.

General Government

Agricultural Practices Board of Western Australia	Kimberley Development Commission
Agricultural Produce Commission	Law Reform Commission of Western Australia
Botanic Gardens and Parks Authority	Legal Aid Commission of Western Australia
Building and Construction Industry Training Board	Legal Costs Committee
Central TAFE	Local Health Authorities Analytical Committee
Central West TAFE	Mid-West Development Commission
Challenger TAFE	Minerals and Energy Research Institute of Western Australia
Chemistry Centre (W.A.)	Office of Energy
Commissioner for Children and Young People	Office of Health Review
Commissioner of Equal Opportunity	Office of Native Title
Commissioner of Main Roads	Office of the Auditor General
Corruption and Crime Commission	Office of the Director of Public Prosecutions
Country High School Hostels Authority	Office of the Information Commissioner
Curriculum Council	Office of the Inspector of Custodial Services
C.Y. O'Connor College of TAFE	Office of the Parliamentary Inspector of the Corruption and Crime Commission
Department for Child Protection	Office of the Public Sector Standards Commissioner
Department for Communities	Parliamentary Commissioner for Administrative Investigations
Department for Planning and Infrastructure	Parliamentary Services Department
Department of Agriculture and Food	Peel Development Commission
Department of Consumer and Employment Protection	Peel Theatre Trust
Department of Corrective Services	Pilbara Development Commission
Department of Culture and the Arts	Pilbara TAFE
Department of Education and Training	Police Service
Department of Education Services	Professional Combat Sports Commission
Department of Environment and Conservation	Professional Standards Council
Department of Fisheries	Racing Penalties Appeal Tribunal of Western Australia
Department of Health (including Public Hospitals)	Rural Business Development Corporation
Department of Housing and Works	Salaries and Allowances Tribunal
Department of Indigenous Affairs	Screen West (Inc.)
Department of Industry and Resources	Small Business Development Corporation
Department of Local Government and Regional Development	South West Development Commission
Department of Racing, Gaming and Liquor	South West Regional College of TAFE
Department of Sport and Recreation	State Supply Commission
Department of the Legislative Assembly	Swan River Trust
Department of the Legislative Council	Swan TAFE
Department of the Premier and Cabinet	The Aboriginal Affairs Planning Authority
Department of the Attorney General	The Agriculture Protection Board of Western Australia
Department of the Registrar, Western Australian Industrial Relations Commission	The Anzac Day Trust
Department of Treasury and Finance	The Board of the Art Gallery of Western Australia
Department of Water	The Burswood Park Board
Disability Services Commission	The Coal Miners' Welfare Board of Western Australia
Economic Regulation Authority	The Library Board of Western Australia
Equal Opportunity Commission	The National Trust of Australia (W.A.)
Fire and Emergency Services Authority of Western Australia	The Queen Elizabeth II Medical Centre Trust
Gaming and Wagering Commission of Western Australia	The Western Australia Museum
Gascoyne Development Commission	Trustees of the Public Education Endowment
Goldfields-Esperance Development Commission	West Coast TAFE
Governor's Establishment	Western Australian Alcohol and Drug Authority
Great Southern Development Commission	Western Australian Building Management Authority
Great Southern TAFE	Western Australian Electoral Commission
Heritage Council of Western Australia	Western Australian Gas Disputes Association
Independent Market Operator	Western Australian Greyhound Racing Association
Keep Australia Beautiful Council (W.A.)	Western Australian Health Promotion Foundation
Kimberley TAFE	Western Australian Institute of Sport
	Western Australian Land Information Authority

General Government (cont.)

Western Australian Meat Industry Authority
 Western Australian Planning Commission
 Western Australian Sports Centre Trust
 Western Australian Tourism Commission

Wheatbelt Development Commission
 WorkCover Western Australia Authority
 Zoological Parks Authority

Public Non-Financial Corporations

Albany Port Authority
 Animal Resources Authority
 Armadale Redevelopment Authority
 Broome Port Authority
 Bunbury Port Authority
 Bunbury Water Board
 Busselton Water Board
 Dampier Port Authority
 East Perth Redevelopment Authority
 Electricity Generation Corporation (Verve Energy)
 Electricity Networks Corporation (Western Power)
 Electricity Retail Corporation (Synergy)
 Esperance Port Authority
 Forest Products Commission
 Fremantle Port Authority
 Geraldton Port Authority
 Gold Corporation and its subsidiaries

Housing Authority
 Lotteries Commission
 Metropolitan Cemeteries Board
 Midland Redevelopment Authority
 Perth Market Authority
 Port Hedland Port Authority
 Potato Marketing Corporation of Western Australia
 Public Transport Authority of Western Australia
 Racing and Wagering Western Australia
 Regional Power Corporation (Horizon Power)
 Rottnest Island Authority
 Subiaco Redevelopment Authority
 The Eastern Goldfields Transport Board
 Water Corporation
 Western Australian Coastal Shipping Commission
 Western Australian Land Authority

Public Financial Corporations

Community Insurance Fund
 Country Housing Authority
 Insurance Commission of Western Australia and subsidiary State Government Insurance Corporation
 Keystart Housing Scheme, comprising
 Keystart Bonds Ltd
 Keystart Loans Ltd
 Keystart Support Pty Ltd
 Keystart Support (Subsidiary) Pty Ltd
 Keystart Housing Scheme Trust
 Keystart Support Trust
 RiskCover
 Western Australian Treasury Corporation

Agencies Outside the State’s Public Sector

Some State agencies are not covered in the whole-of-government reporting framework as defined under Australian Accounting Standards and/or the GFS framework. The entities listed below, which administer superannuation and like funds and/or hold private funds in trust or fidelity type funds, are examples of such agencies not included in the definition of the public sector used in the budget. This is because the assets are not available for the benefit of, and/or are not controlled by, the State.

Coal Industry Superannuation Board
Construction Industry Long Service Leave Payments Board
Fire and Emergency Services Superannuation Board
Government Employees Superannuation Board
Legal Contribution Trust
Public Trustee
Real Estate and Business Agents Supervisory Board
Settlement Agents Supervisory Board

APPENDIX 2

General Government Operating Revenue

This appendix contains general government revenue estimates prepared on an accrual basis consistent with Australian Accounting Standards and Government Finance Statistics frameworks.

Table 2.1

OPERATING REVENUE						
General Government						
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
TAXATION						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	1,610	1,963	2,129	2,267	2,464	2,671
Property taxes						
<i>Land tax</i>	394	426	563	615	678	744
Transfer Duty	2,079	2,294	1,948	2,025	1,996	2,140
Landholder Duty	-	-	144	150	161	172
<i>Total duty on transfers</i>	2,079	2,294	2,092	2,175	2,156	2,312
Mortgages	121	116	10	-	-	-
Other stamp duties	27	2	1	1	1	1
Metropolitan Region						
Improvement Tax	65	78	86	94	104	114
Emergency Services Levy	137	150	154	165	174	180
Loan guarantee fees	14	16	19	21	22	23
<i>Total other property taxes</i>	364	362	270	281	301	319
Taxes on provision of goods and services						
Lotteries Commission	112	111	114	117	121	124
Video lottery terminals	-	1	1	1	1	1
Casino Tax	77	78	81	84	87	90
TAB betting tax	69	32	35	37	40	43
<i>Total taxes on gambling</i>	259	221	230	239	248	258
Insurance Duty	309	353	388	427	470	517
Other	27	27	18	18	19	19
<i>Total taxes on insurance</i>	336	380	406	445	489	536
Taxes on use of goods and performance of activities						
Vehicle Licence Duty	393	396	376	415	450	500
Permits - Oversize Vehicles and Loads	4	4	4	4	4	4
Motor Vehicle recording fee	32	34	40	42	43	44
Motor Vehicle registrations	396	439	465	489	514	538
<i>Total motor vehicle taxes</i>	825	873	886	950	1,011	1,087
Total Taxation	5,867	6,519	6,576	6,973	7,348	7,927

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

OPERATING REVENUE						
General Government						
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
CURRENT GRANTS AND SUBSIDIES						
<i>General Purpose Grants</i>						
GST revenue grants	3,968	4,040	3,957	3,822	3,502	3,281
Competition reform	-	4	-	-	-	-
<i>Specific Purpose Grants to the State</i>						
Australian Health Care Agreement	869	965	972	1,029	1,088	1,151
Other health	301	339	322	312	323	340
Schools assistance – government schools	292	281	274	286	299	313
Vocational training	98	103	103	105	107	109
Roads	39	24	27	49	52	56
Other	171	231	316	272	267	267
<i>Specific Purpose Grants through the State</i>						
Schools assistance – non-government schools	566	545	588	632	680	730
Local government financial assistance grants	116	122	128	133	139	144
Local government roads	79	83	86	90	93	97
Other	-	-	33	33	33	33
<i>Other Grants</i>						
North West Shelf royalties	657	742	720	724	708	653
Total Current Grants and Subsidies	7,155	7,480	7,526	7,487	7,291	7,174
CAPITAL GRANTS						
<i>Specific Purpose Grants to the State</i>						
Roads	107	90	152	219	231	270
Schools assistance – government schools	31	32	33	33	33	33
Vocational training	15	19	17	16	16	16
Other	225	222	214	193	190	184
<i>Specific Purpose Grants through the State</i>						
Schools assistance – non-government schools	19	23	18	13	13	13
Total Capital Grants	396	386	433	475	484	517

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

OPERATING REVENUE						
General Government						
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
SALES OF GOODS AND SERVICES						
Department for Planning and Infrastructure	116	123	139	142	146	151
Department of Health	274	290	282	288	295	303
Department of Education and Training	159	162	156	158	160	161
TAFE Colleges	84	85	87	93	96	99
Land Information Authority	86	93	96	102	112	111
Department of the Attorney General	62	56	57	58	60	61
Department of Corrective Services	16	12	16	17	18	18
Department of Environment and Conservation	59	65	68	70	70	74
Department of Consumer and Employment Protection	39	40	44	45	46	48
Department of Fisheries	23	24	24	25	26	27
Department of Culture and the Arts	24	19	19	19	19	20
Western Australia Police	26	23	22	21	22	22
All Others	264	281	320	352	381	423
Total Sales of Goods and Services	1,232	1,272	1,329	1,390	1,452	1,517
INTEREST INCOME	246	256	252	258	273	236
REVENUE FROM PUBLIC CORPORATIONS						
Dividends	421	491	476	536	543	574
Tax Equivalent Regime	319	332	334	367	363	404
Total Revenue from Public Corporations	740	823	810	903	906	977
ROYALTY INCOME	1,484	1,748	2,646	2,818	2,636	2,047
OTHER						
Lease rentals	63	60	58	56	53	50
Fines	89	114	125	126	127	126
Revenue not elsewhere counted	302	171	117	115	118	121
Total Other	453	345	300	297	298	298
TOTAL REVENUE	17,573	18,829	19,872	20,600	20,687	20,694

Note: Columns may not add due to rounding.

APPENDIX 3

2007-08 General Government Operating Revenue

This appendix contains general government revenue estimates for the 2007-08 financial year comparing the original 2007-08 Budget estimates, mid-year review revisions and the current estimated outturn.

Data for the 2007-08 Budget and mid-year review have been adjusted to be consistent with the new AASB 1049 presentation used in these Budget Papers. Further detail on this new accounting presentation is provided in Appendix 4 : *Changes to Whole-of-Government Financial Reporting and Presentation*.

Table 3.1

2007-08 OPERATING REVENUE
General Government

	2007-08 Budget Estimate \$m	2007-08 Mid-Year Revision \$m	2007-08 Estimated Actual \$m
TAXATION			
Taxes on employers' payroll and labour force			
<i>Payroll tax</i>	1,727	1,963	1,963
Property taxes			
<i>Land tax</i>	435	426	426
Transfer Duty	1,719	2,247	2,294
Landholder Duty	-	-	-
<i>Total duty on transfers</i>	1,719	2,247	2,294
Mortgages	108	117	116
Other stamp duties	2	2	2
Metropolitan Region Improvement Tax	78	78	78
Emergency Services Levy	152	150	150
Loan guarantee fees	14	16	16
<i>Total other property taxes</i>	354	363	362
Taxes on provision of goods and services			
Lotteries Commission	111	111	111
Video lottery terminals	1	1	1
Casino Tax	70	78	78
TAB betting tax	29	55	32
<i>Total taxes on gambling</i>	211	245	221
Insurance Duty	325	342	353
Other	23	27	27
<i>Total taxes on insurance</i>	348	368	380
Taxes on use of goods and performance of activities			
Vehicle Licence Duty	367	395	396
Permits - Oversize Vehicles and Loads	3	5	4
Motor Vehicle recording fee	34	34	34
Motor Vehicle registrations	430	430	439
<i>Total motor vehicle taxes</i>	834	864	873
Total Taxation	5,627	6,476	6,519
CURRENT GRANTS AND SUBSIDIES			
<i>General Purpose Grants</i>			
GST revenue grants	3,951	3,963	4,040
Competition reform	-	4	4
<i>Specific Purpose Grants to the State</i>			
Australian Health Care Agreement	915	915	965
Other health	293	293	339
Schools assistance – government schools	271	281	281
Vocational training	100	103	103
Roads	14	25	24
Other	228	256	231

Table 3.1 (cont.)

2007-08 OPERATING REVENUE
General Government

	2007-08 Budget Estimate \$m	2007-08 Mid-Year Revision \$m	2007-08 Estimated Actual \$m
<i>Specific Purpose Grants through the State</i>			
Schools assistance – non-government schools	562	566	545
Local government financial assistance grants	122	120	122
Local government roads	83	82	83
Other	33	26	-
<i>Other Grants</i>			
North West Shelf royalties	699	726	742
Total Current Grants and Subsidies	7,272	7,362	7,480
CAPITAL GRANTS			
<i>Specific Purpose Grants to the State</i>			
Roads	190	112	90
Schools assistance – government schools	35	32	32
Vocational training	13	19	19
Other	255	214	222
<i>Specific Purpose Grants through the State</i>			
Schools assistance – non-government schools	20	26	23
Total Capital Grants	513	403	386
SALES OF GOODS AND SERVICES			
Department for Planning and Infrastructure	119	122	123
Department of Health	256	256	290
Department of Education and Training	140	160	162
TAFE Colleges	86	85	85
Land Information Authority	92	93	93
Department of the Attorney General	58	58	56
Department of Corrective Services	12	12	12
Department of Environment and Conservation	58	64	65
Department of Consumer and Employment Protection	36	40	40
Department of Fisheries	24	24	24
Department of Culture and the Arts	17	19	19
Western Australia Police	20	22	23
All Others	262	305	281
Total Sales of Goods and Services	1,181	1,260	1,272
INTEREST INCOME	213	254	256
REVENUE FROM PUBLIC CORPORATIONS			
Dividends	441	485	491
Tax Equivalent Regime	327	319	332
Total Revenue from Public Corporations	768	804	823
ROYALTY INCOME	1,830	1,683	1,748
OTHER			
Lease rentals	43	43	60
Fines	122	122	114
Revenue not elsewhere counted	140	165	171
Total Other	304	329	345
TOTAL REVENUE	17,708	18,570	18,829

Note: Columns may not add due to rounding.

Changes to Whole-of-Government Financial Reporting and Presentation

In October 2007, the Australian Accounting Standards Board (AASB) issued AASB 1049: *Whole of Government and General Government Sector Financial Reporting*. This new accounting standard is applicable to reporting periods beginning on or after 1 July 2008.

In March 2008, State, Territory and Commonwealth Governments approved a change in the Uniform Presentation Framework (UPF) to accommodate AASB 1049 concepts and presentation issues. The new UPF is expected to be used by most jurisdictions in 2008-09 budgets.

The new standard ‘harmonises’ the two previous whole-of-government financial series, based on Government Finance Statistics (GFS) and Australian Accounting Standards, into a single presentation. The projections discussed in Chapters 1-5 and in Appendices 1-3 are all presented on the new basis.

In practice, users of the statements will find little difference in financial aggregates presented in previous budget papers, although some presentation issues will see additional information presented on some of the statements.

The revised UPF incorporates a range of key aggregates which are identical, or very close to, the previous UPF presentation.

For the purposes of the Government's financial targets, or for assessment of the State's overall financial outlook, these changes have no material impact on the information presented on either the new or old bases. The key changes to aggregates are reflected in:

- the operating statement:
 - a range of refunds, rebates and other payments, offset against revenue aggregates in the State's GFS series, are now included as expenses, making the affected revenue items larger in magnitude but fully offset by an equivalent increase in current transfer expenses (this includes tax, revenue from public corporations and mining royalties); and
 - the adoption of the accounting policy for revenue recognition removes some Commonwealth AusLink grants from the forward estimates period (the State received \$323 million in prepaid AusLink grants in 2005-06 - this revenue was previously recognised in the years in which the project was to be undertaken, in line with GFS treatment - Western Australia's accounting policy recognises this revenue in the year the cash was received, boosting the 2005-06 operating surplus by \$323 million and reducing it by an equivalent total amount over the subsequent years in which the project work is done); and
- the balance sheet, with lower accounts receivable (and thus lower net worth) reflecting provisions for doubtful debts which are recognised as an offset to assets under accounting standards, while GFS specifically excludes these provisions.

The following table shows the differences between the key financial aggregates discussed elsewhere in this Budget Paper.

Table 4.1

TRANSITION TO AASB 1049: IMPACT ON KEY FINANCIAL AGGREGATES

	2006-07 Actual	2007-08 Estimated Actual	2008-09 Budget Estimate	2009-10 Forward Estimate	2010-11 Forward Estimate	2011-12 Forward Estimate
PREVIOUS UPF PRESENTATION (GFS)						
<i>GENERAL GOVERNMENT</i>						
Net Operating Balance (\$m)	2,303	2,161	1,967	1,753	1,080	203
Revenue (\$m)	17,451	18,757	19,853	20,558	20,566	20,563
Revenue Growth (%)	7.7	7.5	5.8	3.5	0.0	0.0
Expenses (\$m)	15,147	16,596	17,886	18,805	19,486	20,360
Expense Growth (%)	8.6	9.6	7.8	5.1	3.6	4.5
Net Lending (\$m)	1,527	949	237	608	136	-1,385
<i>TOTAL NON-FINANCIAL PUBLIC SECTOR</i>						
Net Debt to Revenue Ratio (%)	17.9	23.9	34.7	36.9	38.2	44.0
<i>TOTAL PUBLIC SECTOR</i>						
Net Debt at 30 June (\$m)	2,984	4,711	7,911	9,028	9,489	11,443
Capital Works Program (\$m)	5,089	6,729	7,643	6,631	5,715	6,152
REVISED UPF PRESENTATION (AASB 1049)						
<i>GENERAL GOVERNMENT</i>						
Net Operating Balance (\$m)	2,254	2,093	1,855	1,670	1,073	203
Revenue (\$m)	17,573	18,829	19,872	20,600	20,687	20,694
Revenue Growth (%)	5.4	7.1	5.5	3.7	0.4	0.0
Expenses (\$m)	15,320	16,736	18,017	18,930	19,614	20,491
Expense Growth (%)	8.9	9.2	7.7	5.1	3.6	4.5
Net Lending (\$m)	1,477	880	125	525	129	-1,385
<i>TOTAL NON-FINANCIAL PUBLIC SECTOR</i>						
Net Debt to Revenue Ratio (%)	17.9	23.9	34.8	36.9	38.0	43.9
<i>TOTAL PUBLIC SECTOR</i>						
Net Debt at 30 June (\$m)	2,984	4,711	7,911	9,028	9,489	11,443
Capital Works Program (\$m)	5,089	6,729	7,643	6,631	5,715	6,152
VARIANCE						
<i>GENERAL GOVERNMENT</i>						
Net Operating Balance (\$m)	-50	-68	-112	-83	-7	-
Revenue (\$m)	123	72	19	42	121	131
Revenue Growth (%)	-2.2	-0.3	-0.3	0.1	0.4	-
Expenses (\$m)	173	141	131	125	128	131
Expense Growth (%)	0.2	-0.3	-0.1	-0.1	-	-
Net Lending (\$m)	-50	-68	-112	-83	-7	-
<i>TOTAL NON-FINANCIAL PUBLIC SECTOR</i>						
Net Debt to Revenue Ratio (%)	-	-	-	-	-0.1	-0.1
<i>TOTAL PUBLIC SECTOR</i>						
Net Debt at 30 June (\$m)	-	-	-	-	-	-
Capital Works Program (\$m)	-	-	-	-	-	-

Note: Columns may not add due to rounding.

The new presentation included in these Budget Papers will feature in all future whole-of-government financial disclosures for 2008-09 and beyond, including the 2008-09 mid-year review, monthly and quarterly financial reports, and the 2008-09 *Annual Report on State Finances*.

As required by the *Government Financial Responsibility Act 2000* (GFRA), the remaining 2007-08 quarterly and full-year results will be published in the old UPF format as it appeared in the original 2007-08 Budget Papers. This format will also apply to the remaining *Monthly Reports of General Government Finances* for 2007-08, although the monthly publications are not covered by the GFRA.

The State's GFS time series has been recast in a format consistent with the new presentation and is shown in the tables below.

It should be noted that while the backcast actuals are based on audited accounting data, the AASB 1049 presentation is not itself subject to audit until the publication of 2008-09 outcomes (due for release in September 2009). Accordingly, presentational issues may impact the backcast time series through the 2008-09 audit process.

Table 4.2

GENERAL GOVERNMENT

Operating Statement

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<i>Revenue</i>							
Taxation	2,153	2,335	2,534	2,699	3,053	3,270	3,422
Current grants and subsidies	2,845	3,046	3,078	3,103	3,178	3,300	3,674
Capital grants	217	155	362	161	158	189	203
Sales of goods and services	682	788	829	725	808	924	1,048
Interest Income	177	213	214	180	150	135	119
Revenue from public corporations							
Dividends	154	174	213	243	241	340	381
Tax equivalent payments	-	-	124	147	246	235	214
Royalty income	332	460	399	407	428	433	487
Other	195	226	178	244	329	201	164
<i>Total revenue</i>	<i>6,756</i>	<i>7,397</i>	<i>7,930</i>	<i>7,908</i>	<i>8,590</i>	<i>9,026</i>	<i>9,711</i>
<i>Expenses</i>							
Salaries	3,086	2,935	3,129	3,298	3,536	3,568	3,760
Superannuation							
Concurrent costs	140	137	207	288	322	323	333
Superannuation interest cost	213	217	207	235	268	276	297
Other employee costs	6	6	7	18	47	77	84
Depreciation and amortisation	294	251	287	354	384	420	454
Services and contracts	976	1,101	1,171	1,196	1,256	1,367	1,465
Other gross operating expenses	580	661	706	725	808	946	1,108
Other interest	469	503	506	359	363	252	236
Other property expenses	-	-	-	-	-	-	-
Current transfers	1,001	996	958	1,406	1,654	1,666	1,739
Capital transfers	349	177	454	201	202	254	267
<i>Total expenses</i>	<i>7,114</i>	<i>6,984</i>	<i>7,632</i>	<i>8,079</i>	<i>8,840</i>	<i>9,149</i>	<i>9,741</i>
NET OPERATING BALANCE	-359	413	299	-171	-250	-122	-30
<i>Other economic flows</i>							
Net gains on sale of non-financial assets	25	179	689	19	1,160	-14	-228
Net actuarial gains	-16	-14	64	-417	-36	-36	-35
Provision for doubtful debts	-	4	3	-27	-13	-12	-5
Valuation changes due to the implementation of AIFRS	-	-	-	-	-	-	-
All other	-	-	-	-	-	-23	-38
<i>Total other economic flows</i>	<i>9</i>	<i>170</i>	<i>755</i>	<i>-425</i>	<i>1,110</i>	<i>-86</i>	<i>-306</i>
OPERATING RESULT	-350	583	1,054	-596	860	-208	-336
<i>All other movements in equity</i>							
Revaluations							
Gains recognised directly in equity							
Changes in accounting policy/correction of prior period errors							
Change in net worth of the public corporations sectors							
All other							
<i>Total all other movements in equity</i>	<i>n.avail.</i>	<i>6,911</i>	<i>2,784</i>	<i>3,505</i>	<i>324</i>	<i>774</i>	<i>541</i>
TOTAL CHANGE IN NET WORTH	n.avail.	7,494	3,838	2,909	1,184	566	205
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	-359	413	299	-171	-250	-122	-30
Less <i>Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	463	656	800	560	636	728	838
Changes in inventories	83	-11	-6	-7	2	11	-19
Other movement in non-financial assets	-1	3	372	-1	56	-22	-22
less:							
Sales of non-financial assets	76	74	103	197	94	121	100
Depreciation	294	251	287	354	384	420	454
<i>Total net acquisition of non-financial assets</i>	<i>175</i>	<i>323</i>	<i>776</i>	<i>1</i>	<i>216</i>	<i>176</i>	<i>243</i>
NET LENDING/-BORROWING	-534	91	-477	-172	-467	-298	-273

Note: Columns may not add due to rounding.

Table 4.2 (Cont.)

GENERAL GOVERNMENT **Operating Statement**

	2000-01 Actual \$m	2001-02 Actual \$m	2002-03 Actual \$m	2003-04 Actual \$m	2004-05 Actual \$m	2005-06 Actual \$m	2006-07 Actual \$m
<i>Revenue</i>							
Taxation	2,967	3,018	3,459	4,198	4,401	5,295	5,867
Current grants and subsidies	4,781	5,253	5,464	5,583	6,468	6,890	7,155
Capital grants	277	267	287	295	347	698	396
Sales of goods and services	863	905	990	941	982	1,121	1,232
Interest income	142	122	107	128	142	170	246
Revenue from public corporations							
Dividends	400	406	390	448	468	534	421
Tax equivalent payments	366	237	244	310	292	315	319
Royalty income	701	651	707	676	864	1,205	1,484
Other	190	264	222	272	368	440	453
<i>Total revenue</i>	<i>10,687</i>	<i>11,123</i>	<i>11,869</i>	<i>12,851</i>	<i>14,333</i>	<i>16,667</i>	<i>17,573</i>
<i>Expenses</i>							
Salaries	3,953	4,209	4,486	4,787	5,253	5,694	6,182
Superannuation							
Concurrent costs	359	375	436	458	519	557	602
Superannuation interest cost	304	278	277	283	294	242	289
Other employee costs	123	195	190	191	219	225	232
Depreciation and amortisation	452	568	603	546	607	591	672
Services and contracts	1,481	1,299	1,339	1,216	1,263	1,367	1,663
Other gross operating expenses	1,205	1,166	1,402	1,446	1,511	1,651	1,590
Other interest	239	214	195	165	155	120	112
Other property expenses	-	-	-	-	-	-	-
Current transfers	2,139	2,365	2,385	2,538	2,926	3,138	3,564
Capital transfers	263	257	303	421	482	487	413
<i>Total expenses</i>	<i>10,520</i>	<i>10,927</i>	<i>11,616</i>	<i>12,052</i>	<i>13,229</i>	<i>14,073</i>	<i>15,320</i>
NET OPERATING BALANCE	167	197	254	799	1,104	2,593	2,254
<i>Other economic flows</i>							
Net gains on sale of non-financial assets	710	-8	39	-149	24	6	-2
Net actuarial gains	-70	-42	-47	-66	-131	335	-51
Provision for doubtful debts	-26	-3	19	5	-15	-18	-27
Valuation changes due to the implementation of AIFRS	-	-	-	-	-126	-	-
All other	-20	-	-	-1	-43	-	-
<i>Total other economic flows</i>	<i>593</i>	<i>-53</i>	<i>12</i>	<i>-212</i>	<i>-291</i>	<i>322</i>	<i>-81</i>
OPERATING RESULT	760	144	265	588	813	2,916	2,173
<i>All other movements in equity</i>							
Revaluations	Not Available	3,111	1,524	4,067	3,472	3,196	9,890
Gains recognised directly in equity		44	8	-603	18	-29	1
Changes in accounting policy/correction of prior period errors		-48	-120	-123	59	976	367
Change in net worth of the public corporations sectors		551	341	1,802	1,417	1,564	5,268
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>	<i>-247</i>	<i>3,658</i>	<i>1,753</i>	<i>5,142</i>	<i>4,967</i>	<i>5,706</i>	<i>15,526</i>
TOTAL CHANGE IN NET WORTH	513	3,802	2,018	5,730	5,780	8,622	17,699
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	167	197	254	799	1,104	2,593	2,254
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	1,110	894	794	992	1,092	1,161	1,610
Changes in inventories	-6	3	7	-4	2	-	1
Other movement in non-financial assets	6	-3	-	-47	59	51	7
<i>less:</i>							
Sales of non-financial assets	71	102	74	166	253	203	169
Depreciation	452	568	603	546	607	591	672
<i>Total net acquisition of non-financial assets</i>	<i>587</i>	<i>223</i>	<i>124</i>	<i>229</i>	<i>293</i>	<i>419</i>	<i>777</i>
NET LENDING/-BORROWING	-420	-27	130	570	811	2,175	1,477

Note: Columns may not add due to rounding.

Table 4.3

GENERAL GOVERNMENT
Balance Sheet at 30 June

	1994 Actual \$m	1995 Actual \$m	1996 Actual \$m	1997 Actual \$m	1998 Actual \$m	1999 Actual \$m	2000 Actual \$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits	81	70	115	164	161	154	227
Advances paid	1,794	1,745	1,434	1,264	1,091	1,054	858
Investments, loans and placements	1,020	1,252	1,153	1,041	1,070	976	880
Receivables	188	332	442	458	691	625	732
Investment property	-	-	-	-	-	-	-
Equity							
Investments in other public sector entities - equity method	4,925	11,207	12,664	13,766	14,331	14,672	14,757
Investments in other public sector entities - direct injections	-	-	-	-	-	-	-
Investments in external entities - shareholdings	-	-	-	-	-	-	-
Other financial assets	16	17	24	24	21	25	35
<i>Total financial assets</i>	<i>8,024</i>	<i>14,623</i>	<i>15,833</i>	<i>16,717</i>	<i>17,366</i>	<i>17,507</i>	<i>17,490</i>
<i>Non-financial assets</i>							
Land	7,466	6,820	8,180	9,722	9,755	9,953	10,317
Property, plant and equipment	9,884	11,430	11,566	12,400	11,967	12,503	12,736
Biological assets	-	-	-	-	457	405	291
Inventories							
Land inventories	-	3	-	12	23	20	26
Other inventories	83	72	66	59	61	72	53
Intangibles	-	-	-	-	-	-	-
Non-current assets held for sale	-	-	-	-	-	-	-
<i>Total non-financial assets</i>	<i>17,433</i>	<i>18,326</i>	<i>19,811</i>	<i>22,194</i>	<i>22,263</i>	<i>22,952</i>	<i>23,423</i>
TOTAL ASSETS	25,457	32,948	35,644	38,910	39,628	40,459	40,913
LIABILITIES							
Deposits held	586	649	395	271	111	-33	-64
Advances received	1,602	1,424	1,128	1,098	946	899	732
Borrowings	3,456	3,581	2,612	2,487	1,665	1,736	2,023
Unfunded superannuation	3,458	3,308	3,768	4,332	4,597	4,945	5,069
Other employee benefits	596	674	748	896	911	907	976
Payables	58	82	113	109	172	194	243
Other liabilities	205	242	54	11	306	324	242
<i>TOTAL LIABILITIES</i>	<i>9,961</i>	<i>9,959</i>	<i>8,817</i>	<i>9,174</i>	<i>8,708</i>	<i>8,973</i>	<i>9,222</i>
NET ASSETS	15,495	22,989	26,827	29,736	30,920	31,486	31,691
<i>Of which:</i>							
Contributed equity	-	-	-	-	-	-	-
Accumulated surplus	-2,418	-1,835	-781	-1,377	-517	-726	-1,061
Other reserves	17,914	24,825	27,608	31,114	31,438	32,212	32,752
NET WORTH	15,495	22,989	26,827	29,736	30,920	31,486	31,691
MEMORANDUM ITEMS							
<i>Net financial worth</i>	<i>-1,937</i>	<i>4,663</i>	<i>7,016</i>	<i>7,542</i>	<i>8,658</i>	<i>8,534</i>	<i>8,268</i>
<i>Net financial liabilities</i>	<i>6,863</i>	<i>6,544</i>	<i>5,648</i>	<i>6,224</i>	<i>5,674</i>	<i>6,138</i>	<i>6,489</i>
<i>Net debt</i>							
Gross debt liabilities	5,644	5,655	4,134	3,856	2,722	2,602	2,692
less: liquid financial assets	2,895	3,067	2,703	2,469	2,322	2,185	1,965
less: convergence differences impacting net debt	-	-	-	-	-	-	-
<i>Net debt</i>	<i>2,750</i>	<i>2,588</i>	<i>1,432</i>	<i>1,388</i>	<i>400</i>	<i>417</i>	<i>726</i>

Note: Columns may not add due to rounding.

Table 4.3 (Cont.)

GENERAL GOVERNMENT
Balance Sheet at 30 June

	2001 Actual \$m	2002 Actual \$m	2003 Actual \$m	2004 Actual \$m	2005 Actual \$m	2006 Actual \$m	2007 Actual \$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits	180	299	301	414	350	378	394
Advances paid	862	874	867	853	846	822	752
Investments, loans and placements	1,471	1,304	1,390	1,643	1,846	3,255	3,152
Receivables	733	734	730	922	1,069	1,097	1,267
Investment property	-	-	-	-	-	-	12
Equity							
Investments in other public sector entities - equity method	15,153	15,704	16,045	17,847	19,264	20,828	26,097
Investments in other public sector entities - direct injections	56	163	288	426	542	1,040	2,449
Investments in external entities - shareholdings	-	-	-	-	-	-	-
Other financial assets	26	-	32	4	2	2	2
Total financial assets	18,481	19,079	19,653	22,109	23,919	27,422	34,124
<i>Non-financial assets</i>							
Land	10,078	12,124	13,082	15,965	17,703	20,596	28,501
Property, plant and equipment	13,368	14,591	15,309	15,585	17,595	19,483	22,630
Biological assets	-	-	-	-	-	3	2
Inventories							
Land inventories	32	22	19	51	90	52	54
Other inventories	47	50	57	53	55	55	56
Intangibles	-	-	-	49	28	150	216
Non-current assets held for sale	-	-	-	-	-	60	103
Total non-financial assets	23,525	26,787	28,467	31,704	35,471	40,398	51,562
TOTAL ASSETS	42,007	45,865	48,120	53,812	59,390	67,821	85,686
LIABILITIES							
Deposits held	122	245	250	250	268	244	151
Advances received	620	593	581	561	549	536	523
Borrowings	2,229	2,111	2,122	1,807	1,315	1,026	996
Unfunded superannuation	5,193	5,236	5,315	5,490	5,633	5,459	5,498
Other employee benefits	1,055	1,128	1,225	1,344	1,390	1,550	1,635
Payables	258	195	237	227	238	257	304
Other liabilities	325	351	365	378	462	592	724
TOTAL LIABILITIES	9,802	9,859	10,096	10,058	9,855	9,664	9,831
NET ASSETS	32,204	36,006	38,024	43,754	49,535	58,156	75,856
<i>Of which:</i>							
Contributed equity	-	-	-	-	-	-	-
Accumulated surplus	-301	-158	107	695	1,508	4,424	6,597
Other reserves	32,506	36,164	37,917	43,059	48,027	53,733	69,259
NET WORTH	32,204	36,006	38,024	43,754	49,535	58,156	75,856
MEMORANDUM ITEMS							
<i>Net financial worth</i>	<i>8,679</i>	<i>9,219</i>	<i>9,557</i>	<i>12,050</i>	<i>14,064</i>	<i>17,758</i>	<i>24,294</i>
<i>Net financial liabilities</i>	<i>6,530</i>	<i>6,648</i>	<i>6,776</i>	<i>6,223</i>	<i>5,742</i>	<i>4,111</i>	<i>4,252</i>
<i>Net debt</i>							
Gross debt liabilities	2,971	2,949	2,954	2,619	2,132	1,806	1,670
less: liquid financial assets	2,513	2,477	2,558	2,910	3,041	4,455	4,298
less: convergence differences impacting net debt	-	-	-	-	88	88	88
Net debt	458	472	396	-291	-997	-2,737	-2,716

Note: Columns may not add due to rounding.

GENERAL GOVERNMENT
Cash Flow Statement

Table 4.4

	1993-94 Actual \$m	1994-95 Actual \$m	1995-96 Actual \$m	1996-97 Actual \$m	1997-98 Actual \$m	1998-99 Actual \$m	1999-00 Actual \$m
OPERATING ACTIVITIES							
<i>Receipts from operating activities</i>							
Taxes received	2,165	2,323	2,507	2,612	2,970	3,160	3,334
Grants and subsidies received	3,032	3,191	3,432	3,251	3,323	3,489	3,811
Receipts from sales of goods and services	743	963	961	925	1,007	943	1,132
Interest receipts	168	195	211	170	146	131	123
Dividends and tax equivalents	153	178	252	370	421	562	480
Other receipts	447	448	483	542	634	881	584
<i>Total receipts from operating activities</i>	<i>6,709</i>	<i>7,299</i>	<i>7,846</i>	<i>7,871</i>	<i>8,501</i>	<i>9,166</i>	<i>9,464</i>
<i>Payments for operating activities</i>							
Wages, salaries and supplements, and superannuation	-3,271	-3,215	-3,394	-3,608	-3,811	-4,055	-4,254
Payments for goods and services	-1,415	-1,668	-1,804	-1,793	-2,040	-2,282	-2,564
Interest paid	-465	-477	-465	-347	-318	-232	-227
Grants and subsidies paid	-1,014	-1,003	-1,083	-1,595	-1,791	-1,885	-1,941
Dividends and tax equivalents	-	-	-	-	-	-	-
Other payments	-306	-206	-196	-71	-192	-125	-122
<i>Total payments for operating activities</i>	<i>-6,471</i>	<i>-6,569</i>	<i>-6,941</i>	<i>-7,415</i>	<i>-8,153</i>	<i>-8,579</i>	<i>-9,108</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	238	730	905	456	349	587	356
INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets	-463	-656	-800	-560	-636	-728	-838
Sales of non-financial assets	76	74	103	197	94	121	100
<i>Total cash flows from investments in non-financial assets</i>	<i>-387</i>	<i>-582</i>	<i>-697</i>	<i>-362</i>	<i>-542</i>	<i>-607</i>	<i>-738</i>
<i>Cash flows from investments in financial assets</i>							
Receipts from investing activities:							
For policy purposes	-	-	552	-	1,182	141	286
For liquidity purposes	5	26	229	5	-	-	-
Payments for investing activities:							
For policy purposes	-	-	-	-	-11	-7	-6
For liquidity purposes	-	-19	-27	-20	-55	-8	-4
<i>Total cash flows from investments in financial assets</i>	<i>5</i>	<i>7</i>	<i>753</i>	<i>-16</i>	<i>1,116</i>	<i>125</i>	<i>277</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES	-382	-575	57	-378	574	-481	-461
FINANCING ACTIVITIES							
<i>Receipts from financing activities</i>							
Advances received	-	-	-	-	-	-	-
Borrowings	1,345	1,722	1,106	93	152	101	410
Deposits received	-	-	-	-	-	-	-
Other financing receipts	90	8	373	39	48	11	50
<i>Total receipts from financing activities</i>	<i>1,435</i>	<i>1,731</i>	<i>1,479</i>	<i>132</i>	<i>200</i>	<i>112</i>	<i>460</i>
<i>Payments for financing activities</i>							
Advances paid	-1	-193	-210	160	-120	-9	-202
Borrowings repaid	-1,260	-1,573	-2,166	-170	-818	-77	-124
Deposits paid	-	-	-	-	-	-	-
Other financing payments	-3	-62	176	-50	-3	-25	-1
<i>Total payments for financing activities</i>	<i>-1,264</i>	<i>-1,827</i>	<i>-2,200</i>	<i>-60</i>	<i>-941</i>	<i>-111</i>	<i>-326</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES	171	-97	-721	73	-741	1	134
Net increase in cash and cash equivalents	28	59	241	150	181	107	28
Opening balance	273	301	360	600	750	931	1,039
Closing balance	301	360	600	750	931	1,039	1,067
KEY FISCAL AGGREGATES							
Net cash flows from operating activities	238	730	905	456	349	587	356
Net cash flows from investing in non-financial assets	-387	-582	-697	-362	-542	-607	-738
Cash surplus/-deficit	-149	148	208	93	-193	-19	-382

Note: Columns may not add due to rounding.

Table 4.4 (Cont.)

GENERAL GOVERNMENT

Cash Flow Statement

	2000-01 Actual \$m	2001-02 Actual \$m	2002-03 Actual \$m	2003-04 Actual \$m	2004-05 Actual \$m	2005-06 Actual \$m	2006-07 Actual \$m
OPERATING ACTIVITIES							
<i>Receipts from operating activities</i>							
Taxes received	2,863	3,041	3,411	4,122	4,415	5,204	5,775
Grants and subsidies received	5,113	5,531	5,794	5,829	6,786	7,583	7,550
Receipts from sales of goods and services	973	891	999	968	1,031	1,194	1,280
Interest receipts	139	125	107	129	141	165	238
Dividends and tax equivalents	866	642	664	692	748	867	706
Other receipts	1,314	1,350	1,383	1,404	1,592	2,062	2,598
<i>Total receipts from operating activities</i>	<i>11,268</i>	<i>11,579</i>	<i>12,357</i>	<i>13,143</i>	<i>14,713</i>	<i>17,075</i>	<i>18,146</i>
<i>Payments for operating activities</i>							
Wages, salaries and supplements, and superannuation	-4,508	-4,744	-5,054	-5,359	-5,968	-6,326	-6,959
Payments for goods and services	-2,623	-2,632	-2,872	-2,878	-3,034	-3,213	-3,582
Interest paid	-241	-220	-193	-171	-162	-122	-112
Grants and subsidies paid	-2,362	-2,367	-2,489	-2,664	-3,054	-3,292	-3,626
Dividends and tax equivalents	-	-	-	-	-	-	-
Other payments	-623	-855	-772	-691	-798	-864	-966
<i>Total payments for operating activities</i>	<i>-10,357</i>	<i>-10,819</i>	<i>-11,379</i>	<i>-11,763</i>	<i>-13,015</i>	<i>-13,816</i>	<i>-15,245</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	911	760	978	1,380	1,698	3,260	2,901
INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets	-1,110	-894	-794	-992	-1,092	-1,161	-1,610
Sales of non-financial assets	71	102	74	166	253	203	169
<i>Total cash flows from investments in non-financial assets</i>	<i>-1,039</i>	<i>-792</i>	<i>-720</i>	<i>-826</i>	<i>-839</i>	<i>-958</i>	<i>-1,441</i>
<i>Cash flows from investments in financial assets</i>							
Receipts from investing activities:							
For policy purposes	444	1	1	1	1	-	1
For liquidity purposes	-	94	62	25	7	75	32
Payments for investing activities:							
For policy purposes	-	-94	-108	-123	-123	-489	-1,407
For liquidity purposes	-76	-106	-14	-105	-69	-1	-
<i>Total cash flows from investments in financial assets</i>	<i>368</i>	<i>-105</i>	<i>-59</i>	<i>-202</i>	<i>-184</i>	<i>-415</i>	<i>-1,374</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES	-671	-896	-778	-1,028	-1,022	-1,373	-2,815
FINANCING ACTIVITIES							
<i>Receipts from financing activities</i>							
Advances received	1	14	11	12	12	13	13
Borrowings	425	555	350	47	180	64	108
Deposits received	32	-	-	-	-	-	-
Other financing receipts	205	27	31	33	30	34	37
<i>Total receipts from financing activities</i>	<i>663</i>	<i>597</i>	<i>392</i>	<i>93</i>	<i>222</i>	<i>110</i>	<i>157</i>
<i>Payments for financing activities</i>							
Advances paid	-117	-28	-11	-20	-12	-14	-17
Borrowings repaid	-147	-542	-333	-205	-575	-350	-131
Deposits paid	-	-92	-9	-2	-1	-	-
Other financing payments	-241	-52	-96	-65	-130	-46	-21
<i>Total payments for financing activities</i>	<i>-505</i>	<i>-714</i>	<i>-450</i>	<i>-292</i>	<i>-718</i>	<i>-410</i>	<i>-170</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES	158	-117	-57	-199	-496	-300	-12
Net increase in cash and cash equivalents	397	-253	143	152	180	1,587	74
Opening balance	1,067	1,464	1,211	1,353	1,505	1,685	3,272
Closing balance	1,464	1,211	1,353	1,505	1,685	3,272	3,346
KEY FISCAL AGGREGATES							
Net cash flows from operating activities	911	760	978	1,380	1,698	3,260	2,901
Net cash flows from investing in non-financial assets	-1,039	-792	-720	-826	-839	-958	-1,441
Cash surplus/-deficit	-128	-31	259	554	859	2,301	1,460

Note: Columns may not add due to rounding.

Table 4.5

PUBLIC NON-FINANCIAL CORPORATIONS **Operating Statement**

	1993-94 Actual \$m	1994-95 Actual \$m	1995-96 Actual \$m	1996-97 Actual \$m	1997-98 Actual \$m	1998-99 Actual \$m	1999-00 Actual \$m
<i>Revenue</i>							
Current grants and subsidies	263	278	143	422	404	491	395
Capital grants	357	303	223	176	144	101	102
Sales of goods and services	4,812	4,927	5,051	5,171	5,814	5,360	5,565
Interest Income	69	83	91	80	72	81	104
Other	29	49	160	111	163	196	225
<i>Total revenue</i>	<i>5,530</i>	<i>5,640</i>	<i>5,668</i>	<i>5,961</i>	<i>6,597</i>	<i>6,229</i>	<i>6,390</i>
<i>Expenses</i>							
Salaries	616	619	502	483	459	490	485
Superannuation							
Concurrent costs	28	29	34	43	42	45	43
Superannuation interest cost	-	-	-	-	-	-	-
Other employee costs	5	25	46	5	12	19	20
Depreciation and amortisation	354	464	495	499	498	502	580
Services and contracts	297	310	318	325	374	337	354
Other gross operating expenses	2,777	2,854	2,980	3,096	3,541	3,206	3,402
Other interest	647	626	636	599	601	559	498
Dividend and tax equivalents	125	125	226	386	480	570	571
Current transfers	84	101	161	169	180	152	197
Capital transfers	7	16	65	53	21	-	1
<i>Total expenses</i>	<i>4,940</i>	<i>5,170</i>	<i>5,462</i>	<i>5,659</i>	<i>6,207</i>	<i>5,879</i>	<i>6,152</i>
NET OPERATING BALANCE	590	471	206	303	390	349	239
<i>Other economic flows</i>							
Net gains on sale of non-financial assets	57	39	164	10	-34	-38	48
Net actuarial gains	-52	-120	-53	322	-26	-21	-3
Provision for doubtful debts	5	-4	46	4	11	7	20
Valuation changes due to the implementation of AIFRS	-	-	-	-	-	-	-
All other	-5	3	-46	-5	-12	4	-39
<i>Total other economic flows</i>	<i>5</i>	<i>-82</i>	<i>111</i>	<i>330</i>	<i>-61</i>	<i>-48</i>	<i>27</i>
OPERATING RESULT	594	388	317	633	329	302	265
<i>All other movements in equity</i>							
Revaluations							
Gains recognised directly in equity							
Changes in accounting policy/correction of prior period errors							
Capital injections from general government							
All other							
<i>Total all other movements in equity</i>	<i>n.avail.</i>	<i>5,728</i>	<i>1,722</i>	<i>500</i>	<i>195</i>	<i>-129</i>	<i>-305</i>
TOTAL CHANGE IN NET WORTH	n.avail.	6,116	2,039	1,133	524	173	-40
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	590	471	206	303	390	349	239
Less <i>Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	837	763	912	1,240	1,291	1,120	1,222
Changes in inventories	226	27	-10	18	5	-80	72
Other movement in non-financial assets	-	-2	-63	-53	-23	-	25
<i>less:</i>							
Sales of non-financial assets	270	352	335	277	2,637	368	452
Depreciation	354	464	495	499	498	502	580
<i>Total net acquisition of non-financial assets</i>	<i>438</i>	<i>-27</i>	<i>8</i>	<i>429</i>	<i>-1,862</i>	<i>170</i>	<i>287</i>
NET LENDING/-BORROWING	152	498	198	-127	2,252	179	-49

Note: Columns may not add due to rounding.

Table 4.5 (Cont.)

PUBLIC NON-FINANCIAL CORPORATIONS
Operating Statement

	2000-01 Actual \$m	2001-02 Actual \$m	2002-03 Actual \$m	2003-04 Actual \$m	2004-05 Actual \$m	2005-06 Actual \$m	2006-07 Actual \$m
<i>Revenue</i>							
Current grants and subsidies	458	504	520	810	906	1,070	1,184
Capital grants	110	110	123	128	143	163	153
Sales of goods and services	5,270	4,830	4,742	5,201	5,402	6,251	6,574
Interest Income	120	103	114	118	142	149	152
Other	185	158	226	310	314	370	470
<i>Total revenue</i>	<i>6,142</i>	<i>5,705</i>	<i>5,724</i>	<i>6,567</i>	<i>6,907</i>	<i>8,003</i>	<i>8,533</i>
<i>Expenses</i>							
Salaries	411	379	424	480	487	551	611
Superannuation							
Concurrent costs	46	45	43	48	48	49	60
Superannuation interest cost	-	-	-	-	-	-	-
Other employee costs	25	28	30	22	23	31	27
Depreciation and amortisation	558	570	597	627	653	682	743
Services and contracts	342	304	296	320	421	495	357
Other gross operating expenses	3,305	2,959	2,908	3,176	3,303	4,146	4,532
Other interest	461	390	409	413	448	516	551
Dividend and tax equivalents	753	627	627	744	753	836	712
Current transfers	203	220	254	472	505	621	696
Capital transfers	8	20	83	1	1	5	6
<i>Total expenses</i>	<i>6,112</i>	<i>5,542</i>	<i>5,670</i>	<i>6,302</i>	<i>6,643</i>	<i>7,933</i>	<i>8,294</i>
NET OPERATING BALANCE	31	162	54	265	263	70	238
<i>Other economic flows</i>							
Net gains on sale of non-financial assets	-467	39	165	106	78	9	161
Net actuarial gains	-20	-14	-2	-	68	-13	-22
Provision for doubtful debts	-1	-7	-7	-5	-5	-1	-8
Valuation changes due to the implementation of AIFRS	-	-	-	-	62	-	-
All other	5	-	-	2	-14	-	-
<i>Total other economic flows</i>	<i>-483</i>	<i>18</i>	<i>156</i>	<i>103</i>	<i>189</i>	<i>-6</i>	<i>132</i>
OPERATING RESULT	-452	181	210	368	453	65	370
<i>All other movements in equity</i>							
Revaluations	Not Available	-7,064	126	-2,393	636	705	3,000
Gains recognised directly in equity		7,686	187	192	191	231	162
Changes in accounting policy/correction of prior period errors		-249	-224	3,423	-39	96	1,545
Capital injections from general government		107	125	138	116	498	1,409
All other		44	-	105	-55	-20	-49
<i>Total all other movements in equity</i>	<i>715</i>	<i>524</i>	<i>214</i>	<i>1,464</i>	<i>850</i>	<i>1,510</i>	<i>6,067</i>
TOTAL CHANGE IN NET WORTH	263	705	424	1,832	1,302	1,574	6,437
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	31	162	54	265	263	70	238
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	1,184	1,110	1,294	1,507	1,788	2,448	2,588
Changes in inventories	-4	287	-70	82	54	374	-99
Other movement in non-financial assets	-6	-33	-88	32	-4	-9	-6
<i>less:</i>							
Sales of non-financial assets	283	308	367	441	432	572	726
Depreciation	558	570	597	627	653	682	743
<i>Total net acquisition of non-financial assets</i>	<i>333</i>	<i>487</i>	<i>172</i>	<i>552</i>	<i>753</i>	<i>1,559</i>	<i>1,014</i>
NET LENDING/-BORROWING	-303	-325	-118	-288	-489	-1,489	-776

Note: Columns may not add due to rounding.

Table 4.6

PUBLIC NON-FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	1994 Actual \$m	1995 Actual \$m	1996 Actual \$m	1997 Actual \$m	1998 Actual \$m	1999 Actual \$m	2000 Actual \$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits	532	594	477	373	336	225	226
Advances paid	343	313	322	302	450	275	233
Investments, loans and placements	324	412	351	345	303	856	1,131
Receivables	363	407	397	408	408	582	636
Investment property	22	46	46	48	50	1	1
Equity							
Investments in other public sector entities - equity method	-	-	-	-	-	-	-
Investments in other public sector entities - direct injections	-	-	-	-	-	-	-
Investments in external entities - shareholdings	13	13	8	3	3	2	4
Other financial assets	346	302	300	263	234	147	76
<i>Total financial assets</i>	<i>1,942</i>	<i>2,087</i>	<i>1,901</i>	<i>1,742</i>	<i>1,784</i>	<i>2,088</i>	<i>2,307</i>
<i>Non-financial assets</i>							
Land	2,121	2,670	3,321	3,612	3,741	3,594	3,138
Property, plant and equipment	9,075	14,307	15,379	16,058	15,802	16,226	16,751
Biological assets	-	-	-	-	-	-	-
Inventories							
Land inventories	96	123	307	307	276	284	292
Other inventories	226	253	243	261	266	186	258
Intangibles	3	3	3	3	2	2	2
Non-current assets held for sale	-	-	-	-	-	-	-
<i>Total non-financial assets</i>	<i>11,521</i>	<i>17,355</i>	<i>19,254</i>	<i>20,242</i>	<i>20,089</i>	<i>20,292</i>	<i>20,440</i>
TOTAL ASSETS	13,463	19,443	21,155	21,984	21,872	22,379	22,747
LIABILITIES							
Deposits held	11	9	6	6	9	8	4
Advances received	1,403	1,364	1,259	1,076	876	815	610
Borrowings	5,298	5,095	5,048	5,241	4,717	5,273	5,847
Unfunded superannuation	906	931	841	487	482	290	270
Other employee benefits	167	176	160	162	149	158	135
Payables	257	288	363	390	432	497	512
Other liabilities	624	667	526	537	599	557	626
<i>TOTAL LIABILITIES</i>	<i>8,665</i>	<i>8,530</i>	<i>8,203</i>	<i>7,899</i>	<i>7,263</i>	<i>7,598</i>	<i>8,004</i>
NET ASSETS	4,797	10,913	12,952	14,085	14,609	14,782	14,742
<i>Of which:</i>							
Contributed equity	-	-	-	-	-	-	-
Accumulated surplus	2,306	2,694	3,011	3,644	5,071	5,373	5,639
Other reserves	2,491	8,219	9,941	10,441	9,538	9,409	9,103
NET WORTH	4,797	10,913	12,952	14,085	14,609	14,782	14,742
MEMORANDUM ITEMS							
<i>Net financial worth</i>	<i>-11,521</i>	<i>-17,355</i>	<i>-19,254</i>	<i>-20,242</i>	<i>-20,089</i>	<i>-20,292</i>	<i>-20,440</i>
<i>Net debt</i>							
Gross debt liabilities	6,712	6,468	6,313	6,322	5,602	6,096	6,461
less: liquid financial assets	1,198	1,319	1,149	1,020	1,090	1,355	1,590
less: convergence differences impacting net debt	-	-	-	-	-	-	-
<i>Net debt</i>	<i>5,514</i>	<i>5,148</i>	<i>5,163</i>	<i>5,302</i>	<i>4,512</i>	<i>4,741</i>	<i>4,871</i>

Note: Columns may not add due to rounding.

Table 4.6 (Cont.)

PUBLIC NON-FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	2001 Actual \$m	2002 Actual \$m	2003 Actual \$m	2004 Actual \$m	2005 Actual \$m	2006 Actual \$m	2007 Actual \$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits	195	248	301	281	308	474	552
Advances paid	212	186	156	119	96	51	-
Investments, loans and placements	1,112	1,229	1,548	1,819	2,128	2,070	1,716
Receivables	637	545	705	853	1,053	1,391	1,772
Investment property	1	-	-	1	1	-	-
Equity							
Investments in other public sector entities - equity method	-	-	-	-	-	-	-
Investments in other public sector entities - direct injections	-	-	-	-	-	-	-
Investments in external entities - shareholdings	7	8	8	5	5	39	29
Other financial assets	40	30	26	27	36	53	32
Total financial assets	2,204	2,246	2,745	3,105	3,628	4,077	4,102
<i>Non-financial assets</i>							
Land	3,194	3,506	3,553	4,381	4,984	5,517	8,917
Property, plant and equipment	16,548	17,020	17,637	18,687	19,711	21,956	24,707
Biological assets	269	300	299	307	327	366	331
Inventories							
Land inventories	328	407	375	391	826	921	1,049
Other inventories	254	287	217	608	354	727	628
Intangibles	2	1	1	1	-	59	98
Non-current assets held for sale	-	-	-	-	-	11	12
Total non-financial assets	20,594	21,522	22,082	24,376	26,202	29,558	35,742
TOTAL ASSETS	22,799	23,768	24,827	27,481	29,829	33,635	39,843
LIABILITIES							
Deposits held	-	2	2	2	2	10	6
Advances received	596	585	573	561	549	536	523
Borrowings	5,530	5,693	6,194	6,826	7,720	9,026	8,645
Unfunded superannuation	269	275	260	191	110	151	155
Other employee benefits	122	140	157	196	191	191	242
Payables	586	537	849	1,017	1,228	1,850	1,668
Other liabilities	690	826	658	721	761	1,029	1,326
TOTAL LIABILITIES	7,794	8,058	8,693	9,515	10,561	12,792	12,564
NET ASSETS	15,005	15,710	16,134	17,966	19,268	20,843	27,280
<i>Of which:</i>							
Contributed equity	56	163	288	426	542	1,040	2,449
Accumulated surplus	5,187	12,807	13,568	15,432	17,519	17,784	20,389
Other reserves	9,762	2,740	2,278	2,108	1,207	2,019	4,442
NET WORTH	15,005	15,710	16,134	17,966	19,268	20,843	27,280
MEMORANDUM ITEMS							
<i>Net financial worth</i>	-20,594	-21,522	-22,082	-24,376	-26,202	-29,558	-35,742
<i>Net debt</i>							
Gross debt liabilities	6,127	6,280	6,769	7,390	8,271	9,572	9,173
less: liquid financial assets	1,520	1,663	2,006	2,219	2,533	2,594	2,269
less: convergence differences impacting net debt	-	-	-	-	-	-	-
Net debt	4,607	4,617	4,764	5,170	5,738	6,978	6,904

Note: Columns may not add due to rounding.

Table 4.7

PUBLIC NON-FINANCIAL CORPORATIONS
Cash Flow Statement

	1993-94 Actual \$m	1994-95 Actual \$m	1995-96 Actual \$m	1996-97 Actual \$m	1997-98 Actual \$m	1998-99 Actual \$m	1999-00 Actual \$m
OPERATING ACTIVITIES							
<i>Receipts from operating activities</i>							
Grants and subsidies received	188	320	250	522	515	539	501
Receipts from sales of goods and services	4,722	4,721	4,998	5,191	5,842	5,458	5,547
Interest receipts	61	78	90	79	72	75	103
Dividends and tax equivalents	-	-	-	-	-	-	-
Other receipts	252	246	128	55	43	-	-
<i>Total receipts from operating activities</i>	<i>5,224</i>	<i>5,366</i>	<i>5,466</i>	<i>5,847</i>	<i>6,472</i>	<i>6,072</i>	<i>6,152</i>
<i>Payments for operating activities</i>							
Wages, salaries and supplements, and superannuation	-780	-711	-674	-583	-553	-781	-579
Payments for goods and services	-2,949	-2,986	-3,251	-3,307	-3,701	-3,428	-3,539
Interest paid	-608	-622	-600	-612	-583	-543	-496
Grants and subsidies paid	-34	-32	-37	-79	-81	-103	-145
Dividends and tax equivalents	-123	-129	-142	-366	-418	-550	-471
Other payments	-56	-45	-46	-45	-81	-46	-86
<i>Total payments for operating activities</i>	<i>-4,549</i>	<i>-4,526</i>	<i>-4,750</i>	<i>-4,992</i>	<i>-5,417</i>	<i>-5,451</i>	<i>-5,317</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	674	840	716	855	1,054	621	835
INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets	-837	-763	-912	-1,240	-1,291	-1,120	-1,222
Sales of non-financial assets	270	352	335	277	2,637	368	452
<i>Total cash flows from investments in non-financial assets</i>	<i>-567</i>	<i>-412</i>	<i>-576</i>	<i>-963</i>	<i>1,346</i>	<i>-753</i>	<i>-771</i>
<i>Cash flows from investments in financial assets</i>							
Receipts from investing activities:							
For policy purposes	-	-	-	-	-	-	-
For liquidity purposes	62	70	80	71	72	154	460
Payments for investing activities:							
For policy purposes	-	-	-	-	-986	-93	-95
For liquidity purposes	-65	-65	-210	-75	-267	-117	-455
<i>Total cash flows from investments in financial assets</i>	<i>-3</i>	<i>5</i>	<i>-131</i>	<i>-3</i>	<i>-1,181</i>	<i>-57</i>	<i>-89</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES	-569	-407	-707	-967	165	-809	-860
FINANCING ACTIVITIES							
<i>Receipts from financing activities</i>							
Advances received	-	-	-	-	-	-	-
Borrowings	3,805	3,887	4,334	3,134	3,928	3,245	4,193
Deposits received	-	-	-	-	-	-	-
Other financing receipts	197	40	78	5	17	73	66
<i>Total receipts from financing activities</i>	<i>4,002</i>	<i>3,927</i>	<i>4,412</i>	<i>3,139</i>	<i>3,946</i>	<i>3,318</i>	<i>4,259</i>
<i>Payments for financing activities</i>							
Advances paid	-149	-35	-104	-185	-232	-44	-204
Borrowings repaid	-3,913	-4,128	-4,360	-2,951	-4,751	-3,023	-4,066
Deposits paid	-	-	-	-	-	-	-
Other financing payments	-12	-35	-42	-12	-248	-136	-7
<i>Total payments for financing activities</i>	<i>-4,074</i>	<i>-4,197</i>	<i>-4,506</i>	<i>-3,148</i>	<i>-5,231</i>	<i>-3,203</i>	<i>-4,277</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES	-73	-271	-94	-9	-1,285	115	-18
Net increase in cash and cash equivalents	33	163	-85	-120	-65	-74	-43
Opening balance	679	711	874	789	669	604	530
Closing balance	711	874	789	669	604	530	487
KEY FISCAL AGGREGATES							
Net cash flows from operating activities	674	840	716	855	1,054	621	835
Net cash flows from investing in non-financial assets	-567	-412	-576	-963	1,346	-753	-771
Cash surplus/-deficit	108	428	140	-108	2,400	-132	64

Note: Columns may not add due to rounding.

Table 4.7 (Cont.)

PUBLIC NON-FINANCIAL CORPORATIONS
Cash Flow Statement

	2000-01 Actual \$m	2001-02 Actual \$m	2002-03 Actual \$m	2003-04 Actual \$m	2004-05 Actual \$m	2005-06 Actual \$m	2006-07 Actual \$m
OPERATING ACTIVITIES							
<i>Receipts from operating activities</i>							
Grants and subsidies received	572	616	638	882	976	1,151	1,245
Receipts from sales of goods and services	5,287	4,918	4,949	5,238	5,525	6,386	6,933
Interest receipts	122	101	114	118	141	142	154
Dividends and tax equivalents	-	-	-	-	-	-	27
Other receipts	303	354	386	479	414	533	702
<i>Total receipts from operating activities</i>	<i>6,284</i>	<i>5,990</i>	<i>6,087</i>	<i>6,716</i>	<i>7,057</i>	<i>8,211</i>	<i>9,061</i>
<i>Payments for operating activities</i>							
Wages, salaries and supplements, and superannuation	-537	-431	-470	-504	-553	-597	-666
Payments for goods and services	-3,558	-3,232	-3,197	-3,302	-3,617	-4,511	-5,008
Interest paid	-467	-356	-428	-454	-446	-473	-558
Grants and subsidies paid	-102	-162	-209	-386	-386	-470	-475
Dividends and tax equivalents	-851	-626	-655	-677	-741	-855	-687
Other payments	-524	-491	-564	-734	-775	-867	-1,105
<i>Total payments for operating activities</i>	<i>-6,039</i>	<i>-5,298</i>	<i>-5,523</i>	<i>-6,056</i>	<i>-6,518</i>	<i>-7,773</i>	<i>-8,499</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	245	692	563	660	539	438	561
INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets	-1,184	-1,110	-1,294	-1,507	-1,788	-2,448	-2,588
Sales of non-financial assets	283	308	367	441	432	572	726
<i>Total cash flows from investments in non-financial assets</i>	<i>-901</i>	<i>-802</i>	<i>-926</i>	<i>-1,066</i>	<i>-1,356</i>	<i>-1,876</i>	<i>-1,862</i>
<i>Cash flows from investments in financial assets</i>							
Receipts from investing activities:							
For policy purposes	1,481	-	-	-	-	-	-
For liquidity purposes	455	373	309	569	283	262	197
Payments for investing activities:							
For policy purposes	-458	-	-	-	-	-	-
For liquidity purposes	-447	-410	-328	-547	-270	-285	-230
<i>Total cash flows from investments in financial assets</i>	<i>1,030</i>	<i>-37</i>	<i>-19</i>	<i>22</i>	<i>13</i>	<i>-23</i>	<i>-32</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES	130	-840	-945	-1,043	-1,344	-1,899	-1,895
FINANCING ACTIVITIES							
<i>Receipts from financing activities</i>							
Advances received	-	-	-	-	-	-	-
Borrowings	4,335	3,360	4,856	8,215	10,866	11,514	8,511
Deposits received	-	-	-	-	-	-	-
Other financing receipts	65	169	224	221	245	596	1,432
<i>Total receipts from financing activities</i>	<i>4,400</i>	<i>3,529</i>	<i>5,080</i>	<i>8,436</i>	<i>11,111</i>	<i>12,110</i>	<i>9,943</i>
<i>Payments for financing activities</i>							
Advances paid	-14	-11	-11	-12	-12	-13	-13
Borrowings repaid	-4,784	-3,271	-4,617	-8,039	-10,226	-10,435	-8,472
Deposits paid	-	-	-	-	-	-	-
Other financing payments	-13	-14	-12	-41	-13	-17	-37
<i>Total payments for financing activities</i>	<i>-4,811</i>	<i>-3,296</i>	<i>-4,640</i>	<i>-8,092</i>	<i>-10,252</i>	<i>-10,464</i>	<i>-8,523</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES	-411	232	440	343	860	1,646	1,420
Net increase in cash and cash equivalents	-36	84	58	-40	55	185	87
Opening balance	487	451	535	594	553	608	793
Closing balance	451	535	594	553	608	793	880
KEY FISCAL AGGREGATES							
Net cash flows from operating activities	245	692	563	660	539	438	561
Net cash flows from investing in non-financial assets	-901	-802	-926	-1,066	-1,356	-1,876	-1,862
Cash surplus/-deficit	-656	-111	-363	-406	-817	-1,437	-1,301

Note: Columns may not add due to rounding.

Table 4.8

TOTAL NON-FINANCIAL PUBLIC SECTOR **Operating Statement**

	1993-94 Actual \$m	1994-95 Actual \$m	1995-96 Actual \$m	1996-97 Actual \$m	1997-98 Actual \$m	1998-99 Actual \$m	1999-00 Actual \$m
<i>Revenue</i>							
Taxation	2,012	2,175	2,368	2,549	2,898	3,102	3,247
Current grants and subsidies	2,845	3,046	3,078	3,103	3,178	3,300	3,674
Capital grants	391	332	414	228	201	189	203
Sales of goods and services	5,422	5,658	5,808	5,770	6,545	6,146	6,485
Interest Income	100	148	171	156	134	163	172
Royalty income	332	460	399	391	414	433	487
Other	193	241	320	319	444	377	368
<i>Total revenue</i>	<i>11,296</i>	<i>12,061</i>	<i>12,558</i>	<i>12,516</i>	<i>13,813</i>	<i>13,710</i>	<i>14,636</i>
<i>Expenses</i>							
Salaries	3,702	3,554	3,631	3,781	3,995	4,058	4,245
Superannuation							
Concurrent costs	114	106	186	303	339	350	365
Superannuation interest cost	213	217	207	235	268	276	297
Other employee costs	11	32	52	23	60	96	105
Depreciation and amortisation	648	715	782	852	882	922	1,034
Services and contracts	1,366	1,452	1,511	1,534	1,722	1,643	1,747
Other gross operating expenses	3,098	3,304	3,469	3,571	4,065	3,950	4,326
Other interest	971	980	1,008	853	876	758	683
Other property expenses	-	-	-	-	-	-	-
Current transfers	769	751	923	1,092	1,366	1,276	1,482
Capital transfers	173	67	285	139	101	153	142
<i>Total expenses</i>	<i>11,065</i>	<i>11,177</i>	<i>12,054</i>	<i>12,385</i>	<i>13,673</i>	<i>13,482</i>	<i>14,425</i>
NET OPERATING BALANCE	231	883	503	131	140	228	211
<i>Other economic flows</i>							
Net gains on sale of non-financial assets	82	179	689	19	1,160	-14	-228
Net actuarial gains	-68	-14	64	-417	-36	-36	-35
Provision for doubtful debts	-	3	4	-28	-14	-24	-1
Valuation changes due to the implementation of AIFRS	-	-	-	-	-	-	-
All other	-	-81	111	332	-61	-60	-18
<i>Total other economic flows</i>	<i>14</i>	<i>88</i>	<i>867</i>	<i>-94</i>	<i>1,049</i>	<i>-135</i>	<i>-281</i>
OPERATING RESULT	244	971	1,371	37	1,189	94	-71
<i>All other movements in equity</i>							
Revaluations							
Gains recognised directly in equity							
Changes in accounting policy/correction of prior period errors							
Change in net worth of the PFC sector							
All other							
<i>Total all other movements in equity</i>	<i>n.avail.</i>	<i>6,522</i>	<i>2,467</i>	<i>2,872</i>	<i>-5</i>	<i>472</i>	<i>276</i>
TOTAL CHANGE IN NET WORTH	n.avail.	7,494	3,838	2,909	1,184	566	205
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	231	883	503	131	140	228	211
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	1,299	1,419	1,619	1,800	1,927	1,848	2,055
Changes in inventories	309	16	-16	11	7	-69	53
Other movement in non-financial assets	-1	1	309	-54	33	-22	3
<i>less:</i>							
Sales of non-financial assets	346	425	439	474	2,731	489	552
Depreciation	648	715	782	852	882	922	1,034
<i>Total net acquisition of non-financial assets</i>	<i>614</i>	<i>295</i>	<i>691</i>	<i>430</i>	<i>-1,646</i>	<i>346</i>	<i>525</i>
NET LENDING/-BORROWING	-383	588	-188	-299	1,785	-117	-314

Note: Columns may not add due to rounding.

Table 4.8 (Cont.)

TOTAL NON-FINANCIAL PUBLIC SECTOR **Operating Statement**

	2000-01 Actual \$m	2001-02 Actual \$m	2002-03 Actual \$m	2003-04 Actual \$m	2004-05 Actual \$m	2005-06 Actual \$m	2006-07 Actual \$m
<i>Revenue</i>							
Taxation	2,832	2,841	3,259	3,986	4,184	5,055	5,617
Current grants and subsidies	4,781	5,253	5,464	5,583	6,468	6,890	7,155
Capital grants	277	267	288	295	347	698	396
Sales of goods and services	5,997	5,599	5,581	5,981	6,186	7,185	7,614
Interest income	225	193	189	208	242	283	361
Royalty income	701	651	707	676	864	1,205	1,484
Other	349	416	433	516	626	745	798
<i>Total revenue</i>	<i>15,162</i>	<i>15,220</i>	<i>15,921</i>	<i>17,245</i>	<i>18,916</i>	<i>22,061</i>	<i>23,426</i>
<i>Expenses</i>							
Salaries	4,364	4,588	4,910	5,267	5,740	6,245	6,794
Superannuation							
Concurrent costs	405	421	478	506	567	606	662
Superannuation interest cost	304	278	277	283	294	242	289
Other employee costs	148	182	180	169	193	194	201
Depreciation and amortisation	1,010	1,138	1,200	1,173	1,260	1,273	1,415
Services and contracts	1,728	1,528	1,532	1,536	1,684	1,863	2,020
Other gross operating expenses	4,383	4,006	4,200	4,393	4,552	5,553	5,858
Other interest	664	572	572	540	561	600	626
Other property expenses	-	-	-	-	-	-	-
Current transfers	1,805	1,980	2,000	2,056	2,358	2,491	2,811
Capital transfers	152	167	265	257	340	330	260
<i>Total expenses</i>	<i>14,964</i>	<i>14,860</i>	<i>15,614</i>	<i>16,181</i>	<i>17,549</i>	<i>19,398</i>	<i>20,934</i>
NET OPERATING BALANCE	198	359	307	1,064	1,367	2,664	2,492
<i>Other economic flows</i>							
Net gains on sale of non-financial assets	710	-8	39	-149	24	6	-2
Net actuarial gains	-70	-42	-47	-66	-131	335	-51
Provision for doubtful debts	27	11	-12	1	21	19	35
Valuation changes due to the implementation of AIFRS	-	-	-	-	-65	-	-
All other	-556	5	188	106	49	-43	70
<i>Total other economic flows</i>	<i>110</i>	<i>-35</i>	<i>168</i>	<i>-109</i>	<i>-102</i>	<i>317</i>	<i>51</i>
OPERATING RESULT	308	324	475	955	1,265	2,980	2,543
<i>All other movements in equity</i>							
Revaluations	Not Available	-3,952	1,650	1,674	4,108	3,902	12,890
Gains recognised directly in equity		7,731	195	-412	211	201	163
Changes in accounting policy/correction of prior period errors		-298	-345	3,300	20	1,071	1,913
Change in net worth of the PFC sector		-47	41	108	231	488	240
All other		44	-	105	-55	-20	-49
<i>Total all other movements in equity</i>	<i>205</i>	<i>3,478</i>	<i>1,543</i>	<i>4,775</i>	<i>4,516</i>	<i>5,641</i>	<i>15,156</i>
TOTAL CHANGE IN NET WORTH	513	3,802	2,018	5,730	5,780	8,622	17,699
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	198	359	307	1,064	1,367	2,664	2,492
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	2,294	2,004	2,088	2,499	2,881	3,557	4,162
Changes in inventories	-10	337	-63	78	56	374	-98
Other movement in non-financial assets	-	-35	-88	-16	55	42	1
<i>less:</i>							
Sales of non-financial assets	354	410	442	607	686	723	859
Depreciation	1,010	1,138	1,200	1,173	1,260	1,273	1,415
<i>Total net acquisition of non-financial assets</i>	<i>920</i>	<i>757</i>	<i>295</i>	<i>782</i>	<i>1,045</i>	<i>1,978</i>	<i>1,791</i>
NET LENDING/-BORROWING	-723	-398	12	282	322	686	701

Note: Columns may not add due to rounding.

Table 4.9

TOTAL NON-FINANCIAL PUBLIC SECTOR
Balance Sheet at 30 June

	1994 Actual \$m	1995 Actual \$m	1996 Actual \$m	1997 Actual \$m	1998 Actual \$m	1999 Actual \$m	2000 Actual \$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits	121	113	178	207	372	252	344
Advances paid	704	661	464	460	665	514	481
Investments, loans and placements	1,324	1,650	1,601	1,521	1,554	2,135	2,221
Receivables	514	706	728	733	719	884	1,008
Investment property	22	46	46	48	50	1	1
Equity							
Investments in other public sector entities - equity method	128	294	-288	-319	-278	-110	15
Investments in other public sector entities - direct injections	-	-	-	-	-	-	-
Investments in external entities - shareholdings	13	14	9	3	3	2	4
Other financial assets	361	319	324	287	255	172	111
<i>Total financial assets</i>	<i>3,187</i>	<i>3,802</i>	<i>3,063</i>	<i>2,940</i>	<i>3,340</i>	<i>3,851</i>	<i>4,185</i>
<i>Non-financial assets</i>							
Land	9,587	9,490	11,501	13,335	13,497	13,547	13,455
Property, plant and equipment	18,959	25,737	26,945	28,459	27,769	28,728	29,487
Biological assets	-	-	-	-	457	405	291
Inventories							
Land inventories	96	126	307	320	300	304	317
Other inventories	309	325	309	320	327	258	311
Intangibles	3	3	3	3	2	2	2
Non-current assets held for sale	-	-	-	-	-	-	-
<i>Total non-financial assets</i>	<i>28,954</i>	<i>35,681</i>	<i>39,065</i>	<i>42,436</i>	<i>42,351</i>	<i>43,244</i>	<i>43,862</i>
TOTAL ASSETS	32,141	39,483	42,129	45,375	45,692	47,095	48,047
LIABILITIES							
Deposits held	100	101	91	84	176	152	42
Advances received	1,573	1,391	1,095	1,068	946	899	732
Borrowings	8,740	8,668	7,653	7,726	6,381	7,009	7,869
Unfunded superannuation	4,364	4,239	4,609	4,819	5,079	5,235	5,339
Other employee benefits	763	850	908	1,058	1,060	1,065	1,111
Payables	303	355	468	516	590	657	704
Other liabilities	804	890	478	368	539	593	558
TOTAL LIABILITIES	16,646	16,494	15,302	15,639	14,771	15,609	16,356
NET ASSETS	15,495	22,989	26,827	29,736	30,920	31,486	31,691
<i>Of which:</i>							
Contributed equity	-	-	-	-	-	-	-
Accumulated surplus	-112	859	2,230	2,267	4,553	4,647	4,578
Other reserves	15,608	22,130	24,597	27,470	26,367	26,839	27,113
NET WORTH	15,495	22,989	26,827	29,736	30,920	31,486	31,691
MEMORANDUM ITEMS							
<i>Net financial worth</i>	<i>-13,459</i>	<i>-12,692</i>	<i>-12,238</i>	<i>-12,699</i>	<i>-11,431</i>	<i>-11,758</i>	<i>-12,171</i>
<i>Net financial liabilities</i>	<i>13,600</i>	<i>12,999</i>	<i>11,959</i>	<i>12,383</i>	<i>11,156</i>	<i>11,650</i>	<i>12,191</i>
<i>Net debt</i>							
Gross debt liabilities	10,413	10,160	8,839	8,878	7,503	8,060	8,644
less: liquid financial assets	2,149	2,424	2,244	2,188	2,591	2,902	3,046
less: convergence differences impacting net debt	-	-	-	-	-	-	-
<i>Net debt</i>	<i>8,264</i>	<i>7,736</i>	<i>6,595</i>	<i>6,690</i>	<i>4,912</i>	<i>5,158</i>	<i>5,598</i>

Note: Columns may not add due to rounding.

Table 4.9 (Cont.)

TOTAL NON-FINANCIAL PUBLIC SECTOR							
Balance Sheet at 30 June							
	2001 Actual \$m	2002 Actual \$m	2003 Actual \$m	2004 Actual \$m	2005 Actual \$m	2006 Actual \$m	2007 Actual \$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits	264	364	422	520	476	679	780
Advances paid	478	475	450	411	393	337	229
Investments, loans and placements	2,683	2,585	2,988	3,521	4,044	5,439	5,003
Receivables	1,168	1,082	1,253	1,448	1,704	2,160	2,618
Investment property	1	-	-	1	1	-	12
Equity							
Investments in other public sector entities - equity method	204	157	199	307	538	1,026	1,266
Investments in other public sector entities - direct injections	-	-	-	-	-	-	-
Investments in external entities - shareholdings	7	8	8	5	5	39	29
Other financial assets	66	30	57	31	38	54	33
Total financial assets	4,871	4,701	5,378	6,244	7,200	9,735	9,972
<i>Non-financial assets</i>							
Land	13,272	15,630	16,635	20,347	22,687	26,113	37,418
Property, plant and equipment	29,916	31,612	32,946	34,272	37,848	41,439	47,337
Biological assets	269	300	299	307	327	369	333
Inventories							
Land inventories	360	428	395	442	916	974	1,103
Other inventories	301	337	274	661	408	782	684
Intangibles	2	1	1	50	28	209	315
Non-current assets held for sale	-	-	-	-	-	71	115
Total non-financial assets	44,120	48,309	50,550	56,080	62,215	69,956	87,304
TOTAL ASSETS	48,990	53,010	55,927	62,323	69,414	79,692	97,275
LIABILITIES							
Deposits held	110	116	122	136	158	196	126
Advances received	620	593	581	561	549	536	523
Borrowings	7,759	7,804	8,317	8,633	9,035	10,052	9,640
Unfunded superannuation	5,462	5,511	5,575	5,681	5,743	5,610	5,652
Other employee benefits	1,178	1,269	1,382	1,540	1,581	1,741	1,877
Payables	750	631	975	1,116	1,303	2,011	1,870
Other liabilities	907	1,080	952	901	1,511	1,390	1,732
TOTAL LIABILITIES	16,786	17,004	17,903	18,569	19,880	21,535	21,420
NET ASSETS	32,204	36,006	38,024	43,754	49,535	58,156	75,856
<i>Of which:</i>							
Contributed equity	-	-	-	-	-	-	-
Accumulated surplus	4,886	12,649	13,676	16,127	19,027	22,207	26,986
Other reserves	27,319	23,357	24,349	27,627	30,507	35,949	48,870
NET WORTH	32,204	36,006	38,024	43,754	49,535	58,156	75,856
MEMORANDUM ITEMS							
<i>Net financial worth</i>	-11,915	-12,303	-12,526	-12,325	-12,680	-11,800	-11,448
<i>Net financial liabilities</i>	12,126	12,468	12,732	12,637	13,223	12,865	12,743
<i>Net debt</i>							
Gross debt liabilities	8,490	8,513	9,020	9,331	9,742	10,783	10,289
less: liquid financial assets	3,424	3,424	3,861	4,452	4,913	6,455	6,013
less: convergence differences impacting net debt	-	-	-	-	88	88	88
Net debt	5,065	5,089	5,159	4,879	4,741	4,240	4,189

Note: Columns may not add due to rounding.

Table 4.10

TOTAL NON-FINANCIAL PUBLIC SECTOR **Cash Flow Statement**

	1993-94 Actual \$m	1994-95 Actual \$m	1995-96 Actual \$m	1996-97 Actual \$m	1997-98 Actual \$m	1998-99 Actual \$m	1999-00 Actual \$m
OPERATING ACTIVITIES							
<i>Receipts from operating activities</i>							
Taxes received	2,023	2,166	2,344	2,461	2,813	2,991	3,247
Grants and subsidies received	3,032	3,191	3,432	3,251	3,323	3,489	3,811
Receipts from sales of goods and services	5,325	5,566	5,800	5,994	6,691	6,194	6,447
Interest receipts	99	135	174	152	138	153	175
Dividends and tax equivalents	30	49	27	3	1	10	11
Other receipts	638	637	548	565	610	671	572
<i>Total receipts from operating activities</i>	<i>11,147</i>	<i>11,743</i>	<i>12,324</i>	<i>12,425</i>	<i>13,575</i>	<i>13,508</i>	<i>14,263</i>
<i>Payments for operating activities</i>							
Wages, salaries and supplements, and superannuation	-3,996	-3,870	-4,010	-4,158	-4,328	-4,618	-4,815
Payments for goods and services	-4,139	-4,423	-4,773	-4,871	-5,479	-5,391	-5,879
Interest paid	-942	-960	-938	-861	-821	-721	-671
Grants and subsidies paid	-860	-715	-870	-1,152	-1,357	-1,449	-1,584
Dividends and tax equivalents	-	-	-	-	-	-	-
Other payments	-306	-205	-112	-71	-187	-120	-122
<i>Total payments for operating activities</i>	<i>-10,242</i>	<i>-10,173</i>	<i>-10,703</i>	<i>-11,113</i>	<i>-12,172</i>	<i>-12,300</i>	<i>-13,073</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	904	1,570	1,621	1,311	1,403	1,208	1,191
INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets	-1,299	-1,419	-1,619	-1,800	-1,927	-1,848	-2,055
Sales of non-financial assets	346	425	439	474	2,731	489	552
<i>Total cash flows from investments in non-financial assets</i>	<i>-953</i>	<i>-994</i>	<i>-1,180</i>	<i>-1,326</i>	<i>804</i>	<i>-1,359</i>	<i>-1,503</i>
<i>Cash flows from investments in financial assets</i>							
Receipts from investing activities:							
For policy purposes	-	-	552	-	-	14	14
For liquidity purposes	73	100	345	104	107	165	462
Payments for investing activities:							
For policy purposes	-	-	-	-	-	-	-
For liquidity purposes	-70	-87	-274	-123	-356	-137	-461
<i>Total cash flows from investments in financial assets</i>	<i>3</i>	<i>12</i>	<i>623</i>	<i>-19</i>	<i>-250</i>	<i>42</i>	<i>16</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES	-951	-981	-557	-1,345	554	-1,317	-1,487
FINANCING ACTIVITIES							
<i>Receipts from financing activities</i>							
Advances received	-	-	-	-	-	-	-
Borrowings	5,150	5,609	5,440	3,228	4,080	3,347	4,463
Deposits received	-	-	-	-	-	-	-
Other financing receipts	290	47	495	21	25	78	101
<i>Total receipts from financing activities</i>	<i>5,440</i>	<i>5,656</i>	<i>5,935</i>	<i>3,249</i>	<i>4,105</i>	<i>3,425</i>	<i>4,564</i>
<i>Payments for financing activities</i>							
Advances paid	-150	-227	-314	-25	-156	-20	-229
Borrowings repaid	-5,174	-5,701	-6,526	-3,121	-5,568	-3,099	-4,049
Deposits paid	-	-	-	-	-	-	-
Other financing payments	-9	-95	-3	-38	-221	-163	-4
<i>Total payments for financing activities</i>	<i>-5,333</i>	<i>-6,024</i>	<i>-6,843</i>	<i>-3,185</i>	<i>-5,946</i>	<i>-3,282</i>	<i>-4,282</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES	107	-367	-909	64	-1,842	143	282
Net increase in cash and cash equivalents	61	221	155	30	116	33	-15
Opening balance	951	1,012	1,234	1,389	1,419	1,535	1,569
Closing balance	1,012	1,234	1,389	1,419	1,535	1,569	1,554
KEY FISCAL AGGREGATES							
Net cash flows from operating activities	904	1,570	1,621	1,311	1,403	1,208	1,191
Net cash flows from investing in non-financial assets	-953	-994	-1,180	-1,326	804	-1,359	-1,503
Cash surplus/-deficit	-49	576	441	-14	2,207	-151	-312

Note: Columns may not add due to rounding.

Table 4.10 (Cont.)

TOTAL NON-FINANCIAL PUBLIC SECTOR							
Cash Flow Statement							
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
OPERATING ACTIVITIES							
<i>Receipts from operating activities</i>							
Taxes received	2,677	2,867	3,213	3,912	4,194	4,965	5,483
Grants and subsidies received	5,113	5,531	5,794	5,829	6,786	7,583	7,550
Receipts from sales of goods and services	6,120	5,656	5,785	6,052	6,375	7,407	8,022
Interest receipts	226	195	189	207	240	271	354
Dividends and tax equivalents	19	15	8	15	7	12	46
Other receipts	1,605	1,682	1,753	1,841	1,944	2,530	3,024
<i>Total receipts from operating activities</i>	<i>15,759</i>	<i>15,946</i>	<i>16,742</i>	<i>17,855</i>	<i>19,545</i>	<i>22,767</i>	<i>24,479</i>
<i>Payments for operating activities</i>							
Wages, salaries and supplements, and superannuation	-5,035	-5,166	-5,515	-5,840	-6,497	-6,899	-7,604
Payments for goods and services	-6,041	-5,710	-5,905	-6,045	-6,489	-7,570	-8,281
Interest paid	-673	-545	-590	-585	-566	-560	-632
Grants and subsidies paid	-1,892	-1,866	-2,014	-2,113	-2,405	-2,564	-2,803
Dividends and tax equivalents	-	-	-	-	-	-	-
Other payments	-962	-1,207	-1,176	-1,233	-1,352	-1,477	-1,696
<i>Total payments for operating activities</i>	<i>-14,604</i>	<i>-14,493</i>	<i>-15,200</i>	<i>-15,816</i>	<i>-17,309</i>	<i>-19,069</i>	<i>-21,017</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,156	1,452	1,542	2,039	2,237	3,698	3,462
INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets	-2,294	-2,004	-2,088	-2,499	-2,881	-3,557	-4,162
Sales of non-financial assets	354	410	442	607	686	723	859
<i>Total cash flows from investments in non-financial assets</i>	<i>-1,940</i>	<i>-1,594</i>	<i>-1,646</i>	<i>-1,892</i>	<i>-2,195</i>	<i>-2,834</i>	<i>-3,303</i>
<i>Cash flows from investments in financial assets</i>							
Receipts from investing activities:							
For policy purposes	1,498	16	16	15	1	-	1
For liquidity purposes	530	467	371	594	290	337	229
Payments for investing activities:							
For policy purposes	-32	-	-	-	-1	-	-1
For liquidity purposes	-598	-516	-341	-652	-339	-287	-230
<i>Total cash flows from investments in financial assets</i>	<i>1,398</i>	<i>-33</i>	<i>45</i>	<i>-42</i>	<i>-49</i>	<i>50</i>	<i>-1</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES	-542	-1,627	-1,601	-1,934	-2,243	-2,784	-3,304
FINANCING ACTIVITIES							
<i>Receipts from financing activities</i>							
Advances received	1	3	-	-	-	-	-
Borrowings	4,761	3,915	5,206	8,262	11,046	11,578	8,618
Deposits received	32	-	-	-	-	-	-
Other financing receipts	271	85	127	111	147	141	63
<i>Total receipts from financing activities</i>	<i>5,065</i>	<i>4,003</i>	<i>5,333</i>	<i>8,373</i>	<i>11,192</i>	<i>11,719</i>	<i>8,682</i>
<i>Payments for financing activities</i>							
Advances paid	-131	-28	-11	-20	-12	-14	-17
Borrowings repaid	-4,931	-3,813	-4,950	-8,244	-10,801	-10,784	-8,604
Deposits paid	-	-92	-9	-2	-1	-	-
Other financing payments	-256	-64	-103	-101	-136	-63	-59
<i>Total payments for financing activities</i>	<i>-5,318</i>	<i>-3,997</i>	<i>-5,073</i>	<i>-8,367</i>	<i>-10,950</i>	<i>-10,861</i>	<i>-8,679</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES	-253	5	260	6	242	858	2
Net increase in cash and cash equivalents	361	-169	201	112	235	1,772	161
Opening balance	1,554	1,915	1,746	1,947	2,058	2,294	4,066
Closing balance	1,915	1,746	1,947	2,058	2,294	4,066	4,226
KEY FISCAL AGGREGATES							
Net cash flows from operating activities	1,156	1,452	1,542	2,039	2,237	3,698	3,462
Net cash flows from investing in non-financial assets	-1,940	-1,594	-1,646	-1,892	-2,195	-2,834	-3,303
Cash surplus/-deficit	-784	-142	-104	148	42	864	159

Note: Columns may not add due to rounding.

Table 4.11

PUBLIC FINANCIAL CORPORATIONS **Operating Statement**

	1993-94 Actual \$m	1994-95 Actual \$m	1995-96 Actual \$m	1996-97 Actual \$m	1997-98 Actual \$m	1998-99 Actual \$m	1999-00 Actual \$m
<i>Revenue</i>							
Current grants and subsidies	7	-	-	-	-	-	-
Capital grants	124	-	75	-	-	-	-
Sales of goods and services	553	483	420	447	466	485	505
Interest Income	1,758	1,765	1,437	1,087	1,072	939	950
Other	-	-	10	-	89	18	-
<i>Total revenue</i>	<i>2,441</i>	<i>2,248</i>	<i>1,942</i>	<i>1,534</i>	<i>1,627</i>	<i>1,441</i>	<i>1,454</i>
<i>Expenses</i>							
Salaries	130	131	63	14	15	16	16
Superannuation							
Concurrent costs	9	9	7	2	3	2	2
Superannuation interest cost	-	-	-	-	-	-	-
Other employee costs	12	-	-	-	-	-	-
Depreciation and amortisation	36	26	11	1	2	2	2
Services and contracts	15	11	9	9	18	12	13
Other gross operating expenses	573	422	349	366	700	468	496
Other interest	1,363	1,415	1,262	895	848	641	820
Dividend and tax equivalents	30	49	110	-	-	10	16
Current transfers	26	5	2	2	3	2	1
Capital transfers	-	-	2	-	12	-	-
<i>Total expenses</i>	<i>2,194</i>	<i>2,068</i>	<i>1,815</i>	<i>1,290</i>	<i>1,599</i>	<i>1,154</i>	<i>1,367</i>
NET OPERATING BALANCE	248	181	127	244	27	287	88
<i>Other economic flows</i>							
Net gains on sale of non-financial assets	64	-	-287	-3	-9	-120	40
Net actuarial gains	-	5	36	3	-	-	-2
Provision for doubtful debts	-	-	-	-	-	-	-
Valuation changes due to the implementation of AIFRS	-	-	-	-	-	-	-
All other	-	-	-	-	24	-	-
<i>Total other economic flows</i>	<i>64</i>	<i>5</i>	<i>-251</i>	<i>-</i>	<i>15</i>	<i>-120</i>	<i>38</i>
OPERATING RESULT	311	185	-124	244	42	168	125
<i>All other movements in equity</i>							
Revaluations							
Gains recognised directly in equity							
Changes in accounting policy/correction of prior period errors							
Capital injections from general government							
All other							
<i>Total all other movements in equity</i>	<i>n.avail.</i>	<i>-19</i>	<i>-458</i>	<i>-275</i>	<i>-1</i>	<i>-</i>	<i>-</i>
TOTAL CHANGE IN NET WORTH	n.avail.	166	-582	-31	41	168	125
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	248	181	127	244	27	287	88
Less <i>Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	12	22	20	2	2	2	3
Changes in inventories	-	-	-	-	-	-	-
Other movement in non-financial assets	-	-	-	-	-12	13	5
<i>less:</i>							
Sales of non-financial assets	1	149	1	-	-	-	-
Depreciation	36	26	11	1	2	2	2
<i>Total net acquisition of non-financial assets</i>	<i>-26</i>	<i>-152</i>	<i>8</i>	<i>-</i>	<i>-12</i>	<i>13</i>	<i>7</i>
NET LENDING/-BORROWING	273	333	120	244	40	275	81

Note: Columns may not add due to rounding.

Table 4.11 (Cont.)

PUBLIC FINANCIAL CORPORATIONS
Operating Statement

	2000-01 Actual \$m	2001-02 Actual \$m	2002-03 Actual \$m	2003-04 Actual \$m	2004-05 Actual \$m	2005-06 Actual \$m	2006-07 Actual \$m
<i>Revenue</i>							
Current grants and subsidies	-	-	-	-	1	-	-
Capital grants	2	-	-	-	-	-	1
Sales of goods and services	513	394	490	634	754	840	847
Interest income	958	833	893	937	947	871	860
Other	8	27	6	30	6	-	-
<i>Total revenue</i>	<i>1,482</i>	<i>1,254</i>	<i>1,389</i>	<i>1,601</i>	<i>1,709</i>	<i>1,711</i>	<i>1,708</i>
<i>Expenses</i>							
Salaries	18	18	18	19	20	20	27
Superannuation							
Concurrent costs	3	2	2	2	2	1	3
Superannuation interest cost	-	-	-	-	-	-	-
Other employee costs	-	-	-	-	-	-	1
Depreciation and amortisation	2	3	4	4	4	7	3
Services and contracts	11	12	13	15	16	9	3
Other gross operating expenses	430	470	481	568	529	564	574
Other interest	757	699	790	856	888	810	811
Dividend and tax equivalents	10	15	7	15	7	12	55
Current transfers	4	2	2	2	3	2	2
Capital transfers	-	-	1	-	-	-	1
<i>Total expenses</i>	<i>1,236</i>	<i>1,222</i>	<i>1,318</i>	<i>1,481</i>	<i>1,470</i>	<i>1,426</i>	<i>1,478</i>
NET OPERATING BALANCE	246	32	71	120	239	284	230
<i>Other economic flows</i>							
Net gains on sale of non-financial assets	-15	-64	-44	-18	-24	-1	78
Net actuarial gains	-	-	1	4	5	-	1
Provision for doubtful debts	-	-	-	-	-	-	-
Valuation changes due to the implementation of AIFRS	-	-	-	-	-5	-	-
All other	-	-	-	-	1	-	-
<i>Total other economic flows</i>	<i>-15</i>	<i>-65</i>	<i>-44</i>	<i>-15</i>	<i>-23</i>	<i>-1</i>	<i>79</i>
OPERATING RESULT	231	-32	27	105	216	283	309
<i>All other movements in equity</i>							
Revaluations	Not Available	1	-3	1	8	292	47
Gains recognised directly in equity		-	1	-1	-	40	135
Changes in accounting policy/correction of prior period errors		-16	16	3	7	-128	-252
Capital injections from general government		-	-	-	-	-	-
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>	<i>-42</i>	<i>-15</i>	<i>14</i>	<i>3</i>	<i>15</i>	<i>205</i>	<i>-70</i>
TOTAL CHANGE IN NET WORTH	189	-47	41	108	231	488	240
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	246	32	71	120	239	284	230
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	6	5	6	3	3	5	7
Changes in inventories	-	-	-	-	-	-	-
Other movement in non-financial assets	-	-	-	-	-	-	-
<i>less:</i>							
Sales of non-financial assets	1	1	1	-	1	-	-
Depreciation	2	3	4	4	4	7	3
<i>Total net acquisition of non-financial assets</i>	<i>3</i>	<i>1</i>	<i>1</i>	<i>-2</i>	<i>-1</i>	<i>-3</i>	<i>4</i>
NET LENDING/-BORROWING	242	31	70	122	241	287	226

Note: Columns may not add due to rounding.

PUBLIC FINANCIAL CORPORATIONS
Balance Sheet at 30 June

Table 4.12

	1994 Actual \$m	1995 Actual \$m	1996 Actual \$m	1997 Actual \$m	1998 Actual \$m	1999 Actual \$m	2000 Actual \$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits	138	175	5	6	8	18	24
Advances paid	659	705	755	871	1,163	1,461	1,578
Investments, loans and placements	21,498	19,119	9,745	10,112	8,724	9,998	11,310
Receivables	1,509	1,357	184	196	334	331	301
Investment property	181	157	211	230	250	262	272
Equity							
Investments in other public sector entities - equity method	-	-	-	-	-	-	-
Investments in other public sector entities - direct injections	-	-	-	-	-	-	-
Investments in external entities - shareholdings	100	104	197	311	352	442	542
Other financial assets	31	31	26	17	24	18	29
<i>Total financial assets</i>	<i>24,115</i>	<i>21,648</i>	<i>11,124</i>	<i>11,742</i>	<i>10,855</i>	<i>12,531</i>	<i>14,057</i>
<i>Non-financial assets</i>							
Land	87	63	-	-	-	-	-
Property, plant and equipment	233	112	7	7	50	4	5
Biological assets	-	-	-	-	-	-	-
Inventories							
Land inventories	-	-	-	-	-	-	-
Other inventories	-	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-	-
Non-current assets held for sale	-	-	-	-	-	-	-
<i>Total non-financial assets</i>	<i>320</i>	<i>175</i>	<i>7</i>	<i>7</i>	<i>50</i>	<i>4</i>	<i>5</i>
TOTAL ASSETS	24,435	21,823	11,131	11,749	10,906	12,535	14,061
LIABILITIES							
Deposits held	3,669	2,218	-	-	-	-	-
Advances received	220	220	-	-	100	4	3
Borrowings	18,863	17,474	10,265	10,895	9,575	10,979	12,285
Unfunded superannuation	49	50	16	14	15	15	16
Other employee benefits	25	25	3	4	4	4	4
Payables	365	379	273	240	190	194	273
Other liabilities	1,116	1,163	862	915	1,300	1,449	1,464
<i>TOTAL LIABILITIES</i>	<i>24,307</i>	<i>21,530</i>	<i>11,419</i>	<i>12,068</i>	<i>11,183</i>	<i>12,645</i>	<i>14,046</i>
NET ASSETS	128	294	-288	-319	-278	-110	15
<i>Of which:</i>							
Contributed equity	-	-	-	-	-	-	-
Accumulated surplus	-349	-164	-288	-319	-278	-110	15
Other reserves	477	458	-	-	-	-	-
NET WORTH	128	294	-288	-319	-278	-110	15
MEMORANDUM ITEMS							
<i>Net financial worth</i>	<i>-320</i>	<i>-175</i>	<i>-7</i>	<i>-7</i>	<i>-50</i>	<i>-4</i>	<i>-5</i>
<i>Net debt</i>							
Gross debt liabilities	22,752	19,913	10,265	10,895	9,675	10,982	12,289
less: liquid financial assets	22,295	19,999	10,505	10,989	9,895	11,477	12,913
less: convergence differences impacting net debt	-	-	-	-	-	-	-
<i>Net debt</i>	<i>458</i>	<i>-86</i>	<i>-240</i>	<i>-93</i>	<i>-220</i>	<i>-495</i>	<i>-624</i>

Note: Columns may not add due to rounding.

Table 4.12 (Cont.)

PUBLIC FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	2001 Actual \$m	2002 Actual \$m	2003 Actual \$m	2004 Actual \$m	2005 Actual \$m	2006 Actual \$m	2007 Actual \$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits	25	16	19	18	23	24	25
Advances paid	1,515	1,463	1,353	1,366	1,682	1,604	1,253
Investments, loans and placements	11,512	11,226	12,291	12,792	13,411	13,391	14,014
Receivables	443	446	437	465	507	476	422
Investment property	283	293	290	316	356	258	367
Equity							
Investments in other public sector entities - equity method	-	-	-	-	-	-	-
Investments in other public sector entities - direct injections	-	-	-	-	-	-	-
Investments in external entities - shareholdings	638	606	696	899	960	1,085	1,320
Other financial assets	21	26	8	5	7	5	1
<i>Total financial assets</i>	<i>14,435</i>	<i>14,075</i>	<i>15,096</i>	<i>15,859</i>	<i>16,946</i>	<i>16,842</i>	<i>17,402</i>
<i>Non-financial assets</i>							
Land	-	-	-	-	-	13	16
Property, plant and equipment	8	9	10	9	13	161	227
Biological assets	-	-	-	-	-	-	-
Inventories							
Land inventories	-	-	-	-	-	-	-
Other inventories	-	-	-	-	-	-	-
Intangibles	-	-	-	-	-	3	8
Non-current assets held for sale	-	-	-	-	-	-	-
<i>Total non-financial assets</i>	<i>8</i>	<i>9</i>	<i>10</i>	<i>9</i>	<i>13</i>	<i>177</i>	<i>251</i>
TOTAL ASSETS	14,443	14,084	15,106	15,868	16,959	17,019	17,653
LIABILITIES							
Deposits held	-	-	-	-	-	-	-
Advances received	3	3	3	3	3	3	3
Borrowings	12,364	12,103	12,998	13,487	14,374	13,954	14,084
Unfunded superannuation	16	17	16	12	6	12	11
Other employee benefits	5	5	5	6	5	5	6
Payables	250	225	233	290	225	182	197
Other liabilities	1,601	1,574	1,651	1,763	1,807	1,836	2,086
<i>TOTAL LIABILITIES</i>	<i>14,239</i>	<i>13,927</i>	<i>14,907</i>	<i>15,561</i>	<i>16,421</i>	<i>15,993</i>	<i>16,387</i>
NET ASSETS	204	157	199	307	538	1,026	1,266
<i>Of which:</i>							
Contributed equity	-	-	-	-	-	-	-
Accumulated surplus	246	214	241	299	522	985	1,178
Other reserves	-42	-57	-42	8	16	41	88
NET WORTH	204	157	199	307	538	1,026	1,266
MEMORANDUM ITEMS							
<i>Net financial worth</i>	<i>-8</i>	<i>-9</i>	<i>-10</i>	<i>-9</i>	<i>-13</i>	<i>-177</i>	<i>-251</i>
<i>Net debt</i>							
Gross debt liabilities	12,367	12,107	13,002	13,491	14,377	13,957	14,087
less: liquid financial assets	13,051	12,705	13,664	14,175	15,117	15,018	15,292
less: convergence differences impacting net debt	-	-	-	-	-	-	-
<i>Net debt</i>	<i>-684</i>	<i>-598</i>	<i>-662</i>	<i>-685</i>	<i>-739</i>	<i>-1,061</i>	<i>-1,205</i>

Note: Columns may not add due to rounding.

Table 4.13

PUBLIC FINANCIAL CORPORATIONS
Cash Flow Statement

	1993-94 Actual \$m	1994-95 Actual \$m	1995-96 Actual \$m	1996-97 Actual \$m	1997-98 Actual \$m	1998-99 Actual \$m	1999-00 Actual \$m
OPERATING ACTIVITIES							
<i>Receipts from operating activities</i>							
Grants and subsidies received	-	-	-	-	-	-	-
Receipts from sales of goods and services	478	470	398	288	371	439	484
Interest receipts	903	1,688	1,397	1,011	992	771	845
Dividends and tax equivalents	-	-	-	-	-	-	-
Other receipts	131	-	75	-	6	40	51
<i>Total receipts from operating activities</i>	<i>1,512</i>	<i>2,158</i>	<i>1,870</i>	<i>1,299</i>	<i>1,368</i>	<i>1,250</i>	<i>1,380</i>
<i>Payments for operating activities</i>							
Wages, salaries and supplements, and superannuation	-23	-141	-66	-13	-15	-17	-18
Payments for goods and services	-450	-417	-298	-303	-380	-414	-448
Interest paid	-784	-1,316	-1,239	-908	-913	-665	-777
Grants and subsidies paid	-	-	-	-	-	-	-
Dividends and tax equivalents	-30	-49	-110	-	-	-10	-11
Other payments	-9	-2	-2	-2	-3	-2	-2
<i>Total payments for operating activities</i>	<i>-1,296</i>	<i>-1,926</i>	<i>-1,714</i>	<i>-1,225</i>	<i>-1,310</i>	<i>-1,108</i>	<i>-1,256</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	216	232	155	73	58	142	124
INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets	-12	-22	-20	-2	-2	-2	-3
Sales of non-financial assets	1	149	1	-	-	-	-
<i>Total cash flows from investments in non-financial assets</i>	<i>-10</i>	<i>127</i>	<i>-19</i>	<i>-1</i>	<i>-1</i>	<i>-1</i>	<i>-3</i>
<i>Cash flows from investments in financial assets</i>							
Receipts from investing activities:							
For policy purposes	-	-	-	-	-	-	-
For liquidity purposes	4,072	20,946	17,967	14,610	10,041	5,665	2,404
Payments for investing activities:							
For policy purposes	-	-	-	-	-	-	-
For liquidity purposes	-4,368	-20,781	-18,103	-14,675	-10,313	-6,002	-2,449
<i>Total cash flows from investments in financial assets</i>	<i>-296</i>	<i>165</i>	<i>-136</i>	<i>-65</i>	<i>-271</i>	<i>-336</i>	<i>-46</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES	-307	292	-155	-66	-273	-338	-48
FINANCING ACTIVITIES							
<i>Receipts from financing activities</i>							
Advances received	-	-	-	-	-	-	-
Borrowings	21,867	25,140	17,086	16,414	15,811	16,636	20,801
Deposits received	-	276	721	-	-	-	-
Other financing receipts	2,763	566	1,390	1,820	3,098	13	-
<i>Total receipts from financing activities</i>	<i>24,630</i>	<i>25,982</i>	<i>19,197</i>	<i>18,234</i>	<i>18,910</i>	<i>16,649</i>	<i>20,801</i>
<i>Payments for financing activities</i>							
Advances paid	-	-	-	-	-	-	-
Borrowings repaid	-21,877	-25,816	-16,618	-16,451	-16,168	-15,906	-20,329
Deposits paid	-	-	-	-	-	-	-
Other financing payments	-2,365	-1,006	-1,773	-1,710	-2,783	130	-1
<i>Total payments for financing activities</i>	<i>-24,242</i>	<i>-26,822</i>	<i>-18,391</i>	<i>-18,161</i>	<i>-18,952</i>	<i>-15,776</i>	<i>-20,330</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES	388	-840	806	73	-42	873	471
Net increase in cash and cash equivalents	298	-316	806	80	-257	677	547
Opening balance	91	389	73	879	959	703	1,380
Closing balance	389	73	879	959	703	1,380	1,926
KEY FISCAL AGGREGATES							
Net cash flows from operating activities	216	232	155	73	58	142	124
Net cash flows from investing in non-financial assets	-10	127	-19	-1	-1	-1	-3
Cash surplus/-deficit	206	359	136	72	57	141	121

Note: Columns may not add due to rounding.

Table 4.13 (Cont.)

PUBLIC FINANCIAL CORPORATIONS
Cash Flow Statement

	2000-01 Actual \$m	2001-02 Actual \$m	2002-03 Actual \$m	2003-04 Actual \$m	2004-05 Actual \$m	2005-06 Actual \$m	2006-07 Actual \$m
OPERATING ACTIVITIES							
<i>Receipts from operating activities</i>							
Grants and subsidies received	2	-	-	-	1	-	1
Receipts from sales of goods and services	567	485	598	572	593	643	622
Interest receipts	826	735	803	835	868	903	906
Dividends and tax equivalents	-	-	-	-	-	-	-
Other receipts	73	87	85	105	95	95	87
<i>Total receipts from operating activities</i>	<i>1,467</i>	<i>1,307</i>	<i>1,486</i>	<i>1,512</i>	<i>1,556</i>	<i>1,642</i>	<i>1,616</i>
<i>Payments for operating activities</i>							
Wages, salaries and supplements, and superannuation	-21	-20	-21	-22	-23	-23	-29
Payments for goods and services	-436	-474	-431	-499	-504	-542	-479
Interest paid	-796	-734	-787	-852	-910	-735	-668
Grants and subsidies paid	-	-1	-1	-2	-1	-1	-1
Dividends and tax equivalents	-13	-15	-8	-15	-7	-12	-46
Other payments	-72	-59	-98	-126	-119	-123	-119
<i>Total payments for operating activities</i>	<i>-1,338</i>	<i>-1,304</i>	<i>-1,346</i>	<i>-1,514</i>	<i>-1,564</i>	<i>-1,437</i>	<i>-1,343</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	129	3	140	-2	-8	205	273
INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets	-6	-5	-6	-3	-3	-5	-7
Sales of non-financial assets	1	1	1	-	1	-	-
<i>Total cash flows from investments in non-financial assets</i>	<i>-6</i>	<i>-4</i>	<i>-5</i>	<i>-3</i>	<i>-2</i>	<i>-4</i>	<i>-7</i>
<i>Cash flows from investments in financial assets</i>							
Receipts from investing activities:							
For policy purposes	-	-	-	-	-	-	-
For liquidity purposes	3,423	2,959	1,861	3,125	1,936	3,347	3,870
Payments for investing activities:							
For policy purposes	-	-	-	-	-	-	-
For liquidity purposes	-3,582	-2,983	-2,023	-3,179	-2,234	-3,234	-3,528
<i>Total cash flows from investments in financial assets</i>	<i>-159</i>	<i>-24</i>	<i>-162</i>	<i>-54</i>	<i>-298</i>	<i>112</i>	<i>342</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES	-165	-28	-167	-56	-300	108	336
FINANCING ACTIVITIES							
<i>Receipts from financing activities</i>							
Advances received	-	-	-	-	-	-	-
Borrowings	19,235	23,603	24,983	37,228	31,922	23,174	17,284
Deposits received	-	-	-	-	-	-	-
Other financing receipts	-	-	1	-	-	-	-
<i>Total receipts from financing activities</i>	<i>19,235</i>	<i>23,603</i>	<i>24,984</i>	<i>37,228</i>	<i>31,922</i>	<i>23,174</i>	<i>17,284</i>
<i>Payments for financing activities</i>							
Advances paid	-	-	-	-	-	-	-
Borrowings repaid	-19,614	-23,922	-24,579	-36,933	-31,427	-24,524	-16,750
Deposits paid	-	-	-	-	-	-	-
Other financing payments	-	-	-	-	-2	-	-
<i>Total payments for financing activities</i>	<i>-19,613</i>	<i>-23,922</i>	<i>-24,579</i>	<i>-36,933</i>	<i>-31,429</i>	<i>-24,524</i>	<i>-16,750</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES	-378	-320	405	295	493	-1,350	535
Net increase in cash and cash equivalents	-414	-345	378	236	185	-1,037	1,144
Opening balance	1,926	1,513	1,168	1,546	1,782	1,967	929
Closing balance	1,513	1,168	1,546	1,782	1,967	929	2,073
KEY FISCAL AGGREGATES							
Net cash flows from operating activities	129	3	140	-2	-8	205	273
Net cash flows from investing in non-financial assets	-6	-4	-5	-3	-2	-4	-7
Cash surplus/-deficit	123	-1	134	-5	-10	200	267

Note: Columns may not add due to rounding.

Table 4.14

TOTAL PUBLIC SECTOR Operating Statement

	1993-94 Actual \$m	1994-95 Actual \$m	1995-96 Actual \$m	1996-97 Actual \$m	1997-98 Actual \$m	1998-99 Actual \$m	1999-00 Actual \$m
<i>Revenue</i>							
Taxation	2,003	2,173	2,366	2,547	2,895	3,101	3,246
Current grants and subsidies	2,845	3,046	3,078	3,103	3,178	3,300	3,674
Capital grants	391	332	414	228	201	189	203
Sales of goods and services	5,975	6,142	6,228	6,209	6,929	6,542	6,893
Interest Income	1,071	1,141	771	533	562	503	521
Royalty income	332	460	399	391	414	433	487
Other	160	187	219	318	458	383	357
<i>Total revenue</i>	<i>12,777</i>	<i>13,481</i>	<i>13,475</i>	<i>13,330</i>	<i>14,635</i>	<i>14,451</i>	<i>15,379</i>
<i>Expenses</i>							
Salaries	3,832	3,686	3,694	3,795	4,009	4,074	4,262
Superannuation							
Concurrent costs	120	112	192	304	341	352	366
Superannuation interest cost	213	217	207	235	268	276	297
Other employee costs	23	37	52	23	60	96	105
Depreciation and amortisation	685	741	794	853	883	923	1,036
Services and contracts	1,437	1,468	1,502	1,526	1,756	1,640	1,744
Other gross operating expenses	3,615	3,715	3,837	3,948	4,603	4,344	4,747
Other interest	1,546	1,623	1,432	1,039	1,081	801	902
Other property expenses	-	-	-	-	-	-	-
Current transfers	779	753	923	1,092	1,366	1,276	1,482
Capital transfers	49	67	212	139	101	153	142
<i>Total expenses</i>	<i>12,299</i>	<i>12,417</i>	<i>12,844</i>	<i>12,955</i>	<i>14,468</i>	<i>13,935</i>	<i>15,081</i>
NET OPERATING BALANCE	478	1,064	631	376	167	516	298
<i>Other economic flows</i>							
Net gains on sale of non-financial assets	146	218	565	26	1,117	-172	-140
Net actuarial gains	-68	-129	48	-92	-62	-57	-40
Provision for doubtful debts	-	3	3	-28	10	-24	-1
Valuation changes due to the implementation of AIFRS	-	-	-	-	-	-	-
All other	-	1	-	-	-	-2	-62
<i>Total other economic flows</i>	<i>77</i>	<i>93</i>	<i>616</i>	<i>-94</i>	<i>1,064</i>	<i>-254</i>	<i>-244</i>
OPERATING RESULT	556	1,157	1,247	281	1,231	261	54
<i>All other movements in equity</i>							
Revaluations	Not available						
Gains recognised directly in equity							
Changes in accounting policy/correction of prior period errors							
All other							
<i>Total all other movements in equity</i>	<i>n.avail.</i>	<i>6,337</i>	<i>2,591</i>	<i>2,628</i>	<i>-47</i>	<i>304</i>	<i>150</i>
TOTAL CHANGE IN NET WORTH	n.avail.	7,494	3,838	2,909	1,184	566	205
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	478	1,064	631	376	167	516	298
Less <i>Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	1,311	1,441	1,639	1,802	1,928	1,850	2,058
Changes in inventories	309	16	-16	11	7	-69	53
Other movement in non-financial assets	-1	1	309	-54	21	-9	8
<i>less:</i>							
Sales of non-financial assets	347	574	440	475	2,731	489	552
Depreciation	685	741	794	853	883	923	1,036
<i>Total net acquisition of non-financial assets</i>	<i>588</i>	<i>143</i>	<i>699</i>	<i>430</i>	<i>-1,658</i>	<i>359</i>	<i>531</i>
NET LENDING/-BORROWING	-109	921	-68	-55	1,825	157	-233

Note: Columns may not add due to rounding.

Table 4.14 (Cont.)

TOTAL PUBLIC SECTOR Operating Statement

	2000-01 Actual \$m	2001-02 Actual \$m	2002-03 Actual \$m	2003-04 Actual \$m	2004-05 Actual \$m	2005-06 Actual \$m	2006-07 Actual \$m
<i>Revenue</i>							
Taxation	2,830	2,840	3,258	3,985	4,182	5,053	5,615
Current grants and subsidies	4,781	5,253	5,464	5,583	6,468	6,890	7,155
Capital grants	277	267	288	295	347	698	396
Sales of goods and services	6,413	5,883	5,944	6,488	6,802	7,870	8,326
Interest income	555	487	539	580	592	527	602
Royalty income	701	651	707	676	864	1,205	1,484
Other	336	424	425	518	618	732	738
<i>Total revenue</i>	<i>15,893</i>	<i>15,805</i>	<i>16,624</i>	<i>18,125</i>	<i>19,873</i>	<i>22,976</i>	<i>24,316</i>
<i>Expenses</i>							
Salaries	4,382	4,606	4,928	5,286	5,760	6,265	6,820
Superannuation							
Concurrent costs	409	423	480	508	569	608	664
Superannuation interest cost	304	278	277	283	294	242	289
Other employee costs	149	183	180	169	193	194	202
Depreciation and amortisation	1,012	1,141	1,205	1,177	1,264	1,280	1,418
Services and contracts	1,700	1,523	1,525	1,551	1,700	1,872	2,023
Other gross operating expenses	4,732	4,384	4,573	4,835	4,943	5,963	6,290
Other interest	792	731	819	831	852	783	817
Other property expenses	-	-	-	-	-	-	-
Current transfers	1,805	1,977	1,994	2,045	2,352	2,491	2,811
Capital transfers	150	167	266	257	340	330	260
<i>Total expenses</i>	<i>15,435</i>	<i>15,414</i>	<i>16,246</i>	<i>16,941</i>	<i>18,267</i>	<i>20,028</i>	<i>21,594</i>
NET OPERATING BALANCE	458	391	378	1,184	1,607	2,948	2,722
<i>Other economic flows</i>							
Net gains on sale of non-financial assets	227	-33	160	-61	78	14	238
Net actuarial gains	-89	-56	-48	-63	-58	322	-72
Provision for doubtful debts	-15	-	-	-	-	-	-
Valuation changes due to the implementation of AIFRS	-	-	-	-	-69	-	-
All other	-42	-11	12	-	-76	-19	-35
<i>Total other economic flows</i>	<i>81</i>	<i>-99</i>	<i>124</i>	<i>-124</i>	<i>-125</i>	<i>316</i>	<i>130</i>
OPERATING RESULT	539	292	502	1,060	1,482	3,264	2,852
<i>All other movements in equity</i>							
Revaluations		-3,951	1,647	1,675	4,116	3,927	12,937
Gains recognised directly in equity		7,731	196	-412	210	242	297
Changes in accounting policy/correction of prior period errors		-270	-328	3,370	-26	1,189	1,612
All other		-	-	36	-1	1	-
<i>Total all other movements in equity</i>	<i>-25</i>	<i>3,510</i>	<i>1,516</i>	<i>4,670</i>	<i>4,298</i>	<i>5,358</i>	<i>14,847</i>
TOTAL CHANGE IN NET WORTH	513	3,802	2,018	5,730	5,780	8,622	17,699
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	458	391	378	1,184	1,607	2,948	2,722
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	2,300	2,010	2,094	2,502	2,883	3,562	4,169
Changes in inventories	-10	337	-63	78	56	374	-98
Other movement in non-financial assets	-	-35	-88	-16	55	42	1
<i>less:</i>							
Sales of non-financial assets	355	411	442	607	686	724	859
Depreciation	1,012	1,141	1,205	1,177	1,264	1,280	1,418
<i>Total net acquisition of non-financial assets</i>	<i>924</i>	<i>758</i>	<i>296</i>	<i>780</i>	<i>1,044</i>	<i>1,975</i>	<i>1,794</i>
NET LENDING/-BORROWING	-466	-367	82	404	563	973	928

Note: Columns may not add due to rounding.

Table 4.15

TOTAL PUBLIC SECTOR
Balance Sheet at 30 June

	1994 Actual \$m	1995 Actual \$m	1996 Actual \$m	1997 Actual \$m	1998 Actual \$m	1999 Actual \$m	2000 Actual \$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits	259	288	184	213	380	260	364
Advances paid	1,143	1,146	1,219	1,332	1,728	1,972	2,056
Investments, loans and placements	14,890	12,863	4,407	4,306	4,097	4,821	5,068
Receivables	1,586	1,620	792	817	834	1,034	1,154
Investment property	203	203	257	278	300	263	273
Equity - investments in external entities - shareholdings	113	118	206	314	355	444	547
Other financial assets	392	350	350	303	279	191	140
<i>Total financial assets</i>	<i>18,586</i>	<i>16,587</i>	<i>7,415</i>	<i>7,563</i>	<i>7,973</i>	<i>8,985</i>	<i>9,601</i>
<i>Non-financial assets</i>							
Land	9,674	9,553	11,501	13,335	13,497	13,547	13,455
Property, plant and equipment	19,192	25,849	26,952	28,465	27,819	28,732	29,491
Biological assets	-	-	-	-	457	405	291
Inventories							
Land inventories	96	126	307	320	300	304	317
Other inventories	309	325	309	320	327	258	311
Intangibles	3	3	3	3	2	2	2
Non-current assets held for sale	-	-	-	-	-	-	-
<i>Total non-financial assets</i>	<i>29,274</i>	<i>35,856</i>	<i>39,072</i>	<i>42,442</i>	<i>42,401</i>	<i>43,247</i>	<i>43,867</i>
TOTAL ASSETS	47,861	52,443	46,488	50,005	50,375	52,232	53,468
LIABILITIES							
Deposits held	3,769	2,319	91	84	176	141	38
Advances received	1,573	1,391	1,095	1,068	946	899	732
Borrowings	19,677	18,232	10,977	11,295	9,775	10,676	11,692
Unfunded superannuation	4,413	4,289	4,625	4,833	5,094	5,250	5,355
Other employee benefits	788	875	911	1,062	1,064	1,069	1,116
Payables	296	352	379	404	226	371	419
Other liabilities	1,851	1,997	1,583	1,523	2,173	2,340	2,425
<i>TOTAL LIABILITIES</i>	<i>32,365</i>	<i>29,454</i>	<i>19,661</i>	<i>20,269</i>	<i>19,454</i>	<i>20,746</i>	<i>21,778</i>
NET ASSETS	15,495	22,989	26,827	29,736	30,920	31,486	31,691
<i>Of which:</i>							
Contributed equity	-	-	-	-	-	-	-
Accumulated surplus	11,561	12,718	13,965	14,246	15,477	15,739	15,793
Other reserves	3,934	10,271	12,862	15,490	15,443	15,748	15,898
NET WORTH	15,495	22,989	26,827	29,736	30,920	31,486	31,691
MEMORANDUM ITEMS							
<i>Net financial worth</i>	<i>-13,779</i>	<i>-12,867</i>	<i>-12,245</i>	<i>-12,706</i>	<i>-11,481</i>	<i>-11,761</i>	<i>-12,176</i>
<i>Net financial liabilities</i>	<i>13,892</i>	<i>12,985</i>	<i>12,451</i>	<i>13,020</i>	<i>11,836</i>	<i>12,206</i>	<i>12,723</i>
<i>Net debt</i>							
Gross debt liabilities	25,018	21,942	12,163	12,447	10,897	11,716	12,463
less: liquid financial assets	16,292	14,297	5,810	5,851	6,205	7,053	7,488
less: convergence differences impacting net debt	-	-	-	-	-	-	-
<i>Net debt</i>	<i>8,726</i>	<i>7,645</i>	<i>6,353</i>	<i>6,596</i>	<i>4,692</i>	<i>4,664</i>	<i>4,974</i>

Note: Columns may not add due to rounding.

Table 4.15 (Cont.)

TOTAL PUBLIC SECTOR
Balance Sheet at 30 June

	2001 Actual \$m	2002 Actual \$m	2003 Actual \$m	2004 Actual \$m	2005 Actual \$m	2006 Actual \$m	2007 Actual \$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits	286	380	439	538	499	702	805
Advances paid	1,990	1,934	1,800	1,773	2,071	1,937	1,479
Investments, loans and placements	5,805	5,177	5,840	6,421	6,800	7,606	8,567
Receivables	1,349	1,234	1,452	1,667	1,958	2,378	2,663
Investment property	283	293	290	317	357	258	379
Equity - investments in external entities - shareholdings	644	614	704	904	965	1,124	1,350
Other financial assets	127	94	105	70	81	98	74
<i>Total financial assets</i>	<i>10,485</i>	<i>9,727</i>	<i>10,631</i>	<i>11,689</i>	<i>12,730</i>	<i>14,103</i>	<i>15,316</i>
<i>Non-financial assets</i>							
Land	13,272	15,630	16,635	20,347	22,687	26,125	37,434
Property, plant and equipment	29,924	31,621	32,957	34,281	37,320	41,600	47,564
Biological assets	269	300	299	307	327	369	333
Inventories							
Land inventories	360	428	395	442	916	974	1,103
Other inventories	301	337	274	661	408	782	684
Intangibles	2	1	1	50	28	212	322
Non-current assets held for sale	-	-	-	-	-	71	115
<i>Total non-financial assets</i>	<i>44,128</i>	<i>48,318</i>	<i>50,560</i>	<i>56,088</i>	<i>61,687</i>	<i>70,133</i>	<i>87,555</i>
TOTAL ASSETS	54,613	58,045	61,191	67,777	74,417	84,237	102,871
LIABILITIES							
Deposits held	108	116	120	136	158	195	126
Advances received	620	593	581	561	549	536	523
Borrowings	11,733	11,274	11,875	12,229	12,753	12,782	13,274
Unfunded superannuation	5,478	5,528	5,591	5,694	5,749	5,622	5,664
Other employee benefits	1,183	1,274	1,387	1,545	1,586	1,746	1,883
Payables	711	598	975	1,154	1,306	2,010	1,883
Other liabilities	2,575	2,656	2,639	2,705	2,781	3,190	3,664
TOTAL LIABILITIES	22,409	22,039	23,167	24,023	24,882	26,080	27,016
NET ASSETS	32,204	36,006	38,024	43,754	49,535	58,156	75,856
<i>Of which:</i>							
Contributed equity	-	-	-	-	-	-	-
Accumulated surplus	16,332	16,623	17,126	18,186	19,668	22,932	25,784
Other reserves	15,873	19,383	20,898	25,568	29,867	35,225	50,072
NET WORTH	32,204	36,006	38,024	43,754	49,535	58,156	75,856
MEMORANDUM ITEMS							
<i>Net financial worth</i>	<i>-11,923</i>	<i>-12,312</i>	<i>-12,536</i>	<i>-12,334</i>	<i>-12,152</i>	<i>-11,977</i>	<i>-11,699</i>
<i>Net financial liabilities</i>	<i>12,568</i>	<i>12,926</i>	<i>13,240</i>	<i>13,238</i>	<i>13,117</i>	<i>13,101</i>	<i>13,049</i>
<i>Net debt</i>							
Gross debt liabilities	12,462	11,983	12,576	12,926	13,460	13,512	13,922
less: liquid financial assets	8,081	7,492	8,079	8,732	9,370	10,245	10,851
less: convergence differences impacting net debt	-	-	-	-	88	88	88
<i>Net debt</i>	<i>4,381</i>	<i>4,491</i>	<i>4,497</i>	<i>4,194</i>	<i>4,001</i>	<i>3,179</i>	<i>2,984</i>

Note: Columns may not add due to rounding.

Table 4.16

TOTAL PUBLIC SECTOR **Cash Flow Statement**

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
OPERATING ACTIVITIES							
<i>Receipts from operating activities</i>							
Taxes received	2,014	2,164	2,342	2,459	2,805	2,989	3,245
Grants and subsidies received	3,032	3,191	3,432	3,251	3,323	3,489	3,811
Receipts from sales of goods and services	5,803	6,036	6,199	6,281	6,971	6,538	6,824
Interest receipts	232	1,057	781	447	449	402	419
Dividends and tax equivalents	-	-	-	3	1	-	-
Other receipts	765	634	621	564	599	671	583
<i>Total receipts from operating activities</i>	<i>11,848</i>	<i>13,081</i>	<i>13,374</i>	<i>13,005</i>	<i>14,149</i>	<i>14,089</i>	<i>14,882</i>
<i>Payments for operating activities</i>							
Wages, salaries and supplements, and superannuation	-4,016	-4,008	-4,074	-4,170	-4,342	-4,635	-4,833
Payments for goods and services	-4,589	-4,841	-5,071	-5,174	-5,763	-5,706	-6,216
Interest paid	-957	-1,511	-1,387	-1,053	-1,053	-864	-848
Grants and subsidies paid	-729	-714	-795	-1,152	-1,357	-1,449	-1,584
Dividends and tax equivalents	-	-	-	-	-	-	-
Other payments	-333	-254	-304	-71	-177	-84	-86
<i>Total payments for operating activities</i>	<i>-10,624</i>	<i>-11,327</i>	<i>-11,632</i>	<i>-11,620</i>	<i>-12,693</i>	<i>-12,739</i>	<i>-13,568</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,224	1,755	1,742	1,385	1,456	1,350	1,315
INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets	-1,311	-1,441	-1,639	-1,802	-1,928	-1,850	-2,058
Sales of non-financial assets	347	574	440	475	2,731	489	552
<i>Total cash flows from investments in non-financial assets</i>	<i>-964</i>	<i>-867</i>	<i>-1,200</i>	<i>-1,327</i>	<i>803</i>	<i>-1,360</i>	<i>-1,506</i>
<i>Cash flows from investments in financial assets</i>							
Receipts from investing activities:							
For policy purposes	-	-	-	-	-	14	14
For liquidity purposes	4,145	21,046	18,312	14,714	10,148	5,831	2,866
Payments for investing activities:							
For policy purposes	-	-	-	-	-	-	-
For liquidity purposes	-4,438	-20,868	-18,377	-14,798	-10,669	-6,139	-2,910
<i>Total cash flows from investments in financial assets</i>	<i>-293</i>	<i>178</i>	<i>-65</i>	<i>-84</i>	<i>-521</i>	<i>-294</i>	<i>-30</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES	-1,257	-689	-1,264	-1,411	282	-1,655	-1,536
FINANCING ACTIVITIES							
<i>Receipts from financing activities</i>							
Advances received	-	-	-	-	-	-	-
Borrowings	21,933	25,082	16,320	16,621	14,707	17,463	22,368
Deposits received	-	276	721	-	-	-	-
Other financing receipts	2,963	613	1,498	1,838	3,108	101	99
<i>Total receipts from financing activities</i>	<i>24,896</i>	<i>25,971</i>	<i>18,538</i>	<i>18,459</i>	<i>17,816</i>	<i>17,564</i>	<i>22,467</i>
<i>Payments for financing activities</i>							
Advances paid	-150	-227	-314	-25	-156	-20	-229
Borrowings repaid	-21,967	-25,859	-16,938	-16,551	-16,553	-16,486	-21,482
Deposits paid	-	-	-	-	-	-	-
Other financing payments	-2,387	-1,044	-802	-1,745	-2,985	-42	-4
<i>Total payments for financing activities</i>	<i>-24,504</i>	<i>-27,131</i>	<i>-18,054</i>	<i>-18,322</i>	<i>-19,694</i>	<i>-16,548</i>	<i>-21,715</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES	392	-1,160	484	137	-1,879	1,016	752
Net increase in cash and cash equivalents	359	-94	962	110	-141	711	532
Opening balance	1,043	1,402	1,307	2,269	2,379	2,238	2,949
Closing balance	1,402	1,307	2,269	2,379	2,238	2,949	3,481
KEY FISCAL AGGREGATES							
Net cash flows from operating activities	1,224	1,755	1,742	1,385	1,456	1,350	1,315
Net cash flows from investing in non-financial assets	-964	-867	-1,200	-1,327	803	-1,360	-1,506
Cash surplus/-deficit	260	888	542	58	2,259	-10	-191

Note: Columns may not add due to rounding.

Table 4.16 (Cont.)

TOTAL PUBLIC SECTOR Cash Flow Statement

	2000-01 Actual \$m	2001-02 Actual \$m	2002-03 Actual \$m	2003-04 Actual \$m	2004-05 Actual \$m	2005-06 Actual \$m	2006-07 Actual \$m
OPERATING ACTIVITIES							
<i>Receipts from operating activities</i>							
Taxes received	2,675	2,865	3,184	3,874	4,155	4,927	5,443
Grants and subsidies received	5,113	5,531	5,794	5,829	6,786	7,583	7,550
Receipts from sales of goods and services	6,532	6,023	6,262	6,492	6,836	7,916	8,510
Interest receipts	417	418	428	433	502	577	621
Dividends and tax equivalents	5	-	-	-	-	-	-
Other receipts	1,662	1,736	1,817	1,935	2,027	2,613	3,103
<i>Total receipts from operating activities</i>	<i>16,405</i>	<i>16,573</i>	<i>17,485</i>	<i>18,563</i>	<i>20,306</i>	<i>23,617</i>	<i>25,227</i>
<i>Payments for operating activities</i>							
Wages, salaries and supplements, and superannuation	-5,055	-5,185	-5,535	-5,879	-6,539	-6,941	-7,653
Payments for goods and services	-6,323	-6,066	-6,215	-6,395	-6,842	-7,959	-8,605
Interest paid	-835	-768	-813	-828	-870	-698	-662
Grants and subsidies paid	-1,887	-1,864	-2,014	-2,114	-2,405	-2,565	-2,803
Dividends and tax equivalents	-	-	-	-	-	-	-
Other payments	-1,021	-1,234	-1,226	-1,311	-1,422	-1,552	-1,769
<i>Total payments for operating activities</i>	<i>-15,121</i>	<i>-15,118</i>	<i>-15,804</i>	<i>-16,526</i>	<i>-18,077</i>	<i>-19,714</i>	<i>-21,492</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,284	1,455	1,681	2,037	2,229	3,903	3,735
INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets	-2,300	-2,010	-2,094	-2,502	-2,883	-3,562	-4,169
Sales of non-financial assets	355	411	442	607	686	724	859
<i>Total cash flows from investments in non-financial assets</i>	<i>-1,945</i>	<i>-1,598</i>	<i>-1,651</i>	<i>-1,894</i>	<i>-2,197</i>	<i>-2,838</i>	<i>-3,310</i>
<i>Cash flows from investments in financial assets</i>							
Receipts from investing activities:							
For policy purposes	1,495	16	16	15	1	-	1
For liquidity purposes	3,930	3,015	1,846	3,163	1,332	2,986	3,573
Payments for investing activities:							
For policy purposes	-32	-	-	-	-1	-	-1
For liquidity purposes	-4,157	-3,088	-1,978	-3,275	-1,679	-2,823	-3,232
<i>Total cash flows from investments in financial assets</i>	<i>1,236</i>	<i>-57</i>	<i>-117</i>	<i>-96</i>	<i>-347</i>	<i>163</i>	<i>341</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES	-709	-1,655	-1,768	-1,991	-2,544	-2,676	-2,968
FINANCING ACTIVITIES							
<i>Receipts from financing activities</i>							
Advances received	1	3	-	-	-	-	-
Borrowings	23,996	20,934	21,133	29,094	21,245	12,403	8,759
Deposits received	32	-	-	-	-	-	-
Other financing receipts	271	87	144	111	150	141	63
<i>Total receipts from financing activities</i>	<i>24,301</i>	<i>21,024</i>	<i>21,277</i>	<i>29,205</i>	<i>21,395</i>	<i>12,544</i>	<i>8,822</i>
<i>Payments for financing activities</i>							
Advances paid	-128	-28	-11	-20	-12	-14	-17
Borrowings repaid	-24,545	-21,152	-20,473	-28,781	-20,504	-12,959	-8,209
Deposits paid	-	-92	-9	-2	-1	-	-
Other financing payments	-256	-66	-119	-101	-142	-64	-59
<i>Total payments for financing activities</i>	<i>-24,928</i>	<i>-21,338</i>	<i>-20,612</i>	<i>-28,904</i>	<i>-20,660</i>	<i>-13,036</i>	<i>-8,285</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES	-627	-314	665	301	735	-492	537
Net increase in cash and cash equivalents	-52	-514	579	348	419	735	1,304
Opening balance	3,481	3,428	2,914	3,493	3,841	4,260	4,995
Closing balance	3,428	2,914	3,493	3,841	4,260	4,995	6,299
KEY FISCAL AGGREGATES							
Net cash flows from operating activities	1,284	1,455	1,681	2,037	2,229	3,903	3,735
Net cash flows from investing in non-financial assets	-1,945	-1,598	-1,651	-1,894	-2,197	-2,838	-3,310
Cash surplus/-deficit	-661	-143	30	143	32	1,064	426

Note: Columns may not add due to rounding.

The Treasurer's Advance

The Treasurer's Advance, provided for under the *Financial Management Act 2006* (FMA), authorises the Treasurer to make recoverable advances for the temporary financing of works and services (referred to as 'recoverable advances') and to provide new or supplementary funding during the year for extraordinary or unforeseen matters (known as 'excesses and new items').

The aggregate amounts drawn against recoverable advances, excesses and new items must remain within the limit authorised by the FMA, unless the limit is adjusted by a *Treasurer's Advance Authorisation Act*.

The FMA authorised a limit of \$436.5 million on the Treasurer's Advance for 2007-08. This limit was amended by the *Treasurer's Advance Authorisation Act 2008*, which increased the limit for 2007-08 to \$750 million.

Table 5.1 shows the projected position of the Treasurer's Advance at 30 June 2008. These projections are consistent with the agency data underlying the budget projections outlined elsewhere in the Budget Papers.

TREASURER'S ADVANCE AT 30 JUNE			Table 5.1
	2006-07 Actual \$m	2007-08 Projection \$m	
AUTHORISED LIMIT	365.0	750.0	
<i>Total Drawn Against Treasurer's Advance authorisation</i>	<i>349.1</i>	<i>684.5</i>	
Comprising:			
Net recoverable advances as at 30 June	6.3	15.0	
Excesses and New Items			
- recurrent	298.8	501.4	
- capital	44.0	168.1	

Note: Columns may not add due to rounding.

Transfers, Excesses and New Items

Around \$53 million in appropriations originally allocated in the 2007-08 Budget have been transferred to other agencies, for the provision of an appropriation-funded service that is now to be delivered by the alternative agency. Such transfers are allowed under section 25 of the FMA and have no impact on the Treasurer's Advance. These include the transfer of:

- \$26.9 million (including transfer of both recurrent and capital appropriations) from the Water and Rivers Commission to the Department of Water, following the transfer of all water resource management functions from 1 February 2008 in line with the *Water Resources Legislation Amendment Act 2007*;
- \$13.2 million between the Departments of the Attorney General and Corrective Services relating to the split of the former Department of Justice, including the ongoing realignment of funding for the Court Security and Custodial Services contract;
- \$3.8 million between the Departments for Child Protection and Communities, in response to the Ford Review Recommendations, reflecting transfers of responsibility for functions to the Department for Communities, including Best Start and the Parent Help Centre;
- \$3.1 million (including transfer of both recurrent and capital appropriations) between the Department of Industry and Resources and the Chemistry Centre (WA) for the establishment of the Chemistry Centre as a statutory authority;
- \$2.7 million between the Office of Native Title and the Kimberley Development Commission for the Ord Enhancement Scheme;
- \$1.4 million between the Department of the Attorney General and the Office of the Commissioner for Children and Young People to facilitate the establishment of the latter agency;
- \$0.6 million from the Department for Child Protection to the Department for Communities in respect of the Western Australian Family Foundation Trust Account, which holds funds for the development, implementation and administration of initiatives and activities regarding the family and community;
- \$0.4 million between the Disability Services Commission and the Department of Health for the transfer of the Therapy Services function to WA Country Health Services;
- \$0.4 million between the Department of Sport and Recreation and the Fire and Emergency Services Authority for the transfer of responsibility for support to Surf Life Saving WA;
- \$0.3 million between the Departments of Environment and Conservation and Treasury and Finance for the National Emissions Trading Team; and

- \$0.2 million between the Water and Rivers Commission and Department of Environment and Conservation for the management of wetlands.

Table 5.2 outlines excesses and/or new items that are projected to materialise during 2007-08 and which will impact the Treasurer's Advance under the authority of section 27 of the FMA.

It should be noted that the projections shown in Table 5.2 are subject to movements in agencies' appropriations through the remainder of 2007-08. Funding in excess of budget for appropriation items shown in the table will only occur if management responses do not achieve compensating shortfalls in other spending supported by these items prior to 30 June 2008.

TRANSFERS, EXCESSES AND NEW ITEMS					Table 5.2
		Transfers ^(a)	Treasurer's Advance		Draw on Treasurer's Advance to date ^(b)
			New Items	Excesses	
Item	Appropriation	\$m	\$m	\$m	\$m
Recurrent Appropriations					
Parliament					
1	Delivery of services - Legislative Council	-	-	-(c)	-
3	Delivery of services - Parliamentary Services	-	-	0.1	-
The Parliamentary Commissioner for Administrative Investigations					
4	Delivery of services	-	-	0.3	-
Department of the Premier and Cabinet					
5	Delivery of services	-	-	11.0	-
Governor's Establishment					
6	Delivery of services	-	-	0.4	-
Salaries and Allowances Tribunal					
8	Delivery of services	-	-	0.1	-
Department of Treasury and Finance					
9	Delivery of services	0.3	-	16.2	-
12	Community Service Obligations revenues – Horizon Power	-	-	0.1	-
13	Community Service Obligations revenues – Water Corporation	-	-	14.3	-
14	Community Service Obligations revenues – Western Australian Land Authority	-	-	5.5	-
16	Armadale Redevelopment Authority	-	-	0.3	-
21	First Home Owners Assistance	-	-	4.0	-
25	Office of Health Review	-	-	0.2	-
28	Provision for Unfunded Liabilities in the Government Insurance Fund	-	-	3.7	0.6
29	Refund of Past Years Revenue Collections – Public Corporations	-	-	3.8	-
30	Refund of Past Years Revenue Collections – All Other	-	-	13.0	1.6
32	State Property – Emergency Services Levy	-	-	3.0	3.0
35	Western Australian Building Management Authority	-	-	0.4	-
37	All other administered grants, subsidies and transfer payments	-	-	0.3	-
New	Matrix Fleet Leasing – Tax Settlement	-	14.0	-	14.0
New	Provision for the Outcome of CSA EBA negotiations	-	11.4	-	-

(a) Authorised under section 25 of the FMA.

(b) Budget cut-off date, 7 April 2008.

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

Note: Columns may not add due to rounding.

Table 5.2 (cont.)

TRANSFERS, EXCESSES AND NEW ITEMS

Item	Appropriation	Transfers ^(a) \$m	Treasurer's Advance		Draw on Treasurer's Advance to date ^(b) \$m
			New Items \$m	Excesses \$m	
<i>Office of Native Title</i>					
38	Delivery of services	-2.7	-	-	-
<i>Office of the Auditor General</i>					
39	Delivery of services	-	-	1.5	-
<i>Economic Regulation Authority</i>					
40	Delivery of services	-	-	2.2	0.1
<i>Department of Industry and Resources</i>					
42	Delivery of services	-2.7	-	-	-
43	Administered Grants, Subsidies and Other Transfer Payments	-	-	1.2	-
<i>Department of Agriculture and Food</i>					
44	Delivery of services	-	-	2.0	-
<i>Rural Business Development Corporation</i>					
46	Delivery of services	-	-	13.1	11.3
<i>Mid-West Development Corporation</i>					
47	Delivery of services	-	-	2.0	-
<i>Wheatbelt Development Commission</i>					
48	Delivery of services	-	-	0.1	-
<i>Department of Local Government and Regional Development</i>					
50	Delivery of services	-	-	0.1	-
<i>Department of Racing, Gaming and Liquor</i>					
52	Delivery of services	-	-	0.3	-
53	Administered Grants, Subsidies and Other Transfer Payments	-	-	8.7	-
<i>Goldfields-Esperance Development Commission</i>					
54	Delivery of services	-	-	0.5	0.2
<i>Western Australia Police</i>					
55	Delivery of services	-	-	12.1	-
<i>Fire and Emergency Services Authority of Western Australia</i>					
56	Delivery of services	0.4	-	-	-
<i>Water and Rivers Commission</i>					
58	Delivery of services	-25.4	-	-	-
<i>Department of Water</i>					
New	Delivery of services	25.2	-	5.1	-
<i>Department of Sport and Recreation</i>					
60	Delivery of services	-0.4	-	-	-
<i>Department of the Attorney General</i>					
63	Delivery of services	-14.5	-	14.3	-
<i>Equal Opportunity Commission</i>					
64	Delivery of services	-	-	-(c)	-
<i>Office of the Director of Public Prosecutions</i>					
68	Delivery of services	-	-	0.9	-
<i>Office of the Information Commissioner</i>					
69	Delivery of services	-	-	0.2	-

(a) Authorised under section 25 of the FMA.

(b) Budget cut-off date, 7 April 2008.

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

Note: Columns may not add due to rounding.

Table 5.2 (cont.)

TRANSFERS, EXCESSES AND NEW ITEMS

		Treasurer's Advance			Draw on Treasurer's Advance to date ^(b) \$m
Item	Appropriation	Transfers ^(a) \$m	New Items \$m	Excesses \$m	
Department of Health					
70	Delivery of services	-	-	23.7	-
71	Contribution to Hospital Fund	0.4	-	142.1	-
Western Australian Electoral Commission					
72	Delivery of services	-	-	0.2	-
Commissioner for Children and Young People					
New	Delivery of services	1.4	-	-	-
Department of Consumer and Employment Protection					
73	Delivery of services	-	-	4.3	-
Department of Housing and Works					
75	Delivery of services	-	-	3.9	-
77	Housing Authority – General Housing Funding	-	-	0.2	-
Department of Indigenous Affairs					
80	Delivery of services	-	-	2.5	-
Heritage Council of Western Australia					
81	Delivery of services	-	-	1.2	-
Western Australian Land Information Authority					
83	Delivery of services	-	-	1.1	-
Commissioner of Main Roads					
86	Delivery of services	-	-	11.2	-
Public Transport Authority of Western Australia					
87	Delivery of services	-	-	31.3	-
Disability Services Commission					
89	Delivery of services	-0.4	-	12.5	-
Western Australian Tourism Commission					
90	Delivery of services	-	-	0.9	-
Department of Culture and the Arts					
91	Delivery of services	-	-	1.5	-
92	Art Gallery of Western Australia	-	-	0.1	-
93	Library Board of Western Australia	-	-	0.1	-
94	Perth Theatre Trust	-	-	0.3	-
Department of Education and Training					
96	Delivery of services	-	-	39.9	-
Country High Schools Hostels Authority					
97	Delivery of services	-	-	0.1	-
Curriculum Council					
98	Delivery of services	-	-	0.2	-
Department of Education Services					
100	Administered grants and transfer payment	-	-	1.2	-
Chemistry Centre (WA)					
New	Delivery of services	2.7	0.5	-	-
Department of Fisheries					
103	Delivery of services	-	-	3.1	-
Kimberley Development Commission					
104	Delivery of services	2.7	-	0.5	-
Pilbara Development Commission					
105	Delivery of services	-	-	0.1	-
Department of Corrective Services					
107	Delivery of services	13.2	-	22.1	-

(a) Authorised under section 25 of the FMA.

(b) Budget cut-off date, 7 April 2008.

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

Note: Columns may not add due to rounding.

Table 5.2 (cont.)

TRANSFERS, EXCESSES AND NEW ITEMS

		Treasurer's Advance			Draw on Treasurer's Advance to date ^(b)
Item	Appropriation	Transfers ^(a) \$m	New Items \$m	Excesses \$m	\$m
<i>Office of the Inspector of Custodial Services</i>					
108	Delivery of services	-	-	-(c)	-
<i>Small Business Development Corporation</i>					
109	Delivery of services	-	-	0.9	-
<i>Department of Environment and Conservation</i>					
110	Delivery of services	-0.1	-	-	-
<i>Botanic Gardens and Parks Authority</i>					
112	Delivery of services	-	-	0.2	-
<i>Swan River Trust</i>					
113	Delivery of services	-	-	0.7	-
<i>Zoological Parks Authority</i>					
114	Delivery of services	-	-	0.1	-
<i>Peel Development Commission</i>					
115	Delivery of services	-	-	2.1	2.1
<i>Department for Child Protection</i>					
116	Delivery of services	-3.8	-	22.9	-
117	Contribution to the WA Family Foundation Trust	-0.6	-	-	-
<i>Department for Communities</i>					
118	Delivery of services	3.8	-	3.6	-
New	Contribution to the WA Family Foundation Trust	0.6	-	-	-
Total Recurrent		-	25.9	475.5	32.9
Capital Appropriations					
<i>Parliament</i>					
119	Capital Contribution – Legislative Council	-	-	0.9	0.9
120	Capital Contribution – Parliamentary Services	-	-	0.4	0.4
<i>Department of Treasury and Finance</i>					
122	Capital Contribution	-	-	1.8	-
124	Armadale Redevelopment Authority	-	-	2.0	-
128	Western Power (Electricity Networks Corporation)	-	-	1.6	-
132	Regional Power Corporation (Horizon Power)	-	-	8.0	-
133	Rottneest Island Authority	-	-	2.2	-
134	Housing Authority	-	-	43.3	31.3
New	Broome Port Authority	-	1.2	-	0.1
<i>Department of Industry and Resources</i>					
141	Capital Contribution	-0.4	-	-	-
<i>Department of Agriculture and Food</i>					
143	Capital Contribution	-	-	-(c)	-
<i>Water and Rivers Commission</i>					
148	Capital Contribution	-1.7	-	-	-
<i>Department of Water</i>					
New	Capital Contribution	1.7	-	-	-
<i>Department of Sport and Recreation</i>					
149	Capital Contribution	-	-	1.9	-
<i>Department of the Attorney General</i>					
157	Capital Contribution	-	-	0.7	-
<i>Department of Consumer and Employment Protection</i>					
158	Capital Contribution	-	-	2.3	-
<i>Commissioner of Main Roads</i>					
163	Capital Contribution	-	-	19.4	-

(a) Authorised under section 25 of the FMA.

(b) Budget cut-off date, 7 April 2008.

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

Note: Columns may not add due to rounding.

Table 5.2 (cont.)

TRANSFERS, EXCESSES AND NEW ITEMS

Item	Appropriation	Treasurer's Advance			Draw on Treasurer's Advance to date ^(b) \$m
		Transfers ^(a) \$m	New Items \$m	Excesses \$m	
<i>Public Transport Authority of Western Australia</i>					
164	Capital Contribution	-	-	50.3	43.0
<i>Western Australian Tourism Commission</i>					
167	Capital Contribution	-	-	0.2	-
<i>Department of Culture and the Arts</i>					
169	Capital Contribution – Art Gallery of Western Australia	-	-	0.2	-
172	Capital Contribution – Western Australian Museum	-	-	0.8	-
<i>Department of Education and Training</i>					
173	Capital Contribution	-	-	30.7	-
<i>Chemistry Centre (WA)</i>					
New	Capital Contribution	0.4	-	-	-
<i>Department of Fisheries</i>					
177	Capital Contribution	-	-	_(c)	-
<i>Total Capital</i>		-	1.2	166.9	75.7
TOTAL		-	27.1	642.4	108.6

(a) Authorised under section 25 of the FMA.

(b) Budget cut-off date, 7 April 2008.

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

Note: Columns may not add due to rounding.

Tax and Royalty Expenditure Statement

Purpose

The purpose of this tax and royalty expenditure statement is to provide information about the cost or value of tax 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?

Tax and royalty expenditures include revenue foregone by government and financial benefits to taxpayers from exemptions and other concessions that depart from the general tax or royalty treatment. They are expenditures in the sense that their impact on the budget is similar to direct outlays, and they can be used to achieve similar goals as expenditure programs.

Labelling an exemption or concession as a tax or royalty expenditure does not necessarily imply any judgement about its appropriateness. Rather, it makes the amount of the exemption or concession explicit, and thereby facilitates scrutiny as part of the annual budget process (including review of whether the exemption or concession is still effective in achieving any specific objective originally intended).

Measuring tax and royalty expenditures

Measuring a tax or royalty expenditure requires identification of:

- a benchmark tax or royalty base and rate; and
- concessionary tax treatment of components of the benchmark tax or royalty base (e.g. a concession or exemption for a particular industry, activity or class of taxpayer).

Identification of benchmark revenue bases and rates requires a degree of judgement to be exercised. Furthermore, data limitations mean that the tax and royalty expenditure identified in this statement are only approximations (data sources and methods used for estimating these expenditures are also subject to review each year).

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. Very small exemptions or concessions are also excluded.

This year's statement includes actual outcomes for 2006-07 and estimates for 2007-08.

Specific tax and royalty expenditures

Notable movements in the value of specific tax and royalty expenditures between 2006-07 and 2007-08 (estimated) include:

- an increase in the value of the payroll tax concession for small business due to an estimated increase in the number of small businesses/employers and strong wages growth;
- an increase in the value of the payroll tax concession for trainees and apprentices due to an increase in the number of apprentices and trainees, and an increase in the wages paid to them;
- an increase in the principal place of residence land tax exemption reflecting increased land values;
- a substantial rise in the value of the corporate reconstructions stamp duty exemption, mainly reflecting the impact of a small number of very large transactions which were eligible for the concession;
- a significant increase in the value of the first home buyers' stamp duty exemption, largely as a result of the increase in the first home buyer stamp duty exemption thresholds in the 2007-08 Budget;
- an increase in the value of the insurance duty exemption on workers' compensation premiums due to growth in the number of insured workers and strong growth in wages;
- a small increase in the value of the mortgage duty concession for homes due to the growth in the value of total finance commitments for owner-occupiers;
- a marginal increase in the value of the owner-occupier and small business refinancing exemption due to a rise in the value of refinancing activity; and
- an increase in the value of the *State Agreement Act* iron ore royalty concessions, reflecting higher production, the 9.5% increase in the iron ore price for the 2007-08 Japanese fiscal year and expectation of a significant price increase in the 2008-09 Japanese fiscal year (impacting on the last quarter of 2007-08).

Table 1

SUMMARY OF MAJOR TAX AND ROYALTY EXPENDITURE
Western Australia

	2006-07 Actual \$m	2007-08 Estimated Actual \$m
PAYROLL TAX		
Small business exemption	837.1	933.8
Apprentices and trainees exemption	24.3	25.2
LAND TAX AND MRIT		
Principal place of residence exemption	258.4	279.1
Primary production exemption	43.6	47.2
STAMP DUTY ON CONVEYANCES		
Corporate reconstructions exemption	32.0	1,374.2
Family farm exemption	10.3	11.6
Concessionary rate for homes and businesses	0.4	0.4
First home buyers exemption and concession	52.0	148.3
STAMP DUTY ON INSURANCE POLICIES		
Health insurance policies exemption	117.8	127.6
Workers' compensation insurance exemption	77.5	87.1
Marine hulls exemption	5.6	6.1
STAMP DUTY ON MORTGAGES		
Concessionary rate for homes	17.6	17.8
Owner-occupier and small business refinancing exemption	9.3	9.4
MOTOR VEHICLE LICENCE FEES		
Family vehicle concession	58.8	65.3
Primary producer vehicle concession	7.8	8.1
Pensioner vehicle concession	23.4	24.5
STAMP DUTY ON MOTOR VEHICLE LICENCE TRANSFERS		
New heavy vehicle concession	12.9	12.9
Used heavy vehicle concession	1.6	3.4
MINING ROYALTIES		
Iron Ore Agreement Act concessions	146.1	153.0
TOTAL	1,736.5	3,335.0

State Government Social Concessions Expenditure Statement

Overview

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 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 cards issued by the State Government. A synopsis of these cards is included below.

The information in this Statement is mainly compiled from survey forms (developed with the assistance of the Australian Bureau of Statistics) returned to the Department of Treasury and Finance by 26 agencies that provide social concessions.

In 2006-07, the State Government provided social concessions with an estimated value of \$445.0 million across a range of service areas. The cost to the State was partly offset by a \$17.6 million contribution from the Commonwealth, 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 is the difference between the concession and the otherwise applicable price or fare. In others, such as those involving a fixed annual charge, the estimates reflect the rebate or subsidy paid.

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 by reducing the cost of prescription medicines.

State Seniors Card (SSC)

The State Government issues the SSC to permanent residents who are over 60 years of age and work less than 20 hours per week. Other than this criterion, no further conditions of eligibility apply. The SSC was first introduced in 1989.

State Concession Card (SCC)

The Department of Communities (formerly the Department for 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.

Table 1

SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS
Western Australia

Class of Concession	2005-06 Estimated Total Value \$m	2005-06 Estimated No. of Recipients	2006-07 Estimated Total Value \$m	2006-07 Estimated No. of Recipients
ENERGY				
Supply charge rebate	19.1	235,390	19.6	223,447
Dependent child rebate	8.7	52,683	8.4	47,103
Other	0.8	n.a.	1.0	n.a.
WATER, SEWERAGE & DRAINAGE				
Rates rebate for pensioners	30.6	117,883	30.8	114,104
Consumption concession for pensioners	5.2	n.a.	5.7	309,388
Rates rebate for seniors	7.4	37,014	8.3	40,817
Other	0.1	469	-(a)	272
HOUSING AND LAND				
Homeswest rental subsidy	93.3	27,307	87.6	26,279
Homeswest amenities fee waiver	0.8	10,051	0.8	10,051
Other	0.5	n.a.	0.4	n.a.
LOCAL GOVERNMENT				
Rates rebate for pensioners	51.9	327,638	56.0	340,112
TRANSPORT				
Contract school bus services	68.6	23,081	65.4	23,825
Transperth fares concession	53.7	n.a.	54.5	n.a.
Motor vehicle licence fee concession for pensioners	21.1	193,163	23.4	184,066
Taxi user subsidy	7.0	15,092	6.9	19,118
Drivers licence fee concession for pensioners	7.7	154,640	7.7	153,538
Pensioners' annual free trip	3.8	79,591	3.7	75,141
Transwa fares concession	2.3	163,669	2.2	178,945
Subsidised student travel	1.2	878	1.2	584
Other	5.8	n.a.	5.9	n.a.
HEALTH				
Subsidised dental care	11.0	54,694	11.9	54,861
Spectacle subsidy scheme	2.7	54,942	2.6	52,538
Other	6.9	n.a.	6.4	n.a.
EDUCATION				
Secondary assistance scheme – school charges	4.2	26,197	4.2	25,179
Secondary assistance scheme - clothing	3.0	26,197	2.9	25,179
Department of Education and Training tuition fees	7.7	39,481	6.6	29,361
Boarding away from home allowance	1.6	2,236	2.2	2,031
Other	0.2	280	0.2	291
LEGAL SERVICES				
Legal assistance	10.4	n.a.	12.1	n.a.
Other	1.1	n.a.	1.8	n.a.
CULTURE, LEISURE & RECREATION				
Children's Zoo discount	0.8	n.a.	0.9	n.a.
Children under four years of age – free Zoo entry	1.0	n.a.	1.2	n.a.
Other	2.5	n.a.	2.3	n.a.
TOTAL	442.7	n.a.	445.0	n.a.

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

Benefits Provided in 2006-07

Energy

Supply charge rebate (\$19.6 million)

Domestic customers of Synergy and Horizon who are in possession of a PCC, a HCC or a SSC receive a full rebate of the fixed (daily) supply charge. The average value of the rebate per recipient is approximately \$88 per year.

Dependent child rebate (\$8.4 million)

Domestic customers of Synergy and Horizon 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 \$177 per year.

Other (\$1.0 million)

Other concessions include Synergy and Horizon rebates on *account establishment fees* and *air conditioning subsidy*, for holders of a PCC, HCC or SSC.

Water

Rates rebate for pensioners (\$30.8 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 \$270 per year.

Consumption concession for pensioners (\$5.7 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 \$18 per year.

Rates rebate for seniors (\$8.3 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 while home owners in possession of both a SSC and Commonwealth Seniors Health Card (CSHC) receive a rebate of up to 50% of the annual charges. The average value of the concession is \$203 per year.

Other (\$40,000)

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 (\$87.6 million)

Low income individuals and families with accommodation needs can receive a rental subsidy from Homeswest. Eligibility for the subsidy is based on the applicant's capacity to pay rent (as determined by an income and assets test). The average value of the subsidy per recipient is approximately \$3,335 per year.

Homeswest amenities fee waiver (\$0.8 million)

Homeswest's low income tenants over 55 years of age are exempted from the amenities fee for room heating. The average value of the waiver is \$76 per year.

Other (\$0.4 million)

Other housing and land concessions include the interest forgone by Homeswest under the *Bond Assistance Scheme*.

Local Government

Rates rebate for pensioners (\$56.0 million)

The Office of State Revenue pays 50% of local governments rates for persons who own and occupy their own home and hold a PCC or a SCC. Local governments pass this benefit on to pensioners by discounting their rates. The average value of the concession is \$165 per year.

Transport

Contract school bus services (\$65.4 million)

Full time students aged under 19, who attend approved schools and reside more than 4.5 kilometres from the closest school travel free of charge on contract school bus services. The Public Transport Authority funds these services. The average value of the concession per student is estimated to be \$7.57 per journey, or about \$2,740 per year.

Transperth fares concession (\$54.5 million)

Children, students and holders of a PCC or a SSC receive discounts of between 57% and 62% on Transperth fares, or free travel. The average value of the concession per recipient is \$1.50 per journey.

Motor vehicle licence fee concession for pensioners (\$23.4 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 \$127 per year.

Taxi user subsidy (\$6.9 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 for Planning and Infrastructure. The average value of the subsidy is \$11.36 per trip.

Driver's licence fee concession (\$7.7 million)

Age pensioners have their driver's licence fee waived. All other holders of a PCC and a SSC receive a 50% discount on their driver's licence fee. The combined average value of these concessions per driver is \$53.03 per year.

Pensioners' annual free trip (\$3.7 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 for Planning and Infrastructure funds this concession. In addition, holders of a PCC also receive from the Public Transport Authority one free train return trip or two single train trips to any location within Western Australia. The average value of this concession is \$49.18 per recipient.

Transwa fare concession (\$2.2 million)

Children under 15 years of age, students, Western Australian residents holding a PCC, HCC or a SSC receive a 50% discount on fares for Transwa services. The average value of the concession is \$12.56 per journey.

Subsidised student travel (\$1.2 million)

Full-time students whose parents live in remote areas of the State receive four free return trips per year between home and school. The Department for Planning and Infrastructure funds this concession. The annual value of these return trips averages \$1,986 per recipient.

Other (\$5.9 million)

Other transport concessions include the *intra town* and *inter town* travel concessions for pensioners, seniors and students.

Health

Subsidised dental care (\$11.9 million)

Holders of a HCC or a PCC and persons in receipt of an allowance from Centrelink receive a discount on dental work provided by the Government Dental Clinic. The discount is generally between 50% and 75% of standard fees. The average value of the concession is \$162 per treatment.

Spectacle subsidy scheme (\$2.6 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 subsidy per recipient is \$49.53.

Other (\$6.4 million)

Other health concessions include the *country patients' dental subsidy scheme*, the *patients' assisted travel scheme* and the *metropolitan patients' dental subsidy scheme*.

Education

Secondary assistance scheme for school charges (\$4.2 million)

The Department of Education and Training provides assistance to low income families with secondary school children to meet school charges, which averages \$168 per recipient.

Secondary assistance scheme for clothing (\$2.9 million)

The Department of Education and Training provides assistance of \$115 per annum to low income families with secondary school children to meet clothing costs associated with schooling.

Department of Education and Training tuition fees concessions (\$6.6 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 \$0.74 per hour of tuition for vocational education and training courses.

Boarding away from home allowance (\$2.2 million)

Families in receipt of Commonwealth assistance for geographically isolated students received a \$1,000 concession in 2006 and \$1,155 concession in 2007 from the Department of Education and Training.

Other (\$0.2 million)

Other education concessions include the Department of Education and Training's *special subsidy for boarders at Agricultural Colleges* (who are not eligible for Commonwealth assistance).

Legal Services

Legal assistance (\$12.1 million)

Provision of subsidised legal services by Legal Aid Western Australia to low income persons. Eligibility is means tested, and the value of the concession varies with the type of legal services provided.

Other (\$1.8 million)

Other legal service concessions include a reduction or waiver of court fees in the Family Court and the Magistrates Court for holders of a 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 (\$0.9 million)

Children between four and 15 years of age receive a 50% discount on the entry fee for the Perth Zoo. The value of the discount is \$8.50 per child for each visit.

Children under four years of age - free Zoo entry (\$1.2 million)

Children under four years of age receive free entry to the Perth Zoo. The value of the discount is \$17 per child for each visit.

Other (\$2.3 million)

Concessional fees apply to students and various concession card holders in a range of culture, leisure and recreation areas, including admission to national parks, exhibitions at the Art Gallery and Western Australia Maritime Museum, performances arranged by the Perth Theatre Trust and activities administered by the Rottnest Island Authority.

APPENDIX 8

Capital Works Program – Summary of Expenditure and Source of Funds

This appendix contains two tables.

- Table 1 shows expenditure on capital works and associated funding sources by agency within portfolio groups.
- Table 2 shows detailed sources of funds for the aggregate Capital Works Program by year.

Table 1

CAPITAL WORKS PROGRAM SUMMARY OF EXPENDITURE AND FUNDING

	2007–08 Budget Estimate				2007–08 Estimated Actual				2008–09 Budget Estimate			
	Capital Contribution \$'000	Borrowings \$'000	Other Funding \$'000	Total Expenditure \$'000	Capital Contribution \$'000	Borrowings \$'000	Other Funding \$'000	Total Expenditure \$'000	Capital Contribution \$'000	Borrowings \$'000	Other Funding \$'000	Total Expenditure \$'000
PARLIAMENT												
Legislative Council	1,000	-	-	1,000	1,907	-	-	1,907	-	-	-	-
Parliamentary Services Department	500	-	645	1,145	907	-	645	1,552	650	-	-	650
The Parliamentary Commissioner for Administrative Investigations	-	-	106	106	-	-	680	680	198	-	143	341
PREMIER; MINISTER FOR FEDERAL-STATE RELATIONS; TRADE; INNOVATION; SCIENCE; PUBLIC SECTOR MANAGEMENT												
Premier and Cabinet	655	-	4,399	5,054	655	-	4,399	5,054	-	-	3,139	3,139
Governor's Establishment	-	-	-	-	-	-	205	205	-	-	-	-
Office of the Public Sector Standards Commissioner	-	-	121	121	-	-	168	168	-	-	111	111
Salaries and Allowances Tribunal	-	-	6	6	-	-	6	6	-	-	6	6
DEPUTY PREMIER; TREASURER; MINISTER FOR STATE DEVELOPMENT												
Treasury and Finance	17,741	-	6,952	24,693	19,561	-	12,512	32,073	48,076	-	159,938	208,014
Office of the Auditor General	108	-	363	471	108	-	510	618	145	-	352	497
Economic Regulation Authority	-	-	71	71	-	-	71	71	-	-	81	81
Western Australian Treasury Corporation	-	-	259	259	-	-	731	731	-	-	705	705
State Supply Commission	-	-	18	18	-	-	18	18	-	-	57	57
State Supply Fleet	-	-	146,789	146,789	-	-	155,083	155,083	-	-	-	-
Industry and Resources	11,109	-	17,274	28,383	8,214	-	19,563	27,777	2,505	-	13,246	15,751

CAPITAL WORKS PROGRAM SUMMARY OF EXPENDITURE AND FUNDING

Table 1 (cont.)

	2007-08 Budget Estimate				2007-08 Estimated Actual				2008-09 Budget Estimate			
	Capital Contribution \$'000	Borrowings \$'000	Other Funding \$'000	Total Expenditure \$'000	Capital Contribution \$'000	Borrowings \$'000	Other Funding \$'000	Total Expenditure \$'000	Capital Contribution \$'000	Borrowings \$'000	Other Funding \$'000	Total Expenditure \$'000
MINISTER FOR AGRICULTURE AND FOOD; FORESTRY; THE MID-WEST AND WHEATBELT; GREAT SOUTHERN Agriculture and Food	560	-	8,000	8,560	562	-	10,956	11,518	3,724	-	4,600	8,324
Western Australian Meat Industry Authority	-	-	6,685	6,685	-	-	6,685	6,685	5,000	-	6,900	11,900
Perth Market Authority	-	3,500	3,920	7,420	-	3,500	4,000	7,500	-	1,500	4,865	6,365
Forest Products Commission	-	5,800	2,576	8,376	-	5,800	2,576	8,376	-	1,000	1,876	2,876
Mid-West Development Commission	-	-	2,333	2,333	-	-	8,545	8,545	-	-	2,853	2,853
Wheatbelt Development Commission	-	-	24	24	-	-	24	24	-	-	94	94
Great Southern Development Commission	2,679	-	1,545	4,224	2,565	-	445	3,010	23,609	-	2,300	25,909
MINISTER FOR LOCAL GOVERNMENT; RACING AND GAMING; MULTICULTURAL INTERESTS AND CITIZENSHIP; GOVERNMENT ENTERPRISES; ASSISTING THE MINISTER FOR PLANNING AND INFRASTRUCTURE; GOLDFIELDS-ESPERANCE; YOUTH	-	-	2,004	2,004	-	-	2,004	2,004	-	-	799	799
Local Government and Regional Development	-	-	5,845	5,845	-	-	3,868	3,868	-	-	6,348	6,348
Metropolitan Cemeteries Board	-	-	370	370	-	-	753	753	-	-	150	150
Racing, Gaming and Liquor	-	-	18,670	18,670	-	-	18,670	18,670	-	-	10,949	10,949
Racing and Wagering Western Australia	-	-	150	150	-	-	140	140	-	-	498	498
Western Australian Greyhound Racing Authority	-	-	3,735	3,735	-	-	6,340	6,340	-	-	3,140	3,140
Insurance Commission of Western Australia	-	-	20,560	20,560	-	-	29,762	29,762	-	-	14,671	14,671
Lotteries Commission	-	-	5,460	5,460	-	-	6,135	6,135	-	-	7,950	7,950
Gold Corporation	9	-	76	85	9	-	76	85	-	-	10	10
Goldfields-Esperance Development Commission	-	-	-	-	-	-	-	-	-	-	-	-

Table 1 (cont.)

CAPITAL WORKS PROGRAM SUMMARY OF EXPENDITURE AND FUNDING

	2007-08 Budget Estimate				2007-08 Estimated Actual				2008-09 Budget Estimate			
	Capital Contribution \$'000	Borrowings \$'000	Other Funding \$'000	Total Expenditure \$'000	Capital Contribution \$'000	Borrowings \$'000	Other Funding \$'000	Total Expenditure \$'000	Capital Contribution \$'000	Borrowings \$'000	Other Funding \$'000	Total Expenditure \$'000
MINISTER FOR POLICE AND EMERGENCY SERVICES; COMMUNITY SAFETY; WATER RESOURCES; SPORT AND RECREATION												
Western Australia Police	85,300	-	11,902	97,202	51,180	-	66,145	117,325	40,144	-	34,222	74,366
Fire and Emergency Services Authority of Western Australia	1,210	11,077	13,650	25,937	1,210	8,561	27,224	36,995	10	23,558	15,222	38,790
Water	3,850	-	2,880	6,730	3,850	-	20,495	24,345	5,010	-	21,098	26,108
Water Corporation	-	420,000	334,864	754,864	-	440,000	366,142	806,142	-	750,000	348,482	1,098,482
Bunbury Water Board	-	-	7,131	7,131	-	-	13,729	13,729	-	-	3,492	3,492
Busselton Water Board	-	-	3,590	3,590	-	-	2,601	2,601	-	-	3,220	3,220
Sport and Recreation	100	-	9,087	9,187	2,000	-	4,587	6,587	76,897	-	9,014	85,911
Western Australia Sports Centre Trust	85	-	4,180	4,265	85	-	4,180	4,265	100	-	1,627	1,727
ATTORNEY GENERAL; MINISTER FOR HEALTH; ELECTORAL AFFAIRS												
Attorney General	24,485	-	18,526	43,011	25,222	-	20,046	45,268	54,156	-	11,206	65,362
Commissioner for Equal Opportunity	71	-	38	109	71	-	92	163	56	-	36	92
Corruption and Crime Commission	-	-	2,139	2,139	-	-	3,039	3,039	1,200	-	3,502	4,702
Parliamentary Inspector of the Corruption and Crime Commission	-	-	10	10	-	-	10	10	-	-	10	10
Law Reform Commission of Western Australia	6	-	14	20	6	-	24	30	-	-	10	10
Office of the Director of Public Prosecutions	658	-	148	806	658	-	969	1,627	-	-	365	365
Commissioner for Children and Young People	-	-	-	-	-	-	-	-	420	-	-	420
Office of the Information Commissioner	2	-	33	35	2	-	65	67	5	-	30	35
WA Health	155,079	-	169,395	324,474	144,111	-	127,948	272,059	160,991	-	340,645	501,636
Western Australian Electoral Commission	150	-	550	700	150	-	550	700	136	-	964	1,100

Table 1 (cont.)

CAPITAL WORKS PROGRAM SUMMARY OF EXPENDITURE AND FUNDING

	2007-08 Budget Estimate				2007-08 Estimated Actual				2008-09 Budget Estimate			
	Capital Contribution \$'000	Borrowings \$'000	Other Funding \$'000	Total Expenditure \$'000	Capital Contribution \$'000	Borrowings \$'000	Other Funding \$'000	Total Expenditure \$'000	Capital Contribution \$'000	Borrowings \$'000	Other Funding \$'000	Total Expenditure \$'000
MINISTER FOR HOUSING AND WORKS; INDIGENOUS AFFAIRS; HERITAGE; LAND INFORMATION												
Housing and Works	95,524	-	1,095	96,619	78,010	-	4,960	82,970	150,514	-	25	150,539
Housing Authority	-	130,000	779,950	909,950	-	240,000	1,272,292	1,512,292	-	193,200	1,074,611	1,267,811
Country Housing Authority	-	4,900	7,088	11,988	-	5,244	8,501	13,745	-	4,000	7,220	11,220
Indigenous Affairs	12	-	468	480	12	-	668	680	1,830	-	830	2,660
Heritage Council of Western Australia	-	-	1,150	1,150	-	-	4,210	4,210	-	-	2,472	2,472
National Trust of Australia (WA)	531	-	260	791	531	-	260	791	435	-	265	700
Western Australian Land Information Authority	-	-	10,237	10,237	-	-	12,098	12,098	-	-	15,067	15,067
MINISTER FOR PLANNING AND INFRASTRUCTURE												
Planning and Infrastructure	30,272	-	67,552	97,824	21,203	-	48,764	69,967	28,826	-	89,854	118,680
Commissioner of Main Roads	373,582	-	332,323	705,905	447,557	140,000	253,608	841,165	445,155	-	364,757	809,912
Public Transport Authority of Western Australia	34,094	134,323	43,957	212,374	84,502	130,963	8,064	223,529	8,838	191,395	18,512	218,745
Armadale Redevelopment Authority	2,000	3,000	16,027	21,027	4,000	700	25,986	30,686	10,500	2,300	11,569	24,369
East Perth Redevelopment Authority	-	-	10,792	10,792	-	-	8,177	8,177	-	-	39,595	39,595
Midland Redevelopment Authority	6,216	15,051	4,752	26,019	6,216	341	11,168	17,725	-	17,986	11,608	29,594
Subiaco Redevelopment Authority	-	-	5,963	5,963	-	-	9,626	9,626	-	-	22,569	22,569
Albany Port Authority	3,785	-	750	4,535	3,785	-	750	4,535	-	2,000	1,000	3,000
Broome Port Authority	-	-	500	500	1,249	250	500	1,999	350	-	1,400	1,750
Bunbury Port Authority	-	-	9,496	9,496	-	-	22,283	22,283	-	-	7,100	7,100
Dampier Port Authority	-	-	3,500	3,500	-	5,155	5,990	11,145	-	-	4,500	4,500
Esperance Port Authority	-	-	2,700	2,700	-	-	6,480	6,480	-	-	1,900	1,900
Fremantle Port Authority	5,214	40,000	20,202	65,416	3,214	15,300	6,985	25,499	212	170,737	23,194	194,143

Table 1 (cont.)

CAPITAL WORKS PROGRAM SUMMARY OF EXPENDITURE AND FUNDING

	2007-08 Budget Estimate				2007-08 Estimated Actual				2008-09 Budget Estimate			
	Capital Contribution \$'000	Borrowings \$'000	Other Funding \$'000	Total Expenditure \$'000	Capital Contribution \$'000	Borrowings \$'000	Other Funding \$'000	Total Expenditure \$'000	Capital Contribution \$'000	Borrowings \$'000	Other Funding \$'000	Total Expenditure \$'000
MINISTER FOR PLANNING AND INFRASTRUCTURE (cont.)												
Geraldton Port Authority	-	6,250	2,915	9,165	-	34,941	-	34,941	-	-	3,000	3,000
Port Hedland Port Authority	-	-	4,100	4,100	-	15,338	11,998	27,336	-	100,000	61,700	161,700
Western Australian Land Authority	77,700	42,000	296,374	416,074	77,700	6,552	415,935	500,187	49,922	20,492	373,595	444,009
The Eastern Goldfields Transport Board	-	800	-	800	-	800	-	800	-	900	-	900
Western Australian Planning Commission	5,400	-	72,310	77,710	5,400	-	82,210	87,610	5,400	-	96,614	102,014
MINISTER FOR DISABILITY SERVICES; TOURISM; CULTURE AND THE ARTS; CONSUMER PROTECTION												
Disability Services Commission	-	-	2,419	2,419	-	-	3,580	3,580	30	-	1,137	1,167
Western Australian Tourism Commission	1,222	-	424	1,646	1,417	-	871	2,288	787	-	493	1,280
Rottnest Island Authority	1,689	-	3,700	5,389	3,892	-	4,358	8,250	8,458	-	1,654	10,112
Culture and the Arts	61,866	-	11,246	73,112	49,544	-	20,494	70,038	57,730	-	20,610	78,340
MINISTER FOR EDUCATION AND TRAINING; SOUTH-WEST												
Education and Training	226,963	-	68,054	295,017	257,686	-	98,365	356,051	274,618	-	72,824	347,442
Country High Schools Hostels Authority	2,400	8,900	2,335	13,635	2,400	8,900	6,802	18,102	1,042	4,200	986	6,228
Curriculum Council	131	-	190	321	131	-	1,032	1,163	725	-	211	936
Education Services	-	-	60	60	-	-	60	60	-	-	360	360
South West Development Commission	-	-	4,645	4,645	-	-	5,277	5,277	-	-	50	50

Table 1 (cont.)

CAPITAL WORKS PROGRAM SUMMARY OF EXPENDITURE AND FUNDING

	2007-08 Budget Estimate				2007-08 Estimated Actual				2008-09 Budget Estimate			
	Capital Contribution \$'000	Borrowings \$'000	Other Funding \$'000	Total Expenditure \$'000	Capital Contribution \$'000	Borrowings \$'000	Other Funding \$'000	Total Expenditure \$'000	Capital Contribution \$'000	Borrowings \$'000	Other Funding \$'000	Total Expenditure \$'000
MINISTER FOR ENERGY, RESOURCES, INDUSTRY AND ENTERPRISE												
Office of Energy	-	-	255	255	-	-	376	376	-	-	268	268
Independent Market Operator	-	1,075	-	1,075	-	1,075	217	1,292	-	500	-	500
Horizon Power	-	11,756	17,042	28,798	-	88,937	-	88,937	-	120,242	3,069	123,311
Synergy	-	-	17,577	17,577	-	-	17,577	17,577	-	-	25,121	25,121
Verve Energy	-	28,266	61,053	89,319	-	133,312	-	133,312	11,210	73,116	-	84,326
Western Power (Networks)	-	586,571	174,691	761,262	-	690,109	210,551	900,660	-	870,413	77,451	947,864
Chemistry Centre (WA)	495	-	405	900	495	-	405	900	195	-	405	600
MINISTER FOR EMPLOYMENT PROTECTION; REGIONAL DEVELOPMENT; FISHERIES; THE KIMBERLEY; PILBARA AND GASCOYNE												
Consumer and Employment Protection Registrar, Western Australian Industrial Relations Commission	4,753	-	1,120	5,873	7,043	-	5,147	12,190	2,770	-	1,120	3,890
Fisheries	-	-	180	180	-	-	180	180	-	-	180	180
Kimberley Development Commission	8,481	-	5,513	13,994	8,497	-	5,420	13,917	400	-	4,448	4,848
Pilbara Development Commission	-	-	20	20	-	-	20	20	-	-	20	20
Gascoyne Development Commission	-	-	30	30	-	-	30	30	-	-	20	20
	-	-	40	40	-	-	40	40	-	-	40	40
MINISTER FOR CORRECTIVE SERVICES; SMALL BUSINESS												
Corrective Services	54,642	-	24,800	79,442	43,642	-	41,615	85,257	46,129	-	24,913	71,042
Office of the Inspector of Custodial Services	79	-	24	103	79	-	24	103	20	-	12	32
Small Business Development Corporation	313	-	122	435	128	-	814	942	134	-	116	250

Table 1 (cont.)

CAPITAL WORKS PROGRAM SUMMARY OF EXPENDITURE AND FUNDING

	2007-08 Budget Estimate				2007-08 Estimated Actual				2008-09 Budget Estimate			
	Capital Contribution \$'000	Borrowings \$'000	Other Funding \$'000	Total Expenditure \$'000	Capital Contribution \$'000	Borrowings \$'000	Other Funding \$'000	Total Expenditure \$'000	Capital Contribution \$'000	Borrowings \$'000	Other Funding \$'000	Total Expenditure \$'000
MINISTER FOR THE ENVIRONMENT; CLIMATE CHANGE: PEEL												
Environment and Conservation	20,212	-	12,920	33,132	12,862	-	23,738	36,600	22,582	-	12,886	35,468
Botanic Gardens and Parks Authority	1,985	-	3,048	5,033	1,955	-	554	2,509	3,879	-	1,759	5,638
Swan River Trust	-	-	185	185	-	-	185	185	-	-	90	90
Zoological Parks Authority	2,796	-	1,998	4,794	2,796	-	3,497	6,293	735	-	1,390	2,125
Peel Development Commission	-	-	1,592	1,592	-	-	1,592	1,592	-	-	468	468
MINISTER FOR CHILD PROTECTION; COMMUNITIES; WOMEN'S INTERESTS; SENIORS AND VOLUNTEERING												
Child Protection Communities	23,276	-	4,080	27,356	23,476	-	10,138	33,614	6,733	-	7,894	14,627
	-	-	200	200	200	-	619	819	-	-	150	150
Estimated 2007-08 Capital Underspend	-	-	-	-	-	-	-300,000	-300,000	-	-	-	-
TOTAL	1,273,195	1,453,269	3,028,372	5,754,836	1,404,655	1,989,690	3,334,829	6,729,174	1,563,191	2,558,749	3,520,818	7,642,758

Table 2

CAPITAL WORKS PROGRAM SOURCE OF FUNDS

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	Actual	Estimated	Budget	Budget	Budget	Budget
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
APPROPRIATIONS						
Capital contribution	1,207.5	1,404.7	1,563.2	897.2	824.0	823.8
Funding included in output appropriations	160.6	138.2	116.8	134.5	145.0	128.7
OTHER FUNDING						
Holding Account	172.9	165.1	134.9	140.3	157.5	141.7
Borrowings	1,074.5	1,989.7	2,558.7	2,203.2	1,228.2	1,408.7
Commonwealth grants	286.4	233.5	294.8	357.2	368.0	405.5
Land and Property Sales	447.2	600.4	599.7	595.3	602.7	551.7
Internal funds and balances	1,171.6	1,041.1	1,101.6	1,160.8	1,261.1	1,305.6
Other	568.7	1,156.5	1,273.1	1,142.0	1,128.9	1,386.0
TOTAL FUNDING	5,089.4	6,729.2	7,642.8	6,630.5	5,715.4	6,151.7

Note: Columns may not add due to rounding.

Public Corporations – Impact on General Government Revenue and Expenses

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

Tax and local government rate equivalents are levied by the State to ensure competitive neutrality (i.e. a level playing field) between significant government business activities and private sector businesses.

Revenue from public corporations in 2008-09 is estimated to be \$810.4 million, comprising \$321.0 million in income tax equivalent payments; \$13.0 million in local government rate equivalent payments and \$476.3 million in dividends and statutory contributions. This is a decrease of \$12.4 million or 1.5% compared to 2007-08.

The decrease in revenue in 2008-09 is largely a result of projected reductions in payments from Western Power and the Western Australian Land Authority, partially offset by projected increases in payments from the Water Corporation.

The reductions in Western Power's income tax equivalent revenue and dividends are due to reduced profitability mainly as a result of increased capital expenditure and accompanying depreciation, combined with increases in operating expenditure. Western Power's profitability is expected to improve following the Economic Regulation Authority's Network Tariff Reset in 2009-10.

The decrease in income tax equivalent revenue and dividends in 2008-09 from the Western Australian Land Authority is due to lower profitability margins associated with a higher percentage of overall land sales being based on Regional Projects combined with the effect of a once-off special dividend in 2007-08 relating to the Townsite Development Program.

The budgeted increase in income tax equivalent revenue from the Water Corporation is a result of higher forecasted operating profit. The increase in forecasted profitability is primarily due to higher anticipated customer revenue and community service obligations (CSO) revenue, more than offsetting increases to operating expenditure (including higher staffing costs, energy costs, borrowing costs and depreciation).

A detailed overview of revenue received by government from individual public corporations is provided in Table 1. Dividend payout ratio are shown in Table 2.

There are also significant payments from the general government sector to public corporations. Such payments include funding of CSOs, which are non-commercial services provided by public corporations at the request of government. An example is the pensioner and senior concessions relating to electricity and water services. The Water Corporation is a major recipient of CSOs for, for example, the provision of household water and wastewater services in country areas at prices set by the Government (to match metropolitan water prices).

From 2009-10, a CSO will be paid to Synergy to recognise the Government's decision to set retail electricity tariffs below cost-reflective levels. This arrangement is outlined in further detail below.

A detailed overview of general government sector expenses arising from payments to individual public corporations is provided in Table 3.

Electricity Tariffs

Budget Planning Assumptions

During the annual budget process, planning assumptions are made for future electricity tariffs. In recent budgets, it has been assumed for planning purposes that electricity tariffs would increase by 4% per annum from 2009-10. However, in light of a number of significant pressures on the cost of electricity supplies, these assumptions have been revised for the 2008-09 Budget.

The Office of Energy's Electricity Retail Market Review (ERMR) Draft Recommendations Paper details the pressures on electricity costs through its review of electricity retail tariff arrangements and levels¹.

Excluding the GST, residential electricity tariffs in Western Australia have not increased since 1997-98, while small business tariffs have not increased since 1991-92. This is a real (i.e. adjusted for inflation) price reduction of about 30% to 2009-10 for residential electricity tariffs and around a 38% real price reduction to 2009-10 for small business tariffs. Residential electricity tariffs in Western Australia are currently the third cheapest when compared to the other Australian States.

¹ The ERMR Draft Recommendations Paper also reviews the introduction of Full Retail Contestability in electricity and the roll out of smart meters. Further details are at www.energy.wa.gov.au.

If electricity tariffs continue to be set below costs, this will deter new entrants (both generators and retailers), encourage inappropriate and inefficient electricity use, be inconsistent with environmental objectives, risk increasing future State generation investment requirements, and prevent Verve Energy and Synergy from achieving financial viability.

Sending appropriate price signals to customers supports the efficient allocation of resources, and provides incentives for energy efficiency. In the current environment of increasing demand, increasing costs, high network utilisation and environmental awareness, economic and energy efficiency are of particular importance in setting prices. Cost-reflective tariffs ensure that the correct signals are sent to customers reflecting the cost of energy and capacity, including environmental impacts.

In response to the ERMR Draft Recommendations Paper, released on 4 April 2008, the Government announced a transition to cost reflective tariffs from 2009-10 for non-contestable customers², which includes households and small businesses. This involves a 10% increase in 2009-10, with further annual increases to be phased in over a six to eight-year period. Annual increases in these tariffs beyond 2009-10 are not expected to be less than 10%.

For budget planning purposes, it has been assumed that:

- non-contestable tariffs will increase by 10% per annum from 2009-10; and
- contestable tariffs will move to cost reflective levels more quickly from 2008-09.

Community Service Obligation

As outlined above, a CSO arises when government specifically requires a public trading enterprise to carry out activities relating to outputs and/or inputs which it would not elect to do on a commercial basis, and which the government does not require other businesses in the public or private sectors to generally undertake, or which it would only do commercially at higher prices.

As a result of the Government's decision to maintain retail tariffs below cost-reflective levels for non-contestable customers, the glide path (movement away from cost-reflective levels) adopted will be delivered by a CSO payment to Synergy. This is consistent with the ERMR Draft Recommendations Paper.

This CSO:

- will simply fund the difference between cost-reflective tariffs and any glide path the Government may choose, and is not based on the financial position of the electricity entities;

² Non-contestable customers are those with no ability to competitively source their supplies, including residential and small business customers that consume less than 50 megawatt hours per annum (equating to an annual bill of less than \$8,000).

- means that the State (rather than the electricity industry) bears the cost of keeping electricity prices below costs. This recognises the true cost of any delay to cost reflectivity, and increases accountability and transparency:
 - providing an explicit CSO increases State expenses but leaves net debt unchanged, as losses incurred by Verve Energy and Synergy in keeping prices below costs would see debt increased by the same amount as the CSO;
- will still require the electricity entities to manage their costs and increase efficiencies to maximise their future financial position;
- supports market development. Without it, Synergy will be unable to enter into any displacement tender contracts, as generators (including Verve Energy) will be unable to compete at prices below what Synergy is charged under the Vesting Contract; and
- will be used by Synergy to pay the costs of supplying electricity to customers. These costs include wholesale energy costs to Verve Energy and other generators, network tariffs and retail costs.

The CSO is the difference between glide path tariffs (in cents/kWh) and cost reflective tariffs (in cents/kWh), multiplied by the expected energy to be consumed by customers under the relevant tariff. The CSO is estimated at approximately \$273 million in 2009-10, \$291 million in 2010-11 and \$215 million in 2011-12. The cumulative value over the forward estimate period is around \$779 million.

These CSO estimates do not include the impact of carbon costs from any future national emissions trading scheme (ETS). The extent of any carbon cost impacts will depend on the nature of the ETS regime to be determined by the Commonwealth Government, including any Commonwealth policy on measures to assist households to adjust to the impact of these future carbon cost impacts on electricity prices. In effect, the Budget assumption for planning purposes is that any carbon cost impacts, once known, will be passed onto consumers.

Table 1

REVENUE TO GOVERNMENT FROM PUBLIC CORPORATIONS

Details of Payment	2007-08 Estimated Actual \$'000	2008-09 Budget Estimate \$'000	2009-10 Forward Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000
Horizon Power					
Income tax expense	-	-	-	-	-
Local Government Rates expense	-	-	-	-	-
Dividends	-	-	-	9,770	11,125
<i>Subtotal</i>	-	-	-	9,770	11,125
Synergy					
Income tax expense	6,400	19,801	22,234	23,124	24,470
Local Government Rates expense	-	-	-	-	-
Dividends	21,578	16,922	18,132	18,829	22,091
<i>Subtotal</i>	27,978	36,723	40,366	41,953	46,561
Verve Energy					
Income tax expense	-	-	-	-	-
Local Government Rates expense	165	165	165	165	165
Dividends	-	-	2,273	23,767	51,677
<i>Subtotal</i>	165	165	2,438	23,932	51,842
Western Power					
Income tax expense	41,986	21,276	34,460	40,060	74,610
Local Government Rates expense	4,538	4,663	4,779	4,899	5,036
Dividends	33,809	26,330	33,226	48,489	71,991
<i>Subtotal</i>	80,333	52,269	72,465	93,448	151,637
Water Corporation					
Income tax expense	192,214	203,688	206,522	182,952	189,021
Local Government Rates expense	3,200	3,312	3,428	3,514	3,601
Dividends	386,976	386,579	409,570	377,962	353,308
<i>Subtotal</i>	582,390	593,579	619,520	564,428	545,930
Western Australian Land Authority (LandCorp)					
Income tax expense	41,003	29,750	43,884	59,777	56,166
Local Government Rates expense	2,859	3,574	4,107	4,098	4,441
Dividends	23,291	17,751	26,118	26,118	25,118
<i>Subtotal</i>	67,153	51,075	74,109	89,993	85,725
Gold Corporation					
Income tax expense	2,061	1,687	2,242	2,714	2,952
Local Government Rates expense	110	110	110	110	110
Dividends	4,233	2,886	2,361	3,139	4,132
<i>Subtotal</i>	6,404	4,683	4,713	5,963	7,194
Western Australian Treasury Corporation					
Income tax expense	2,550	2,274	2,218	2,554	2,640
Local Government Rates expense	-	-	-	-	-
Dividends	4,968	2,975	2,653	2,587	2,980
<i>Subtotal</i>	7,518	5,249	4,871	5,141	5,620

Table 1 (cont.)

REVENUE TO GOVERNMENT FROM PUBLIC CORPORATIONS

Details of Payment	2007-08 Estimated Actual \$'000	2008-09 Budget Estimate \$'000	2009-10 Forward Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000
Albany Port Authority					
Income tax expense	427	894	1,176	1,315	1,283
Local Government Rates expense	95	97	100	104	108
Dividends	555	397	834	1,096	1,192
<i>Subtotal</i>	<i>1,077</i>	<i>1,388</i>	<i>2,110</i>	<i>2,515</i>	<i>2,583</i>
Broome Port Authority					
Income tax expense	458	469	481	481	481
Local Government Rates expense	5	5	5	5	5
Dividends	772	692	604	604	604
<i>Subtotal</i>	<i>1,235</i>	<i>1,166</i>	<i>1,090</i>	<i>1,090</i>	<i>1,090</i>
Bunbury Port Authority					
Income tax expense	2,006	2,683	3,295	2,774	2,774
Local Government Rates expense	186	191	210	220	220
Dividends	2,037	2,724	3,345	3,236	3,236
<i>Subtotal</i>	<i>4,229</i>	<i>5,598</i>	<i>6,850</i>	<i>6,230</i>	<i>6,230</i>
Dampier Port Authority					
Income tax expense	995	1,397	1,533	1,546	1,538
Local Government Rates expense	16	17	17	18	19
Dividends	1,160	1,630	1,789	1,804	1,794
<i>Subtotal</i>	<i>2,171</i>	<i>3,044</i>	<i>3,339</i>	<i>3,368</i>	<i>3,351</i>
Esperance Port Authority					
Income tax expense	1,841	2,810	2,652	2,423	4,060
Local Government Rates expense	90	90	95	100	275
Dividends	2,148	3,279	3,094	2,827	4,737
<i>Subtotal</i>	<i>4,079</i>	<i>6,179</i>	<i>5,841</i>	<i>5,350</i>	<i>9,072</i>
Fremantle Port Authority					
Income tax expense	5,062	4,732	5,436	2,176	3,103
Local Government Rates expense	274	248	260	273	287
Dividends	6,030	5,330	4,862	5,629	1,988
<i>Subtotal</i>	<i>11,366</i>	<i>10,310</i>	<i>10,558</i>	<i>8,078</i>	<i>5,378</i>
Geraldton Port Authority					
Income tax expense	2,399	5,787	9,121	9,190	9,190
Local Government Rates expense	160	160	160	160	160
Dividends	375	2,799	6,752	10,642	10,642
<i>Subtotal</i>	<i>2,934</i>	<i>8,746</i>	<i>16,033</i>	<i>19,992</i>	<i>19,992</i>
Port Hedland Port Authority					
Income tax expense	2,030	2,976	4,481	4,481	4,481
Local Government Rates expense	233	242	252	252	252
Dividends	2,369	5,172	5,227	5,227	5,227
<i>Subtotal</i>	<i>4,632</i>	<i>8,390</i>	<i>9,960</i>	<i>9,960</i>	<i>9,960</i>
Bunbury Water Board					
Income tax expense	538	193	273	246	282
<i>Subtotal</i>	<i>538</i>	<i>193</i>	<i>273</i>	<i>246</i>	<i>282</i>
Busselton Water Board					
Income tax expense	792	819	986	1,006	1,006
<i>Subtotal</i>	<i>792</i>	<i>819</i>	<i>986</i>	<i>1,006</i>	<i>1,006</i>

Table 1 (cont.)

REVENUE TO GOVERNMENT FROM PUBLIC CORPORATIONS

Details of Payment	2007-08 Estimated Actual \$'000	2008-09 Budget Estimate \$'000	2009-10 Forward Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000
Forest Products Commission					
Dividends	666	883	1,206	1,267	2,005
<i>Subtotal</i>	<i>666</i>	<i>883</i>	<i>1,206</i>	<i>1,267</i>	<i>2,005</i>
Subiaco Redevelopment Authority					
Statutory contributions/Dividends	-	-	14,000	-	-
<i>Subtotal</i>	<i>-</i>	<i>-</i>	<i>14,000</i>	<i>-</i>	<i>-</i>
Insurance Commission of WA					
Income tax expense	16,959	19,790	12,144	11,736	10,586
<i>Subtotal</i>	<i>16,959</i>	<i>19,790</i>	<i>12,144</i>	<i>11,736</i>	<i>10,586</i>
Perth Market Authority					
Income tax expense	-	-	-	-	-
Local Government Rates expense	165	170	175	180	195
Statutory contributions/Dividends	-	-	-	-	-
<i>Subtotal</i>	<i>165</i>	<i>170</i>	<i>175</i>	<i>180</i>	<i>195</i>
Total Amounts					
Income tax expense	319,721	321,026	353,138	348,555	388,643
Local Government Rates expense	12,096	13,044	13,863	14,098	14,874
Statutory contributions/Dividends	490,967	476,349	536,046	542,993	573,847
Total	822,784	810,419	903,047	905,646	977,364

Table 2

REVENUE FROM PUBLIC CORPORATIONS
 Dividend Payout Ratios

	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %
Horizon Power	50.0	50.0	50.0	50.0	50.0
Synergy	50.0	50.0	50.0	50.0	50.0
Verve Energy	50.0	50.0	50.0	50.0	50.0
Western Power	50.0	50.0	50.0	50.0	50.0
Water Corporation ^(a)	85.0	85.0	85.0	85.0	85.0
Western Australian Land Authority (LandCorp) ^(b)	50.0	50.0	50.0	50.0	50.0
Gold Corporation	60.0	60.0	60.0	60.0	60.0
Western Australian Treasury Corporation	50.0	50.0	50.0	50.0	50.0
State Port Authorities	50.0	50.0	50.0	50.0	50.0
Forest Products Commission ^(c)	50.0	50.0	50.0	50.0	50.0

(a) The after-tax value of handover assets from developers is excluded from the calculation of the Water Corporation's dividend payments.

(b) Adjusted for the need to maintain adequate land stocks.

(c) Adjusted for native forest (natural resource asset) revaluations.

Table 3

EXPENSES FROM GOVERNMENT TO PUBLIC CORPORATIONS

Details of Payment	Payment Type	Funding Department	2007-08 Estimated Actual \$'000	2008-09 Budget Estimate \$'000	2009-10 Forward Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000
Water Corporation							
Burup Water Supply System	Other	DoR	7,876	8,073	8,275	8,482	8,694
Country Water Restrictions	Other	DoW	2,818	312	262	262	262
Country Water, Sewerage and Drainage Operations	CSO	DTF	253,884	291,750	302,941	296,426	306,017
Hardship Package - Water Efficiency Scheme	Other	OoE	-	520	520	520	520
Hopetoun-Ravensthorpe Wastewater Treatment Plant	Other	DoR	700	-	-	-	-
Infill Sewerage Program	CSO	DTF	38,764	41,838	43,125	43,884	44,352
Partial Reimbursement of Proceeds from the Sale of Surplus Land	Other	DTF	700	800	900	1,000	1,025
Pensioner and Senior Concessions	CSO	DTF	93,980	97,158	104,952	112,207	120,022
Rural Irrigation Schemes	CSO	DTF	12,735	15,038	18,394	19,005	19,091
State Water Recycling Strategy	Other	DoW	50	250	-	-	-
State Water Strategy - Rebates Scheme	Other	DTF	9,000	9,000	-	-	-
Subtotal			420,507	464,739	479,369	481,786	499,983
Horizon Power							
Aboriginal and Remote Communities Project - Stage 1	CSO	DTF	6,542	6,792	7,024	7,299	7,591
Aboriginal and Remote Communities Project - Stage 2	CSO	DTF	-	3,367	3,837	3,969	4,128
Air Conditioning Subsidy for Seniors (North of 26 th Parallel)	CSO	DTF	100	100	100	100	100
Coral Bay Electricity Supply	CSO	DTF	2,310	2,900	3,490	3,490	3,490
Energy Concessions Package	CSO	DTF	-	-	480	880	1,390
Gas Lateral Line to Murchison Area - Interest Costs	Other	DoR	832	832	832	832	832
Onslow Gas Fired Power Station - Interest Costs	Other	DoR	183	183	183	183	183
Pensioner and Senior Concessions	CSO	DTF	700	700	700	700	700
Tariff Migration - Movement to L2 Tariff	CSO	DTF	14,339	23,249	24,146	25,182	26,389
Subtotal			25,006	38,123	40,792	42,635	44,803
Verve Energy							
Part Reimbursement of Land Sales	Other	DTF	158	1	-	-	-
Subtotal			158	1	-	-	-
Synergy							
Community Service Concessions ^(a)	CSO	DTF	371	385	385	385	385
Energy Rebates for Eligible Permanent Caravan Park Residents	CSO	DTF	334	200	220	240	260
Hardship Package - Energy Efficiency Scheme	Other	OoE	-	1,215	1,215	1,215	1,215
Non-Contestable Tariffs	CSO	DTF	-	-	272,800	290,655	215,483
Pensioner and Senior Concessions	CSO	DTF	35,299	30,815	44,339	50,609	55,040
Subtotal			36,004	32,615	318,959	343,104	272,383

EXPENSES FROM GOVERNMENT TO PUBLIC CORPORATIONS

Table 3 (cont.)

Details of Payment	Payment Type	Funding Department	2007-08 Estimated Actual \$'000	2008-09 Budget Estimate \$'000	2009-10 Forward Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000
Western Power	Other	OoE	4,820	4,820	4,820	4,820	4,820
Underground Power Program			4,820	4,820	4,820	4,820	4,820
<i>Subtotal</i>							
Western Australian Land Authority (LandCorp)	CSO	DTF	1,700	1,700	-	-	-
Albany Waterfront Development	CSO	DTF	2,502	2,502	14,454	14,454	14,454
Australian Marine Complex – Rate of Return Stage 1 and 2	CSO	DTF	-	696	185	185	185
Burrup Service Corridor	CSO	DTF	200	200	200	200	-
Forrestdale - Rate of Return (Armadale Redevelopment Authority)	CSO	DTF	23,765	9,785	6,615	6,610	6,625
Hope Valley / Wattleup – Land Acquisition	CSO	DTF	-	3,500	-	-	-
Kalgoorlie North West Sector	Other	DoIR	2,131	2,131	2,131	2,131	2,131
Karratha / Burrup Western Service Corridor	CSO	DTF	1,977	-	-	-	-
Kemerton Core Land Acquisition	CSO	DTF	860	885	910	935	960
Kwinana Land – Holding Costs	CSO	DTF	228	228	228	228	228
Marine Industry Technology Precinct	CSO	DTF	700	1,300	-	-	-
Perth Waterfront – Planning	CSO	DTF	550	550	-	-	-
Rockingham Development Office	Other	DTF	500	500	500	500	500
Strategic Asset Management	CSO	DTF	6,500	4,000	4,000	4,000	4,000
Townsite Development Program			41,613	27,977	29,223	29,243	29,083
<i>Subtotal</i>							
Broome Port Authority	Other	DTF	420	405	405	405	405
Jetty Extension – Subsidy			420	405	405	405	405
<i>Subtotal</i>							

Table 3 (cont.)

EXPENSES FROM GOVERNMENT TO PUBLIC CORPORATIONS

Details of Payment	Payment Type	Funding Department	2007-08 Estimated Actual \$'000	2008-09 Budget Estimate \$'000	2009-10 Forward Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000
Bunbury Port Authority							
Casting Basin Loan – Interest Costs	Other	DoIR	89	89	89	89	89
<i>Subtotal</i>			<i>89</i>	<i>89</i>	<i>89</i>	<i>89</i>	<i>89</i>
Dampier Port Authority							
Burup Infrastructure – Interest Support	Other	DoIR	7,596	10,022	8,150	10,358	9,113
<i>Subtotal</i>			<i>7,596</i>	<i>10,022</i>	<i>8,150</i>	<i>10,358</i>	<i>9,113</i>
Armadale Redevelopment Authority							
Administration and Operating Costs	Other	DTF	1,200	1,200	1,250	1,250	1,250
Wungong Developer Contribution Scheme - Management Costs	Other	DTF	250	520	540	560	580
<i>Subtotal</i>			<i>1,450</i>	<i>1,720</i>	<i>1,790</i>	<i>1,810</i>	<i>1,830</i>
Forest Products Commission							
Debt Servicing Costs - Non-Commercial Native Forest Related Debt	CSO	DTF	1,070	1,070	1,070	1,070	1,070
Debt Servicing Costs – Non-Commercial Plantations Related Debt	CSO	DTF	1,300	1,300	1,300	1,300	1,300
Equity Contribution – Non-Commercial Plantations	CSO	DTF	-	1,000	1,000	1,000	1,000
<i>Subtotal</i>			<i>2,370</i>	<i>3,370</i>	<i>3,370</i>	<i>3,370</i>	<i>3,370</i>
Public Transport Authority (PTA)							
Net Amount Appropriated to Deliver Services	Other	DTF	604,185	633,157	658,450	693,674	742,690
<i>Subtotal</i>			<i>604,185</i>	<i>633,157</i>	<i>658,450</i>	<i>693,674</i>	<i>742,690</i>
Total			1,144,218	1,217,038	1,545,417	1,611,294	1,608,569

(a) The Community Service Concession is a concession available to eligible voluntary and charitable organisations.

Tariffs, Fees and Charges – Impact on ‘Representative Household’ Model

The Department of Treasury and Finance (DTF) has produced, for a number of years, a model that estimates the costs incurred by a ‘representative household’ through the consumption of certain State ‘Government’ goods and services. The model’s parameters are outlined in this appendix.

It should be noted that calculating the effects of changes in State ‘Government’ tariffs, fees and charges for a single ‘representative household’ can never capture the enormous diversity in household structures that occur in the community, and the widely differing patterns of usage of State Government goods and services.

The model simply seeks to highlight the impact of changes in major State ‘Government’ tariffs, fees and charges on a particular hypothetical household reflecting current average electricity and water consumption, an assumed level of public transport use and a specified consumption of a range of other State ‘Government’ goods and services (including select taxes).

Key Government Charges Affecting Households

The model covers the following annual State ‘Government’ charges affecting the ‘representative household’:

- water, including both consumption and annual supply charges;
- sewerage;
- drainage;
- electricity, including both consumption and annual supply charges;

- public transport;
- compulsory third party insurance;
- motor vehicle licence fees;
- driver's licence fees;
- stamp duty on both compulsory third party insurance and general insurance; and
- emergency services levy.

It should be noted that the model excludes State Government charges relating to one-off events such as stamp duty charges relating to property transactions.

Assumptions

The 'representative household' model is based on a single income (full-time work), two adult and two child household. The characteristics of the 'representative household' are updated annually and it is assumed that the household:

1. consumes:
 - 5,697 kW hours of electricity per annum, based on the 2006-07 average level of consumption for a household provided by Synergy; and
 - 300 kL of water per annum, based on the current average level of water usage for a residential customer provided by the Water Corporation;
2. purchases five standard 2-zone Transperth fares and ten Transperth school fares each week. Transperth fares are purchased using the lowest cost means available (i.e. SmartRider Autoload);
3. owns one car, a Holden Commodore (tare weight of 1,568 kg – relevant for the purpose of determining the appropriate level of motor vehicle licence fee);
4. has two drivers in the household;
5. pays average home and contents and motor vehicle insurance, based on information from the insurance industry (for the purposes of calculating stamp duty payable on insurance policies); and
6. owns and occupies a property that has an average gross rental value (for sewerage and emergency service levy rating purposes).

The reference rate of inflation is used for the annual budget review of tariffs, fees and charges, and is the latest available actual Consumer Price Index (CPI) rate for Perth. This is calculated as the annual average growth rate for the Perth CPI up to the most recent preceding September quarter (i.e. September 2006 to September 2007), as measured by the Australian Bureau of Statistics. For the 2008-09 Budget the reference rate of inflation is 3.4%.

Discussion

In 2008-09, representative household expenditure on selected State 'Government' goods and services will increase by less than the reference rate of inflation.

For the eighth consecutive year there will be no increase in the level of electricity prices.

Other fees and charges that remain unchanged include:

- compulsory third party insurance premiums;
- stamp duty rates on insurance policies;
- driver's licence fees; and
- Transperth 50 cent student fares, and concession two-section, one and two-zone fares.

Transperth standard fares will increase by the reference rate of inflation, rounded to the nearest 10 cents, while Transperth concession fares will rise by a flat 10 cents.

Motor vehicle licence fees will increase by the reference rate of inflation. This is partially offset by the Government's decision to also increase the family concession for motor vehicle registrations by the reference rate of inflation in 2008-09 (the family discount will rise from \$58 to \$60).

The average metropolitan residential emergency services levy will increase by 0.7%¹.

Sewerage and drainage charges will rise by 3.4% and 5.9% respectively to reflect the increased costs of service provision.

Following the recommendations of the Economic Regulation Authority (ERA) on water pricing, the 2008-09 Budget continues the delivery of more transparent water pricing that will better provide for the development of future water sources. The change in prices charged reflects the increased costs incurred in providing water, ensuring that appropriate price signals are sent to consumers (an important aspect in a drying climate like Western Australia's). As a result the total water charges for the average household will increase by \$35.55 (or 9.7%) in 2008-09.

¹ This is currently an estimated impact. The actual impact of the emergency services levy on the average household will not be confirmed until late May 2008 when property data is finalised.

Results

Table 1 shows the impact of the changes in State ‘Government’ tariffs, fees and charges on the ‘representative household’ consuming the assumed level of State ‘Government’ goods and services.

INCREASES IN TARIFFS, FEES AND CHARGES ^(a)			Table 1
Impact on Household Expenditure and Income Based on AWOTE ^(b)			
	2007-08	2008-09	
Expenditure	\$3,528.06	\$3,612.97	
Change in Expenditure		\$84.91	
Change in Expenditure		2.41%	
Household Income (after tax) ^(b)	\$49,848.93	\$52,182.48	
Change in Income		\$2,333.55	
Change in Income		4.68%	
Expenditure as a percentage of disposable income	7.08%	6.92%	

(a) Figures are in nominal terms.
 (b) Based on average weekly ordinary time earnings (AWOTE).

On the basis of the above assumptions and the 2008-09 levels of State ‘Government’ tariffs, fees and charges, the total expenditure of the ‘representative household’ on this basket of State ‘Government’ goods and services is \$3,612.97. This represents an increase of around \$84.91 (or 2.4%) on 2007-08 expenditure levels.

This increase in the cost of the basket of State ‘government’ goods and services is under the reference rate of inflation in 2008-09. After taking account of forecast earnings growth, the percentage of after-tax income of a ‘representative household’ (as measured by average weekly ordinary time earnings²) spent on the representative basket of State ‘Government’ goods and services will decrease to 6.9%.

² Average weekly ordinary time earnings (AWOTE) is the best measure of household income for this purpose. It refers to the average week’s earnings of a full-time employee for the reference period attributable to award, standard or agreed hours of work. It is calculated on an annualised basis before taxation and other deductions (e.g. superannuation) have been made. Thus, AWOTE represents a measure of an ordinary working week for a full-time employee and is not distorted by those that are employed part-time.

Pensioner Concessions

A variant of the ‘representative household’ is also used to assess the impact these changes have on those that are eligible to receive pensioner concessions offered on a range of government charges³. These concessions include:

- 50% concession on motor vehicle licence fees;
- 68% concession on driver’s licence fees;
- 100% rebate on fixed daily supply charge for electricity;
- 50% rebate on the first 150 kL water consumption charges per year, and an additional 50% rebate on annual water supply charge if, as assumed in the model, the property is owner-occupied;
- 50% rebate on annual sewerage charges;
- 50% rebate on annual drainage charges; and
- 50% rebate on the emergency services levy.

Table 2 shows the impact of the changes in State ‘government’ tariffs, fees and charges on a pensioner household holding a Pensioner Concession Card, consuming the same level of State ‘government’ goods and services as the ‘representative household’.

INCREASES IN TARIFFS, FEES AND CHARGES			Table 2
Impact on Pensioner Household Expenditure			
	2007-08	2008-09	
Expenditure	\$2,512.64	\$2,549.39	
Change in Expenditure		\$36.75	
Change in Expenditure		1.46%	

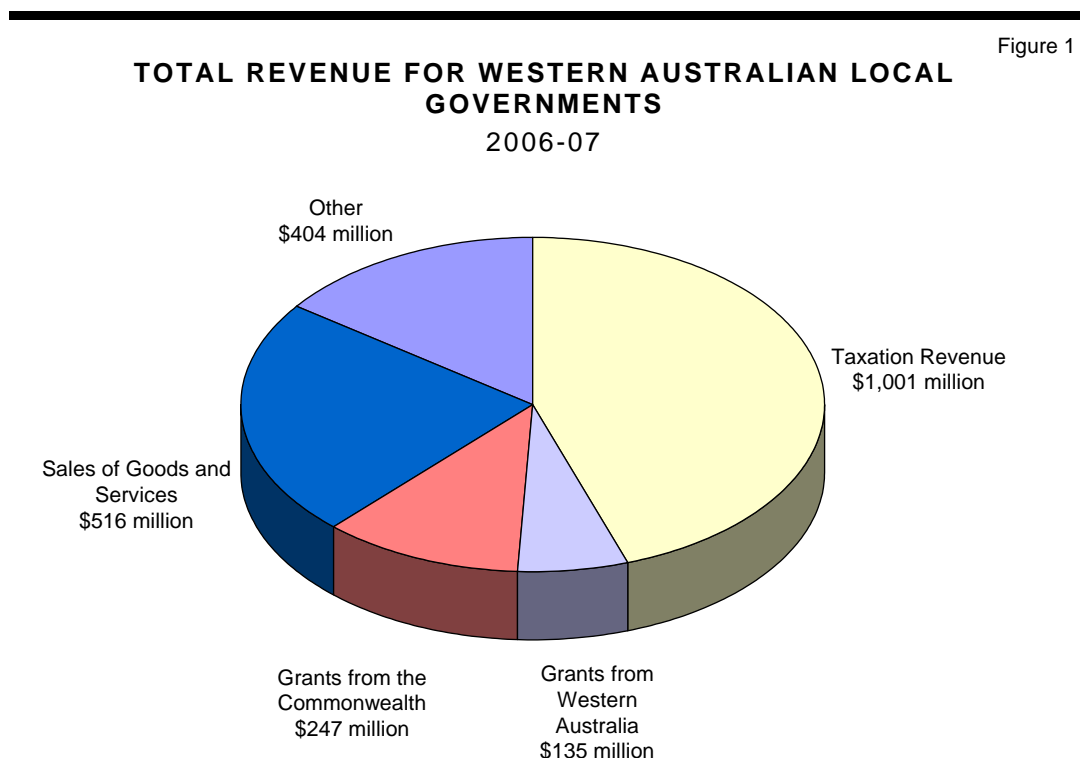
It is estimated that such a pensioner household would have a total expenditure of \$2,549.39 on State ‘Government’ tariffs, fees and charges, experiencing an increase of \$36.75 (or 1.46%). This is significantly below the reference rate of inflation in 2008-09.

³ Entitlement to a Pensioner Concession Card, and thus State concessions, is based on eligibility for:

- a pension, such as Age pension, Disability Support pension, Carer pension;
- Parenting Payment (single);
- Mature Age Allowance;
- Mature Age Partner Allowance;
- carer payment; or
- if aged over 60 and receiving one (or a combination) of the following payments continuously for more than nine months: Newstart Allowance; Sickness Allowance; Widow Allowance; Partner Allowance; Parenting Payment; or Special Benefit.

State-Local Government Finances

In aggregate, 17% of Western Australian local government revenue was derived from grants in 2006-07 (Figure 1), compared with around 38% for the State government.



Source: ABS Catalogue No 5512.0, Department of Treasury and Finance and Commonwealth *Final Budget Outcome* 2006-07.

In 2006-07, \$381 million in grants was provided to Western Australia's local governments. Of this amount, \$135 million was provided by the State, mainly for roads. The balance was provided by the Commonwealth (Table 1).

Table 1

GRANTS TO LOCAL GOVERNMENTS IN WESTERN AUSTRALIA

	2006-07 Actual \$m	2007-08 Estimated Actual \$m	2008-09 Budget Estimate \$m
STATE GRANTS			
Main Roads	88	104	104
Fire and Emergency Services	12	18	18
Sport and Recreation	6	12	17
Local Government and Regional Development	6	12	11
Other	22	27	14
Total	135	173	164
COMMONWEALTH GRANTS			
Financial Assistance Grants			
General Purpose Funding	116	122	128
Untied Local Roads Funding	79	83	86
Specific Purpose Payments ^(a)			
Children's Services	2	2	2
Regulation Reduction Incentive Fund	1	-	-
Auslink	49	82	94
Total	247	289	309

(a) Paid directly to local government authorities by the Commonwealth.

Source: Department of Treasury and Finance, Commonwealth *Final Budget Outcome* 2006-07 and Commonwealth *Mid-Year Economic and Fiscal Outlook* 2007-08.

Note: Columns may not add due to rounding.

Most payments from the Commonwealth to local governments are untied payments passed through the States (i.e. financial assistance grants, comprising general purpose funding and untied local roads funding).

- General purpose funding is distributed among the States on the basis of population shares, and then distributed to local governments within States mainly using fiscal equalisation principles.
- Untied local roads funding is distributed among the States on the basis of historical shares, and then distributed to local governments within States on the basis of relative needs. The Commonwealth Grants Commission recently reviewed the interstate distribution of untied local road funding, and recommended an interim distribution pending further work to improve the data on local road use and condition. However, the former Federal Government decided to retain the existing interstate distribution.
- The Commonwealth also provides specific purpose payments, including for roads, directly to local governments.