



2009-10 BUDGET

ECONOMIC AND FISCAL OUTLOOK

Budget Paper No. 3

**PRESENTED TO THE LEGISLATIVE ASSEMBLY
ON 14 MAY 2009**

2009-10 Economic and Fiscal Outlook

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ECONOMIC AND FISCAL OUTLOOK
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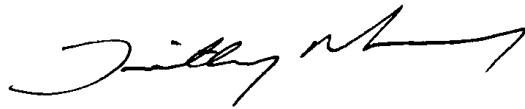
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Under Treasurer's Certification

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 16 April 2009 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 16 April 2009.



Timothy Marney
UNDER TREASURER

14 May 2009

Economic and Fiscal Outlook – Overview

Fiscal Outlook

The 2009-10 Budget has been framed in very challenging circumstances, reflecting the impact of the global economic downturn on the national and State economies, and the flow-on impact on the State's major revenue sources.

The budget seeks to deliver the following four key outcomes:

- protect jobs and support the Western Australian economy in the short term;
- secure Western Australia's economic future, through structural change and strategic investments;
- provide better services for families and communities; and
- protect the financial position of the State of Western Australia.

Towards the delivery of these outcomes, this budget includes:

- measures to protect jobs and support the economy, including:
 - a \$100 million one-off payroll tax rebate for small to medium employers;
 - a record \$8.3 billion Asset Investment Program in 2009-10; and
 - a range of training-related initiatives totalling \$47 million over the next three years, including a temporary rebate of worker's compensation premiums for first year apprentices and trainees;
- initiatives to improve services, including partnering with the Commonwealth on various Council of Australian Governments (COAG) reforms and the implementation of the Government's election commitments; and

- measures to protect the State’s finances, including implementation of the 3% efficiency dividend and other corrective measures, with combined savings across the forward estimates period of around \$7.6 billion.

Importantly, this budget forecasts a general government operating surplus of \$409 million in 2009-10, following an estimated surplus of \$647 million in 2008-09. A small surplus is also forecast in 2010-11. Deficits are currently projected in the last two years of the forward estimates period (2011-12 and 2012-13). However, in the current environment there is considerable uncertainty in projecting this far into the future. The Government’s objective is to ensure the budget remains in surplus and there is ample time for the Government to take further action, should it be necessary, to ensure this outcome.

KEY BUDGET AGGREGATES
Western Australia

Table 1

	2007-08 Actual	2008-09 Estimated Actual	2009-10 Budget Estimate	2010-11 Forward Estimate	2011-12 Forward Estimate	2012-13 Forward Estimate
GENERAL GOVERNMENT						
Net Operating Balance (\$m)	2,507	647	409	23	-513	-458
Revenue (\$m)	19,345	19,677	20,700	20,738	21,227	22,494
Revenue Growth (%)	10.1	1.7	5.2	0.2	2.4	6.0
Expenses (\$m)	16,837	19,030	20,291	20,715	21,739	22,952
Expense Growth (%)	9.9	13.0	6.6	2.1	4.9	5.6
TOTAL PUBLIC SECTOR						
Net Debt at 30 June (\$m)	3,634	6,959	12,364	15,039	17,658	19,132
Asset Investment Program (\$m) ^(a)	4,973	5,745	8,272	5,817	4,977	4,693
KEY FINANCIAL RATIOS^(b)						
Net Interest Cost to Revenue (%)	1.0	1.6	2.3	2.9	3.8	4.2
Net Debt to Revenue (%)	18.3	29.2	46.3	53.9	60.7	62.8
Net Financial Liabilities ^(c) to Revenue (%)	42.9	59.7	73.6	79.1	85.6	85.4

(a) The Asset Investment Program consists of all infrastructure works being undertaken by State agencies and which result in physical assets held by the State. This replaces the previous Capital Works Program disclosure in previous budgets which included State infrastructure spending as well as capital grants to third parties (such as local governments) and Keystart’s home lending program. The change in focus aligns the accounting measurement of public sector spending on infrastructure with Government policy on the delivery of infrastructure by agencies.

(b) These ratios relate to the total non-financial public sector.

(c) As defined by Standard & Poor’s for the purposes of credit ratings assessments.

Since the 2008-09 mid-year review (released in December 2008), forecast revenue from State taxes, GST revenue grants, and royalty income – the State’s three largest sources of revenue – has been revised down by a massive \$4.0 billion over the period 2008-09 to 2011-12.

The budget aggregates presented in Table 1 incorporate \$5.6 billion worth of corrective measures (including associated interest savings) implemented in this budget (see Table 2 below). These measures are over and above:

- the 3% efficiency dividend, which will generate savings of \$1.333 billion over the period 2008-09 to 2011-12 (and a further \$424 million in 2012-13) – which is 97% of the target savings included in the 2008-09 mid-year review; and

- the Government's election commitment to reduce spending on media and marketing, advertising and consultancies (\$75 million over the forward estimates period).

Table 2

NET DEBT IMPACT OF CORRECTIVE MEASURES

	2008-09	2009-10	2010-11	2011-12	2012-13	Total
	\$m	\$m	\$m	\$m	\$m	\$m
<i>2009-10 Budget Measures</i>						
Capital Works Audit Savings	-212	-265	-510	-876	-1,157	-3,019
Economic Audit Savings	-	-194	-298	-315	-317	-1,125
Electricity Tariff Changes	-	-59	-160	-200	-126	-546
Provision for Land Sales	-	-20	-55	-75	-100	-250
Election Commitment Savings	-10	-25	-25	-25	-67	-152
Lower Tax Relief Measures	-	-67	20	-85	5	-127
Capping the First Home Owners' Grant	-	-1	-1	-1	-1	-5
Interest Savings on above measures	-	-9	-39	-103	-208	-358
TOTAL 2009-10 BUDGET MEASURES	-222	-640	-1,068	-1,680	-1,972	-5,583
<i>Plus</i>						
Efficiency Dividend Savings	-156	-381	-391	-405	-424	-1,757
Media and Marketing, Advertising and Consultancies Savings	-6	-16	-17	-18	-18	-75
Interest Savings on above measures	-	-7	-26	-53	-85	-170
TOTAL SAVINGS FROM CORRECTIVE MEASURES	-384	-1,044	-1,503	-2,155	-2,498	-7,585

Note: Columns may not add due to rounding.

Revenue Outlook

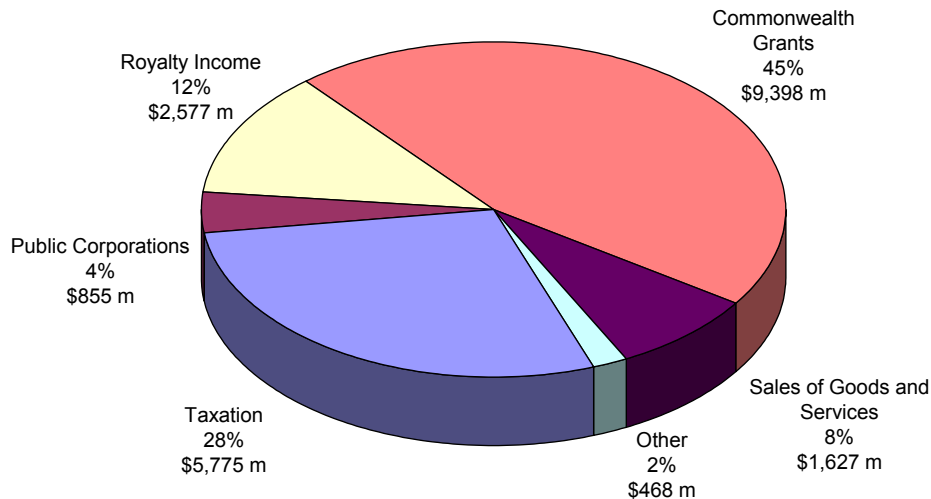
The revenue outlook is bleak. Excluding one-off income associated with the Commonwealth stimulus packages, revenue is expected to increase by 0.3% in 2009-10. This follows an average growth rate of 8.4% over the past five years.

General government operating revenue is forecast to grow by \$1.0 billion or 5.2% in 2009-10, to \$20.7 billion.

As indicated, the main source of growth is a temporary rise in grants under the Commonwealth Government's *Nation Building and Jobs Plan*, which is offset by matching expenditure. Growth in other sources of State revenue is expected to be weak. Payroll tax is expected to decrease as a result of softening conditions in the labour market, while an assumed reduction in iron ore prices will drive royalty income lower. GST grants are also projected to decline in 2009-10, reflecting a further reduction in Western Australia's GST grant share.

Figure 1

2009-10 REVENUE
General Government



TOTAL REVENUE = \$20,700 MILLION

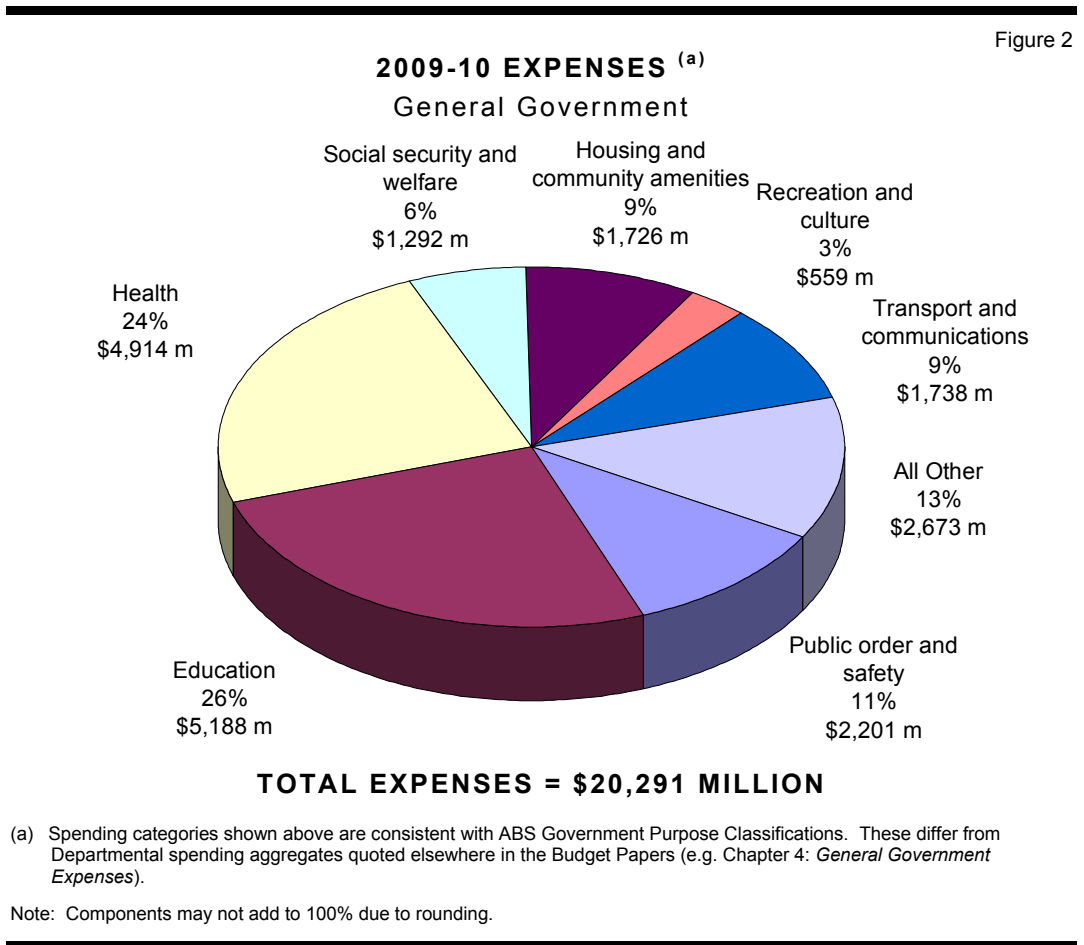
Note: Components may not add to 100% due to rounding.

The longer-term outlook for revenue growth remains subdued, with a major factor being a continued decline in Western Australia’s share of GST revenue. This is due to the lagged impact of the Commonwealth Grants Commission process, which penalises Western Australia for the strong underlying growth in own-source revenue in recent years. By 2012-13, the State’s share of national GST revenue is projected to decline to just 5.7% (relative to Western Australia’s population share of 10.5%), which equates to a revenue loss of around \$2.4 billion in 2012-13 alone. Unfortunately, this structural deterioration in the State’s finances has been anticipated for some time.

Nevertheless, total general government revenue is expected to increase across the outyears, with growth being underpinned by a moderate increase in royalty income and a gradual recovery in taxation revenue.

Expenses

Even with the corrective measures implemented in this budget, general government expenses are forecast to total \$20.3 billion in 2009-10 – an increase of \$1.3 billion or 6.6% on 2008-09. This follows average expense growth of 9.6% per annum over the previous five years. Without the corrective action taken in this budget, the State’s expenditure base would have been fiscally unsustainable. Of the increase in 2009-10, \$749 million or 59% is in the key service delivery areas of health, education and training, and law and order.



Key 2009-10 Budget outcomes are protecting jobs and supporting the State’s economy, and providing better services to families and communities, including through delivery of the Government’s election commitments. Major initiatives towards these outcomes include:

- implementation of an additional Police Officer Program (comprising 350 police officers, 150 auxiliary police officers and 200 specialists and expert civilian staff) over a five year period at a cost of \$209 million;
- a \$100 million one-off payroll tax rebate for small to medium businesses, which will provide critical support to the economy in the coming year;

- additional expenditure of \$71 million over four years to meet the projected increase in the prison population arising from implementation of the Government's law and order election commitments;
- expenditure of \$46 million over four years to provide behaviour management specialists and support for schools;
- a \$47 million package of training-related initiatives over the next three years, including a temporary rebate of workers' compensation premiums for first year apprentices and trainees in both 2009-10 and 2010-11;
- introduction of a business resilience program (BIZfit) to assist small businesses through seminars/workshops, business coaching/mentoring, and a scholarship program; and
- a \$5.7 million extension of 'boost' tourism marketing in 2009-10.

Asset Investment Program

To help protect jobs and support the State's economy, this budget provides for a record \$8.3 billion of public sector infrastructure spending in 2009-10. This includes:

- \$1.2 billion on improving, expanding and maintaining the State's electricity infrastructure;
- \$1.1 billion on the State's water, wastewater and drainage services;
- \$654 million on road construction and improvement works;
- \$572 million on infrastructure to improve and extend the State's health care facilities;
- \$377 million on improvements to port infrastructure across the State; and
- \$363 million on law and order-related projects.

The Asset Investment Program for 2009-10 also includes \$1.1 billion for schools, social housing, and rail and road infrastructure, provided under the Commonwealth's *Nation Building and Jobs Plan*, as well as the State Government's previously announced bring-forward of \$316 million of housing-related spending.

A comprehensive audit of the Asset Investment Program has resulted in savings of \$3.0 billion (in net debt terms) across the forward estimates period, through the identification of lower priority projects which have been either deferred or cancelled. Further details on these and other projects in the Asset Investment Program are provided in Chapter 5: *Asset Investment*.

Economic Outlook

In late 2008 the global economy entered its deepest and most synchronised downturn in decades, with the USA, UK, Japan, and Euro area now in recession, and growth forecasts for emerging economies revised down substantially. Commodity prices have fallen and world trade has contracted sharply. However, the large pipeline of business investment that was already underway prior to the downturn is still to be completed. This tail-end of the boom will help cushion the slowdown in the State's economy in the short term.

Following strong growth in Gross State Product in 2008-09, the Western Australian economy is forecast to contract by 1.25% in 2009-10, as the global recession intensifies and the business investment boom starts to unwind. Domestic demand is forecast to fall by 3.5% in 2009-10, due to contractions in both business and housing construction. This is partially offset by forecast growth in net exports. While exports are forecast to decline, imports are expected to fall more rapidly, resulting in an increase in net exports.

The global economic recovery forecast for 2010 is expected to help lift growth in household consumption in 2010-11. Even so, a second year of economic contraction is expected for Western Australia in 2010-11, with a 0.5% contraction, due mainly to a further reduction in business investment.

The export and investment outlook is expected to improve in 2011-12 and 2012-13 as the global economy recovers. The State's economy is forecast to grow by 3.75% in each year, slightly below average growth over the past decade of 4.4%.

Employment is forecast to fall by 2.0% in 2009-10 and remain flat in 2010-11, reflecting the contraction in domestic demand. In line with the economy, and the expected decline in business investment in particular, the unemployment rate is forecast to rise from an average of 3.25% in 2008-09 to 5.75% in 2009-10 and 6.75% in 2010-11.

Growth in wages is expected to slow in response to weaker labour demand, with growth of 3.0% forecast in 2009-10 and 2.75% in 2010-11, the lowest growth rates since 1999-2000.

Price growth is also forecast to slow as a result of lower global commodity prices (notably oil), growing spare capacity, weaker wages growth and subdued demand.

The rapidly changing and highly unpredictable global economy means that there are many risks to these economic forecasts. The extent, depth and duration of the global downturn is still far from clear, and uncertainty about the global outlook is greater than usual. For further details on the State's economic outlook and the key risks to it, see Chapter 6: *The Western Australian Economy*.

Table 3

KEY ECONOMIC FORECASTS FOR WESTERN AUSTRALIA

	2007-08 Actual ^(a)	2008-09 Estimated Actual	2009-10 Budget Estimate	2010-11 Forward Estimate	2011-12 Forward Estimate	2012-13 Forward Estimate
	%	%	%	%	%	%
Real Gross State Product Growth ^(b)	5.2	8.0	-1.25	-0.5	3.75	3.75
Real State Final Demand Growth ^(b)	9.3	8.25	-3.5	-3.75	4.75	4.5
Employment Growth	3.6	3.25	-2.0	0.0	2.0	2.5
Unemployment Rate	3.3	3.25	5.75	6.75	6.0	5.25
Wage Price Index Growth ^(c)	5.8	4.5	3.0	2.75	3.25	4.0
Average Weekly Earnings Growth ^(c)	9.8	2.5	1.5	2.75	3.75	4.0
Population Growth	2.6	3.1	2.4	1.8	1.8	1.8
Perth Consumer Price Index Growth	3.6	3.5	2.5	2.5	3.0	3.0

(a) Gross State Product and State Final Demand data are based on 2007-08 State Accounts data, released by the Australian Bureau of Statistics (ABS) on 14 November 2008 (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).

Other forecasting notes: All data are annual averages. In determining the above economic forecasts, 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. The forecasts assume no changes in Commonwealth Government policy settings.

Fiscal Strategy and Financial Projections

Overview

The 2009-10 Budget has been framed in very challenging circumstances, with international and national economic conditions deteriorating sharply since the second half of 2008. The extent, pace and distribution of the global downturn is still far from clear.

The economic downturn is significantly impacting the State's revenue outlook. Since the 2008-09 mid-year review (published in December 2008), forecast revenue from State taxes, GST revenue grants, and royalty income – the State's three largest sources of revenue – has been revised down by a massive \$4.0 billion over the period 2008-09 to 2011-12.

In light of these very difficult economic circumstances, a major focus of the 2009-10 Budget has been the implementation of the 3% efficiency dividend and other corrective measures to ensure that the State's finances are on a sustainable footing.

This budget includes efficiency dividend measures totalling \$1.333 billion over the period 2008-09 to 2011-12, which is 97% of the savings target included in the 2008-09 mid-year review (and a further \$424 million in 2012-13). Further substantial corrective measures have also been implemented in this budget, which in total deliver additional savings (in net debt terms) of around \$5.6 billion over the forward estimates period.

This budget also includes the Liberal-National Government's election commitments, which total \$5.2 billion over five years (including \$3.0 billion of *Royalties for Regions* initiatives), as well as other measures to support businesses, workers and job seekers in the current economic environment.

All up, the general government sector is forecast to achieve a \$409 million operating surplus in 2009-10, down from a revised estimate for 2008-09 of \$647 million. These surpluses are significantly lower than the \$2+ billion surpluses achieved in recent years.

The surplus is forecast to reduce substantially further in 2010-11, to \$23 million, with operating deficits currently projected in the last two years of the forward estimates period.

The State's Asset Investment Program is forecast to total a record \$8.3 billion in 2009-10, boosted by a number of Commonwealth and State initiatives to support the building and construction industries, and stimulate the economy more generally. From 2010-11, capital spending is forecast to ease back to more normal levels, but annual spending will still average around \$5.2 billion to support the State's economic and social development into the future.

The deterioration in the operating outlook, combined with record levels of asset investment, result in total public sector net debt rising from an estimated \$7.0 billion at 30 June 2009 to \$19.1 billion by 30 June 2013. With the projection of budget deficits in the outyears, general government sector net debt is also forecast to rise. However, the cost of servicing this debt remains affordable, with net interest costs expected to remain comfortably below 5% of revenue across the entire forward estimates period, in line with the Government's target (see below).

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 is committed to responsibly managing the State's finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector. For the 2009-10 Budget, the Government has adopted a new set of financial targets, which are outlined below.

Financial Targets

Financial targets are a requirement of the *Government Financial Responsibility Act 2000* (GFRA). The financial targets applying for this budget are to:

- maintain or increase the real net worth of the total public sector;
- achieve an operating surplus for the general government sector;
- maintain the ratio of total non-financial public sector net interest costs as a share of revenue at or below 5%;
- ensure that real per-capita own-purpose general government expenses do not increase; and
- provide a fair and efficient taxation system that is competitive with other Australian States.

These targets replace those that applied under the previous Government and specifically include the following changes:

- the replacement of the former net debt to revenue ratio target with a net debt affordability ratio (as measured by net interest costs as a share of revenue);
- definition of a general government expense target based on growth in wages (which are the single largest component of general government expenses) and the population; and
- the introduction of a broad measure of tax competitiveness in line with the practice in some other Australian States.

Changes to financial targets occur periodically and are consistent with the requirements of the GFRA. It has been standard practice since the GFRA was enacted that financial targets have been reviewed at the beginning of each new Parliamentary term.

The changes to whole-of-government financial targets applicable from this budget reflect the financial management priorities of the Government.

The outlook for each of these targets is outlined below.

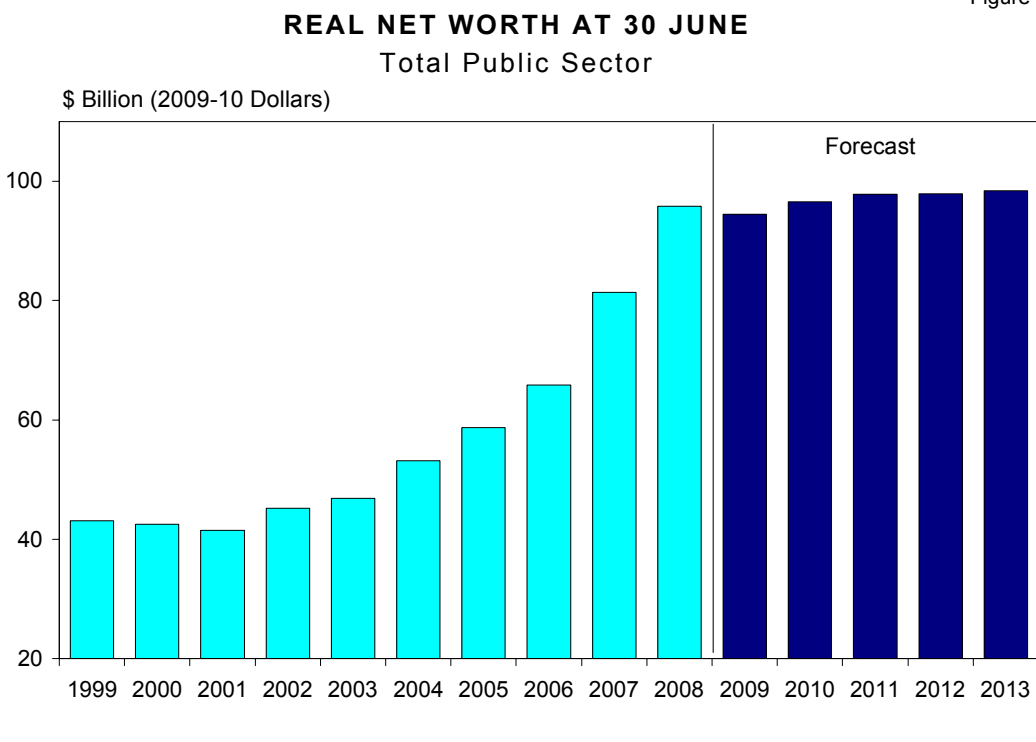
Net Worth: Maintain Or Increase Real Net Worth Of The Total Public Sector

Net worth is the most comprehensive measure of the overall strength of the State’s financial position. It is the difference between the State’s total assets and total liabilities. Net worth in real terms removes differential inflationary impacts in both assets and liabilities.

The target is not expected to be met in 2008-09, due mainly to the substantial reduction in the size of the general government operating surplus, from \$2.5 billion in 2007-08 to an estimated \$647 million in 2008-09, and a significant rise in the projected value of unfunded superannuation liabilities (discussed later in this chapter). While the nominal level of net worth increases marginally, it is expected to do so at a rate below price growth and thus, in real terms, net worth declines marginally. However, the target is expected to be met in 2009-10 and across the outyears. This reflects operating surplus outcomes at a total public sector level (with public corporations sector surpluses more than offsetting general government deficits in the outyears, after inflation is removed).

In nominal terms, net worth is projected to be around \$93 billion at 30 June 2009, rising to over \$105 billion by the end of the forward estimates period.

Figure 1

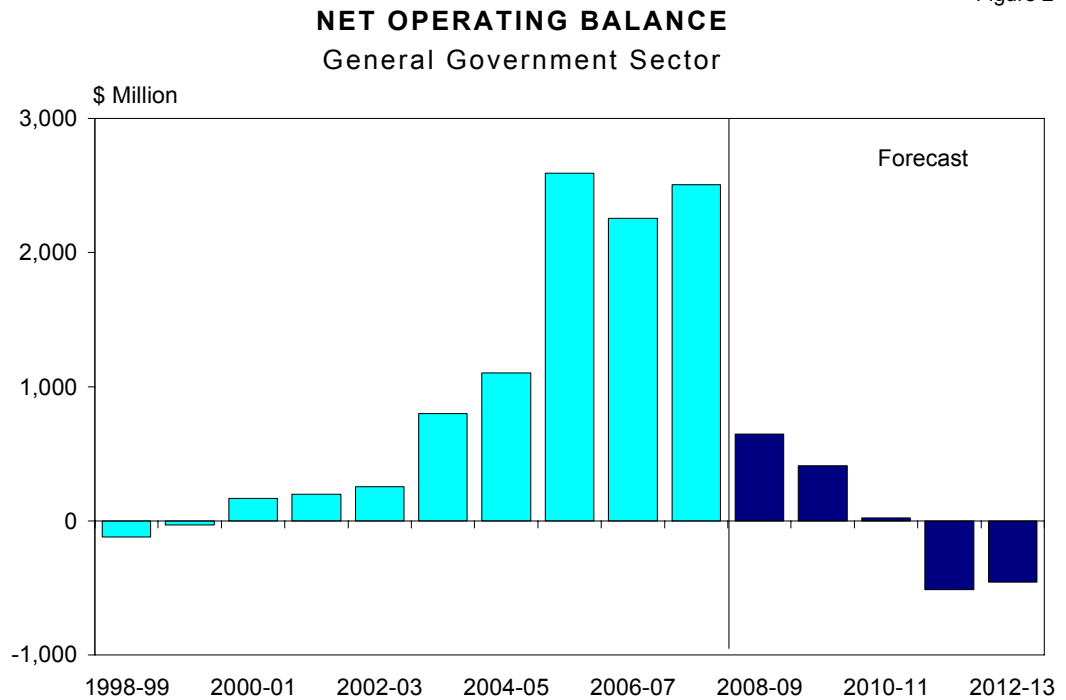


Operating Balance: Achieve An Operating Surplus For The General Government Sector

General government sector operating surpluses are expected to be achieved in each year up to and including 2010-11, consistent with expectations at the time of the December 2008 mid-year review. A surplus outcome of \$647 million is expected for 2008-09. Surpluses are forecast to decline sharply over the next two years (to \$409 million in 2009-10 and \$23 million in 2010-11), reflecting expectations that the State’s revenue growth outlook will fail to keep pace with expenditure.

Operating deficits of \$513 million and \$458 million are forecast for 2011-12 and 2012-13 respectively. While deficits are in prospect in these years, the Government has ample time to consider further corrective action (over and above that implemented in this budget) if these forecasts remain valid.

Figure 2



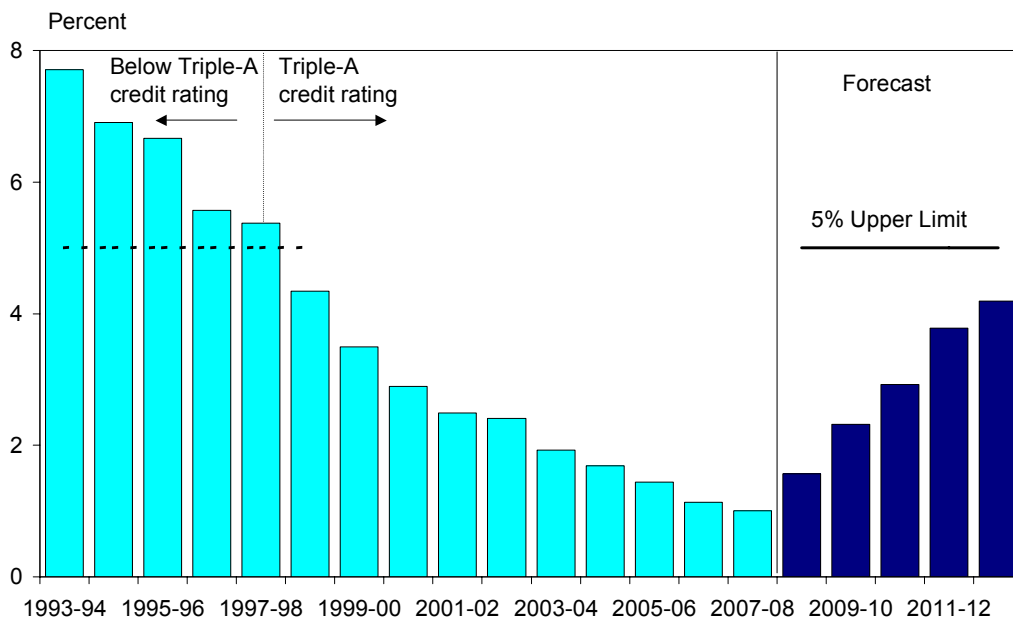
Net Debt Affordability: Maintain Net Interest Costs As A Share Of Revenue Below 5%

This target measures the overall affordability of projected net debt levels on the State’s day-to-day finances through the share of income that is required to pay interest on the State’s debt. It includes the impact of debt servicing costs on general government service delivery agencies and public corporations, including utilities, that deliver major economic infrastructure (together, these make up the total non-financial public sector).

The net interest costs ratio is forecast to reach a maximum 4.2% by 2012-13, up from 1.6% in 2008-09. This is below the Government’s 5% upper target limit. The projected increase in the ratio over the forward estimates period primarily reflects the forecast increase in net debt, which in turn reflects the rapid deterioration in the general government operating surplus outlook (as outlined in the previous target) and the very significant levels of infrastructure investment reflected in this budget.

Figure 3

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



The target level of 5% is based on historical performance. The ratio was above the 5% limit in the early to mid 1990s (see above chart). The subsequent decline was largely a result of the impact on net debt levels following the repayment of borrowings from the sale of BankWest (in 1995-96) and the Dampier to Bunbury Natural Gas Pipeline (in 1997-98), and more recently, operating surpluses generated by the State’s booming economy.

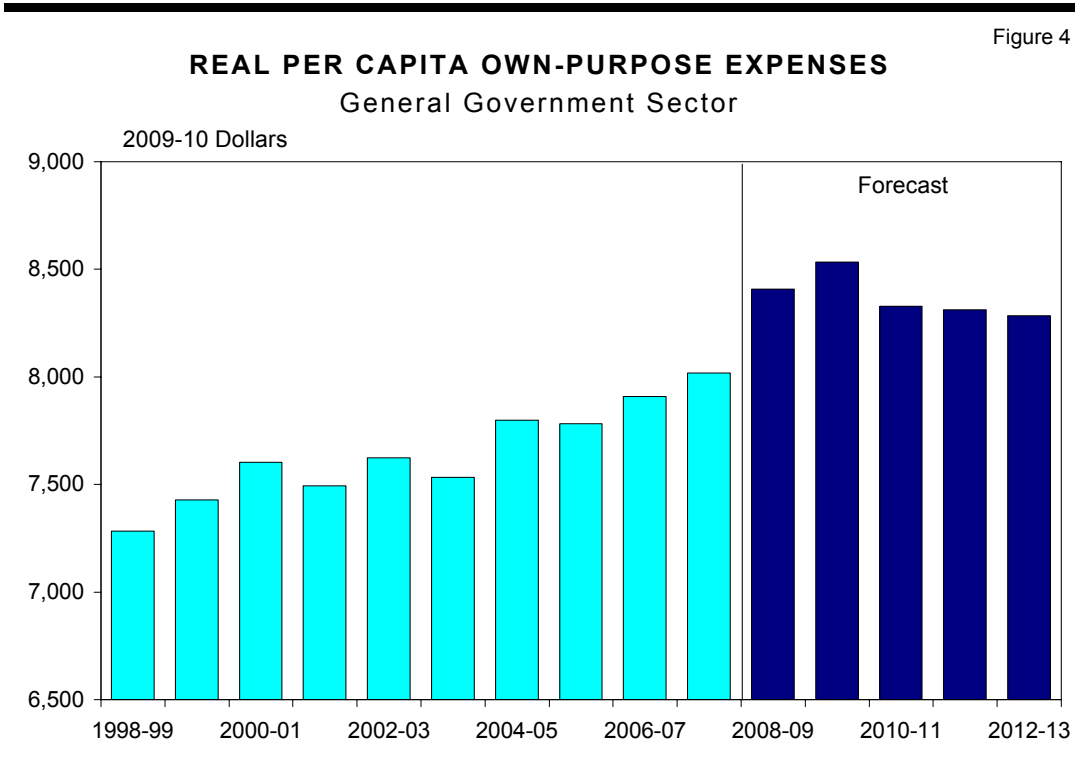
This period coincided with restoration of the State’s triple-A credit rating.

Ensure That Real Per Capita Own-Purpose Expenses For The General Government Sector Do Not Increase

Control of general government expenses is critical to achieving operating surpluses on a consistent basis. This target measures the growth in day-to-day spending controlled by the State Government.

Abstracting from Commonwealth grants passed through the State (which are outside of the State Government’s policy control), the target allows for general government expense growth up to the combined growth in population and wages (as measured by the Wage Price Index).

The target is not expected to be met in 2008-09 or 2009-10. The 2008-09 outcome has been in excess of target growth since the time of the previous Government’s 2008-09 Budget. In 2009-10, expenses are estimated to grow by 6.6% (in nominal terms), which exceeds target growth of 5.4%. The target is expected to be met in each of the outyears.



It should be noted that the budget aggregates include significant upward revisions to revenue, expenses and capital spending as a result of the November 2008 and February 2009 COAG initiatives. Abstracting from these impacts, general government expense growth in 2009-10 would be 5.3%, which is consistent with meeting the target.

The Government's decisions around corrective measures are significant in slowing the rate of general government expense growth. The major reductions arise from Stage 1 of the Economic Audit, implementation of the 3% efficiency dividend, and the decision to increase electricity tariffs as part of the transition to cost-reflective levels (which reduces the general government subsidies required to support the electricity entities).

The Government's new public sector wages policy, coupled with the introduction of a ceiling on Full Time Equivalent employee numbers, will also assist in containing growth in employee-related expenses¹, which comprise around 43% of total general government expenses.

Chapter 4: *General Government Expenses* provides further details of the measures implemented in this budget to reduce expenses and ensure financial responsibility going forward.

¹ In this context, employee-related expenses include both salaries and concurrent superannuation costs.

Tax Competitiveness: Provide a Fair And Efficient Tax System That Is Competitive With Other States

A key objective for the Government is the provision of a fair and efficient taxation system, which is competitive with other States and which raises sufficient revenue to meet the Government's service delivery and infrastructure needs.

Performance against this target is assessed in a qualitative sense, including by reference to the variety of tax competitiveness indicators. These include:

- tax revenue as a share of Gross State Product (GSP);
- tax revenue on a per capita basis; and
- tax 'effort' calculated by the Commonwealth Grants Commission.

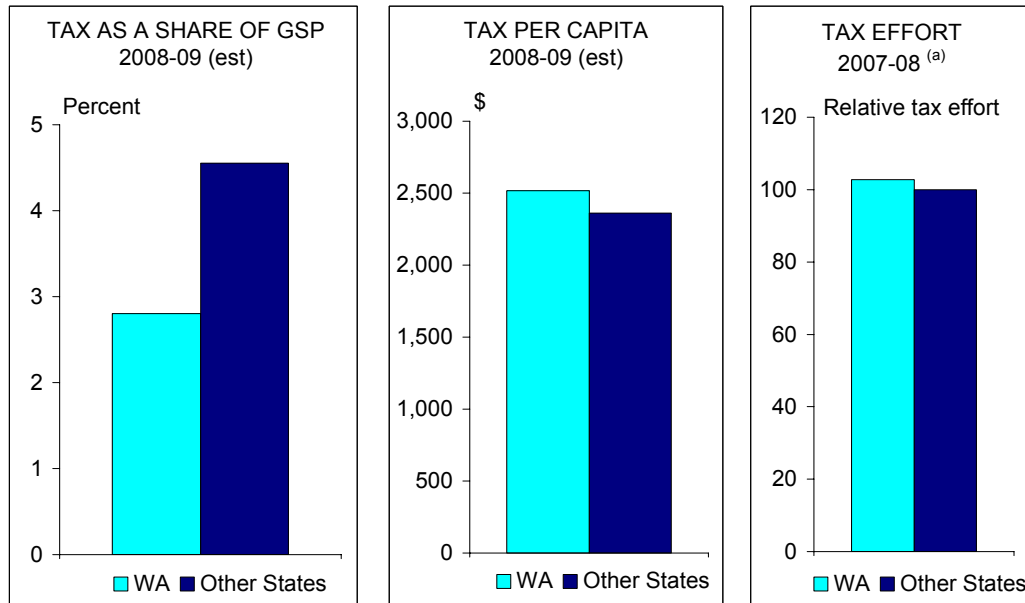
Tax as a proportion of the economic base (i.e. GSP) is an internationally recognised measure of tax competitiveness, which unlike tax per capita, accounts for the impact of differences in the size and composition of each State's economy on tax revenue. According to the latest available data, Western Australia's tax to GSP ratio (i.e. the tax burden on the economy) is expected to be the lowest of all States in 2008-09.

This contrasts with Western Australia's high tax per capita ranking. However, per capita tax levels mainly reflect the relative strength of the State's economy, which has produced robust growth in tax revenue (until very recently), well ahead of the growth in the population. Western Australia's higher per capita tax revenue is largely attributable to higher per capita economic output than other States. Under the Commonwealth Grants Commission process, this relative economic advantage is redistributed to other States through a reduction in Western Australia's share of national GST revenue.

According to the Commonwealth Grants Commission, Western Australia's tax 'effort' (i.e. average tax rate) was 2.8% higher than the national average in 2007-08². Tax effort was lower in Victoria, Queensland and Tasmania, but higher in New South Wales and South Australia.

² Tax effort refers to the level of tax actually raised by a State, divided by the State's 'standardised' tax revenue (i.e. the level of tax revenue the Grants Commission estimates the State would have raised had it applied national average State tax rates and concessions).

TAX COMPETITIVENESS
Various Measures



(a) Department of Treasury and Finance, Commonwealth Grants Commission.

Based on latest available data, Western Australia is currently less competitive than other States on two of these three measures.

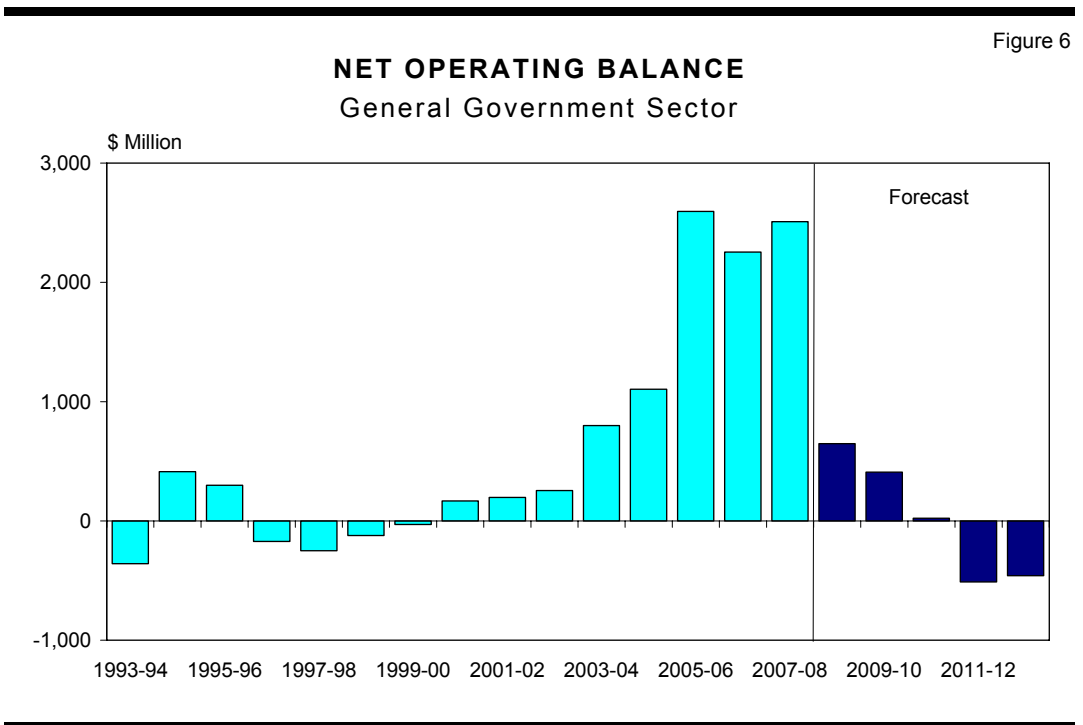
Summary of Financial Projections

General Government Sector

Summary

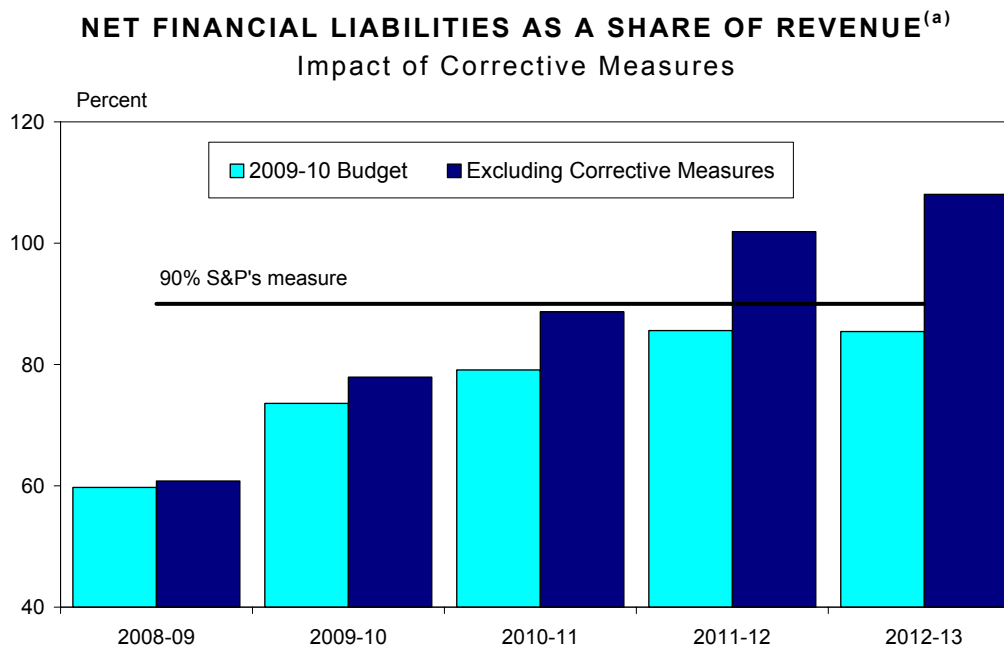
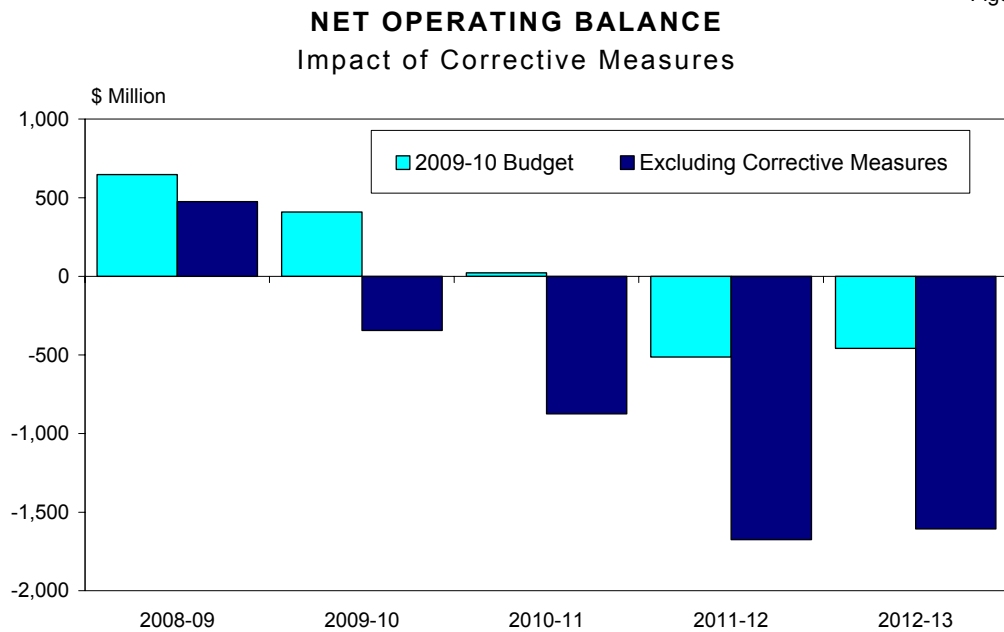
The outlook for the general government sector has deteriorated substantially since the time of the 2008-09 mid-year review, reflecting weakening international and domestic economic conditions and the flow-on impacts to the State’s revenue outlook. Since the mid-year review, forecast revenue from State taxes, GST revenue grants, and royalty income – the State’s three largest sources of revenue – has been revised down by \$4.0 billion over the period 2008-09 to 2011-12. This results in a total deterioration since the *Pre-election Financial Projections Statement* of around \$5.8 billion over the same period for these revenue aggregates.

As illustrated in the following chart, the record operating surpluses achieved in recent years are projected to unwind dramatically over the forward estimates period.



This budget includes around \$7.6 billion (in net debt terms) of corrective measures – including the 3% efficiency dividend – to ameliorate the impact of this turnaround (see details in Chapter 1: *Economic and Fiscal Outlook - Overview*). If these measures had not been implemented, the State’s financial outlook would have been significantly weaker (see following charts).

Figure 7



(a) Standard and Poor’s basis. See *Net Debt and Net Financial Liabilities* later in this chapter.

These outcomes would be inconsistent with maintaining a triple-A credit rating and would put significant pressure on the sustainability of the State’s finances going forward.

Table 1

GENERAL GOVERNMENT
Summary Financial Statements

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
OPERATING STATEMENT						
Revenue	19,345	19,677	20,700	20,738	21,227	22,494
Expenses	16,837	19,030	20,291	20,715	21,739	22,952
Net Operating Balance	2,507	647	409	23	-513	-458
BALANCE SHEET						
Assets	103,533	106,901	112,721	117,870	122,237	126,804
Liabilities	10,753	13,591	16,188	18,088	20,155	21,348
Net Worth	92,780	93,310	96,533	99,782	102,082	105,456
STATEMENT OF CASH FLOWS						
Net increase in cash and equivalents	890	-317	-511	-150	-268	-181
Cash Surplus	1,281	-535	-2,308	-1,506	-1,628	-1,196
<i>Memorandum Item: Net Debt</i>	-3,409	-2,461	747	2,799	4,725	6,190

Note: Columns may not add due to rounding.

Operating Statement

2008-09 Estimated Outturn

The estimated general government operating surplus for 2008-09 (\$647 million) has been revised down by \$539 million since the mid-year review was released in December 2008. The decrease is driven by a downward revision to revenue and a moderate increase in expenses.

General government revenue in 2008-09 has been revised down by \$362 million (or 1.8%) since the mid-year review, largely due to:

- a decline of \$362 million in royalty income, mainly reflecting the impact of an assumed 30% decrease in iron ore prices (from 1 April 2009) and lower prices for other commodities, and lower production volumes, together with a higher exchange rate (which is now assumed to be US 68.5 cents for the remainder of the year, compared with US 66 cents in the mid-year review);
- a \$334 million reduction in taxation revenue, mainly due to lower duty on property transfers and motor vehicles, and lower payroll tax;
- a \$217 million decrease in GST grants, following a sharp downturn in national economic activity; and
- a \$460 million increase in Commonwealth grants related to the COAG packages announced in November 2008 and February 2009.

General government expenses for 2008-09 are forecast to be \$177 million (or 0.9%) higher than the mid-year review estimate, with policy decisions totalling \$159 million (primarily a \$120 million allocation from the *Royalties for Regions* program for a Pilbara Revitalisation Plan) and parameter changes totalling \$18 million³.

Further details on the major factors affecting projections of the general government operating balance since the 2008-09 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 2008-09 MID-YEAR REVIEW

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	Total \$m
2008-09 MID-YEAR REVIEW – NET OPERATING BALANCE	1,186	723	105	-361		
Revenue						
<i>Policy Decisions</i>						
Reverse global provision for tax cuts	-	77.0	83.0	90.0	-	250.0
Payroll Tax Harmonisation	-	-0.5	-0.5	-0.5	-0.5	-2.0
Land Tax/MRIT measures	-	-9.2	-2.3	-4.6	-4.6	-20.7
Economic Audit Stage 1 measures	-	60.7	121.3	157.4	149.1	479.5
All other ^(a)	0.4	3.2	3.1	3.3	0.3	10.2
<i>Total Policy</i>	<i>0.4</i>	<i>131.2</i>	<i>204.7</i>	<i>236.5</i>	<i>144.3</i>	<i>717.0</i>
<i>Parameter</i>						
<i>Taxation</i>	<i>-334.4</i>	<i>-481.4</i>	<i>-567.1</i>	<i>-663.5</i>		<i>-2,046.4</i>
- Payroll Tax	-46.1	-227.9	-296.0	-321.4		-891.3
- Land Tax/MRIT	0.6	-71.2	-201.9	-239.0		-511.5
- Total Duty on Transfers	-252.0	-114.3	11.3	-23.4		-378.4
- Vehicle Licence Duty	-31.1	-68.6	-85.8	-86.5		-272.0
- All other taxes	-5.8	0.6	5.3	6.7		6.9
<i>Commonwealth grants</i>	<i>211.6</i>	<i>1,307.0</i>	<i>787.9</i>	<i>605.4</i>		<i>2,912.0</i>
- <i>Nation Building and Jobs Plan</i> (COAG February 2009 package)	104.3	1,147.1	604.8	31.2		1,887.4
- COAG November 2008 package	355.5	272.1	344.4	509.4		1,481.4
- GST grants	-216.6	-376.4	-201.0	-62.9		-856.9
- Ord-East Kimberley Expansion project – Commonwealth contribution	-	195.0	-	-		195.0
- North West Shelf grants	-28.1	-35.4	68.8	151.5		156.8
- Road grants	-7.7	112.2	-21.2	-15.9		67.5
- All other Commonwealth grants	4.2	-7.6	-7.9	-7.9		-19.2
<i>Royalty Income</i>	<i>-361.7</i>	<i>-484.1</i>	<i>-209.5</i>	<i>-50.7</i>		<i>-1,106.0</i>
- Iron Ore	-277.9	-397.9	-130.3	19.7		-786.4
- Nickel	-33.9	-46.4	-34.2	-37.6		-152.1
- Gold	4.3	15.7	27.3	36.9		84.2
- Diamonds	-22.0	-14.8	-18.9	-24.0		-79.7
- Petroleum	-15.0	-15.5	-13.6	-13.5		-57.6
- All other royalties	-17.2	-25.2	-39.8	-32.2		-114.4
<i>Other Revenue</i>	<i>122.3</i>	<i>-69.7</i>	<i>61.0</i>	<i>98.0</i>		<i>211.6</i>
<i>Total Parameter</i>	<i>-362.2</i>	<i>271.9</i>	<i>72.4</i>	<i>-10.8</i>		<i>-28.8</i>
TOTAL REVENUE	-361.8	403.1	277.0	225.7		544.0

Note: Columns may not add due to rounding.

³ Parameter changes include movements due to issues not subject to policy decisions, such as variations in Commonwealth grants, cost escalation, movements in interest and depreciation, etc.

Table 2 (cont.)

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE
VARIATIONS SINCE THE 2008-09 MID-YEAR REVIEW**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	Total \$m
Expenses						
<i>Policy Decisions</i> ^(b)	158.9	-104.3	-211.5	-327.5	-257.4	-741.8
Capital Works Audit	-	3.0	2.4	-2.1	6.0	9.3
Economic Audit	-	-157.8	-166.5	-153.7	-154.9	-632.9
Media, Marketing and Advertising Savings Reductions	1.6	3.1	1.8	1.8	1.7	10.0
Efficiency Dividend Savings Reductions ^(c)	31.8	6.2	7.2	6.8	8.2	60.2
Election Commitment Deferrals	-10.0	-	-	-	-1.5	-11.5
Payroll Tax Rebate	-	-	100.0	-	-	100.0
Electricity Tariffs – Reduction in CSOs	-	-59.5	-160.0	-200.2	-126.3	-546.1
<i>Royalties for Regions – Pilbara</i>						
Revitalisation Plan	120.0	-	-	-	-	120.0
Other policy decisions	15.6	100.7	3.7	19.9	9.4	149.3
<i>Parameter</i>						
<i>EBA offers</i>	13.6	23.6	33.3	44.1		114.6
- Police	-	7.0	14.1	23.4		44.5
- Train Drivers	6.9	7.2	7.0	8.0		29.1
- Fire Fighters	-0.6	0.9	1.4	1.4		3.2
- Social Trainers	7.3	8.5	10.7	11.3		37.8
Health – Increased hospital activity	109.9	77.4	77.4	77.4		342.0
COAG November 2008 package	184.7	308.5	383.0	530.3		1,406.6
COAG November 2008 package – co-investments	4.0	46.0	72.0	78.0		200.0
<i>Nation Building and Jobs Plan</i> (COAG February 2009 package)	35.5	136.9	6.3	-		178.6
Ord-East Kimberley Expansion project – Commonwealth contribution – expenses	-	35.0	-	-		35.0
Nominal Superannuation Interest Costs	-84.5	14.3	23.0	33.6		-13.6
Other	-245.2	180.0	-23.7	-58.2		-147.1
<i>Total Parameter</i>	18.1	821.7	571.2	705.1		2,116.1
TOTAL EXPENSES	177.0	717.4	359.7	377.6		1,631.7
TOTAL VARIANCE	-538.9	-314.3	-82.7	-151.9		-1,087.8
2009-10 BUDGET - NET OPERATING BALANCE	647	409	23	-513	-458	

(a) Includes a contribution from Magellan Metals to contribute \$9 million over three years towards the cost of cleaning up lead contamination in Esperance, increased application fees and annual title fees for Geothermal activity, and the impact of the Government's financial assistance to the Perth Wildcats, which included an exemption from court hire fees at Challenge Stadium (with revenue no longer to be received by the Western Australian Sports Centre Trust).

(b) An agency listing of the expense policy decisions taken since the 2008-09 mid-year review is provided in Chapter 4.

(c) Amounts shown represent spending which leaves the general government sector. In some instances, agencies have met their efficiency dividend target by changing internal spending (such as motor vehicle lease payments). Such internal savings are immaterial. In total, \$1,757 million of efficiency savings have been reflected across the period 2008-09 to 2012-13.

Note: Columns may not add due to rounding.

2009-10 and Beyond

The general government sector is experiencing a rapidly declining trend in operating surpluses, as boom conditions slow at a rate much faster than previously anticipated.

Revenue

Total general government sector revenue is forecast to be \$20.7 billion in 2009-10, an increase of \$1.0 billion (or 5.2%) relative to the estimated outturn for 2008-09.

The main source of growth is a temporary rise in grants for specific purposes under the Commonwealth Government's *Nation Building and Jobs Plan*. However, excluding this and the November 2008 COAG reforms, general government revenue is forecast to grow by just \$64 million or 0.3% in 2009-10.

GST revenue grants are forecast to contract by \$242 million (or 6.8%) in 2009-10. This reflects Western Australia's share of the national pool falling from 8.7% in 2008-09 to 8.1% in 2009-10.

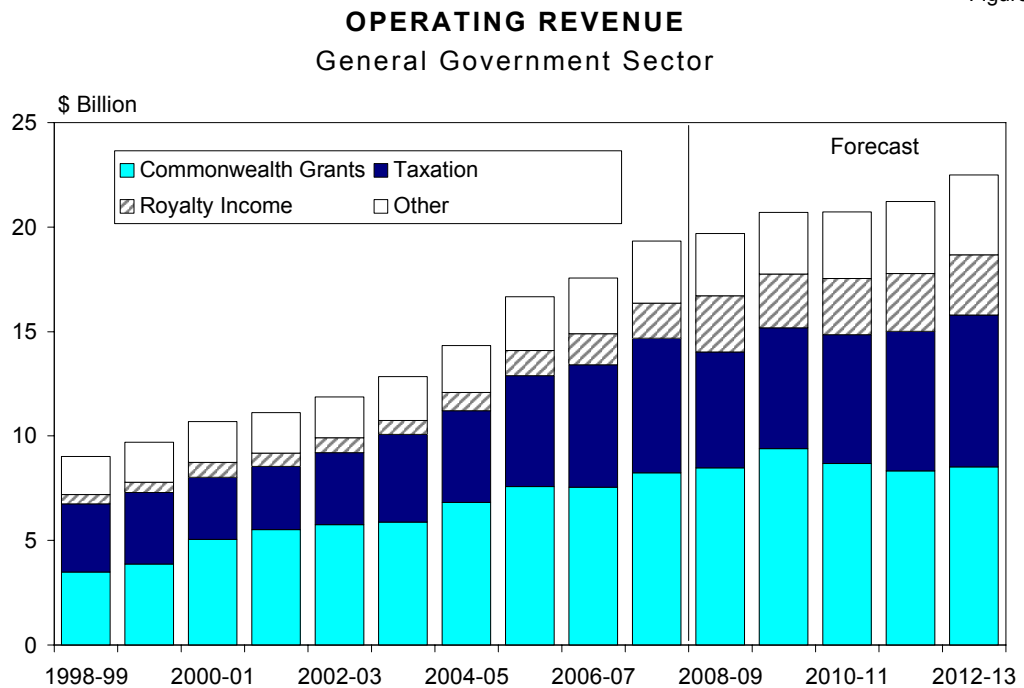
The outlook for own-source revenue is also subdued.

Growth in taxation revenue will be tempered by a small reduction in payroll tax revenue, with activity in the State's labour market forecast to soften in 2009-10. Land tax revenue is also expected to be lower. However, this is offset by an expected recovery in transfer duty revenue (albeit levels at the moment are very low). Overall, taxation revenue is forecast to grow by \$214 million or 3.9% in 2009-10.

Royalty income is forecast to decline by 3.7% in 2009-10, largely due to an assumed reduction in iron ore contract prices. This is expected to overshadow a modest improvement in other commodity prices, and continued growth in the production of iron ore.

In the outyears, total operating revenue is expected to increase by an average of 2.8% a year. This modest rate of growth mainly reflects a continued decline in Western Australia's share of national GST revenue (estimated to stand at just 5.7% of the national pool by 2012-13), offset by expectations of moderate growth in mining royalties and a general strengthening in taxation revenue.

Figure 8

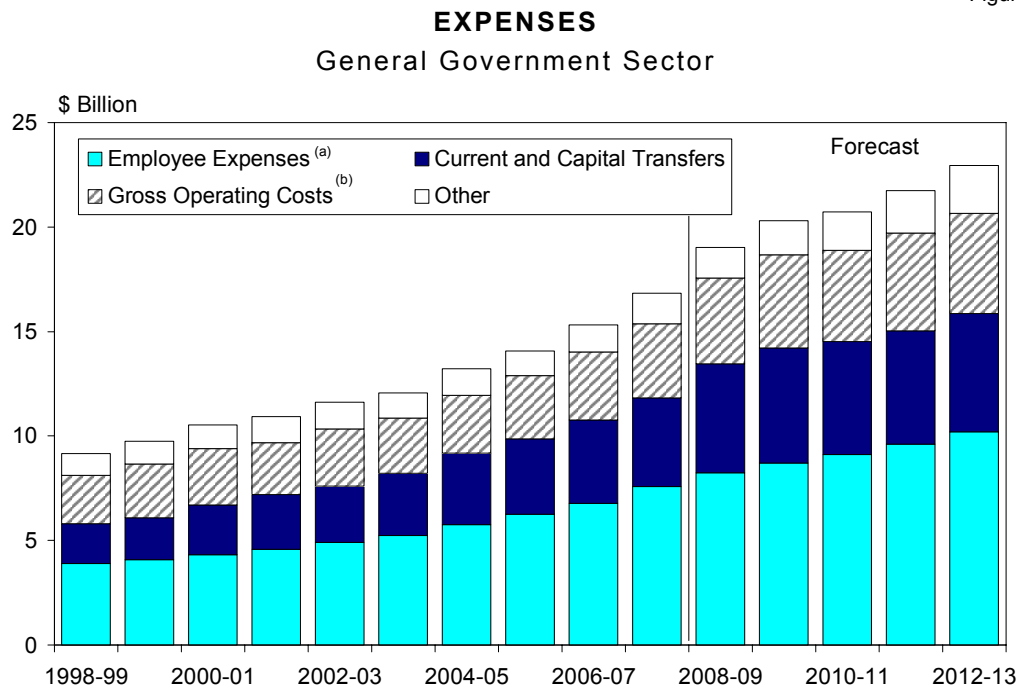


Detailed information on the revenue estimates, including the tax relief measures introduced in this budget, is contained in Chapter 3: *General Government Revenue*.

Expenses

General government expenses are forecast to rise by \$1.3 billion or 6.6% in 2009-10, reaching \$20.3 billion. This follows annual growth of around 9.6% per annum over the past five years. Across the three outyears, general government expenses are projected to rise annually by an average 4.2% (i.e. less than half the rate of the previous five years), consistent with meeting the Government’s expense growth target.

Figure 9



(a) Salaries and concurrent superannuation expenses.

(b) Includes services and contracts and other day-to-day non-labour costs.

The COAG reform packages (see *Revenue* above) announced in November 2008 and February 2009 have had a material impact on a number of key financial aggregates, including expenses. Excluding both COAG packages, expenses in underlying terms are projected to grow by 5.3% in 2009-10, and around 3.9% per annum across the outyears.

The major drivers of expense growth in 2009-10 are:

- salaries (representing 40% of the total expense base), which are projected to increase by \$439 million (or 5.8%) to \$8.0 billion. The 2009-10 salaries forecast includes around \$16 million of additional salaries spending (compared to mid-year review) related to the Government’s latest Enterprise Bargaining Agreement (EBA) offers to Social trainers (\$9 million), Police (\$6 million), and Firefighters (\$1 million);
- current transfers⁴, which are forecast to rise by \$567 million (or 12.6%) to \$5.1 billion. Major factors underpinning this increase are:
 - an increase in community service obligation (CSO) grants for the State’s public non-financial corporations (up \$360 million), largely due to payments to Synergy (up \$259 million) which are required while electricity tariffs remain below cost-reflective levels⁵;

⁴ Current and capital transfer payments are largely grants and subsidies paid to third parties (including other sectors of government).

⁵ This increase in the CSO payment to Synergy is around \$50 million lower than would otherwise have been forecast had the Government not adjusted electricity tariffs in this budget.

- higher grants for the Public Transport Authority (up \$46 million), due to implementation of the School Bus Seat Belt Program, increased depreciation expense and higher maintenance, energy and employment costs; and
- other grants across the sector, including grants by the Department of Communities such as the Redress Scheme and Seniors Cost of Living Rebates (\$79 million), the spending of Commonwealth assistance for the Ord-East Kimberley Expansion project (\$35 million), and grants by the Disability Services Commission (\$29 million);
- capital transfers, which are forecast to decline by \$310 million (or 43.2%) to \$408 million. This reflects a number of temporary measures in 2008-09, including the Commonwealth Government's boost to First Home Owner Grants, along with a one-off \$120 million grants expense in 2008-09 related to the Pilbara Revitalisation Plan⁶;
- higher 'other gross operating expenses' (i.e. day-to-day non-labour costs of agencies), which are \$337 million (or 12.6%) higher, including \$252 million by the Department of Education and Training (largely for school maintenance, equipment and other operating costs), and \$42 million by the Department of Health on hospitals and equipment (with a large portion of spending by these two agencies related to COAG reforms and therefore matched by higher revenue); and
- higher nominal superannuation interest costs⁷ (up \$92 million or 36.1%), reflecting valuation changes to the State's unfunded superannuation liabilities (discussed further in the *Balance Sheet* section of this chapter).

Beyond 2009-10:

- salaries growth is forecast to ease in 2010-11, due to an expected easing in wage costs across the economy and implementation of the Government's wages policy, before rebounding to rates of growth averaging around 5.75% in the last two outyears;
- the value of the operating subsidy provided to Synergy is projected to decline, as electricity tariffs move towards cost-reflectivity; and
- debt servicing costs are projected to rise to around \$600 million by 2012-13 (up from \$115 million in 2008-09), in line with increases in borrowings which are required to fund expenditure.

⁶ Outyear spending under this initiative (of \$60 million per annum from 2009-10 to 2011-12) is in the form of asset investment (i.e. capital expenditure). See Chapter 8: *Royalties for Regions* for further details.

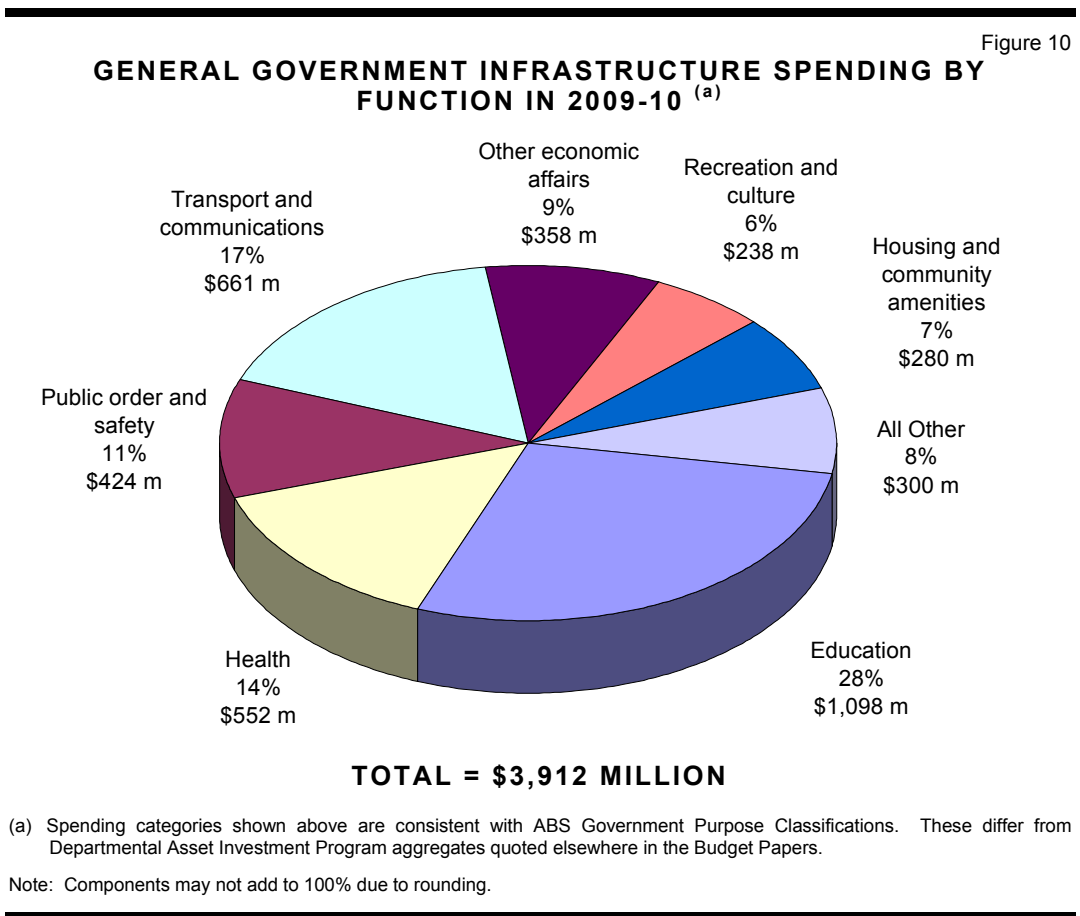
⁷ Nominal superannuation interest expenses represent the cost of carrying unfunded superannuation liabilities on the balance sheet.

Asset Investment⁸

Record levels of asset investment are forecast for the general government sector in this budget. This includes a record \$3.9 billion Asset Investment Program for 2009-10 (almost half of the \$8.3 billion program for the total public sector), following estimated spending of \$2.5 billion in 2008-09.

Asset investment is expected to return to more normal levels across the outyears, but is still expected to average \$2.4 billion per annum (which is \$342 million higher than the outcome recorded for the sector in 2007-08).

The Government is investing heavily in key service delivery areas. In this regard, investment in education (\$1,098 million), transport and communications (\$661 million), health (\$552 million), public order and safety (\$424 million) and the Ord-East Kimberley Expansion project (classified under other economic affairs – \$358 million) accounts for 79% of the total infrastructure spend by the general government sector in 2009-10 (see following chart).



⁸ The Asset Investment Program consists of all infrastructure works being undertaken by State agencies and which result in physical assets held by the State. This replaces the previous Capital Works Program disclosure in previous budgets which included State infrastructure spending as well as capital grants to third parties (such as local governments) and Keystart's home lending program. The change in focus aligns the accounting measurement of public sector spending on infrastructure with Government policy on the delivery of infrastructure by agencies.

The Commonwealth's *Nation Building and Jobs Plan*, announced in February 2009, represents a major increase in infrastructure spending, increasing general government sector asset investment by a total \$1.1 billion over the forward estimates period (of which \$671 million is planned to be spent in 2009-10). Other major increases in asset investment include Commonwealth co-investment in the Ord-East Kimberley Expansion project, which comes on top of the State's \$220 million investment in developing this region in the State's north.

Chapter 5: *Asset Investment* provides further details of the Asset Investment Program for 2009-10 and the forward estimates period.

General government sector sales of assets are expected to increase across the forward estimates period. This primarily reflects a \$250 million provision for increased land sales, representing the disposal of excess land assets as a correction measure in this budget. The identification of particular parcels of land for disposal as part of these sales will be progressed post-budget.

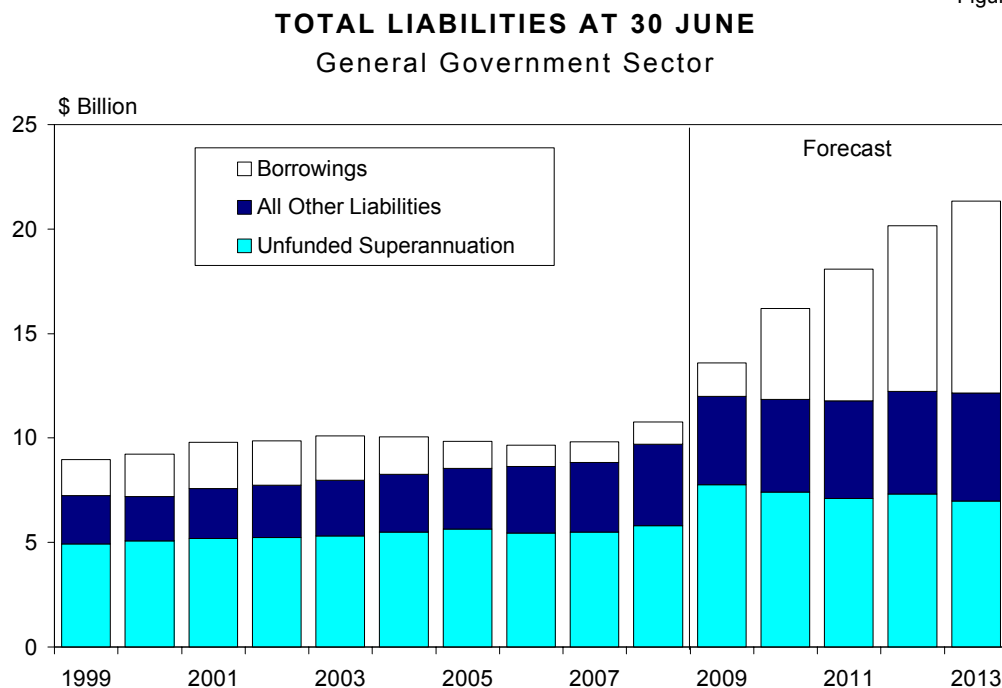
Balance Sheet

Relative to 30 June 2008, the value of general government sector assets is expected to increase by around \$23.3 billion over the period to 30 June 2013. This largely reflects:

- higher holdings of physical assets, due to infrastructure spending and forecast increases in land values⁹;
- higher equity in public corporations (due mainly to surplus projections for the public corporations sectors and direct investment by the general government sector in support of infrastructure spending by the public corporations); and
- lower liquid asset holdings, with levels of cash and other investments declining as these funds are used as funding sources for the Asset Investment Program.

General government liabilities are projected to double over the forward estimates period, rising from \$10.8 billion at 30 June 2008 to an estimated \$21.3 billion by 30 June 2013.

⁹ The forward estimates assume an average 5% per annum increase in the value of land holdings in the outyears (excluding land inventories and the acquisition and disposal of land).



This increase is due mainly to growth in borrowings (undertaken largely by the Consolidated Account) in support of the Asset Investment Program. In this regard, general government borrowings are projected to rise by \$8.1 billion over the five years to 30 June 2013. Unlike recent years, the Asset Investment Program is not expected to be funded through operating surpluses. This debt increase is compounded by diminishing surpluses, turning to deficits, and the rapid increase in the Asset Investment Program.

Unfunded superannuation liabilities are also anticipated to increase over the forward estimates period, rising by around \$1.2 billion by 30 June 2013. This is due to:

- lower superannuation assets held by the Government Employees Superannuation Board for defined benefit schemes, reflecting the impact of international financial markets on these assets; and
- the valuation of unfunded superannuation liabilities which is linked to the value of 10-year Commonwealth bond rates (bond rates have dropped significantly during 2008-09, again reflecting international financial market performance)¹⁰.

The forward estimates anticipate a trend back toward lower unfunded superannuation liabilities as asset values gradually begin to recover and the bond rate returns to more typical levels. However, these effects are not anticipated to be completely unwound by 2012-13.

¹⁰ Movements in bond rates influence the value of unfunded superannuation liabilities from year to year. A declining bond rate means that unfunded liabilities increase (and vice versa) as the future value of cash payments hold their face value for a longer period. That is, inflationary impacts are reduced in the calculation of future value of employees' entitlements.

Similar upward valuation effects are expected to be reflected in the balance sheets of all States, Territories and the Commonwealth.

Cash Flow Statement

A \$2.3 billion cash deficit is expected for 2009-10, with cash deficits of between \$1.2 billion and \$1.7 billion across the outyears.

These deficit projections are consistent with the forecast operating performance and the Asset Investment Program for the general government sector outlined above.

Net debt is projected to rise as a consequence of these cash deficits (see discussion later 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 public sector finances in total.

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

Table 3						
TOTAL PUBLIC SECTOR						
Summary Financial Statements						
	2007-08	2008-09	2009-10	2010-10	2011-12	2012-13
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
OPERATING STATEMENT						
Revenue	26,525	27,721	29,923	30,820	31,789	33,135
Expenses	24,101	27,670	29,367	30,517	31,943	32,999
Net Operating Balance	2,423	51	556	303	-154	137
BALANCE SHEET						
Assets	123,719	129,386	134,327	138,377	142,606	146,095
Liabilities	30,940	36,076	37,794	38,595	40,524	40,638
Net Worth	92,780	93,310	96,533	99,782	102,082	105,456
STATEMENT OF CASH FLOWS						
Net increase in cash and equivalents	337	-68	-738	-265	-318	52
Cash Surplus	-92	-3,161	-5,374	-2,724	-2,102	-1,288
<i>Memorandum Item: Net Debt</i>	3,634	6,959	12,364	15,039	17,658	19,132

Note: Columns may not add due to rounding.

Operating Statement

A total public sector operating surplus is projected for 2009-10 (\$556 million) and in all but one of the outyears (the projected general government deficit in 2011-12 is expected to result in a deficit of \$154 million at the whole-of-government level). A surplus of \$51 million is projected for 2008-09, reflecting the lower general government surplus expectations for the year and the impact of financial market turmoil on the public financial corporations sector.

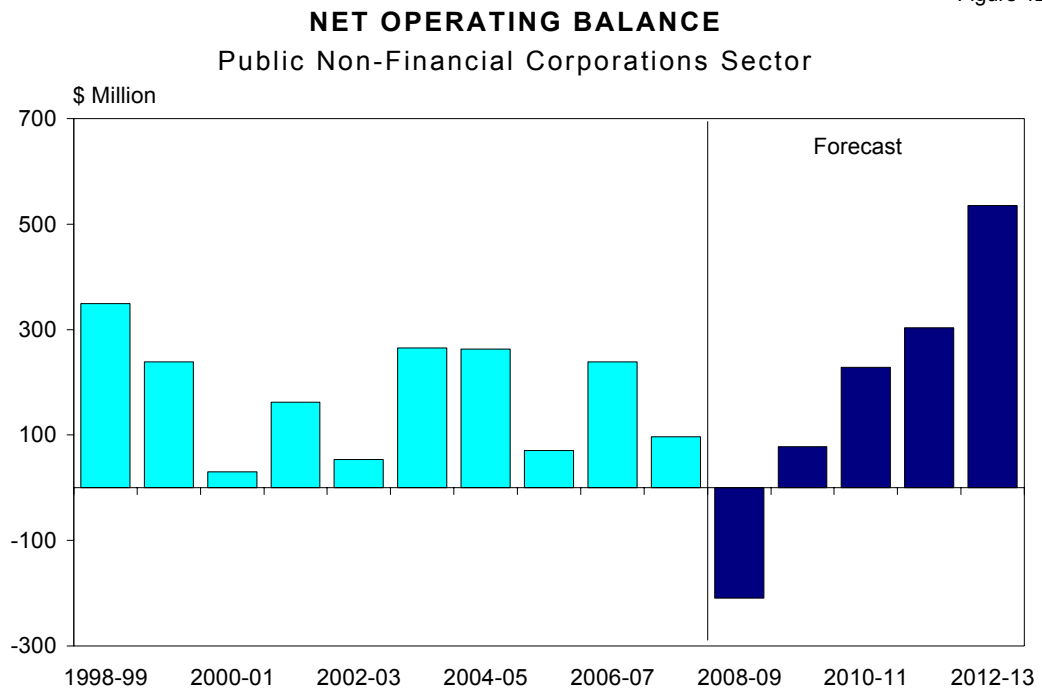
Public Non-Financial Corporations

In 2008-09, an operating deficit of \$209 million is forecast for the public non-financial corporations (PNFC) sector. This mainly reflects lower profitability for the electricity sector due primarily to higher fuel costs associated with power generation, and electricity tariffs which are below cost-reflectivity.

The sector is expected to record surpluses across the forward estimates, with a \$78 million surplus forecast for 2009-10, increasing across the outyears to \$536 million by 2012-13. This increase largely reflects changes to electricity pricing assumptions, with a move to cost-reflective tariffs working to strengthen the sector's profitability (see Appendix 9: *Public Corporations - Impact on General Government Revenue and Expenses*).

Of note, gross revenue and expense aggregates have been boosted since the mid-year review projections by around \$1.4 billion, largely reflecting the impact of higher gold and other precious metal prices on Gold Corporation projections. In net terms, these impacts largely offset each other.

Figure 12



Public Financial Corporations¹¹

The public financial corporations (PFC) sector is expected to run a record deficit of \$387 million in 2008-09. This follows the \$180 million deficit recorded by the sector in 2007-08 and largely reflects lower investment revenue reported by the Insurance Commission of Western Australia. International financial market volatility has reduced investment returns and has had a material impact on PFC revenue in both 2007-08 and 2008-09, with the Insurance Commission in particular holding substantial investment assets in support of the claims liabilities it manages.

Surpluses ranging from around \$52 million to \$69 million are forecast across the forward estimates, with the expectation that investment returns will trend back to more normal levels over time.

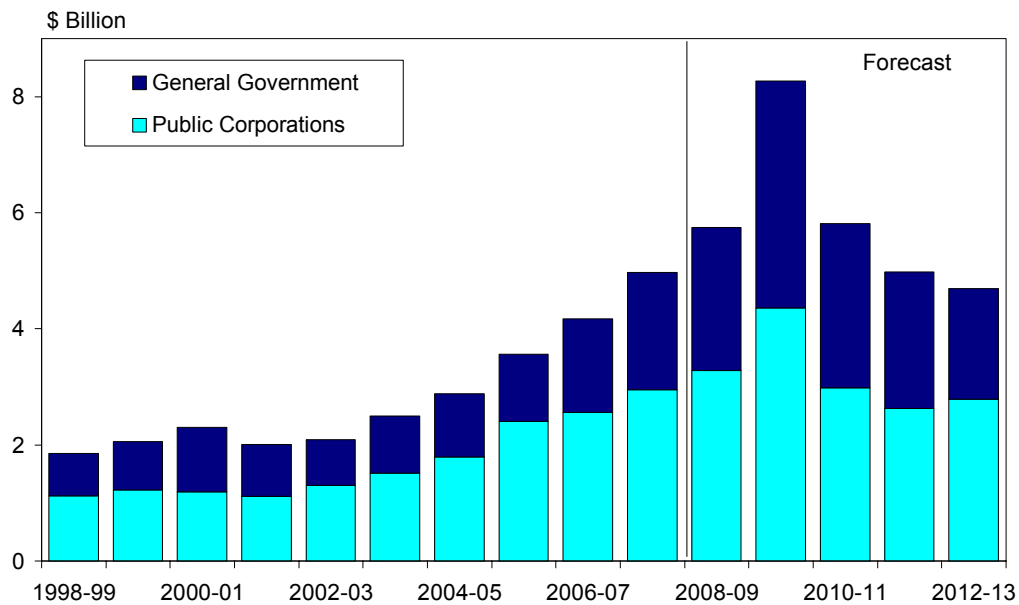
Asset Investment¹²

Total public sector asset investment is projected to total \$5.7 billion in 2008-09. This is expected to rise dramatically in 2009-10, to a massive \$8.3 billion. At an average \$5.2 billion per annum, infrastructure spending is expected to return to more typical levels across the outyears.

¹¹ Public financial corporations operate in financial markets, investing in financial instruments. The State's two principal financial corporations are its central borrowing authority (the Western Australian Treasury Corporation) and the Insurance Commission of Western Australia.

¹² The Asset Investment Program consists of all infrastructure works being undertaken by State agencies and which result in physical assets held by the State. This replaces the previous Capital Works Program disclosure in previous budgets which included State infrastructure spending as well as capital grants to third parties (such as local governments) and Keystart's home lending program. The change in focus aligns the accounting measurement of public sector spending on infrastructure with Government policy on the delivery of infrastructure by agencies.

ASSET INVESTMENT PROGRAM ^(a)
Total Public Sector



(a) 2009-10 includes \$1.1 billion of the Commonwealth's *Nation Building and Jobs Plan* investment facilitated by State agencies, as well as substantial stimulus spending announced by the State in February 2009.

In addition to the general government sector capital investment discussed earlier in this chapter, significant fixed asset spending is being undertaken by the State's larger public non-financial trading corporations (i.e. the Housing Authority, electricity and water utilities, ports, etc.). Around 54% (or \$12.8 billion) of the \$23.8 billion four year Asset Investment Program is to be undertaken by the PNFC sector.

The following policy decisions¹³ are reflected in public corporation infrastructure spending in the 2009-10 Budget:

- investment in two new high efficiency gas turbines by Verve Energy (\$263 million over three years from 2009-10);
- extension of the metropolitan passenger railway to Brighton (\$147 million);
- continuation of the State's Underground Power Project (\$40 million over 2011-12 and 2012-13);
- continued works on the Australian Marine Complex Common User Facility - Services and Supply Base (\$35 million);
- the State's housing stimulus package, commits \$316 million of spending in 2009-10 (total impact of \$30 million over the forward estimates); and

¹³ Further details of these are available in Chapter 5: *Asset Investment*.

- the impact of the Capital Works Audit, which has reduced spending by the sector by around \$1.6 billion over the forward estimates period, largely due to:
 - \$561 million for the Water Corporation, including lower cost escalation and lower growth from the economic downturn, a reduction in various programs, and deferral of other works;
 - \$560 million for Western Power, including deferral of some transmission projects; and
 - \$313 million for the Western Australian Land Authority, including lower spending on land acquisition and development, and lower spending on waterfront projects in Perth, Albany and Bunbury.

The Commonwealth's *Nation Building and Jobs Plan*, announced in February 2009, increases PNFC infrastructure spending by \$606 million over the forward estimates period (\$387 million of this is expected to be spent in 2009-10). This spending relates to the provision of social housing by the Housing Authority.

At the same time, changes in the property market are expected to see lower land and public housing sales by the Western Australian Land Authority and the Housing Authority respectively.

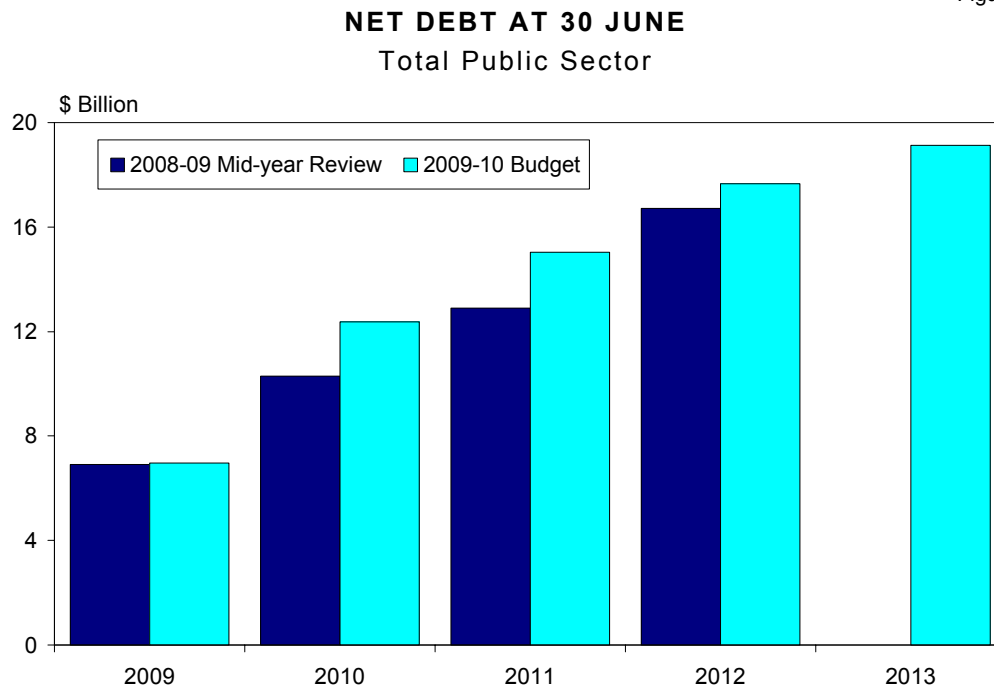
Further detail of the Asset Investment Program is available in Chapter 5: *Asset Investment*.

Net Debt¹⁴ and Net Financial Liabilities¹⁵

Total public sector net debt is projected to rise to \$19.1 billion by 30 June 2013. Higher debt levels mainly reflect the State's large Asset Investment Program and the forecast deterioration in the operating performance of the general government sector.

¹⁴ 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 that attract a debt servicing cost. Net debt 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.

¹⁵ Net financial liabilities are a wider measure of balance sheet liabilities than net debt. References to net financial liabilities in this section are consistent with the definition applied by Standard and Poor's for the purposes of credit ratings assessments. This measure takes account of net debt and unfunded superannuation liabilities. This differs from the net financial liabilities disclosed in Appendix 1 of these budget papers, as its calculation excludes some liabilities that are included in the Uniform Presentation Framework (UPF) measure (e.g. accounts payable are not included in the Standard and Poor's measure). Using standard UPF definitions, net financial liabilities in Appendix 1 are higher than those used by Standard and Poor's.



Relative to the 2008-09 mid-year review, net debt is forecast to be around \$0.9 billion higher at 30 June 2012. This is due to the substantial pressures placed on State finances from the decline in the State's operating position and therefore the reduced capacity to fund the Asset Investment Program from operating surpluses. However, this increase in net debt has been substantially contained by the corrective measures included in this budget and discussed earlier.

Despite the projected increase, the higher level of public sector net debt remains affordable. This is demonstrated by the burden of net interest costs required to service this debt. Total non-financial public sector net interest costs as a share of revenue, a new financial target for this term of Government (see *Financial Targets* section earlier in this chapter), are projected to reach a maximum of 4.2% by 2012-13, well below the Government's 5% financial target limit.

Of note, the total non-financial public sector's net financial liabilities as a share of revenue are projected to reach 85.4% by 2012-13, up from an estimated 59.7% in 2008-09. Nonetheless, this remains below the ratings 'trigger threshold' of 90% indicated in recent comment by Standard and Poor's¹⁶.

¹⁶ In recent times, Standard and Poor's has been particularly active in monitoring State finances in light of the deterioration in domestic and global economic conditions. Standard and Poor's assess the Australian States' credit quality on eight key factors, which include economy, system support and predictability, management sophistication and institutional legitimacy, financial flexibility, budgetary performance, liquidity and debt management, debt burden and off-balance sheet liabilities. In an effort to increase its transparency, as part of its recent credit rating assessment activities, Standard and Poor's has begun using 'trigger ratios'. These triggers include identified levels for total non-financial public sector net financial liabilities as a share of revenue. All other factors being equal, a breach in the threshold could trigger a re-assessment of risk ratings. Standards and Poor's has set a trigger threshold of 90% for Western Australia.

The following table summarises changes in the projected level of total public sector net debt since the 2008-09 mid-year review.

Table 4

NET DEBT OF THE TOTAL PUBLIC SECTOR AT 30 JUNE

	2009 \$m	2010 \$m	2011 \$m	2012 \$m	2013 \$m
2008-09 MID-YEAR REVIEW – TOTAL PUBLIC SECTOR NET DEBT	6,921	10,287	12,897	16,722	
<i>Less change in net cash flows from operating activities</i>					
- general government	-414.4	-313.8	-130.1	-92.8	
- public non-financial corporations	45.9	7.2	111.0	195.8	
- public financial corporations	-121.8	7.6	2.4	7.3	
<i>Total public sector</i>	<i>-490.3</i>	<i>-299.0</i>	<i>-16.7</i>	<i>110.3</i>	
<i>Plus purchases of non-financial assets</i>					
<i>Policy decisions ^(a)</i>					
- Capital Works Audit	-210.1	-353.7	-505.6	-934.7	-1,178.1
- Economic Audit	-	24.9	-10.3	-7.4	-13.4
- Deferral of Election Commitments	-	-25.0	-25.0	-25.0	-65.8
- Other policy decisions	-158.4	490.9	168.5	59.8	100.2
<i>Total policy</i>	<i>-368.5</i>	<i>137.1</i>	<i>-372.4</i>	<i>-907.3</i>	<i>-1,157.1</i>
<i>Parameter movements</i>					
- Nation Building and Jobs Plan (NBJP)	20.8	1,058.2	598.5	31.2	
- Main Roads (excluding NBJP)	28.5	168.3	-52.6	-10.4	
- Housing Authority (excluding NBJP)	-198.0	-350.4	-0.5	44.5	
- Education (excluding NBJP)	-112.4	112.9	107.5	34.9	
- Water Corporation	-95.9	10.6	20.3	69.1	
- Public Transport Authority	-24.5	42.5	-9.3	-3.4	
- Western Australian Land Authority	51.4	19.7	-4.2	-4.5	
- Western Australian Sports Centre Trust	-	77.0	20.6	0.5	
- Treasury and Finance	14.8	27.9	31.0	28.6	
- Ord-East Kimberley Expansion project - Commonwealth contribution	-	160.0	-	-	
- Remove Cost Escalation Global	-	-19.6	-43.9	-161.6	
- All other	36.1	213.6	-12.4	-80.4	
<i>Total parameter</i>	<i>-279.1</i>	<i>1,520.8</i>	<i>655.1</i>	<i>-51.4</i>	
<i>Total purchase of non-financial assets</i>	<i>-647.6</i>	<i>1,657.9</i>	<i>282.6</i>	<i>-958.7</i>	
<i>Less proceeds from sale of non-financial assets</i>					
<i>Policy decisions</i>					
- Capital Works Audit	2.0	-86.0	7.0	-58.0	-10.0
- Economic Audit	-	-	-	6.0	-
- Provision for land sales	-	20.0	55.0	75.0	100.0
- Other policy decisions ^(b)	-	0.8	-	-	24.0
<i>Total policy</i>	<i>2.0</i>	<i>-65.3</i>	<i>62.0</i>	<i>23.0</i>	<i>114.0</i>
<i>Parameter movements</i>					
- Housing Authority	-231.3	-142.8	-70.5	-7.4	
- All other	67.8	-34.6	48.6	16.5	
<i>Total parameter</i>	<i>-163.5</i>	<i>-177.4</i>	<i>-21.9</i>	<i>9.0</i>	
<i>Total Proceeds from sale of non-financial assets</i>	<i>-161.5</i>	<i>-242.7</i>	<i>40.1</i>	<i>32.0</i>	
<i>Plus all other financing</i>					
All other ^(c)	34.1	-161.0	-194.0	-104.8	
<i>Cumulative impact on net debt at 30 June</i>	<i>38.3</i>	<i>2,077.0</i>	<i>2,142.2</i>	<i>936.4</i>	
2009-10 BUDGET – TOTAL PUBLIC SECTOR NET DEBT	6,959	12,364	15,039	17,658	19,132

(a) An agency listing of the capital policy decisions taken since the 2008-09 mid-year review is provided in Chapter 5: Asset Investment.

(b) Includes sales of land held by Police and land at the Shotts Industrial Estate in Collie (to fund subsequent asset investment).

(c) Includes revaluations of investment assets, net acquisitions of financial assets for liquidity purposes, etc.

Note: Columns may not add due to rounding.

General Government

The general government sector is expected to remain in a net asset position at 30 June 2009, with financial assets forecast to exceed financial liabilities by an estimated \$2.5 billion.

Reflecting weaker operating results, and spending on the Government's Asset Investment Program, a turnaround to a net debt position of \$747 million is anticipated by 30 June 2010, with net debt forecast to reach \$6.2 billion by 30 June 2013.

Almost all general government borrowings will be undertaken by the Consolidated Account, with a *Loan Bill* expected to be introduced with the budget bills.

Public Non-Financial Corporations

The PNFC sector holds most of the State's debt liabilities, with borrowings used to support the acquisition and commercial use of essential economic infrastructure. As the providers of utility services such as power, water and port services, agencies from this sector generally meet debt servicing costs through commercial operations and user charges.

PNFC sector net debt is forecast to be \$10.6 billion at 30 June 2009, increasing to around \$14.5 billion by 30 June 2013, driven by infrastructure spending.

This level of net debt is \$1.3 billion lower than that projected for 30 June 2012 at the time of the mid-year review, largely due to the outcomes of the Capital Works Audit and the impact on the electricity entities of the decision to increase electricity tariffs closer to levels that cover the costs of service provision.

Public Financial Corporations

The PFC sector's net asset position is forecast to weaken by \$106 million by 30 June 2009, to around \$1.2 billion. This includes a deterioration in the sector's operating performance, largely reflecting lower investment revenue for the Insurance Commission of Western Australia, due to the impact of international financial market volatility on investment returns and weaker financial asset values.

The sector is expected to remain in a net asset position across the forward estimates, reaching a maximum \$1.6 billion by 30 June 2013. This reflects the sector's very substantial holdings of financial assets, which more than offset gross debt liabilities across the forward estimates period.

Statement of Risks

Estimating Assumptions

Key economic parameters underlying the 2009-10 Budget are detailed in the following table.

Table 5

MAJOR ECONOMIC PARAMETERS
Western Australia

	2007-08 Actual ^(a) %	2008-09 Estimated Actual %	2009-10 Budget Estimate %	2010-11 Forward Estimate %	2011-12 Forward Estimate %	2012-13 Forward Estimate %
Real Gross State Product Growth ^(b)	5.2	8.0	-1.25	-0.5	3.75	3.75
Real State Final Demand Growth ^(b)	9.3	8.25	-3.5	-3.75	4.75	4.5
Employment Growth	3.6	3.25	-2.0	0.0	2.0	2.5
Unemployment Rate	3.3	3.25	5.75	6.75	6.0	5.25
Wage Price Index Growth ^(c)	5.8	4.5	3.0	2.75	3.25	4.0
Average Weekly Earnings Growth ^(c)	9.8	2.5	1.5	2.75	3.75	4.0
Oil Price (\$US per barrel)	96.9	49.1 ^(d)	55.8	62.0	66.0	68.4
\$US/\$A (cents)	89.7	68.5 ^(d)	68.5	68.5	68.5	68.5
Population Growth	2.6	3.1	2.4	1.8	1.8	1.8

(a) Gross State Product (GSP) and State Final Demand (SFD) data are based on 2007-08 State Accounts data, released by the Australian Bureau of Statistics (ABS) in November 2008 (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 2008-09.

Western Australia's economic forecasts are based on assumptions about future global conditions derived from the predictions of the International Monetary Fund (IMF), World Bank, Consensus Forecasts and other global forecasters.

Western Australia’s focus on global resource markets makes it more exposed to the unfolding global economic crisis than the other States. For example, the IMF¹⁷ forecasts global output to contract by 1.3% in 2009, before recovering to growth of 1.9% in 2010. The IMF forecasts imply that the weighted average economic output of the State’s key export markets in 2009 will contract by around 0.7% and is expected to pick up to 3.1% in 2010¹⁸.

However, if the global downturn is longer or more severe than currently anticipated, or if demand in Western Australia’s key export markets is weaker than expected, then the export and investment outlook would be affected.

The rapidly changing and highly unpredictable nature of the global economy at present means that the risks associated with these forecasts are substantial. The extent, depth and duration of the global downturn is still far from clear. 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 \$US/\$A exchange rate, commodity prices (especially iron ore and crude oil), employment and wages growth. Approximate annual impacts of changes in these variables are outlined in the following table¹⁹.

Table 6

APPROXIMATE PARAMETER SENSITIVITY OF REVENUE ESTIMATES
2009-10

	Variability (\$m)	Detail
Royalty income and North West Shelf grants	±55	For each US1 cent decrease/increase in the \$US/\$A exchange rate
Iron ore royalties	±21	For each one percent increase/decrease in the level of benchmark iron ore prices
Petroleum royalties	±6	For each \$US1 increase/decrease in the price of a barrel of oil
Payroll tax	±22	For each one percent increase/decrease in taxable wages or employment growth (i.e. the total wages bill)
Transfer duty	±15	For each one percent increase/decrease in average property prices

¹⁷ Source: International Monetary Fund, *World Economic Outlook*, April 2009.

¹⁸ Derived by the Department of Treasury and Finance to gauge the growth in Western Australia’s export market. The indicator is calculated as the weighted average economic growth of the top 13 export markets – China, Japan, South Korea, India, the UK, Singapore, the United Arab Emirates, the USA, Thailand, Taiwan, New Zealand, Indonesia and Italy. These accounted for almost 90% of total exports from Western Australia over 2008. The weights are based on the percentage share of each country in Western Australia’s exports over the year.

¹⁹ These impacts are not mutually exclusive and vary over time in accordance with movements in the underlying level of each variable.

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 (\$5,775 million in 2009-10)

Payroll Tax

The payroll tax forecasts in this budget are based on expectations of weakness in the labour market over the next two years. This reduces, but does not eliminate, the risk that payroll tax revenue could undershoot the current budget estimates. If the downturn in international and domestic economic activity is more severe and prolonged than outlined above, then the payroll tax estimates would need to be revised down further.

Transfer Duty

Forecasting transfer duty is difficult given volatility in the timing and magnitude of the State's property market cycles.

The transfer duty forecasts in this budget are based on the assumption that prices will decline further in 2009-10 (by about 4%), but that the volume of transactions will gradually recover to growth of around 10% per annum over the forward estimates period. As transfer duty has fallen so dramatically in 2008-09 (on the back of reduced dutiable transaction volumes), the downside risk to these estimates is considered lower than in previous years.

Commonwealth Grants (\$9,398 million in 2009-10)

General Purpose Grants

Growth in Western Australia's general purpose grants mainly depends on growth in the Commonwealth's GST collections, exposing Western Australia directly to national economic conditions, and on the recommendations of the Commonwealth Grants Commission. Risks associated with North West Shelf grants (which are classed as general purpose grants) revolve mainly around oil price and exchange rate volatility (see below).

The Commonwealth will publish revised forecasts of total GST collections in its May 2009 budget, which could differ from those assumed in this budget.

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

Western Australia's share is forecast to decline over the forward estimates period, reflecting the lagged impact of growth in the State's own-source revenue raising capacity compared to other States. However, given the complex methodology and numerous variables taken into consideration, the annual change in Western Australia's share beyond the budget year is difficult to predict accurately.

The Grants Commission is in the concluding stages of a major review of its methods. The results of this review will be reported in February 2010, and will apply from 2010-11. The GST revenue grant estimates for 2010-11 to 2012-13 assume no net financial impact from this method review. However, the review is a major source of uncertainty, which could move Western Australia's grant share significantly.

Payments for Specific Purposes

The forward estimates of payments for specific purposes have a significant margin of uncertainty, reflecting:

- that details of some of the National Partnerships, agreed by the Council of Australian Governments, are still being worked through;
- the potential for Commonwealth policy changes (including possible new National Partnerships);
- the contingency of some National Partnership payments on the State's performance;
- in some cases, the need for the States to compete for national pools of funding; and
- parameter uncertainties (such as indexation for inflation and wages growth).

Royalty Income (\$2,577 million in 2009-10)

Estimates of royalty income are particularly sensitive to movements in the \$US/\$A exchange rate and \$US commodity prices (see table above).

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 of 16 April 2009. Both of these parameters are inherently volatile. This volatility has been dramatically amplified by current global uncertainty. For example:

- the \$US/\$A exchange rate ranged from US97.9 cents to US61.2 cents between July 2008 and April 2009; and
- the oil price (Tapis) ranged from a high of \$US156 per barrel to a low of \$US40 per barrel over the same period.

While the six week average for these variables in the lead up to the budget cut-off is a reasonable assumption for forward projections, even in usual circumstances they are subject to considerable variation from one round of published financial estimates to the next.

Iron Ore

The outcome of annual iron ore price negotiations between major producers and steel mills in Asia has a significant influence on the level of mining revenue in Western Australia (iron ore royalties are expected to account for around 80% of royalty income over the period 2008-09 to 2012-13).

The budget forecasts assume that benchmark iron ore prices will decline by 30% in the 2009-10 Japanese fiscal year, which would be broadly consistent with recent spot prices and the consensus of private sector forecasts. There is nevertheless a risk that the price cut could be even deeper, as major iron ore customers are reportedly pushing for a 45% to 50% reduction in prices (which would see prices return to 2007-08 levels). To highlight the financial sensitivity, should a decline of 45% eventuate, this would result in a further revenue loss of around \$433 million in 2009-10 and (depending on assumptions made about the implications for future years' price movements) in the order of \$1.2 billion over the forward estimates period (including the effect of the Grants Commission process on GST revenue).

The outyear royalty estimates are based on an assumption that iron ore prices will decrease by 10% in both 2010-11 and 2011-12, and stay unchanged in 2012-13. This reflects expectations of soft global demand, and an increase in supply following recent capacity expansions. The risks surrounding these assumptions centre mainly on the outlook for global demand.

Health Sector Expenses

Over recent years, the health system has experienced double-digit expense growth, with escalating demand for health services generating increases in inpatient, emergency department and outpatient activity. The costs associated with hospital services have grown significantly above the rate of growth in activity. Unabated, this trend in expense growth is financially unsustainable. The challenge going forward is to rigorously pursue strategies, including productivity improvements, aimed at constraining expense growth in 2009-10 and the outyears to ensure the efficient and effective delivery of health services.

The Government's decision to retain Royal Perth Hospital (RPH) as a tertiary hospital and major trauma facility will result in significant recurrent cost implications for the health system. Prior to this decision, it was intended to close RPH as a tertiary facility and transfer associated expenditures to fund the new Fiona Stanley Hospital. The health system will incur significant operating costs in 2013-14 from operating the 400-bed RPH trauma facility and the commissioning of the new 643-bed Fiona Stanley Hospital. These costs are yet to be determined or considered by Government.

Electricity Entities

The Economic Regulation Authority (ERA) is currently undertaking a review of Western Power's access arrangement submission. The Western Power submission seeks approval for additional operating and capital expenditure over and above that reflected in this budget, and if the submission were approved and subsequently endorsed by the Government this would also impact upon tariff assumptions.

However, there are a number of uncertainties with respect to the submission, including the changed economic circumstances since the submission was prepared, and as such the budgetary impacts will more appropriately be assessed by the Government at the time of the ERA determination. It is expected that the ERA will finalise its determination by November 2009. This will form the basis of Government's consideration after that time.

Asset Investment

The Asset Investment Program included in this budget makes no provision for projects submitted to Infrastructure Australia but not yet approved, such as Oakajee Port and Northbridge Link. Nor has any provision yet been made for the proposed Kimberley Gas Hub.

The Asset Investment Program assumes that a number of projects will be funded from the proceeds of asset sales (e.g. a replacement helicopter for the Western Australia Police, infrastructure priorities for the Department for Child Protection, and State housing stock). In the event that planned asset sales do not eventuate then either these projects will not proceed or other arrangements will be required to obtain the required funding.

Princess Margaret Hospital Replacement

As part of the Government's 2008 election commitments, a new children's tertiary hospital will be built on the Queen Elizabeth II Medical Centre site to replace the existing Princess Margaret Hospital. Planning and evaluation of the project is underway, in order to establish important parameters such as project scope, cost estimates and timeframes, identify key risks and progress the masterplanning process. The current allocation in the Department of Health's Asset Investment Program reflects an amount for planning forward works (\$117 million) but does not yet include an estimate of the full cost of the project, which is likely to be substantial.

Medical Equipment Replacement Program

The current approved allocation for the Department of Health's medical equipment replacement program is \$186 million, of which \$169 million is anticipated to be fully expended by June 2009. There are pressures for significant additional funding to meet anticipated equipment replacement needs in the health system. This is yet to be considered by Government.

Information and Communications Technology (ICT) Project

The current approved allocation for the Department of Health's ICT project is \$335 million (including the Pharmacy Management Application). The business case for this project (yet to be considered by the Government) indicates that the total ICT project cost is likely to be significantly higher. These costs are proposed to be met from existing Health annual expenditure on ICT equipment. To the extent that this is not able to be achieved, this presents a financial risk to the estimates.

Contingent Liabilities

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

Details of the quantified contingent liabilities of the State at 30 June 2008 are provided in the 2007-08 *Annual Report on State Finances*, released on 26 September 2008. At that time, quantified guarantees, indemnities and sureties totalled \$1.6 billion at the end of 2007-08. No material change to that disclosure has been noted to date.

General Government Revenue

Overview

General government revenue has been severely impacted by the deterioration in international and domestic economic conditions since late 2008. Relative to the 2008-09 mid-year review (released in December 2008), forecast revenue from taxation, GST grants and royalty income has fallen by \$4.0 billion over the period 2008-09 to 2011-12.

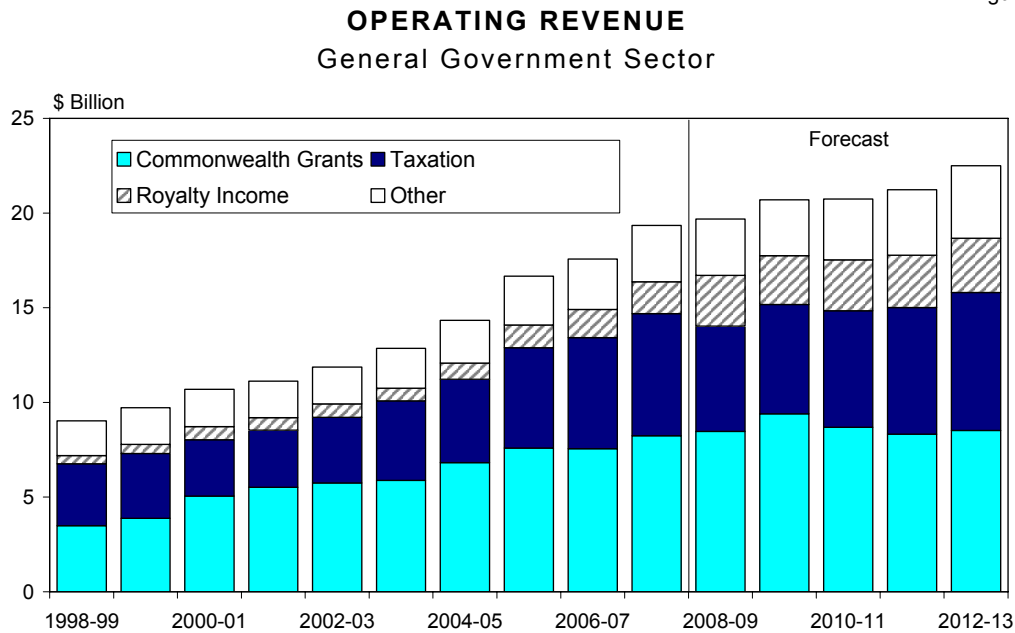
Transfer duty in 2008-09 is estimated to be less than half of 2007-08 collections, driving an estimated 14% reduction in total taxation revenue – the largest annual decrease on record. GST grant revenue has also fallen sharply, while royalties in 2008-09 have been relatively strong due to the depreciation in the \$US/\$A exchange rate and the significant increase in iron ore contract prices in 2008.

The outlook for revenue is bleak, with total operating revenue forecast to grow by 5.2% in 2009-10. The main source of growth is a temporary increase in Commonwealth funding for schools and social housing under the Commonwealth Government's *Nation Building and Jobs Plan*. Abstracting from this, and the impact of the November 2008 COAG reforms and Commonwealth assistance for the Ord-East Kimberley Expansion project, general government revenue is forecast to grow by just 0.3% in 2009-10. In this regard, payroll tax is expected to decrease in 2009-10 as a result of weak conditions in the labour market. A reduction in iron ore prices by an assumed 30% will detract from growth in royalty income. GST grant revenue is also expected to fall in 2009-10.

The longer-term outlook for general government revenue is subdued, with a continued decline in GST grant revenue likely to detract from growth in other revenues. This is due to the lagged impact of the Commonwealth Grants Commission process, which effectively penalises Western Australia for the strong underlying growth in its tax and royalty income in recent years.

Towards the end of the forward estimates period, taxation revenue is expected to strengthen in line with a recovery in Western Australia’s domestic economy, while royalty income is forecast to grow at a moderate pace. Overall, total general government revenue is forecast to increase at an average rate of 2.8% a year over the period 2010-11 to 2012-13.

Figure 1



2008-09

The estimated outturn for total operating revenue in 2008-09 is expected to be 1.7% (or \$332 million) higher than in 2007-08. The standout contributor to growth is an estimated 59% increase in royalty income. The substantial rise in iron ore contract prices of 85% for 2008-09 and the depreciation in the value of the \$A against the \$US have counteracted the more recent weakness in global commodity markets.

The increase in royalty income has also offset a marked decline in taxation revenue, which is estimated to fall by about 14% in 2008-09 – the largest annual decrease on record. This mainly reflects a collapse in transfer duty revenue (down by more than 50% in 2008-09), incorporating both a contraction in the number of property transactions and a decrease in property prices. In contrast, payroll tax is expected to grow by about 15% in 2008-09, largely due to the strength in Western Australia’s labour market in the first half of the financial year.

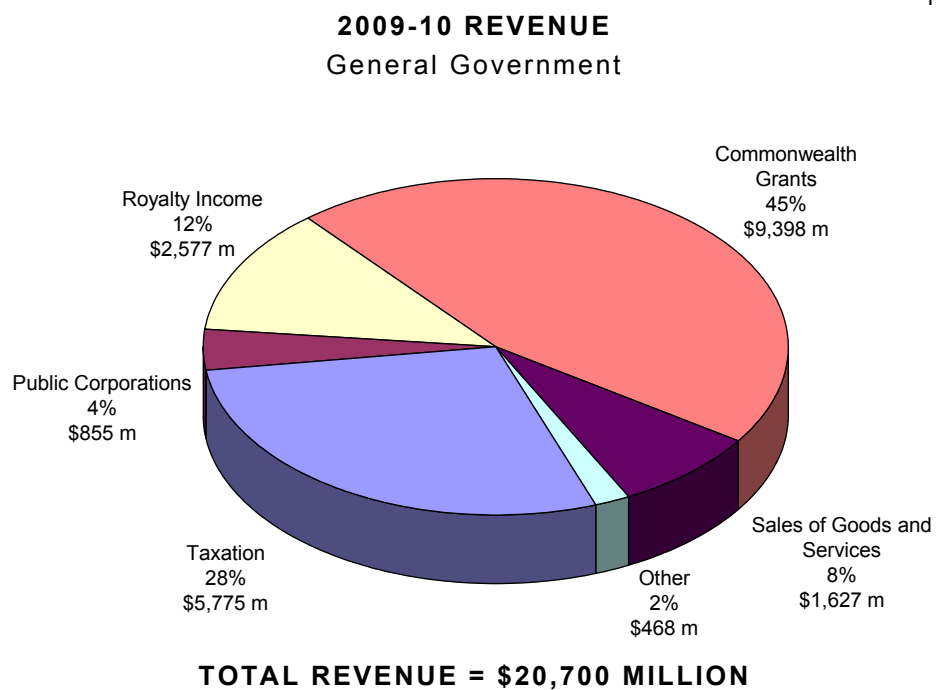
The decline in taxation revenue has been accompanied by a large drop in GST grant revenue, with the decline in Western Australia’s share of the national GST pool compounded by the size of the pool shrinking in response to the deterioration in national economic activity.

2009-10

Notwithstanding expectations of subdued economic activity, the headline measure of operating revenue in 2009-10 is expected to grow by 5.2% (or \$1.0 billion) to \$20.7 billion.

Commonwealth grants are expected to be the largest source of total operating revenue (\$9.4 billion), followed by taxation (\$5.8 billion), royalty income (\$2.6 billion), sales of goods and services (\$1.6 billion) and revenue from public corporations (\$855 million).

Figure 2



The primary source of revenue growth in 2009-10 is an expected increase in grants for specific purposes from the Commonwealth. As part of the Commonwealth Government’s *Nation Building and Jobs Plan* (announced on 3 February 2009), capital grants funding for schools and social housing is set to rise substantially. These grants will underpin an expected increase in total Commonwealth payments of 11.0% or \$930 million in 2009-10.

In contrast, only weak growth in own-source revenue is expected in 2009-10. Taxation revenue is forecast to grow by 3.9%, with a tentative recovery in transfer duty (off a very low base) expected to offset a small decrease in both payroll tax and land tax.

Royalty income is expected to fall by 3.7% in 2009-10, largely due to an assumed reduction in iron ore contract prices (the magnitude of which is a significant risk factor). This is expected to more than offset a modest improvement in other commodity prices, and a continued expansion in the production of iron ore.

2010-11 Onwards

The longer-term outlook for revenue growth remains subdued. A major factor detracting from growth is a continued decline in Western Australia's share of GST revenue. This is due to the lagged impact of the Commonwealth Grants Commission process. Combined with an expected reduction in other grants, total Commonwealth payments to the State are forecast to fall from \$9.4 billion in 2009-10, to \$8.7 billion in 2010-11 and to \$8.5 billion in 2012-13.

Partly offsetting these losses, royalty income is projected to grow at a moderate pace of 3.7% per annum in the outyears, largely due to expectations of continued growth in iron ore production and associated royalties.

Growth in tax revenue is forecast to average 8.0% a year over the period 2010-11 to 2012-13 (from a low base), in line with expectations of a strengthening domestic economy, making it the main driver of total revenue growth in the outyears.

Table 1

GENERAL GOVERNMENT
Operating Revenue

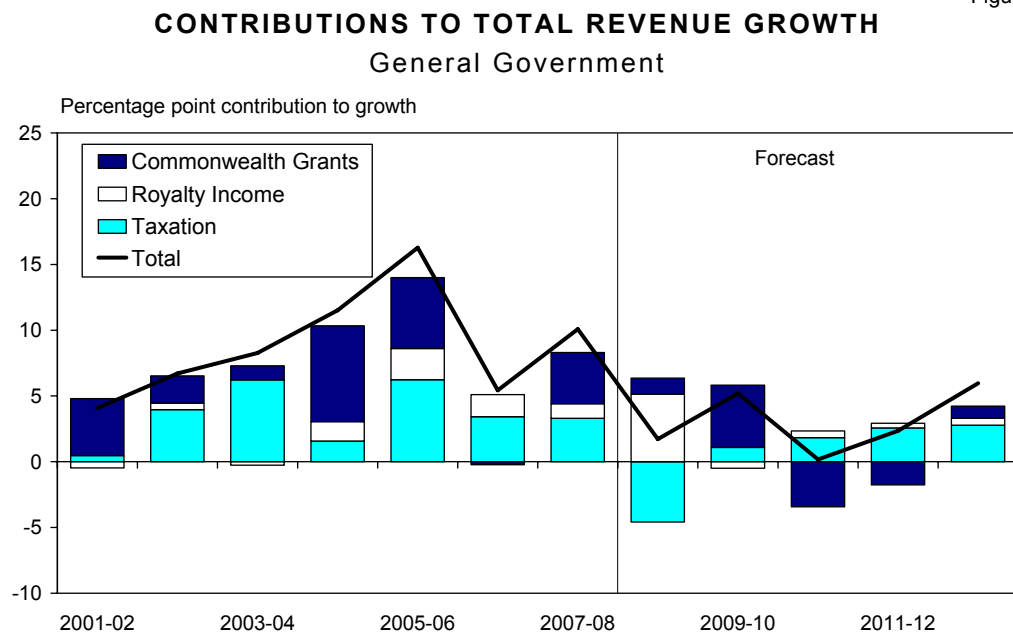
	2007-08 Actual \$m	2008-09 Estimated Actual \$m	2009-10 Budget Estimate \$m	2010-11 Forward Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m
Taxation	6,447	5,561	5,775	6,154	6,687	7,275
<i>Growth (%)</i>	9.9	-13.7	3.9	6.6	8.7	8.8
GST revenue	3,984	3,573	3,332	3,061	2,868	2,819
<i>Growth (%)</i>	0.4	-10.3	-6.8	-8.1	-6.3	-1.7
Other Commonwealth grants ^(a)	3,412	3,940	5,129	4,670	4,436	4,613
<i>Growth (%)</i>	21.7	15.5	30.2	-8.9	-5.0	4.0
SPPs 'through' the State ^(b)	839	955	938	960	1,023	1,090
<i>Growth (%)</i>	7.7	13.8	-1.8	2.4	6.6	6.5
Sales of goods and services	1,407	1,484	1,627	1,716	1,814	1,911
<i>Growth (%)</i>	14.2	5.5	9.6	5.5	5.7	5.3
Interest Income	332	287	144	169	218	229
<i>Growth (%)</i>	35.0	-13.6	-49.9	17.6	28.7	5.2
Revenue from public corporations	880	861	855	936	1,008	1,268
<i>Growth (%)</i>	18.9	-2.2	-0.7	9.4	7.8	25.8
Royalty income	1,680	2,675	2,577	2,684	2,758	2,873
<i>Growth (%)</i>	13.2	59.3	-3.7	4.2	2.5	4.2
Other	364	340	324	388	414	416
<i>Growth (%)</i>	-19.6	-6.5	-4.8	19.7	6.8	0.4
Total	19,345	19,677	20,700	20,738	21,227	22,494
<i>Growth (%)</i>	10.1	1.7	5.2	0.2	2.4	6.0

(a) Other Commonwealth grants to Western Australia comprise SPPs 'to' the State, National Partnership payments, North West Shelf grants and compensation for Commonwealth crude oil excise arrangements.

(b) SPPs 'through' the State include payments distributed to local government, private schools and the First Home Owners Boost.

Note: Columns may not add due to rounding.

Figure 3



Overall, total operating revenue is projected to grow at a modest average rate of 2.8% a year over the period 2010-11 to 2012-13. This is significantly lower than the long-run average growth rate of 7.8% per annum.

A more detailed breakdown of total operating revenue 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 2012-13 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 of the tax relief measures included in the 2009-10 Budget. These include measures to help support employment by small to medium businesses during the difficult economic conditions expected to prevail over the next year, through a one-off payroll tax rebate, and to reduce the future volatility of land tax bills through a new capping system applied to growth in unimproved land values.

Together with measures to exempt parental leave and volunteer emergency services work from payroll tax, and to reintroduce a land tax concession to help remove potential distortions in the timing of creation of new lots, the total value of tax relief over four years is estimated to be \$122.7 million. Measures in future budgets to fulfil the balance of the Government's \$250 million election commitment will be subject to consideration once economic and fiscal conditions stabilise.

Table 2

SUMMARY OF TAX RELIEF MEASURES IN THE 2009-10 BUDGET

	2009-10 Budget Estimate \$m	2010-11 Forward Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m	Four Year Total \$m
Payroll Tax					
Small business rebate (payable in 2010-11 based on 2009-10 payroll)	-	-100.0 ^(a)	-	-	-100.0
Exemptions for parental leave and volunteer emergency service work	-0.5	-0.5	-0.5	-0.5	-2.0
Land Tax and MRIT					
50% cap on unimproved valuation growth	-6.9	-	-2.3	-2.3	-11.5
Instalment options - extension of time to pay and reduction in flat charge	n.a.	n.a.	n.a.	n.a.	n.a.
Reintroduction of developers' englobo concession	-2.3	-2.3	-2.3	-2.3	-9.2
TOTAL	-9.7	-102.8	-5.1	-5.1	-122.7

(a) The payroll tax rebate will be treated as an expenditure item under the AASB reporting standards that are used in the Uniform Presentation Framework. Accordingly, this cost has not been deducted from the forecasts of payroll tax revenue. Chapter 4 provides details of the relevant expense for the Department of Treasury and Finance.

Payroll Tax

Rebate for Employers with Payrolls up to \$1.6 million (with phase-out at \$3.2 million)

The 2009-10 Budget will help support employment by small and medium businesses through a one-off payroll tax rebate.

Employers with payrolls of up to \$1.6 million will be paid a one-off rebate in 2010-11 to fully offset their 2009-10 payroll tax liabilities. The maximum amount of the rebate, on a payroll of \$1.6 million, will be \$46,750. The rebate will be phased down for employers with payrolls between \$1.6 million and \$3.2 million. It is estimated that around 33% of employers registered for payroll tax will receive a full rebate of their payroll tax, with a further 20% eligible for a partial rebate.

The rebate will be paid after the annual payroll tax reconciliation process is completed in around August/September 2010. This will ensure that the rebates are based on final 2009-10 payroll tax liabilities, rather than the monthly or quarterly payments made by most employers during the course of the year (the sum of which will usually differ from final full-year liabilities for a range of reasons).

Eligibility for the rebate will be based on an employer's national grouped payroll (e.g. a group of related employers will be eligible for only one rebate payment, consistent with the operation of the existing payroll tax exemption threshold).

Table 3

PAYROLL TAX REBATE

Annual Payroll	Payroll Tax	Rebate	Tax Less Rebate	Rebate as a % of Tax Payable
\$	\$	\$	\$	\$
750,000	-	-	-	-
1,000,000	13,750	13,750	-	100%
1,100,000	19,250	19,250	-	100%
1,200,000	24,750	24,750	-	100%
1,300,000	30,250	30,250	-	100%
1,400,000	35,750	35,750	-	100%
1,500,000	41,250	41,250	-	100%
1,600,000	46,750	46,750	-	100%
1,700,000	52,250	43,828	8,422	84%
1,800,000	57,750	40,906	16,844	71%
1,900,000	63,250	37,984	25,266	60%
2,000,000	68,750	35,063	33,688	51%
2,100,000	74,250	32,141	42,109	43%
2,200,000	79,750	29,219	50,531	37%
2,300,000	85,250	26,297	58,953	31%
2,400,000	90,750	23,375	67,375	26%
2,500,000	96,250	20,453	75,797	21%
2,600,000	101,750	17,531	84,219	17%
2,700,000	107,250	14,609	92,641	14%
2,800,000	112,750	11,688	101,063	10%
2,900,000	118,250	8,766	109,484	7%
3,000,000	123,750	5,844	117,906	5%
3,100,000	129,250	2,922	126,328	2%
3,200,000	134,750	-	134,750	0%

Note: Numbers are rounded to nearest dollar amount.

The estimated cost of the rebate is \$100 million in 2010-11 (i.e. the year in which the rebates will be paid).

Exemptions for Parental Leave and Volunteer Emergency Service Work

Under COAG's *National Partnership Agreement to Deliver a Seamless National Economy*, Western Australia has undertaken to consider certain 'Stage 2' payroll tax harmonisation measures by the end of calendar year 2009 and to implement any measures it agrees to by mid-2010. Two measures have been included in this budget for commencement on 1 July 2009. These are:

- an exemption for parental leave (includes maternity, adoption and paternal leave for fathers), which will reduce the financial cost for employers and contribute to incentives for increased workforce participation by women. The revenue foregone is estimated at around \$0.5 million per annum; and

- an exemption for volunteer emergency service work, which will remove a disincentive to employers allowing their employees the time required for volunteer activities which contribute to community safety. The scope of the exemption will include volunteers covered by the *Fire Brigades Act 1942*, the *Bush Fires Act 1954* and the *Fire and Emergency Services Authority of Western Australia Act 1998*. The revenue foregone is estimated to be negligible.

The revenue impact of ‘Stage 1’ harmonisation measures announced by the previous Government in the 2008-09 Budget is also reflected in the 2009-10 and outyear estimates for payroll tax.

- The major change involves the introduction of a discretion for the Commissioner of State Revenue to de-group commonly controlled businesses which operate substantially independently of each other, at an estimated cost of about \$50 million per year.
- The other measures, which were to have operated retrospectively from 1 July 2008 (but were delayed due to the amending legislation lapsing with the election being called and further time being required to resolve other cross-jurisdictional issues that have arisen more recently), are now expected to commence from 1 July 2009, and are in aggregate estimated to cost about \$2 million per year.

Land Tax and Metropolitan Region Improvement Tax (MRIT)

Introduction of a 50% Cap on Growth in Land Values

The Valuer General has provided preliminary land valuations indicating that unimproved values for the 2009-10 land tax (and MRIT) assessments will decline by an average of around 2% in 2009-10. This represents a partial reversal of the 35% growth in 2008-09, as the impact of the downturn in the property market begins to flow-through to assessed land values.

The majority of taxpayers (about 80% of a total of around 106,000) will face no increase or a lower land tax bill than in 2008-09. However, around 20% of taxpayers will incur a higher land tax bill, with pockets of strong growth having continued for some commercial/industrial properties (partly reflecting the valuation lag whereby land tax is based on valuations conducted around August of the previous year).

In order to address the ongoing problem of year-to-year volatility and unpredictability of growth in individual land tax bills, a new system will be introduced from 2009-10 that places a 50% cap on the growth in unimproved land values for land tax purposes. The cap will apply to each individual lot of land that is owned by a land tax payer, which would then be aggregated (where required) for multiple property owners for assessment purposes.

Table 4 provides two examples of how the cap will operate, for single and multiple property owners, in 2009-10.

Table 4

**CAPPING SYSTEM – EXAMPLES OF BENEFITS FOR TAXPAYERS
IN 2009-10**

*Example 1***SINGLE PROPERTY OWNER**

(where land value has increased by 75%)

	2008-09	2009-10	%
	\$	\$	Increase
Unimproved Land Value	5,000,000	8,750,000	75%
Land Tax Payable - No Cap	40,430	93,980	132%
Assessable Value With Cap	5,000,000	7,500,000	50%
Land Tax Payable With Cap	40,430	75,730	87%
Tax Saving (\$)		18,250	
	(%)		-19%

*Example 2***MULTIPLE PROPERTY OWNER**

(with different land value increases)

	2008-09	2009-10	%
	\$	\$	Increase
Unimproved Land Value - Property 1	2,000,000	3,500,000	75%
Unimproved Land Value - Property 2	1,000,000	1,250,000	25%
Aggregation of Two Properties	3,000,000	4,750,000	58%
Land Tax Payable - No Cap	16,030	37,380	133%
Assessable Value With Cap - Property 1	2,000,000	3,000,000	50%
Assessable Value With Cap - Property 2	1,000,000	1,250,000	25%
Aggregation of Two Properties	3,000,000	4,250,000	42%
Land Tax Payable With Cap	16,030	31,280	95%
Tax Saving (\$)		6,100	
	(%)		-16%

Around 2,600 landowners will benefit from the cap in 2009-10. While the impact of the progressive land tax scale will mean that some land tax bills will still increase by more than 50%, the increases will be significantly ameliorated.

Where a property value has had a cap applied in an assessment year, this will be the 'base' for determining whether a cap should apply in the following year. Thus, in Example 1 above, a cap would apply in 2010-11 if the property value is more than 50% higher than the previously capped value of \$7,500,000 in 2009-10.

The estimated revenue foregone from a 50% cap on growth in unimproved land values is \$6.9 million in 2009-10 (including MRIT) and \$11.5 million over four years.

Instalment Options – Extensions of Time to Pay and Reduction in Interest Charge

Notwithstanding the introduction of the capping system, it is recognised that some taxpayers may still experience difficulty in budgeting for the payment of their land tax in 2009-10. To address this, the Government will extend the time for payments by landowners who may wish to pay their bills in instalments.

The time for paying land tax in two instalments will be extended to 175 days (from 110 days) from the day of issue of an assessment, and the time to pay in three instalments will be extended to 240 days (from 175 days). In addition, the flat charge that is applied to the three instalments option will be reduced to 2% (from 4%).

These changes are expected to have negligible revenue impacts.

Reintroduction of Developers' Concession

On 17 April 2009, the Treasurer announced that the 2009-10 Budget will include the reintroduction of a land tax concession for developers which was originally introduced in 1996 but subsequently abolished in 2003.

The concession will allow developers to pay land tax and MRIT on the lower undeveloped (or 'englobo') value of land holdings, rather than the full subdivided value of lots, for one year after the creation of the lots.

Each year, lot creation declines in the lead up to the assessment of land tax on 30 June, only to rebound through July and August. The reintroduction of the concession will help remove this distortion, as developers will no longer need to wind down their holdings of subdivided land around 30 June in order to minimise land tax.

By contributing to a smoother pattern of lot creation by the industry, the reintroduction of the concession should also assist in reducing a source of bottlenecks in the approval process for relevant State government agencies and local government.

The estimated land tax revenue foregone is around \$2 million per annum. By announcing the reintroduction of the concession ahead of the budget, the Government gave developers more time to determine whether to proceed with subdivisions which might otherwise be delayed until after 30 June 2009. This will help ease the temporary shortage of lots that may arise from first home owners seeking to lock-in purchases of land ahead of the scheduled cessation of the Commonwealth's First Home Owners' Boost scheme at the end of 2008-09.

Taxation Revenue Estimates

Summary

Table 5 summarises the budget forecasts for State taxes, incorporating the revenue measures outlined above.

The estimated outturn for taxation revenue in 2008-09 is \$5.6 billion, which is \$885 million or 13.7% lower than in 2007-08. As highlighted previously, this mainly reflects a large drop in transfer duty (down by more than 50% in 2008-09), due to a severe contraction in the number of property transactions and a decline in property prices. Partly offsetting this fall, payroll tax is expected to grow by 15.2% in 2008-09, notwithstanding emerging weakness in the State's labour market.

Growth in taxation revenue is expected to recover slightly in 2009-10, mainly due to an assumed rebound in transfer duty. However, this will be tempered by a forecast decrease in payroll tax revenue, largely on the back of an expected moderation in labour market activity (together with the cost of the de-grouping discretion in particular). Overall, taxation revenue is forecast to grow by 3.9% in 2009-10.

Over the outyears, total taxation revenue is projected to grow by an average of 8.0% a year. This is consistent with expectations of a recovery in domestic economic activity.

Table 5

TAXATION REVENUE						
Western Australia						
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
TAXES OF EMPLOYERS' PAYROLL						
Payroll tax	1,940	2,235	2,216	2,352	2,588	2,871
Growth (%)	20.5	15.2	-0.8	6.1	10.1	10.9
TAXES ON PROPERTY						
Land tax	421	563	547	470	468	501
MRIT	76	84	81	69	69	74
Duty on transfers	2,265	1,066	1,223	1,438	1,622	1,766
Stamp duty on mortgages	108	5	-	-	-	-
Other	163	175	194	209	216	232
Total	3,033	1,893	2,045	2,187	2,375	2,573
Growth (%)	6.9	-37.6	8.1	6.9	8.6	8.3
TAXES ON GAMBLING						
Lotteries Commission	121	121	126	131	135	139
Casino tax	84	81	84	87	90	92
TAB Betting tax	30	35	37	40	43	43
Other	-	1	1	1	1	1
Total	235	237	248	258	268	274
Growth (%)	-9.0	0.6	4.8	4.0	3.9	2.2
TAXES ON INSURANCE						
Insurance duty	342	360	388	417	448	481
Other	30	18	18	20	20	20
Total	372	378	407	437	468	501
Growth (%)	10.9	1.5	7.5	7.5	7.1	7.0
MOTOR VEHICLE TAXES						
Vehicle licence duty	393	309	323	359	397	439
Motor vehicle registrations	434	465	490	515	543	568
Other	39	44	45	47	49	51
Total	866	819	859	921	988	1,057
Growth (%)	5.0	-5.5	5.0	7.2	7.3	7.0
TOTAL TAXES						
	6,447	5,561	5,775	6,154	6,687	7,275
Growth (%)	9.9	-13.7	3.9	6.6	8.7	8.8

Note: Columns may not add due to rounding.

Detail

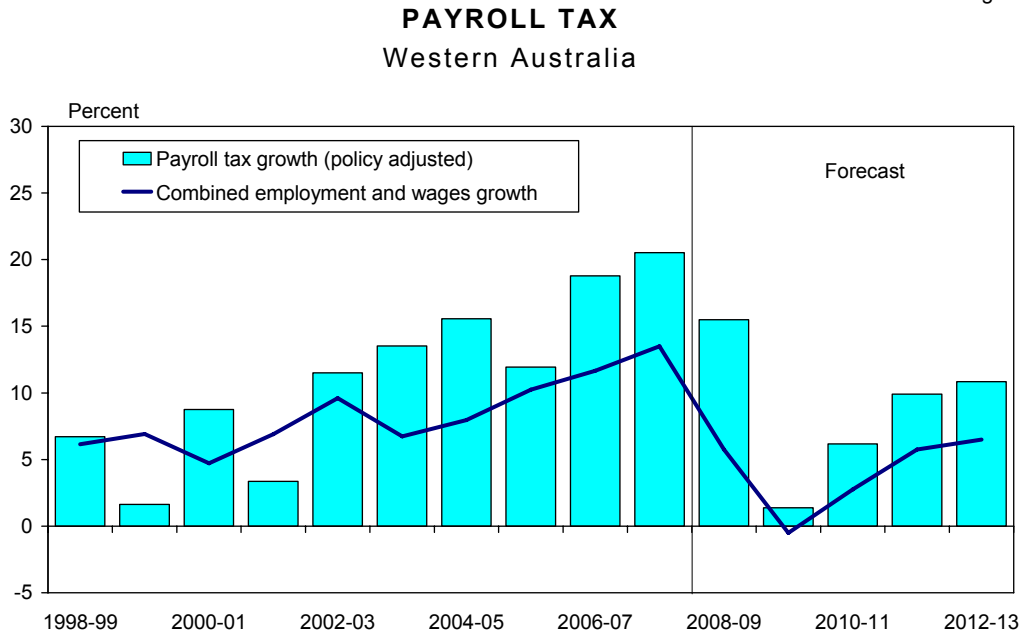
Payroll Tax

Notwithstanding emerging weakness in the labour market, revenue from payroll tax is still expected to grow by a robust 15.2% in 2008-09. This reflects very strong growth in Western Australia's labour market in the first half of this financial year.

However, growth in payroll tax is expected to moderate significantly over the next two years. Consistent with the forecasts of employment and wages growth (see Chapter 6: *The Western Australian Economy*), payroll tax is expected to grow by just 1.4% in 2009-10 (in policy adjusted terms), and by 6.1% in 2010-11.

Beyond 2010-11, economic growth is expected to regain momentum and stimulate a recovery in employment and wages growth. Payroll tax growth is forecast to then rebound to its long-term rate of above 10% per annum.

Figure 4



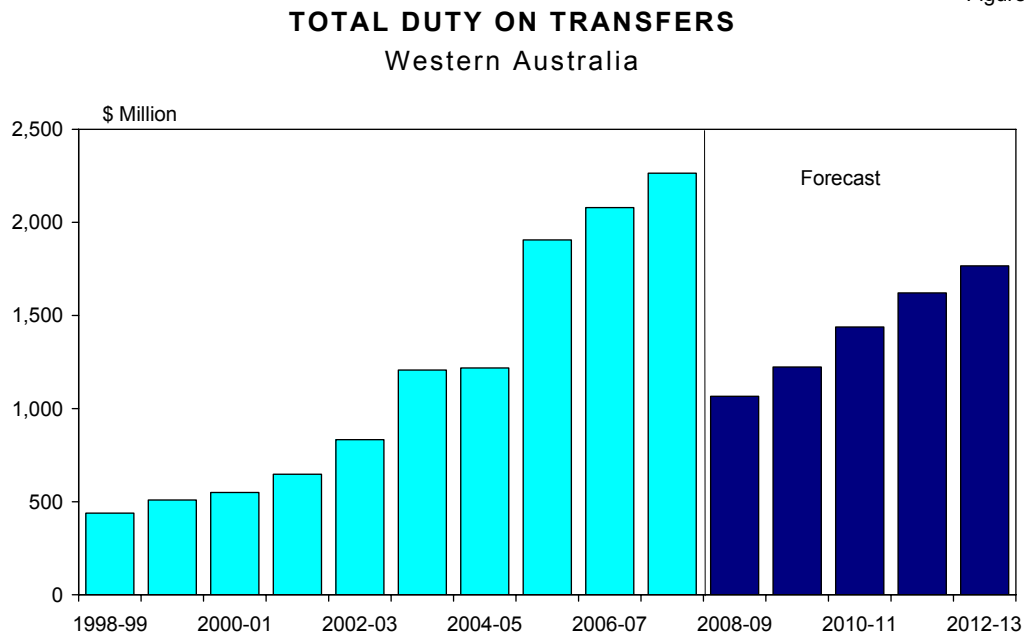
The headline estimates of payroll tax incorporate the revenue impact of the payroll tax harmonisation measures outlined above. However, they do not include the effect of the payroll tax rebate, which is classified separately as an expense item for financial reporting purposes.

Taxes on Property

Taxes on property include duty on transfers (i.e. transfer duty and landholder duty), land tax, the metropolitan region improvement tax (MRIT), the emergency services levy and loan guarantee fees.

Duty on transfers has fallen very sharply so far in 2008-09. This is due to a cyclical decline in Western Australia’s property market (following the boom in recent years), compounded by the uncertainty created by the global financial crisis and slowdown in domestic economic activity. These events have resulted in a marked decline in the volume of property transactions, while property prices have also fallen moderately. Overall, duty on transfers is estimated to fall by more than 50% in 2008-09.

Transfer duty is expected to recover slightly in 2009-10. While residential property prices are assumed to fall further (by around 4%), the volume of turnover is expected to recover gradually off the current low base. Consistent with these assumptions, transfer duty is estimated to increase by 14.0% in 2009-10. In the outyears, transfer duty is forecast to increase by an average of 13.0% a year.



The transfer duty estimates include the revenue impact of the abolition of duty on non-real business transfers from 1 July 2010.

Land tax is expected to increase by approximately 34% in 2008-09. This reflects a substantial rise in taxable land values (between August 2006 and August 2007), which was partially offset by the tax relief measures announced in the 2008-09 Budget and by the new Government in October 2008.

In 2009-10 land tax is expected to fall by 2.8%. This reflects a modest decrease in average land values and the tax relief measures introduced in this budget. A more significant decline in land tax (of 14.1%) is forecast in 2010-11, with commercial and industrial land values expected to contract over the relevant period (i.e. August 2009 relative to August 2008). Land tax revenue is then assumed to recover gradually in the outyears.

Taxes on Gambling

Taxes on gambling mainly comprise lotteries, casino and TAB betting taxes. Due to the prohibition of gaming machines in hotels and clubs in Western Australia, gambling taxes in this State account for a much smaller share of total taxes than in other jurisdictions (2.6% in Western Australia relative to an average of 10.1% across the other States).

Gambling taxes are forecast to increase by 4.8% in 2009-10, following estimated growth of 0.6% in 2008-09. This largely reflects expectations of an increase in revenue from the Lotteries Commission, which is implementing various strategies to maintain its revenue, and hence its grants, at least in real terms. Growth in gambling taxes is projected to average 3.4% per annum across the outyears.

Taxes on Insurance

Taxes on insurance include the duty on insurance policies and the employers' superannuation indemnity supplementation levy. Insurance duty is forecast to increase by 7.8% in 2009-10 (supported by higher premiums), following estimated growth of 5.2% in 2008-09. In the outyears growth is assumed to settle at the long-term rate of 7.4% 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.

Total motor vehicle taxes are forecast to increase by 5.0% in 2009-10, following an expected decline of 5.5% in 2008-09. An average growth rate of 7.1% a year is forecast across the outyears.

Revenue from vehicle licence duty (which accounts for approximately 40% of total motor vehicle taxes) is forecast to increase by 4.7% in 2009-10, following an estimated contraction of more than 21% in 2008-09. This reduction in 2008-09 reflects a marked slowdown in vehicle sales, creating a very low base for growth in 2009-10. Vehicle licence duty has also been affected by the \$5,000 increase in vehicle licence duty thresholds on 1 July 2008. Growth in vehicle licence duty is forecast to return to its long-term average rate of above 10% a year over the period 2010-11 to 2012-13.

Commonwealth Grants

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 46% of total Commonwealth grants for Western Australia in 2009-10 are in this form). General purpose grants to Western Australia consist of GST revenue grants, North West Shelf grants and associated compensation for Commonwealth crude oil excise arrangements; and
- payments for specific purposes (PSPs) – which must be spent on specific activities (e.g. health, education and training, and social housing – accounting for around 54% of total Commonwealth grants to Western Australia in 2009-10).

The arrangements for PSPs have been significantly reformed through the Council of Australian Governments (COAG) process. Further details on these reforms can be found in the feature box *Reforms to Payments to the States* later in this chapter.

Table 6

COMMONWEALTH GRANTS						
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
General Purpose Grants						
GST revenue	3,984	3,573	3,332	3,061	2,868	2,819
<i>Growth (%)</i>	0.4	-10.3	-6.8	-8.1	-6.3	-1.7
Competition payments	4	-	-	-	-	-
North West Shelf grants ^(a)	870	992	990	1,129	1,171	1,192
Total general purpose grants	4,858	4,566	4,322	4,190	4,039	4,011
Payments for Specific Purposes						
PSPs 'to' the State ^(b)	2,539	2,948	4,139	3,541	3,265	3,421
<i>Growth (%)</i>	18.2	16.1	40.4	-14.4	-7.8	4.8
PSPs 'through' the State	839	955	938	960	1,023	1,090
<i>Growth (%)</i>	7.6	13.8	-1.8	2.4	6.6	6.5
Total PSPs	3,378	3,903	5,076	4,501	4,288	4,511
TOTAL COMMONWEALTH GRANTS						
	8,235	8,468	9,398	8,691	8,327	8,522
<i>Growth (%)</i>	9.1	2.8	11.0	-7.5	-4.2	2.3

(a) Includes compensation for Commonwealth crude oil excise arrangements.

(b) Payments in areas of State responsibility. Does not include payments on-passed through the State (e.g. to local government, private schools and the First Home Owners' Boost).

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 expected to fall by \$242 million in 2009-10. This mainly reflects a 'no growth' forecast in the national pool of GST revenue, and a confirmed cut in Western Australia's share of GST collections (from 8.7% of the pool in 2008-09 to 8.1% of the pool in 2009-10), in line with the February 2009 recommendations of the Grants Commission (see below).

Over the three outyears, GST grants are forecast to continue declining. The forecast average 6.0% annual growth in the national pool of GST revenue is more than offset by a significant decline in the share of GST grants for Western Australia.

GST Shares in 2009-10

Each year, the Grants Commission determines States' relative per capita GST grant shares (i.e. GST 'relativities'), applying the principle of 'fiscal equalisation' and the latest available data on States' fiscal capacities. A State whose revenue bases have grown faster than other States, or whose relative cost of providing a 'standard' level of services has declined, will have its grant share reduced (and vice versa).

However, as relativities 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 reference period for the relativity estimates for 2009-10 is 2003-04 to 2007-08.

The Grants Commission's latest (February 2009) report will see a \$310 million cut in Western Australia's share of the GST pool in 2009-10. Most of this is due to Western Australia's revenue raising capacity (which is independent of the actual tax rates applied) growing faster than that of the other States between 2003-04 and 2007-08 in the areas of mining royalties, conveyance duty, land tax and payroll tax¹.

Table 7 shows the impact of the Grants Commission's recommendations for all States, both for the latest year and over a longer historical period. 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.

IMPACT OF GRANTS COMMISSION RECOMMENDATIONS				
	2009 Report		1994 – 2009 Reports	
	\$m	\$ per capita	\$m	\$ per capita
New South Wales	+613	+88	+890	+127
Victoria	+57	+11	+832	+156
Queensland	-382	-88	-1,222	-283
Western Australia	-310	-142	-1,489	-683
South Australia	+52	+32	+306	+190
Tasmania	-41	-82	+158	+317
Australian Capital Territory	+11	+33	+230	+665
Northern Territory	-1	-4	+296	+1,337

Apart from the Grants Commission's determination of GST relativities, the GST revenue grants for each State are also affected by growth in the national pool of GST revenue grants (although no growth is forecast in 2009-10) and changes in each State's share of the national population. Western Australia's forecast GST revenue grant for 2009-10 includes a \$32 million increase on account of the State's increasing population share.

Forecasts of Future GST Shares

The forward estimates of Western Australia's GST grants are based on projections by the State's Department of Treasury and Finance of:

- the national pool of GST grants (taking into account the Commonwealth's February 2009 *Updated Economic and Fiscal Outlook*);
- Western Australia's share of the national population; and

¹ Overall, total revenue in Western Australia (excluding current grants from the Commonwealth) grew by an average of 13.0% per annum over this period, compared with 7.0% a year in other States and Territories.

- Western Australia's GST relativity.

In line with the Grants Commission's approach, the GST relativity projections for each year of the forward estimates (2010-11 to 2012-13) 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. For example, the relativity projections for 2012-13 are based on assessments of revenue capacity and expenditure requirements for the years 2006-07 to 2010-11.

Assessments of revenue capacity and expenditure requirements for years up to 2007-08 were published in the Grants Commission's February 2009 report and are reflected in the GST relativities for 2009-10.

Changes in revenue capacity in key areas after 2007-08 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 royalty income, payroll tax, conveyance duty and land tax. In other areas, the projections of assessments for 2008-09 to 2010-11 assume no change in Western Australia's relative revenue capacity and expenditure requirements compared to 2007-08.

The detailed forecasting methodology used by Western Australia reflects the risks to the State's GST grant share resulting from its exceptionally strong economic and revenue growth of recent years including the very strong growth in iron ore royalties in 2008-09. By comparison, the Commonwealth's estimates and projections of GST relativities assume that Western Australia's fiscal capacity in 2008-09, 2009-10 and 2010-11 will be broadly consistent with the Grants Commission's assessment of its relative fiscal capacity in 2007-08.

The Grants Commission is currently in the final stages of 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 to 2012-13 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.

As the past growth in 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 8.7% in 2008-09, to just 5.7% by 2012-13 (see Table 8 and the following chart).

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

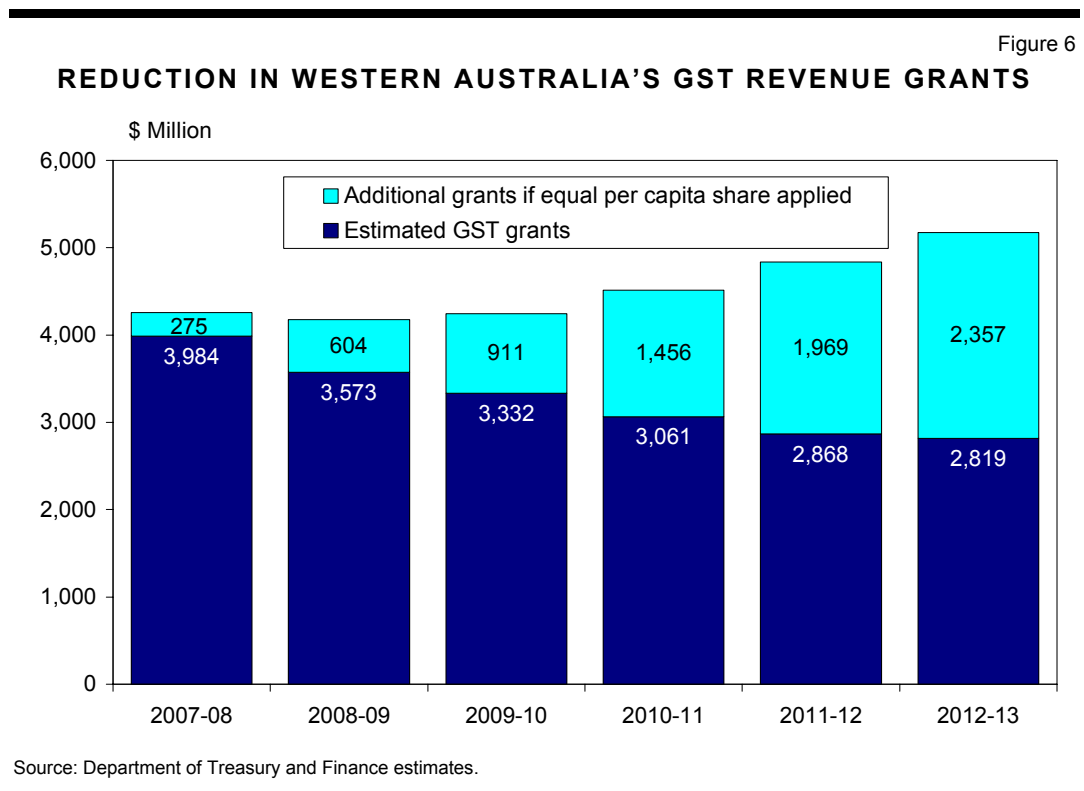
Table 8

PROJECTED GST RELATIVITY

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
WA population share %	10.1	10.2	10.3	10.4	10.4	10.5
WA 'relativity' ^(a)	0.94	0.86	0.78	0.68	0.59	0.54
WA GST share %	9.4	8.7	8.1	7.0	6.2	5.7

(a) Western Australia's relative per capita share of GST grants, which is the ratio of Western Australia's GST grant share to Western Australia's population share.

Western Australia's declining GST share is likely to further increase the State's overall net contribution to the Federation, which now stands at \$8.2 billion according to the Department of Treasury and Finance's latest (2007-08) estimates (see Appendix 11: *Redistribution of Resources Across States by the Commonwealth*).



North West Shelf Grants

By agreement with the Commonwealth Government, Western Australia receives grants in relation to petroleum production from the North West Shelf project. The value of these payments fluctuates according to the price of crude oil (and other energy prices), the exchange rate and the level of production.

North West Shelf grants (including compensation for changes in Commonwealth crude oil excise arrangements) are expected to decrease marginally in 2009-10 to \$990 million. In the outyears, these grants are forecast to grow at an average rate of 6.4% a year, underpinned by an assumed increase in energy prices and higher LNG production. However, higher North West Shelf grants will ultimately be significantly offset by lower GST grants for Western Australia, through the Grants Commission process.

Payments for Specific Purposes (PSPs)

PSPs are grants from the Commonwealth to the States for specific activities, and comprise National Specific Purpose Payments (SPPs), National Partnership (NP) payments and certain other payments (see feature box later in this chapter). Distinctions are also made between:

- PSPs ‘to’ the State, that support specific areas of State responsibility; and
- PSPs that are channelled ‘through’ the State, primarily to local governments and private schools (the Commonwealth’s First Home Owners Boost is also included here).

In 2009-10, Western Australia expects to receive around \$4.1 billion in PSPs ‘to’ the State, representing an increase of 40.4% compared with 2008-09. This is largely due to grants provided under the Commonwealth’s *Nation Building and Jobs Plan* (\$104 million forecast for 2008-09, increasing to \$1.1 billion in 2009-10). There was also substantial (16.1%) growth in PSPs ‘to’ the State in 2008-09, driven by increased funding from the COAG reforms (see feature box).

Over the outyears, PSPs ‘to’ the State are projected to decline as the *Nation Building and Jobs Plan* is completed. Abstracting from this, average growth of 4.6% per annum is projected over this period.

Commonwealth PSPs that pass ‘through’ the State’s accounts are expected to decline by 1.8% in 2009-10, primarily reflecting a drop-off in payments in relation to the Commonwealth’s First Home Owners Boost. Average growth of 5.1% per annum is projected in the outyears.

Table 9

PAYMENTS FOR SPECIFIC PURPOSES
Western Australia

	2009-10 Budget Estimate	Share of total PSPs %
	\$m	
Payments 'To' the State – SPPs		
National Healthcare Agreement	1,136	22
National Education Agreement	329	6
National Skills and Workforce Development Agreement	132	3
National Disability Agreement	78	2
National Affordable Housing Agreement	125	2
Other Payments 'To' the State		
<i>Nation Building and Jobs Plan</i>	1,147	23
Housing	214	4
Roads	249	5
Other ^(a)	729	14
Payments 'Through' the State		
Non-government Schools Assistance	654	13
Local Government Financial Assistance Grants	137	3
Local Government Roads	92	2
Other	56	1
Total PSPs	5,076	100

(a) Comprises a large number of NPs and other payments.

Note: Columns may not add due to rounding.

Reforms to Payments to the States

Arrangements for payments made by the Commonwealth to the States have been substantially reformed through the Council of Australian Governments (COAG) process. These are captured in a new *Intergovernmental Agreement on Federal Financial Relations* (IGA), which applies from 1 January 2009.

The IGA sets out the framework for financial arrangements between the Commonwealth and the States. A key feature of the IGA is its comprehensiveness, stating that 'All intergovernmental financial transfers other than for Commonwealth own-purpose expenses will be subject to this Agreement'.

The IGA records the Commonwealth's commitment to support the States' delivery of services, by providing on-going financial support in the following forms:

- general revenue assistance (which largely comprises GST revenue grants);
- National Specific Purpose Payments (SPPs); and
- National Partnership (NP) payments.

These payments are to be made to the States' Treasuries on a monthly basis, with one monthly payment for all general revenue assistance and another for all SPPs and NP payments. The latter two categories are together referred to as Payments for Specific Purposes, or PSPs.

The new IGA incorporates the provisions of the 1999 GST agreement (with some streamlining), including that States will receive all proceeds from the GST, to be available for any purpose and distributed according to the Commonwealth Grants Commission's recommendations using the fiscal equalisation principle.

SPPs

The IGA replaces many previous 'specific purpose payments' with the five new SPPs listed below. The 2009-10 base amounts for all the States are shown in brackets.

- Healthcare (\$11,224 million);
- Schools (government schools component) (\$3,287 million);
- Skills and Workforce Development (\$1,318 million);
- Affordable Housing (\$1,203 million); and
- Disability Services (\$904 million).

Associated with each of these SPPs is a National Agreement setting out governments' agreed objectives and outcomes, outputs, roles and responsibilities, and performance indicators for each sector.

A key benefit of the SPP reforms is the replacement of financial or other input controls with outcomes-based accountability to the community. This will give States full budget flexibility to spend these funds within the relevant sector, and their own funds within or across sectors (subject to NP Agreements discussed below), according to need. Such flexibility is a long sought after aim of States, and should particularly benefit Western Australia, where circumstances and needs can differ significantly from other States.

The reforms also provide greater funding certainty for States. The five new SPPs will be ongoing, subject to periodic reviews at least every five years to ensure the adequacy of funding. Indexation factors have also generally been improved, particularly for the National Healthcare SPP.

SPPs are to be distributed to the States on the basis of their population shares, with the exception of the National Schools SPP, which will be distributed on the basis of enrolments³.

³ This applies to the government schools component, separate arrangement will continue to apply for non-government school funding.

Performance information under the National Agreements will be collated for analysis and publication by an independent COAG Reform Council.

NPs

NP payments will be provided under a range of NP Agreements to:

- support the delivery of specified outputs or projects;
- facilitate reforms; or
- reward those jurisdictions that deliver on nationally significant reforms.

Payment of reward payments will be contingent on an independent assessment by the COAG Reform Council of whether agreed performance benchmarks have been met.

To the fullest extent possible, the structure and design of NP Agreements, including the administration and reporting arrangements, will be aligned with the principles for designing National Agreements. NPs are generally expected to have limited time horizons. On their completion, funding could cease or ongoing funding could be provided, through either the relevant SPP National Agreement or general revenue assistance.

Additional Funding for the COAG Reforms

The estimated additional Commonwealth funding for the reforms agreed by COAG in November 2008 is shown in Table 10. Western Australia is estimated to receive at least a population share (around 10%) of this additional funding.

Table 10

COAG ADDITIONAL FUNDING PACKAGE TO ALL THE STATES

	2008-09 ^(a) \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	Total \$m
Payment						
SPPs	631	878	1,212	1,584	2,009	6,315
NPs	2,870	897	1,016	1,989	2,077	8,849
TOTAL	3,501	1,776	2,228	3,573	4,086	15,164

(a) Includes one-off NP funds for health and education.

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

Royalty Income⁴

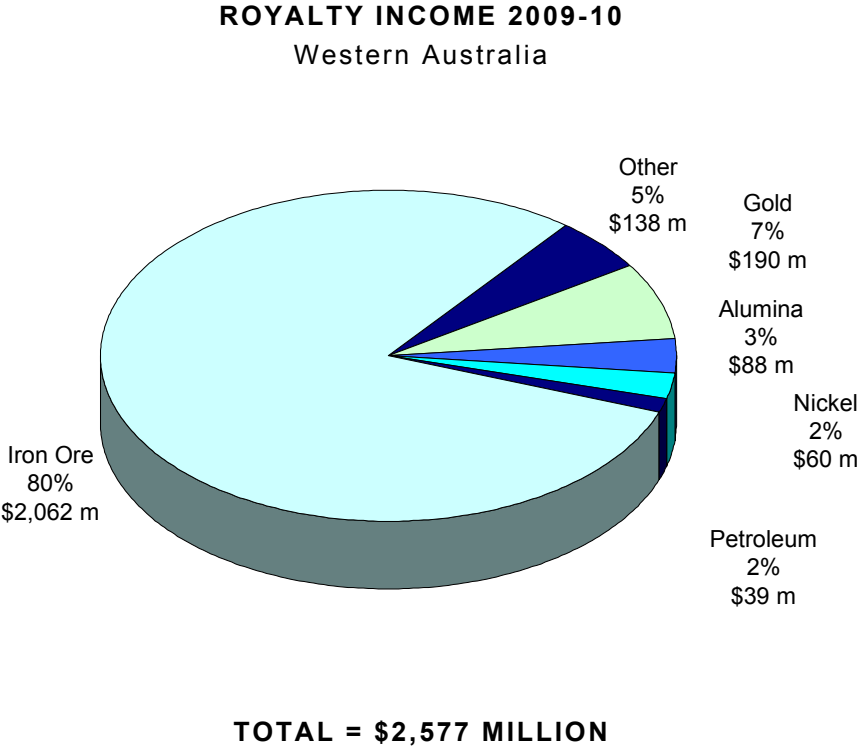
Summary

Despite the recent deterioration in global economic activity and commodity markets, royalty income is still expected to increase by 59% (or \$995 million) in 2008-09. Growth in royalties has been underpinned by the hike in iron ore prices negotiated early in 2008 for the 2008-09 Japanese fiscal year (combined with higher iron ore output). The rapid depreciation of the \$A during the first half of 2008-09 has also cushioned the impact of lower \$US commodity prices.

In 2009-10, royalty income is expected to fall slightly (by 3.7% or \$98 million) to \$2,577 million. This mainly reflects an assumed significant cut in iron ore prices in the 2009-10 Japanese fiscal year counteracting increased iron ore production. This movement in iron ore royalties is expected to more than offset modest improvement in some other commodity prices.

Iron ore royalties are expected to account for the bulk of Western Australia’s royalty income in 2009-10 (80%), while the remainder is spread across a broad range of resource commodities, including gold, nickel, alumina, petroleum and other minerals.

Figure 7



⁴ Mining royalties are payments for the right to extract resources owned by the community.

Across the outyears, royalty income is projected to rise at a moderate pace, partly on the back of growth in iron ore production. Overall, royalty income is forecast to grow by 3.7% a year over the period 2010-11 to 2012-13.

Key assumptions underpinning the royalty estimates include:

- a \$US/\$A exchange rate of US68.5 cents across all years (the six week average rate in the lead-up to the budget cut-off date);
- a 30% decrease in the contract price of iron ore in the 2009-10 Japanese fiscal year, followed by a decline of 10% in both 2010-11 and 2011-12, and no change in 2012-13; and
- an average oil price of \$US49 per barrel over the remainder of 2008-09, \$US56 per barrel in 2009-10, \$US62 per barrel in 2010-11, \$US66 in 2011-12 and \$US68 per barrel in 2012-13 (based on the 30 days average futures prices for each period).

ROYALTY INCOME
Western Australia

Table 11

	2007-08 Actual	2008-09 Estimated Actual	2009-10 Budget Estimate	2010-11 Forward Estimate	2011-12 Forward Estimate	2012-13 Forward Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
Iron Ore	1,131	2,219	2,062	2,143	2,222	2,321
Petroleum	52	34	39	40	40	40
Alumina	79	86	88	97	93	93
Diamonds	40	12	17	16	17	19
Mineral Sands	21	29	26	21	19	18
Nickel	130	69	60	73	86	113
Gold	99	136	190	198	191	176
Other	128	91	95	95	91	92
Total Royalty Income	1,680	2,675	2,577	2,684	2,758	2,873

Note: Columns may not add due to rounding.

Mining production forecasts are based on an annual survey undertaken by the Department of Mines and Petroleum. 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 royalty income is set out below.

Detail

Iron ore

Iron ore royalties are forecast to decrease by \$158 million to \$2.1 billion in 2009-10. This reflects an assumed 30% cut in benchmark prices in the 2009-10 Japanese fiscal year, following the record 85% price hike in the 2008-09 round of negotiations. A forecast increase in production flowing from the substantial investment in recent years will partly offset the effect of lower prices. Output from a number of recently completed projects is likely to reach capacity during 2009-10. These projects will contribute to an estimated 8% increase in production in 2009-10, taking total output to around 387 million tonnes.

Iron ore contract prices are assumed to fall by a further 10% per annum in both 2010-11 and 2011-12 (Japanese fiscal years). In this regard, although global demand for iron ore is expected to strengthen in the outyears, this is assumed to be offset by a continued increase in production from recently completed projects and future commissioning of those currently under construction.

Iron ore royalties are nevertheless forecast to increase over the period 2010-11 to 2012-13, underpinned by higher output by domestic producers. In effect, it is assumed that local companies will secure a greater share of the global market, due to their comparatively low operating costs and geographical proximity to key customers in Asia. Iron ore royalties will also be boosted in the outyears by the Government's decision to proceed with a phase-out of royalty concessions on new fine ore production (assumed to generate an additional \$197 million over this period). Overall, iron ore royalties are projected to increase by 4.0% per annum from 2010-11 to 2012-13.

Petroleum

Petroleum royalties are projected to grow by 14.8% (or \$5 million) in 2009-10, due to higher energy prices and increased domestic gas and crude oil production.

The maturing of several oil fields will see output of both crude oil and condensate continue to decline over the period 2010-11 to 2012-13, which will more than offset the assumed growth in energy prices over this period.

Alumina

Alumina royalties are expected to increase in 2009-10 and 2010-11, supported by an expansion in production and a modest increase in prices. Thereafter, alumina royalties are projected to decrease as an expected increase in production volumes is slightly offset by weaker alumina prices.

Diamonds

Diamond royalties are forecast to increase in 2009-10, as prices and production recover following a sharp decline in global diamond markets throughout 2008-09. After falling marginally in 2010-11, diamond royalties are expected to increase in the outyears, underpinned by continued growth in production due to the commencement of underground operations at the Argyle project.

Mineral Sands

Mineral sand royalties are expected to fall over the forecast period as a result of lower production and moderation in prices, particularly for zircon, rutile and ilmenite feedstock.

Nickel

The spot price of nickel has fallen very sharply so far in 2008-09. The closure of the Ravensthorpe nickel mine as well as a number of smaller nickel operations has also negatively impacted production. Consequently, nickel royalties are expected to fall by approximately 12% in 2009-10, following an estimated 47% decrease in 2008-09. In the outyears, nickel royalties are projected to rise on the back of a recovery in prices towards the long-run average.

Gold

The \$US price of gold has been relatively strong in 2008-09, reflecting its traditional role as a store of value during periods of financial and economic uncertainty. With the exchange rate falling sharply, this has boosted the \$A gold price and the total value of gold royalties. In 2009-10, further growth in gold royalties is likely to be supported by a solid increase in production.

Other Revenue

Sales of Goods and Services

With the exception of 2009-10, revenue from the sale of goods and services is forecast to grow by an average 5.5% 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 services and the consequential increases in charges based on the recovery of those costs.

In 2009-10, revenue from the sale of goods and services is forecast to grow by 9.6%, reflecting the implementation of a number of measures endorsed by the Government as part of Stage 1 of the Economic Audit. These measures have been formulated to ensure publicly provided services that consumers can choose to consume are provided on the basis of 'user pays' principles. This results in the consumer bearing the cost of their consumption decisions and ensures those decisions are informed by appropriate price signals. In total, these measures are estimated to result in an increase in goods and services revenue of \$60.1 million in 2009-10, rising to \$71.8 million by 2012-13.

The measures commencing in 2009-10 are:

- an increase in the landfill levy. This levy is designed to create a disincentive to dispose waste to landfill and at the same time, instil the incentive to reuse or recycle. The increase will generate additional revenue of \$39.0 million per annum from 2009-10, which will be applied to meeting existing environment and conservation commitments;
- an increase in the Perth Parking levy of \$1 per day for all eligible CBD parking bays, generating additional revenue of \$16.4 million per annum;
- additional revenue of \$2.5 million (rising to \$10 million in the outyears) for the Departments of Planning and Transport from increased advertising activity, including billboard and signage space on departmental infrastructure, online advertising and vehicle advertising;
- an increase in the level of cost recovery for civil court fees, to place Western Australia more in line with other jurisdictions. The increase in fees will be particularly aimed at corporations and those who can afford to pay for court time, and will raise \$1.5 million in 2009-10, rising to \$3 million per annum thereafter for the Department of the Attorney General;
- the introduction of child care licence fees, expected to raise around \$706,000 in 2009-10 (and a similar amount in 2012-13); and
- the introduction of a fee-for-service arrangement in order to recover the costs of police officers attending and conducting crowd and traffic control duties at a range of events held by private commercial operations (including sporting and concert events). It is expected to cover existing policing costs of around \$625,000 in 2009-10 and similar amounts thereafter.

In 2011-12, a further measure will commence with the introduction of industry levies through the *Biosecurity and Agriculture Management Act 2007*, estimated to generate \$2 million per annum from 2011-12.

There are a number of other cost recovery/user pays measures implemented in this budget as part of the Government's response to Stage 1 of the Economic Audit process. These are discussed below under 'Other Revenue'.

Interest Income

Interest earnings from investments of cash and other liquid financial assets are projected to total \$144 million in 2009-10, around half the estimated \$287 million in 2008-09, and down from \$332 million earned in 2007-08. The reduction reflects the combination of recent reductions in official interest rates, and a decrease in the value of cash balances held by the general government sector.

Across the outyears, interest income is expected to rise to around \$230 million by 2012-13, reflecting the expectation that interest rates will begin to increase from their current historically low levels, and a stabilisation in the value of cash balances.

Revenue from Public Corporations

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

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

Revenue from public corporations in 2009-10 is estimated to be \$855 million, which represents a decrease of \$6 million or 0.7% from 2008-09.

REVENUE FROM PUBLIC CORPORATIONS						
	2007-08 Actual	2008-09 Estimated Actual	2009-10 Budget Estimate	2010-11 Forward Estimate	2011-12 Forward Estimate	2012-13 Forward Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
Income Tax Equivalent	360	347	308	346	384	524
Local Government Rate Equivalent	8	9	11	12	12	12
Dividends	512	506	536	578	612	733
TOTAL	880	861	855	936	1,008	1,268

Note: Columns may not add due to rounding.

The decrease in revenue in 2009-10 is largely a result of projected reductions in payments from Western Power and the Port Hedland Port Authority.

The reduction in Western Power's income tax equivalent revenue and dividends is largely a result of network pricing constraints that will be experienced during the initial years of the budget period, particularly 2009-10. The increase in revenue from public corporations in 2012-13 is due largely to Western Power's increased profitability and payments to Government. This is the result of an expected increase in network tariffs to allow Western Power to fully recover its costs, while in the earlier years network tariffs have been constrained as they gradually transition to full cost recovery.

The decrease in income tax equivalent revenue from the Port Hedland Port Authority in 2009-10 is due to a one-off developer's contribution made in 2008-09 relating to the Utah Point Berth Project that inflated income tax equivalent revenue for 2008-09.

A more detailed overview of revenues 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 and/or local government, net asset transfers, and mining-related lease rentals for exploration and production licences. ‘Other’ revenue is forecast to remain relatively flat in 2009-10 (\$324 million compared with an estimated \$340 million in 2008-09).

In 2010-11, ‘other’ revenue is forecast to increase by \$64 million to \$388 million, rising to \$416 million by the end of the budget period. This reflects the implementation of a number of measures endorsed by the Government as part of Stage 1 of the Economic Audit process, in particular:

- the digitisation of the speed and red light camera fleet, which is expected to increase driving infringement revenue by \$52.8 million in 2010-11, rising to \$72.8 million thereafter; and
- increased industry contributions to the Department of Agriculture and Food (for food and industry development) by \$4.5 million per annum.

General Government Expenses

Overview

This chapter focuses on recurrent spending by general government agencies and in particular, new policy decisions taken by the Government in accordance with its key service delivery objectives and in response to the rapid change in economic and fiscal circumstances since the September 2008 election.

A key focus for the 2009-10 Budget is ensuring the delivery of the Government's election commitments and providing support to the State's economy, whilst ensuring financial responsibility through the implementation of a range of corrective measures.

In this latter regard, a major part of the 2009-10 Budget process has been the implementation of the 3% efficiency dividend. This savings measure was included in the *Pre-election Financial Projections Statement* as a global savings target. This target was initiated by the previous Government and then allocated to individual agencies as part of the 2008-09 mid-year review. The mid-year review did not, however, identify specific measures to achieve the savings target.

During the course of developing the 2009-10 Budget, the Government has approved efficiency dividend measures totalling \$1.333 billion over the period 2008-09 to 2011-12 (with a continuation of savings of \$424 million into the new out-year, 2012-13). This compares to the mid-year review target of \$1.380 billion – meaning that this budget delivers 97% of the efficiency dividend target included in the mid-year review.

Further information on the efficiency dividend (and other corrective measures implemented in this budget) is contained later in this chapter, and for each agency in Budget Paper No. 2: *Budget Statements*.

Even with the corrective measures implemented in this budget, general government sector expenses are forecast to total \$20.3 billion in 2009-10 – an increase of \$1.3 billion or 6.6% on 2008-09. Of this increase, \$749 million (or 59%) is in the key service delivery areas of health, education and training, and law and order. The following table summarises key agencies' expense estimates.

Table 1

KEY AGENCY EXPENSES

	2007-08 Actual	2008-09 Estimated Actual	2009-10 Budget Estimate	2010-11 Forward Estimate	2011-12 Forward Estimate	2012-13 Forward Estimate
Education and Training						
Expenses (\$m)	3,368	3,682	4,101	4,137	4,228	4,324
Growth (%)	9.1	9.3	11.4	0.9	2.2	2.3
Health						
Expenses (\$m)	4,369	4,817	5,099	5,379	5,686	6,031
Growth (%)	12.6	10.3	5.9	5.5	5.7	6.1
Police						
Expenses (\$m)	825	917	949	999	1,043	1,087
Growth (%)	12.7	11.1	3.6	5.3	4.3	4.2
Child Protection						
Expenses (\$m)	282	346	376	389	401	408
Growth (%)	14.5	22.8	8.7	3.4	3.1	1.9
Disability Services						
Expenses (\$m)	366	437	471	528	585	586
Growth (%)	10.1	19.5	7.6	12.2	10.8	0.2

Additional expenditure of \$420 million has been approved for the Department of Health (DOH) in 2008-09 and the forward estimates period to:

- meet increases in inpatient, emergency department and outpatient activity;
- escalating costs of service delivery in the Pilbara region; and
- provide for additional private sector places for 'care awaiting placement' patients who would otherwise occupy hospital beds though not needing hospital treatment.

These cost pressures have contributed to the high expense growth of 10.3% in 2008-09 for the DOH. It is anticipated that immediate strategies will be implemented by the DOH to ensure that further health expense pressures will be mitigated in 2009-10 and the outyears.

Election Commitments

This budget includes a total of \$2.861 billion in recurrent spending¹ for the delivery of election commitments across the forward estimates period (2008-09 to 2012-13), comprising:

- \$1.616 billion in recurrent spending from the *Royalties for Regions* program; and

¹ This budget includes a total of \$5.194 billion of election commitments spending and \$22.7 million of election commitments tax revenue reductions. In addition to the recurrent spending quoted in this chapter, there is a further \$2.333 billion in asset investment election commitments spending (including *Royalties for Regions*).

- \$1.245 billion in other commitments.

Major commitments included in the 2009-10 Budget in relation to the key areas of regional development, health, community safety, and education are outlined below.

Regional Development

Key initiatives to support regional development in 2009-10 include \$263 million in *Royalties for Regions* recurrent spending, including:

- \$100 million for the Country Local Government Fund;
- \$58 million for the Regional Community Services Fund, including \$10 million for the Bushchange Housing Grant;
- \$73 million for the Regional Grants Scheme;
- \$16 million for the Exploration Incentive Scheme; and
- \$10 million for the Northern Towns Development Fund.

Health

Key recurrent spending initiatives to enhance services and address reforms to the public hospital system, mental health services, and health workforce include:

- expenditure of \$118 million over 2008-09 and the forward estimates period for subsidies to general practices to provide after hours services, and to implement the Friend in Need Emergency Scheme which provides alternative options to hospitalisation for chronically ill and older patients. These initiatives will enable the Department of Health to better manage demand pressures in emergency departments;
- expenditure of \$20 million in 2009-10 to implement strategies to reduce waiting times for elective surgery, and \$11.5 million over the period 2008-09 to 2010-11 to enhance the capacity of hospitals in chemotherapy and radiotherapy outpatient services and to provide support to cancer patients and their families;
- \$13 million over three years to develop a comprehensive State Suicide Prevention Strategy. Consistent with this increased focus on mental health, an additional \$1.3 million will be spent over 2008-09 and the forward estimates period on the appointment of a Mental Health and Wellbeing Commissioner, combined with a comprehensive review into the adequacy of the current mental health services in the State over 2008-09 and 2009-10; and
- \$28 million over four years (including \$21.3 million in additional spending and \$6.7 million from reprioritised spending) has been committed to the Hospital Nurses Support Fund aimed at enhancing and supporting the nursing workforce, and \$9 million over 2008-09 and the forward estimates period for nurses scholarships. A further \$3.5 million will be spent between 2008-09 and 2011-12 to provide additional supervision for medical interns.

Community Safety

Major initiatives to address community safety include:

- implementation of an additional Police Officer Program over a five-year period at a cost of \$208.5 million, comprising a mix of 350 police officers and 150 auxiliary police officers. This cost includes a commitment to recruit 200 specialists and expert civilian staff over five years to further boost police resources;
- additional expenditure of \$71.2 million over four years to meet the projected increase in the prison population arising from implementation of the Government's law and order election commitments, including the repeal of the transitional provisions of the *Sentencing Act 1995* relating to the removal of the one-third sentence reduction, provision of additional police, and mandatory sentences for assaults on police officers;
- establishment of the \$6 million Western Australian Community Crime Prevention Program, providing funding to local councils and communities for closed circuit television cameras, crime prevention devices and programs; and
- expenditure of \$10.0 million over three years for seniors' security rebates.

Education

Major enhancements to education service delivery include expenditure of \$46.4 million over four years to provide behaviour management specialists and support for schools. This program will see:

- an expansion of the school chaplaincy services;
- the employment of an additional 50 school-based psychologists; and
- an additional ten behaviour management specialists attached to district education offices.

Supporting the State's Economy

The Government is committed to minimising the impact of the global economic turmoil on Western Australian businesses, workers and job seekers.

Accordingly, the Government has increased its focus on skills training as emerging weakness in the labour market leads to greater demand for training and re-training. A total of \$47.4 million has been committed over the next three years on a range of training-related initiatives, including:

- providing eligible unemployed individuals with course fee exemptions to undertake publicly funded training;
- assisting people disadvantaged in the labour market to increase foundation skills as a pathway to further training or employment;

- undertaking a more coordinated communication strategy to disseminate training information; and
- a temporary rebate of workers' compensation premiums for first year apprentices and trainees in 2009-10 and 2010-11.

To assist small business in the current economic climate, a business resilience program (BIZFit) has also been funded in this budget. The program includes seminars/workshops, business coaching/mentoring, and a scholarship program, and will be available to remote, regional and metropolitan small business in Western Australia.

The Government has also approved additional expenditure of \$5.7 million for 'boost' tourism marketing in 2009-10, with a particular focus on regional Western Australia.

Financial Responsibility

The Government has implemented a range of corrective measures to address the significant deterioration in State finances arising from the global economic downturn, and to ensure financial responsibility going forward. In the face of a substantial collapse in revenue brought about by these developments, additional corrective action worth \$5.6 billion (in net debt terms) is to be implemented over the forward estimates period. This is over and above previous measures such as the 3% efficiency dividend.

3% Efficiency Dividend

This budget includes savings of \$1.333 billion over the period 2008-09 to 2011-12 from implementation of the 3% efficiency dividend. This is 97% of the savings target included in the 2008-09 mid-year review.

Further efficiency dividend savings of \$424 million have been included for the new outyear (2012-13), bringing total savings over the five years 2008-09 to 2012-13 to \$1.757 billion.

Detail of the agency measures to achieve the efficiency targets is provided as part of each agency's financial projections published in Budget Paper No. 2: *Budget Statements*. A summary of the major efficiency initiatives is provided later in this chapter.

Media and Marketing, Advertising and Consultants

The 2008-09 mid-year review included a global provision for expenditure savings on media and marketing (by one-third), consultants (by \$5 million per annum), and advertising (by 15%) consistent with the Government's election commitments. This savings measure reduced general government expenses by an estimated \$67 million over the five years to 2012-13, and a further \$18 million for the public corporations sector.

As part of the 2009-10 Budget process, the Government has approved the allocation of this savings initiative against the budgets of individual agencies, with specific savings shown in the following spending disclosures. Around 88% (or \$75 million) of the \$85 million provision has been realised by allocation to agency budgets.

Employee Expenses

Over the four years to 2007-08, salaries expenditure of the general government sector grew by an average of 9.6% per annum. With revenue projected to grow by an annual average 3.4% per annum over the forward estimates, salaries growth of this magnitude is not sustainable.

To arrest this very high growth, the Government has initiated a package of measures including:

- the introduction of a Full Time Equivalent ceiling across the general government sector;
- a new wages policy for the public sector, which incorporates a base increase in wage outcomes equal to projected growth in the Perth Consumer Price Index, with total wage increases (incorporating base growth plus any efficiency and workplace reform-related elements) capped at projected growth in the Western Australian Wage Price Index; and
- voluntary severance packages for employees in instances where positions have become or are likely to become surplus to agency requirements. This budget includes a provision of \$48 million in 2009-10 for voluntary severances for up to 500 public sector employees.

Economic Audit

In October 2008 the Government announced the establishment of an economic audit group to conduct a wide-ranging review of the operational and financial performance of the Western Australian public sector (consistent with its election commitment).

An Economic Audit Committee (the Committee) was commissioned by the Government to undertake the review. In response to the sharp deterioration in economic conditions and State finances, the Committee adopted a two-stage approach, balancing the need to provide recommendations regarding immediate corrective measures as part of the 2009-10 Budget, while establishing the basis for more systemic public sector reform and improvement over the medium term.

The Government has approved the implementation of a range of agency specific and sector-wide corrective measures identified as part of the Economic Audit process.

These changes represent an immediate and decisive response by the Government to issues identified by the Committee, and will form part of the broader reform agenda being considered by the Committee relating to the ongoing financial sustainability and effectiveness of service delivery in the public sector.

Agency Specific Savings

The Government has approved the implementation of a range of agency specific measures to address areas of inefficiency, duplication or opportunities for enhanced service delivery at lower cost. These measures result in expense reductions totalling \$192.9 million over four years. Details of specific measures are outlined within the portfolio summaries later in this chapter.

Key agency specific expense savings include:

- a reduction in expenditure of \$89 million across the forward estimates period for a lower State matching commitment towards the Commonwealth's Caring for Our Country program. Expenditure of \$33.5 million will continue in 2009-10 on identified priority projects, with the program to be reviewed during 2009-10 with the aim of making it more effectively in terms of delivering environmental outcomes;
- cessation of the State LPG Subsidy, saving \$49.5 million over the forward estimates period (due to the introduction of a similar Commonwealth scheme and a substantial decline in fuel prices); and
- implementation of efficiency measures within the Department of Transport such as outsourcing some motor vehicle licensing activities and increased use of electronic delivery across the operations of the Licensing Business Unit, reducing expenses by \$15.1 million over the forward estimates.

Other agency specific savings measures identified as part of the Economic Audit process impacting on agency revenue and asset investment are outlined in Chapters 3 and 5 respectively.

Procurement Savings

Agency spending on goods and services has continued to grow at a much faster rate than total agency expenses. Further savings in the procurement of goods and services by agencies have been identified, particularly where there are no whole of government (or common use) arrangements in place. In these areas, substantial opportunity remains to aggregate, simplify and standardise buying, as well as to ensure associated savings are not automatically consumed by increased volumes purchased.

The Government has committed to reduce agency procurement costs by \$60 million per annum from 2009-10 to 2012-13. The implementation of these savings post-budget will take into account specific agency circumstances, buying needs and behaviours.

Grants Programs

Expenditure by the State Government on grants, subsidies and other transfers has increased steadily in recent years, with annual average growth of 10% driving an increase from \$2.6 billion in 2001-02 to an estimated \$5.2 billion in 2008-09. Of this funding, grants programs represent approximately 12% of total transfers.

2009-10 Economic and Fiscal Outlook

In response to the significant growth in grant expenditure in recent years, the Government has approved a reduction in grants expenditure across government of 15% (approximately \$200 million) over four years.

The reduction only applies to grants and will not apply to service agreements, transfers to individuals and households, or transfers to non-government schools. The process for implementing the grants program savings will be undertaken post-budget and in conjunction with broader reforms to grants administration processes being considered as part of Stage 2 of the Economic Audit.

The following section outlines recurrent expenditure initiatives in the 2009-10 Budget, with details presented of major policy decisions for the relevant Government ministerial portfolios and agencies. The timing of cash flows for some initiatives (which are treated as parameter changes rather than policy decisions) may have also been revised (refer to agency estimates contained in Budget Paper No. 2: *Budget Statements*).

Expense Policy Decisions (by Portfolio)

Summary

General government expense decisions by agency since the 2008-09 mid-year review are summarised in the following table.

Table 2

SUMMARY OF EXPENSE POLICY DECISIONS BY AGENCY SINCE THE 2008-09 MID-YEAR REVIEW						
	2008-09	2009-10	2010-11	2011-12	2012-13	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Regional Development and Lands	120.0	1.6	-	-	-	121.6
Treasury and Finance	0.1	-0.3	98.7	-1.4	-1.4	95.7
Education and Training	17.9	17.4	18.6	2.9	-2.9	53.8
Public Transport Authority ^(a)	0.9	7.1	2.3	2.4	12.6	25.3
Child Protection	_(b)	2.4	2.6	3.0	2.9	10.8
Curriculum Council	4.1	6.5	_(b)	_(b)	_(b)	10.5
Disability Services Commission	_(b)	1.0	2.1	3.3	3.3	9.7
Energy	-0.3	0.1	-0.1	4.9	4.9	9.6
WA Sports Centre Trust	0.4	1.7	4.3	2.8	-	9.1
State Development	4.3	1.1	1.1	1.1	1.1	8.8
Fire and Emergency Services Authority	-1.9	1.7	2.5	1.7	1.4	5.4
Premier and Cabinet	4.0	1.9	-0.1	-0.1	-0.1	5.5
Legislative Assembly	0.4	0.9	0.8	0.8	0.8	3.6
Sport and Recreation	1.5	0.4	0.4	0.4	0.4	3.1
Education Services	-	1.5	1.5	-	-	3.0
Small Business Development Corporation	_(b)	1.2	1.2	0.2	0.2	2.8
Legislative Council	0.2	0.6	0.6	0.5	0.5	2.5
Public Sector Commission	0.2	0.4	0.4	0.4	0.4	1.9
Western Australia Tourism Commission	-	5.7	-1.3	-1.3	-1.3	1.8
Parliamentary Services Department	0.2	0.3	0.3	0.4	0.4	1.6
Swan River Trust	-0.1	1.8	-0.1	-0.1	-0.1	1.2
Parliamentary Commissioner for Administrative Investigations	0.2	0.1	0.2	0.2	0.2	1.0
Mines and Petroleum	0.5	0.3	_(b)	_(b)	_(b)	0.7
Governor's Establishment	_(b)	_(b)	_(b)	_(b)	_(b)	0.1

Table 2 (cont.)

**SUMMARY OF EXPENSE POLICY DECISIONS BY AGENCY
SINCE THE 2008-09 MID-YEAR REVIEW**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	Total \$m
Goldfields-Esperance Development Commission	_(b)	_(b)	_(b)	_(b)	_(b)	_(b)
Great Southern Development Commission	_(b)	_(b)	_(b)	_(b)	_(b)	_(b)
Kimberley Development Commission	_(b)	_(b)	_(b)	_(b)	_(b)	_(b)
Mid-West Development Commission	_(b)	_(b)	_(b)	_(b)	_(b)	_(b)
Registrar, WA Industrial Relations Commission	_(b)	_(b)	_(b)	_(b)	_(b)	_(b)
Wheatbelt Development Commission	_(b)	_(b)	_(b)	_(b)	_(b)	_(b)
Botanic Gardens and Parks Authority	_(b)	_(b)	_(b)	_(b)	_(b)	-0.1
Corrective Services	-0.2	_(b)	_(b)	_(b)	_(b)	-0.1
Economic Regulatory Authority	_(b)	_(b)	_(b)	_(b)	_(b)	-0.1
Equal Opportunity Commission	_(b)	_(b)	_(b)	_(b)	_(b)	-0.1
Local Government	_(b)	_(b)	_(b)	_(b)	_(b)	-0.1
Pilbara Development Commission	_(b)	_(b)	_(b)	_(b)	_(b)	-0.1
Peel Development Commission	_(b)	_(b)	_(b)	_(b)	_(b)	-0.1
Public Sector Standards Commissioner	_(b)	_(b)	_(b)	_(b)	-	-0.1
Racing, Gaming and Liquor	_(b)	_(b)	_(b)	_(b)	_(b)	-0.1
WA Electoral Commission	-	-	-	-	-0.1	-0.1
Auditor General	_(b)	_(b)	_(b)	_(b)	_(b)	-0.2
South West Development Commission	_(b)	_(b)	_(b)	_(b)	_(b)	-0.2
Heritage Council of WA	_(b)	-0.1	-0.1	-0.1	-0.1	-0.3
Indigenous Affairs	-0.1	-0.1	-0.1	-0.1	-0.1	-0.5
Planning	-0.2	-0.2	-0.2	-	-	-0.6
Land Information Authority	-0.1	-0.2	-0.2	-0.2	-0.2	-0.7
Fisheries	-0.1	-0.2	-0.2	-0.2	-0.2	-0.9
Main Roads	-0.1	-0.2	-0.2	-0.2	-0.2	-0.8
Police	7.3	-1.3	-2.1	-3.3	-3.5	-2.9
Environment and Conservation	-0.3	-0.7	-0.7	-0.7	-0.7	-3.1
WA Planning Commission	-0.4	-0.8	-0.8	-0.8	-0.8	-3.6
Communities	-0.2	-1.1	-1.1	-1.0	-1.0	-4.3
Water	_(b)	-1.0	-1.0	-1.1	-1.1	-4.3
Health	-5.7	-1.1	-1.2	-1.2	-1.2	-10.5
Attorney General	-0.2	-0.9	-3.8	-3.8	-3.8	-12.5
Commerce	-0.3	-4.9	-3.4	-2.5	-2.5	-13.7
Culture and the Arts	-0.2	-5.5	-3.6	-5.2	-9.8	-24.3
Housing Authority ^(a)	-0.1	-0.2	-30.2	-0.2	-0.2	-31.0
Transport	-	-13.8	-15.5	-18.7	-18.7	-66.7
Horizon Power ^(a)	-	-8.5	-21.0	-22.5	-17.4	-69.3
Agriculture and Food	-0.1	-5.7	-22.6	-24.6	-24.8	-77.8
Synergy ^(a)	-	-51.0	-139.1	-177.8	-109.0	-476.8
Economic Audit – Stage One Savings – Procurement	-	-60.0	-60.0	-60.0	-60.0	-240.0
Economic Audit – Stage One Savings – Grants Programs	-	-65.0	-55.0	-40.0	-40.0	-200.0
Reverse Media and Marketing, Advertising and Consultants Provision	7.4	14.9	14.9	14.9	14.9	66.9
Provision for Voluntary Severance Packages	-	48.0	-	-	-	48.0
TOTAL	158.9	-104.3	-211.5	-327.5	-257.4	-741.8

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

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

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

PARLIAMENT

Table 3

POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
GENERAL GOVERNMENT EXPENSES

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW					
Legislative Assembly					
- 3% Efficiency Dividend	-0.4	-0.8	-0.8	-0.8	-0.8
- Total	-0.4	-0.8	-0.8	-0.8	-0.8
Legislative Council					
- 3% Efficiency Dividend	-0.2	-0.5	-0.5	-0.5	-0.5
- Total	-0.2	-0.5	-0.5	-0.5	-0.5
Parliamentary Services Department					
- 3% Efficiency Dividend	-0.2	-0.3	-0.3	-0.4	-0.4
- Total	-0.2	-0.3	-0.3	-0.4	-0.4
PORTFOLIO TOTAL	-0.8	-1.6	-1.6	-1.7	-1.7
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Legislative Assembly					
- 3% Efficiency Dividend	0.4	0.8	0.8	0.8	0.8
- Regional Parliament	-	0.1	-	-	-
- Total	0.4	0.9	0.8	0.8	0.8
Legislative Council					
- 3% Efficiency Dividend	0.2	0.5	0.5	0.5	0.5
- Electronic Document Records Management System	-	0.1	0.1	-	-
- Total	0.2	0.6	0.6	0.5	0.5
Parliamentary Services Department					
- 3% Efficiency Dividend	0.2	0.3	0.3	0.4	0.4
- Total	0.2	0.3	0.3	0.4	0.4
Parliamentary Commissioner for Administrative Investigations					
- Child Death Review	0.2	0.1	0.2	0.2	0.2
- Total	0.2	0.1	0.2	0.2	0.2
PORTFOLIO TOTAL	1.0	1.9	1.9	1.9	1.9

Note: Columns may not add due to rounding.

Full details of the delivery of election commitments and other policy decisions made prior to December 2008 can be found in the 2008-09 *Government Mid-year Financial Projections Statement* (mid-year review). Policy decisions made subsequent to the mid-year review are detailed below.

Legislative Assembly

Regional Parliament

Expenditure of \$100,000 has been approved to fund the costs associated with holding a sitting of Parliament in Bunbury in October 2009.

3% Efficiency Dividend

A decision has been made to exempt the Legislative Assembly from the 3% efficiency dividend.

Legislative Council

Electronic Document Records Management System

The implementation of an Electronic Document Records Management System across Parliament will raise the effectiveness and efficiency of records management across both houses of Parliament.

The Legislative Council will spend \$177,000 over two years to implement the system.

3% Efficiency Dividend

A decision has been made to exempt the Legislative Council from the 3% efficiency dividend.

Parliamentary Services Department

3% Efficiency Dividend

A decision has been made to exempt the Parliamentary Services Department from the 3% efficiency dividend.

Parliamentary Commissioner for Administrative Investigations

Child Death Review

The Ford Report recommended that the Child Death Review function be transferred to the Office of the Parliamentary Commissioner for Administrative Investigations (Ombudsman). Work is underway to amend the *Parliamentary Commissioner Act 1971* to allow the Ombudsman to undertake this function and other expanded functions recommended by the report.

Funding of \$501,000 has been transferred from the Department of Child Protection to allow for the relocation of the Child Death Review Committee and the implementation of the Ford Report recommendations, commencing 2009-10. Additional funding of \$960,000 over the forward estimates period has been provided to ensure that the function is carried out effectively.

PREMIER; MINISTER FOR STATE DEVELOPMENT

Table 4

POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES					
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID-YEAR REVIEW					
Premier and Cabinet					
- Sir Charles Court Memorial Statue	0.5	-	-	-	-
- 3% Efficiency Dividend	-2.0	-4.3	-3.9	-4.0	-4.0
- Albany Anzac Peace Park Contribution	0.4	-	-	-	-
- Freedom of Information Audit	0.2	-	-	-	-
- Reduction in Policy Office and Government Media Office Staffing	-0.7	-1.3	-1.3	-1.3	-1.3
- Reduction in Ministerial Office Staffing	-2.1	-4.1	-4.1	-4.1	-4.1
- Provision of Research Assistance and Advice to Parliamentarians	0.2	0.3	0.3	0.3	0.3
- <i>Total</i>	-3.5	-9.4	-9.0	-9.1	-9.1
State Development					
- 3% Efficiency Dividend ^(a)	-0.3	-0.8	-0.3	-0.3	-0.3
- <i>Total</i>	-0.3	-0.8	-0.3	-0.3	-0.3
PORTFOLIO TOTAL	-3.8	-10.2	-9.3	-9.4	-9.4

Note: Columns may not add due to rounding.

Table 4 (cont.)

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
GENERAL GOVERNMENT EXPENSES**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 MID-YEAR REVIEW AND 2009-10 BUDGET					
Governor's Establishment					
- Media and Marketing, Advertising and Consultants Savings	_(b)	_(b)	_(b)	_(b)	_(b)
- <i>Total</i>	_(b)	_(b)	_(b)	_(b)	_(b)
Premier and Cabinet					
- Donation – Victoria Bushfires	1.0	-	-	-	-
- 3% Efficiency Dividend – Road Trauma Trust Fund	0.2	0.3	0.3	0.3	0.3
- Ravensthorpe Nickel - Closure	3.0	2.0	-	-	-
- Media and Marketing, Advertising and Consultants Savings	-0.2	-0.4	-0.4	-0.4	-0.4
- <i>Total</i>	4.0	1.9	-0.1	-0.1	-0.1
Public Sector Commission					
- Media and Marketing, Advertising and Consultants Savings	_(b)	_(b)	_(b)	_(b)	_(b)
- Public Sector Commissioner Remuneration	0.2	0.4	0.4	0.4	0.4
- <i>Total</i>	0.2	0.4	0.4	0.4	0.4
Public Sector Standards Commissioner					
- Media and Marketing, Advertising and Consultants Savings	_(b)	_(b)	_(b)	_(b)	_(b)
- <i>Total</i>	_(b)	_(b)	_(b)	_(b)	_(b)
State Development					
- Project Ready Industrial Lands	-	1.3	1.3	1.3	1.3
- Kimberley Liquefied Natural Gas Precinct	4.4	-	-	-	-
- Media and Marketing, Advertising and Consultants Savings	_(b)	-0.1	-0.1	-0.1	-0.1
- <i>Total</i>	4.3	1.1	1.1	1.1	1.1
PORTFOLIO TOTAL	8.5	3.4	1.5	1.5	1.5

(a) The efficiency dividend as disclosed in the 2008-09 mid-year review has been amended to reflect the remaining on 1 January 2009 of the former Departments of Industry and Resources and Consumer and Employment Protection to the Departments of Mines and Petroleum and Commerce respectively and the creation of the Department of State Development. The total dividend will nonetheless be realised from across these new entities.

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

Note: Columns may not add due to rounding.

Full details of the delivery of election commitments and other policy decisions made prior to December 2008 can be found in the 2008-09 *Government Mid-year Financial Projections Statement* (mid-year review). Policy decisions made subsequent to the mid-year review are detailed below.

Premier and Cabinet

Donation – Victorian Bushfires

The Government pledged a \$1 million contribution to the Red Cross Appeal for victims of the Victorian bushfires tragedy in February 2009.

3% Efficiency Dividend – Road Trauma Trust Fund

Funding of \$200,000 in 2008-09 and \$300,000 per annum thereafter has been provided to ensure no impact on the Road Trauma Trust Fund from implementation of the 3% efficiency dividend.

Ravensthorpe Nickel Closure

A grant of up to \$5 million in total over 2008-09 and 2009-10 will be provided to the Shire of Ravensthorpe to assist with the maintenance of local infrastructure and to provide assistance for affected small businesses in the region.

Public Sector Commissioner Remuneration

The Salaries and Allowances Tribunal approved the creation of the position of Public Sector Commissioner in December 2008. The Commissioner is remunerated in accordance with the *Salaries and Allowances Act 1975*.

State Development

Project Ready Industrial Lands

Commencing in 2009-10, \$1.3 million per annum over four years will be spent to ensure timely approvals for major project industrial land sites in Western Australia. The strategy aims to co-ordinate and expedite all land-based approvals for proposed heavy industrial sites to prevent continuing delays in development.

Kimberley Liquefied Natural Gas (LNG) Precinct

Expenditure of \$4.4 million in 2008-09 will enable the Department of State Development to carry out surveys and assessments to secure the James Price Point site and confirm its suitability for the Kimberley LNG precinct.

DEPUTY PREMIER; MINISTER FOR HEALTH; INDIGENOUS AFFAIRS

Table 5

POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW					
Health					
- Grants to After Hours GPs	2.0	2.0	2.0	2.0	2.0
- Friend in Need Emergency Scheme/Silver Chain (Public Hospital Admittance)	12.0	24.0	24.0	24.0	24.0
- Solaris Care	1.5	-	-	-	-
- Chemotherapy & Radiotherapy Outpatient Service	5.0	5.0	-	-	-
- Elective Surgery Waitlist	10.0	20.0	-	-	-
- Assistance for Palliative and Cancer Patient Services	3.5	3.5	3.5	3.5	-
- Hospital Nurses Support Fund	6.1	5.6	5.8	3.9	-
- Nurses Scholarship	1.0	2.0	2.0	2.0	2.0
- Doctors Internship Supervision	0.5	1.0	1.0	1.0	-
- Waiting List Advocate	0.4	0.8	0.8	0.8	-
- Royal Flying Doctor Service	18.2	18.8	13.0	8.4	6.2
- Patient Assisted Travel Scheme	7.7	7.7	7.7	7.7	-
- 3% Efficiency Dividend	-59.9	-126.2	-132.5	-139.5	-148.0
- Total	8.0	-35.8	-72.7	-86.1	-120.0
Indigenous Affairs					
- 3% Efficiency Dividend	-0.4	-0.7	-0.7	-0.7	-0.7
- Total	-0.4	-0.7	-0.7	-0.7	-0.7
PORTFOLIO TOTAL	7.6	-36.5	-73.4	-86.8	-126.9
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Health					
- Media and Marketing, Advertising and Consultants Savings	-0.8	-1.5	-1.5	-1.5	-1.5
- Deferral of Election Commitment Funding	-5.0	-	-	-	-
- Total	-5.8	-1.5	-1.5	-1.5	-1.5
Indigenous Affairs					
- Media and Marketing, Advertising and Consultants Savings	-0.1	-0.1	-0.1	-0.1	-0.1
- Total	-0.1	-0.1	-0.1	-0.1	-0.1
PORTFOLIO TOTAL	-5.8	-1.6	-1.6	-1.6	-1.6

Note: Columns may not add due to rounding.

Full details of the delivery of election commitments and other policy decisions made prior to December 2008 can be found in the *2008-09 Government Mid-year Financial Projections Statement* (mid-year review). Policy decisions made subsequent to the mid-year review are detailed below.

Health

Deferral of Election Commitment Expenditure

As part of the Government's response to the rapid deterioration in State finances due to the global economic downturn, expenditure of \$5 million relating to the Government's election commitments has been deferred from 2008-09 to 2013-14. The specific commitments will be determined at an operational level.

Increased Activity and Costs

Whilst classified as a parameter change rather than a policy decision, this budget includes additional expenditure of \$420 million by the Department of Health in 2008-09 and the forward estimates period to meet increased activity, escalating costs (particularly in the Pilbara region) and other cost pressures.

MINISTER FOR MINES AND PETROLEUM; FISHERIES; ELECTORAL AFFAIRS

Table 6

POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES					
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW					
Chemistry Centre (WA)					
- 3% Efficiency Dividend	-0.2	-0.4	-0.4	-0.4	-0.4
- <i>Total</i>	-0.2	-0.4	-0.4	-0.4	-0.4
Mines and Petroleum					
- Argyle Diamond Variation Agreement – Royalty Concession	18.9	-	-	-	-
- Royalties for Regions – Exploration Incentive Scheme	20.0	20.0	20.0	20.0	-
- 3% Efficiency Dividend ^(a)	-1.5	-3.0	-3.2	-3.1	-3.2
- <i>Total</i>	37.4	17.0	16.8	16.9	-3.2
Fisheries					
- 3% Efficiency Dividend	-0.8	-1.5	-1.5	-1.6	-1.6
- <i>Total</i>	-0.8	-1.5	-1.5	-1.6	-1.6
WA Electoral Commission					
- 3% Efficiency Dividend	-0.3	-0.3	-0.2	-0.3	-0.4
- <i>Total</i>	-0.3	-0.3	-0.2	-0.3	-0.4
PORTFOLIO TOTAL	36.1	14.8	14.7	14.6	-5.6

Note: Columns may not add due to rounding.

Table 6 (cont.)

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
GENERAL GOVERNMENT EXPENSES**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Mines and Petroleum					
- Media and Marketing, Advertising and Consultants Savings	-0.1	-0.3	-0.4	-0.4	-0.4
- Geothermal Energy Legislation	0.6	0.6	0.4	0.4	0.4
- Total	0.5	0.3	_(b)	_(b)	_(b)
Fisheries					
- Media and Marketing, Advertising and Consultants Savings	-0.1	-0.2	-0.2	-0.2	-0.2
- Total	-0.1	-0.2	-0.2	-0.2	-0.2
WA Electoral Commission					
- Media and Marketing, Advertising and Consultants Savings	-	-	-	-	-0.1
- Total	-	-	-	-	-0.1
PORTFOLIO TOTAL	0.4	0.1	-0.2	-0.2	-0.3

(a) The efficiency dividend as disclosed in the 2008-09 mid-year review has been amended to reflect the remaining on 1 January 2009 of the former Departments of Industry and Resources and Consumer and Employment Protection to the Departments of Mines and Petroleum and Commerce respectively and the creation of the Department of State Development. The total dividend will nonetheless be realised from across these new entities.

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

Note: Columns may not add due to rounding.

Full details of the delivery of election commitments and other policy decisions made prior to December 2008 can be found in the *2008-09 Government Mid-year Financial Projections Statement* (mid-year review). Policy decisions made subsequent to the mid-year review are detailed below.

Mines and Petroleum

Geothermal Energy Legislation

A total of \$2.3 million will be spent over five years to enable the Department of Mines and Petroleum to fulfil its statutory obligations required under the amended *Petroleum Act 1967* to evaluate assessments and approvals for proposals to extract geothermal energy.

**MINISTER FOR REGIONAL DEVELOPMENT; LANDS;
MINISTER ASSISTING THE MINISTER FOR STATE
DEVELOPMENT; MINISTER ASSISTING THE MINISTER FOR
TRANSPORT**

Table 7

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
GENERAL GOVERNMENT EXPENSES**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW					
Regional Development and Lands					
- Royalties for Regions – Community Resource Centres	5.0	10.0	12.0	13.0	-
- Royalties for Regions – Country Age Pension Fuel Card	20.0	20.0	20.0	20.0	-
- Royalties for Regions – Regional Grants Scheme	40.0	110.0	120.0	130.0	-
- Royalties for Regions – Pre-feasibility Study Gascoyne /Pilbara	0.5	-	-	-	-
- Royalties for Regions – Bushchange Housing Grant	10.0	25.0	25.0	25.0	-
- 3% Efficiency Dividend ^(a)	-	0.1	0.1	0.1	0.1
- <i>Total</i>	75.5	164.9	176.9	187.9	0.1
Goldfields-Esperance Development Commission					
- Menzies Town Centre Upgrade	-	0.5	-	-	-
- <i>Total</i>	-	0.5	-	-	-
South West Development Commission					
- Busselton Jetty Refurbishment and Foreshore Revitalisation	14.0	10.0	-	-	-
- Balingup Main Street Redevelopment	0.3	-	-	-	-
- Collie Town Centre Redevelopment	0.5	-	-	-	-
- <i>Total</i>	14.8	10.0	-	-	-
Western Australian Land Authority					
- Halls Creek Residential Land Requirements	-	4.9	4.4	-	-
- Royalties for Regions – Northern Towns Development Fund ^(b)	10.0	10.0	10.0	10.0	-
- <i>Total</i>	10.0	14.9	14.4	10.0	-
Land Information Authority					
- 3% Efficiency Dividend	-1.6	-3.3	-3.5	-3.6	-3.7
- <i>Total</i>	-1.6	-3.3	-3.5	-3.6	-3.7
PORTFOLIO TOTAL	98.7	187.0	187.8	194.3	-3.6

Note: Columns may not add due to rounding.

Table 7 (cont.)

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
GENERAL GOVERNMENT EXPENSES**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 MID-YEAR REVIEW AND 2009-10 BUDGET					
Regional Development and Lands					
- Wittenoom Residents Relocation	-	1.6	-	-	-
- Royalties for Regions - Pilbara Revitalisation Plan	120.0	-	-	-	-
- Total	120.0	1.6	-	-	-
Regional Development Commissions					
- Media and Marketing, Advertising and Consultants Savings	-(a)	-0.1	-0.1	-0.1	-0.1
- Total	-(a)	-0.1	-0.1	-0.1	-0.1
Land Information Authority					
- Media and Marketing, Advertising and Consultants Savings	-0.1	-0.2	-0.2	-0.2	-0.2
- Total	-0.1	-0.2	-0.2	-0.2	-0.2
PORTFOLIO TOTAL	119.9	1.3	-0.2	-0.2	-0.2

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

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

Note: Columns may not add due to rounding.

Full details of the delivery of election commitments and other policy decisions made prior to December 2008 can be found in the 2008-09 *Government Mid-year Financial Projections Statement* (mid-year review). Policy decisions made subsequent to the mid-year review are detailed below.

Regional Development and Lands

Wittenoom Residents Relocation

Additional funding of \$1.6 million has been approved to allow the Government to make an offer to purchase the properties owned by the remaining residents of the Wittenoom townsite.

Pilbara Revitalisation Plan

The Pilbara Revitalisation Plan will commence in 2008-09 with an allocation of \$120 million provided to support a range of strategic initiatives throughout the Pilbara region.

These opportunities have been identified in a number of existing studies that focus on social and economic infrastructure needs across the Pilbara. These include the Karratha 2020 Vision, Newman Tomorrow, Hedland's Future Today, the Pilbara Plan and the Shire of Ashburton Plan for the Future.

Details associated with the expenditure of the \$120 million in 2008-09, including appropriate governance arrangements, are currently in the process of being finalised. All expenditure will be subject to normal Cabinet approval processes and Department of Treasury and Finance scrutiny.

Capital investment of \$60 million per annum is also budgeted from 2009-10 to 2011-12, bringing the total commitment to \$300 million over four years.

MINISTER FOR EDUCATION; TOURISM

Table 8

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
GENERAL GOVERNMENT EXPENSES**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW					
Country High School Hostels Authority					
- 3% Efficiency Dividend	-0.2	-0.4	-0.4	-0.4	-0.4
- Total	-0.2	-0.4	-0.4	-0.4	-0.4
Curriculum Council					
- 3% Efficiency Dividend	-0.3	-0.5	-0.6	-0.6	-0.6
- Total	-0.3	-0.5	-0.6	-0.6	-0.6
Education and Training					
- Better Behaviour in Public Schools	6.3	9.8	11.2	12.7	12.7
- Sports Leadership Program	0.1	0.1	0.1	0.1	-
- Royalties for Regions - Boarding Away From Home Allowance	-	1.8	1.9	1.9	-
- 3% Efficiency Dividend	-45.6	-93.6	-96.3	-99.3	-104.7
- Total	-39.2	-81.9	-83.1	-84.6	88.0
Education Services					
- CARE schools funding	0.3	0.6	0.6	0.7	0.8
- 3% Efficiency Dividend	-0.5	-1.1	-1.1	-1.1	-1.1
- Total	-0.2	-0.5	-0.5	-0.4	-0.3
Western Australian Tourism Commission					
- 3% Efficiency Dividend	-0.9	-1.6	-1.7	-1.6	-1.5
- Red Bull Air Race	-	1.8	2.2	2.6	-
- Total	-0.9	0.2	0.5	1.0	-1.5
PORTFOLIO TOTAL	-40.8	-83.1	-84.1	-85.0	-94.8

Note: Columns may not add due to rounding.

Table 8 (cont.)

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
GENERAL GOVERNMENT EXPENSES**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Curriculum Council					
- Media and Marketing, Advertising and Consultants Savings	_(a)	_(a)	_(a)	_(a)	_(a)
- Senior Secondary Schools Reform	4.1	6.6	-	-	-
- Total	4.1	6.5	_(a)	_(a)	_(a)
Education and Training					
- 3% Efficiency Dividend	23.6	-	-	-	-
- Better Behaviour in Public Schools	-5.0	-	-	-	-
- Media and Marketing, Advertising and Consultants Savings	-0.7	-1.4	-1.4	-1.4	-1.4
- Total	17.9	-1.4	-1.4	-1.4	-1.4
Education Services					
- International Education Program	-	1.5	1.5	-	-
- Total	-	1.5	1.5	-	-
Western Australian Tourism Commission					
- Media and Marketing, Advertising and Consultants Savings	-	-	-1.3	-1.3	-1.3
- Continuation of Boost Marketing Funds	-	5.7	-	-	-
- Total	-	5.7	-1.3	-1.3	-1.3
PORTFOLIO TOTAL	21.9	12.3	-1.3	-2.8	-2.8

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

Note: Columns may not add due to rounding.

Full details of the delivery of election commitments and other policy decisions made prior to December 2008 can be found in the 2008-09 *Government Mid-year Financial Projections Statement* (mid-year review). Policy decisions made subsequent to the mid-year review are detailed below.

Curriculum Council

Senior Secondary Schools Reform

The Council's expense limit was increased by \$4.1 million in 2008-09 for the continuation of the Senior Secondary Schools reform. This will allow the Council to write, conduct and mark approximately 62,000 exams in 2008-09, more than was initially anticipated. This reform will be continued in 2009-10, with the approval of \$6.6 million in additional expenditure.

Education and Training

3% Efficiency Dividend

Recognising that policies and program funding for the 2009 school year had largely been set prior to the end of 2008, the Department has been reimbursed \$23.6 million (or 51.7%) of its 2008-09 efficiency dividend. Across the five years 2008-09 to 2012-13, the Department is expected to deliver 95% of its original efficiency dividend target.

Better Behaviour in Public Schools

Expenditure in 2008-09 for this initiative has been reduced by \$5 million, as part of the Government's response to the rapid deterioration in State finances due to the global economic downturn, and in line with the anticipated spending profile for the program.

Education Services

International Education Program

The International Education Program promotes Western Australian education service providers to the international student community. Expenditure of \$1.5 million per annum will support the program in 2009-10 and 2010-11.

Western Australian Tourism Commission

Continuation of Boost Marketing Funds

In 2009-10, \$5.7 million will be spent to enable the Commission to continue the expanded trade and marketing program that has been in place for a number of years. This expenditure will fund international and national marketing activities in those regions and sectors where propensity to travel is least impacted by the global financial crisis.

MINISTER FOR TRANSPORT; DISABILITY SERVICES

Table 9

POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW					
Disability Services Commission					
- 3% Efficiency Dividend	-2.1	-4.3	-4.4	-4.5	-5.2
- Accommodation Support	0.5	4.5	9.7	19.3	19.3
- Early Childhood Intervention	1.0	1.0	1.0	1.0	1.0
- Indexation to Non-Government Sector	1.2	1.2	1.2	1.2	-
- Alternatives to Employment	5.4	10.8	12.5	14.3	14.3
- School Holiday Respite	0.5	1.1	1.1	1.1	-
- School Age and Adult Professional Support	1.5	1.5	1.5	1.5	-
- <i>Total</i>	8.0	15.8	22.6	33.9	29.4
Main Roads					
- 3% Efficiency Dividend	-4.8	-11.2	-11.7	-12.7	-15.3
- Ranford Road duplication (Local Road)	-	-	-	5.0	-
- <i>Total</i>	-4.8	-11.2	-11.7	-7.7	-15.3
Transport					
- Hoons and Young Drivers	-	0.1	-	-	-
- Royalties for Regions – Regional Airports Development Scheme	2.0	5.0	5.0	5.0	-
- 3% Efficiency Dividend	-3.8	-7.8	-7.7	-7.9	-7.9
- <i>Total</i>	-1.8	-2.7	-2.7	-2.9	-7.9
Public Transport Authority					
- 20 Year Transport Master Plan	2.0	2.0	2.0	-	-
- Seniors Free Public Transport	5.5	6.0	6.6	7.2	7.2
- 3% Efficiency Dividend	-5.2	-10.9	-11.3	-12.1	-12.6
- <i>Total</i>	2.3	-2.9	-2.7	-4.9	-5.4
PORTFOLIO TOTAL	3.7	-1.0	5.5	18.4	0.8

Note: Columns may not add due to rounding.

Table 9 (cont.)

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
GENERAL GOVERNMENT EXPENSES**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Disability Services Commission					
- Media and Marketing, Advertising and Consultants Savings	-(a)	-0.1	-0.1	-0.1	-0.1
- 3% Efficiency Dividend	-(a)	1.1	2.2	3.4	3.4
- Total	-(a)	1.0	2.1	3.3	3.3
Main Roads					
- Media and Marketing, Advertising and Consultants Savings	-0.1	-0.2	-0.2	-0.2	-0.2
- Total	-0.1	-0.2	-0.2	-0.2	-0.2
Transport					
- Economic Audit – Stage One Savings - Elimination of the Motor Vehicle Registration Sticker	-	-0.5	-0.5	-0.5	-0.5
- Economic Audit – Stage One Savings - Cease the State Liquefied Petroleum Gas (LPG) Subsidy	-	-11.9	-12.3	-12.7	-12.7
- Economic Audit – Stage One Savings - Licensing Business Unit (LBU) Implementation of Efficiency Measures	-	-1.4	-2.8	-5.5	-5.5
- Total	-	-13.8	-15.5	-18.7	-18.7
Public Transport Authority					
- Media and Marketing, Advertising and Consultants Savings	-0.2	-0.5	-0.5	-0.5	-0.5
- 3% Efficiency Dividend – Finance Costs Excluded	1.2	2.6	2.8	2.9	3.1
- Capital Works Audit – Ellenbrook Public Transport Master Planning	-	-	-	-	10.0
- Planning for Northbridge Link	-	5.0	-	-	-
- Total	0.9	7.1	2.3	2.4	12.6
PORTFOLIO TOTAL	0.8	-5.8	-11.3	-13.2	-3.0

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

Note: Columns may not add due to rounding.

Full details of the delivery of election commitments and other policy decisions made prior to December 2008 can be found in the 2008-09 *Government Mid-year Financial Projections Statement* (mid-year review). Policy decisions made subsequent to the mid-year review are detailed below.

Disability Services Commission

3% Efficiency Dividend

The Government has approved a reduction in savings anticipated from the Commission's 3% efficiency dividend, totalling \$10.1 million over the forward estimates. This recognises the financial pressures of the Commission, associated with the increasing demand for services for people with disabilities, their families and carers.

Transport

Economic Audit - Stage One Savings - Elimination of the Motor Vehicle Registration Sticker

It is estimated that expenses will reduce by \$500,000 per annum as a result of the elimination of the requirement for the issuance and display of registration stickers on light motor vehicles, which are State registered and are not covered by the National Vehicle Registration Scheme.

Economic Audit - Stage One Savings - Cease the State LPG Subsidy

The cessation of the State LPG Subsidy will result in savings of \$11.9 million in 2009-10, \$12.3 million in 2010-11, and \$12.7 million per annum in 2011-12 and 2012-13. It is considered that the Commonwealth rebate of \$2,000 provides sufficient incentive for the current level of conversions of private vehicles to LPG to be maintained, noting petrol prices have come down to around 114 cents per litre from around 133 cents per litre when the subsidy was increased.

Economic Audit - Stage One Savings – Licensing Business Unit Implementation of Efficiency Measures

The Government has decided to implement efficiency measures such as outsourcing some motor vehicle licensing activities and increased use of electronic delivery across the operations of the Licensing Business Unit, which are estimated to result in savings of \$1.4 million in 2009-10, \$2.8 million in 2010-11 and \$5.5 million per annum thereafter. These savings are over and above those from the 3% efficiency dividend.

Public Transport Authority (PTA)

3% Efficiency Dividend – Finance Costs Excluded

The efficiency dividend target for the PTA has been revised to exclude finance costs from the expense base on which the dividend is calculated. In this regard, the PTA has significant borrowings on its balance sheet, resulting in debt servicing costs over which it has no discretion.

Capital Works Audit – Ellenbrook Public Transport Master Planning

Expenditure of \$10 million in 2012-13 will be incurred in planning for the Ellenbrook Railway line, with the Government committed to commencing construction on this project in its second term.

Planning for Northbridge Link

The Northbridge Link project will end the century-old separation between the city and the Northbridge entertainment district, proposing a comprehensive redevelopment of the Rail Reserve and associated Government land holdings between the Perth Railway Station and Mitchell Freeway, and between Roe Street and Wellington Street.

The PTA will spend \$5 million in 2009-10 planning the design and delivery of the project.

TREASURER; MINISTER FOR COMMERCE; SCIENCE AND INNOVATION; HOUSING AND WORKS

Table 10

POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW					
Commerce					
- 3% Efficiency Dividend ^(a)	-1.5	-3.6	-3.6	-3.7	-3.8
- Drafting of the Cooperatives Bill	0.1	0.2	0.2	0.2	0.2
- Total	-1.4	-3.4	-3.4	-3.5	-3.6
Economic Regulation Authority					
- 3% Efficiency Dividend	-0.1	-0.3	-0.3	-0.3	-0.3
- Total	-0.1	-0.3	-0.3	-0.3	-0.3
Housing Authority					
- Royalties for Regions – Regional Workers Incentives	8.3	16.9	17.2	17.5	-
- 3% Efficiency Dividend	-2.0	-3.4	-2.8	-0.7	-0.5
- National Rental Affordability Scheme – State Contribution	0.8	2.4	5.7	11.9	-
- Total	7.1	15.9	20.1	28.7	-0.5
Office of the Auditor General					
- 3% Efficiency Dividend	-0.2	-0.5	-0.5	-0.5	-0.6
- Total	-0.2	-0.5	-0.5	-0.5	-0.6
Registrar, WA Industrial Relations Commission					
- 3% Efficiency Dividend	-0.2	-0.3	-0.3	-0.3	-0.4
- Total	-0.2	-0.3	-0.3	-0.3	-0.4
Small Business Development Corporation					
- 3% Efficiency Dividend	-0.1	-0.3	-0.3	-0.2	-0.2
- Total	-0.1	-0.3	-0.3	-0.2	-0.2
Treasury and Finance					
- 3% Efficiency Dividend	-2.5	-5.1	-5.2	-5.5	-5.6
- Total	-2.5	-5.1	-5.2	-5.5	-5.6
PORTFOLIO TOTAL	2.5	6.2	10.1	18.4	-11.2

Note: Columns may not add due to rounding.

Table 10 (cont.)

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
GENERAL GOVERNMENT EXPENSES**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Commerce					
- Media and Marketing, Advertising and Consultants Savings	-0.3	-0.5	-0.4	-0.4	-0.4
- Economic Audit – Stage One Savings – Discontinuation and Transfer of Aboriginal Economic Development Function	-	-4.5	-3.0	-2.1	-2.1
- Total	-0.3	-4.9	-3.4	-2.5	-2.5
Economic Regulation Authority					
- Media and Marketing, Advertising and Consultants Savings	_(b)	_(b)	_(b)	_(b)	_(b)
- Total	_(b)	_(b)	_(b)	_(b)	_(b)
Housing Authority					
- Media and Marketing, Advertising and Consultants Savings	-0.1	-0.2	-0.2	-0.2	-0.2
- State Stimulus Package – Reallocation	-	-	-30.0	-	-
- Total	-0.1	-0.2	-30.2	-0.2	-0.2
Office of the Auditor General					
- Media and Marketing, Advertising and Consultants Savings	_(b)	_(b)	_(b)	_(b)	_(b)
- Total	_(b)	_(b)	_(b)	_(b)	_(b)
Registrar, WA Industrial Relations Commission					
- Media and Marketing, Advertising and Consultants Savings	_(b)	_(b)	_(b)	_(b)	_(b)
- Total	_(b)	_(b)	_(b)	_(b)	_(b)
Small Business Development Corporation					
- Media and Marketing, Advertising and Consultants Savings	_(b)	-0.1	-0.1	-0.1	-0.1
- Small Business Resilience Program – BIZFit	-	1.0	1.0	-	-
- Economic Audit – Stage One Savings – Transfer of Aboriginal Economic Development Function from Department of Commerce	-	0.3	0.3	0.3	0.3
- Total	_(b)	1.2	1.2	0.2	0.2
Treasury and Finance					
- Media and Marketing, Advertising and Consultants Savings	-0.1	-0.3	-0.3	-0.3	-0.3
- Payroll Tax Rebate and Harmonisation Options	-	0.3	0.1	-	-
- Land Tax Measures	0.2	0.7	0.1	0.1	0.1
- Shark Patrols Supplementary Funding	0.1	-	-	-	-
- First Home Owners Grant Cap	-	-1.0	-1.1	-1.2	-1.2
- Payroll Tax Rebate	-	-	100.0	-	-
- Total	0.1	-0.3	98.7	-1.4	-1.4
PORTFOLIO TOTAL	-0.3	-4.3	66.2	-4.0	-4.0

(a) The efficiency dividend as disclosed in the 2008-09 mid-year review has been amended to reflect the remaining on 1 January 2009 of the Departments of Industry and Resources and Consumer and Employment Protection to the Departments of Mines and Petroleum and Commerce respectively and the creation of the Department of State Development. The total dividend will nonetheless be realised from across these new entities.

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

Note: Columns may not add due to rounding.

2009-10 Economic and Fiscal Outlook

Full details of the delivery of election commitments and other policy decisions made prior to December 2008 can be found in the 2008-09 *Government Mid-year Financial Projections Statement* (mid-year review). Policy decisions made subsequent to the mid-year review are detailed below.

Commerce

Economic Audit – Stage One Savings – Discontinuation and Transfer of Aboriginal Economic Development Function

The Department of Commerce's Aboriginal Economic Development function will be discontinued from 2009-10 to leverage off similar functions being undertaken elsewhere in the public sector. A total of \$600,000 per annum has been reallocated to the Small Business Development Corporation and the Department of Agriculture and Food, for the partial continuation of this function. This should ensure a more effective and efficient delivery of Indigenous development initiatives.

Housing Authority

State Housing Stimulus Package

To provide a boost to the local housing and construction industry and reduce growing pressure on the social housing system, \$30 million will be reallocated from recurrent funding to capital and brought forward from 2010-11 into 2009-10.

Small Business Development Corporation

Small Business Resilience Program - BIZFit

A total of \$2 million will be spent in 2009-10 and 2010-11 to implement the BIZfit program to build small business resilience through workshops, coaching/mentoring, growth programs and incentives for continuing business education.

Economic Audit – Stage One Savings - Transfer of Aboriginal Economic Development Function from Department of Commerce

The partial transfer of the Aboriginal Economic Development function from the Department of Commerce to the Small Business Development Corporation has resulted in a total of \$300,000 per annum being reallocated from 2009-10.

Treasury and Finance

Payroll Tax Rebate and Harmonisation Options

The Department will spend \$376,000 over 2009-10 and 2010-11 on the administration of payroll tax rebates to employers with an annual payroll in 2009-10 of up to \$3.2 million. A full rebate will apply to employers with a payroll up to \$1.6 million, with the rebate phasing out for employers with payrolls from \$1.6 million to \$3.2 million.

Land Tax Measures

The Department will spend \$165,000 in 2008-09 and a further \$929,000 in the outyears on additional resources required to administer new land tax measures. These measures will incorporate a capping system to apply to individual land values, and the reintroduction of a developer's concession for newly subdivided land. Further details on these measures are available in Chapter 3: *General Government Revenue*.

Shark Patrols

An amount of \$102,000 has been committed in 2008-09 for increased aerial shark patrols (an allocation that is administered by DTF).

First Home Owners Grant Cap

Savings of \$4.6 million over the forward estimates period reflect the introduction of a cap on property values applicable under the First Home Owner Scheme. The cap has been set at \$750,000, with a separate cap of \$1 million applying to properties north of the 26th parallel.

Payroll Tax Rebate

The Government will outlay an estimated \$100 million in 2010-11 on a one-off payroll tax rebate for employers with an annual payroll in 2009-10 of up to \$3.2 million. As noted earlier, the full rebate will apply to employers with a payroll up to \$1.6 million, with the rebate phasing out for employers with payrolls between \$1.6 million and \$3.2 million. Further details on this initiative are available in Chapter 3: *General Government Revenue*.

MINISTER FOR POLICE; EMERGENCY SERVICES; ROAD SAFETY

Table 11

POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW					
Fire and Emergency Services					
- 3% Efficiency Dividend	-2.6	-5.5	-5.8	-6.0	-6.0
- Metropolitan Volunteer Sea Rescue Group	0.4	0.2	0.2	0.2	0.2
- Direct Brigade Alarms	-2.2	11.7	6.0	6.1	6.3
- <i>Total</i>	-2.2	6.4	0.4	0.3	0.5
Police					
- WA Community Crime Prevention Program	1.5	1.5	1.5	1.5	1.5
- 500 Extra Police	-	21.7	37.3	52.1	70.6
- 200 Extra Police Specialists	-	8.1	13.1	16.3	19.4
- Regional Police Stations	-	2.0	2.0	2.0	2.0
- 'Hoons' and 'One Punch' Media Campaign	1.5	-	-	-	-
- 3% Efficiency Dividend	-12.5	-25.4	-25.9	-26.4	-27.6
- <i>Total</i>	-9.5	7.9	27.9	45.5	65.9
PORTFOLIO TOTAL	-11.7	14.3	28.4	45.8	66.4
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Fire and Emergency Services					
- Media and Marketing, Advertising and Consultants Savings	-0.1	-0.2	-0.2	-0.2	-0.2
- 3% Efficiency Dividend	-1.8	-	0.4	0.6	0.7
- Regional Volunteer Marine Rescue Funding	-	1.9	2.3	1.3	1.0
- <i>Total</i>	-1.9	1.7	2.5	1.7	1.4
Police					
- Perth Metropolitan Radio Network Expansion	-	1.9	2.1	3.1	3.2
- Western Australia Community Crime Prevention Program	-	-	-	-	-1.5
- Media and Marketing, Advertising and Consultants Savings	-0.5	-1.0	-1.0	-1.0	-1.0
- 3% Efficiency Dividend	7.9	-1.9	-2.8	-5.0	-3.8
- Economic Audit – Stage One Savings – Reduction in Community Engagement	-	-0.4	-0.4	-0.4	-0.4
- <i>Total</i>	7.3	-1.3	-2.1	-3.3	-3.5
PORTFOLIO TOTAL	5.4	0.4	0.5	-1.6	-2.1

Note: Columns may not add due to rounding.

Full details of the delivery of election commitments and other policy decisions made prior to December 2008 can be found in the *2008-09 Government Mid-year Financial Projections Statement* (mid-year review). Policy decisions made subsequent to the mid-year review are detailed below.

Fire and Emergency Services

3% Efficiency Dividend

The Fire and Emergency Services Authority identified a capacity to meet a greater proportion of its efficiency dividend in 2008-09 to reduce the impact of the dividend on its operations later in the forward estimates.

Regional Volunteer Marine Rescue Groups

Grants totalling \$6.5 million over four years will be provided to the 33 Volunteer Rescue Groups to enable the Vessel Refit and Replacement Program to continue and to increase recurrent funding available for each volunteer group.

Police

Perth Metropolitan Radio Network Expansion

Expenditure of \$16.2 million over the forward estimates, including \$5.9 million of depreciation expense, will meet the recurrent costs associated with the expansion of the Metropolitan Radio Network.

Western Australia Community Crime Prevention Program

Consistent with the Government's election commitment, expenditure of \$6 million over four years, of which \$2 million will be spent by Main Roads on the placement of speed bumps in hoon prone metropolitan locations, will be incurred in implementing this program. Further expenditure in 2012-13 and beyond will be considered following an evaluation of the program.

3% Efficiency Dividend

The Western Australia Police is unable to meet in full the efficiency dividend target set for 2008-09, due to delays in implementing savings measures. However, the Western Australia Police will meet their entire 3% efficiency dividend target over the forward estimates period.

Economic Audit - Stage One Savings – Reduction in Community Engagement

Funding for Community Engagement will be reduced to reflect a revised approach that will involve the development of community partnerships throughout high-risk communities in Western Australia.

MINISTER FOR SPORT AND RECREATION; RACING AND GAMING; MINISTER ASSISTING THE MINISTER FOR HEALTH

Table 12

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES					
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW					
Racing, Gaming and Liquor					
- 3% Efficiency Dividend	-0.1	-0.3	-0.3	-0.3	-0.3
- Total	-0.1	-0.3	-0.3	-0.3	-0.3
Sport and Recreation					
- Community Sporting and Recreation Facilities Fund	2.7	10.8	10.8	10.8	-
- Re-Opening Logue Brook Dam for Recreation – Return of Grant to Water Corporation	10.0	-	-	-	-
- Re-Opening Logue Brook Dam for Recreation – Remove Previously Budgeted Grants	-3.3	-3.4	-3.3	-	-
- 3% Efficiency Dividend	-0.3	-0.6	-0.6	-0.6	-0.6
- Total	9.1	6.8	6.9	9.8	-0.6
Western Australian Sports Centre Trust					
- 3% Efficiency Dividend	-0.3	-0.7	-0.7	-0.7	-0.7
- Total	-0.3	-0.7	-0.7	-0.7	-0.7
PORTFOLIO TOTAL	8.6	5.8	5.9	8.8	-1.6
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Racing, Gaming and Liquor					
- Media and Marketing, Advertising and Consultants Savings	_(a)	_(a)	_(a)	_(a)	_(a)
- Total	_(a)	_(a)	_(a)	_(a)	_(a)
Sport and Recreation					
- Media and Marketing, Advertising and Consultants Savings	-0.1	-0.1	-0.1	-0.1	-0.1
- Major Infrastructure Assessment	1.6	0.5	0.5	0.5	0.5
- Total	1.5	0.4	0.4	0.4	0.4
Western Australian Sports Centre Trust					
- Perth Arena – Operational Costs	0.4	1.7	4.3	2.8	-
- Total	0.4	1.7	4.3	2.8	-
PORTFOLIO TOTAL	1.9	2.0	4.6	3.1	0.4

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

Note: Columns may not add due to rounding.

Full details of the delivery of election commitments and other policy decisions made prior to December 2008 can be found in the *2008-09 Government Mid-year Financial Projections Statement* (mid-year review). Policy decisions made subsequent to the mid-year review are detailed below.

Sport and Recreation

Major Infrastructure Assessment

Expenditure of \$1.6 million in 2008-09 will enable costs associated with planning of the previously proposed major stadium to be met. A further \$2 million across the outyears will meet the remaining contractual arrangements.

Western Australian Sports Centre Trust

Perth Arena – Operational Costs

The Government has granted the Western Australian Sports Centre Trust client agency status over the Perth Arena, resulting in the transfer of the construction budget for the project from the Department of Treasury and Finance. The Government has also approved \$9.1 million in recurrent funding to the Trust to cover pre-opening operational costs related to the facility.

MINISTER FOR PLANNING; CULTURE AND THE ARTS

Table 13

POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES					
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW					
Culture and the Arts					
- 3% Efficiency Dividend	-0.8	-2.6	-2.7	-2.7	-2.8
- Total	-0.8	-2.6	-2.7	-2.7	-2.8
Western Australian Planning Commission					
- 3% Efficiency Dividend	-0.5	-1.1	-1.2	-1.2	-1.2
- Total	-0.5	-1.1	-1.2	-1.2	-1.2
Planning					
- 3% Efficiency Dividend	-0.8	-1.7	-1.7	-1.7	-1.7
- Total	-0.8	-1.7	-1.7	-1.7	-1.7
PORTFOLIO TOTAL	-2.1	-5.4	-5.6	-5.6	-5.7

Note: Columns may not add due to rounding.

Table 13 (cont.)

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES					
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Culture and the Arts					
- Media and Marketing, Advertising and Consultants Savings	-0.2	-0.4	-0.4	-0.4	-0.4
- New Museum Operating Costs	-	-5.1	-6.4	-7.5	-7.5
- Demolition of Francis Street Museum	-	0.5	4.0	3.5	-
- Economic Audit - Stage One Savings - Across the Board Reduction	-	-0.5	-0.5	-0.5	-0.5
- Economic Audit - Stage One Savings - Increased Efficiency in Grant Administration	-	-	-0.3	-0.3	-0.3
- Economic Audit – Stage One Savings - Rationalisation of Triennial Funding	-	-	-	-	-1.2
- <i>Total</i>	-0.2	-5.5	-3.6	-5.2	-9.8
Western Australian Planning Commission					
- Media and Marketing, Advertising and Consultants Savings	-0.4	-0.8	-0.8	-0.8	-0.8
- <i>Total</i>	-0.4	-0.8	-0.8	-0.8	-0.8
Planning					
- Media and Marketing, Advertising and Consultants Savings	0.2	-0.4	-0.4	-0.4	-0.4
- Geographic Information System	-	0.2	0.2	0.4	0.4
- <i>Total</i>	-0.2	-0.2	-0.2	-	-
PORTFOLIO TOTAL	-0.8	-6.5	-4.6	-6.0	-10.6

Note: Columns may not add due to rounding.

Full details of the delivery of election commitments and other policy decisions made prior to December 2008 can be found in the 2008-09 *Government Mid-year Financial Projections Statement* (mid-year review). Policy decisions made subsequent to the mid-year review are detailed below.

Culture and the Arts

New Museum Operating Costs

Expenditure by the Department has been reduced due to the Government's decision not to proceed with the development of a new museum at the old East Perth Power Station site.

Demolition of Francis Street Museum

Expenditure of \$500,000 in 2009-10 and a further \$7.5 million in the out years will enable the demolition of the previously decommissioned Francis Street Museum.

Economic Audit – Stage One Savings - Across the Board Reduction

Savings in expenditure across a range of programs in the Culture and Arts portfolio were identified through the Economic Audit process. The extent and specific details of the programs to be reduced will be further developed and implemented by the Department post-budget.

Economic Audit - Stage One Savings - Increased Efficiency in Grant Administration

Reduced expenditure in the administration of grants managed by the Department will be achieved through introduction of a more efficient and streamlined grants administration system.

Economic Audit – Stage One Savings - Rationalisation of Triennial Funding

Savings in expenditure from the rationalisation of the triennial funding programs has been identified through the Economic Audit process. Savings in these programs will be achieved when the funding agreements are renegotiated.

Planning**Geographic Information System**

Expenditure of \$200,000 per annum in 2009-10 and 2010-11 and \$400,000 per annum in 2011-12 and 2012-13 will meet operating costs associated with the Geographic Information System.

The system will assist in solving planning problems by combining geo-reference data with analytic capabilities for the management, organisation, analysis, modelling, presentation, and display of locality-related information.

MINISTER FOR ENERGY; TRAINING

Table 14

POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES					
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW					
Office of Energy					
- Expanded Solar Schools Program	1.0	1.5	2.0	2.0	-
- Feed-in Tariff	0.8	1.9	3.6	7.2	-
- Energy Shortage Campaign	1.0	-	-	-	-
- 3% Efficiency Dividend	-0.4	-0.6	-0.5	-0.5	-0.5
- <i>Total</i>	2.4	2.8	5.1	8.7	-0.5
Education and Training					
- 3% Efficiency Dividend – TAFE Colleges	-4.0	-8.1	-8.2	-8.2	-9.8
- <i>Total</i>	-4.0	-8.1	-8.2	-8.2	-9.8
PORTFOLIO TOTAL	-1.6	-5.3	-3.1	0.5	-10.3

Note: Columns may not add due to rounding.

Table 14 (cont.)

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
GENERAL GOVERNMENT EXPENSES**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Office of Energy					
- Media and Marketing, Advertising and Consultants Savings	-(a)	-0.1	-0.1	-0.1	-0.1
- Gas Security and Supply Committee	-0.3	0.3	-	-	-
- State Underground Power Program	-	-	-	5.0	5.0
- Total	-0.3	0.1	-0.1	4.9	4.9
Horizon Power					
- Electricity Tariff Community Service Obligation	-	-8.5	-21.0	-22.5	-17.4
- Total	-	-8.5	-21.0	-22.5	-17.4
Synergy					
- Electricity Tariff Community Service Obligation	-	-51.0	-139.1	-177.8	-109.0
- Total	-	-51.0	-139.1	-177.8	-109.0
Education and Training					
- Economic Stimulus Package - Training	-	20.2	21.4	5.8	-
- Economic Audit - Stage One Savings - Transition Support for Students	-	-1.4	-1.4	-1.4	-1.5
- Total	-	18.8	20.0	4.4	-1.5
PORTFOLIO TOTAL	-0.3	-40.6	-140.1	-191.0	-122.9

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

Note: Columns may not add due to rounding.

Full details of the delivery of election commitments and other policy decisions made prior to December 2008 can be found in the 2008-09 *Government Mid-year Financial Projections Statement* (mid-year review). Policy decisions made subsequent to the mid-year review are detailed below.

Office of Energy

Gas Security and Supply Committee

A total of \$250,000 has been approved to establish a Ministerial committee to review and provide advice on gas security and supply, and to prevent the risk of a future Varanus Island gas supply disruption.

The expenditure will be met from funds previously allocated to the Energy Efficiency Promotion Campaign.

State Underground Power Project

An additional \$10 million per annum in 2011-12 and 2012-13 has been committed to continue the State Underground Power Program into a fifth round. The Office of Energy's share of the funding is \$5 million in each year, with a further \$5 million per annum from Western Power. The State Government's contribution is matched by participating local governments.

Horizon Power

Electricity Tariff Community Service Obligation (CSO)

From 2009-10, a CSO will be paid to Horizon Power to recognise that retail electricity tariffs are currently set below cost-reflective levels, even after the Government's recent decision to increase tariffs by 10% from 1 April 2009 and a further 15% from 1 July 2009. The budget assumes that electricity tariffs increase further over the forward estimates period, reducing the CSO that needs to be paid to Horizon Power.

The CSO is estimated to reduce by \$8.5 million in 2009-10, \$21 million in 2010-11, \$22.5 million in 2011-12 and \$17.4 million in 2012-13. The cumulative value over the forward estimates period is a reduction of \$69.4 million.

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

Synergy

Electricity Tariff Community Service Obligation (CSO)

As is the case with Horizon Power highlighted above, from 2009-10, a CSO will also be paid to Synergy to recognise that retail electricity tariffs are currently set below cost-reflective levels. Power tariffs fail to cover the cost of provision even after the increases of 10% from 1 April 2009 and a further 15% from 1 July 2009. The budget assumes that electricity tariffs increase further over the forward estimates period, reducing the CSO that needs to be paid to Synergy. Further details on tariff assumptions are contained in Appendix 9: *Public Corporations - Impact on General Government Revenue and Expenses*.

In line with these assumed price increases, the CSO is estimated to reduce by \$51 million in 2009-10, \$139.1 million in 2010-11, \$177.8 million in 2011-12 and \$109 million in 2012-13. The cumulative value over the forward estimates period is a reduction of \$476.9 million.

Education and Training

Economic Stimulus Package - Training

A total of \$47.4 million will be spent over the next three years on a range of initiatives designed to minimise the impact of the global economic downturn on Western Australian industries, workers and job seekers. Initiatives include:

- providing unemployed individuals with fee exemptions to undertake TAFE training;
- assisting people disadvantaged in the labour market to increase foundation skills as a pathway to further training or employment;

- undertaking a more coordinated communication strategy to disseminate training information; and
- a temporary rebate of workers' compensation premiums for first year apprentices and trainees in 2009-10 and 2010-11.

Economic Audit – Stage One Savings – Transition Support for Students

Various student transition support programs will be reviewed to ensure optimum outcomes for students, and remove duplication of service provision. This is expected to result in savings of \$5.6 million over the forward estimates period.

ATTORNEY GENERAL; MINISTER FOR CORRECTIVE SERVICES

Table 15

POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES					
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW					
Attorney General					
- 3% Efficiency Dividend	-4.5	-9.2	-9.5	-9.5	-9.7
- <i>Total</i>	-4.5	-9.2	-9.5	-9.5	-9.7
Corrective Services					
- 3% Efficiency Dividend	-7.6	-15.5	-15.8	-16.4	-17.0
- Custodial Infrastructure Program	-	4.0	8.2	25.1	34.8
- <i>Total</i>	-7.6	-11.5	-7.6	8.7	17.8
PORTFOLIO TOTAL	-12.1	-20.7	-17.1	-0.8	8.1

Note: Columns may not add due to rounding.

Table 15 (cont.)

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
GENERAL GOVERNMENT EXPENSES**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Attorney General					
- Media and Marketing, Advertising and Consultants Savings ^(a)	-0.2	-0.4	-0.3	-0.3	-0.3
- Economic Audit – Stage One Savings - Recoup of Costs from Rental Accommodation Account	-	-0.5	-0.5	-0.5	-0.5
- Economic Audit – Stage One Savings - Confiscation Proceeds Account	-	-	-3.0	-3.0	-3.0
- <i>Total</i>	-0.2	-0.9	-3.8	-3.8	-3.8
Corrective Services					
- Media and Marketing, Advertising and Consultants Savings	-0.2	-0.3	-0.3	-0.3	-0.3
- Perth Metropolitan Radio Network	-	0.3	0.3	0.3	0.3
- <i>Total</i>	-0.2	_(b)	_(b)	_(b)	_(b)
Equal Opportunity Commission					
- Media and Marketing, Advertising and Consultants Savings	_(b)	_(b)	_(b)	_(b)	_(b)
- <i>Total</i>	_(b)	_(b)	_(b)	_(b)	_(b)
PORTFOLIO TOTAL	-0.4	-0.9	-3.8	-3.8	-3.8

(a) Includes the Office of Native Title (ONT), including in 2008-09 when the ONT was a sub-department of the Department of Treasury and Finance.

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

Note: Columns may not add due to rounding.

Full details of the delivery of election commitments and other policy decisions made prior to December 2008 can be found in the 2008-09 *Government Mid-year Financial Projections Statement* (mid-year review). Policy decisions made subsequent to the mid-year review are detailed below.

Attorney General

Economic Audit – Stage One Savings - Recoup of Costs from Rental Accommodation Account

Expenditure will be reduced by \$500,000 per annum from 2009-10 recognising that overhead costs incurred by the Department of the Attorney General in relation to disputes under residential tenancy agreements should continue to be recouped from the Rental Accommodation Account. This measure is in accordance with the principles of full cost recovery.

Economic Audit – Stage One Savings - Confiscation Proceeds Account - Administered

Administered expenditure will be reduced by \$3 million per annum from 2010-11 from a redirection of partial confiscation proceeds to the Consolidated Account.

Corrective Services

Perth Metropolitan Radio Network

Consistent with the Government's election commitment, a total of \$1.3 million over the forward estimates period will be provided to substantially improve radio communications through a partnership with the Western Australia Police. Secure, encrypted, digital communications will replace analogue systems across the State's prison operations.

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

Table 16

POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES					
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW					
Child Protection					
- 3% Efficiency Dividend	-4.4	-9.1	-9.8	-10.2	-10.2
- <i>Total</i>	-4.4	-9.1	-9.8	-10.2	-10.2
Communities					
- Integrated Services Centres – Parkwood and Koondoola	0.9	-	-	-	-
- Seniors' Cost of Living Rebates	25.6	26.1	26.8	28.1	29.5
- Seniors' Security Rebates	2.5	2.5	2.5	2.5	-
- Lions Community Respite Centre	0.2	-	-	-	-
- Collie Child Care Centre Repairs	0.2	0.1	0.1	-	-
- 3% Efficiency Dividend	-0.5	-1.3	-1.1	-1.0	-1.1
- <i>Total</i>	28.9	27.4	28.3	29.6	28.4
PORTFOLIO TOTAL	24.5	18.3	18.5	19.4	18.2
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Child Protection					
- 3% Efficiency Dividend	-(a)	2.4	2.6	3.0	2.9
- Media and Marketing, Advertising and Consultants Savings	-0.2	-0.3	-0.3	-0.3	-0.3
- 3% Efficiency Dividend - Transfer of Non-Government Services	0.1	0.3	0.3	0.3	0.3
- <i>Total</i>	-(a)	2.4	2.6	3.0	2.9
Communities					
- Media and Marketing, Advertising and Consultants Savings	-0.1	-0.2	-0.2	-0.2	-0.2
- Economic Audit – Stage One Savings - Rationalisation of Structure	-	-0.6	-0.6	-0.4	-0.4
- 3% Efficiency Dividend - Transfer of Non-Government Services	-0.1	-0.3	-0.3	-0.3	-0.3
- <i>Total</i>	-0.2	-1.1	-1.1	-1.0	-1.0
PORTFOLIO TOTAL	-0.3	1.3	1.5	2.0	1.9

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

Note: Columns may not add due to rounding.

Full details of the delivery of election commitments and other policy decisions made prior to December 2008 can be found in the 2008-09 *Government Mid-year Financial Projections Statement* (mid-year review). Policy decisions made subsequent to the mid-year review are detailed below.

Child Protection

3% Efficiency Dividend

The Government has approved a reduction in savings anticipated from the Department's 3% efficiency dividend, totalling \$10.8 million over the forward estimates.

This recognises the financial pressures of the Department in delivering statutory child protection and welfare services for individuals and families in crisis or at risk.

3% Efficiency Dividend - Transfer of Non-Government Services

As a result of the transfer of a range of non-government services and grants programs from the Department for Child Protection to the Department for Communities, \$1.3 million in savings in relation to the 3% efficiency dividend has also been re-allocated and will be achieved by the Department for Communities.

Communities

Economic Audit – Stage One Savings - Rationalisation of Structure

A rationalisation of the Department's structure and resources is expected to produce savings in the vicinity of \$1.9 million over four years.

3% Efficiency Dividend - Transfer of Non-Government Services

As noted above, due to the transfer of a range of non-government services and grants programs from the Department for Child Protection to the Department for Communities, \$1.3 million in savings in relation to the 3% efficiency dividend will be achieved by the Department for Communities.

MINISTER FOR WATER; MENTAL HEALTH

Table 17

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES					
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW					
Water					
- Feasibility of Treating Saline Services	0.2	-	-	-	-
- Review of Wellington Dam Desalination Proposal	0.2	-	-	-	-
- 3% Efficiency Dividend	-1.2	-2.2	-2.1	-2.1	-1.8
<i>Total</i>	-0.7	-2.2	-2.1	-2.1	-1.8
Health					
- Western Australian State Suicide Prevention Strategy	4.0	9.0	-	-	-
- <i>Total</i>	4.0	9.0	-	-	-
PORTFOLIO TOTAL	3.3	6.8	-2.1	-2.1	-1.8
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Water					
- Media and Marketing, Advertising and Consultants Savings	-(a)	-0.1	-0.1	-0.1	-0.1
- Economic Audit – Stage One Savings - Rationalise Functions	-	-0.9	-1.0	-1.0	-1.0
- <i>Total</i>	-(a)	-1.0	-1.0	-1.1	-1.1
Health					
- Review of Mental Health Services	0.1	0.1	-	-	-
- Mental Health and Wellbeing Commissioner	-	0.3	0.3	0.3	0.3
- <i>Total</i>	0.1	0.4	0.3	0.3	0.3
PORTFOLIO TOTAL	0.1	-0.6	-0.8	-0.8	-0.8

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

Note: Columns may not add due to rounding.

Full details of the delivery of election commitments and other policy decisions made prior to December 2008 can be found in the 2008-09 *Government Mid-year Financial Projections Statement* (mid-year review). Policy decisions made subsequent to the mid-year review are detailed below.

Water

Economic Audit - Stage One Savings - Rationalise Functions

Expenditure will be reduced by \$3.8 million over the forward estimates period through the achievement of operational efficiencies, including a reduction in the need for external scientific consultants by up-skilling existing staff, reducing administrative and reporting costs, improving workforce mobility and flexibility, and rationalising IT hardware and licenses.

Mental Health

Review of Mental Health Services

An additional \$200,000 will be spent over two years, commencing in 2008-09, to assist in the implementation of the Government's election commitment to conduct a comprehensive review into the adequacy of current mental health services in Western Australia.

Mental Health and Wellbeing Commissioner

An additional \$273,000 per annum will be spent over four years, commencing in 2009-10, to cover the costs associated with the appointment of an independent Mental Health and Wellbeing Commissioner for the State.

MINISTER FOR LOCAL GOVERNMENT; HERITAGE; CITIZENSHIP AND MULTICULTURAL INTERESTS

Table 18

POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW					
Local Government					
- 3% Efficiency Dividend	-0.2	-0.4	-0.4	-0.4	-0.5
- Kalamunda Community and Cultural Centre	-	0.7	0.7	-	-
- Choose Respect Program Bunbury	_(a)	_(a)	_(a)	_(a)	-
- Royalties for Regions – Country Local Government Fund	100.0	100.0	100.0	100.0	-
- <i>Total</i>	98.8	100.2	100.2	99.5	-0.5
PORTFOLIO TOTAL	98.8	100.3	100.3	99.6	-0.5
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Heritage Council					
- Media and Marketing, Advertising and Consultants Savings	_(a)	-0.1	-0.1	-0.1	-0.1
- <i>Total</i>	_(a)	-0.1	-0.1	-0.1	-0.1
Local Government					
- Media and Marketing, Advertising and Consultants Savings	_(a)	_(a)	_(a)	_(a)	_(a)
- <i>Total</i>	_(a)	_(a)	_(a)	_(a)	_(a)
PORTFOLIO TOTAL	_(a)	-0.1	-0.1	-0.1	-0.1

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

Note: Columns may not add due to rounding.

Full details of the delivery of election commitments and other policy decisions made prior to December 2008 can be found in the 2008-09 *Government Mid-year Financial Projections Statement* (mid-year review).

MINISTER FOR AGRICULTURE AND FOOD; FORESTRY; MINISTER ASSISTING THE MINISTER FOR EDUCATION

Table 19

POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING GENERAL GOVERNMENT EXPENSES

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW					
Agriculture and Food					
- Biosecurity Feasibility Study	0.1	-	-	-	-
- 3% Efficiency Dividend	-2.7	-5.0	-5.0	-5.2	-5.4
- <i>Total</i>	-2.6	-5.0	-5.0	-5.2	-5.4
PORTFOLIO TOTAL	-2.6	-5.0	-5.0	-5.2	-5.4
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Agriculture and Food					
- Media and Marketing, Advertising and Consultants Savings	-0.1	-0.1	-0.1	-0.1	-0.1
- Maintenance of South Perth Site	-	2.0	2.0	-	-
- Agriculture Research Western Australia – Reinstated Savings	-	1.0	1.0	1.0	1.0
- Economic Audit – Stage One Savings – Caring for Our Country	-	-11.0	-26.0	-26.0	-26.0
- Economic Audit – Stage One Savings – Transfer of Aboriginal Economic Development Function from Department of Commerce – Indigenous Landholder Services	-	0.3	0.3	0.3	0.3
- European House Borer	-	2.2	0.2	0.2	-
- <i>Total</i>	-0.1	-5.7	-22.6	-24.6	-24.8
PORTFOLIO TOTAL	-0.1	-5.7	-22.6	-24.6	-24.8

Note: Columns may not add due to rounding.

Full details of the delivery of election commitments and other policy decisions made prior to December 2008 can be found in the 2008-09 *Government Mid-year Financial Projections Statement* (mid-year review). Policy decisions made subsequent to the mid-year review are detailed below.

Agriculture and Food

Maintenance of South Perth Site

In 2009-10 and 2010-11, \$2 million per annum will be spent to undertake essential maintenance works at the Department's South Perth site.

Agriculture Research Western Australia – Reinstated Savings

As part of the Capital Works Audit, a decision on the relocation of the Department of Agriculture and Food from the South Perth site was deferred by two years. On this basis, an amount of \$1 million per annum was reinstated over the period 2009-10 to 2012-13 to return efficiency savings that had already been factored into the forward estimates based on the relocation of a new facility.

Economic Audit – Stage One Savings - Caring for Our Country

Funding of \$125 million was committed by the previous government towards potential State matching funding for the Commonwealth's Caring for Our Country program. Current bilateral negotiations with the Commonwealth have not indicated the requirement for State matching funding. In this regard, unallocated funds of \$89 million will be retained by the State. However, \$33.5 million will be spent in 2009-10 on identified priority projects, noting that an additional \$32.6 million is available from external sources for investment in Natural Resource Management-related projects. The program will be reviewed during 2009-10 with the aim of making it more effective in terms of delivering environmental outcomes.

Economic Audit – Stage One Savings - Transfer of Aboriginal Economic Development Function from Department of Commerce – Indigenous Landholder Services

A total of \$1.2 million has been reallocated from the Department of Commerce to the Department of Agriculture and Food as a result of the Aboriginal Economic Development function being transferred from 2009-10. From 2009-10 onwards, \$300,000 per annum will be spent on indigenous training and technical services in agriculture-related activities such as infrastructure repairs and maintenance, livestock handling, and business and governance matters.

European House Borer

A total of \$2.5 million will be spent over 2009-10 to 2011-12 to implement actions such as active surveillance, community awareness, research and regulatory control to minimise the spread of the European House Borer and enhance the likelihood of eradicating this pest.

MINISTER FOR ENVIRONMENT; YOUTH

Table 20

POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
GENERAL GOVERNMENT EXPENSES

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW					
Botanic Gardens and Parks Authority					
- 3% Efficiency Dividend	-0.2	-0.5	-0.5	-0.5	-0.6
- Total	-0.2	-0.5	-0.5	-0.5	-0.6
Environment and Conservation					
- Kimberley Science and Conservation Strategy	0.8	1.5	2.0	2.0	-
- Environmental Community Grants Program	1.5	1.5	1.5	1.5	-
- Environmental Monitoring and Compliance Program	0.4	1.2	1.2	1.2	-
- Great Western Woodlands	0.4	0.8	0.9	0.9	-
- Kimberley Toad Busters	0.3	0.3	0.3	0.3	-
- Fire Related Allowances	0.6	0.6	0.6	0.6	0.6
- 3% Efficiency Dividend	-4.0	-7.7	-7.7	-7.7	-8.2
- Total	-	-1.8	-1.2	-1.2	-7.6
Swan River Trust					
- 3% Efficiency Dividend	-0.1	-0.3	-0.3	-0.3	-0.4
- Total	-0.1	-0.3	-0.3	-0.3	-0.4
Zoological Parks Authority					
- 3% Efficiency Dividend	-0.2	-0.5	-0.5	-0.5	-0.6
- Total	-0.2	-0.5	-0.5	-0.5	-0.6
PORTFOLIO TOTAL	-0.5	-3.1	-2.5	-2.5	-9.2
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Botanic Gardens and Parks Authority					
- Media and Marketing, Advertising and Consultants Savings	_(a)	_(a)	_(a)	_(a)	_(a)
- Total	_(a)	_(a)	_(a)	_(a)	_(a)
Environment and Conservation					
- Media and Marketing, Advertising and Consultants Savings	-0.3	-0.7	-0.7	-0.7	-0.7
- Total	-0.3	-0.7	-0.7	-0.7	-0.7
Swan River Trust					
- River Walls	-	1.9	-	-	-
- Media and Marketing, Advertising and Consultants Savings	-0.1	-0.1	-0.1	-0.1	-0.1
- Total	-0.1	1.8	-0.1	-0.1	-0.1
PORTFOLIO TOTAL	-0.4	1.1	-0.8	-0.8	-0.8

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

Note: Columns may not add due to rounding.

Full details of the delivery of election commitments and other policy decisions made prior to December 2008 can be found in the *2008-09 Government Mid-year Financial Projections Statement* (mid-year review). Policy decisions made subsequent to the mid-year review are detailed below.

Swan River Trust

River Walls

A further \$1.9 million will be spent in 2009-10 to undertake river walls restoration along Mounts Bay Road.

Asset Investment

Overview

The Western Australian Government is committed to playing a financially responsible role in State building through the provision of high quality and strategically important economic and social infrastructure.

This budget includes a record \$8.3 billion Asset Investment Program in 2009-10, which includes:

- investment in new prisons as part of the Government's Custodial Infrastructure Program, which totals \$555 million between 2008-09 and the end of the current forward estimates period¹;
- partnering with the Commonwealth Government to deliver the *Nation Building and Jobs Plan*, which entails a major investment boost in schools and social housing;
- the bring-forward of new social housing and Government regional officers' housing announced by the State Government in February 2009;
- \$572 million for health-related infrastructure, including commencement of work on a \$117 million forward works program for a new children's hospital at the QEII Medical Centre site;
- the Government's election commitment to invest \$300 million over six years to build new schools;
- construction of two high efficiency gas turbines to improve the efficiency of existing electricity generation, at a total cost of \$263 million; and
- the extension of the northern Suburbs Railway to Brighton, with \$147 million to be spent in the next four years.

¹ The Custodial Infrastructure Program includes a further \$100 million over the forward estimates period for increased operating costs.

Recognising the impact on the State's finances of the global economic downturn, the Government has taken the financially responsible course of action in undertaking a comprehensive Capital Works Audit to identify projects of lower priority that are able to be deferred or cancelled. This audit process has yielded savings (in net debt terms) of \$3.0 billion over the forward estimates period.

Capital Works Audit

As outlined in earlier chapters, the onset and extent of the global economic downturn has seen a rapid deterioration in the State's revenue sources. This has created a considerable challenge for the Government in striking the right balance between jobs and investment, and maintaining a responsible approach to managing the State's finances.

In October 2008, the Government initiated a comprehensive Capital Works Audit to be conducted as part of the 2009-10 Budget process. The purpose of the Audit was to reassess each approved capital project with a pre-tender estimate of greater than \$20 million, in light of the current economic circumstances and the Government's own priorities.

In all, capital expenditure savings of \$3.2 billion have been realised across the forward estimates period through the identification of projects which have been either deferred or cancelled. Due to the partially offsetting deferral of revenue associated with some of the projects and consequent changes to recurrent costs, these capital savings result in a \$3.0 billion reduction in net debt over the forward estimates period.

The following table summarises the identified savings by agency. Commentary regarding individual projects that comprise the agency savings is provided separately in the *Asset Investment Policy Decisions* section.

Table 1

CAPITAL WORKS AUDIT SAVINGS
Aggregate by Agency

Agency	2008-09	2009-10	2010-11	2011-12	2012-13	Total
	\$m	\$m	\$m	\$m	\$m	\$'m
Agriculture and Food	-1.1	-22.1	-79.2	-38.6	81.5	-59.6
Attorney General	-18.7	-34.0	10.2	17.0	0.4	-25.2
Culture and the Arts	-2.0	3.0	-10.0	-38.0	-122.0	-169.0
Fremantle Port Authority	-	-14.5	-18.4	14.5	18.4	-
Health	-4.6	-101.5	-124.2	-78.2	-92.2	-400.7
Horizon Power	-21.4	13.8	-14.8	-17.5	18.8	-21.2
Main Roads Western Australia	-	-51.3	-50.1	-33.5	-176.3	-311.2
Planning	-1.0	-6.2	-3.3	-2.0	-8.7	-21.3
Public Transport Authority	-0.2	-0.9	-21.5	-75.8	-24.8	-123.1
Sport and Recreation	-76.8	-15.1	-9.5	-232.8	-283.3	-617.6
Water Corporation	-	-123.1	-101.7	-175.5	-160.6	-560.8
Western Australian Land Authority	-24.8	-17.8	2.5	-74.6	-197.9	-312.6
Western Australia Police	-5.0	-10.0	10.0	5.0	-	-
Western Power	-54.3	25.9	-95.6	-204.6	-231.4	-560.0
TOTAL	-210.1	-353.7	-505.6	-934.7	-1,178.1	-3,182.3^(a)

(a) Due to the offsetting effect of reductions in projected revenue, and consequential changes in expenses for some agencies, the reduction in net debt is estimated at \$3.0 billion.

Note: Columns may not add due to rounding.

Asset Investment Program

Revised Definition

In accordance with longstanding convention, reporting of the Capital Works Program in Western Australia has included all spending by Government agencies that results in the creation of an asset, irrespective of whether that asset is reported on the State's balance sheet. This has meant that many forms of expensed capital (including grants to off-balance sheet entities and purchases that fall below the capitalisation threshold), as well as home lending under Keystart, GoodStart and FirstStart, have been included in the Capital Works Program.

However, with effect from the 2009-10 Budget, the Capital Works Program has been redefined to be comprised solely of the purchase of fixed assets. This development brings Western Australia into line with the reporting of infrastructure spending in financial statements, and means that only spending that creates an asset on the State's balance sheet is included in the capital program. In light of this change, the previous Capital Works Program has been re-named the 'Asset Investment Program'.

This more appropriate definition will result in a once-off reduction in the level of capital spending on infrastructure reported from 2009-10 onwards relative to previous definitions. Where relevant, the 2007-08 actual and 2008-09 expected out-turn have been revised based on the new definition to enable meaningful comparisons.

2009-10 Asset Investment Program - Summary

The 2009-10 Asset Investment Program is estimated at \$8.3 billion. This includes \$1.1 billion to be spent on rail and road infrastructure, schools and social housing provided under the Commonwealth's *Nation Building and Jobs Plan*, as well as the State Government's \$316 million housing stimulus. The Asset Investment Program includes major investment in the following areas:

- \$1.2 billion on improving, expanding and maintaining the State's electricity infrastructure, with specific initiatives including:
 - construction of two 100 megawatt high efficiency gas turbines, to be commissioned in 2011 at a total cost of \$263 million. These turbines will contribute to the reliability of electricity supply within the South West Interconnected System, lower the overall carbon intensity of the generation portfolio, and make better use of the available gas supplies;
 - increased distribution capacity for customers to support growth; and
 - the continuation of the State Underground Power project;
- \$1.1 billion on the State's water, wastewater and drainage services to ensure the ongoing quality and maintenance of water services and to meet increasing demand. The program includes:
 - the ongoing construction of wastewater treatment schemes at Alkimos, Broome and Beenyup;
 - commencement of construction of the \$955 million Southern Seawater Desalination plant at Binningup;
 - construction of a new pumping station at Walkaway, outside Geraldton; and
 - further investigation and research into alternative water sources for the State;
- \$1.1 billion on schools and TAFE colleges throughout the State, including:
 - the commencement or continuation of construction of five new high schools and twenty three new primary schools;
 - major additions and improvements to thirteen high schools and eighteen primary schools over and above the \$666 million that will be spent in 2009-10 under the Commonwealth Government's *Nation Building and Jobs Plan*; and
 - major additions, redevelopments and improvements at Central, Central West, Challenger and West Coast TAFE campuses, agricultural colleges and various Trade Training Centres;

- almost \$1.0 billion on the construction of dwellings and the development of land throughout the State. This unprecedented level of investment in affordable housing by the State will provide a boost to the local housing and construction industry and reduce growing pressure on the social housing system. The Housing Authority is aiming to produce 2,158 residential lots in 2009-10, up 22% from the 1,769 lots expected in 2008-09;
- \$654 million on road construction and improvement works, with continued progress on major projects such as:
 - \$113.4 million on the Mandurah Entrance Road between Mandurah Road and the extended Kwinana Freeway;
 - improved linkages to the Port of Bunbury via the Bunbury Port Access Road Stage 1 (\$34.6 million);
 - the construction of the Indian Ocean Drive – Stage 2 between Ocean Farms Estate (Lancelin) and Cervantes (\$29.0 million); and
 - the extension of Reid Highway from West Swan Road to Great Northern Highway (\$20.8 million);
- \$572 million on infrastructure to improve and extend the State's health care facilities. Development will continue on Stage 1 of the Fiona Stanley Hospital, Stage 1 of the Joondalup Health Campus and Stage 2 of the Hedland Regional Resource Centre Replacement;
- \$377 million on improvements to port infrastructure across the State, including Stage 1 of the deepening of the Inner Harbour and upgrade of the North Quay Berth at Fremantle Port, and the continued construction of the Port Hedland Port Authority's Multi-User Panamax Berth at Utah Point; and
- \$363 million on law and order-related projects, including:
 - the Custodial Infrastructure Program incorporating the West Kimberley and Eastern Goldfields Regional Prisons, the Young Offenders Prison, increased capacity at Acacia Prison, and workcamps at Wyndham, Warburton and the Wheatbelt;
 - the Central Law Courts Refurbishment;
 - the Perth Police Complex;
 - new Police Stations at Fitzroy Crossing and Mount Magnet;
 - a replacement helicopter; and
 - the expansion of the digital Perth Metropolitan Radio Network, jointly partnered between the Western Australia Police and the Department of Corrective Services.

Asset Investment Policy Decisions

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

Table 2

**SUMMARY OF ASSET INVESTMENT POLICY DECISIONS BY AGENCY
SINCE THE 2008-09 MID-YEAR REVIEW**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	Total \$m
Verve Energy	-	58.3	187.9	17.3	-	263.4
Regional Development and Lands	-	60.0	60.0	60.0	-	180.0
Western Australia Police	-5.0	50.0	10.0	5.0	-	60.0
WA Sports Centre Trust	0.6	4.1	23.1	5.9	-	33.7
Public Transport Authority	-0.2	-0.9	-17.4	-20.2	63.0	24.3
Education and Training	-	-	2.0	12.0	-5.5	8.5
Fisheries	-	5.0	3.5	-	-	8.5
Housing Authority	-4.2	305.0	-164.1	-115.0	-15.0	6.7
Child Protection	-	-	-	6.0	-	6.0
Environment and Conservation	-	-	0.8	-	-	0.8
Parliamentary Services	-	0.2	0.2	-	-	0.4
Governor's Establishment	-	0.2	0.1	0.1	0.1	0.3
Fremantle Port Authority	-	-14.5	-18.4	14.5	18.4	-
Planning	-0.9	-3.7	-2.9	-2.0	-8.7	-18.2
Horizon Power	-21.4	13.8	-14.8	-17.5	18.8	-21.2
Attorney Generals Dept	-18.7	-34.0	10.2	17.0	0.4	-25.2
Corrective Services	-	-	-	-	-31.3	-31.3
Agriculture and Food	-1.1	-22.1	-79.2	-38.6	81.5	-59.6
Culture and the Arts	-2.0	5.5	-5.5	-35.0	-122.0	-159.0
WA Land Authority	-19.1	26.7	10.6	-74.6	-197.9	-254.3
WA Health	-45.2	-72.8	-36.2	-17.2	-88.8	-260.3
Commissioner of Main Roads	-	-41.3	-40.1	-33.5	-176.3	-291.2
Royalties for Regions – Regional and State-wide Initiatives	-120.0	-85.0	-85.0	-85.0	-25.0	-400.0
Western Power	-54.3	25.9	-95.6	-184.6	-211.4	-520.0
Water Corporation	-	-123.1	-101.7	-175.5	-160.6	-560.8
Sport and Recreation	-76.9	-15.1	-9.6	-232.8	-283.3	-617.6
Economic Audit Savings - State Fleet	-	-5.1	-10.3	-13.4	-13.4	-42.2
TOTAL	-368.5	137.1	-372.4	-907.3	-1,157.1	-2,668.1

Note: Columns may not add due to rounding.

The following discussion provides a summary of policy decisions made between the 2008-09 Budget and the 2008-09 mid-year review, as well as details on new policy decisions subsequent to the mid-year review. The timing of cash flows for some projects (which are treated as parameter changes rather than policy decisions) may have also been revised (refer to agency estimates contained in Budget Paper No. 2: *Budget Statements*).

Agriculture and Food

Table 3

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
TOTAL PUBLIC SECTOR ASSET INVESTMENT**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Agriculture and Food					
- Agriculture Headquarters and Biosecurity relocation	-1.1	-16.9	-57.6	-25.6	59.8
- Agriculture Research Western Australia	-	-5.3	-21.7	-13.0	21.7
- <i>Total</i>	-1.1	-22.1	-79.2	-38.6	81.5

Note: Columns may not add due to rounding.

Capital Works Audit - Agriculture Headquarters and Biosecurity and Agriculture Research Western Australia Relocation

Savings of \$59.6 million have been achieved through a revision to the cashflows of these projects over the forward estimates period. The deferral of the projects by two years will enable a full review of their business cases, including the consideration of scope and alternative procurement and site options.

Attorney General

Table 4

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
TOTAL PUBLIC SECTOR ASSET INVESTMENT**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Attorney General					
- Kalgoorlie Court Upgrade	-10.2	-17.0	10.2	17.0	-
- Carnarvon Police and Justice Complex	-8.5	-17.0	-	-	0.4
- <i>Total</i>	-18.7	-34.0	10.2	17.0	0.4

Note: Columns may not add due to rounding.

Capital Works Audit - Kalgoorlie Court Upgrade

Expenditure on the Kalgoorlie Court Upgrade has been deferred for two years.

Capital Works Audit - Carnarvon Police and Justice Complex

Expenditure on the Justice component of the Carnarvon Police and Justice Complex has been deferred to outside the forward estimates period. Expenditure of \$350,000 remains in the program in 2012-13 for planning purposes.

Child Protection

Table 5

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
TOTAL PUBLIC SECTOR ASSET INVESTMENT**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Child Protection					
- Capital Infrastructure Priorities	-	-	-	6.0	-
- <i>Total</i>	-	-	-	6.0	-

Note: Columns may not add due to rounding.

Economic Audit - Capital Infrastructure Priorities

The Government has approved expenditure of \$6 million in 2011-12 to meet the Department's capital infrastructure priorities. The Economic Audit has identified the Port Kennedy Youth Camp as under-utilised and surplus to the Department's requirements. The disposal of this asset and the retention of the sale proceeds will contribute towards the Department's capital funding to implement residential care reforms as recommended by the Ford Review.

Commissioner of Main Roads

Table 6

POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW ^(a)					
Commissioner of Main Roads					
- Reid Highway-Alexander Drive interchange	0.5	35.9	35.6	-	-
- Eelup Rotary upgrade	-	15.0	15.0	-	-
- Roe Highway extension	-	-	-	20.0	-
- Coalfields Highway reconstruction	-	10.0	15.0	-	-
- Traffic signals upgrade – Canning Highway/Ardross Street	0.3	-	-	-	-
- <i>Total</i>	0.8	60.9	65.6	20.0	-
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Commissioner of Main Roads					
Capital Works Audit Adjustments					
- Fremantle Outer Harbour Rail Projects	-	-	-1.4	-3.0	-17.6
- Fremantle Outer Harbour Road Projects	-	-	-1.9	-7.2	-44.8
- Goldfields Highway – Wiluna to Meekatharra	-	-	-	-3.7	-20.7
- Minor Works Programs	-	-19.0	-16.7	-18.0	-19.8
- Coolgardie - Esperance Highway – Esperance Port Access	-	-1.4	-3.9	-2.8	-29.2
- Leach Highway (High Street) Improvements	-	-1.3	-2.3	-0.2	-12.2
- Tonkin Highway – Kewdale Road Interchange	-	-0.7	-0.8	-1.2	-22.1
- Reid Highway - Alexander Drive Interchange	-	-25.9	0.3	25.6	-
- Kwinana Freeway – Leach Highway to Roe Highway	-	-0.2	-0.7	-9.4	10.7
- Coongan Gorge – construct realignment	-	-	-	-8.9	-9.4
- Coalfields Highway reconstruction	-	-1.9	-9.0	-14.1	-
- Other project cash flow movements	-	-0.8	-13.6	9.5	-11.2
Other Capital Policy Decisions					
- Hopetoun to Bremer Bay Road	-	10.0	10.0	-	-
- <i>Total</i>	-	-41.3	-40.1	-33.5	-176.3

(a) Further information is contained in Appendix 3 of the 2008-09 *Government Mid-year Financial Projections Statement* and Appendix 3 of the 2008-09 *Pre-election Financial Projections Statement*. Figures for 2012-13 were not published in these publications.

Note: Columns may not add due to rounding.

Capital Works Audit

Savings of \$311.2 million over four years were identified within the Main Roads capital program through the deferral and/or cancellation of lower priority projects.

Hopetoun to Bremer Bay Road

Additional expenditure of \$10 million per annum in 2009-10 and 2010-11 has been approved to commence construction of a road between Hopetoun and Bremer Bay to open up greater tourism opportunities. A matching contribution to this project is being considered by the Commonwealth Government.

Corrective Services

Table 7

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
TOTAL PUBLIC SECTOR ASSET INVESTMENT**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW ^(a)					
Corrective Services					
- Young Male Offender Prison Facility	5.0	10.0	15.0	10.0	-
- Medium/Maximum Security Male Prison Facility	2.5	2.5	5.0	5.0	-
- Custodial Infrastructure Program	-	71.5	61.7	162.2	132.4
- <i>Total</i>	7.5	84.0	81.7	177.2	132.4
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Corrective Services					
- Custodial Infrastructure Program	-	-	-	-	-31.3
- <i>Total</i>	-	-	-	-	-31.3

(a) Further information is contained in Appendix 3 of the 2008-09 *Government Mid-year Financial Projections Statement* and Appendix 3 of the 2008-09 *Pre-election Financial Projections Statement*. Figures for 2012-13 were not published in these publications.

Note: Columns may not add due to rounding.

Custodial Infrastructure Program

Expenditure of \$31.3 million has been deferred to outside the forward estimates period, reflecting more realistic project cashflows for the Custodial Infrastructure Program and as a corrective measure in this budget. Nonetheless, a total of \$555 million will be invested between 2008-09 and the end of the current forward estimates period towards an additional 1,657 built or installed beds².

Culture and the Arts

Table 8

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
TOTAL PUBLIC SECTOR ASSET INVESTMENT**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
- Capital Works Audit - New Museum	- 2.0	- 2.0	-10.0	-38.0	-122.0
- Art Gallery Facade Maintenance	-	2.5	4.5	3.0	-
- Perth Cultural Centre and Museum Planning	-	5.0	-	-	-
- <i>Total</i>	-2.0	5.5	-5.5	-35.0	-122.0

Note: Columns may not add due to rounding.

Capital Works Audit – New Museum

The Government has made a decision not to proceed with the development of a new museum at the East Perth Power Station site.

² The Custodial Infrastructure Program includes a further \$100 million over the forward estimates period for increased operating costs.

Art Gallery Facade Maintenance

Expenditure of \$2.5 million in 2009-10 and a further \$7.5 million in the outyears will enable urgent maintenance and repairs to be undertaken to the Art Gallery facade.

Perth Cultural Centre and Museum Planning

Expenditure of \$5.0 million in 2009-10 will enable planning to be undertaken for the redevelopment of the Perth Cultural Centre and Museum.

Economic Audit Savings – Stage 1 – State Fleet

Table 9

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
TOTAL PUBLIC SECTOR ASSET INVESTMENT**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
- State Fleet Savings	-	-5.1	-10.3	-13.4	-13.4
- Total	-	-5.1	-10.3	-13.4	-13.4

Note: Columns may not add due to rounding.

State Fleet Savings

The Government has committed to reduce the cost of the State government car fleet by \$42.2 million across the forward estimates period. This equates to a 10% reduction in the size of the fleet. The specific measures, to be developed post-budget, will provide the impetus for agencies to address strategic fleet management and fleet utilisation.

Education and Training

Table 10

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
TOTAL PUBLIC SECTOR ASSET INVESTMENT**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW ^(a)					
Education and Training					
Election Commitments					
- Investing in Schools	45.0	45.0	45.0	45.0	60.0
- School Improvement Program	12.5	12.5	12.5	12.5	-
- Total	57.5	57.5	57.5	57.5	60.0
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Education and Training					
- Applecross Senior High School	-	-	2.0	12.0	4.0
- Investing in Schools	-	-	-	-	-9.5
- Total	-	-	2.0	12.0	-5.5

(a) Further information is contained in Appendix 3 of the 2008-09 *Government Mid-year Financial Projections Statement* and Appendix 3 of the 2008-09 *Pre-election Financial Projections Statement*. Figures for 2012-13 were not published in these publications.

Note: Columns may not add due to rounding.

Applecross Senior High School

Spending across the forward estimates has been reviewed and adjusted to include a provision for a \$56 million staged rebuild of Applecross Senior High School.

Election Commitments - Investing in Schools

Spending across the forward estimates has been reviewed and adjusted which has resulted in a deferral of \$9.5 million of expenditure to beyond the current forward estimates period. Nonetheless, the Government is still committed to investing \$300 million over six years to build 14 new schools.

Environment and Conservation

POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT

Table 11

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW ^(a)					
Environment and Conservation					
Election Commitments	-	-	-	-	-
- Kimberley Conservation Strategy	-	0.7	1.0	1.0	-
- Great Western Woodlands	-	0.2	0.3	0.3	-
- Total	-	0.9	1.3	1.3	-
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
- Shotts Industrial Park, Collie	-	-	0.8	-	-
- Total	-	-	0.8	-	-

(a) Further information is contained in Appendix 3 of the 2008-09 *Government Mid-year Financial Projections Statement* and Appendix 3 of the 2008-09 *Pre-election Financial Projections Statement*. Figures for 2012-13 were not published in these publications.

Note: Columns may not add due to rounding.

Shotts Industrial Park, Collie

Revenue from the sale of Shotts Industrial Park will be used to purchase land to be added to the conservation estate.

Fisheries

POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT

Table 12

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Fisheries					
- Denham Office Accommodation	-	5.0	3.5	-	-
- Total	-	5.0	3.5	-	-

Note: Columns may not add due to rounding.

Denham Office Accommodation

A total of \$8.5 million over two years has been committed to fund the development of a new Government Office Centre in Denham. The new offices will provide accommodation for officers from both the Department of Fisheries and the Department of Environment and Conservation.

Fremantle Port Authority

Table 13

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
TOTAL PUBLIC SECTOR ASSET INVESTMENT**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Fremantle Port Authority					
- Capital Works Audit - Kwinana Bulk Jetty - Bulk Handling Equipment	-	-14.5	-18.4	14.5	18.4
- Total	-	-14.5	-18.4	14.5	18.4

Note: Columns may not add due to rounding.

Capital Works Audit

As a result of the Capital Works Audit the purchase of Bulk Handling Equipment has been deferred by two years. Subsequently, the Fremantle Port Authority further revised its asset investment program due to the impacts of the current global economic downturn on its business.

Governor's Establishment

Table 14

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
TOTAL PUBLIC SECTOR ASSET INVESTMENT**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Governor's Establishment					
- Government House	-	0.2	0.1	0.1	0.1
- Total	-	0.2	0.1	0.1	0.1

Note: Columns may not add due to rounding.

Government House

Expenditure of \$175,000 in 2009-10 and \$50,000 per annum thereafter has been approved for capital maintenance to address urgent issues such as asbestos removal, security and public safety, exterior painting and information technology replacement at Government House.

Health

Table 15

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
TOTAL PUBLIC SECTOR ASSET INVESTMENT**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW ^(a)					
- Albany Regional Resource Centre – Redevelopment Stage 1 (Pre-election)	0.2	5.6	17.4	19.8	-
- Albany Regional Resource Centre – Redevelopment Stage 1	3.7	21.5	10.3	8.4	-
- Royal Perth Hospital - Planning	-	-	10.0	10.0	-
- Princess Margaret Hospital Replacement – Forward Works	-	-	7.8	-7.8	-
- Health Services Development Fund	6.0	6.0	6.0	6.0	-
- <i>Total</i>	9.9	33.1	51.5	36.4	-
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Capital Works Audit Adjustments					
- Princess Margaret Hospital – Ward 5A Upgrade	-0.6	-0.9	-	-	-
- Fiona Stanley Hospital	-	-5.0	-5.0	-40.0	-
- Royal Perth Hospital – Planning	0.5	2.5	-5.5	-7.5	-
- Albany Regional Resource Centre – Redevelopment Stage 1	-5.7	-34.1	-9.2	20.3	14.9
- Midland Health Campus	-5.9	-8.5	-56.0	-7.1	5.7
- Sir Charles Gairdner Hospital Diagnostic and Treatment Facility	1.1	-13.0	-15.1	-10.7	-70.3
- Osborne Park Hospital - Reconfiguration Stage 1	-3.4	-12.3	11.3	13.2	-12.9
- Medical Equipment Replacement Program	-	6.0	-3.0	-19.5	-28.2
- WACHS & SWAHS Rural Various –12 Year program for allocation	-	-	-4.9	-9.5	-2.3
- Busselton Integrated District Health Service – Replacement	-8.4	-15.5	-27.8	-17.3	34.0
- Carnarvon Integrated District Health Service – Redevelopment	-	-	-0.2	-0.8	-4.2
- Harvey Hospital – Redevelopment	-	-	-0.1	-0.6	-5.0
- Esperance Integrated District Health Service – Redevelopment	-	-0.9	-3.6	-3.5	6.4
- Fremantle Hospital – Reconfiguration Stage 1	-	-	-0.5	-1.5	-6.8
- Graylands Hospital – Development Stage 1	-	-0.8	-1.9	-7.7	-3.0
- WA Comprehensive Cancer Centre – Central Campus Stage 2	-0.9	-22.8	-9.9	19.6	10.0
- Minor Buildings Works	18.4	0.5	6.5	-3.1	-28.5
- Bentley Hospital – Development	-	-	-0.3	-2.5	-2.1
- Wiluna Health Clinic	0.2	3.3	0.9	-	-
- <i>Total Capital Audit</i>	-4.6	-101.5	-124.2	-78.2	-92.2
Other					
- Joondalup Health Campus Redevelopment – Stage 1	-42.1	14.6	71.2	41.3	16.0
- Princess Margaret Hospital Replacement – Forward Works	1.5	14.0	16.8	19.7	-12.5
- <i>Total</i>	-45.2	-72.8	-36.2	-17.2	-88.8

(a) Further information is contained in Appendix 3 of the 2008-09 *Government Mid-year Financial Projections Statement* and Appendix 3 of the 2008-09 *Pre-election Financial Projections Statement*. Figures for 2012-13 were not published in these publications.

Note: Columns may not add due to rounding.

Capital Works Audit

Capital works projects with a value of \$400.7 million have been deferred or removed from the forward estimates period for the Department of Health as a result of the Capital Works Audit.

Two projects, the Sir Charles Gairdner Hospital Diagnostic and Treatment Facility and the Osborne Park Hospital - Reconfiguration Stage 1 (Phase 2), have been cancelled. The total value of the two projects was \$296.2 million, a saving of \$112.1 million over the forward estimates period to 2012-13.

The majority of remaining projects identified under the Capital Works Audit have been deferred for one or two years.

Joondalup Health Campus - Redevelopment Stage 1

An additional \$101 million will be spent over the forward estimates period on the Joondalup Health Campus - Redevelopment Stage 1 project, as a result of the Government's decision to provide additional funding of \$110.8 million for this project, bringing the total estimated cost of the project to \$229.8 million. The additional expenditure has been offset by deferring other health capital works projects from the forward estimates period.

Princess Margaret Hospital Replacement - Forward Works

A total of \$39.5 million of spending has been brought into the forward estimates period to carry out forward works on the Princess Margaret Hospital Replacement project. The total estimated cost has been reduced by \$90 million to \$116.8 million to more accurately reflect the forward works component of the project.

Horizon Power

Table 16

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
TOTAL PUBLIC SECTOR ASSET INVESTMENT**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Horizon Power					
Capital Works Audit adjustments					
- Asset Replacement	-	-	-	-2.4	-
- Network Enhancement	-14.8	15.4	-13.1	-8.0	13.8
- New Connections – Customer Driven, New Capacity	-	-2.2	-1.7	-2.1	-
- Other	-5.6	0.6	-	-	-
- Carnarvon Power Station Development	-1.0	-	-	-5.0	5.0
- <i>Total</i>	-21.4	13.8	-14.8	-17.5	18.8

Note: Columns may not add due to rounding.

Capital Works Audit

Horizon Power's Capital Works Audit savings are \$21.2 million over the forward estimates period.

Housing Authority

POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT

Table 17

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW ^(a)					
Housing Authority					
- Extension of First Start Shared Equity Scheme	70.0	-	-	-	-
- Out of Home Respite Facilities	5.0	6.8	-	-	-
- Royalties for Regions – Housing for Workers	64.7	143.1	156.8	173.5	-
- <i>Total</i>	139.7	149.9	156.8	173.5	-
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Housing Authority					
- Royalties for Regions – South Hedland Town Centre Revitalisation Project	-4.2	-11.0	-8.1	-	-
- State Housing Stimulus Package	-	316.0	-156.0	-115.0	-15.0
- <i>Total</i>	-4.2	305.0	-164.1	-115.0	-15.0

(a) Further information is contained in Appendix 3 of the 2008-09 *Government Mid-year Financial Projections Statement* and Appendix 3 of the 2008-09 *Pre-election Financial Projections Statement*. Figures for 2012-13 were not published in these publications.

Note: Columns may not add due to rounding.

State Housing Stimulus Package

To provide a boost to the local housing and construction industry and reduce growing pressure on the social housing system, \$316 million has been committed to fund the construction of 609 new social housing dwellings across the State, and 400 dwellings for essential Government officers in rural and remote areas. A further \$30 million will be reallocated from recurrent funding to capital and brought forward from 2010-11.

Royalties for Regions - South Hedland Town Centre Revitalisation

Expenditure of \$23.3 million across the forward estimates has been reallocated from the Housing Authority to the Western Australian Land Authority. This will support the first two stages of a development plan for a comprehensive revitalisation strategy to change the current negative perception of, and improve confidence in, the future of the town.

Parliamentary Services Department

Table 18

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
TOTAL PUBLIC SECTOR ASSET INVESTMENT**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW ^(a)					
Parliamentary Services Department					
- Refurbishment of the Legislative Council Chamber	0.2	2.2	0.1	-	-
- <i>Total</i>	0.2	2.2	0.1	-	-
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Parliamentary Services Department					
- Electronic Document Records Management System	-	0.2	0.2	-	-
- <i>Total</i>	-	0.2	0.2	-	-

(a) Further information is contained in Appendix 3 of the 2008-09 *Government Mid-year Financial Projections Statement* and Appendix 3 of the 2008-09 *Pre-election Financial Projections Statement*. Figures for 2012-13 were not published in these publications.

Note: Columns may not add due to rounding.

Electronic Document Records Management System

A total of \$418,000 has been approved for the implementation of a new Electronic Document Records Management System at Parliament House, in order to provide effective synergies in the areas of record keeping and document management.

Planning

Table 19

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
TOTAL PUBLIC SECTOR CAPITAL SPENDING**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Planning					
- Capital Works Audit - Electronic Land Development Program	-1.0	-6.2	-3.3	-2.0	-8.7
- Exmouth – new office accommodation	-	0.6	-	-	-
- Geographic Information System	0.1	1.9	0.5	-	-
- <i>Total</i>	-0.9	-3.7	-2.8	-2.0	-8.7

Note: Columns may not add due to rounding.

Capital Works Audit – Electronic Land Development Program

Savings of \$21.3 million were identified over five years from 2008-09 due to the cancellation of the Electronic Land Development Program.

Exmouth – New Office Accommodation

Expenditure of \$0.6 million in 2009-10 has been approved for the provision of new office accommodation in Exmouth to accommodate regional planning and transport services provided by the Department of Planning and the Department of Transport.

Geographic Information System

Additional expenditure of \$100,000 in 2008-09, \$1.9 million in 2009-10 and \$500,000 in 2010-11 has been approved to further develop the Geographic Information System.

Public Transport Authority

Table 20

POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW ^(a)					
Public Transport Authority					
- Ellenbrook Rail Line	-	-	16.3	52.6	-
- Better Transport System – 3000 parking bays	4.0	8.0	9.2	11.8	-
- North Greenbushes Railway	5.0	-	-	-	-
- <i>Total</i>	9.0	8.0	25.5	64.4	-
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Public Transport Authority					
- Northern Suburbs Railway Extension	-	-	4.1	55.6	87.7
Capital Works Audit Adjustments					
- Ellenbrook Railway project	-	-	-16.3	-52.6	-
- Midland Station	-	-0.4	-3.1	-4.0	-15.0
- South Perth Station	-0.2	-0.5	-2.1	-19.2	-9.8
- <i>Total</i>	-0.2	-0.9	-17.4	-20.2	63.0

(a) Further information is contained in Appendix 3 of the 2008-09 *Government Mid-year Financial Projections Statement* and Appendix 3 of the 2008-09 *Pre-election Financial Projections Statement*. Figures for 2012-13 were not published in these publications.

Note: Columns may not add due to rounding.

Northern Suburbs Railway Extension

The Government's commitment to develop a blueprint for public transport includes the extension of the Northern Suburbs Railway to Brighton. Expenditure of \$147.4 million across the forward estimates has been committed to commence construction of this project.

Capital Works Audit

As part of the Capital Works Audit, spending to the value of \$123.1 million has been removed from the forward estimates period. This includes deferral of several projects including South Perth and Midland stations. \$10 million will be spent on detailed planning for the Ellenbrook Railway project in 2012-13 (see Chapter 4: *General Government Expenses*).

Regional Development and Lands

Table 21

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
TOTAL PUBLIC SECTOR ASSET INVESTMENT**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Regional Development and Lands					
- Royalties for Regions – Pilbara Revitalisation Plan	-	60.0	60.0	60.0	-
- Total	-	60.0	60.0	60.0	-

Note: Columns may not add due to rounding.

Royalties for Regions – Pilbara Revitalisation Plan

The Pilbara Revitalisation Plan will be implemented with \$60 million per annum to be invested from 2009-10 to 2011-12 to support strategic projects which focus on the provision of town centre enhancement programs, improved recreation and cultural amenities and the upgrade of housing, health and education facilities.

These opportunities have been identified in a range of existing studies that focus on social and economic infrastructure needs across the Pilbara including the Karratha 2020 Vision, Newman Tomorrow, Hedland's Future Today, the Pilbara Plan and the Shire of Ashburton Plan for the Future. Recurrent expenditure of \$120 million is also planned for this project in 2008-09 (discussed in Chapter 4), bringing the total commitment to \$300 million over four years.

Royalties for Regions – Regional and State-wide Initiatives

Table 22

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
TOTAL PUBLIC SECTOR ASSET INVESTMENT**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW ^(a)					
Royalties for Regions – Regional and State-wide Initiatives					
- Regional and State wide Initiatives	13.1	106.3	101.1	86.7	n.a ^(b)
- Total	13.1	106.3	101.1	86.7	n.a
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Royalties for Regions – Regional and State-wide Initiatives					
- Savings contribution	-	-25.0	-25.0	-25.0	-25.0
- Allocation for Pilbara Revitalisation Plan ^(c)	-120.0	-60.0	-60.0	-60.0	-
- Total	-120.0	-85.0	-85.0	-85.0	-25.0

(a) Further information is contained in Appendix 3 of the 2008-09 *Government Mid-year Financial Projections Statement* and Appendix 3 of the 2008-09 *Pre-election Financial Projections Statement*. Figures for 2012-13 were not published in these publications.

(b) *Royalties for Regions* funding and associated spending for 2012-13 were not available at the time of the 2008-09 mid-year review.

(c) Details of this initiative are shown under the Department of Regional Development and Lands.

Note: Columns may not add due to rounding.

Savings Contribution

As part of the corrective measures introduced by the Government in framing this budget, an amount of \$100 million over four years (\$25 million per annum from 2009-10) has been withdrawn from the *Royalties for Regions* spending program.

Sport and Recreation

Table 23

POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Sport and Recreation					
Capital Works Audit - Major Stadium	-76.9	-15.1	-9.6	-232.8	-283.3
- Total	-76.9	-15.1	-9.6	-232.8	-283.3

Note: Columns may not add due to rounding.

Capital Works Audit - Major Stadium

The Government has deferred a decision on the development of a major stadium for two years.

State Development

Table 24

POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW ^(a)					
Department of State Development					
- Royalties for Regions – Ord-East Kimberley Expansion project ^(b)	14.0	86.0	60.0	60.0	-
- Total	14.0	86.0	60.0	60.0	-

(a) Further information is contained in Appendix 3 of the 2008-09 *Government Mid-year Financial Projections Statement* and Appendix 3 of the 2008-09 *Pre-election Financial Projections Statement*. Figures for 2012-13 were not published in these publications that only provided details for the then official forward estimates period.

(b) This policy decision was reflected in the 2008-09 mid-year review within the former Department of Industry and Resources. Since this decision was made project cashflows have also been revised.

Note: Columns may not add due to rounding.

Verve Energy

Table 25

POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Verve Energy					
- High Efficiency Gas Turbines	-	58.3	187.9	17.3	-
- Total	-	58.3	187.9	17.3	-

Note: Columns may not add due to rounding.

High Efficiency Gas Turbines

Verve Energy will invest \$263.4 million on two High Efficiency Gas Turbines (HEGT), each with a capacity of 100 megawatts, which are scheduled to commence operation in 2011. These units will increase security of supply in the South West Interconnected System (SWIS). Additionally, this investment will provide Verve Energy with a flexible and efficient electricity source to ensure it can efficiently and effectively perform its duties as the sole provider of market support services, particularly balancing services in the SWIS.

The HEGT have significantly higher efficiency than Verve Energy's existing Open Cycle Gas Turbine plant, which currently assists in providing balancing services. For example, at full load the existing Pinjar unit 11 has an efficiency of 29% while the HEGT at full load has an efficiency of 39%.

Water Corporation

Table 26

POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Water Corporation					
- Capital Works Audit adjustments	-	-123.1	-101.7	-175.5	-160.6
- Total	-	-123.1	-101.7	-175.5	-160.6

Note: Columns may not add due to rounding.

Capital Works Audit

The Water Corporation's Capital Works Audit savings are \$560.8 million over the forward estimates period. An estimated \$185 million of these savings is associated with updated forecasts to take account of reduced cost escalation and lower growth from the economic downturn.

The remaining \$375.8 million relates to reducing a number of the Corporation's strategic programs and deferring works on water and wastewater systems.

Strategic programs to be reduced include the Wastewater Overflow Risk Management (\$58 million), Dam Safety (\$78 million) and Infill Sewerage (\$85 million) programs³. In the case of these strategic programs, considerable progress (in excess of 70%) has been made in achieving the programs' original objectives, with the remaining work to be reconsidered in the future.

Various water supply pipe and equipment works throughout the State (\$31.5 million), water storage tanks and reservoirs (\$10.4 million), various water and wastewater treatment plants (\$49.5 million) and new water sources or water quality improvements (\$63.4 million) will also be deferred.

Western Australian Land Authority

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
TOTAL PUBLIC SECTOR ASSET INVESTMENT**

Table 27

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW ^(a)					
Western Australian Land Authority					
- Halls Creek Residential Land Requirements	-	6.1	6.4	-	-
- Busselton Jetty Refurbishment and Foreshore Revitalisation	0.5	0.7	39.4	17.1	9.8
- <i>Total</i>	0.5	6.8	45.8	17.1	9.8
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Western Australian Land Authority					
- Royalties for Regions – South Hedland Town Centre Revitalisation	4.2	11.0	8.1	-	-
- Australian Marine Complex Common User Facility – Services and Supply Base	1.5	33.5	-	-	-
Capital Works Audit Adjustments					
- Perth Waterfront – Stage 1	-0.4	0.3	-0.2	-37.1	-103.4
- Albany Waterfront	-4.7	-1.0	5.4	0.2	-
- Bunbury Waterfront – Stage 1	-	-0.3	-0.2	-	-
- Industry and Infrastructure Land Acquisition and Development	-27.2	18.8	-22.6	-8.7	-3.7
- Perth and Peel Land Acquisition and Development	-1.5	-2.8	5.1	-5.6	-15.2
- Regional Land Acquisition and Development	9.0	-32.8	15.0	-23.4	-75.6
- <i>Total</i>	-19.1	26.7	10.6	-74.6	-197.9

(a) Further information is contained in Appendix 3 of the 2008-09 *Government Mid-year Financial Projections Statement* and Appendix 3 of the 2008-09 *Pre-election Financial Projections Statement*. Figures for 2012-13 were not published in these publications.

Note: Columns may not add due to rounding.

Royalties for Regions - South Hedland Town Centre Revitalisation

Expenditure of \$23.3 million across the forward estimates has been reallocated from the Housing Authority to the Western Australian Land Authority. This will support the first two stages of a development plan for a comprehensive revitalisation strategy to improve confidence in the future of the town.

³ Due to current global financial circumstances, the Infill Sewerage Program has been deferred. Considerable progress has been made in delivering this program to date, and the remaining work will be reconsidered once the current financial environment improves.

Australian Marine Complex Common User Facility – Services and Supply Base

Expenditure of \$35 million has been approved to construct a service and supply base at the Australian Marine Complex Common User Facility to initially meet the needs of the Chevron Gorgon Project.

Capital Works Audit - Perth Waterfront Project – Stage 1

As part of the Capital Works Audit, commencement of the Perth Waterfront project has been deferred with \$140.8 million of expenditure being taken out of the forward estimates. The Government supports a redevelopment of the Perth Foreshore as a vital project for the city and has approved expenditure of \$7.2 million across the forward estimates to undertake strategic planning in order to maximise the future benefit of this project. It is anticipated that the delivery of this project will involve a greater level of private sector investment than embodied in the plan of the previous government.

Capital Works Audit – Revised Capital Works Program

As part of the Capital Works Audit and in light of the current economic climate, LandCorp has assessed its position in the market and revised its revenue and expenditure projections across the forward estimates. This has resulted in a reduction in its Land Acquisition and Development programs, including the Bunbury Waterfront and Albany Waterfront Projects.

Western Australia Police

Table 28

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
TOTAL PUBLIC SECTOR ASSET INVESTMENT**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW ^(a)					
Western Australia Police					
- New Police Stations and Upgrades	3.0	15.2	4.9	0.9	-
- Two Drug Buses	-	5.0	-	-	-
- Metropolitan Radio Network	-	20.1	11.2	-	-
- South Metropolitan Region Police Station	5.0	5.0	-	-	-
- <i>Total</i>	8.0	45.2	16.1	0.9	-
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Western Australia Police					
Capital Works Audit Adjustments					
- Two Drug Buses - deferral	-	-5.0	5.0	-	-
- South Metropolitan Region Police Station	-5.0	-5.0	5.0	5.0	-
Other Capital Policy Decisions					
- Accommodation for Additional Police Officers and Police Specialists	-	6.0	-	-	-
- Helicopter Replacement	-	24.0	-	-	-
- Two Drug Buses - reprioritisation	-	-	-5.0	-	-
- ICT Continuity and Development	-	-	5.0	-	-
- Economic Audit –Traffic Infringement Processing	-	30.0	-	-	-
- <i>Total</i>	-5.0	50.0	10.0	5.0	-

(a) Further information is contained in Appendix 3 of the 2008-09 *Government Mid-year Financial Projections Statement* and Appendix 3 of the 2008-09 *Pre-election Financial Projections Statement*. Figures for 2012-13 were not published in these publications.

Note: Columns may not add due to rounding.

Accommodation for Additional Police Officers and Police Specialists

Expenditure of \$6 million is planned in 2009-10 for additional accommodation associated with the Government's election commitment to deploy additional police officers and police specialists.

Helicopter Replacement

Expenditure of \$24 million in 2009-10 has been approved to replace the current Western Australia Police helicopter. This expenditure is to be offset against the sale of surplus land assets (through the Department of Planning) within the forward estimates period.

Capital Works Audit – Two Drug Buses

As a recommendation of the Capital Works Audit, this project had been deferred by one year. However, as part of a subsequent re-prioritisation of the Western Australia Police's Asset Investment Program by the Minister for Police, funding totalling \$24.7 million, from the two drug buses along with funding previously allocated for the Carnarvon and Secret Harbour Police Stations, has been re-allocated to ICT Continuity and Development in 2009-10 and 2010-11.

Capital Works Audit - South Metropolitan Region Police Station

Expenditure on this project has been deferred by two years to allow the Western Australia Police to progress planning of the station.

Economic Audit –Traffic Infringement Processing

Capital expenditure of \$30 million in 2009-10 will be directed to the Traffic Infringement Processing function to improve and streamline processes. This includes the digitisation of the existing speed and red light camera fleet and related processing systems.

Western Australian Sports Centre Trust

Table 29

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
TOTAL PUBLIC SECTOR ASSET INVESTMENT**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Western Australian Sports Centre Trust					
- Repairs to Challenge Stadium Roof	0.5	-	-	-	-
- Perth Arena Fit Out Costs	0.1	4.1	23.1	5.9	-
- <i>Total</i>	0.6	4.1	23.1	5.9	-

Note: Columns may not add due to rounding.

Repairs to Challenge Stadium Roof

An increase in capital expenditure of \$450,000 was approved for the Western Australian Sports Centre Trust to conduct repairs to the roof of Challenge Stadium. This will allow elite sporting events to occur at Challenge Stadium without the risk of injury to players and the interruption of games resulting from roof leaks.

Perth Arena Fit-out Cost

Further expenditure of \$33.2 million has been approved over the forward estimates for the fit-out cost associated with the Perth Arena.

Western Power

Table 30

**POLICY DECISIONS SINCE 2008-09 BUDGET AFFECTING
TOTAL PUBLIC SECTOR ASSET INVESTMENT**

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
CHANGES BETWEEN 2008-09 BUDGET AND 2008-09 MID YEAR REVIEW ^(a)					
Western Power					
- Royalties for Regions – Bunbury to Albany Gas Pipeline	-	-	-	20.0	-
- <i>Total</i>	-	-	-	20.0	-
CHANGES BETWEEN 2008-09 MID YEAR REVIEW AND 2009-10 BUDGET					
Western Power					
- State Underground Power Program	-	-	-	20.0	20.0
Capital Works Audit adjustments					
- South West Bulk Reinforcement	-57.0	-61.9	-42.7	-3.3	-
- North Country Reinforcement	-70.0	-121.1	-78.7	-15.5	-
- Grange Resources	-4.0	-37.2	-72.2	-63.6	-2.4
- Plant, Motor Vehicle and IT Replacement	20.7	43.3	0.7	-0.9	7.9
- Transmission Works	-11.9	154.5	44.8	-177.6	-163.0
- Distribution Works	67.9	48.3	52.5	56.3	-73.9
- <i>Total</i>	-54.3	25.9	-95.6	-184.6	-211.4

(a) Further information is contained in Appendix 3 of the 2008-09 *Government Mid-year Financial Projections Statement* and Appendix 3 of the 2008-09 *Pre-election Financial Projections Statement*. Figures for 2012-13 were not published in these publications.

Note: Columns may not add due to rounding.

Capital Works Audit

Western Power's Capital Works Audit savings total \$560 million over the forward estimates period. This includes the deferral of specific transmission projects such as the North Country Reinforcement and Southwest Bulk Reinforcement 330 kV transmission lines, the 220 kV transmission line to support the Grange resources project (which itself has been deferred), and the Busselton to Margaret River 132 kV line.

State Underground Power Program

The 2009-10 Budget provides for additional expenditure of \$40 million to continue the State Underground Power Program (SUPP) into a fifth round. To increase reliability of supply of Western Power's network the SUPP places power lines in the metropolitan area underground with funding provided by the State, Western Power and local governments.

The Western Australian Economy

Overview

Despite the global economic downturn, the Western Australian economy is expected to record strong growth of 8.0% in 2008-09. This primarily reflects the high level of business investment, mainly in the State's resources sector. This investment was financed and commenced prior to the financial crisis. With major resource projects often taking two to three years to complete, there remains substantial investment spending underway in 2008-09.

In the last quarter of 2008 the global economy entered its deepest and most synchronised downturn in decades. The USA, UK, Japan, and Euro area are all in recession, and growth forecasts for emerging economies have been revised down substantially. Commodity prices have fallen, and world trade has contracted sharply.

The International Monetary Fund (IMF)¹, World Bank² and Organisation for Economic Cooperation and Development (OECD)³ all predict that in 2009 the world economy will contract for the first time since World War II, followed by a weak recovery in 2010.

Economic growth in China, Western Australia's largest export market, is forecast to slow in 2009 but remain positive (see *International Conditions* section later in this chapter).

¹ Source: International Monetary Fund, *World Economic Outlook*, April 2009.

² Source: The World Bank, *Global Economic Prospects 2009, Forecast Updates*, 30 March 2009.

³ Source: Organisation for Economic Cooperation and Development, *Economic Outlook, Interim Report*, 31 March 2009.

However, a contraction in Gross State Product (GSP) of 1.25% is forecast for 2009-10, as the global recession intensifies and major investment projects are completed. Helping ease the contraction in 2009-10 is a significant boost in public (or government) investment, which is forecast to increase by an exceptionally strong 26.0%. This includes the impact of the Commonwealth Government’s second stimulus package, and investment decisions of the State Government.

Table 1

MAJOR ECONOMIC AGGREGATES⁴
Western Australia

	2007-08 Actual ^(a)	2008-09 Estimated Actual	2009-10 Budget Estimate	2010-11 Forward Estimate	2011-12 Forward Estimate	2012-13 Forward Estimate
	%	%	%	%	%	%
Real Gross State Product Growth ^(b)	5.2	8.0	-1.25	-0.5	3.75	3.75
Real State Final Demand Growth ^(b)	9.3	8.25	-3.5	-3.75	4.75	4.5
Employment Growth	3.6	3.25	-2.0	0.0	2.0	2.5
Unemployment Rate	3.3	3.25	5.75	6.75	6.0	5.25
Wage Price Index Growth ^(c)	5.8	4.5	3.0	2.75	3.25	4.0
Average Weekly Earnings Growth ^(c)	9.8	2.5	1.5	2.75	3.75	4.0
Population Growth	2.6	3.1	2.4	1.8	1.8	1.8
Perth Consumer Price Index Growth	3.6	3.5	2.5	2.5	3.0	3.0

(a) Gross State Product (GSP) and State Final Demand (SFD) data are based on 2007-08 State Accounts data, released by the Australian Bureau of Statistics (ABS) on 14 November 2008 (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).

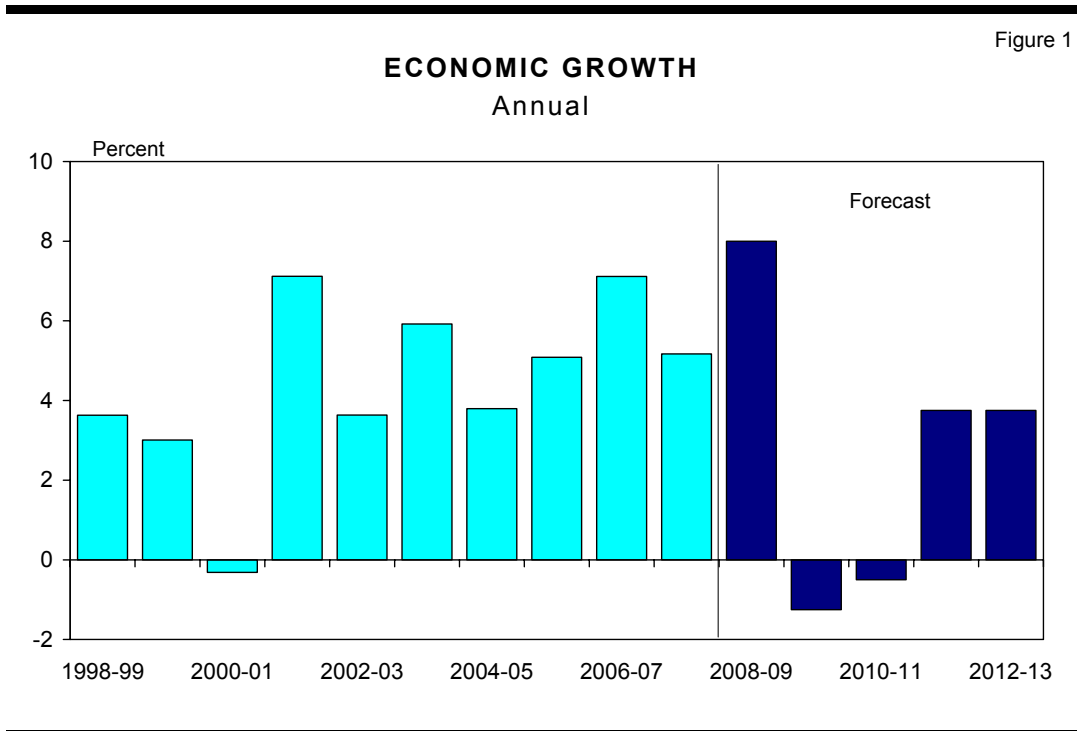
Other forecasting notes: All data are annual averages. In determining the above economic forecasts, currency exchange rates and interest rates are assumed to be constant over the forecast period, and are based on actual data prior to the forecasting cut-off date. The forecasts assume no changes in Commonwealth Government policy settings.

The State’s economy is forecast to contract marginally in 2010-11. Domestic activity is forecast to fall by 3.75% in 2010-11, due to reductions in both business and public investment (the latter reflecting the unwinding of the Commonwealth stimulus spending in 2009-10). However, the drop in business investment is expected to flow through to a 13% reduction in imports, leading to growth in net exports of 11.25%. This forecast net export boost is expected to largely offset the contraction in domestic activity.

A gradual recovery is forecast for the global economy over 2010. In response, the outlook for 2011-12 and beyond is for improving exports and investment growth. However, imports will start to rise again as business investment and consumer spending strengthens, leading to only a small contribution of net exports to overall economic growth.

⁴ The forecasts of economic activity in Tables 1 and 2 and through most of this chapter are in real terms, estimating changes in the volume of activity excluding the effects of price changes.

The Western Australian economy is forecast to grow by 3.75% in both 2011-12 and 2012-13, which is slightly below the long-run average growth rate⁵ of 4.4%. Consumer spending and business investment are expected to be the main contributors to growth.



When export prices fall, the volume of imports that can be purchased for a given volume of exports reduces. Falling export prices and rising import prices are expected to result in Australia’s terms of trade declining by as much as 15% in 2009⁶. This is expected to dampen consumer spending in 2009-10.

The negative impact of lower commodity prices was more than offset by the fall in the Australian dollar from mid-2008. In fact, Australian dollar export prices rose by almost 50% in the last three quarters of 2008. Recently, however, the Australian dollar has appreciated while commodity prices continue to fall. Australian dollar export prices have declined by 4.6% over the March quarter 2009⁷. If this trend persists, it will reduce the revenue and competitiveness of Australia’s exporters.

⁵ The long-run growth rate is calculated as the ten year average growth rate.

⁶ Source: ANZ Economics and Markets Research, *Australian International Trade Prices*, March quarter 2009. The terms of trade is the ratio of export prices to import prices.

⁷ Source: ABS Catalogue number 6457.0.

COMPONENTS OF GROSS STATE PRODUCT
Western Australia

	2007-08 Actual ^(a) %	2008-09 Estimated Actual %	2009-10 Budget Estimate %	2010-11 Forward Estimate %	2011-12 Forward Estimate %	2012-13 Forward Estimate %
ANNUAL AVERAGE GROWTH^(b)						
Private						
Household Consumption	5.0	2.75	2.0	3.5	4.25	4.25
Business Investment	22.6	24.5	-17.5	-17.0	5.75	7.5
Dwelling Investment ^(c)	9.9	-5.25	-2.0	3.0	5.25	6.0
Public						
Consumption	3.6	3.0	3.0	-0.5	2.25	2.0
Investment	8.1	14.25	26.0	-18.0	10.5	-3.5
State Final Demand	9.3	8.25	-3.5	-3.75	4.75	4.5
External Sector						
Merchandise Exports	2.9	2.0	-0.75	1.75	2.5	3.5
Merchandise Imports	13.8	8.5	-8.75	-13.0	5.25	8.25
Net Exports ^(d)	-8.3	6.5	6.75	11.25	1.0	0.75
Balancing Item ^(e)	8.8	8.0	-1.25	-0.5	3.75	3.75
Gross State Product	5.2	8.0	-1.25	-0.5	3.75	3.75
CONTRIBUTIONS TO GROWTH^(b)						
Private						
Household Consumption	2.0	1.1	0.8	1.4	1.8	1.8
Business Investment	5.1	6.4	-5.3	-4.3	1.2	1.6
Dwelling Investment ^(c)	0.7	-0.4	-0.1	0.2	0.3	0.4
Public						
Consumption	0.4	0.4	0.3	-0.1	0.3	0.2
Investment	0.3	0.5	1.0	-0.9	0.4	-0.2
State Final Demand	8.2	7.6	-3.2	-3.4	4.2	3.9
External Sector						
Merchandise Exports	1.7	0.9	-0.3	0.7	1.1	1.5
Merchandise Imports	-4.0	-1.5	1.6	2.1	-0.8	-1.2
Net Exports ^(d)	-2.3	1.6	1.6	2.9	0.4	0.2
Balancing Item ^(e)	-1.4	-1.2	0.3	0.1	-0.6	-0.6
Gross State Product	5.2	8.0	-1.25	-0.5	3.75	3.75

(a) Based on 2007-08 State Accounts data, released on 14 November 2008 (ABS Catalogue Number 5220.0).

(b) Growth rates and contributions to growth for ownership transfer costs, services exports and imports, changes in stocks, and the statistical discrepancy components of the State Accounts are not separately reported.

(c) Dwelling investment excludes ownership transfer costs.

(d) Net exports refer to international trade in both merchandise and services.

(e) The balancing item includes interstate trade, changes in stocks and the statistical discrepancy. Given the balancing item's significant size (over the past few years it has fluctuated between 15% and 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 and also omission of some line items – see point (b) above.

International Conditions

The world economy is predicted to contract in 2009. The IMF revised down its projections of global economic activity in the April 2009 World Economic Outlook⁸. The IMF now expects the global economy to contract by 1.3% in 2009. Economic output is forecast to contract by 3.8% in the advanced economies, while emerging and developing economies grow by 1.6%. The World Bank also recently updated its global economic forecasts, projecting a global economic contraction of 1.7% in 2009. Many governments, including the Australian government, have responded to the global crisis with highly expansionary monetary policies and large fiscal stimulus packages, but in most cases these have not averted recessions.

World trade is forecast to record its largest decline in 80 years, with the sharpest losses in East Asia⁹. According to the IMF, the world trade volume of goods and services is forecast to contract by 11% in 2009. This follows average growth of around 7.6% over the past five years.

The rate of global contraction is expected to ease in the second half of 2009, before a recovery builds gradually over 2010. Global output is forecast to grow by 1.9% in 2010¹⁰. Economic growth in high-income OECD economies is expected to recover to 2% in 2010¹¹. This is expected to provide a return to growth in world trade, with the IMF forecasting growth of 0.6% in 2010. By the end of 2010, unemployment rates in many developed countries are expected to reach double figures for the first time since the early 1990s¹².

The economies of Western Australia's main export markets face very different outlooks. However, based on the IMF forecasts¹³, the weighted average economic output¹⁴ of the State's key export markets in 2009 will contract by 0.7%, somewhat steeper than the recession following the 1997-98 Asian crisis (Figure 2) during which growth contracted by 0.2%. The economy of the State's largest export market, China, is forecast to grow by 6.5% in 2009. The weighted average growth rate is expected to pick up to 3.1% in 2010, due mainly to forecast growth of 7.5% in China and 5.6% in India.

⁸ Source: International Monetary Fund, *World Economic Outlook*, April 2009.

⁹ Source: The World Bank, *Global Economic Prospects 2009, Forecast Update*, 30 March 2009.

¹⁰ Source: International Monetary Fund, *World Economic Outlook*, April 2009.

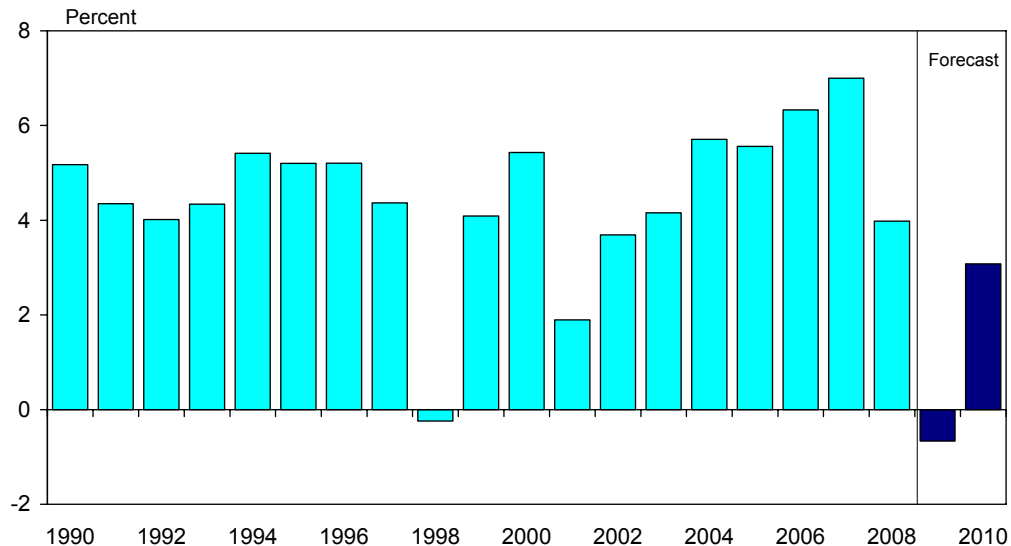
¹¹ Source: The World Bank, *Global Economic Prospects 2009, Forecast Update*, 30 March 2009.

¹² Source: Organisation for Economic Cooperation and Development, *Economic Outlook, Interim Report*, 31 March 2009.

¹³ Source: International Monetary Fund, *World Economic Outlook*, April 2009.

¹⁴ Created by the Department of Treasury and Finance to gauge the growth in Western Australia's export market. The indicator is calculated as the weighted average economic growth of the top 13 export markets - China, Japan, South Korea, India, the UK, Singapore, the United Arab Emirates, the USA, Thailand, Taiwan, New Zealand, Indonesia and Italy. These accounted for 88.8% of total exports from Western Australia over 2008. The weights are based on the percentage share of each country in Western Australia's exports over the year.

Figure 2

GROWTH IN WESTERN AUSTRALIA'S KEY EXPORT MARKETS^(a)

(a) Weighted average economic growth, percentage change.

Source: International Monetary Fund, *World Economic Outlook*, April 2009, and Department of Treasury and Finance.

Western Australia's Domestic Activity

Consumer Spending

Real household consumption expenditure has slowed sharply from its recent peak of 6.6% in mid-2007. With slowing growth in employment, wages and asset values, consumer spending growth is expected to halve to around 2.75% in 2008-09.

In the face of uncertainty and falling asset prices (household net worth fell by an estimated 10% in 2008¹⁵), household savings have increased. Australia's ratio of household savings to income rose from 0.1% to 8.5% between the December quarters of 2007 and 2008. There has been a marked drop in the stock of margin loans outstanding, and credit card debt is levelling off after several years of strong growth¹⁶.

Overall, after weak growth in 2009-10 (2.0%), household consumption growth is expected to pick-up as the rebuilding of balance sheets strengthens the financial position of households and restores confidence. Consumer spending is expected to return to near its long-run average growth by 2011-12.

Household consumption growth is expected to slow further to 2.0% in 2009-10, before picking up to 3.5% in 2010-11 and 4.25% in both 2011-12 and 2012-13.

¹⁵ Source: Reserve Bank of Australia, *Financial Stability Review*, March 2009.

¹⁶ Source: Reserve Bank of Australia, *Financial Stability Review*, March 2009.

Business Investment

Business investment is forecast to grow by a very strong 24.5% in 2008-09, but fall by 17.5% in 2009-10 and a further 17.0% in 2010-11. Growth is expected to resume as the global economy recovers in the medium term, with investment forecast to increase by 5.75% in 2011-12 and 7.5% in 2012-13.

Business investment in Western Australia grew strongly for most of the 2000s, increasing by more than 20% in five of the past six financial years. The resources sector has been the main engine of growth, with the mining industry accounting for 77% of private new capital expenditure in the year to December 2008¹⁷. This investment is in response to the strong demand and high prices for export commodities in the mid 2000s.

In the short term, investment will continue to be buoyed by major projects currently under way. In December 2008 there was \$23.3 billion worth of engineering construction work still to be done on projects in Western Australia¹⁸. The Australian Bureau of Statistics' December survey of expected capital expenditure points to extremely strong growth in investment in Western Australia in 2008-09¹⁹. Spending on the \$11.2 billion Pluto project is expected to peak in 2009. This pipeline of work in progress will generate strong growth in investment in 2008-09, and will cushion what might otherwise be a more precipitous fall in activity in 2009-10.

Market conditions changed dramatically in 2008-09. The global economy has entered what is expected to be a deep and prolonged recession. The State's main export markets, China and Japan, have reduced their demand for commodities, and commodity prices have fallen, although this has been partly offset by a drop in the exchange rate.

Between November 2008 and February 2009, Australian business confidence was at a level below that of the 1991 recession. Confidence rose in March 2009, but it is still well below levels recorded over most of 2008²⁰.

Western Australia has the most export-intensive economy of all the States and Territories, making it very exposed to the global downturn.

The poor outlook has affected investment intentions, which have also dropped sharply in the past six months²¹.

Nevertheless, the volume of investment is expected to remain above the levels of the resource boom years of 2005-06 and 2006-07 (Figure 3).

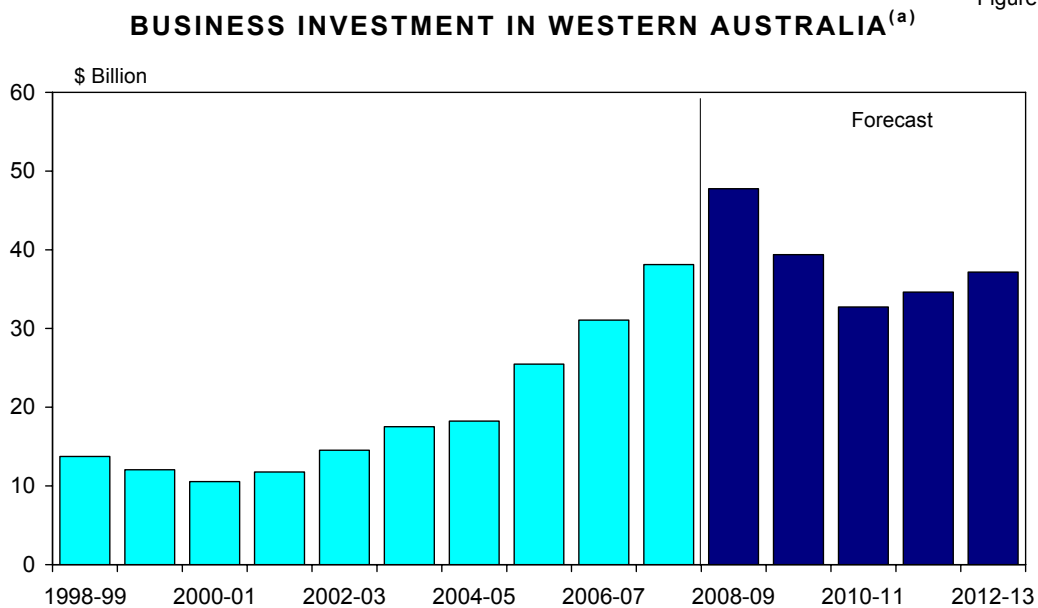
¹⁷ Source: ABS catalogue number 5625.0, *Private New Capital Expenditure and Expected Expenditure*, December 2008.

¹⁸ Source: ABS Catalogue number 8762.0, *Engineering Construction Activity, Australia*, December 2008.

¹⁹ Source: ABS Catalogue number 5625.0, *Private New Capital Expenditure and Expected Expenditure*, Australia December 2008.

²⁰ National Australia Bank *Monthly Business Survey*, March 2009.

²¹ Commonwealth Bank and Chamber of Commerce and Industry *Survey of WA Business Expectations*, March 2009.



(a) Chain weighted reference year for measure is 2006-07.

Note: Excludes net purchases of second-hand public sector assets by the private sector.

Because of its resource focus, business investment in Western Australia is typically very ‘lumpy’ and volatile. Projects can take a long time to plan, progress and complete, so business investment tends to lag economic conditions.

The forecasts of future business investment in this chapter are not based on assumptions about whether or when any particular project is likely to proceed, focusing instead on underlying trends, market conditions and other macro-economic influences on investment levels. In reality, the timing and magnitude of individual large projects will have a significant impact on the year-to-year growth pattern of business investment in Western Australia. There is, therefore, a significant level of uncertainty in the forecasts (see *Risks to the Outlook* section).

Housing Construction Activity²²

Western Australia’s housing market has been in a cyclical downturn since 2006. Leading indicators of dwelling construction, such as building approvals and dwelling commencements, fell considerably in the year to February 2009, and housing finance levels fell in 2008.

²² Dwelling investment consists of new dwelling construction, residential alterations and additions, and ownership transfer costs. Ownership transfer costs (which typically comprise around a quarter of total dwelling investment for Western Australia) include 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).

Perth house prices fell in each quarter of 2008, with the Australian Bureau of Statistics' Established House Price Index for Perth decreasing by 7.9% in the year to the December quarter 2008, and the Real Estate Institute of Western Australia's median house price estimate falling by 12.6% over the year²³.

First-home owner activity has been relatively strong, however, due to rising rents, lower house prices, low interest rates and substantially higher government subsidies²⁴.

In December 2008 there was still a large pipeline of residential building under construction. However, with the level of commencement of new housing falling, the level of housing construction activity in the pipeline decreased in the December quarter of 2008 for the first time in more than five years. This work underway will help to sustain activity in the short term, but dwelling construction is nonetheless forecast to decrease by 5.25% in 2008-09, and by 2.0% in 2009-10.

Dwelling investment is forecast to grow by 3.0% in 2010-11, before returning to around longer run average growth rates, with growth of 5.25% in 2011-12 and 6.0% in 2012-13.

Established house prices are expected to fall by around 4% in 2009-10, but the improvement in affordability that this will cause is expected to help support a recovery in the number of house sales (see also the *Taxes on Property* section in Chapter 3).

Public Sector Spending

Government consumption and investment comprises spending by Commonwealth, State and local governments in 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% in 2007-08²⁵.

Following growth of 3.6% in 2007-08, public consumption is expected to grow by 3.0% in 2008-09 and 2009-10, before contracting by 0.5% in 2010-11. This pattern reflects the effects of savings measures implemented in this budget, as well the influence of stimulus spending in Western Australia by the State and Commonwealth Governments (largely school and housing maintenance), most of which is expected in 2009-10.

Forecast growth in public investment (Commonwealth, State and local governments) comprises mainly the Western Australian Government's capital expenditure program and planned capital expenditure from the Commonwealth Government's stimulus package. Growth of 14.25% is expected for 2008-09 and 26.0% in 2009-10. Once the Commonwealth Government's fiscal stimulus package spending tails off, public investment is forecast to decline by 18.0% in 2010-11, before growing by 10.5% in 2011-12. As with business investment, public investment tends to be quite volatile and lumpy, reflecting the timing and magnitude of large projects.

²³ Source: Real Estate Institute of Western Australia (REIWA), *Market Update*, December quarter 2008. Over 2008, greater first home owner activity has led to the median house price measure being affected by the sale of a larger number of lower-priced homes. The ABS measure is probably showing a smaller decrease as it is less affected by compositional factors.

²⁴ The Commonwealth Government's temporary boost to the First Home Owners' Grant was announced in October 2008 and scheduled to apply until June 2009. It increased the grant from \$7,000 to \$14,000 for first home owners buying established homes, and from \$7,000 to \$21,000 to build or purchase a new home.

²⁵ Source: ABS Catalogue number 5220.0, *Australian National Accounts: State Accounts, 2007-08*, November 2008.

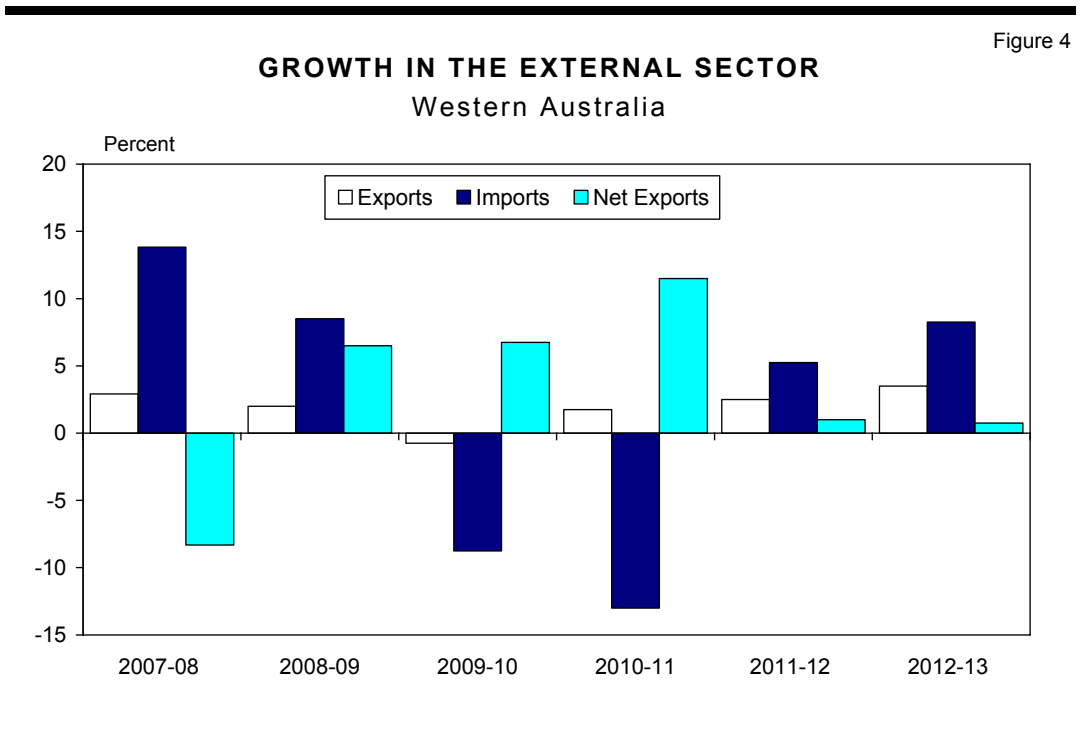
For details of the Western Australian Government’s expenditure and major investment projects, see Chapter 4: *General Government Expenses* and Chapter 5: *Capital Investment*.

Net Exports

The State’s international trade outlook depends on the extent to which its major Asian export markets are able to sustain economic growth and demand for commodities despite the global recession. As highlighted previously, global economic output is projected to contract by 1.3% in 2009, the first contraction in 60 years, before growing by 1.9% in 2010²⁶.

Growth in the major emerging economies (Brazil, Russia, India and China) is forecast to slow significantly in 2009²⁷.

Western Australia’s net exports (exports less imports) are forecast to grow by 6.5% in 2008-09, contributing 1.6 percentage points to economic growth. Growth in both export and import volumes is forecast to slow.



Slower growth in consumer spending and falling business investment mean that imports are expected to fall at a much faster rate than exports in 2009-10. As a result, despite modest export growth, net exports are forecast to contribute significantly to the States overall economic growth, with a 6.75% rise.

²⁶ Source: International Monetary Fund, *World Economic Outlook*, April 2009.

²⁷ Source: The World Bank, *Global Economic Prospects 2009, Forecast Update*, 30 March 2009.

With a mild global recovery expected towards the end of 2010, net exports are forecast to grow by 11.25% in 2010-11, with export volumes projected to rise a little stronger, while import volumes fall further due to the decline in business investment.

Recent strong investment growth in the resources sector and the expected global recovery starting in 2010 are forecast to raise export capacity and production in 2011-12 and 2012-13. Imports of consumer goods and plant and equipment are also forecast to grow due to the expected recoveries in consumer spending and business investment. As a result, net exports are forecast to increase by 1.0% in 2011-12 and 0.75% in 2012-13, and therefore make only minor contributions to GSP growth in those years.

Exports

Western Australia's merchandise export volumes are forecast to grow by 2.0% in 2008-09, while services exports are forecast to grow by 4.5%. The weak merchandise export forecast for 2008-09 follows announcements of production cuts by major producers, due to depressed international demand for commodities.

The first full year effect of the global downturn in trade will be felt in 2009-10. Merchandise exports are forecast to contract by 0.75%, and growth in exports of services is forecast to slow to 3.5%.

These export forecasts are in volume terms. Commodity prices are forecast to peak in mid 2008-09 and then decline (see also Chapter 3: *General Government Revenue*). As a result, the value of merchandise exports is forecast to grow by 10.3% in 2008-09, and then fall by 9.5% in 2009-10.

With major forecasters projecting a mild global economic recovery in 2010, growth in export volumes is expected to start picking up over 2010-11, with growth rates of 1.75% forecast for merchandise exports and 4.0% for services.

Table 3

WESTERN AUSTRALIA'S MAJOR EXPORT DESTINATIONS
Year to February 2009

	Export Value \$ Billion	Share of Total Western Australian Exports %	IMF Forecast GDP Growth Rate ^(a)	
			2009 %	2010 %
China	24.5	28.0	6.5	7.5
Japan	18.8	21.5	-6.2	0.5
UK	7.3	8.4	-4.1	-0.4
South Korea	7.3	8.4	-4.0	1.5
India	5.8	6.6	4.5	5.6
Singapore	3.2	3.7	-10	-0.1
United Arab Emirates	2.9	3.3	-0.6	1.6
USA	2.6	3.0	-2.8	0.0
Thailand	2.6	2.9	-3.0	1.0
Taiwan	1.6	1.9	-7.5	0.0

(a) International Monetary Fund (IMF), *World Economic Outlook*, April 2009.

As the global economic recovery gains momentum merchandise exports are forecast to grow by 2.5% in 2011-12 and 3.5% in 2012-13, while services exports are forecast to grow by 4.5% and 5.0%, respectively.

Imports

Merchandise imports are forecast to grow by 8.5% in 2008-09, with the pipeline of work on resource projects under way a key driver of this growth. The atypical jump in services imports of 53.6% in 2007-08 is assumed to unwind. Services imports are forecast to fall by 41.5%.

In 2009-10, merchandise imports are forecast to fall by 8.75% and services imports by 10.5%, due to weak growth in consumer spending and the expected contraction in business investment.

Weak consumption growth and falling investment also underpin the forecast fall in merchandise imports of 13.0% in 2010-11, although services imports are forecast to rise by 2.5%.

Growth in merchandise and services imports is expected to move towards long-run averages by 2011-12 and 2012-13. Merchandise imports are forecast to grow by 5.25% in 2011-12 and 8.25% in 2012-13, and services imports by 4.0% and 8.5%, respectively.

Labour Market

Employment

Western Australia’s employment growth averaged 3.4% a year in the five years to 2007-08. Although employment is currently trending downwards, strong growth over most of 2008 means that employment is expected to be 3.25% higher in 2008-09 compared to the average level of 2007-08.

All forward indicators of labour demand in Western Australia suggest that demand has begun to decline sharply. Job vacancies²⁸ have fallen sharply and business expectations surveys²⁹ indicate that hiring intentions are at their weakest since the recession of the early 1990s.

Employment growth is likely to be constrained by falling business investment and weak consumption growth.

These factors account for the forecast reduction in employment of 2.0% in 2009-10, followed by unchanged employment levels in 2010-11. Employment is then forecast to grow by 2.0% in 2011-12 and 2.5% in 2012-13, as growth in consumer spending picks up.

Figure 5



²⁸ Such as the Department of Employment and Workplace Relations’ Skilled Vacancies Index and the ANZ Job Advertisements series.

²⁹ Such as: the Commonwealth Bank and Chamber of Commerce and Industry, *Survey of WA Business Expectations*, March 2009 and National Australian Bank, *Monthly Business Survey*, March 2009.

Unemployment

Western Australia's unemployment rate rose to 4.9% in March 2009, an increase of more than two percentage points on the 34-year low of 2.3% in October 2008. Results for April indicated an unemployment rate of 4.5%.

Labour market conditions are expected to deteriorate further in the short term. The unemployment rate is forecast to rise from an estimated annual average of 3.25% in 2008-09 to 5.75% in 2009-10 and a forecast peak of 6.75% in 2010-11. This is consistent with the pattern of employment growth outlined above.

However, these forecasts assume that Western Australia's labour force participation rate will fall from its recent record highs. This has happened in many previous economic downturns, as some people without jobs are discouraged from actively seeking work by the poorer prospects of finding employment. The record highs in participation reached in 2008 were a response to unusually strong labour demand, and are unlikely to be sustainable. Indeed, the fall in the unemployment rate in April was due to a substantial decline in participation in the labour market.

Other things being equal, employment must increase at the same rate as growth in the adult population to prevent the unemployment rate from rising. If labour force participation decreases continue (as is forecast), then lower employment will not fully flow through to a higher unemployment rate. If the participation rate remains close to historical highs, however, and employment follows the forecast pattern, the unemployment rate will accelerate more rapidly (see *Domestic Risks* section).

Prices

Consumer Prices

Perth's inflation peaked at 4.9% in the September quarter of 2008 but dropped to 3.7% in the December quarter, due largely to a decrease in fuel prices. The price of fuel has been volatile in recent years, but the underlying trend has been of strong growth driven by high and rising world oil prices. This trend reversed in the December quarter with a 17% decrease in Perth's fuel price index.

Price growth is forecast to slow as a result of lower global commodity prices (notably oil), growing spare capacity, weaker wages growth and subdued private demand. The build up of inflationary pressure in 2007 and most of 2008 will nonetheless influence the overall inflation rate for 2008-09, when Perth's Consumer Price Index (CPI) is estimated to increase by 3.5%.

Perth's price growth has tracked national inflation closely in recent quarters, and similar price movements are likely at State and national levels in the next few quarters. The Reserve Bank of Australia expects national inflation over the medium term to be lower than in the past two years³⁰. Perth's CPI growth is expected to ease to 2.5% in 2009-10 and 2010-11, broadly in line with national estimates.

Perth's CPI is expected to grow by 3.0% in both 2011-12 and 2012-13, slightly below the long-term growth rate of 3.2% a year.

Wages

Strong labour demand and tight labour supply saw Western Australia's Wage Price Index³¹ grow by 5.8% in 2007-08³². Until 2007, wage pressures were mainly confined to those industries directly affected by the resource and housing booms (such as mining, construction and property and business services). However, in 2007-08 wage pressures broadened, and wages in all industries³³ grew faster than the long-term average growth rate of the State's overall Wage Price Index of 3.9%.

As highlighted previously, labour demand has weakened substantially, but the change in economic conditions will take time to filter through to wages growth. The Wage Price Index is forecast to grow by 4.5% in 2008-09 before slowing to 3.0% in 2009-10 and 2.75% in 2010-11 (the lowest growth rate since 1999-2000).

As economic conditions improve, Wage Price Index growth is forecast to rise moderately to 3.25% in 2011-12 and 4.0% in 2012-13, bringing growth back to its long-term average of 3.9%.

Growth in average weekly earnings will be driven by the same factors affecting the Wage Price Index, but earnings are also affected by compositional changes in the workforce, making them a more volatile wage growth measure than the Wage Price Index³⁴. These compositional changes tended to result in earnings growth exceeding Wage Price Index growth in recent years, because employment growth in full-time jobs and in high-paying industries and occupations was faster than average. Average weekly earnings growth peaked at 9.8% in 2007-08³⁵.

³⁰ Source: Statement By Glenn Stevens, Governor – *Monetary Policy*, Reserve Bank of Australia, 7 April 2009.

³¹ 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.

³² Source: ABS Catalogue number 6345.0, *Labour Price Index, Australia*, December 2008.

³³ Data at the State level are only available for selected industries.

³⁴ 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.

³⁵ Source: ABS Catalogue number 6302.0, *Average Weekly Earnings, Australia*, November 2008.

The compositional factors that drove rapid growth in average weekly earnings in recent years are expected to reverse over the coming financial year. Full-time employment has declined while part-time employment has grown in recent months. Not surprisingly, employment in the high-paying mining, construction and financial services sectors is falling³⁶.

These changes mean that average weekly earnings growth is expected to slow by more than growth in the Wage Price Index. Average weekly earnings are forecast to grow by 2.5% over 2008-09 and 1.5% over 2009-10. As economic conditions improve, average weekly earnings growth is forecast to pick up to 2.75% in 2010-11, 3.75% in 2011-12 and 4.0% in 2012-13, bringing growth nearer to its long-term average of 4.2%.

Risks to the Outlook

Western Australia's focus on global resource markets makes it more exposed to the unfolding global economic crisis than the other states. However, its main export market, China, is expected to continue growing in 2009 and the large backlog of business investment still to be done is helping cushion Western Australia's economy, at least in the short term. Similarly, movements in the exchange rate tends to offset variations in commodity prices over the medium-term. These and other global and domestic uncertainties are discussed below.

How these and other risks translate to the State's fiscal outlook can be found in Chapter 2: *Fiscal Strategy and Financial Projections*.

Global Risks

Western Australia's economic outlook is based on assumptions about future global conditions and commodity prices derived from the predictions of the IMF, OECD, Consensus Forecasts and other global forecasters.

However, the rapidly changing and highly unpredictable nature of the global economy at present means that the risks associated with these forecasts are substantial. The extent, depth and duration of the global downturn is still far from clear, and the degree of uncertainty surrounding the global outlook is also much higher than usual.

The current global downturn was precipitated by a severe global financial crisis. Financial conditions appear to have stabilised since early 2009, but there is still a risk of renewed financial collapses spilling over to affect the real economy. For example, balance sheet readjustments could take some time to complete, write-downs may inhibit capital flows and lending, and government interventions such as quarantining problematic financial assets and partial bank nationalisations may not be sufficient to restore confidence in the finance sector.

³⁶ These data are volatile, and employment estimates by State and industry have relatively large sampling errors, so they should be viewed as indicative only.

Unless stabilisation in the financial system translates into renewed financing of investment activity globally, it is unlikely that significant growth in the global economy will be achieved. Risk aversion by lenders could inhibit the effectiveness of stimulatory monetary policy and the capacity for fiscal stimulus will be exhausted. Business investment could be choked off by tight credit, and households' consumption spending would also be affected by tighter lending policies.

Many central banks have reduced interest rates to the point where there is little or no scope to stimulate demand by cutting rates further. Many governments have already extended fiscal stimulus to a point where they have very large deficits. It could take a long time for government balance sheets to return to their positions before the recession, especially if economic growth in the recovery is only modest.

Clearly, if the global downturn is longer or more severe than currently anticipated, or if demand in Western Australia's key export markets is weaker than expected, then Western Australia's export and investment outlook would be adversely affected.

A further risk is global commodity supply. Western Australia was not the only global commodity producer to increase investment in the resource sector in response to high commodity prices during the boom. If increased capacity as a result of this investment leads to an increase in the supply of commodities before global demand starts to recover, commodity prices are likely to remain very weak for a number of years.

Currency movements are both a positive and negative risk to the outlook. During the global economic slowdown in the early 2000s the depreciation of the Australian dollar helped Australia to avoid recession. Similarly, in late 2008 and early 2009 exporters were cushioned to some extent from falling world commodity prices by the depreciation of the Australian dollar. However, since mid-March 2009 the currency has appreciated, and if sustained this could put renewed pressure on exporters' competitiveness and revenues (including, in turn, State Government royalty income). The unprecedented uncertainty in the global economy introduces substantial volatility into the exchange rate, further confusing the outlook for Western Australia's trade and growth.

Domestic Risks

The economic forecasts in this chapter assume no change to domestic monetary and fiscal policy settings, and are based on data available at the forecasting cut-off date in mid-April. Interest rates and exchange rates are assumed to remain constant over the forecast period.

As highlighted above, significantly lower commodity prices are a key risk to the State's fiscal outlook, and could also lead to a more protracted and severe downturn in business investment than forecast. Risk aversion by lenders and tighter credit are also risks to the investment outlook. Small and medium businesses are finding credit more expensive and harder to obtain, and in past recessions this has resulted in late payment and cash flow problems and has brought new investment to a stand-still.

On a more positive note, business investment could be higher than forecast if a single very large, or several moderately large, investment projects are commenced during the forecast period³⁷. In particular, the Gorgon LNG project would have a substantial effect on the State's investment activity if construction commences within the forecast period (a final investment decision is expected in the second half of 2009).

In recent years, export price growth has caused the terms of trade to rise sharply, but falling commodity prices will see this unwinding. If the decrease in export prices is sharper than currently predicted, real incomes could fall more sharply than currently expected. This will impose significant constraints on consumer spending.

During the boom, rising asset prices contributed to growth in consumer spending, but as asset prices have fallen this wealth effect has reversed. Households that borrowed heavily to purchase shares or property, or that were reliant on superannuation returns, have experienced significant financial stress. Any further decreases in house or share prices will add to the weakness of consumer spending as households seek to adjust to reduced superannuation incomes, re-build savings or pay down debt.

Many first-home buyers have been encouraged to enter the housing market by the boost to the First Home Owner Grant scheme in 2008-09. Once this temporary stimulus is removed, activity could drop sharply, flowing through to lower housing construction activity.

As noted earlier, the labour market forecasts assume that the participation rate falls from its recent highs, as people are discouraged from seeking work in a weaker labour market. However, other factors may tend to keep participation rates high. For example, the decrease in the value of superannuation savings may encourage prospective retirees to remain in employment for longer. If the participation rate remained around its recent high of 69% over 2009-10, and employment fell by 2% as predicted, the State's unemployment rate would be closer to 7% than the 5.75% currently forecast. Historically, unemployment has risen quickly during economic downturns, but has been far slower to come down as the economy recovers. In the recession of the early 1990s, Western Australia's trend unemployment rate rose from 5.4% in May 1989 to 10.7% in July 1991. It remained above 7% until 1995, and did not match its pre-recession low until 2004.

The forecasts assume that wage growth slows, but with inflation also expected to ease, the forecasts imply some real wage growth in each of the forecast years. However, a sharper than expected fall in wages may arise if business conditions deteriorate further.

In summary, the risks to the economic outlook for Western Australia are more significant than has been experienced in many decades.

³⁷ As explained earlier in this chapter, the business investment forecasts are not based on assumptions about whether or when any particular project is likely to proceed, focusing instead on underlying trends, market conditions and other macro-economic influences.

Economic and Public Sector Reform

Overview

The Government has commenced an ambitious economic and public sector reform agenda, the centrepiece being an extensive economic audit of the Western Australian public sector. A number of initiatives have also been introduced to address structural issues in the Western Australian economy, including continuation of initiatives to reduce the burden of government regulation and a raft of reforms through the Council of Australian Governments (COAG). The Government has also taken key steps to enhance its ability to plan and deliver the essential infrastructure required to build the State's economic capacity.

Economic Audit

In October 2008, consistent with its election commitment, the Government announced the establishment of an economic audit group to conduct a wide-ranging review of the operational and financial performance of the Western Australian public sector.

To perform this task, an Economic Audit Committee (the Committee) was commissioned by the Government. The Committee comprises six senior economic and public sector management specialists possessing broad experience in financial management, strategy, and government administration.

The Committee's approach was increasingly influenced by the escalating economic imperative to deliver both immediate and sustainable long-term reform measures. To this end, the Committee adopted a two-stage approach to balance the need to effect immediate remedial action as part of the 2009-10 Budget, while establishing the basis for more systemic public sector reform.

In its First Report the Committee gave extensive consideration to:

- the case for significant reform across the Western Australian public sector, based on an analysis of the current economic, financial and service delivery situation;
- the reform directions required to equip the public sector to meet longer term challenges, with a focus on enhancing services to citizens; and
- immediate remedial measures to address current financial and economic pressures within the context of enhanced service delivery.

The Committee submitted its First Report to the Treasurer at the end of March 2009 for consideration as part of the 2009-10 Budget. A second report will be delivered in September 2009.

The Need for Action

The Committee found that the recent dramatic downturn in the global economy reinforced the need for immediate, wide-ranging and substantive public sector reform. Despite significantly increased agency funding (and associated expense growth) over recent years, analysis of recent service delivery outcomes across the Western Australian public sector, including consideration of evidence from the *2009 Report on Government Services*, points to a ‘hit and miss’ record of achievement. For example:

- significant increases in funding to the State’s health system have not resulted in the overall improvement in service outcomes that might reasonably be expected by the community given this level of investment. Elective surgery waiting times have steadily increased and despite recent improvements, the proportion of patients seen on time in public hospital emergency departments remains below the national average;
- despite increased expenditure on public housing in Western Australia, waiting lists have grown from 12,800 in 2003-04 to 16,900 in 2007-08. However, this contrasts with national data showing that satisfaction rates of people living in public housing in Western Australia are relatively high (almost 80% were satisfied compared with 71% nationally);
- both the education and law and order sectors have received significant increases in funding in recent years (for example, Western Australia now has the second highest recurrent spend per school student after the Northern Territory), but neither service area has appeared to achieve broad-ranging, sustained service delivery improvements commensurate with this level of investment; and
- these service areas are all challenged by the relatively high proportion of indigenous population living in remote areas, and the associated high cost of providing services. However, there has been no consistent improvement in outcomes for indigenous people.

The Committee believed that the Western Australian public sector's inability to deliver sustained improvements to service delivery is a consequence of a number of factors, including:

- inflexible, highly prescriptive and outdated processes;
- complex accountability arrangements and poor performance management;
- bureaucratic and cultural barriers to whole of government collaboration and public innovation; and
- unnecessarily burdensome regulatory control of community sector organisations.

Key Themes for Long-Term Reform

The Committee has identified five key themes that will continue to inform its deliberations throughout the Economic Audit process:

- ***Collaborative government*** is needed if public sector agencies are to work better together and with industry and community organisations to develop solutions to complex policy challenges and deliver services that are focused on citizens' needs;
- ***Flexible and innovative approaches*** will be required to meet emerging public and social priorities;
- ***A sustainable public service workforce*** with adequate capacity will be essential to deliver enhanced services;
- ***Better processes*** will enable a more effective translation of ideas and its desired outcomes of the elected Government into services, ensuring clear accountability for outcomes without creating unnecessary bureaucracy and regulation; and
- ***The performance of government and the public sector*** in delivering enhanced services will have to be better measured and managed, supporting continuous improvement.

Immediate Remedial Measures

The Committee also recommended immediate remedial measures to respond to short-term financial pressures while ensuring consistency with the key themes for long-term reform. The Committee endorsed the principles and criteria used by the Government to identify a range of agency specific and sector-wide savings, which total \$1.1 billion over the forward estimates period.

The Committee noted, however, that more fundamental reform is required to ensure that government has at its disposal more flexible and agile means to respond to rapid changes in economic conditions. Furthermore, the Committee recommended more extensive measures to build in sustainable savings across the forward estimates and beyond. Without more extensive measures, ongoing efficiency identification exercises will be required in subsequent years. The Committee was strongly of the view that this would be a poor outcome and that significant change in the management and operation of the Western Australian public sector is required to ensure that Western Australians receive the best possible performance from the public sector on an ongoing basis.

Addressing the Sources of Spending Growth

As a starting point, the Committee analysed the systemic issues that have driven expense and capital works program growth across the public sector, namely:

- employee related expenses;
- transfers (including grants, rebates, concessions and Community Service Obligation (CSO) payments);
- procurement of goods and services; and
- works and asset management practices.

Employee Costs

Employee costs¹ totalled \$7.8 billion in 2007-08 and accounted for around 47% of total general government expenses. Growth in employee related expenses across the public sector should generally be in line with a combination of population growth, inflation and improved productivity to be sustainable over the medium to long term. The Committee's analysis demonstrated that in the order of \$5.2 billion of employee related expenses could not be accounted for by population growth and inflation over the period 2000-01 to 2007-08. Although there are no reliable estimates of public sector productivity, indications are that total productivity growth in Western Australia was not sufficient to explain this gap. The Committee therefore concluded that public sector employee related expenses grew unsustainably over the period, and that reform is needed to contain future growth, particularly given the changed economic circumstances.

At the centre of this reform agenda is the Government's new wages policy, which was announced on 31 March 2009 and will have effect for the renegotiation of agreements that expire after 1 July 2009. The new policy is aimed at ensuring that the response to short-term and sector-specific pressures (such as private sector wages growth and increasing public sector employment in priority areas) is consistent with the Government's economic and financial sustainability objectives, balanced with the need for flexibility, innovation and responsiveness at the agency level.

¹ Including salaries, concurrent superannuation and other employee costs recorded in agencies' financial statements.

The new policy is expected to achieve more sustainable wage outcomes, at the same time as protecting the real wages of public sector employees in challenging economic circumstances, and encouraging efficiency and work practice reform in the public sector.

Base increases in wages under the new policy are equal to projected growth in the Perth Consumer Price Index (CPI). Increases in wages above projected growth in the Perth CPI must be justified by improved efficiency and work practice reforms. Total wage increases will be capped at projected growth in the Western Australian Wage Price Index. Based on this budget's projections, the base wage increases for three-year agreements commencing on 1 July 2009 would be 2.5% in 2009-10, 2.5% in 2010-11 and 3.0% for 2011-12. For a three-year agreement this equates to a cumulative increase of 8.2%.

The maximum wage increase for a three year agreement over the same period, incorporating a base wage increase component plus the maximum amount for improved efficiency/workplace practice reform initiatives, would be 3.0% in 2009-10, 2.75% in 2010-11 and 3.25% in 2011-12. For a three-year agreement, this results in a maximum cumulative increase of 9.3%.

The new policy also incorporates a more strategic and coordinated approach to public sector negotiations with an emphasis on early preparation and planning for bargaining to eliminate the need to grant retrospective wage increases. To that end, the Departments of Commerce and Treasury and Finance, the Public Sector Commission and, for agency specific agreements, the employing agency, will work cooperatively to ensure a consistent approach to negotiations.

Transfers

Total general government transfer² expenses have increased steadily in recent years, with annual average growth of 10% driving an increase from \$2.6 billion in 2001-02 to an estimated \$5.2 billion in 2008-09. This is greater than the entire health budget, for example, and in 2008-09, transfers will account for around 27% of general government expenses. Around 20% of transfers are on-passed from the Commonwealth government, largely to local governments and non-government schools. Western Australia spends around 20% more than other States on transfers, both as a percentage of general government expenses and per capita. This increases to 33% if the on-passing of grants from the Commonwealth is excluded³.

In examining this increase and the consequent pressure this places on the State's transfers administration, the Committee found that:

- the policy objectives of transfers are generally ill-defined, resulting in poorly targeted and unevaluated expenditure;

² Transfers are defined as the provision of something of value for no specific return or consideration and including grants, subsidies, donations, transfers of assets free of charge etc.

³ There are a number of unresolved consistency issues related to the categorisation of transfers. To some extent, Western Australia's high transfer expenses may be a result of these issues.

- many existing transfers to individuals and households alter price signals in the market, resulting in perverse or unintended consequences that on occasion undermine other public policy objectives;
- the current system for managing transfers imposes high costs on government, outsourced providers and recipients. Administrative processes imposed on outsourced providers and recipients are often unnecessarily burdensome and poorly administered; and
- existing ways of managing transfers undermine financial transparency and sustainability. For example, recipients and taxpayers are mostly unaware of the significant subsidy paid to the Public Transport Authority – around 80% of the cost of public transport is met by taxpayers rather than paid for by passengers.

These findings point to a reform agenda for transfers and subsidies grounded in the following guiding principles:

- a simplified process for recipients and lower administrative costs for government and outsourced providers while ensuring accountability for use of public funds;
- transfers that are clearly linked to the Government's policy objectives through clearer definition of policy and regular evaluation of outcomes of transfer schemes against this policy;
- improved targeting of transfers to individuals/households through the use of transfer mechanisms appropriate to the policy objective in each case; and
- increased transparency to ensure that both taxpayers and recipients understand when and how much is being provided by government in the form of a transfer.

Procurement Reform

The Committee examined recent reforms to the procurement of goods and services across the public sector to ascertain whether this was an area in which government could achieve further efficiencies.

The Committee's analysis noted that the original procurement reform process is now largely complete, having yielded net savings of approximately \$470 million to June 2008.

There is significant evidence to suggest that further savings can be achieved through improved agency-specific purchasing practices. For further savings to occur, the focus needs to shift to individual agency contracts and non-contract spend, where the bulk of procurement expenditure occurs. Savings could be achieved by agencies through improved demand management and implementation of better purchasing processes.

Works Reform and Asset Management

The Committee supported the Government's works reform agenda, which is focussed on:

- better strategic management of the State's Asset Investment Program;

- effective maintenance of the Government's capital assets;
- more efficient coordination of public sector accommodation; and
- regional services.

In support of this agenda, the Government has allocated lead responsibility to the DTF Building Management and Works (BMW) business for developing business cases and project managing the non-residential building program. Business cases will be jointly prepared between owner agencies and BMW, which will increase the rigour, quality and timeliness of business cases.

The Committee noted that planning and delivery of the State's capital program over the past five to ten years has been poor, reflecting a lack of rigour in project management. This lack of rigour has produced significant time and cost blowouts in many major projects. Close examination on a project-by-project basis reveals that costs were driven upwards by:

- poor strategic asset planning (i.e. not all options were considered and the project undertaken may not have been the best investment decision);
- unrealistic expectations being established in the public domain through announcements that precede adequate planning and project definition;
- insufficient rigour in the development of business cases under the Strategic Asset Management Framework;
- poor contractual terms being negotiated due to inadequate attention by agencies in securing approvals or undue haste in the planning process; and
- increases to project scope between the business case, project development plan and project design stages.

The Committee intends to further explore this important area as part of Stage 2, in an effort to develop a more strategic approach to managing capital works.

Restructuring the Western Australian Public Sector

The Committee was of the firm view that sustainable improvements to service delivery within the context of financial constraints can only occur in the context of modernised public sector management (i.e. a public service that is contemporary in terms of its structure for service delivery, is freed from unnecessarily prescriptive controls, and is resourced by a skilled, flexible and motivated workforce). This includes a review of the functions and activities of government, which should in turn drive a rationalisation of the State's administrative structures, and the supporting legislative and administrative systems.

The State's machinery of government has been the subject of a plethora of reviews over the past 20 years. As a result of piecemeal implementation of the recommendations of these reviews, fundamental weaknesses persist and are highlighted by current economic circumstances.

In terms of its administrative structure, Western Australia's public sector is highly fragmented, with a large number of directly funded agencies compared to other States. Under the *Public Sector Management Act 1994* definition, the public sector consists of 166 bodies. In the Committee's view, this fragmentation results in:

- a proliferation of isolated agencies operating under a 'silo' mentality;
- citizens facing a large number of entry points for accessing public services;
- high transaction costs in managing the public sector;
- dispersed accountability and policy advice; and
- ineffective allocation of resources.

This fragmentation is driven in part by the large number of statutory authorities⁴. By their very nature, the creation of statutory authorities restricts the public sector's flexibility to respond to changes in government priorities over time. Existing statutory authorities vary considerably in their governance structures and are subject to a range of legislation. Previous machinery of government reviews have identified shortcomings with the operations of statutory authorities and recommended a broad governance template.

To address this, the Committee supported a fundamental structural consolidation of the State's public sector.

The supporting systems of government are driven primarily by the legislative framework, which mandates processes and procedures that must be followed. The Committee noted that Western Australia's legal framework is overly complex and operates inconsistently in different areas of administration and oversight. The Committee therefore supported:

- a review of relevant legislation and associated instruments with a view to ensuring modernised public sector management, particularly in relation to flexibility in managing human resources; and
- a clear separation between the setting of policy by the elected Government from the monitoring and reporting of compliance against that policy by bodies with appropriate independence.

⁴ Under the definition in the *Financial Management Act 2006* (limited to those with a significant financial impact), there are currently 111 Statutory Authorities.

Focus for Stage 2 of the Economic Audit

As part of its Stage 2 deliberations, the Committee will continue to build upon the key themes for long-term reform highlighted above, within the context of achieving value for money and putting the citizen at the centre of government policy and services. As part of Stage 2, the Committee will also investigate the potential for further microeconomic reform.

A key focus will be to ensure that those recommendations of the Committee that are endorsed by Government are successfully implemented. The Government is committed to avoiding the piecemeal or failed implementation of recommendations arising from past reviews. Detailed implementation plans will be developed for recommendations that are endorsed and achievement against those plans will be closely monitored.

The Committee will deliver its second report in September 2009.

Enhancing Infrastructure Provision

Innovative Procurement Options

The Government is keen to see more private sector involvement in public sector projects and services, recognising that the private sector has a range of skills and capacities that can improve performance and cost effectiveness.

Western Australia has endorsed, with other States and the Commonwealth, the use of National Public Private Partnership (PPP) Guidelines. Providing nationally consistent guidelines will reduce bid and other compliance costs for both the public and private sectors and may provide a pipeline of projects that will attract entrants to the market. The State is already working to identify a number of projects that could be delivered as PPPs.

The State is also developing a WA Infrastructure Procurement Options Selection Guide to assist agencies select a suitable procurement method for public infrastructure projects. The Guide will require project characteristics to be carefully considered and assessed against selection criteria, including a project's suitability for PPPs and other forms of private sector participation.

Works Reforms

The Government is implementing a Works Reform Program with the objective of gaining efficiencies through various initiatives such as improved strategic planning and options analysis of capital projects, stronger project management during the design and procurement stages and more effective building management. It will also focus on a more coordinated approach to Government office accommodation. As part of this program, significant changes in the roles and responsibilities for project planning and delivery under the Strategic Asset Management Framework are proposed in order to bolster implementation of the Framework across government.

Health Services Reform

The new Four Hour Rule Program will see fundamental improvements to the way patients are admitted, discharged and/or transferred right across the State's public health system. The focus is on redesigning the whole health system to improve patient care and enhance the efficiency and effectiveness of the patient's journey from hospital arrival to departure. The Program's key aim is to ensure that 98% of patients arriving at emergency departments (EDs) are seen and admitted, discharged or transferred within a four-hour timeframe. The Program commenced implementation in April 2009 with an expectation that the target will be achieved by mid-2012.

The Program also aims to meet national benchmarks so that 80% of ED presentations are seen within triage treatment times recommended by the Australian College of Emergency Medicine. The Program is funded through the recently established National Partnership Agreement on Hospital and Health Workforce Reform.

A New Reform Agenda: Council of Australian Governments

Overview of the New Reform Agenda

Over the last year, Governments have agreed to significant reforms through the Council of Australian Governments (COAG). These include:

- measures to improve outcomes across a range of key service areas;
- initiatives to address structural issues;
- the reform of specific purpose payment arrangements with Commonwealth controls on State spending being replaced by an outcomes focus (see Chapter 4: *General Government Revenue* for detail); and
- concerted action to stimulate the national economy.

The November 2008 COAG meeting agreed to six National Agreements in key State service delivery areas (healthcare, education, skills and workforce development, disability, affordable housing, and Indigenous reform) and some 17 associated National Partnership Agreements on specific reforms. These agreements provide for \$2 billion in additional Commonwealth funding for State services over 2008-09 to 2012-13. Service delivery should also be improved through the agreed reform initiatives and the new outcomes-based accountability arrangements.

The *Nation Building and Jobs Plan* signed at the February 2009 COAG meeting aims to stimulate the economy via rapid delivery of construction projects in social housing, schools and transport around the nation. Though it comes with a number of implementation challenges, the agreement brings very significant benefits for Western Australia. It is a positive example of an effective COAG partnership, with all parties working cooperatively to achieve a shared outcome.

Business Regulation and Competition

The COAG initiatives on 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 productivity and international competitiveness.

Western Australia is committed to structural reform to reduce the regulatory burden on business. It is actively implementing the 27 harmonisation reforms and six competition reform items agreed by COAG. These include:

- a national trade licensing scheme for occupational licences;
- environmental assessments and approvals processes concerning the Commonwealth's *Environmental Protection and Biodiversity Conservation Act 1999*;
- consumer protection in the finance and credit provider markets;
- the introduction of a National Construction Code; and
- payroll tax harmonisation across Australia.

These reforms will contribute to the creation of a seamless national economy and complement the State-based reforms introduced recently to reduce the regulatory burden on Western Australian businesses and consumers (discussed later in this chapter).

Federal State Financial Relations Reforms

Arrangements for payments made by the Commonwealth to the States have been substantially reformed through the COAG process. These are captured in a new Intergovernmental Agreement on Federal Financial Relations (IGA), which applies from 1 January 2009.

The IGA sets out the framework for financial arrangements between the Commonwealth and the States. A key feature of the IGA is its comprehensiveness, covering all intergovernmental financial transfers (other than for Commonwealth own-purpose outlays).

The IGA records the Commonwealth's commitment to support the States' delivery of services, by providing on-going financial support in the following forms:

- general revenue assistance (which largely comprises GST payments);
- National Agreement Specific Purpose Payments (SPPs); and
- National Partnership (NP) payments.

These payments are to be made to the States' Treasuries on a monthly basis, with one monthly payment for all general revenue assistance and another for all SPPs and NP payments.

The new IGA incorporates the provisions of the 1999 GST agreement (with some streamlining), including that States will receive all proceeds from the GST, to be available for any purpose and distributed by the Commonwealth Grants Commission using the fiscal equalisation principle.

Other Reforms

The State Government has introduced a number of microeconomic reforms to address structural issues in the Western Australian economy and three initiatives to reduce the regulatory burden on Western Australian businesses.

Regulatory Gatekeeping

The Western Australian Government is introducing a new Regulatory Impact Assessment process to improve the quality of new and amended regulation, by ensuring rigorous assessment of regulations significantly impacting business, consumers, or the economy. The Regulatory Impact Assessment process aims to increase transparency in making regulations, improving rigor in analysis and ensuring better public consultation on regulations.

Red Tape Reduction Group

On 30 January 2009 the Government announced the formation of the Red Tape Reduction Group, to identify existing regulations for review and reform. The Red Tape Reduction Group has consulted widely around the State to identify the impact of existing regulations impacting adversely on business costs and effectiveness. The group will report back to the Government by October 2009 on potential areas of reform to reduce the regulatory burden on Western Australian businesses and consumers.

Minister Referral Power

Ministers, through the Treasurer, are now able to refer specific regulation to the Department of Treasury and Finance for review. Issues referred for review may be any regulation identified as possibly impacting business, consumers, or the economy. Reviews will analyse the impacts of regulation, with consultation with business and consumers an important part of any review.

Deregulation of Grain Marketing

The Western Australian export market for barley, lupins and canola will be deregulated before the start of the 2009-10 harvest. Removing the export restrictions on these grains will increase competition between traders, which will provide growers with more selling options and potentially higher prices.

In the current regulated market barley, lupins and canola traders need to apply for a licence from the Grain Licensing Authority to export grain. The new deregulated market will allow traders to deal directly with overseas markets without having to obtain a licence.

Royalties for Regions

Overview

The *Royalties for Regions* program reflects the Government's long-term focus on regional development. It will ensure that the equivalent of 25 per cent of the State's mining and onshore petroleum royalty income is invested annually in regional Western Australia.

The annual contribution to the Royalties for Regions Fund is linked to royalty projections. The amount allocated in 2009-10 is \$619 million (25 per cent of forecast royalty revenue of \$2,577 million for 2009-10, less \$25 million in savings), with the total balance of the fund being capped at \$1 billion. For 2008-09, a pro-rata amount of \$334 million will be transferred to the Royalties for Regions Fund under the authority of the Treasurer's advance.

The *Royalties for Regions* program provides a framework to support and maintain strong and vibrant regions through improved infrastructure and headworks, across-government strategic regional and community services projects, and the provision of contestable grant funding. The *Royalties for Regions* funds are applied to the nine regions defined in the *Regional Development Commissions Act 1993*.

The *Royalties for Regions* program was launched on 16 December 2008, and consists of the following three funds:

- the Country Local Government Fund;
- the Regional Community Services Fund; and
- the Regional Infrastructure and Headworks Fund.

Prior to the establishment of the *Royalties for Regions* legislation, the fund has been formed as a Treasurer's Special Purpose Account pursuant to section 10(a) of the *Financial Management Act 2006*.

The Royalties for Regions Division within the Department of Local Government and Regional Development (Department of Regional Development and Lands from 1 July 2009) has been established to administer and coordinate the implementation of *Royalties for Regions*. A critical function of this Division is to establish a governance and management framework to ensure the sound operation of the fund prior to the legislation being approved by the Parliament.

Projects and Government initiatives that are supported through the *Royalties for Regions* program include the following:

Country Local Government Fund¹

- Support to local governments and regional organisations of councils through the Country Local Government Fund. This involves an allocation of \$100 million per year commencing in 2008-09.

Regional Community Services Fund¹

- A new Country Age Pension Fuel Card - \$12.5 million;
- Establishment of the Community Resource Centre - \$11.0 million;
- Expanded support for the Royal Flying Doctor Service - \$9.2 million;
- Expanded support for the Patient Assisted Travel Scheme - \$8.7 million; and
- Expanded support for the Boarding Away from Home Allowance - \$1.8 million.

Regional Infrastructure and Headworks Fund¹

- Pilbara Revitalisation Plan - \$60.0 million;
- Housing for Workers – Construction of Government Regional Officers’ Housing (GROH) homes - \$180.0 million;
- The Ord-East Kimberley Expansion Project - \$86.0 million;
- The Regional Grants Scheme - \$63.0 million;
- The Regional Grants Scheme – Strategic Reserve - \$10.0 million;
- The Exploration Incentive Scheme - \$16.1 million;
- Housing for Workers - South Hedland Town Centre Revitalisation - \$11.0 million;
- The Northern Towns Development Fund - \$10.5 million;
- Additional funding for the Regional Airports Development Scheme - \$5.5 million; and
- Upgrading the Nickol Bay Hospital at Karratha - \$3.6 million.

¹ All funding amounts quoted are for the 2009-10 financial year.

Pilbara Revitalisation Plan

A major new component of the *Royalties for Regions* Regional Infrastructure and Headworks Fund is a \$300 million program of works to support the development of a Pilbara Revitalisation Plan. The Pilbara Revitalisation Plan will provide considerable stimulus to the region in recognition of the vital and strategic role it plays in securing Western Australia's economic future.

This revitalisation program commences in 2008-09 with an allocation of \$120 million to the Department of Local Government and Regional Development to support a range of local priority projects throughout the Pilbara region, examples of which are outlined in the table below.

MAJOR DISTRIBUTIONS UNDER THE PILBARA REVITALISATION FUND		Table 1
	2008-09 estimated expenditure \$m	
Priority projects aligned to local Community plans include:		
<i>Shire of Ashburton (Shire of Ashburton Strategic Plan)</i>	17.0	
- Onslow Multi Purpose Complex		
- Tom Price Town Centre Revitalisation		
<i>Shire of Roebourne (Karratha 2020 Vision)</i>	21.0	
- Karratha Learning and Leisure Precinct		
- Town Centre Enhancement;		
<i>Shire of East Pilbara (Newman Tomorrow)</i>	20.0	
- Newman Cultural Precinct		
- Development and release of land for residential and industrial purposes		
<i>Town of Port Hedland (Hedland's Future Today)</i>	22.0	
- Multi Purpose Sport and Recreation Facility		
- Marquee Park		
- Hedland Youth Precinct		
<i>Pilbara-wide</i>		
- Health Equipment	2.5	
- Pilbara Water Feasibility Study	2.5	
- Pilbara Underground Power Project	35.0	
TOTAL	120.0	

A further \$60.0 million per annum from 2009-10 to 2011-12 in capital expenditure has been allocated to the Department of Regional Development and Lands to support initiatives which include:

- strategic projects identified in existing community planning documents, including Karratha 2020 Vision, Newman Tomorrow, Hedland's Future Today, the Shire of Ashburton Strategic Plan and the Pilbara Area Consultative Committee Plan. These community plans focus strongly on town centre enhancement, improving recreation and cultural amenities, and upgrading housing, health and education facilities;

- Strategic initiatives such as the Pilbara Underground Power Project and opportunities for upgrading health services across the region; and
- Additionally, a preliminary Pilbara Water Study has been undertaken, which identifies options to provide economic diversity and irrigated agriculture/forestry opportunities within the Pilbara hinterland. Development of water resources in the Pilbara will potentially open the door to further primary and secondary industry expansion within the region. For example, future development of irrigated agricultural precincts could create a diversified regional economy with outputs that include horticulture, forestry, fibres, biofuels and fodder crops. This may lead to increased livestock production on Pilbara pastoral lands, with meat processed in local abattoirs within the region. This could also be a vital step towards enhancing capacity of the Pilbara's indigenous communities.

Matching funding from the Commonwealth will be sought to significantly expand the Pilbara Revitalisation Plan.

Key Initiatives

Other key *Royalties for Regions* initiatives include:

- **Ord-East Kimberley Expansion Project** which is aimed at improving and diversifying the economy in the Ord-East Kimberley area. This project will support the expansion of the Ord irrigation scheme, open up land and develop irrigation infrastructure. An amount of \$86 million from *Royalties for Regions* has been allocated to support this project in 2009-10 (with a total contribution from *Royalties for Regions* of \$220 million).
- **Housing for Workers** - \$609.7 million is allocated for expenditure out to 2012-13, with \$20 million in 2008-09 and \$180 million in 2009-10 to support the construction of GROH homes in regional areas of the State. In addition, \$11 million will be spent in 2009-10 as part of the \$23.3 million South Hedland Town Centre Revitalisation project.
- A total amount of \$500 million is being distributed through the **Country Local Government Fund** out to 2012-13, comprised of an allocation of \$100 million each year. Funds are directed towards improving the financial sustainability of regional local governments through providing funds to address infrastructure requirements, improve asset management and support capacity building.
- An amount of \$63 million is allocated in 2009-10 to the **Regional Grants Scheme** which will be administered by the nine Regional Development Commissions. Assistance will be targeted towards supporting regional infrastructure and service projects through publicly advertised rounds of contestable funding. This will assist in attracting investment, increasing jobs and helping to improve the quality of life for people living in the regions.

- In recognition of the high cost of fuel and lack of transport options in regional areas, an amount of \$12.5 million has been allocated in 2009-10 as part of an \$80 million program for a **Country Age Pension Fuel Card** to provide age pensioners in country Western Australia with \$500 worth of fuel and taxi travel. Up to 35,000 age pensioners will benefit from the Fuel Card.
- An amount of \$16.1 million has been allocated in 2009-10 to support the **Exploration Incentive Scheme**, which encourages exploration in Western Australia's mineral greenfields areas and frontier petroleum basins. This \$80 million program to 2012-13 will assist in maintaining the long-term sustainability of the State's resources sector.
- An amount of \$11 million has been allocated in 2009-10 to support the development of **Community Resource Centres**, which is an ongoing program to provide residents in over 100 small rural communities with access to a wide range of information, services, training and development opportunities.
- The *Royalties for Regions* program will contribute \$60.9 million from 2010-11 to 2012-13 towards the construction of the **Albany Hospital**. This will ensure residents in Albany and the wider Great Southern region will have access to quality health services through a contemporary medical facility. *Royalties for Regions* will also provide funding of \$15.5 million over the same period towards the construction of the new **Kalgoorlie Hospital**.

An amount of \$15.5 million is retained as a provision for expenditure on new regional and State-wide initiatives in 2009-10. These initiatives are to be finalised in consultation with regional communities across Western Australia prior to obtaining formal Government approval.

The following table provides a detailed overview of *Royalties for Regions* projects and initiatives. This list includes an outline of all projects, including those that have approval for funding until 2012-13. The table also reflects a savings contribution of \$100 million over the period 2009-10 to 2012-13, as part of the corrective savings measures implemented in the 2009-10 Budget.

Table 2

ROYALTIES FOR REGIONS FUNDING ALLOCATIONS

	Appropriation Funding	2008-09 Estimated Actual \$m	2009-10 Budget Estimate \$m	2010-11 Forward Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m
COUNTRY LOCAL GOVERNMENT FUND						
Local Government-Local Infrastructure Asset Renewal and New Assets	Recurrent	97.5	62.5	48.8	48.8	48.8
Regional Organisations of Councils New Regional Infrastructure Assets	Recurrent	-	35.0	48.8	48.8	48.8
Capacity Building-Regional Governance Services and Asset Management Tools	Recurrent	2.5	2.5	2.5	2.5	2.5
TOTAL - COUNTRY LOCAL GOVERNMENT FUND		100.0	100.0	100.0	100.0	100.0
REGIONAL COMMUNITY SERVICES FUND						
Country Age Pension Fuel Card ^(a)	Recurrent	7.5	12.5	20.0	20.0	20.0
Bushchange Housing Grant	Recurrent	-	10.0	27.0	32.0	41.0
Royal Flying Doctor Service	Recurrent	5.7	9.2	8.3	2.9	3.9
Patient Assisted Travel Scheme	Recurrent	4.2	8.7	9.0	8.9	9.3
Regional Workers Incentives	Recurrent	-	4.7	20.0	20.3	22.5
Boarding Away From Home Allowance	Recurrent	-	1.8	1.9	2.0	2.5
Community Resource Centres	Recurrent	4.0	11.0	12.0	13.0	14.0
TOTAL - REGIONAL COMMUNITY SERVICES FUND		21.3	57.8	98.2	99.0	113.2

Table 2 (cont.)

ROYALTIES FOR REGIONS FUNDING ALLOCATIONS

	Appropriation Funding	2008-09 Estimated Actual \$m	2009-10 Budget Estimate \$m	2010-11 Forward Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m
REGIONAL INFRASTRUCTURE AND HEADWORKS FUND						
Exploration Incentive Scheme ^(b)	Recurrent	1.9	16.1	21.9	23.3	16.8
Ord-East Kimberley Expansion Project	Capital	14.0	86.0	60.0	60.0	-
Pilbara Revitalisation Plan	Recurrent	120.0	-	-	-	-
Pilbara Revitalisation Plan	Capital	-	60.0	60.0	60.0	-
Bunbury to Albany Gas Pipeline	Capital	-	-	-	10.0	10.0
Regional Airports Development Scheme	Recurrent	0.5	5.5	5.5	5.5	5.0
Housing for Workers	Capital	20.0	180.0	125.0	115.2	169.5
Housing for Workers - South Hedland Town Centre Revitalisation	Recurrent	4.2	11.0	8.1	-	-
Northern Towns Development Fund ^(c)	Recurrent	0.5	10.5	10.0	10.0	9.0
Pre-Feasibility Study – Gascoyne/Pilbara	Recurrent	0.5	-	-	-	-
Regional Grants Scheme	Recurrent	40.0	63.0	90.0	90.0	90.0
Regional Grants Scheme - Strategic Reserve	Recurrent	-	10.00	19.3	21.7	40.0
Nickol Bay Hospital	Capital	0.4	3.6	3.0	3.0	-
Kalgoorlie Hospital ^(d)	Capital	-	-	10.0	2.0	3.4
Albany Hospital	Capital	-	-	20.3	20.3	20.3
TOTAL - REGIONAL INFRASTRUCTURE AND HEADWORKS FUND		202.0	445.7	433.2	421.1	364.0
REGIONAL AND STATE-WIDE INITIATIVES^(e)						
Regional and State-Wide Initiatives	Recurrent	10.7	15.5	-	-	-
Regional and State-Wide Initiatives	Capital	-	-	14.6	45.0	115.8
TOTAL REGIONAL AND STATE-WIDE INITIATIVES^(e)		10.7	15.5	14.6	45.0	115.8
SUB-TOTAL		334.0	619.0	646.0	665.0	693.0
Savings Contribution	Recurrent	-	25.0	25.0	25.0	25.0
TOTAL		334.0	644.0	671.0	690.0	718.0

(a) The balance of the \$20 million Country Age Pension Fuel Card budget in 2008-09 and 2009-10 is being held within the regional and State-wide initiatives allocation to allow for adjustments in the customer take-up rate for the Fuel Card.

(b) Proposed allocation of \$20 million of Exploration Incentive Scheme has been moved in 2012-13 to new regional and State-wide initiatives.

(c) The Northern Town Development Fund will not exceed the forecast \$40 million in expenditure, though a fifth year of expenditure will be required to compensate for delays with commencing the scheme.

(d) Kalgoorlie Hospital total commitment is \$15.8 million, of which \$0.3 million is set aside for 2013-14.

(e) Projects being finalised or to receive Cabinet endorsement, including Regional Telecommunications, Power, Water, Health, Education, Fisheries, Agriculture, Sport and Recreation, Culture and Arts, Indigenous Affairs, Tourism and Environment.

Note: Columns may not add due to rounding

Detailed Financial Projections

This appendix contains detailed financial projections for the various sectors of the total public sector defined by the Government Finance Statistics (GFS) framework. The tables in this section also satisfy Uniform Presentation Framework (UPF) requirements and are also consistent with Australian Accounting Standards, in particular, AASB 1049: *Whole of Government and General Government Sector Financial Reporting*.

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Table 1.1

GENERAL GOVERNMENT
Operating Statement

	Note	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
<i>Revenue</i>							
Taxation		6,447	5,561	5,775	6,154	6,687	7,275
Current grants and subsidies		7,800	7,957	7,838	7,713	7,880	8,046
Capital grants		436	511	1,560	978	447	475
Sales of goods and services		1,407	1,484	1,627	1,716	1,814	1,911
Interest Income		332	287	144	169	218	229
Revenue from public corporations							
Dividends		512	506	536	578	612	733
Tax equivalent payments		368	356	319	358	396	536
Royalty income		1,680	2,675	2,577	2,684	2,758	2,873
Other		364	340	324	388	414	416
Total revenue	3	19,345	19,677	20,700	20,738	21,227	22,494
<i>Expenses</i>							
Salaries		6,906	7,514	7,953	8,330	8,785	9,317
Superannuation							
Concurrent costs		666	722	760	793	832	881
Superannuation interest cost		359	256	349	351	355	402
Other employee costs		276	312	311	319	327	336
Depreciation and amortisation		709	782	839	889	931	958
Services and contracts		1,981	1,429	1,458	1,401	1,477	1,472
Other gross operating expenses		1,560	2,670	3,007	2,964	3,192	3,314
Other interest		120	115	128	263	426	599
Other property expenses		-	-	-	-	-	-
Current transfers	4	3,769	4,511	5,078	4,994	5,022	5,255
Capital transfers	4	491	719	408	411	392	417
Total expenses	5	16,837	19,030	20,291	20,715	21,739	22,952
NET OPERATING BALANCE	6	2,507	647	409	23	-513	-458
<i>Other economic flows</i>							
Net gains on sale of non-financial assets		179	117	263	66	-3	1
Net actuarial gains		-291	-2,072	303	219	-328	227
Provision for doubtful debts		-59	-	-	-	-	-
Valuation changes due to the implementation of AIFRS		-1	-	-	-	-	-
All other		-	-	-	-	-	-
Total other economic flows		-170	-1,955	566	285	-332	228
OPERATING RESULT		2,337	-1,308	975	308	-845	-230
<i>All other movements in equity</i>							
Revaluations		11,296	1,412	1,294	1,781	1,963	2,092
Gains recognised directly in equity		8	-1	18	-1	-1	-1
Changes in accounting policy/correction of prior period errors		328	-	-	-	-	-
Change in net worth of the public corporations sectors		2,955	427	935	1,161	1,182	1,513
All other		-	-	-	-	-	-
Total all other movements in equity		14,587	1,838	2,248	2,941	3,145	3,604
TOTAL CHANGE IN NET WORTH		16,924	531	3,223	3,249	2,300	3,374
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	2,507	647	409	23	-513	-458
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	5	2,022	2,463	3,912	2,833	2,354	1,907
Changes in inventories		3	10	-	-	-	-
Other movement in non-financial assets		167	-41	-3	-5	1	-
<i>less:</i>							
Sales of non-financial assets		244	161	243	308	232	222
Depreciation		709	782	839	889	931	958
Total net acquisition of non-financial assets		1,239	1,488	2,827	1,631	1,192	727
NET LENDING/-BORROWING	6	1,268	-841	-2,418	-1,608	-1,705	-1,186

Note: Columns may not add due to rounding.

Table 1.2

GENERAL GOVERNMENT
Balance Sheet at 30 June

	Note	2008	2009	2010	2011	2012	2013
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
				\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		497	513	533	471	411	305
Advances paid		736	704	688	674	661	648
Investments, loans and placements		3,970	3,522	2,998	2,972	2,721	2,649
Receivables		1,734	1,606	1,578	1,656	1,699	1,845
Investment property		9	9	9	9	9	9
Equity							
Investments in other public sector entities - equity method		29,052	29,479	30,414	31,575	32,757	34,270
Investments in other public sector entities - direct injections		2,797	3,286	4,212	4,822	5,077	5,312
Investments in external entities - shareholdings		-	-	-	-	-	-
Other financial assets		-	-	-	-	-	-
Total financial assets		38,795	39,119	40,432	42,179	43,335	45,037
<i>Non-financial assets</i>							
Land		37,624	38,294	38,698	39,368	40,205	41,124
Property, plant and equipment		26,603	28,987	33,092	35,851	38,250	40,225
Biological assets		2	2	2	2	2	2
Inventories							
Land inventories		93	74	88	86	84	83
Other inventories		59	68	68	68	68	68
Intangibles		259	253	259	233	209	182
Non-current assets held for sale		44	54	31	31	31	31
Other		54	51	51	51	51	51
Total non-financial assets		64,737	67,783	72,289	75,691	78,902	81,767
TOTAL ASSETS		103,533	106,901	112,721	117,870	122,237	126,804
LIABILITIES							
Deposits held		326	265	228	227	217	222
Advances received		510	500	491	481	472	462
Borrowings		1,046	1,600	4,335	6,297	7,918	9,196
Unfunded superannuation		5,796	7,773	7,420	7,108	7,315	6,980
Other employee benefits		1,848	1,971	2,071	2,176	2,262	2,338
Payables		381	465	472	476	484	489
Other liabilities		846	1,016	1,172	1,323	1,489	1,661
TOTAL LIABILITIES		10,753	13,591	16,188	18,088	20,155	21,348
NET ASSETS		92,780	93,310	96,533	99,782	102,082	105,456
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		8,934	7,626	8,601	8,909	8,064	7,834
Other reserves		83,846	85,684	87,932	90,873	94,018	97,622
NET WORTH	6	92,780	93,310	96,533	99,782	102,082	105,456
MEMORANDUM ITEMS							
<i>Net financial worth</i>		28,042	25,527	24,244	24,091	23,180	23,689
<i>Net financial liabilities</i>		3,807	7,237	10,383	12,306	14,654	15,893
<i>Net debt</i>							
Gross debt liabilities		1,882	2,365	5,053	7,004	8,606	9,880
less: liquid financial assets		5,203	4,739	4,219	4,117	3,793	3,602
less: convergence differences impacting net debt		88	88	88	88	88	88
Net debt		-3,409	-2,461	747	2,799	4,725	6,190

Note: Columns may not add due to rounding.

Table 1.3

GENERAL GOVERNMENT
Cash Flow Statement

	Note	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
OPERATING ACTIVITIES							
<i>Receipts from operating activities</i>							
Taxes received		6,294	5,694	5,743	6,112	6,639	7,223
Grants and subsidies received		8,192	8,383	9,369	8,664	8,320	8,518
Receipts from sales of goods and services		1,505	1,532	1,663	1,766	1,891	1,990
Interest receipts		314	267	131	155	201	202
Dividends and tax equivalents		827	949	871	926	990	1,175
Other receipts		2,736	3,868	3,873	3,983	4,084	4,159
Total receipts from operating activities		19,867	20,695	21,650	21,606	22,124	23,267
<i>Payments for operating activities</i>							
Wages, salaries and supplements, and superannuation		-7,684	-8,412	-8,958	-9,407	-9,944	-10,566
Payments for goods and services		-4,068	-4,415	-4,791	-4,705	-5,020	-5,137
Interest paid		-112	-110	-119	-252	-413	-576
Grants and subsidies paid		-3,844	-4,539	-5,092	-5,013	-5,018	-5,269
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-1,099	-1,452	-1,329	-1,210	-1,235	-1,230
Total payments for operating activities		-16,807	-18,928	-20,289	-20,588	-21,631	-22,778
NET CASH FLOWS FROM OPERATING ACTIVITIES		3,060	1,767	1,361	1,019	494	489
INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-2,022	-2,463	-3,912	-2,833	-2,354	-1,907
Sales of non-financial assets		244	161	243	308	232	222
Total cash flows from investments in non-financial assets		-1,778	-2,302	-3,669	-2,525	-2,122	-1,686
<i>Cash flows from investments in financial assets</i>							
Receipts from investing activities:							
For policy purposes		1	-	-	-	-	-
For liquidity purposes		83	3	-	-	-	-
Payments for investing activities:							
For policy purposes		-349	-346	-931	-608	-244	-245
For liquidity purposes		-1	-8	-2	-1	-2	-
Total cash flows from investments in financial assets		-267	-350	-934	-609	-246	-245
NET CASH FLOWS FROM INVESTING ACTIVITIES		-2,045	-2,652	-4,603	-3,134	-2,368	-1,931
FINANCING ACTIVITIES							
<i>Receipts from financing activities</i>							
Advances received		13	10	10	10	10	10
Borrowings		45	773	2,934	2,137	1,851	1,560
Deposits received		-	-	-	-	-	-
Other financing receipts		54	29	31	31	30	30
Total receipts from financing activities		111	812	2,975	2,179	1,892	1,600
<i>Payments for financing activities</i>							
Advances paid		-16	-13	-9	-10	-10	-10
Borrowings repaid		-189	-179	-189	-157	-228	-281
Deposits paid		-	-	-	-	-	-
Other financing payments		-31	-52	-45	-47	-48	-49
Total payments for financing activities		-236	-244	-244	-213	-285	-339
NET CASH FLOWS FROM FINANCING ACTIVITIES		-125	568	2,732	1,965	1,606	1,261
Net increase in cash and cash equivalents		890	-317	-511	-150	-268	-181
Opening balance		3,346	4,236	3,919	3,408	3,258	2,989
Closing balance		4,236	3,919	3,408	3,258	2,989	2,808
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		3,060	1,767	1,361	1,019	494	489
Net cash flows from investing in non-financial assets		-1,778	-2,302	-3,669	-2,525	-2,122	-1,686
Cash surplus/-deficit	6	1,281	-535	-2,308	-1,506	-1,628	-1,196

Note: Columns may not add due to rounding.

Table 1.4

PUBLIC NON-FINANCIAL CORPORATIONS
Operating Statement

	Note	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
				\$m	\$m	\$m	\$m
<i>Revenue</i>							
Current grants and subsidies		1,289	1,598	1,932	1,759	1,692	1,782
Capital grants		120	101	93	92	92	96
Sales of goods and services		7,471	8,525	9,457	10,608	11,215	11,652
Interest Income		169	175	149	156	162	167
Other		431	480	368	308	377	406
Total revenue		9,480	10,878	11,998	12,922	13,538	14,102
<i>Expenses</i>							
Salaries		702	806	852	869	891	905
Superannuation							
Concurrent costs		71	77	81	83	84	86
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		38	26	28	28	29	28
Depreciation and amortisation		837	951	1,024	1,102	1,182	1,199
Services and contracts		484	430	464	464	458	487
Other gross operating expenses		5,088	6,290	6,833	7,384	7,574	7,512
Other interest		642	776	841	946	1,136	1,169
Dividend and tax equivalents		822	857	842	922	990	1,246
Current transfers		633	851	948	890	882	928
Capital transfers		66	23	7	8	8	8
Total expenses		9,384	11,087	11,921	12,694	13,234	13,567
NET OPERATING BALANCE	6	96	-209	78	228	304	536
<i>Other economic flows</i>							
Net gains on sale of non-financial assets		227	121	150	350	331	448
Net actuarial gains		-10	-40	-	-	-	-
Provision for doubtful debts		-11	-8	-9	-10	-11	-11
Valuation changes due to the implementation of AIFRS		-1	-	-	-	-	-
All other		-	-	-	-	-	-
Total other economic flows		205	74	140	339	320	437
OPERATING RESULT		301	-136	218	567	624	973
<i>All other movements in equity</i>							
Revaluations		3,089	947	677	557	535	517
Gains recognised directly in equity		248	-43	-45	-33	-51	-60
Changes in accounting policy/correction of prior period errors		-683	-	-	-	-	-
Capital injections from general government		348	489	927	609	255	235
All other		-47	-	-	-	-	-
Total all other movements in equity		2,956	1,393	1,559	1,134	739	692
TOTAL CHANGE IN NET WORTH		3,257	1,258	1,777	1,701	1,363	1,665
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	96	-209	78	228	304	536
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		2,965	3,293	4,386	3,038	2,617	2,782
Changes in inventories		371	122	-29	-4	-1	3
Other movement in non-financial assets		187	-17	97	-22	484	-16
<i>less:</i>							
Sales of non-financial assets		664	524	610	923	979	1,051
Depreciation		837	951	1,024	1,102	1,182	1,199
Total net acquisition of non-financial assets		2,023	1,923	2,820	987	940	520
NET LENDING/-BORROWING	6	-1,927	-2,132	-2,743	-759	-636	16

Note: Columns may not add due to rounding.

Table 1.5

PUBLIC NON-FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	Note	2008	2009	2010	2011	2012	2013
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
				\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		505	400	402	467	566	752
Advances paid		7	4	-	-	-	-
Investments, loans and placements		2,007	3,450	3,496	3,552	3,624	3,760
Receivables		1,862	1,841	1,971	2,127	2,207	2,269
Investment property		-	-	-	-	-	-
Equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in external entities - shareholdings		37	62	81	73	68	-
Other financial assets		406	569	735	904	1,072	1,241
Total financial assets		4,824	6,326	6,686	7,125	7,538	8,022
<i>Non-financial assets</i>							
Land		10,622	10,899	11,171	11,729	12,335	12,931
Property, plant and equipment		27,744	30,675	33,947	35,300	36,592	37,621
Biological assets		348	377	379	381	383	383
Inventories							
Land inventories		1,227	1,398	1,459	1,552	1,536	1,514
Other inventories		999	1,121	1,092	1,088	1,088	1,091
Intangibles		167	172	185	196	210	228
Non-current assets held for sale		11	8	8	8	8	8
Other		34	29	35	37	39	41
Total non-financial assets		41,152	44,679	48,276	50,292	52,193	53,817
TOTAL ASSETS		45,976	51,005	54,962	57,416	59,731	61,839
LIABILITIES							
Deposits held		3	1	1	1	1	1
Advances received		510	500	491	481	472	462
Borrowings		10,375	13,993	16,349	17,179	18,142	18,573
Unfunded superannuation		114	127	99	69	36	1
Other employee benefits		265	261	273	279	285	289
Payables		2,662	2,778	2,778	2,778	2,797	2,893
Other liabilities		1,510	1,550	1,399	1,356	1,363	1,319
TOTAL LIABILITIES		15,439	19,211	21,390	22,144	23,096	23,539
NET ASSETS		30,537	31,795	33,571	35,272	36,635	38,300
<i>Of which:</i>							
Contributed equity		2,797	3,286	4,212	4,822	5,077	5,312
Accumulated surplus		20,690	20,554	20,772	21,340	21,964	22,936
Other reserves		7,050	7,955	8,587	9,111	9,595	10,051
NET WORTH	6	30,537	31,795	33,571	35,272	36,635	38,300
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-41,152	-44,679	-48,276	-50,292	-52,193	-53,817
<i>Net debt</i>							
Gross debt liabilities		10,888	14,494	16,841	17,662	18,615	19,037
less: liquid financial assets		2,519	3,854	3,898	4,020	4,191	4,512
less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		8,368	10,640	12,943	13,642	14,425	14,524

Note: Columns may not add due to rounding.

Table 1.6

PUBLIC NON-FINANCIAL CORPORATIONS
Cash Flow Statement

	Note	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
OPERATING ACTIVITIES							
<i>Receipts from operating activities</i>							
Grants and subsidies received		1,273	1,540	1,860	1,681	1,612	1,705
Receipts from sales of goods and services		7,634	8,994	9,560	10,627	11,295	11,801
Interest receipts		170	172	147	155	163	166
Dividends and tax equivalents		20	-	-	20	27	32
Other receipts		751	625	734	774	831	864
<i>Total receipts from operating activities</i>		9,849	11,332	12,300	13,257	13,928	14,568
<i>Payments for operating activities</i>							
Wages, salaries and supplements, and superannuation		-784	-953	-1,105	-1,131	-1,175	-1,216
Payments for goods and services		-5,464	-6,886	-7,040	-7,580	-7,783	-7,579
Interest paid		-620	-768	-855	-1,010	-1,065	-1,116
Grants and subsidies paid		-579	-780	-855	-799	-787	-828
Dividends and tax equivalents		-802	-885	-867	-922	-985	-1,169
Other payments		-1,015	-953	-1,051	-1,111	-1,158	-1,220
<i>Total payments for operating activities</i>		-9,266	-11,224	-11,772	-12,552	-12,953	-13,129
NET CASH FLOWS FROM OPERATING ACTIVITIES		583	108	528	705	975	1,439
INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-2,965	-3,293	-4,386	-3,038	-2,617	-2,782
Sales of non-financial assets		664	524	610	923	979	1,051
<i>Total cash flows from investments in non-financial assets</i>		-2,302	-2,769	-3,776	-2,115	-1,638	-1,731
<i>Cash flows from investments in financial assets</i>							
Receipts from investing activities:		-	-	-	-	-	-
For policy purposes		-	-	-	-	-	-
For liquidity purposes		135	154	9	4	2	1
Payments for investing activities:		-	-	-	-	-	-
For policy purposes		-	-	-	-	-	-
For liquidity purposes		-315	-104	-55	-51	-29	-89
<i>Total cash flows from investments in financial assets</i>		-180	49	-46	-46	-26	-88
NET CASH FLOWS FROM INVESTING ACTIVITIES		-2,482	-2,720	-3,822	-2,161	-1,665	-1,819
FINANCING ACTIVITIES							
<i>Receipts from financing activities</i>							
Advances received		-	-	-	-	-	-
Borrowings		8,623	13,370	7,855	7,376	6,964	6,904
Deposits received		-	-	-	-	-	-
Other financing receipts		383	343	760	488	122	74
<i>Total receipts from financing activities</i>		9,007	13,713	8,616	7,864	7,086	6,978
<i>Payments for financing activities</i>							
Advances paid		-13	-9	-9	-10	-10	-10
Borrowings repaid		-7,111	-10,890	-5,668	-6,575	-6,500	-6,472
Deposits paid		-	-	-	-	-	-
Other financing payments		-52	-19	137	68	68	122
<i>Total payments for financing activities</i>		-7,176	-10,918	-5,541	-6,517	-6,442	-6,360
NET CASH FLOWS FROM FINANCING ACTIVITIES		1,831	2,795	3,075	1,347	645	618
Net increase in cash and cash equivalents		-68	183	-220	-109	-45	238
Opening balance		880	812	995	775	667	621
Closing balance		812	995	775	667	621	860
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		583	108	528	705	975	1,439
Net cash flows from investing in non-financial assets		-2,302	-2,769	-3,776	-2,115	-1,638	-1,731
Cash surplus/-deficit	6	-1,719	-2,661	-3,248	-1,410	-663	-292

Note: Columns may not add due to rounding.

Table 1.7

TOTAL NON-FINANCIAL PUBLIC SECTOR
Operating Statement

	Note	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
<i>Revenue</i>							
Taxation		6,215	5,318	5,518	5,885	6,407	6,989
Current grants and subsidies		7,800	7,957	7,838	7,713	7,880	8,046
Capital grants		436	511	1,560	978	447	475
Sales of goods and services		8,654	9,687	10,735	11,934	12,621	13,137
Interest Income		464	439	278	310	362	376
Royalty income		1,680	2,675	2,577	2,684	2,758	2,873
Other		825	807	691	695	794	828
Total revenue		26,073	27,393	29,196	30,198	31,269	32,725
<i>Expenses</i>							
Salaries		7,608	8,320	8,805	9,200	9,675	10,222
Superannuation							
Concurrent costs		738	799	842	876	916	966
Superannuation interest cost		359	256	349	351	355	402
Other employee costs		227	210	211	219	225	230
Depreciation and amortisation		1,545	1,733	1,863	1,991	2,113	2,157
Services and contracts		2,466	1,859	1,922	1,865	1,935	1,960
Other gross operating expenses		6,386	8,630	9,482	9,943	10,340	10,383
Other interest		726	868	955	1,194	1,544	1,748
Other property expenses		-	-	-	-	-	-
Current transfers		2,988	3,638	3,960	3,982	4,066	4,250
Capital transfers		428	641	322	327	309	329
Total expenses		23,469	26,955	28,709	29,947	31,478	32,648
NET OPERATING BALANCE	6	2,604	438	487	251	-209	77
<i>Other economic flows</i>							
Net gains on sale of non-financial assets		406	239	413	416	327	450
Net actuarial gains		-301	-2,112	303	219	-328	227
Provision for doubtful debts		-70	-8	-10	-11	-11	-11
Valuation changes due to the implementation of AIFRS		-1	-	-	-	-	-
All other		-	-	-	-	-	-
Total other economic flows		34	-1,881	707	624	-12	666
OPERATING RESULT		2,638	-1,443	1,193	875	-221	743
<i>All other movements in equity</i>							
Revaluations		14,385	2,359	1,971	2,338	2,498	2,609
Gains recognised directly in equity		256	-43	-27	-33	-52	-60
Changes in accounting policy/correction of prior period errors		-355	-	-	-	-	-
Change in net worth of the PFC sector		46	-342	85	69	75	83
All other		-47	-	-	-	-	-
Total all other movements in equity		14,286	1,974	2,030	2,374	2,521	2,632
TOTAL CHANGE IN NET WORTH		16,924	531	3,223	3,249	2,300	3,374
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	2,604	438	487	251	-209	77
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		4,959	5,738	8,266	5,810	4,970	4,690
Changes in inventories		374	132	-29	-4	-	3
Other movement in non-financial assets		354	-58	94	-27	486	-16
<i>less:</i>							
Sales of non-financial assets		879	668	821	1,170	1,210	1,273
Depreciation		1,545	1,733	1,863	1,991	2,113	2,157
Total net acquisition of non-financial assets		3,263	3,411	5,648	2,619	2,132	1,247
NET LENDING/-BORROWING	6	-659	-2,973	-5,161	-2,368	-2,341	-1,170

Note: Columns may not add due to rounding.

Table 1.8

TOTAL NON-FINANCIAL PUBLIC SECTOR
Balance Sheet at 30 June

	Note	2008	2009	2010	2011	2012	2013
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
ASSETS							
<i>Financial assets</i>							
Cash and deposits		803	781	840	845	894	969
Advances paid		410	383	374	369	365	362
Investments, loans and placements		5,977	6,962	6,484	6,514	6,335	6,398
Receivables		3,405	3,308	3,437	3,652	3,760	3,862
Investment property		9	9	9	9	9	9
Equity							
Investments in other public sector entities - equity method		1,312	970	1,055	1,124	1,199	1,282
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in external entities - shareholdings		37	33	62	81	73	68
Other financial assets		-	-	-	-	-	-
Total financial assets		11,953	12,447	12,261	12,594	12,636	12,950
<i>Non-financial assets</i>							
Land		48,245	49,193	49,868	51,097	52,540	54,055
Property, plant and equipment		54,347	59,662	67,040	71,152	74,843	77,847
Biological assets		351	379	381	384	386	386
Inventories							
Land inventories		1,320	1,472	1,547	1,638	1,621	1,596
Other inventories		1,058	1,190	1,160	1,157	1,156	1,159
Intangibles		426	424	444	429	419	410
Non-current assets held for sale		55	62	39	39	39	39
Other		88	80	86	88	90	92
Total non-financial assets		105,889	112,462	120,566	125,982	131,095	135,584
TOTAL ASSETS		117,841	124,908	132,826	138,577	143,730	148,533
LIABILITIES							
Deposits held		129	124	124	124	124	124
Advances received		510	500	491	481	472	462
Borrowings		11,422	15,592	20,684	23,476	26,060	27,769
Unfunded superannuation		5,909	7,900	7,519	7,177	7,351	6,981
Other employee benefits		2,113	2,232	2,345	2,455	2,546	2,627
Payables		2,887	3,126	3,159	3,146	3,162	3,160
Other liabilities		2,092	2,123	1,972	1,935	1,934	1,954
TOTAL LIABILITIES		25,062	31,598	36,293	38,795	41,648	43,077
NET ASSETS		92,780	93,310	96,533	99,782	102,082	105,456
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		29,624	28,180	29,374	30,249	30,028	30,770
Other reserves		63,156	65,130	67,159	69,533	72,054	74,686
NET WORTH	6	92,780	93,310	96,533	99,782	102,082	105,456
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-13,109	-19,152	-24,033	-26,201	-29,013	-30,128
<i>Net financial liabilities</i>		14,458	20,155	25,149	27,406	30,285	31,478
<i>Net debt</i>							
Gross debt liabilities		12,061	16,217	21,299	24,081	26,656	28,355
less: liquid financial assets		7,189	8,126	7,697	7,728	7,594	7,728
less: convergence differences impacting net debt		88	88	88	88	88	88
Net debt		4,783	8,003	13,514	16,265	18,974	20,539

Note: Columns may not add due to rounding.

Table 1.9

TOTAL NON-FINANCIAL PUBLIC SECTOR
Cash Flow Statement

	Note	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
OPERATING ACTIVITIES							
<i>Receipts from operating activities</i>							
Taxes received		6,065	5,455	5,492	5,849	6,366	6,944
Grants and subsidies received		8,192	8,383	9,369	8,664	8,320	8,518
Receipts from sales of goods and services		8,906	10,198	10,870	11,997	12,771	13,361
Interest receipts		446	416	263	296	347	359
Dividends and tax equivalents		45	64	4	25	32	38
Other receipts		3,317	4,503	4,595	4,746	4,902	5,009
<i>Total receipts from operating activities</i>		26,971	29,020	30,594	31,576	32,738	34,230
<i>Payments for operating activities</i>							
Wages, salaries and supplements, and superannuation		-8,469	-9,366	-10,062	-10,538	-11,119	-11,781
Payments for goods and services		-9,157	-10,973	-11,478	-11,889	-12,389	-12,286
Interest paid		-695	-854	-959	-1,248	-1,461	-1,683
Grants and subsidies paid		-3,099	-3,767	-4,055	-4,097	-4,156	-4,354
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-1,909	-2,186	-2,151	-2,081	-2,145	-2,196
<i>Total payments for operating activities</i>		-23,328	-27,145	-28,705	-29,853	-31,270	-32,301
NET CASH FLOWS FROM OPERATING ACTIVITIES		3,643	1,875	1,889	1,724	1,468	1,928
INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-4,959	-5,738	-8,266	-5,810	-4,970	-4,690
Sales of non-financial assets		879	668	821	1,170	1,210	1,273
<i>Total cash flows from investments in non-financial assets</i>		-4,080	-5,070	-7,445	-4,640	-3,760	-3,417
<i>Cash flows from investments in financial assets</i>							
Receipts from investing activities:							
For policy purposes		1	-	-	-	-	-
For liquidity purposes		218	157	9	4	2	1
Payments for investing activities:							
For policy purposes		-1	-	-	-	-	-
For liquidity purposes		-317	-112	-58	-52	-30	-89
<i>Total cash flows from investments in financial assets</i>		-99	45	-48	-47	-28	-88
NET CASH FLOWS FROM INVESTING ACTIVITIES		-4,179	-5,026	-7,493	-4,687	-3,788	-3,505
FINANCING ACTIVITIES							
<i>Receipts from financing activities</i>							
Advances received		-	1	1	1	1	1
Borrowings		8,668	14,143	10,789	9,514	8,815	8,463
Deposits received		-	-	-	-	-	-
Other financing receipts		62	45	40	36	33	38
<i>Total receipts from financing activities</i>		8,730	14,189	10,830	9,550	8,849	8,502
<i>Payments for financing activities</i>							
Advances paid		-16	-13	-9	-10	-10	-10
Borrowings repaid		-7,300	-11,069	-5,857	-6,732	-6,727	-6,752
Deposits paid		-	-	-	-	-	-
Other financing payments		-56	-90	-88	-104	-106	-106
<i>Total payments for financing activities</i>		-7,372	-11,172	-5,955	-6,846	-6,843	-6,868
NET CASH FLOWS FROM FINANCING ACTIVITIES		1,358	3,017	4,875	2,704	2,006	1,633
Net increase in cash and cash equivalents		822	-134	-730	-259	-313	57
Opening balance		4,226	5,048	4,914	4,184	3,925	3,611
Closing balance		5,048	4,914	4,184	3,925	3,611	3,668
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		3,643	1,875	1,889	1,724	1,468	1,928
Net cash flows from investing in non-financial assets		-4,080	-5,070	-7,445	-4,640	-3,760	-3,417
Cash surplus/-deficit	6	-437	-3,195	-5,556	-2,916	-2,292	-1,488

Note: Columns may not add due to rounding.

Table 1.10

PUBLIC FINANCIAL CORPORATIONS
Operating Statement

	Note	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
<i>Revenue</i>							
Current grants and subsidies		-	-	-	-	-	-
Capital grants		-	-	-	-	-	-
Sales of goods and services		459	214	693	739	789	845
Interest Income		977	1,148	1,177	1,283	1,413	1,462
Other		7	4	-	-	-	-
Total revenue		1,442	1,366	1,870	2,022	2,202	2,307
<i>Expenses</i>							
Salaries		29	35	37	39	40	42
Superannuation							
Concurrent costs		3	3	4	4	4	4
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		1	2	2	2	2	2
Depreciation and amortisation		3	15	15	16	16	14
Services and contracts		7	8	10	9	8	8
Other gross operating expenses		573	648	652	697	739	786
Other interest		925	1,034	1,064	1,165	1,289	1,333
Dividend and tax equivalents		79	4	13	35	45	55
Current transfers		3	3	3	3	3	3
Capital transfers		-	2	1	1	1	1
Total expenses		1,623	1,754	1,801	1,970	2,147	2,248
NET OPERATING BALANCE	6	-180	-387	69	52	55	59
<i>Other economic flows</i>							
Net gains on sale of non-financial assets		-29	-	-	-	-	-
Net actuarial gains		1	-	-	-	-	-
Provision for doubtful debts		-	-	-	-	-	-
Valuation changes due to the implementation of AIFRS		-1	-	-	-	-	-
All other		-	-	-	-	-	-
Total other economic flows		-28	-	-	-	-	-
OPERATING RESULT		-208	-387	69	52	55	59
<i>All other movements in equity</i>							
Revaluations		54	46	16	17	20	23
Gains recognised directly in equity		223	-	-	-	-	-
Changes in accounting policy/correction of prior period errors		-22	-	-	-	-	-
Capital injections from general government		-	-	-	-	-	-
All other		-	-	-	-	-	-
Total all other movements in equity		254	46	16	17	20	23
TOTAL CHANGE IN NET WORTH		46	-342	85	69	75	83
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	-180	-387	69	52	55	59
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		14	7	6	7	6	3
Changes in inventories		-	-	-	-	-	-
Other movement in non-financial assets		-	-	-	-	-	-
<i>less:</i>							
Sales of non-financial assets		-	-	-	-	-	-
Depreciation		3	15	15	16	16	14
Total net acquisition of non-financial assets		10	-8	-9	-9	-10	-12
NET LENDING/-BORROWING	6	-190	-379	78	61	64	71

Note: Columns may not add due to rounding.

Table 1.11

PUBLIC FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	Note	2008	2009	2010	2011	2012	2013
		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		20	26	26	24	25	25
Advances paid		1,512	2,637	2,711	2,756	2,780	2,799
Investments, loans and placements		15,925	18,637	20,675	21,791	22,823	22,899
Receivables		455	506	507	510	512	514
Investment property		388	330	357	386	417	452
Equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in external entities - shareholdings		1,052	879	959	1,045	1,139	1,242
Other financial assets		11	11	11	11	11	11
Total financial assets		19,365	23,026	25,246	26,523	27,706	27,942
<i>Non-financial assets</i>							
Land		40	41	42	43	44	45
Property, plant and equipment		260	266	260	267	264	264
Biological assets		8	7	8	9	10	8
Inventories							
Land inventories		-	-	-	-	-	-
Other inventories		-	-	-	-	-	-
Intangibles		8	7	8	9	10	8
Non-current assets held for sale		-	-	-	-	-	-
Other		1	1	1	1	1	1
Total non-financial assets		316	322	319	329	328	325
TOTAL ASSETS		19,681	23,348	25,565	26,852	28,034	28,266
LIABILITIES							
Deposits held		-	-	-	-	-	1
Advances received		3	1	-	-	-	-
Borrowings		16,129	20,079	22,086	23,168	24,135	24,139
Unfunded superannuation		10	11	11	12	12	12
Other employee benefits		7	7	7	7	7	7
Payables		75	12	13	13	13	14
Other liabilities		2,145	2,268	2,393	2,528	2,668	2,812
TOTAL LIABILITIES		18,369	22,378	24,510	25,728	26,835	26,985
NET ASSETS		1,312	970	1,055	1,124	1,199	1,282
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		969	582	651	703	758	817
Other reserves		342	388	404	421	441	465
NET WORTH	6	1,312	970	1,055	1,124	1,199	1,282
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-316	-322	-319	-329	-328	-325
<i>Net debt</i>							
Gross debt liabilities		16,132	20,080	22,086	23,168	24,135	24,140
less: liquid financial assets		17,458	21,300	23,412	24,571	25,627	25,723
less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		-1,326	-1,219	-1,326	-1,403	-1,492	-1,583

Note: Columns may not add due to rounding.

Table 1.12

PUBLIC FINANCIAL CORPORATIONS
Cash Flow Statement

	Note	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
OPERATING ACTIVITIES							
<i>Receipts from operating activities</i>							
Grants and subsidies received		-	-	-	-	-	-
Receipts from sales of goods and services		733	606	709	777	819	876
Interest receipts		1,010	1,146	1,177	1,283	1,413	1,462
Dividends and tax equivalents		-	-	-	-	-	-
Other receipts		91	60	71	76	80	86
<i>Total receipts from operating activities</i>		1,835	1,812	1,957	2,136	2,313	2,424
<i>Payments for operating activities</i>							
Wages, salaries and supplements, and superannuation		-31	-38	-40	-42	-44	-46
Payments for goods and services		-514	-540	-551	-585	-622	-665
Interest paid		-761	-1,031	-1,061	-1,164	-1,290	-1,333
Grants and subsidies paid		-1	-1	-1	-	-	-
Dividends and tax equivalents		-45	-64	-4	-25	-32	-38
Other payments		-126	-97	-113	-121	-129	-139
<i>Total payments for operating activities</i>		-1,477	-1,771	-1,769	-1,936	-2,117	-2,221
NET CASH FLOWS FROM OPERATING ACTIVITIES		358	41	189	200	196	203
INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-14	-7	-6	-7	-6	-3
Sales of non-financial assets		-	-	-	-	-	-
<i>Total cash flows from investments in non-financial assets</i>		-13	-7	-6	-7	-6	-3
<i>Cash flows from investments in financial assets</i>							
Receipts from investing activities:							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		2,866	1,006	1,168	1,193	1,230	1,269
Payments for investing activities:							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		-3,740	-2,148	-1,387	-1,424	-1,432	-1,483
<i>Total cash flows from investments in financial assets</i>		-874	-1,142	-220	-231	-202	-214
NET CASH FLOWS FROM INVESTING ACTIVITIES		-887	-1,149	-226	-239	-208	-217
FINANCING ACTIVITIES							
<i>Receipts from financing activities</i>							
Advances received		-	-	-	-	-	-
Borrowings		19,866	28,413	24,336	23,931	23,830	2,855
Deposits received		-	-	-	-	-	-
Other financing receipts		-	-	-	-	-	-
<i>Total receipts from financing activities</i>		19,866	28,413	24,336	23,931	23,830	2,855
<i>Payments for financing activities</i>							
Advances paid		-	-	-	-	-	-
Borrowings repaid		-19,804	-27,226	-24,297	-23,888	-23,812	-2,837
Deposits paid		-	-	-	-	-	-
Other financing payments		-2	-1	-1	-1	-1	-1
<i>Total payments for financing activities</i>		-19,806	-27,227	-24,298	-23,889	-23,813	-2,838
NET CASH FLOWS FROM FINANCING ACTIVITIES		60	1,186	39	42	17	17
Net increase in cash and cash equivalents		-469	79	1	3	5	4
Opening balance		2,073	1,604	1,683	1,684	1,687	1,691
Closing balance		1,604	1,683	1,684	1,687	1,691	1,695
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		358	41	189	200	196	203
Net cash flows from investing in non-financial assets		-13	-7	-6	-7	-6	-3
Cash surplus/-deficit	6	345	34	183	192	190	200

Note: Columns may not add due to rounding.

Table 1.13

TOTAL PUBLIC SECTOR
Operating Statement

	Note	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
<i>Revenue</i>							
Taxation		6,214	5,316	5,516	5,882	6,405	6,987
Current grants and subsidies		7,800	7,957	7,838	7,713	7,880	8,046
Capital grants		436	511	1,560	978	447	475
Sales of goods and services		8,894	9,713	11,221	12,463	13,191	13,751
Interest Income		757	746	534	439	359	229
Royalty income		1,680	2,675	2,577	2,684	2,758	2,873
Other		746	802	677	660	749	773
Total revenue		26,525	27,721	29,923	30,820	31,789	33,135
<i>Expenses</i>							
Salaries		7,637	8,355	8,842	9,238	9,716	10,264
Superannuation							
Concurrent costs		740	803	845	880	920	970
Superannuation interest cost		359	256	349	351	355	402
Other employee costs		228	212	213	221	227	232
Depreciation and amortisation		1,549	1,748	1,878	2,007	2,129	2,171
Services and contracts		2,473	1,867	1,932	1,874	1,943	1,968
Other gross operating expenses		6,733	9,091	9,928	10,431	10,861	10,938
Other interest		966	1,061	1,097	1,205	1,417	1,472
Other property expenses		-	-	-	-	-	-
Current transfers		2,988	3,634	3,960	3,982	4,066	4,250
Capital transfers		428	643	323	328	310	330
Total expenses		24,101	27,670	29,367	30,517	31,943	32,999
NET OPERATING BALANCE	6	2,423	51	556	303	-154	137
<i>Other economic flows</i>							
Net gains on sale of non-financial assets		376	239	413	416	327	450
Net actuarial gains		-300	-2,112	303	219	-328	227
Provision for doubtful debts		-70	-8	-10	-11	-11	-12
Valuation changes due to the implementation of AIFRS		-1	-	-	-	-	-
All other		-	-	-	-	-	-
Total other economic flows		6	-1,881	707	624	-12	665
OPERATING RESULT		2,430	-1,831	1,262	927	-166	802
<i>All other movements in equity</i>							
Revaluations		14,439	2,404	1,988	2,355	2,518	2,632
Gains recognised directly in equity		479	-43	-27	-33	-52	-60
Changes in accounting policy/correction of prior period errors		-76	-	-	-	-	-
All other		-	-	-	-	-	-
Total all other movements in equity		14,494	2,361	1,961	2,322	2,466	2,572
TOTAL CHANGE IN NET WORTH		16,924	531	3,223	3,249	2,300	3,374
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	2,423	51	556	303	-154	137
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		4,973	5,745	8,272	5,817	4,977	4,693
Changes in inventories		374	132	-29	-4	-	3
Other movement in non-financial assets		354	-58	94	-27	486	-16
<i>less:</i>							
Sales of non-financial assets		880	668	821	1,170	1,210	1,273
Depreciation		1,549	1,748	1,878	2,007	2,129	2,171
Total net acquisition of non-financial assets		3,273	3,403	5,638	2,610	2,123	1,235
NET LENDING/-BORROWING	6	-849	-3,352	-5,083	-2,306	-2,277	-1,099

Note: Columns may not add due to rounding.

Table 1.14

TOTAL PUBLIC SECTOR
Balance Sheet at 30 June

	Note	2008	2009	2010	2011	2012	2013
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
ASSETS							
<i>Financial assets</i>							
Cash and deposits		822	806	865	868	918	993
Advances paid		1,743	2,843	2,909	2,949	2,969	2,985
Investments, loans and placements		9,852	8,152	4,612	2,818	1,635	308
Receivables		3,599	3,538	3,658	3,897	4,011	4,117
Investment property		398	339	366	395	427	461
Equity - investments in external entities - shareholdings		1,089	912	1,021	1,126	1,212	1,310
Other financial assets		12	12	12	12	12	12
<i>Total financial assets</i>		<i>17,515</i>	<i>16,602</i>	<i>13,443</i>	<i>12,066</i>	<i>11,183</i>	<i>10,186</i>
<i>Non-financial assets</i>							
Land		48,285	49,234	49,910	51,140	52,585	54,100
Property, plant and equipment		54,614	59,935	67,308	71,427	75,116	78,118
Biological assets		351	379	381	384	386	386
Inventories							
Land inventories		1,320	1,472	1,547	1,638	1,621	1,596
Other inventories		1,058	1,190	1,160	1,157	1,156	1,159
Intangibles		434	432	452	438	429	418
Non-current assets held for sale		55	62	39	39	39	39
Other		88	80	86	88	91	92
<i>Total non-financial assets</i>		<i>106,205</i>	<i>112,783</i>	<i>120,885</i>	<i>126,311</i>	<i>131,422</i>	<i>135,908</i>
TOTAL ASSETS		123,719	129,386	134,327	138,377	142,606	146,095
LIABILITIES							
Deposits held		129	123	123	123	123	123
Advances received		510	500	491	481	472	462
Borrowings		15,500	18,225	20,223	21,157	22,673	22,920
Unfunded superannuation		5,920	7,911	7,530	7,188	7,363	6,994
Other employee benefits		2,119	2,239	2,351	2,462	2,553	2,634
Payables		2,890	3,128	3,162	3,149	3,165	3,164
Other liabilities		3,872	3,949	3,914	4,034	4,175	4,341
TOTAL LIABILITIES		30,940	36,076	37,794	38,595	40,524	40,638
NET ASSETS		92,780	93,310	96,533	99,782	102,082	105,456
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		28,214	26,383	27,645	28,572	28,406	29,208
Other reserves		64,566	66,927	68,888	71,210	73,676	76,248
NET WORTH	6	92,780	93,310	96,533	99,782	102,082	105,456
MEMORANDUM ITEMS							
<i>Net financial worth</i>		<i>-13,425</i>	<i>-19,473</i>	<i>-24,352</i>	<i>-26,529</i>	<i>-29,340</i>	<i>-30,452</i>
<i>Net financial liabilities</i>		<i>14,515</i>	<i>20,385</i>	<i>25,372</i>	<i>27,655</i>	<i>30,552</i>	<i>31,762</i>
<i>Net debt</i>							
Gross debt liabilities		16,139	18,849	20,837	21,762	23,268	23,506
less: liquid financial assets		12,417	11,802	8,385	6,635	5,522	4,286
less: convergence differences impacting net debt		88	88	88	88	88	88
<i>Net debt</i>		<i>3,634</i>	<i>6,959</i>	<i>12,364</i>	<i>15,039</i>	<i>17,658</i>	<i>19,132</i>

Note: Columns may not add due to rounding.

Table 1.15

TOTAL PUBLIC SECTOR
Cash Flow Statement

	Note	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
OPERATING ACTIVITIES							
<i>Receipts from operating activities</i>							
Taxes received		6,023	5,414	5,446	5,799	6,313	6,886
Grants and subsidies received		8,192	8,383	9,369	8,664	8,320	8,518
Receipts from sales of goods and services		9,496	10,648	11,380	12,571	13,379	14,015
Interest receipts		762	715	486	346	313	163
Dividends and tax equivalents		-	-	-	-	-	-
Other receipts		3,401	4,560	4,662	4,817	4,977	5,090
<i>Total receipts from operating activities</i>		27,874	29,720	31,343	32,197	33,302	34,672
<i>Payments for operating activities</i>							
Wages, salaries and supplements, and superannuation		-8,500	-9,403	-10,102	-10,580	-11,163	-11,827
Payments for goods and services		-9,526	-11,356	-11,829	-12,272	-12,800	-12,729
Interest paid		-761	-1,038	-1,066	-1,178	-1,304	-1,358
Grants and subsidies paid		-3,100	-3,768	-4,055	-4,097	-4,156	-4,354
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-1,985	-2,238	-2,213	-2,147	-2,216	-2,273
<i>Total payments for operating activities</i>		-23,872	-27,804	-29,266	-30,274	-31,638	-32,540
NET CASH FLOWS FROM OPERATING ACTIVITIES		4,001	1,916	2,077	1,924	1,664	2,132
INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-4,973	-5,745	-8,272	-5,817	-4,977	-4,693
Sales of non-financial assets		880	668	821	1,170	1,210	1,273
<i>Total cash flows from investments in non-financial assets</i>		-4,094	-5,078	-7,451	-4,647	-3,767	-3,420
<i>Cash flows from investments in financial assets</i>							
Receipts from investing activities:							
For policy purposes		-15	-13	-9	-9	-9	-9
For liquidity purposes		3,074	1,163	1,177	1,197	1,232	1,269
Payments for investing activities:							
For policy purposes		-1	-	-	-	-	-
For liquidity purposes		-4,046	-2,260	-1,445	-1,476	-1,462	-1,571
<i>Total cash flows from investments in financial assets</i>		-988	-1,109	-277	-288	-239	-311
NET CASH FLOWS FROM INVESTING ACTIVITIES		-5,082	-6,187	-7,728	-4,935	-4,006	-3,730
FINANCING ACTIVITIES							
<i>Receipts from financing activities</i>							
Advances received		-	1	1	1	1	1
Borrowings		12,629	17,345	18,396	17,125	17,187	-3,615
Deposits received		-	-	-	-	-	-
Other financing receipts		62	45	40	36	33	38
<i>Total receipts from financing activities</i>		12,691	17,390	18,437	17,161	17,221	-3,576
<i>Payments for financing activities</i>							
Advances paid		-16	-13	-9	-10	-10	-10
Borrowings repaid		-11,200	-13,083	-13,425	-14,301	-15,081	5,344
Deposits paid		-	-	-	-	-	-
Other financing payments		-58	-91	-89	-105	-107	-107
<i>Total payments for financing activities</i>		-11,273	-13,187	-13,524	-14,415	-15,198	5,227
NET CASH FLOWS FROM FINANCING ACTIVITIES		1,418	4,203	4,913	2,746	2,023	1,651
Net increase in cash and cash equivalents		337	-68	-738	-265	-318	52
Opening balance		6,299	6,636	6,569	5,831	5,566	5,248
Closing balance		6,636	6,569	5,831	5,566	5,248	5,300
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		4,001	1,916	2,077	1,924	1,664	2,132
Net cash flows from investing in non-financial assets		-4,094	-5,078	-7,451	-4,647	-3,767	-3,420
Cash surplus/-deficit	6	-92	-3,161	-5,374	-2,724	-2,102	-1,288

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 2007-08 *Annual Report on State Finances* (ARSF), which are described in detail in Note 3: *Summary of Significant Accounting Policies* in Appendix 6 of the 2007-08 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.

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 2008-09 is shown at Appendix 3: *2008-0 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

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
<i>CURRENT TRANSFERS</i>						
Local Government	85	213	221	176	224	186
Local Government on-passing	122	130	137	143	150	157
Private and Not-for-profit sector	1,607	1,893	2,075	2,057	2,144	2,262
Private and Not-for-profit sector on-passing	603	609	654	696	749	805
Other sectors of Government	1,351	1,665	1,992	1,921	1,755	1,846
<i>Total Current Transfers</i>	<i>3,769</i>	<i>4,511</i>	<i>5,078</i>	<i>4,994</i>	<i>5,022</i>	<i>5,255</i>
<i>CAPITAL TRANSFERS</i>						
Local Government	141	243	85	85	77	94
Local Government on-passing	83	88	92	95	99	103
Private and Not-for-profit sector	117	275	139	139	124	124
Private and Not-for-profit sector on-passing	31	12	-	-	-	-
Other sectors of Government	120	101	93	92	92	96
<i>Total Capital Transfers</i>	<i>491</i>	<i>719</i>	<i>408</i>	<i>411</i>	<i>392</i>	<i>417</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)**

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
<i>Expenses</i>						
General public services	292	669	648	791	985	1,177
Public order and safety	1,977	2,098	2,201	2,278	2,381	2,462
Education	4,359	4,711	5,188	5,290	5,467	5,665
Health	4,200	4,638	4,914	5,191	5,487	5,820
Social security and welfare	925	1,158	1,292	1,321	1,384	1,408
Housing and community amenities	1,389	2,092	1,726	1,603	1,606	1,672
Recreation and culture	562	560	559	576	585	596
Fuel and energy	91	82	365	183	69	62
Agriculture, forestry, fishing and hunting	423	408	421	369	375	380
Mining and mineral resources other than fuels; manufacturing; and construction	263	234	166	166	166	163
Transport and communications	1,503	1,492	1,738	1,769	1,916	2,012
Other economic affairs	370	516	596	564	537	534
Other purposes	482	371	477	614	781	1,001
Total General Government Expenses	16,837	19,030	20,291	20,715	21,739	22,952
<i>Purchases of new non-financial assets</i>						
General public services	173	335	226	220	229	299
Public order and safety	177	219	424	266	234	208
Education	335	313	1,098	822	321	193
Health	224	427	552	605	718	496
Social security and welfare	26	39	46	29	49	26
Housing and community amenities	214	292	280	168	152	100
Recreation and culture	59	97	238	91	41	21
Fuel and energy	3	2	2	2	4	1
Agriculture, forestry, fishing and hunting	18	21	25	20	36	95
Mining and mineral resources other than fuels; manufacturing; and construction	15	8	1	1	1	1
Transport and communications	743	854	661	507	489	455
Other economic affairs	36	70	358	102	79	13
Other purposes	-	-215	-	-	-	-
Total Purchases of Non-financial Assets	2,022	2,463	3,912	2,833	2,354	1,907

(a) Data in this table are for consolidated general government aggregates and exclude internal transactions within the sector. In relation to purchases of non-financial assets, the information in this table represents spending by function on fixed assets by general government agencies, which may be different to agency totals in the Asset Investment Program.

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

	2007-08 Actual \$m	2008-09 Estimated Actual \$m	2009-10 Budget Estimate \$m	2010-11 Forward Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m
<u>General government</u>						
AASB1049 net operating balance	2,507	647	409	23	-513	-458
<i>Plus GFS revenue adjustments</i>						
Capital grants - prepaid AusLink road grants	69	112	83	7	-	-
Goods and services revenue - intersector equity/asset transfers recorded as revenue	-7	-	-	-	-	-
Total GFS revenue adjustments	62	112	83	7	-	-
Total GFS adjustments to AASB 1049 net operating balance	62	112	83	7	-	-
GFS net operating balance	2,569	759	492	30	-513	-458
<u>Public non-financial corporations</u>						
AASB1049 net operating balance	96	-209	78	228	304	536
<i>Less GFS expense adjustments</i>						
Capitalised interest	30	17	32	22	15	16
Total GFS expense adjustments	30	17	32	22	15	16
Total GFS adjustments to AASB 1049 net operating balance	-30	-17	-32	-22	-15	-16
GFS net operating balance	66	-227	46	206	289	520
<u>Total non-financial public sector</u>						
AASB1049 net operating balance	2,604	438	487	251	-209	77
<i>Plus GFS revenue adjustments</i>						
Capital grants - prepaid AusLink road grants	69	112	83	7	-	-
Goods and services revenue - intersector equity/asset transfers recorded as revenue	-7	-	-	-	-	-
Total GFS revenue adjustments	62	112	83	7	-	-
<i>Less GFS expense adjustments</i>						
Capitalised interest	30	17	32	22	15	16
Total GFS expense adjustments	30	17	32	22	15	16
Total GFS adjustments to AASB 1049 net operating balance	32	95	51	-15	-15	-16
GFS net operating balance	2,635	533	538	236	-224	61
<u>Public financial corporations</u>						
AASB1049 net operating balance	-180	-387	69	52	55	59
Total GFS adjustments to AASB 1049 net operating balance	-	-	-	-	-	-
GFS net operating balance	-180	-387	69	52	55	59
<u>Total public sector</u>						
AASB1049 net operating balance	2,423	51	556	303	-154	137
<i>Plus GFS revenue adjustments</i>						
Capital grants - prepaid AusLink road grants	69	112	83	7	-	-
Goods and services revenue - intersector equity/asset transfers recorded as revenue	-7	-	-	-	-	-
Total GFS revenue adjustments	62	112	83	7	-	-
<i>Less GFS expense adjustments</i>						
Capitalised interest	30	17	32	22	15	16
Total GFS expense adjustments	30	17	32	22	15	16
Total GFS adjustments to AASB 1049 net operating balance	32	95	51	-15	-15	-16
GFS net operating balance	2,455	145	607	288	-169	121

AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

Net Worth at 30 June

	2008 Actual \$m	2009 Estimated Actual \$m	2010 Budget Estimate \$m	2011 Forward Estimate \$m	2012 Forward Estimate \$m	2013 Forward Estimate \$m
<i>General government</i>						
AASB1049 net worth	92,780	93,310	96,533	99,782	102,082	105,456
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	88
Provision for doubtful debts						
General government sector	183	184	184	184	184	184
Impact on public corporations net worth	25	11	11	12	14	16
Impact of AusLink Road grants prepayments	-202	-90	-7	-	-	-
Total GFS net worth adjustments	94	193	276	284	286	288
GFS net worth	92,874	93,503	96,809	100,066	102,368	105,744
<i>Public non-financial corporations</i>						
AASB1049 net worth	30,537	31,795	33,571	35,272	36,635	38,300
<i>Plus</i>						
Impact of general government equity injections	-2,797	-3,286	-4,212	-4,822	-5,077	-5,312
Provision for doubtful debts	25	11	10	12	13	15
Total GFS net worth adjustments	-2,772	-3,275	-4,202	-4,810	-5,064	-5,297
GFS net worth	27,765	28,520	29,369	30,462	31,571	33,003
<i>Total non-financial public sector</i>						
AASB1049 net worth	92,780	93,310	96,533	99,782	102,082	105,456
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	88
Provision for doubtful debts						
Total non-financial public sector	208	194	194	195	197	199
Impact on public corporations net worth	1	1	1	1	1	1
Impact of AusLink Road grants prepayments	-202	-90	-7	-	-	-
Total GFS net worth adjustments	94	193	276	284	286	288
GFS net worth	92,874	93,503	96,809	100,066	102,368	105,744
<i>Public financial corporations</i>						
AASB1049 net worth	1,312	970	1,055	1,124	1,199	1,282
<i>Plus</i>						
Provision for doubtful debts	1	1	1	1	1	1
Total GFS net worth adjustments	1	1	1	1	1	1
GFS net worth	1,312	971	1,056	1,125	1,200	1,283
<i>Total public sector</i>						
AASB1049 net worth	92,780	93,310	96,533	99,782	102,082	105,456
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	88
Provision for doubtful debts	209	195	194	196	198	200
Impact of AusLink Road grants prepayments	-202	-90	-7	-	-	-
Total GFS net worth adjustments	94	193	276	284	286	288
GFS net worth	92,874	93,503	96,809	100,066	102,368	105,744

AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

Cash Surplus/-Deficit

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB1049 cash surplus/-deficit	1,281	-535	-2,308	-1,506	-1,628	-1,196
Less Acquisitions under finance leases and similar arrangements	213	1	1	-	1	-
GFS cash surplus/-deficit	1,068	-535	-2,309	-1,507	-1,630	-1,196
<u>Public non-financial corporations</u>						
AASB1049 cash surplus/-deficit	-1,719	-2,661	-3,248	-1,410	-663	-292
Less Acquisitions under finance leases and similar arrangements	218	-	129	-	499	-
GFS cash surplus/-deficit	-1,936	-2,661	-3,377	-1,410	-1,163	-292
<u>Total non-financial public sector</u>						
AASB1049 cash surplus/-deficit	-437	-3,195	-5,556	-2,916	-2,292	-1,488
Less Acquisitions under finance leases and similar arrangements	431	1	130	-	501	-
GFS cash surplus/-deficit	-868	-3,196	-5,687	-2,916	-2,793	-1,488
<u>Public financial corporations</u>						
AASB1049 cash surplus/-deficit	345	34	183	192	190	200
Less Acquisitions under finance leases and similar arrangements	-	-	-	-	-	-
GFS cash surplus/-deficit	345	34	183	192	190	200
<u>Total public sector</u>						
AASB1049 cash surplus/-deficit	-92	-3,161	-5,374	-2,724	-2,102	-1,288
Less Acquisitions under finance leases and similar arrangements	431	1	130	-	501	-
GFS cash surplus/-deficit	-523	-3,162	-5,504	-2,724	-2,603	-1,288

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

	2008-09 Estimated Actual \$m	2009-10 Nomination \$m	2009-10 Budget Estimate \$m
General government cash surplus/deficit	535	856	2,308
Public non-financial Corporations sector cash surplus/deficit	2,661	2,495	3,248
<i>Total non-financial public sector cash surplus/deficit</i>	<i>3,195</i>	<i>3,351</i>	<i>5,556</i>
Acquisitions under finance leases and similar arrangements	1	130	130
<i>GFS cash surplus/deficit</i>	<i>3,196</i>	<i>3,481</i>	<i>5,687</i>
<i>Less: Non-financial public sector net cash flows from investments in financial assets for policy purposes</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Plus: Memorandum items</i> ^(a)	<i>1,256</i>	<i>-423</i>	<i>-355</i>
Loan Council Allocation	4,452	3,058	5,332
<i>Tolerance Limit</i>		<i>579</i>	

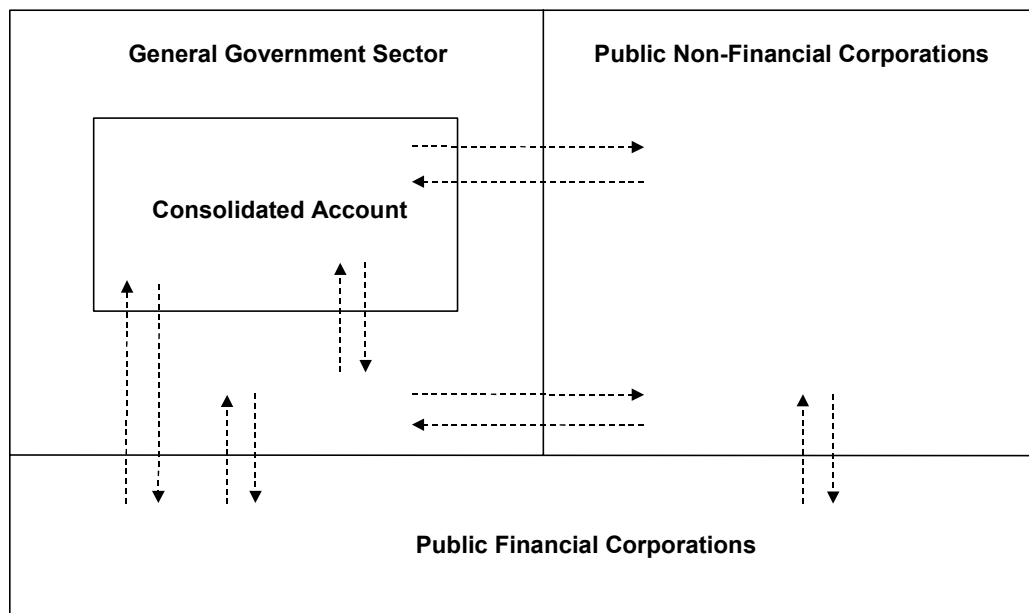
(a) Memorandum items are used to adjust the ABS deficit/surplus to include in LCAs certain transactions (e.g. operating leases) that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. Where appropriate, they are also used to deduct from the deficit/surplus 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 an Asset Investment Program.

General Government

Agricultural Practices Board of Western Australia	Goldfields-Esperance Development Commission
Agricultural Produce Commission	Governor's Establishment
Botanic Gardens and Parks Authority	Great Southern Development Commission
Building and Construction Industry Training Board	Great Southern TAFE
Central TAFE	Heritage Council of Western Australia
Central West TAFE	Independent Market Operator
Challenger TAFE	Keep Australia Beautiful Council (W.A.)
Chemistry Centre (W.A.)	Kimberley TAFE
Commissioner for Children and Young People	Kimberley Development Commission
Commissioner of Equal Opportunity	Law Reform Commission of Western Australia
Commissioner of Main Roads	Legal Aid Commission of Western Australia
Corruption and Crime Commission	Legal Costs Committee
Country High School Hostels Authority	Local Health Authorities Analytical Committee
Curriculum Council	Mid-West Development Commission
C.Y. O'Connor College of TAFE	Minerals and Energy Research Institute of Western Australia
Department for Child Protection	Office of Energy
Department for Communities	Office of Health Review
Department for Planning and Infrastructure ^(a)	Office of Native Title
Department for Planning	Office of the Auditor General
Department of Agriculture and Food	Office of the Director of Public Prosecutions
Department of Commerce	Office of the Information Commissioner
Department of Consumer and Employment Protection ^(a)	Office of the Inspector of Custodial Services
Department of Corrective Services	Office of the Parliamentary Inspector of the Corruption and Crime Commission
Department of Culture and the Arts	Office of the Public Sector Standards Commissioner
Department of Education and Training	Parliamentary Commissioner for Administrative Investigations
Department of Education Services	Parliamentary Services Department
Department of Environment and Conservation	Peel Development Commission
Department of Fisheries	Perth Theatre Trust
Department of Health (including Public Hospitals)	Pilbara Development Commission
Department of Housing and Works ^(a)	Pilbara TAFE
Department of Housing	Police Service
Department of Indigenous Affairs	Professional Combat Sports Commission
Department of Industry and Resources ^(a)	Professional Standards Council
Department of Local Government and Regional Development ^(a)	Public Sector Commission ^(a)
Department of Local Government	Racing Penalties Appeal Tribunal of Western Australia
Department of Mines and Petroleum ^(a)	Rural Business Development Corporation
Department of Racing, Gaming and Liquor	Salaries and Allowances Tribunal
Department of Regional Development and Lands ^(a)	Screen West (Inc.)
Department of Sport and Recreation	Small Business Development Corporation
Department of State Development ^(a)	South West Development Commission
Department of Transport ^(a)	South West Regional College of TAFE
Department of the Legislative Assembly	State Supply Commission
Department of the Legislative Council	Swan River Trust
Department of the Premier and Cabinet	Swan TAFE
Department of the Attorney General	The Aboriginal Affairs Planning Authority
Department of the Registrar, Western Australian Industrial Relations Commission	The Agriculture Protection Board of Western Australia
Department of Treasury and Finance	The Anzac Day Trust
Department of Water	The Board of the Art Gallery of Western Australia
Disability Services Commission	The Burswood Park Board
Economic Regulation Authority	The Coal Miners' Welfare Board of Western Australia
Equal Opportunity Commission	The Library Board of Western Australia
Fire and Emergency Services Authority of Western Australia	The National Trust of Australia (W.A.)
Gaming and Wagering Commission of Western Australia	The Queen Elizabeth II Medical Centre Trust
Gascoyne Development Commission	The Western Australia Museum
	Trustees of the Public Education Endowment

(a) Agency which has been either created, abolished, amalgamated or renamed since the 8 May 2008 presentation of the 2008-09 Budget.

General Government (cont.)

West Coast TAFE	Western Australian Land Information Authority
Western Australian Alcohol and Drug Authority	Western Australian Meat Industry Authority
Western Australian Building Management Authority	Western Australian Planning Commission
Western Australian Electoral Commission	Western Australian Sports Centre Trust
Western Australian Gas Disputes Association	Western Australian Tourism Commission
Western Australian Greyhound Racing Association	Wheatbelt Development Commission
Western Australian Health Promotion Foundation	WorkCover Western Australia Authority
Western Australian Institute of Sport	Zoological Parks Authority

Public Non-Financial Corporations

Albany Port Authority	Housing Authority
Animal Resources Authority	Lotteries Commission
Armadale Redevelopment Authority	Metropolitan Cemeteries Board
Broome Port Authority	Midland Redevelopment Authority
Bunbury Port Authority	Perth Market Authority
Bunbury Water Board	Port Hedland Port Authority
Busselton Water Board	Potato Marketing Corporation of Western Australia
Dampier Port Authority	Public Transport Authority of Western Australia
East Perth Redevelopment Authority	Racing and Wagering Western Australia
Electricity Generation Corporation (Verve Energy)	Regional Power Corporation (Horizon Power)
Electricity Networks Corporation (Western Power)	Rottneet Island Authority
Electricity Retail Corporation (Synergy)	Subiaco Redevelopment Authority
Esperance Port Authority	The Eastern Goldfields Transport Board ^(a)
Forest Products Commission	Water Corporation
Fremantle Port Authority	Western Australian Coastal Shipping Commission
Geraldton Port Authority	Western Australian Land Authority
Gold Corporation and its subsidiaries	

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

(a) Agency which has been either created, abolished, amalgamated or renamed since the 8 May 2008 presentation of the 2008-09 Budget.

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
Curtin University of Technology and its subsidiaries
Edith Cowan University
Fire and Emergency Services Superannuation Board
Government Employees Superannuation Board
Legal Contribution Trust
Murdoch University and its subsidiaries
Public Trustee
Real Estate and Business Agents Supervisory Board
Settlement Agents Supervisory Board
The University of Western Australia and its subsidiaries

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.

The presentation on Commonwealth grants in this appendix has been changed from previous publications. This reflects COAG reforms implemented since the mid-year review, including simplification of specific purpose grants and new National Partnership Payments.

Table 2.1

OPERATING REVENUE
General Government

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
TAXATION						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	1,940	2,235	2,216	2,352	2,588	2,871
Property taxes						
<i>Land tax</i>	421	563	547	470	468	501
Transfer Duty	2,265	1,041	1,186	1,395	1,573	1,713
Landholder Duty	-	25	37	43	49	53
<i>Total duty on transfers</i>	2,265	1,066	1,223	1,438	1,622	1,766
Mortgages	108	5	-	-	-	-
Other stamp duties	-	1	1	1	1	1
Metropolitan Region Improvement Tax	76	84	81	69	69	74
Emergency Services Levy	150	154	168	180	185	199
Loan guarantee fees	14	21	26	29	31	32
<i>Total other property taxes</i>	348	264	275	279	286	306
Taxes on provision of goods and services						
Lotteries Commission	121	121	126	131	135	139
Video lottery terminals	-	1	1	1	1	1
Casino Tax	84	81	84	87	90	92
TAB betting tax	30	35	37	40	43	43
<i>Total taxes on gambling</i>	235	237	248	258	268	274
Insurance Duty	342	360	388	417	448	481
Other	30	18	18	20	20	20
<i>Total taxes on insurance</i>	372	378	407	437	468	501
Taxes on use of goods and performance of activities						
Vehicle Licence Duty	393	309	323	359	397	439
Permits - Oversize Vehicles and Loads	5	4	4	4	4	4
Motor Vehicle recording fee	34	40	41	43	45	46
Motor Vehicle registrations	434	465	490	515	543	568
<i>Total motor vehicle taxes</i>	866	819	859	921	988	1,057
Total Taxation	6,447	5,561	5,775	6,154	6,687	7,275

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

OPERATING REVENUE
General Government

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
CURRENT GRANTS AND SUBSIDIES						
<i>General Purpose Grants</i>						
GST Revenue grants ^(a)	3,984	3,573	3,332	3,061	2,868	2,819
Competition Reform	4	-	-	-	-	-
North West Shelf grants	798	929	930	1,072	1,114	1,135
Compensation for Crude Oil Excise Condensate	71	64	60	57	57	57
<i>Grants Through the State</i>						
Schools assistance – non-government schools	603	609	654	696	749	805
Local government financial assistance grants	122	130	137	143	150	157
Local government roads	83	88	92	95	99	103
First Home Owners' Boost	-	101	31	-	-	-
Other	-	14	25	25	25	25
<i>National Specific Purpose Payment Agreement Grants ^(b)</i>						
National Health Care Agreement	994	1,050	1,136	1,229	1,330	1,435
National Education Agreement	303	300	329	352	374	402
National Agreement for Skills and Workforce Development	120	131	132	135	139	143
National Disability Agreement	69	75	78	94	112	121
National Affordable Housing Agreement	108	122	125	127	130	132
<i>Nation Building and Jobs Plan</i>						
Schools	-	30	77	6	-	-
Housing	-	-	40	-	-	-
Transport	-	15	10	-	-	-
<i>Other Grants/National Partnerships</i>						
Housing	65	117	127	103	120	151
Roads	36	57	52	50	51	50
Other	438	552	474	466	562	511
Total Current Grants and Subsidies	7,800	7,957	7,838	7,713	7,880	8,046
CAPITAL GRANTS						
<i>Grants Through the State</i>						
Schools assistance – non-government schools	31	12	-	-	-	-
<i>Nation Building and Jobs Plan</i>						
Schools	-	48	628	417	-	-
Housing	-	6	387	182	31	-
Transport	-	5	5	-	-	-
<i>Other Grants/National Partnerships</i>						
Housing	88	90	87	89	90	94
Roads	174	191	198	209	253	307
Other	143	158	255	82	74	75
Total Capital Grants	436	511	1,560	978	447	475

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

OPERATING REVENUE						
General Government						
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	Actual	Estimate	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
SALES OF GOODS AND SERVICES						
Departments of Planning/Transport	127	135	160	168	177	182
Department of Health	321	338	350	366	388	398
Department of Education and Training	198	196	197	202	208	214
TAFE Colleges	91	100	102	105	106	114
Land Information Authority	91	87	103	120	119	128
Department of the Attorney General	77	79	83	87	90	93
Department of Corrective Services	20	18	19	21	23	23
Department of Environment and Conservation	69	65	107	110	113	116
Department of Commerce	43	43	41	43	47	46
Department of Fisheries	24	25	25	26	27	27
Department of Culture and the Arts	22	23	21	22	23	22
Western Australia Police	28	25	26	27	28	28
All Others	297	350	391	419	465	519
Total Sale of Goods and Services	1,407	1,484	1,627	1,716	1,814	1,911
INTEREST INCOME	332	287	144	169	218	229
REVENUE FROM PUBLIC CORPORATIONS						
Dividends	512	506	536	578	612	733
Tax Equivalent Regime	368	356	319	358	396	536
Total Revenue from Public Corporations	880	861	855	936	1,008	1,268
ROYALTY INCOME	1,680	2,675	2,577	2,684	2,758	2,873
OTHER						
Lease Rentals	65	65	64	66	67	69
Fines	125	125	129	185	207	208
Revenue not elsewhere counted	174	150	130	137	140	139
Total Other	364	340	324	388	414	416
TOTAL REVENUE	19,345	19,677	20,700	20,738	21,227	22,494

(a) Includes compensation for GST deferred as a result of the Commonwealth's decision to allow extended payment arrangements for some taxpayers (mainly small businesses).

(b) SPP Estimates for 2007-08 and 2008-09 have been derived to show grants on a consistent basis over time.

Note: Columns may not add due to rounding.

2008-09 General Government Operating Revenue

This appendix contains general government revenue estimates for the 2008-09 financial year comparing the original 2008-09 Budget estimates, mid-year review revisions and the current estimated outturn.

For comparative purposes, information on Commonwealth grants is presented on the same basis as that which appears in these earlier publications.

Table 3.1

2008-09 OPERATING REVENUE
General Government

	2008-09 Budget Estimate \$m	2008-09 Mid-Year Revision \$m	2008-09 Estimated Actual \$m
TAXATION			
Taxes on employers' payroll and labour force			
<i>Payroll tax</i>	2,129	2,281	2,235
Property taxes			
<i>Land tax</i>	563	562	563
Transfer Duty	1,948	1,278	1,041
Landholder Duty	144	40	25
<i>Total duty on transfers</i>	2,092	1,318	1,066
Mortgages	10	10	5
Other stamp duties	1	2	1
Metropolitan Region Improvement Tax	86	84	84
Emergency Services Levy	154	154	154
Loan guarantee fees	19	21	21
<i>Total other property taxes</i>	270	270	264
Taxes on provision of goods and services			
Lotteries Commission	114	121	121
Video lottery terminals	1	1	1
Casino Tax	81	81	81
TAB betting tax	35	35	35
<i>Total taxes on gambling</i>	230	237	237
Insurance Duty	388	360	360
Other	18	18	18
<i>Total taxes on insurance</i>	406	378	378
Taxes on use of goods and performance of activities			
Vehicle Licence Duty	376	340	309
Permits - Oversize Vehicles and Loads	4	4	4
Motor Vehicle recording fee	40	40	40
Motor Vehicle registrations	465	465	465
<i>Total motor vehicle taxes</i>	886	850	819
Total Taxation	6,576	5,896	5,561

Columns may not add due to rounding.

Table 3.1 (cont.)

2008-09 OPERATING REVENUE
General Government

	2008-09 Budget Estimate \$m	2008-09 Mid-Year Revision \$m	2008-09 Estimated Actual \$m
CURRENT GRANTS AND SUBSIDIES			
<i>General Purpose Grants</i>			
GST Revenue grants ^(a)	3,957	3,790	3,573
Compensation for Crude Oil Excise Condensate	-	64	64
<i>Specific Purpose Grants to the State</i>			
Australian Health Care Agreement	972	972	1,050
Other health	322	339	441
Schools assistance – government schools	274	282	406
Vocational training	103	103	103
Roads	27	36	72
Other	316	331	373
<i>Specific Purpose Grants through the State</i>			
Schools assistance – non-government schools	588	609	609
Local government financial assistance grants	128	130	130
Local government roads	86	88	88
First Home Owners' Boost	-	101	101
Other	33	14	14
<i>Other Grants</i>			
North West Shelf grants	720	957	933
Total Current Grants and Subsidies	7,526	7,817	7,957
CAPITAL GRANTS			
<i>Specific Purpose Grants to the State</i>			
Roads	152	220	196
Schools assistance – government schools	33	33	104
Vocational training	17	26	26
Other	214	148	172
<i>Specific Purpose Grants through the State</i>			
Schools assistance – non-government schools	18	12	12
Total Capital Grants	433	440	511

Note: Columns may not add due to rounding.

Table 3.1 (cont.)

2008-09 OPERATING REVENUE
General Government

	2008-09 Budget Estimate \$m	2008-09 Mid-Year Revision \$m	2008-09 Estimated Actual \$m
SALES OF GOODS AND SERVICES			
Departments of Planning/Transport	139	133	135
Department of Health	282	338	338
Department of Education and Training	156	196	196
TAFE Colleges	87	100	100
Land Information Authority	96	87	87
Department of the Attorney General	57	64	79
Department of Corrective Services	16	16	18
Department of Environment and Conservation	68	65	65
Department of Commerce	44	46	43
Department of Fisheries	24	25	25
Department of Culture and the Arts	19	22	23
Western Australia Police	22	22	25
All Others	320	370	350
Total Sale of Goods and Services	1,329	1,484	1,484
INTEREST INCOME	252	208	287
REVENUE FROM PUBLIC CORPORATIONS			
Dividends	476	495	506
Tax Equivalent Regime	334	332	356
Total Revenue from Public Corporations	810	827	861
ROYALTY INCOME	2,646	3,037	2,675
OTHER			
Lease Rentals	58	61	65
Fines	125	125	125
Revenue not elsewhere counted	117	144	150
Total Other	300	331	340
TOTAL REVENUE	19,872	20,039	19,677

(a) Includes compensation for GST deferred as a result of the Commonwealth's decision to allow extended payment arrangements for some taxpayers (mainly small businesses).

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 \$438 million on the Treasurer's Advance for 2008-09. This limit was amended by the *Treasurer's Advance Authorisation Act 2009*, which increased the limit to \$1,200 million.

Table 4.1 shows the projected position of the Treasurer's Advance at 30 June 2009. These projections are consistent with the agency data underlying the budget projections outlined elsewhere in these Budget Papers.

TREASURER'S ADVANCE AT 30 JUNE		
	2007-08 Actual \$m	2008-09 Projection \$m
AUTHORISED LIMIT	750.0	1,200.0
<i>Total Drawn Against Treasurer's Advance authorisation</i>	<i>611.6</i>	<i>1,199.2</i>
Comprising:		
Net recoverable advances as at 30 June	6.1	15.0
Excesses and New Items		
- recurrent	443.2	1,063.0
- capital	162.3	121.3

Note: Columns may not add due to rounding.

Table 4.1

Transfers, Excesses and New Items

A total of \$208.1 million in appropriations originally allocated in the 2008-09 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:

- \$99.7 million (including transfer of both recurrent and capital appropriations) from the Department of Housing and Works to the Department of Treasury and Finance, following the transfer of all works functions from 1 February 2009;
- \$49.4 million (including both recurrent and capital appropriations from the former Department of Industry and Resources (DoIR) to the Department of Commerce (DoC) for costs associated with the delivery of the Science and Innovation Business Division's (SIB's) functions. SIB functions were transferred to DoC following the abolitions of DoIR and the creation of DoC on 1 January 2009.
- \$4.0 million (administered grants and transfer payments) from the former DoIR to DoC for costs associated with SIB grants programs.
- \$15.7 million (recurrent appropriations) from the former DoIR to the Department of State Development for general operational functions and expenses, following the establishment of the Department of State Development on 1 January 2009;
- \$10.9 million from the Department of the Premier and Cabinet to the Public Sector Commission, reflecting the transfer of the Public Sector Management Office and E-Government Policy and Coordination functions, following the creation of the Public Sector Commissioner's position from 1 November 2008;
- \$10.0 million of recurrent appropriation from the Department for Child Protection to the Department for Communities, reflecting the transfer of non-government services and grant programs from 1 July 2008;
- \$5.3 million from the Department for Planning and Infrastructure to the Commissioner of Main Roads to fund the Daddow Road project, which involves constructing a road bridge over the freight railway within the Kewdale Industrial Precinct;
- \$5.0 million from the Department of Corrective Services to Western Australia Police for costs associated with the operation of the East Perth Watch House;
- \$4.2 million (including both recurrent and capital appropriations) from the former Department of Consumer and Employment Protection to the Department of Mines and Petroleum for costs associated with the delivery of the Resources Safety Division's functions. The Resources Safety Division was transferred to the Department of Mines and Petroleum following the abolition of the Department of Consumer and Employment Protection and the creation of the Department of Mines and Petroleum on 1 January 2009;

- \$1.3 million from the Department for Communities to the Department of Local Government and Regional Development relating to the transfer of the Office of Multicultural Interests;
- \$1.1 million (recurrent appropriations) from the Department of the Premier and Cabinet to the Department of State Development for costs associated with the delivery of the functions of the Office of Development Approvals Coordination. These functions were transferred to the Department of State Development following its establishment on 1 January 2009;
- \$0.6 million of recurrent appropriations from the Department of Health to the Department of Treasury and Finance, following the provision of seven additional project officer positions to the existing procurement health cluster originally approved under the Memorandum of Understanding signed by both agencies on 20 March 2006;
- \$0.3 million from the Agriculture Protection Board to the Department of Agriculture and Food for assets already transferred in preparation for the abolition of the Agriculture Protection Board;
- \$0.2 million from the Western Australia Police to the Office of the Director of Public Prosecutions for the civilianisation of the Perth Children's Court, replacing two police officers with two legal positions;
- \$0.2 million from the Department of Treasury and Finance to the Pilbara Development Commission, reflecting the transfer of funding and responsibilities to facilitate the implementation of the Pilbara Housing Study;
- \$0.1 million from the Department of Environment and Conservation to the Department of Water in relation to the transfer of the Water Drilling Team;
- \$0.1 million of recurrent appropriations from the Department of Commerce to the Department of Treasury and Finance, following the transfer of the procurement function from 1 July 2004 in line with the procurement reform agenda and re-badging; and
- \$44,000 from the Department of Treasury and Finance to the Department of Mines and Petroleum for costs associated with the transfer of a contracts administration officer.

Table 4.2 outlines excesses and new items expected to materialise during 2008-09 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 4.2 are subject to timing and other movements in agencies' appropriations through the remainder of 2008-09.

Table 4.2

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	
Recurrent Appropriations					
Parliament					
1	Delivery of services – Legislative Council	-	-	0.1	-
2	Delivery of services – Legislative Assembly	-	-	0.1	-
3	Delivery of services – Parliamentary Services	-	-	0.5	-
The Parliamentary Commissioner for Administrative Investigations					
4	Delivery of services	-	-	0.3	-
Department of the Premier and Cabinet					
5	Delivery of services	-12.0	-	7.3	-
Office of the Public Sector Standards Commissioner					
7	Delivery of services	-	-	0.1	-
Salaries and Allowances Tribunal					
8	Delivery of services	-	-	_(c)	-
Department of Treasury and Finance					
9	Delivery of services	14.8	-	-	-
13	Community Service Obligations – Water Corporation	-	-	0.1	-
15	Aerial Shark Surveillance Program	-	-	0.1	-
22	First Home Owners' Assistance	-	-	130.7	71.0
23	Goods and Services Tax (GST) Administration Costs	-	-	0.1	-
25	Office of Health Review	-	-	_(c)	-
30	Refund of Past Years Revenue Collections – Public Corporations	-	-	20.0	16.2
31	Refund of Past Years Revenue Collections – All Other	-	-	95.8	89.6
38	All Other Grants, Subsidies and Transfer Payments	-	-	0.2	-
New	<i>Royalties for Regions</i> Fund - recurrent	-	299.6	-	-
<i>Department of Mines and Petroleum</i>					
43	Delivery of services	-59.3	-	1.8	-
44	Administered Grants, Subsidies and Other Transfer Payments	-4.0	-	26.1	18.0
<i>Department of Agriculture and Food</i>					
45	Delivery of services	0.3	-	-	-
<i>Agriculture Protection Board of Western Australia</i>					
46	Delivery of services	-0.3	-	-	-
<i>Mid-West Development Commissions</i>					
48	Delivery of services	-	-	_(c)	-
<i>Wheatbelt Development Commission</i>					
49	Delivery of services	-	-	_(c)	-
<i>Great Southern Development Commission</i>					
50	Delivery of services	-	-	_(c)	-
<i>Local Government and Regional Development</i>					
51	Delivery of services	1.3	-	-	-
<i>Department of Racing, Gaming and Liquor</i>					
54	Administered Grants, Subsidies and Other Transfer Payments	-	-	1.2	-
<i>Goldfields-Esperance Development Commission</i>					
55	Delivery of services	-	-	_(c)	-
<i>Western Australia Police</i>					
56	Delivery of services	4.8	-	9.9	-
<i>Department of Water</i>					
58	Delivery of services	0.1	-	4.5	-

(a) Authorised under section 25 of the FMA.

(b) Budget cut-off date, 16 April 2009.

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

Note: Columns may not add due to rounding.

TRANSFERS, EXCESSES AND NEW ITEMS

Table 4.2 (cont.)

Item	Appropriation	Treasurer's Advance			Draw on Treasurer's Advance to date ^(b)
		Transfers ^(a) \$m	New Items \$m	Excesses \$m	
<i>Western Australian Sports Centre Trust</i>					
62	Delivery of services	-	-	1.9	-
<i>Equal Opportunity Commission</i>					
64	Delivery of services	-	-	0.1	-
<i>Corruption and Crime Commission</i>					
65	Delivery of services	-	-	0.2	-
<i>Law Reform Commission of Western Australia</i>					
67	Delivery of services	-	-	_(c)	-
<i>Office of the Director of Public Prosecutions</i>					
68	Delivery of services	0.2	-	0.1	-
<i>Commissioner for Children and Young People</i>					
69	Delivery of services	-	-	_(c)	-
<i>Office of the Information Commissioner</i>					
70	Delivery of services	-	-	_(c)	-
<i>Department of Health</i>					
71	Delivery of services	-	-	42.2	-
72	Contribution to Hospital Fund	-0.6	-	145.7	-
<i>Western Australian Electoral Commission</i>					
73	Delivery of services	-	-	4.4	-
<i>Department of Housing and Works</i>					
74	Delivery of services	-14.3	-	2.0	-
<i>Housing Authority</i>					
75	Delivery of services	-	-	79.4	26.0
<i>Department of Indigenous Affairs</i>					
76	Delivery of services	-	-	1.9	-
<i>Heritage Council of Western Australia</i>					
77	Delivery of services	-	-	_(c)	-
<i>National Trust of Australia (Western Australia)</i>					
78	Delivery of services	-	-	0.1	-
<i>Western Australian Land Information Authority</i>					
79	Delivery of services	-	-	3.2	-
<i>Department of Planning and Infrastructure</i>					
80	Delivery of services	-5.3	-	9.7	-
<i>Commissioner of Main Roads</i>					
82	Delivery of services	-	-	22.4	-
<i>Public Transport Authority of Western Australia</i>					
83	Delivery of services	-	-	24.1	-
<i>Disability Services Commission</i>					
85	Delivery of services	-	-	28.1	-
<i>Department of Culture and the Arts</i>					
87	Delivery of services	-	-	0.6	-
89	Library Board of Western Australia	-	-	0.5	-
<i>Department of Education and Training</i>					
92	Delivery of services	-	-	23.2	-
<i>Country High Schools Hostels Authority</i>					
93	Delivery of services	-	-	_(c)	-
<i>Curriculum Council</i>					
94	Delivery of services	-	-	2.2	-

(a) Authorised under section 25 of the FMA.

(b) Budget cut-off date, 16 April 2009.

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

Note: Columns may not add due to rounding.

Table 4.2 (cont.)

		Treasurer's Advance			Draw on Treasurer's Advance to date ^(b)
Item	Appropriation	Transfers ^(a) \$m	New Items \$m	Excesses \$m	\$m
<i>Department of Education Services</i>					
96	Administered grants and transfer payment	-	-	0.3	-
<i>South West Development Commission</i>					
97	Delivery of services	-	-	9.6	-
<i>Chemistry Centre (WA)</i>					
99	Delivery of services	-	-	_(c)	-
<i>Department of Commerce</i>					
100	Delivery of services	43.5	-	3.2	-
New	Administered Grants, Subsidies and Transfer Payments	4.0	-	-	-
<i>Department of Fisheries</i>					
102	Delivery of services	-	-	0.2	-
<i>Kimberley Development Commission</i>					
103	Delivery of services	-	-	0.5	-
<i>Pilbara Development Commission</i>					
104	Delivery of services	0.2	-	_(c)	-
<i>Gascoyne Development Commission</i>					
105	Delivery of services	-	-	_(c)	-
<i>Department of Corrective Services</i>					
106	Delivery of services	-5.0	-	13.7	-
<i>Office of the Inspector of Custodial Services</i>					
107	Delivery of services	-	-	0.1	-
<i>Small Business Development Corporation</i>					
108	Delivery of services	-	-	0.1	-
<i>Peel Development Commission</i>					
114	Delivery of services	-	-	_(c)	-
<i>Department for Child Protection</i>					
115	Delivery of services	-10.0	-	12.2	-
<i>Department for Communities</i>					
116	Delivery of services	8.7	-	27.9	24.2
<i>Department of State Development</i>					
New	Delivery of services	16.8	4.4	-	-
<i>Public Sector Commission</i>					
New	Delivery of services	10.9	-	-	-
Total Recurrent		-5.2	304.0	759.0	245.0
Capital Appropriations					
<i>Parliament</i>					
119	Capital Contribution – Parliamentary Services	-	-	0.2	-
<i>Department of Treasury and Finance</i>					
120	Capital Contribution	85.4	-	-	-
New	Royalties for Regions Fund - capital	-	34.4	-	-
<i>Department of Mines and Petroleum</i>					
138	Capital Contribution	-1.6	-	-	-
<i>Western Australian Sports Centre Trust</i>					
146	Capital Contribution	-	-	0.1	-
<i>Department of Housing</i>					
154	Capital Contribution	-85.4	-	-	-
<i>Housing Authority</i>					
155	Capital Contribution	-	-	36.7	1.7

(a) Authorised under section 25 of the FMA.

(b) Budget cut-off date, 16 April 2009.

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

Note: Columns may not add due to rounding.

TRANSFERS, EXCESSES AND NEW ITEMS

Table 4.2 (cont.)

Item	Appropriation	Treasurer's Advance			Draw on Treasurer's Advance to date ^(b) \$m
		Transfers ^(a) \$m	New Items \$m	Excesses \$m	
<i>Commissioner of Main Roads</i>					
158	Capital Contribution	5.3	-	5.8	-
<i>Public Transport Authority of Western Australia</i>					
159	Capital Contribution	-	-	28.0	-
<i>Department of Commerce</i>					
173	Capital Contribution	1.6	-	-	-
<i>Department of Fisheries</i>					
174	Capital Contribution	-	-	1.0	-
<i>Environment and Conservation</i>					
178	Capital Contribution	-0.1	-	-	-
<i>Forest Products Commission</i>					
	New Capital Contribution	-	15.1	-	-
<i>Total Capital</i>		5.2	49.5	71.8	1.7
TOTAL		-	353.4	830.8	246.7

(a) Authorised under section 25 of the FMA.

(b) Budget cut-off date, 16 April 2009.

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

Note: Columns may not add due to rounding.

Election Commitments

This appendix provides details of the Government's election commitments as reflected in the 2009-10 Budget forward estimates.

In some cases, figures may have changed from those presented in the 2008-09 mid-year review due to timing changes, some of which represent policy changes to limit the growth in public sector net debt in response to the significant change in economic conditions. The figures below are also presented on a gross agency basis, and include spending which in some cases is from one government agency to another (and is eliminated upon consolidation).

Table 5.1

ELECTION COMMITMENTS
Liberal Party and National Party Election Commitments

	2008-09 Estimated Actual \$'000	2009-10 Budget Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000
LIBERAL PARTY ELECTION COMMITMENTS					
REVENUE					
<i>Treasury and Finance</i>					
- Land Tax/MRIT	-	-9,200	-2,300	-4,600	-4,600
- Payroll Tax	-	-500	-500	-500	-500
<i>Subtotal</i>	-	-9,700	-2,800	-5,100	-5,100
Total Revenue	-	-9,700	-2,800	-5,100	-5,100

Table 5.1 (cont.)

ELECTION COMMITMENTS					
Liberal Party and National Party Election Commitments					
	2008-09 Estimated Actual \$'000	2009-10 Budget Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000
EXPENSES					
<i>Agriculture and Food</i>					
- Biosecurity Feasibility Study	100	-	-	-	-
- Media and Marketing, Advertising and Consultants Savings	-59	-118	-118	-118	-118
<i>Subtotal</i>	41	-118	-118	-118	-118
<i>Attorney General</i>					
- Media and Marketing, Advertising and Consultants Savings	-189	-377	-306	-306	-306
<i>Subtotal</i>	-189	-377	-306	-306	-306
<i>Botanic Gardens and Parks Authority</i>					
- Media and Marketing, Advertising and Consultants Savings	-9	-17	-17	-17	-17
<i>Subtotal</i>	-9	-17	-17	-17	-17
<i>Broome Port Authority</i>					
- Media and Marketing, Advertising and Consultants Savings	-	-67	-67	-67	-67
<i>Subtotal</i>	-	-67	-67	-67	-67
<i>Child Protection</i>					
- Media and Marketing, Advertising and Consultants Savings	-160	-321	-321	-321	-321
<i>Subtotal</i>	-160	-321	-321	-321	-321
<i>Commerce</i>					
- Media and Marketing, Advertising and Consultants Savings	-255	-469	-413	-413	-408
<i>Subtotal</i>	-255	-469	-413	-413	-408
<i>Communities</i>					
- Collie Child Care Centre Repairs	150	50	50	-	-
- Lions Community Respite Centre	200	-	-	-	-
- Media and Marketing, Advertising and Consultants Savings	-99	-197	-197	-197	-197
- Seniors' Cost of Living Rebate	25,624	26,105	26,783	28,092	29,497
- Seniors' Security Rebate	-	5,000	2,500	2,500	-
<i>Subtotal</i>	25,875	30,958	29,136	30,395	29,300

Table 5.1 (cont.)

ELECTION COMMITMENTS					
Liberal Party and National Party Election Commitments					
	2008-09 Estimated Actual \$'000	2009-10 Budget Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000
<i>Corrective Services</i>					
- Custodial Infrastructure Program	-	-	5,600	27,800	37,800
- Perth Metropolitan Radio Network	-	283	320	331	343
- Media and Marketing, Advertising and Consultants Savings	-152	-305	-305	-305	-305
<i>Subtotal</i>	-152	-22	5,615	27,826	37,838
<i>Culture and the Arts</i>					
- Media and Marketing, Advertising and Consultants Savings	-211	-422	-422	-422	-422
<i>Subtotal</i>	-211	-422	-422	-422	-422
<i>Curriculum Council</i>					
- Media and Marketing, Advertising and Consultants Savings	-24	-49	-49	-49	-49
<i>Subtotal</i>	-24	-49	-49	-49	-49
<i>Dampier Port Authority</i>					
- Media and Marketing, Advertising and Consultants Savings	-	-216	-216	-216	-216
<i>Subtotal</i>	-	-216	-216	-216	-216
<i>Disability Services Commission</i>					
- Accommodation Support	450	4,530	9,730	19,290	19,290
- Alternatives to Employment	5,400	10,800	12,500	14,300	14,300
- Early Childhood Intervention	980	980	980	980	980
- Indexation to Non-Government Sector	1,200	1,200	1,200	1,200	-
- Media and Marketing, Advertising and Consultants Savings	-48	-97	-97	-97	-97
- Out-of-home Respite Facilities	-	450	1,700	2,388	2,624
- School Age and Adult Professional Support	1,500	1,500	1,500	1,500	-
- School Holiday Respite	470	1,090	1,090	1,090	-
<i>Subtotal</i>	9,952	20,453	28,603	40,651	37,097
<i>Economic Regulation Authority</i>					
- Media and Marketing, Advertising and Consultants Savings	-6	-12	-12	-12	-12
<i>Subtotal</i>	-6	-12	-12	-12	-12

Table 5.1 (cont.)

ELECTION COMMITMENTS					
Liberal Party and National Party Election Commitments					
	2008-09 Estimated Actual \$'000	2009-10 Budget Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000
<i>Education and Training</i>					
- Better Behaviour in Public Schools	1,292	9,777	11,163	12,747	12,747
- Media and Marketing, Advertising and Consultants Savings	-721	-1,443	-1,443	-1,443	-1,443
- Sports Leadership Program	25	25	25	25	-
- Increase in Teachers Pay	1,046	25,141	49,043	47,299	45,417
<i>Subtotal</i>	1,642	33,500	58,788	58,628	56,721
<i>Education Services</i>					
- Curriculum and Re-engagement in Education Schools Administered Grants	255	572	643	722	808
<i>Subtotal</i>	255	572	643	722	808
<i>Environment and Conservation</i>					
- Environmental Community Grants Program	-	1,500	1,500	1,500	1,500
- Environmental Monitoring and Compliance Program	-	1,000	1,000	1,000	1,000
- Great Western Woodlands	-	400	800	900	900
- Kimberley Conservation Strategy	-	800	1,500	2,000	2,000
- Kimberley Toad Busters	300	300	300	300	-
- Media and Marketing, Advertising and Consultants Savings	-342	-684	-684	-684	-684
<i>Subtotal</i>	-42	3,316	4,416	5,016	4,716
<i>Equal Opportunity Commission</i>					
- Media and Marketing, Advertising and Consultants Savings	-12	-23	-23	-23	-23
<i>Subtotal</i>	-12	-23	-23	-23	-23
<i>Fire and Emergency Services Authority</i>					
- Metropolitan Volunteer Sea Rescue Group	350	200	200	200	-
- Media and Marketing, Advertising and Consultants Savings	-116	-232	-232	-232	-232
<i>Subtotal</i>	234	-32	-32	-32	-232
<i>Fisheries</i>					
- Media and Marketing, Advertising and Consultants Savings	-95	-190	-190	-190	-190
<i>Subtotal</i>	-95	-190	-190	-190	-190

Table 5.1 (cont.)

ELECTION COMMITMENTS					
Liberal Party and National Party Election Commitments					
	2008-09 Estimated Actual \$'000	2009-10 Budget Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000
<i>Forest Products Commission</i>					
- Media and Marketing, Advertising and Consultants Savings	-	-141	-141	-141	-141
<i>Subtotal</i>	-	-141	-141	-141	-141
<i>Goldfields-Esperance Development Commission</i>					
- Menzies Town Centre Upgrade	-	500	-	-	-
- Media and Marketing, Advertising and Consultants Savings	-1	-2	-2	-2	-2
<i>Subtotal</i>	-1	498	-2	-2	-2
<i>Governor's Establishment</i>					
- Media and Marketing, Advertising and Consultants Savings	-1	-2	-2	-2	-2
<i>Subtotal</i>	-1	-2	-2	-2	-2
<i>Great Southern Development Commission</i>					
- Media and Marketing, Advertising and Consultants Savings	-3	-5	-5	-5	-5
<i>Subtotal</i>	-3	-5	-5	-5	-5
<i>Health</i>					
- Assistance for Palliative Care Services	542	4,287	4,506	4,665	-
- Chemotherapy and Radiotherapy Outpatient Services	-	4,000	6,000	-	-
- Doctor Internship Supervision	500	1,000	1,000	1,000	-
- Elective Surgery Waitlist	10,000	20,000	-	-	-
- Friend In Need Emergency/Silver Chain - Public Hospital Admittance	3,000	27,000	27,000	27,000	24,000
- Grants to After Hours General Practitioner's	80	2,640	2,640	2,640	2,000
- Hospital Nurses Support Fund	-	7,633	7,783	5,906	-
- Nurses Scholarship	1,000	2,000	2,000	2,000	2,000
- Review of Mental Health Services	100	100	-	-	-
- SolarisCare	1,500	-	-	-	-
- Western Australia State Suicide Prevention Strategy	500	6,250	6,250	-	-
- Mental Health and Wellbeing Commissioner	-	273	273	273	273
- Deferral of Election Commitment Funding	-5,000	-	-	-	-

Table 5.1 (cont.)

ELECTION COMMITMENTS					
Liberal Party and National Party Election Commitments					
	2008-09 Estimated Actual \$'000	2009-10 Budget Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000
<i>Health – cont.</i>					
- Media and Marketing, Advertising and Consultants Savings	-754	-1,508	-1,508	-1,508	-1,508
<i>Subtotal</i>	11,468	73,675	55,944	41,976	26,765
<i>Heritage Council of Western Australia</i>					
- Media and Marketing, Advertising and Consultants Savings	-35	-70	-70	-70	-70
<i>Subtotal</i>	-35	-70	-70	-70	-70
<i>Housing Authority</i>					
- Media and Marketing, Advertising and Consultants Savings	-115	-230	-230	-230	-230
<i>Subtotal</i>	-115	-230	-230	-230	-230
<i>Horizon Power</i>					
- Media and Marketing, Advertising and Consultants Savings	-	-185	-185	-185	-185
<i>Subtotal</i>	-	-185	-185	-185	-185
<i>Indigenous Affairs</i>					
- Media and Marketing, Advertising and Consultants Savings	-53	-106	-106	-106	-106
<i>Subtotal</i>	-53	-106	-106	-106	-106
<i>Kimberley Development Commission</i>					
- Media and Marketing, Advertising and Consultants Savings	-1	-2	-2	-2	-2
<i>Subtotal</i>	-1	-2	-2	-2	-2
<i>Local Government</i>					
- Choose Respect Program - Bunbury	40	40	40	40	-
- Kalamunda Community and Cultural Centre	-	700	700	-	-
- Media and Marketing, Advertising and Consultants Savings	-14	-29	-29	-29	-29
- TS Bunbury Naval Cadets Facilities	350	-	-	-	-
<i>Subtotal</i>	376	711	711	11	-29

Table 5.1 (cont.)

ELECTION COMMITMENTS					
Liberal Party and National Party Election Commitments					
	2008-09 Estimated Actual \$'000	2009-10 Budget Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000
<i>Main Roads</i>					
- Ranford Road Duplication - Local Road	-	600	4,400	-	-
- Media and Marketing, Advertising and Consultants Savings	-91	-181	-181	-181	-181
- Western Australian Community Crime Prevention Program - Anti-Hoon Initiatives	500	500	500	500	-
<i>Subtotal</i>	<i>409</i>	<i>919</i>	<i>4,719</i>	<i>319</i>	<i>-181</i>
<i>Mid West Development Commission</i>					
- Media and Marketing, Advertising and Consultants Savings	-1	-1	-1	-1	-1
<i>Subtotal</i>	<i>-1</i>	<i>-1</i>	<i>-1</i>	<i>-1</i>	<i>-1</i>
<i>Mines and Petroleum</i>					
- Media and Marketing, Advertising and Consultants Savings	-136	-276	-406	-407	-394
<i>Subtotal</i>	<i>-136</i>	<i>-276</i>	<i>-406</i>	<i>-407</i>	<i>-394</i>
<i>Office of Energy</i>					
- Media and Marketing, Advertising and Consultants Savings	-20	-105	-105	-105	-105
- Feed-in Tariff	812	1,870	3,594	7,224	-
- Expanded Solar Schools Program	-	1,500	2,000	3,000	-
<i>Subtotal</i>	<i>792</i>	<i>3,265</i>	<i>5,489</i>	<i>10,119</i>	<i>-105</i>
<i>Office of the Auditor General</i>					
- Media and Marketing, Advertising and Consultants Savings	-17	-35	-35	-35	-35
<i>Subtotal</i>	<i>-17</i>	<i>-35</i>	<i>-35</i>	<i>-35</i>	<i>-35</i>
<i>Office of the Public Sector Standards Commissioner</i>					
- Media and Marketing, Advertising and Consultants Savings	-10	-19	-19	-19	-19
<i>Subtotal</i>	<i>-10</i>	<i>-19</i>	<i>-19</i>	<i>-19</i>	<i>-19</i>

Table 5.1 (cont.)

ELECTION COMMITMENTS					
Liberal Party and National Party Election Commitments					
	2008-09 Estimated Actual \$'000	2009-10 Budget Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000
<i>Peel Development Commission</i>					
- Media and Marketing, Advertising and Consultants Savings	-7	-12	-12	-12	-12
<i>Subtotal</i>	-7	-12	-12	-12	-12
<i>Pilbara Development Commission</i>					
- Media and Marketing, Advertising and Consultants Savings	-6	-11	-12	-12	-12
<i>Subtotal</i>	-6	-11	-12	-12	-12
<i>Planning</i>					
- Media and Marketing, Advertising and Consultants Savings	-144	-287	-287	-287	-287
<i>Subtotal</i>	-144	-287	-287	-287	-287
<i>Police</i>					
- Increase Police Officer and Police Staff Numbers	-	31,095	52,316	71,432	90,001
- Perth Metropolitan Radio Network Expansion	-	1,894	3,482	5,360	5,468
- Re-Opening of Regional Police Stations	-	2,000	2,000	2,000	2,000
- Media and Marketing, Advertising and Consultants Savings	-505	-1,009	-1,009	-1,009	-1,009
- Community Crime Prevention Program - CCTV	1,000	1,000	1,000	1,000	-
<i>Subtotal</i>	495	34,980	57,789	78,783	96,460
<i>Port Hedland Port Authority</i>					
- Media and Marketing, Advertising and Consultants Savings	-	-95	-95	-95	-95
<i>Subtotal</i>	-	-95	-95	-95	-95
<i>Premier and Cabinet</i>					
- Reduction In Ministerial Office Staffing	-2,050	-4,100	-4,100	-4,100	-4,100
- Reduction In Policy Office And Government Media Office Staffing	-670	-1,340	-1,340	-1,340	-1,340
- Media and Marketing, Advertising and Consultants Savings	-456	-912	-912	-912	-912
- Albany ANZAC Peace Park Contribution	433	-	-	-	-
- Freedom of Information Audit	200	-	-	-	-
<i>Subtotal</i>	-2,543	-6,352	-6,352	-6,352	-6,352

Table 5.1 (cont.)

ELECTION COMMITMENTS					
Liberal Party and National Party Election Commitments					
	2008-09 Estimated Actual \$'000	2009-10 Budget Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000
<i>Public Sector Commission</i>					
- Appointment of Public Sector Commissioner	232	408	422	434	446
<i>Subtotal</i>	232	408	422	434	446
<i>Public Transport Authority</i>					
- 20 Year Transport Master Plan	500	3,000	2,500	-	-
- Ellenbrook Public Transport Master Planning	-	-	-	-	10,000
- Media and Marketing, Advertising and Consultants Savings	-249	-498	-498	-498	-498
- Provide Free Public Transport for Seniors, Aged Pensioners and Disability Pensioners	1,734	6,148	6,163	6,178	6,194
<i>Subtotal</i>	1,985	8,650	8,165	5,680	15,696
<i>Racing, Gaming and Liquor</i>					
- Media and Marketing, Advertising and Consultants Savings	-15	-30	-30	-30	-30
<i>Subtotal</i>	-15	-30	-30	-30	-30
<i>Small Business Development Corporation</i>					
- Media and Marketing, Advertising and Consultants Savings	-47	-94	-94	-94	-94
<i>Subtotal</i>	-47	-94	-94	-94	-94
<i>South West Development Commission</i>					
- Busselton Jetty Refurbishment and Foreshore Revitalisation	11,500	12,500	-	-	-
- Collie Town Centre Redevelopment	500	-	-	-	-
- Balingup Main Street Redevelopment	250	-	-	-	-
- Media and Marketing, Advertising and Consultants Savings	-22	-44	-44	-44	-44
<i>Subtotal</i>	12,228	12,456	-44	-44	-44

Table 5.1 (cont.)

ELECTION COMMITMENTS					
Liberal Party and National Party Election Commitments					
	2008-09 Estimated Actual \$'000	2009-10 Budget Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000
<i>Sport and Recreation</i>					
- Media and Marketing, Advertising and Consultants Savings	-60	-120	-120	-120	-120
- Community Sporting and Recreation Facilities Fund	2,749	10,849	10,849	10,849	-
<i>Subtotal</i>	2,689	10,729	10,729	10,729	-120
<i>State Development</i>					
- Media and Marketing, Advertising and Consultants Savings	-49	-136	-110	-110	-127
<i>Subtotal</i>	-49	-136	-110	-110	-127
<i>Swan River Trust</i>					
- Media and Marketing, Advertising and Consultants Savings	-73	-145	-145	-145	-145
<i>Subtotal</i>	-73	-145	-145	-145	-145
<i>Transport</i>					
- Media and Marketing, Advertising and Consultants Savings	-62	-125	-125	-125	-125
<i>Subtotal</i>	-62	-125	-125	-125	-125
<i>Treasury and Finance</i>					
- Land Tax Measures	165	700	73	76	80
- Media and Marketing, Advertising and Consultants Savings	-142	-285	-285	-285	-285
- Payroll Tax Rebate and Harmonisation Options	-	305	71	-	-
- Payroll Tax Rebate	-	-	100,000	-	-
<i>Subtotal</i>	23	720	99,859	-209	-205
<i>Water</i>					
- Independent Review of Saline Recovery in the Collie Basin	-	250	-	-	-
- Independent Assessment of Treating Large Saline Reserves East of the Darling Escarpment	-	250	-	-	-
- Media and Marketing, Advertising and Consultants Savings	-47	-94	-94	-94	-94
<i>Subtotal</i>	-47	406	-94	-94	-94

Table 5.1 (cont.)

ELECTION COMMITMENTS					
Liberal Party and National Party Election Commitments					
	2008-09 Estimated Actual \$'000	2009-10 Budget Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000
<i>Water Corporation</i>					
- Media and Marketing, Advertising and Consultants Savings		-1,975	-1,975	-1,975	-1,975
<i>Subtotal</i>	-	-1,975	-1,975	-1,975	-1,975
<i>Western Australian Electoral Commission</i>					
- Media and Marketing, Advertising and Consultants Savings	-	-	-	-	-72
<i>Subtotal</i>	-	-	-	-	-72
<i>Western Australian Industrial Relations Commission</i>					
- Media and Marketing, Advertising and Consultants Savings	-2	-4	-4	-4	-4
<i>Subtotal</i>	-2	-4	-4	-4	-4
<i>Western Australia Land Authority</i>					
- Media and Marketing, Advertising and Consultants Savings	-	-556	-556	-556	-556
<i>Subtotal</i>	-	-556	-556	-556	-556
<i>Western Australian Land Information Authority</i>					
- Media and Marketing, Advertising and Consultants Savings	-76	-152	-152	-152	-152
<i>Subtotal</i>	-76	-152	-152	-152	-152
<i>Western Australian Meat Industry Authority</i>					
- Katanning Saleyards	-	-	17,500	-	-
- Mount Barker Saleyards	-	-	4,000	-	-
<i>Subtotal</i>	-	-	21,500	-	-

Table 5.1 (cont.)

ELECTION COMMITMENTS					
Liberal Party and National Party Election Commitments					
	2008-09 Estimated Actual \$'000	2009-10 Budget Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000
<i>Western Australian Planning Commission</i>					
- Media and Marketing, Advertising and Consultants Savings	-397	-793	-793	-793	-793
<i>Subtotal</i>	-397	-793	-793	-793	-793
<i>Western Australian Tourism Commission</i>					
- Media and Marketing, Advertising and Consultants Savings	-	-	-1,314	-1,314	-1,314
<i>Subtotal</i>	-	-	-1,314	-1,314	-1,314
<i>Western Australian Treasury Corporation</i>					
- Media and Marketing, Advertising and Consultants Savings	-10	-21	-21	-21	-21
<i>Subtotal</i>	-10	-21	-21	-21	-21
<i>Western Power</i>					
- Media and Marketing, Advertising and Consultants Savings	-	-579	-579	-579	-579
<i>Subtotal</i>	-	-579	-579	-579	-579
<i>Wheatbelt Development Commission</i>					
- Media and Marketing, Advertising and Consultants Savings	-2	-4	-4	-4	-4
<i>Subtotal</i>	-2	-4	-4	-4	-4
Total Expenses	63,688	221,438	376,340	294,891	288,747
ASSET INVESTMENT					
<i>Corrective Services</i>					
- Young Male Offender Prison Facility	1,000	12,500	22,800	-	-
- Custodial Infrastructure Program	-	53,000	53,700	110,300	140,946
<i>Subtotal</i>	<i>1,000</i>	<i>65,500</i>	<i>76,500</i>	<i>110,300</i>	<i>140,946</i>
<i>Disability Services</i>					
- Out of Home Respite Facilities	4,588	-	-	-	-
<i>Subtotal</i>	<i>4,588</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>

Table 5.1 (cont.)

ELECTION COMMITMENTS					
Liberal Party and National Party Election Commitments					
	2008-09 Estimated Actual \$'000	2009-10 Budget Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000
<i>Education and Training</i>					
- Investing in Schools Program	4,200	42,000	75,250	72,800	43,500
- School Capital Improvements Program	3,440	23,081	19,400	3,800	279
<i>Subtotal</i>	<i>7,640</i>	<i>65,081</i>	<i>94,650</i>	<i>76,600</i>	<i>43,779</i>
<i>Environment and Conservation</i>					
- Kimberley Conservation Strategy	-	-	700	1,000	1,000
- Great Western Woodlands	-	-	200	300	300
<i>Subtotal</i>	<i>-</i>	<i>-</i>	<i>900</i>	<i>1,300</i>	<i>1,300</i>
<i>Health</i>					
- Albany Regional Resource Centre Redevelopment - Stage 1	3,650	21,500	10,346	8,394	-
- Royal Perth Hospital Planning	500	2,500	4,500	2,500	-
- Princess Margaret Hospital Replacement	-	-	7,800	-7,800	-
- Health Services Development Fund	4,800	2,494	3,000	3,000	-
<i>Subtotal</i>	<i>8,950</i>	<i>26,494</i>	<i>25,646</i>	<i>6,094</i>	<i>-</i>
<i>Main Roads</i>					
- Eelup Roundabout Flyover	-	15,000	15,000	-	-
- Roe Hwy Extension	-	6,200	33,200	29,600	21,500
- Traffic Signals Upgrade	-	-	-	-	-
- Canning Hwy/Adross St	250	-	-	-	-
<i>Subtotal</i>	<i>250</i>	<i>21,200</i>	<i>48,200</i>	<i>29,600</i>	<i>21,500</i>
<i>Police</i>					
- Accommodation for Additional Police Officers and Police Specialists	-	6,000	-	-	-
- New Police Stations and Upgrades	-	15,158	7,950	892	-
- Metropolitan Radio Network	-	20,071	11,201	-	-
- South Metropolitan Region Police Station	-	-	5,000	5,000	-
<i>Subtotal</i>	<i>-</i>	<i>41,229</i>	<i>24,151</i>	<i>5,892</i>	<i>-</i>

Table 5.1 (cont.)

ELECTION COMMITMENTS					
Liberal Party and National Party Election Commitments					
	2008-09 Estimated Actual \$'000	2009-10 Budget Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000
<i>Public Transport Authority</i>					
- Better Transport System - 3,000 Parking Bays	3,000	9,000	9,250	11,750	-
- North Greenbushes Project	-	5,000	-	-	-
<i>Subtotal</i>	<i>3,000</i>	<i>14,000</i>	<i>9,250</i>	<i>11,750</i>	<i>-</i>
<i>Western Australian Meat Industry Authority</i>					
- Muchea Livestock Centre	4,500	-	-	-	-
<i>Subtotal</i>	<i>4,500</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Total Asset Investment	29,928	233,504	279,297	241,536	207,525
Total Liberal Party Election Commitments	93,616	464,642	658,437	541,527	501,372
NATIONAL PARTY ELECTION COMMITMENTS - ROYALTIES FOR REGIONS FUND					
EXPENSES					
<i>Education and Training</i>					
- Boarding Away From Home Allowance	-	1,800	1,850	1,950	2,500
<i>Subtotal</i>	<i>-</i>	<i>1,800</i>	<i>1,850</i>	<i>1,950</i>	<i>2,500</i>
<i>Gascoyne Development Commission</i>					
- Regional Grants Scheme	4,440	7,000	10,000	10,000	10,000
<i>Subtotal</i>	<i>4,440</i>	<i>7,000</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>
<i>Goldfields-Esperance Development Commission</i>					
- Regional Grants Scheme	4,440	7,000	10,000	10,000	10,000
<i>Subtotal</i>	<i>4,440</i>	<i>7,000</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>
<i>Great Southern Development Commission</i>					
- Regional Grants Scheme	4,440	7,000	10,000	10,000	10,000
<i>Subtotal</i>	<i>4,440</i>	<i>7,000</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>
<i>Health</i>					
- Royal Flying Doctor Service	5,674	9,165	8,309	2,857	3,883
- Patient Assisted Travel Scheme	4,174	8,686	9,038	8,902	9,277
<i>Subtotal</i>	<i>9,848</i>	<i>17,851</i>	<i>17,347</i>	<i>11,759</i>	<i>13,160</i>

Table 5.1 (cont.)

ELECTION COMMITMENTS					
Liberal Party and National Party Election Commitments					
	2008-09 Estimated Actual \$'000	2009-10 Budget Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000
<i>Housing Authority</i>					
- Regional Workers Incentives	-	4,670	19,970	20,260	22,500
<i>Subtotal</i>	-	4,670	19,970	20,260	22,500
<i>Kimberley Development Commission</i>					
- Regional Grants Scheme	4,440	7,000	10,000	10,000	10,000
<i>Subtotal</i>	4,440	7,000	10,000	10,000	10,000
<i>Local Government</i>					
- Capacity Building – Regional Governance Services and Asset Management Tools	2,500	2,500	2,500	2,500	2,500
- Local Infrastructure Asset Renewal and new Assets	97,500	62,500	48,750	48,750	48,750
- Regional Organisations of Councils – New Regional Infrastructure Assets	-	35,000	48,750	48,750	48,750
<i>Subtotal</i>	100,000	100,000	100,000	100,000	100,000
<i>Mid West Development Commission</i>					
- Regional Grants Scheme	4,440	7,000	10,000	10,000	10,000
<i>Subtotal</i>	4,440	7,000	10,000	10,000	10,000
<i>Mines and Petroleum</i>					
- Exploration Incentive Scheme	1,900	16,080	21,940	23,300	16,780
<i>Subtotal</i>	1,900	16,080	21,940	23,300	16,780
<i>Peel Development Commission</i>					
- Regional Grants Scheme	4,440	7,000	10,000	10,000	10,000
<i>Subtotal</i>	4,440	7,000	10,000	10,000	10,000
<i>Pilbara Development Commission</i>					
- Regional Grants Scheme	4,440	7,000	10,000	10,000	10,000
<i>Subtotal</i>	4,440	7,000	10,000	10,000	10,000
<i>Planning</i>					
- Northern Towns Development Fund	500	10,500	10,000	10,000	9,000
<i>Subtotal</i>	500	10,500	10,000	10,000	9,000

Table 5.1 (cont.)

ELECTION COMMITMENTS					
Liberal Party and National Party Election Commitments					
	2008-09 Estimated Actual \$'000	2009-10 Budget Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000
<i>Regional Development and Lands</i>					
- Bushchange Housing Grant	-	10,000	27,000	32,000	41,000
- Community Resource Centres	4,000	11,000	12,000	13,000	14,000
- Country Age Pension Fuel Card	7,500	12,500	20,000	20,000	20,000
- Pilbara Revitalisation Plan	120,000	-	-	-	-
- Pre-Feasibility Study – Gascoyne/Pilbara	500	-	-	-	-
- Regional Grants Scheme – Strategic Reserve	40	10,000	19,341	21,700	40,000
<i>Subtotal</i>	<i>132,040</i>	<i>43,500</i>	<i>78,341</i>	<i>86,700</i>	<i>115,000</i>
<i>South West Development Commission</i>					
- Regional Grants Scheme	4,440	7,000	10,000	10,000	10,000
<i>Subtotal</i>	<i>4,440</i>	<i>7,000</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>
<i>Transport</i>					
- Regional Airports Development Scheme	460	5,510	5,510	5,520	5,000
<i>Subtotal</i>	<i>460</i>	<i>5,510</i>	<i>5,510</i>	<i>5,520</i>	<i>5,000</i>
<i>Wheatbelt Development Commission</i>					
- Regional Grants Scheme	4,440	7,000	10,000	10,000	10,000
<i>Subtotal</i>	<i>4,440</i>	<i>7,000</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>
Total Expenses	284,708	262,911	344,958	349,489	373,940
ASSET INVESTMENT					
<i>Health</i>					
- Nickol Bay Hospital	400	3,600	3,000	3,000	-
- Kalgoorlie Hospital	-	-	10,000	2,028	3,430
- Albany Hospital	-	-	20,300	20,300	20,296
<i>Subtotal</i>	<i>400</i>	<i>3,600</i>	<i>33,300</i>	<i>25,328</i>	<i>23,726</i>
<i>Housing Authority</i>					
- Housing for Workers	20,000	180,000	125,000	115,213	169,500
<i>Subtotal</i>	<i>20,000</i>	<i>180,000</i>	<i>125,000</i>	<i>115,213</i>	<i>169,500</i>
<i>Regional Development and Lands</i>					
- Pilbara Revitalisation Plan	-	60,000	60,000	60,000	-
<i>Subtotal</i>	<i>-</i>	<i>60,000</i>	<i>60,000</i>	<i>60,000</i>	<i>-</i>

Table 5.1 (cont.)

ELECTION COMMITMENTS					
Liberal Party and National Party Election Commitments					
	2008-09 Estimated Actual \$'000	2009-10 Budget Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000
<i>State Development</i>					
- Ord-East Kimberley Expansion Project	14,000	86,000	60,000	60,000	-
<i>Subtotal</i>	<i>14,000</i>	<i>86,000</i>	<i>60,000</i>	<i>60,000</i>	<i>-</i>
<i>Western Australian Land Authority</i>					
- South Hedland Town Centre Revitalisation	4,200	11,000	8,100	-	-
<i>Subtotal</i>	<i>4,200</i>	<i>11,000</i>	<i>8,100</i>	<i>-</i>	<i>-</i>
<i>Western Power</i>					
- Bunbury to Albany Gas Pipeline	-	-	-	10,000	10,000
<i>Subtotal</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>10,000</i>	<i>10,000</i>
<i>Regional and State-wide Initiatives</i>					
	10,692	15,489	14,642	44,970	115,834
<i>Subtotal</i>	<i>10,692</i>	<i>15,489</i>	<i>14,642</i>	<i>44,970</i>	<i>115,834</i>
Total Asset Investment	49,292	356,089	301,042	315,511	319,060
Total Royalties for Regions	334,000	619,000	646,000	665,000	693,000

Tax and Royalty Expenditure Statement

Purpose

The purpose of this tax and royalty expenditure statement is to provide information about the cost or value of tax and royalty concessions that would not otherwise be reported in the Budget Papers in the years after the concessions were introduced.

What is a tax or royalty expenditure?

Tax and royalty expenditures include revenue foregone by government, and financial benefits to taxpayers, from exemptions and other concessions that depart from the general tax or royalty treatment. They are expenditure 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 2007-08 and estimates for 2008-09.

Specific tax and royalty expenditures

Notable movements in the value of specific tax and royalty expenditure between 2007-08 and 2008-09 (estimated) include:

- a decrease in the value of the payroll tax concession for small businesses due to a smaller proportion of businesses falling below the threshold, and growth in wages and employment also being largely concentrated in companies operating above the payroll tax threshold;
- a decrease in the value of the principal place of residence land tax exemption due to the reduction in land tax rates announced in the 2008-09 Budget and in October 2008;
- a substantial decline in the value of the corporate reconstructions stamp duty exemption, mainly reflecting that the 2007-08 outcome was significantly boosted by a small number of very large transactions;
- a significant increase in the value of the first home buyers' transfer duty exemption, with the Commonwealth Government's boost to the first home owner grant encouraging a relatively high level of activity in the first home buyers market;
- the introduction of across the board transfer duty concessions for residential property transactions in the 2008-09 Budget;
- an increase in the value of the health insurance policies stamp duty exemption due to higher private health insurance premiums;
- an increase in the family vehicle concession due to growth in the total number of motor vehicles and an increase in license fees; and
- a substantial increase in the value of iron ore royalty concessions enshrined in State Agreement Acts, mainly reflecting the 85% increase in \$US contract prices in the 2008-09 Japanese fiscal year.

Table 6.1

SUMMARY OF MAJOR TAX AND ROYALTY EXPENDITURES
Western Australia

	2007-08 Actual \$m	2008-09 Estimated Actual \$m
PAYROLL TAX		
Small business exemption	1,236.0	1,126.0
Apprentices and trainees exemption	24.5	24.7
LAND TAX AND MRIT		
Principal place of residence exemption	279.1	256.0
Primary production exemption	47.2	53.7
TRANSFER DUTY		
Corporate reconstructions exemption	1,368.2	135.7
Family farm exemption	15.2	7.1
Concessionary rate for homes and businesses	0.3	0.1
First home buyers exemption and concession	177.3	225.6
Concessional scale for residential property	n.a.	45.0
INSURANCE DUTY		
Health insurance policies exemption	108.4	118.5
Workers' compensation insurance exemption	87.1	81.3
Marine hulls exemption	6.0	6.5
MOTOR VEHICLE LICENCE FEES		
Family vehicle concession	65.2	79.0
Primary producer vehicle concession	8.2	8.5
Pensioner vehicle concession	24.0	24.7
VEHICLE LICENCE DUTY		
Heavy vehicle concession	21.3	18.4
MINING ROYALTIES		
Iron Ore State Agreement Act concessions ^(a)	192.4	310.7
TOTAL	3,660.4	2,521.5

(a) Calculated relative to the *Mining Act* rate of 5.625% for fine iron ore. However, relative to the general *Mining Act* rate of 7.5% for 'crushed and screened' ores, these concessions are valued at \$441.1 million in 2007-08 and \$782.8 million in 2008-09.

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 30 agencies that provide social concessions.

In 2007-08, the State provided social concessions with an estimated value of \$497.9 million across a range of service areas. The cost to the State was partly offset by a \$19.0 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 a good or service consumed at the concessional price or fare, and is the difference between the concession and the otherwise applicable price or fare. In others, such as those involving a fixed annual charge, the estimates reflect the rebate or subsidy paid.

Eligibility Criteria for Concession Cards

Pensioner Concession Card (PCC)

The Commonwealth issues a PCC to Australian residents receiving pensions, carer payments, parenting payments, Newstart Allowance or Youth Allowance (as a job seeker). In addition, those aged over 60 who have received certain payments continuously for at least nine months are eligible for the PCC.

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 issues the HCC to Australian residents receiving certain qualifying payments or income support payments as well as receiving Family Tax Benefit A, Carer Allowance or Mobile Allowance. The HCC may also be issued to those who care for foster children, receive ex Carer Allowances or are on low incomes.

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 issues the CSHC to self funded retirees, Australian residents living in Australia for at least 104 weeks and senior Australians who are of Age Pension age but do not qualify for the Age Pension.

The CSHC is subject to annual income tests.

WA Seniors Card (WASC)

The State government issues the WASC 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 WASC is currently undergoing a review of eligibility criteria with respect to working hours and promoting additional discounts in rural and regional areas.

State Concession Card (SCC)

The Department for Communities issues the SCC to specific Veteran's Affairs pensioners who are not eligible for a Commonwealth PCC.

Table 7.1

SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS
Western Australia

Class of Concession	2006-07 Estimated Total Value \$m	2006-07 Estimated No. of Recipients	2007-08 Estimated Total Value \$m	2007-08 Estimated No. of Recipients
ENERGY				
Supply charge rebate	19.6	223,447	20.2	232,946
Dependent child rebate	8.4	47,103	6.9	45,627
Other	1.0	n.a.	1.1	n.a.
WATER, SEWERAGE & DRAINAGE				
Rates rebate for pensioners	30.8	114,104	32.8	114,484
Consumption concession for pensioners	5.7	309,388	6.2	295,671
Rates rebate for seniors	8.3	40,817	9.7	45,673
Other	- ^(a)	272	- ^(a)	215
HOUSING & LAND				
Homeswest rental subsidy	87.6	26,279	115.0	27,733
Homeswest amenities fee waiver	0.8	10,051	0.7	9,227
Other	0.4	n.a.	0.8	n.a.
LOCAL GOVERNMENT				
Rates rebate for pensioners	56.0	340,112	59.0	346,282
Other	0.5	n.a.	0.6	n.a.
TRANSPORT				
Contract school bus services	65.4	23,825	76.7	24,071
Transperth fares concession	54.5	n.a.	55.2	n.a.
Motor vehicle licence fee concession for pensioners	23.4	184,066	24.0	n.a.
Taxi user subsidy	6.9	19,118	6.9	19,118
Drivers licence fee concession for pensioners	7.7	153,538	10.1	155,745
Pensioners' annual free trip	3.7	75,141	3.7	70,477
TransWA fares concession	2.2	178,945	2.3	147,259
Subsidised student travel	1.2	584	1.2	584
Other	6.0	n.a.	7.6	n.a.
HEALTH				
Subsidised dental care	11.9	54,861	12.5	54,972
Spectacle subsidy scheme	2.6	52,538	2.5	51,260
Other	6.4	n.a.	7.1	n.a.
EDUCATION				
Secondary assistance scheme – school charges	4.2	25,179	3.8	n.a.
Secondary assistance scheme - clothing	2.9	25,179	2.6	23,041
Department of Education and Training tuition fees	6.6	29,361	5.8	25,522
Boarding away from home allowance	2.5	2,297	2.6	2,493
Other	- ^(a)	25	- ^(a)	59
LEGAL SERVICES				
Legal assistance	12.1	7066	13.8	n.a.
Other	2.0	n.a.	1.9	n.a.
CULTURE, LEISURE & RECREATION				
Children's Zoo discount	0.9	n.a.	0.9	n.a.
Children under four years of age – free Zoo entry	1.2	n.a.	1.3	n.a.
Other	2.3	n.a.	2.7	n.a.
TOTAL	445.7	n.a.	498.2	n.a.

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

Note: Columns may not add due to rounding.

Benefits Provided in 2007-08

Energy

Supply charge rebate (\$20.2 million)

Domestic customers of Synergy and Horizon who are in possession of a PCC, a HCC, CSHC or WASC 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 (\$6.9 million)

Residential customers of Synergy and Horizon with dependent children listed on their WASC, PCC, HCC or a CSHC 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 (\$1.1 million)

Other concessions include Synergy and Horizon rebates on account establishment fees, air conditioning subsidy and permanent caravan park residents subsidy for holders of a PCC, HCC or WASC.

Water

Rates rebate for pensioners (\$32.8 million)

Home owners in possession of a SCC receive a rebate of up to 50% of the Water Corporation's annual charges for water, sewerage and drainage services. Proportionate rebates apply where the ownership is shared with anyone other than a spouse. The average value of the rebate per home owner is approximately \$287 per year.

Consumption concession for pensioners (\$6.2 million)

Holders of 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 \$21 per year.

Rates rebate for seniors (\$9.7 million)

Home owners in possession of a WASC 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 WASC and a CSHC receive a rebate of up to 50% of the annual charges. Proportionate rebates apply where the ownership is shared with anyone other than a spouse. The average value of the concession is \$237 per year.

Other (\$30,000)

Other water concessions provided by the Water Corporation include a 25% concession on annual water, sewerage and drainage services for residents in qualifying retirement villages.

Housing and Land**Homeswest rental subsidy (\$115 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 \$4,148 per year.

Homeswest amenities fee waiver (\$0.7 million)

Homeswest's senior tenants over 55 years of age are exempted from the amenities fee for room heating. Partial waivers are available to low income earners. The average value of the waiver is \$81 per year.

Other (\$0.8 million)

Other housing and land concessions include the rental sales scheme subsidy, cash assistance grant, interest subsidy written off, safety net and interest forgone by Homeswest under the Bond Assistance Program.

Local Government**Rates rebate for pensioners (\$59.0 million)**

The Office of State Revenue pays local governments 50% of rates for persons who own and occupy their own home and hold a WASC, PCC, HCC, or a CSHC in conjunction with a WASC. Local governments pass this benefit on to pensioners by discounting their rates. The average value of the concession is \$334 per year.

Other (\$0.6 million)

Other concessions provided by the Office of State Revenue include the Land Tax Concession, Thermoregulatory Dysfunction Energy Subsidy, and the Life Support Equipment Energy Subsidy.

Transport

Contract school bus services (\$76.7 million)

Students residing more than 4.5 km from the closest school (and living outside of a public transport area) and students with special needs travel free of charge on contract school bus services. Eligibility is determined through the Transport Assistance Eligibility Framework. The Public Transport Authority funds these services. The average value of the concession per student is estimated to be \$8.51 per journey, or about \$3,182 per year.

Transperth fares concession (\$55.2 million)

Children, students and holders of a WASC, PCC or a HCC receive discounts on Transperth fares (between 58-63%), or free travel. The average value of the concession per recipient is \$1.63 per journey.

Motor vehicle licence fee concession for pensioners (\$24 million)

Invalid pensioners receive a 100% concession on their annual motor vehicle licence fee. Holders of a PCC, WASC or a CSC receive a 50% concession. The average value of the concession per pensioner is \$162 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 of Transport. The average value of the subsidy is \$12.04 per trip.

Driver's licence fee concession (\$10.1 million)

Pensioners holding both a WASC and a CSHC receive a 100% concession on their annual motor vehicle licence fee. Holders of a PCC, WASC or a CSC receive a 50% concession. The combined average value of these concessions per driver is \$61.60 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 of Transport funds this concession. In addition, holders of a WASC or 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 \$318 per recipient.

TransWA fare concession (\$2.3 million)

Children under 15 years of age, students, Western Australian residents holding a WASC, PCC or a HCC receive a 50% discount on fares for TransWA services. The average value of the concession is \$15.84 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 of Transport funds this concession. The annual value of these return trips averages \$1,986 per recipient.

Other (\$7.6 million)

Other transport concessions include the Student Conveyance Allowance, Student Fare Concessions, Pensioner Protection Plan and the intra town and inter town travel concessions for pensioners, Community Service Parking Bays and ACROD Parking Bays.

Health**Subsidised dental care (\$12.5 million)**

Most holders of a PCC or HCC and persons who receive a full/near full pension or 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 \$166 per treatment.

Spectacle subsidy scheme (\$2.5 million)

Age pensioners, disability pensioners and holders of a WASC receive a subsidy from the Department of Health to acquire spectacles or contact lenses. The average value of the subsidy per recipient is \$48.24.

Other (\$7.1 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 (\$3.8 million)**

The Department of Education and Training provides assistance to low income families with secondary school children to meet school charges, which average \$165 per recipient. Recipients must hold a PCC, HCC or be a sole parent or carer.

Secondary assistance scheme for clothing (\$2.6 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. Recipients must hold a family HCC or a PCC.

Department of Education and Training tuition fees concessions (\$5.8 million)

Holders of a PCC, HCC or persons who receive AUSTUDY, ABSTUDY or Youth Allowance subsidies and prisoners pay reduced tuition fees for Vocational Education and Training (VET) courses offered by TAFE colleges. The average value of the concession is \$0.68 per hour of tuition for VET courses. Holders of a PCC, WASC, or a HCC receive concessions of 25% of the tuition fees for non-VET courses. The average value of the concession is \$32.49.

Boarding away from home allowance (\$2.7 million)

Families in receipt of Commonwealth assistance for geographically isolated students received a \$1,215 annual concession in 2008 from the Department of Education and Training.

Other (\$40,000)

Other education concessions include the Secondary Assistance Scheme—Abstudy Supplement Allowance and the City Beach Residential College GATE Payment.

Legal Services

Legal assistance (\$13.8 million)

Concessions include the provision of subsidised legal assistance 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 (\$1.9 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 discount on the entry fee for the Perth Zoo. The value of the discount is \$9 per child for each visit. Further discounts apply for pre-booked school excursions.

Children under four years of age - free Zoo entry (\$1.3 million)

Children under four years of age receive free entry to the Perth Zoo. The value of the discount is \$18 per child for each visit.

Other (\$2.7 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

Asset Investment Program – Summary of Expenditure and Source of Funds

This appendix summarises asset investment expenditure by agency within portfolio groups, and the sources of funds for the aggregate Asset Investment Program by year.

Table 8.1

ASSET INVESTMENT PROGRAM					
	2008-09 Estimated Actual \$m	2009-10 Budget Estimate \$m	2010-11 Forward Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m
PARLIAMENT					
Legislative Assembly	0.2	-	-	-	-
Parliament	1.4	2.9	0.8	0.5	0.5
Parliamentary Commissioner for Administrative Investigations	0.3	0.1	-(a)	0.1	0.1
PREMIER; MINISTER FOR STATE DEVELOPMENT					
Premier and Cabinet	3.1	2.0	2.1	1.3	-
Public Sector Commission	-(a)	-(a)	-(a)	-(a)	-
Corruption and Crime Commission	3.3	4.6	2.9	1.1	2.7
Gold Corporation	5.5	5.0	5.1	5.1	5.1
Governor's Establishment	0.1	0.2	0.1	0.1	0.1
Lotteries Commission	14.7	0.4	0.9	0.7	0.8
Office of the Public Sector Standards Commissioner	0.4	0.1	0.1	0.1	0.1
Parliamentary Inspector of the Corruption and Crime Commission	-(a)	-(a)	-(a)	-(a)	-
Salaries and Allowances Tribunal	-(a)	-(a)	-(a)	-(a)	-(a)
State Development	14.0	246.0	60.0	60.0	-
DEPUTY PREMIER; MINISTER FOR HEALTH; INDIGENOUS AFFAIRS					
WA Health	443.3	572.5	627.7	746.8	516.0
Western Australia Health Promotion Foundation	-(a)	-(a)	-(a)	-(a)	-(a)
Animal Resources Authority	0.5	0.5	0.5	0.5	0.5
Indigenous Affairs	0.3	0.6	0.4	0.5	0.4
MINISTER FOR MINES AND PETROLEUM; FISHERIES; ELECTORAL AFFAIRS					
Mines and Petroleum	3.1	1.0	0.9	0.9	0.9
Chemistry Centre (WA)	0.6	0.6	0.6	0.6	0.6
Fisheries	9.4	13.7	6.0	3.3	3.3
Western Australian Electoral Commission	0.3	0.5	0.1	0.1	-

ASSET INVESTMENT PROGRAM

Table 8.1 (cont.)

	2008-09 Estimated Actual \$m	2009-10 Budget Estimate \$m	2010-11 Forward Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m
MINISTER FOR REGIONAL DEVELOPMENT; LANDS; MINISTER ASSISTING THE MINISTER FOR STATE DEVELOPMENT; MINISTER ASSISTING THE MINISTER FOR TRANSPORT					
Regional Development and Land Royalties for Regions - Regional and State-wide Initiatives	0.3 10.7	60.1 15.5	60.0 14.6	60.0 45.0	- 115.8
Mid West Development Commission	-(a)	0.1	-(a)	-(a)	-(a)
Wheatbelt Development Commission	0.1	-(a)	-(a)	-(a)	0.1
Great Southern Development Commission	20.8	42.3	4.6	-	-
Goldfields-Esperance Development Commission	0.1	-	-	-	-
Kimberley Development Commission	-(a)	-(a)	-(a)	-(a)	-(a)
Pilbara Development Commission	-(a)	-(a)	-(a)	-(a)	-(a)
South West Development Commission	0.1	0.1	-(a)	-(a)	0.1
Peel Development Commission	0.1	-	-	-	-
Western Australian Land Authority	367.1	337.6	320.6	315.7	270.7
Western Australian Land Information Authority	13.6	15.6	11.1	10.8	10.8
MINISTER FOR EDUCATION; TOURISM					
Education and Training	297.7	1,125.8	853.3	329.5	198.9
Education Services	0.2	0.2	-(a)	-(a)	-(a)
Curriculum Council	0.9	0.2	0.2	0.2	0.2
Country High School Hostels Authority	16.5	6.4	0.7	0.8	-
Western Australian Tourism Commission	1.3	0.7	0.5	0.5	0.5
Rottneest Island Authority	10.1	3.7	3.7	3.7	3.7

Table 8.1 (cont.)

ASSET INVESTMENT PROGRAM					
	2008-09 Estimated Actual \$m	2009-10 Budget Estimate \$m	2010-11 Forward Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m
MINISTER FOR TRANSPORT; DISABILITY SERVICES					
Transport	5.8	7.3	4.3	4.1	2.7
Commissioner of Main Roads	853.9	653.7	502.1	484.4	452.1
Public Transport Authority of Western Australia	228.4	207.8	120.9	125.8	165.7
Albany Port Authority	1.0	4.8	2.0	2.8	1.0
Broome Port Authority	1.6	0.5	0.5	0.6	0.6
Bunbury Port Authority	9.5	9.0	3.5	2.1	2.4
Dampier Port Authority	9.8	2.5	3.5	2.5	3.0
Esperance Port Authority	9.4	2.9	1.9	3.0	4.5
Fremantle Port Authority	56.8	220.8	51.4	40.6	72.5
Geraldton Port Authority	6.0	2.5	2.5	2.5	2.5
Port Hedland Port Authority	88.3	134.2	19.4	2.9	1.6
Disability Services Commission	2.9	2.2	2.5	2.9	2.9
TREASURER; MINISTER FOR COMMERCE; SCIENCE AND INNOVATION; HOUSING AND WORKS					
Treasury and Finance	223.4	224.2	211.7	194.8	195.1
Economic Regulation Authority	0.1	-	0.1	0.1	-
Insurance Commission of Western Australia	5.6	4.6	6.9	6.0	2.4
Office of the Auditor General	0.8	0.5	0.5	0.5	0.5
Western Australian Treasury Corporation	0.7	1.6	0.6	0.5	0.6
Commerce	11.9	4.8	3.8	5.0	4.4
Small Business Development Corporation	0.5	0.2	0.2	0.2	0.2
Registrar, Western Australian Industrial Relations Commission	0.2	0.2	0.3	0.2	-
WorkCover WA Authority	2.0	2.2	0.3	0.1	0.2
Housing Authority	676.1	969.1	603.4	473.7	531.6
MINISTER FOR POLICE; EMERGENCY SERVICES; ROAD SAFETY					
Western Australia Police	81.8	152.4	84.7	32.6	30.5
Fire and Emergency Services Authority of Western Australia	29.5	54.9	26.3	19.4	12.2

ASSET INVESTMENT PROGRAM

Table 8.1 (cont.)

	2008-09 Estimated Actual \$m	2009-10 Budget Estimate \$m	2010-11 Forward Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m
MINISTER FOR SPORT AND RECREATION; RACING AND GAMING; MINISTER ASSISTING THE MINISTER FOR HEALTH					
Sport and Recreation	0.4	1.1	0.7	0.8	0.7
Western Australian Sports Centre Trust	149.3	180.4	49.5	8.3	1.9
Western Australian Institute of Sport	0.2	0.2	-	0.2	0.2
Racing, Gaming and Liquor	0.4	0.1	- ^(a)	0.3	0.2
Racing and Wagering Western Australia	18.9	15.8	4.3	4.1	7.3
Western Australian Greyhound Racing Authority	0.5	0.4	1.9	0.6	0.6
Burswood Park Board	0.6	0.7	0.7	0.7	0.8
MINISTER FOR PLANNING; CULTURE AND THE ARTS					
Planning	95.7	75.6	24.8	12.5	13.4
Armadale Redevelopment Authority	31.7	39.5	29.4	32.2	24.9
East Perth Redevelopment Authority	7.7	38.3	45.1	40.1	1.5
Midland Redevelopment Authority	22.6	11.7	11.4	6.0	3.0
Subiaco Redevelopment Authority	6.2	20.6	0.1	1.2	- ^(a)
Western Australian Planning Commission	98.0	73.6	59.4	55.9	61.2
Culture and the Arts	70.8	30.3	20.1	14.4	-
MINISTER FOR ENERGY; TRAINING					
Office of Energy	0.4	0.2	0.3	0.3	0.2
Independent Market Operator	0.8	0.9	0.9	3.1	-
Horizon Power	103.0	117.2	83.1	54.7	41.9
Synergy	36.2	7.9	7.6	6.3	6.4
Verve Energy	80.1	165.8	233.8	58.5	34.3
Western Power	917.6	918.0	661.1	735.7	675.1
TAFE Colleges	10.2	11.3	2.8	4.0	2.2

Table 8.1 (cont.)

ASSET INVESTMENT PROGRAM					
	2008-09 Estimated Actual \$m	2009-10 Budget Estimate \$m	2010-11 Forward Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m
ATTORNEY GENERAL; MINISTER FOR CORRECTIVE SERVICES					
Attorney General	51.4	16.5	16.3	22.6	6.4
Commissioner for Equal Opportunity	0.1	0.1	- ^(a)	0.1	0.1
Law Reform Commission of Western Australia	- ^(a)	- ^(a)	- ^(a)	- ^(a)	- ^(a)
Office of the Director of Public Prosecutions	1.3	-	-	-	-
Commissioner for Children and Young People	0.4	-	-	-	-
Office of the Information Commissioner	0.1	- ^(a)	-	-	-
Corrective Services	50.5	194.2	135.0	157.1	154.4
Office of the Inspector of Custodial Services	- ^(a)	- ^(a)	0.1	0.1	- ^(a)
Legal Aid Commission of Western Australia	1.1	1.1	1.1	1.3	1.3
MINISTER FOR CHILD PROTECTION; COMMUNITY SERVICES; SENIORS AND VOLUNTEERING; WOMEN'S INTEREST					
Child Protection	16.9	19.0	1.6	15.2	3.0
Communities	-	-	-	1.7	-
MINISTER FOR WATER; MENTAL HEALTH					
Water	19.2	31.9	7.9	8.3	9.5
Water Corporation	1,001.8	1,132.1	805.6	684.4	907.8
Bunbury Water Board	3.9	2.3	2.4	2.4	1.2
Busselton Water Board	3.2	3.6	7.1	2.7	3.9
MINISTER FOR LOCAL GOVERNMENT; HERITAGE; CITIZENSHIP AND MULTICULTURAL INTERESTS					
Local Government	0.1	0.1	0.1	0.1	0.1
Metropolitan Cemeteries Board	5.9	5.2	5.5	4.7	7.7
Heritage Council of Western Australia	- ^(a)	- ^(a)	- ^(a)	- ^(a)	- ^(a)
National Trust of Australia (WA)	0.7	2.2	0.7	0.7	0.7

ASSET INVESTMENT PROGRAM

Table 8.1 (cont.)

	2008-09 Estimated Actual \$m	2009-10 Budget Estimate \$m	2010-11 Forward Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m
MINISTER FOR AGRICULTURE AND FOOD; FORESTRY; MINISTER ASSISTING THE MINISTER FOR EDUCATION					
Agriculture and Food	7.2	7.2	10.9	30.3	88.7
Western Australian Meat Industry Authority	16.4	20.0	-	-	-
Perth Market Authority	3.2	5.8	0.6	0.8	0.6
Forest Products Commission	0.8	0.8	0.8	0.8	0.8
MINISTER FOR THE ENVIRONMENT; YOUTH					
Environment and Conservation	27.5	30.3	19.0	18.5	19.0
Botanic Gardens and Parks Authority	2.0	2.9	3.5	1.7	1.0
Swan River Trust	0.1	-(a)	-	-	-
Zoological Parks Authority	2.7	2.2	2.2	2.3	3.2
Estimated 2008-09 Underspend	-650.0	-	-	-	-
Provision for State Fleet Saving	-	-5.1	-10.3	-13.4	-13.4
Inter-agency purchases (mainly land transactions)	-18.6	-32.1	-60.7	-0.1	-
TOTAL	5,745.5	8,271.7	5,817.1	4,976.7	4,692.6
<i>Funded by:</i>					
APPROPRIATIONS					
Capital Appropriation	1,292.1	2,661.0	1,896.1	851.1	524.2
OTHER FUNDING					
Holding Account	132.1	139.4	136.4	141.9	127.4
Agency Borrowings	2,362.4	2,381.1	1,245.1	894.6	875.5
Royalties for Regions	35.3	356.1	301.0	315.5	319.1
Commonwealth Grants	390.4	362.2	372.4	416.0	475.4
Land and Property Sales	360.3	445.1	507.9	550.5	537.4
Internal funds and balances	355.4	1,048.6	913.4	1,121.1	1,342.0
Other	817.4	878.1	444.8	685.9	491.6
TOTAL	5,745.5	8,271.7	5,817.1	4,976.7	4,692.6

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

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.

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 2009-10 is estimated to be \$855.2 million, comprising \$307.9 million in income tax equivalent payments, \$11.1 million in local government rate equivalent payments, and \$536.3 million in dividend payments. This is a decrease of \$6.2 million or 0.7% from the estimated outturn for 2008-09.

The decrease in revenue in 2009-10 is largely a result of projected reductions in payments from Western Power and the Port Hedland Port Authority, partially offset by a projected increase in payments from the Western Australian Land Authority, Insurance Commission of Western Australia and Verve Energy.

The reduction in Western Power's income tax equivalent revenue and dividends is a result of network pricing constraints that will be experienced during the initial years of the budget period, particularly in 2009-10.

The decrease in income tax equivalent revenue from the Port Hedland Port Authority in 2009-10 is due to a one-off developer's contribution in 2008-09 relating to the Utah Point Berth Project that inflated income tax equivalent revenue for 2008-09.

The increase in the Western Australian Land Authority's income tax equivalent revenue and dividend contributions is due to increased profit margins associated with land development in 2009-10 and increased Community Service Obligation (CSO) funding for the Australian Marine Complex Common User Facility, which partially returns to government through dividends and income tax equivalent payments.

The increase in income tax equivalent revenue in 2009-10 from the Insurance Commission of Western Australia is due to a forecast recovery in profitability following a forecast loss in investment returns in 2008-09.

The increase in dividend revenue in the 2009-10 Budget from Verve Energy is due to increased profitability associated with the announced electricity tariff increases. Verve Energy pays no income tax equivalent revenue as a result of its accumulated tax losses.

A detailed overview of revenue received from individual public corporations is provided in Table 9.2. Dividend payout ratios are shown in Table 9.3.

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 rebate concessions relating to electricity and water services. The Water Corporation is a major recipient of CSOs. For example, the provision of household water and wastewater services in country areas at prices set by the Government (to match metropolitan water prices) requires a CSO payment to the Water Corporation.

From 2009-10, a CSO will be paid to Synergy and Horizon Power to recognise that retail electricity tariffs are below cost-reflective levels.

This CSO:

- will fund the difference between cost-reflective tariffs (based on efficient costs) and the glide path chosen by the Government. It is independent of the financial position of the electricity entities, as it is based on a modelled level of efficiency;
- increases transparency by fully disclosing the financial impact of keeping electricity tariffs below costs;
- improves accountability by having the financial impact of a less than cost-reflective tariff borne by the State and not the electricity entities (Horizon Power, Synergy and Verve Energy); and
- supports market development by ensuring pricing is competitively neutral.

The CSO is the difference between 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. Synergy's and Horizon Power's combined CSO is estimated at approximately \$266 million in 2009-10, \$124 million in 2010-11 and \$1 million in 2011-12 (at which point the tariffs reflect costs and therefore material CSOs are no longer required). The cumulative value over the forward estimates period is around \$391 million.

A detailed overview of general government sector expenses arising from payments to individual public corporations is provided in Table 9.4.

Electricity Tariffs

Budget Planning Assumptions

During the annual budget process, planning assumptions are made for future electricity tariffs. In the 2008-09 Budget, in response to the Office of Energy's Electricity Retail Market Review (ERMR) Draft Recommendations Paper, released 4 April 2008, the previous Government announced a transition to cost-reflective tariffs from 2009-10 for non-contestable customers¹, which includes households and small business. This involved a 10% increase in 2009-10, with further annual increases phased in over a six to eight year period. Annual increases beyond 2009-10 were not expected to be less than 10% and the budgeting assumption was for increases of 10% per annum.

In light of a number of significant pressures on the cost of electricity supplies, the Government announced on 23 February 2009:

- residential tariff increases of 10% effective 1 April 2009 and a further 15% effective 1 July 2009;
- small business tariff increases of 5% effective 1 April 2009 and a further 10% effective 1 July 2009; and
- other business tariff increases of 10% effective 1 April 2009 and a further 10% effective 1 July 2009.

Prior to these increases, and excluding the introduction of the GST, residential electricity tariffs in Western Australia have not increased since 1997-98, while small business tariffs have not increased since 1991-92.

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 commercial financial viability (i.e. without substantial cost subsidy by Government).

¹ 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.

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.

For the purposes of the 2009-10 Budget and forward estimates, it has been assumed that:

- tariff increases in 2008-09 and 2009-10 are consistent with the Government’s announcement of 23 February 2009;
- residential tariffs will move to cost-reflective levels from 1 July 2011; and
- the majority of business tariffs will move to cost-reflective levels from 1 July 2010.

The following tables detail the assumed electricity tariff paths reflected in the 2009-10 Budget forward estimates.

Table 9.1

ASSUMED NON-CONTESTABLE TARIFF GLIDE PATH					
Tariff	1 April 2009	2009-10	2010-11 ^(a)	2011-12	2012-13
A1/A2 (residential)	10.0%	15.0%	25.9%	12.9%	4.1%
K1/K2 (residential/small business)	10.0%	15.0%	23.7%	12.1%	4.1%
L1/L2 (small business)	5.0%	10.0%	25.9%	3.3%	4.1%
R1 (small business time of use)	5.0%	10.0%	25.1%	9.8%	8.9%
ASSUMED CONTESTABLE TARIFF GLIDE PATH					
Tariff	1 April 2009	2009-10	2010-11 ^(a)	2011-12	2012-13
L3/L4 (small/medium business)	10.0%	10.0%	23.7%	3.0%	3.7%
M1/M2 (large business high voltage high use)	10.0%	10.0%	36.4%	4.1%	3.6%
R3 (small/medium business)	10.0%	10.0%	30.0%	4.0%	3.5%
S1 (large business low/medium voltage)	10.0%	10.0%	17.3%	4.0%	3.5%
T1 (large business high voltage high load factor)	10.0%	10.0%	26.1%	3.9%	3.4%
W1/W2 (traffic lighting)	55.5%	55.5%	16.1%	3.8%	3.4%
Z (street lighting)	15.0%	15.0%	25.7%	5.2%	4.2%

(a) Emissions Trading introduced in 2010-11. Carbon costs are passed through in the form of increased tariffs.

Table 9.2

REVENUE TO GOVERNMENT FROM PUBLIC CORPORATIONS

Details of Payment	2008-09 Estimated Actual \$'000	2009-10 Budget Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000
Horizon Power					
Dividends	-	-	-	-	6,634
<i>Subtotal</i>	-	-	-	-	6,634
Synergy					
Income tax expense	36,707	33,228	41,401	46,102	56,511
Dividends	19,785	24,442	38,766	48,301	42,398
<i>Subtotal</i>	56,492	57,670	80,167	94,403	98,909
Verve Energy					
Local Government Rates expense	110	110	110	110	110
Dividends	-	8,713	36,739	58,775	67,607
<i>Subtotal</i>	110	8,823	36,849	58,885	67,717
Western Power					
Income tax expense	34,550	4,090	3,534	39,123	138,894
Local Government Rates expense	848	869	891	915	941
Dividends	33,492	29,972	5,217	28,060	106,828
<i>Subtotal</i>	68,890	34,931	9,642	68,098	246,663
Water Corporation					
Income tax expense	210,746	215,122	204,513	208,636	225,500
Local Government Rates expense	3,798	3,931	4,049	4,151	4,254
Dividends	408,812	410,478	412,954	392,662	423,839
<i>Subtotal</i>	623,356	629,531	621,516	605,449	653,593
Western Australian Land Authority (LandCorp)					
Income tax expense	12,802	19,981	43,169	32,202	42,542
Local Government Rates expense	2,843	4,124	4,315	4,068	3,987
Dividends	17,751	28,846	28,846	28,846	28,846
<i>Subtotal</i>	33,396	52,951	76,330	65,116	75,375
Gold Corporation					
Income tax expense	11,049	4,544	4,544	4,544	4,544
Local Government Rates expense	110	600	600	600	600
Dividends	823	14,474	6,361	6,362	6,362
<i>Subtotal</i>	11,982	19,618	11,505	11,506	11,506
Western Australian Treasury Corporation					
Income tax expense	1,970	1,725	2,189	2,633	2,806
Dividends	2,253	2,319	2,033	2,575	3,093
<i>Subtotal</i>	4,223	4,044	4,222	5,208	5,899

Table 9.2 (cont.)

REVENUE TO GOVERNMENT FROM PUBLIC CORPORATIONS

Details of Payment	2008-09 Estimated Actual \$'000	2009-10 Budget Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000
Albany Port Authority					
Income tax expense	737	1,653	1,938	2,038	2,202
Local Government Rates expense	97	100	104	108	120
Dividends	963	885	1,529	1,793	1,886
<i>Subtotal</i>	<i>1,797</i>	<i>2,638</i>	<i>3,571</i>	<i>3,939</i>	<i>4,208</i>
Broome Port Authority					
Income tax expense	298	219	208	193	175
Local Government Rates expense	35	15	268	276	284
Dividends	314	255	243	226	204
<i>Subtotal</i>	<i>647</i>	<i>489</i>	<i>719</i>	<i>695</i>	<i>663</i>
Bunbury Port Authority					
Income tax expense	4,512	3,295	2,774	2,774	2,774
Local Government Rates expense	191	210	220	220	220
Dividends	2,724	3,345	3,236	3,236	3,236
<i>Subtotal</i>	<i>7,427</i>	<i>6,850</i>	<i>6,230</i>	<i>6,230</i>	<i>6,230</i>
Dampier Port Authority					
Income tax expense	376	2,598	3,740	4,001	4,122
Local Government Rates expense	17	100	100	100	100
Dividends	2,297	655	3,248	4,580	4,668
<i>Subtotal</i>	<i>2,690</i>	<i>3,353</i>	<i>7,088</i>	<i>8,681</i>	<i>8,890</i>
Esperance Port Authority					
Income tax expense	2,810	2,652	2,423	4,060	3,838
Local Government Rates expense	90	95	100	275	320
Dividends	3,279	3,094	2,827	4,737	4,478
<i>Subtotal</i>	<i>6,179</i>	<i>5,841</i>	<i>5,350</i>	<i>9,072</i>	<i>8,636</i>
Fremantle Port Authority					
Income tax expense	4,733	5,163	3,248	3,242	3,398
Local Government Rates expense	248	366	384	404	424
Dividends	8,940	4,862	5,060	3,242	3,250
<i>Subtotal</i>	<i>13,921</i>	<i>10,391</i>	<i>8,692</i>	<i>6,888</i>	<i>7,072</i>
Geraldton Port Authority					
Income tax expense	1,587	2,121	9,190	9,190	9,190
Local Government Rates expense	160	160	160	160	160
Dividends	1,644	1,518	13,541	13,456	14,585
<i>Subtotal</i>	<i>3,391</i>	<i>3,799</i>	<i>22,891</i>	<i>22,806</i>	<i>23,935</i>
Port Hedland Port Authority					
Income tax expense	22,500	673	11,288	10,793	8,753
Local Government Rates expense	270	280	312	327	344
Dividends	1,869	1,198	2,235	13,265	12,591
<i>Subtotal</i>	<i>24,639</i>	<i>2,151</i>	<i>13,835</i>	<i>24,385</i>	<i>21,688</i>
Bunbury Water Board					
Income tax expense	628	759	852	946	1,047
<i>Subtotal</i>	<i>628</i>	<i>759</i>	<i>852</i>	<i>946</i>	<i>1,047</i>
Busselton Water Board					
Income tax expense	882	986	1,006	1,006	1,006
<i>Subtotal</i>	<i>882</i>	<i>986</i>	<i>1,006</i>	<i>1,006</i>	<i>1,006</i>

Table 9.2 (cont.)
REVENUE TO GOVERNMENT FROM PUBLIC CORPORATIONS

Details of Payment	2008-09 Estimated Actual \$'000	2009-10 Budget Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000
Forest Products Commission					
Dividends	650	1,206	1,267	2,005	2,005
<i>Subtotal</i>	<i>650</i>	<i>1,206</i>	<i>1,267</i>	<i>2,005</i>	<i>2,005</i>
Subiaco Redevelopment Authority					
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	-	9,083	9,958	12,990	16,433
<i>Subtotal</i>	<i>-</i>	<i>9,083</i>	<i>9,958</i>	<i>12,990</i>	<i>16,433</i>
Perth Market Authority					
Local Government Rates expense	115	125	134	145	155
<i>Subtotal</i>	<i>115</i>	<i>125</i>	<i>134</i>	<i>145</i>	<i>155</i>
Total Amounts					
Income tax expense	346,887	307,892	345,975	384,473	523,735
Local Government Rates expense	8,932	11,085	11,747	11,859	12,019
Dividends	505,596	536,262	578,102	612,121	732,510
Total	861,415	855,239	935,824	1,008,453	1,268,264

Table 9.3
REVENUE FROM PUBLIC CORPORATIONS
Dividend Payout Ratios

	2008-09 %	2009-10 %	2010-11 %	2011-12 %	2012-13 %
Horizon Power	50	50	50	50	50
Synergy	50	50	50	50	50
Verve Energy	50	50	50	50	50
Western Power	50	50	50	50	50
Water Corporation ^(a)	85	85	85	85	85
Western Australian Land Authority (LandCorp) ^(b)	50	50	50	50	50
Gold Corporation	60	60	60	60	60
Western Australian Treasury Corporation	50	50	50	50	50
State Port Authorities	50	50	50	50	50
Forest Products Commission ^(c)	50	50	50	50	50

(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 9.4

EXPENSES FROM GOVERNMENT TO PUBLIC CORPORATIONS

Details of Payment	Payment Type	Funding Department	2008-09 Estimated Actual \$'000	2009-10 Budget Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000
Water Corporation							
Burrup Water Supply System	Other	MIN	8,135	8,162	8,481	8,710	8,190
Country Water Restrictions	Other	DoW	500	374	262	262	262
Country Water, Sewerage and Drainage Operations	CSO	DTF	302,489	351,339	345,763	344,570	343,153
Hardship Package – Water Efficiency Scheme	Other	OoE	520	520	520	520	520
Infill Sewerage Program	CSO	DTF	41,838	46,506	46,298	46,842	46,152
Pensioner and Senior Concessions	CSO	DTF	97,158	102,440	110,055	117,602	125,826
Rural Irrigation Schemes	CSO	DTF	4,411	697	444	256	51
State Waterwise Strategy – Rebates Scheme	Other	DTF	3,000	500	-	-	-
<i>Subtotal</i>			458,051	510,538	511,823	518,762	524,154
Horizon Power							
Aboriginal and Remote Communities Project – Stage 1	CSO	DTF	8,701	8,701	8,701	8,701	8,701
Aboriginal and Remote Communities Project – Stage 2	CSO	DTF	-	2,217	7,013	7,063	8,119
Air Conditioning Allowance (North of 26 th Parallel)	CSO	DTF	77	232	292	330	343
Coral Bay Electricity Supply	CSO	DTF	2,900	2,900	2,900	2,900	2,900
Dependent Child Rebate	CSO	DTF	200	200	200	201	200
CSO Rebate Concession Supply Charge	CSO	DTF	278	343	432	489	508
Gas Lateral Line to Murchison Area – Interest Costs	Other	MIN	832	832	832	832	832
Onslow Gas Fired Power Station – Interest Costs	Other	MIN	183	183	183	183	183
Tariff Migration – Movement to L2 and A2 Tariff	CSO	DTF	22,609	21,667	18,272	19,184	20,059
Tariff Adjustment Payment	CSO	DTF	-	21,178	8,563	49	53
<i>Subtotal</i>			35,780	58,453	47,388	39,932	41,898
Verve Energy							
Part Reimbursement of Land Sales	Other	DTF	1	-	-	-	-
<i>Subtotal</i>			1	-	-	-	-
Synergy							
Tariff Adjustment Payment	CSO	DTF	-	244,362	115,742	815	-
Energy Rebate	CSO	DTF	30,858	30,341	35,939	48,883	61,724
Dependent Child Rebate	CSO	DTF	-	11,401	12,970	16,528	20,078
Airconditioning Allowance	CSO	DTF	185	1,508	1,716	2,186	2,656
Thermoregulatory and Life Support Rebate	CSO	DTF	-	1,412	1,600	1,959	2,419
Charitable Organisation Rebate	CSO	DTF	357	1,132	1,202	1,268	1,348
Hardship Package – Energy Efficiency Scheme	Other	OoE	1,215	7,000	8,000	8,000	6,000
Election Commitment – Feed In Tariff	Other	OoE	812	1,870	3,594	7,224	-
<i>Subtotal</i>			33,427	299,026	180,763	86,863	94,225

Table 9.4 (cont.)

EXPENSES FROM GOVERNMENT TO PUBLIC CORPORATIONS

Details of Payment	Payment Type	Funding Department	2008-09 Estimated Actual \$'000	2009-10 Budget Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000
Western Power							
Underground Power Program	Other	OoE	4,820	4,820	4,820	5,000	5,000
<i>Subtotal</i>			<u>4,820</u>	<u>4,820</u>	<u>4,820</u>	<u>5,000</u>	<u>5,000</u>
Western Australian Land Authority (LandCorp)							
Albany Waterfront Development	CSO	DTF	1,700	-	-	-	-
Australian Marine Complex – Rate of Return Stage 1 and 2	CSO	DTF	2,502	18,985	18,985	18,985	18,985
Australian Marine Complex Technology Precinct	CSO	DTF	228	315	324	334	344
Forrestdale – Rate of Return (Armadale Redevelopment Authority)	CSO	DTF	200	200	200	-	-
Halls Creek Residential Land Requirements	CSO	DTF	-	4,900	4,400	-	-
Hope Valley / Wattleup – Land Acquisition	CSO	DTF	9,785	6,615	6,610	6,625	6,640
Kalgoorlie North West Sector	CSO	DTF	-	3,500	-	-	-
Karratha / Burrup Service Corridor	CSO	DTF ^(a)	2,727	2,316	2,316	2,316	2,316
Kemerton Core Land Acquisition	CSO	DTF	-	1,977	-	-	-
Kwinana Land – Holding Costs	CSO	DTF	859	1,125	1,159	1,194	1,229
Perth Waterfront – Planning	CSO	DTF	1,300	-	-	-	-
Rockingham Development Office	CSO	DTF	550	-	-	-	-
Shotts Industrial Park Collie	CSO	DSD	250	1,210	20	20	-
South Hedland Town Centre Revitalisation – <i>Royalties for Regions</i>	RfR	DTF	4,200	11,000	8,100	-	-
Strategic Asset Management	Other	DTF	500	1,000	1,000	1,000	1,000
Townsite Development Program	CSO	DTF	4,000	4,000	4,000	4,000	4,000
<i>Subtotal</i>			<u>28,801</u>	<u>57,143</u>	<u>47,114</u>	<u>34,474</u>	<u>34,514</u>
Broome Port Authority							
Jetty Extension – Subsidy	Other	DTF	389	372	372	360	342
<i>Subtotal</i>			<u>389</u>	<u>372</u>	<u>372</u>	<u>360</u>	<u>342</u>

(a) Funding of \$2,131,000 in 2008-09 will be provided via a grant from the Department of State Development.

Table 9.4 (cont.)

EXPENSES FROM GOVERNMENT TO PUBLIC CORPORATIONS

Details of Payment	Payment Type	Funding Department	2008-09 Estimated Actual \$'000	2009-10 Budget Estimate \$'000	2010-11 Forward Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000
Bunbury Port Authority							
Casting Basin Loan – Interest Costs	Other	DSD	89	89	89	89	89
<i>Subtotal</i>			89	89	89	89	89
Dampier Port Authority							
Burrup Infrastructure – Interest Support	Other	DSD	8,253	8,023	7,830	8,987	11,100
<i>Subtotal</i>			8,253	8,023	7,830	8,987	11,100
Armadale Redevelopment Authority							
Administration and Operating Costs	Other	DTF	1,200	1,250	1,250	1,250	-
Wungong Developer Contribution Scheme – Management Costs	Other	DTF	520	540	560	580	-
<i>Subtotal</i>			1,720	1,790	1,810	1,830	-
Forest Products Commission							
Debt Servicing Costs – Non-Commercial Native Forests	CSO	DTF	1,070	1,070	1,070	1,070	1,070
Debt Servicing Costs – Non-Commercial Plantations	CSO	DTF	1,119	2,300	2,300	2,300	2,300
<i>Subtotal</i>			2,189	3,370	3,370	3,370	3,370
Public Transport Authority							
Total Appropriations Provided to Deliver Services	Other	DTF	657,644	703,773	749,772	802,205	856,986
<i>Subtotal</i>			657,644	703,773	749,772	802,205	856,986
Total			1,231,164	1,647,397	1,555,151	1,501,872	1,571,678

Tariffs, Fees and Charges

The Department of Treasury and Finance 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 or 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 specified consumption of a range of other State government goods and services (including some specific taxes).

While the Government has decided not to adopt the ‘representative household’ model as a decision making tool, it has been included this year for comparative purposes.

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;
- drivers licence fees;
- stamp duty on both compulsory third party insurance and general insurance; and
- the 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.

Results

Table 10.1 shows the impact of the changes in State government tariffs, fees and charges on the 'representative household' in 2009-10.

Table 10.1

ESTIMATED IMPACT ON STANDARD 'REPRESENTATIVE HOUSEHOLD'

	2008-09 \$ level	% change	\$ change	2009-10 \$ level
Motor Vehicles				
Motor vehicle licence fee ^(a)	\$202.60	3.81%	\$7.72	\$210.32
Recording fee	\$12.15	7.41%	\$0.90	\$13.05
CTP insurance	\$235.59	4.00%	\$9.42	\$245.01
Drivers licence ^(b)	\$73.20	0.00%	\$0.00	\$73.20
<i>Total</i>	<i>\$523.54</i>	<i>3.45%</i>	<i>\$18.04</i>	<i>\$541.58</i>
Utility Charges				
Electricity	\$963.36	23.28%	\$224.32	\$1187.68
Water ^(c)	\$401.15	10.01%	\$40.15	\$441.30
Sewerage ^(c)	\$509.60	4.20%	\$21.40	\$531.00
Drainage ^(c)	\$63.10	6.66%	\$4.20	\$67.30
<i>Total</i>	<i>\$1,937.21</i>	<i>14.97%</i>	<i>\$290.07</i>	<i>\$2,227.28</i>
Public Transport				
Student fares	\$260.00	0.00%	\$0.00	\$260.00
Full fares (2 zones)	\$682.50	2.86%	\$19.50	\$702.00
<i>Total</i>	<i>\$942.50</i>	<i>2.07%</i>	<i>\$19.50</i>	<i>\$962.00</i>
Emergency Services Levy ^(d)	<i>\$144.00</i>	<i>4.86%</i>	<i>\$7.00</i>	<i>\$151.00</i>
Stamp Duty				
Stamp duty on general insurance	\$115.19	0.00%	\$0.00	\$115.19
Stamp duty on CTP insurance	\$24.50	0.00%	\$0.00	\$24.50
<i>Total</i>	<i>\$139.69</i>	<i>0.00%</i>	<i>\$0.00</i>	<i>\$139.69</i>
Total Expenditure (Nominal)	\$3,686.95	9.08%	\$334.61	\$4,021.56

(a) The effective increase in motor vehicle licence expenditure for the representative household is 3.81% taking into account the \$63 discount available to family vehicles that has also been indexed.

(b) Drivers licence expenditure is for two driver.

(c) Economic Regulation Authority approved increases.

(d) The actual impact of the ESL on household charges to be confirmed by FESA in June, after property data is finalised.

Note: Columns may not add due to rounding.

On the basis of the assumptions below and the 2009-10 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 \$4,021.56. This represents an increase of \$334.61 (or 9.1%) on 2008-09 levels.

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:

- consumes:
 - 6,074 kW hours of electricity per annum, based on the 2007-08 average level of consumption for a household provided by Synergy; and

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- 300 kL of water per annum, based on the current average level of water usage for a residential customer provided by the Water Corporation;
- 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);
- owns one car, an Australian sedan (tare weight of 1,568 kg – relevant for the purpose of determining the appropriate level of motor vehicle licence fee);
- has two drivers in the household;
- 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
- 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 2007 to September 2008), as measured by the Australian Bureau of Statistics. For the 2009-10 Budget, the reference rate of inflation is 4.2%.

Discussion

In 2009-10, representative household expenditure on selected State government goods and services will increase by more than the reference rate of inflation.

This includes increases in electricity prices in accordance with the Government's announcement on 23 February 2009. For residential supply and consumption tariffs, a 10% increase took effect from 1 April 2009, to be followed by a further 15% increase effective 1 July 2009.

For a residential consumer, based on the 2007-08 average level of consumption for a household of 6,074 kW hours of electricity, it is estimated that household electricity charges will total \$1,187.68 in 2009-10. This is a \$224.32 (or 23.3%) increase on 2008-09.

However, if increases in electricity prices are excluded, representative household expenditure on selected State government goods and services will increase by 3.0%, which is below the reference rate of inflation (4.2%).

Some fees and charges that remain unchanged in 2009-10 include:

- drivers licence fees;
- Transperth 50 cent student fares and concession fares; and

- stamp duty rates on insurance policies.

Transperth standard fares will increase by the reference rate of inflation, rounded to the nearest 10 cents.

Motor vehicle charges will increase by the reference rate of inflation, subject to rounding and excluding a recording fee increase of 7.4%. This increase 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 2009-10 (the family discount will rise from \$60.00 to \$63.00).

It is estimated that the average metropolitan residential Emergency Services Levy will increase by \$7.00 (or 4.9%), with the actual impact to be confirmed in June 2009 after property data is finalised.

Following the recommendations of the Economic Regulation Authority on water pricing, the 2009-10 Budget continues to deliver 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, total water charges for the average household will increase by \$40.15 (or 10.0%) in 2009-10.

Sewerage and drainage charges will rise by 4.2% and 6.7% respectively to reflect the increased costs of service provision.

Other Charges¹

In accordance with the Government's cost recovery and user pays principles, agencies are permitted to charge consumers the cost of providing services. To accommodate cost increases, most charges are increased each year by the reference rate of inflation. As noted earlier, for the 2009-10 Budget, the reference rate of inflation is 4.2%.

Following are a number of fees and charges that are either new, or involve increases in excess of the reference rate of inflation.

Department of Transport

Recreational boating licence fees will increase by between 20% and 50% from 1 July 2009, depending on the size of the boat. The increases are to meet rises in costs relating to Marine Safety activities, including education and public awareness of safe boating, compliance monitoring and hydrographic survey and charting.

¹ This section provides commentary on several key changes but does not cover all tariffs, fees and charges increases.

Rottnest Island Authority

Fee Increase

The Rottnest Island Authority will increase its admission fees from \$12.90 to \$14.50 per adult and from \$1.00 to \$5.00 per child. Annual boating admission fees have been similarly increased. This increase is prompted by the costs incurred to maintain the Island's natural and cultural heritage. A surcharge of approximately 28% will also be levied on extended stay visitors, to account for the higher usage and impact of these visitors on the Island.

A number of accommodation facilities within the Kingston precinct of the Island have been recently refurbished, and the cost of these refurbishments will be recovered from 1 July 2009 (through increases of approximately 19% to 24%).

Small Business Development Corporation

New Fee

An application fee for migrants seeking State sponsorship in the business visa categories will be introduced from 1 July 2009. For the Provisional Business Visa, a new fee of \$300.00 will be applicable. For the Permanent Business Visa, a new fee of \$500.00 will be introduced. The fees are intended to cover increased international marketing costs, including those caused by the falling relative value of the Australian dollar.

Department of Environment and Conservation - Landfill Levy

Fee Increase

As part of the Economic Audit Stage 1 process, the Government has endorsed an increase in landfill levy charges of 300% in relation to putrescible and inert waste from 1 July 2009. The levy increase will create a disincentive to dispose of waste to landfill, and at the same time, encourage the reuse or recycle of waste. The impact on local government authorities, if passed on in full, will result in the average householder being charged an estimated extra \$24 per year through their local council rates.

Redistribution of Resources Across States by the Commonwealth

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

However, other Commonwealth fiscal policies also redistribute resources between 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 for each State. Results using the latest available data (for 2007-08) are shown in Table 11.1, together with the ‘GST only’ redistribution for comparison purposes (a positive figure indicates a net redistribution out of the State, or net contribution to the Commonwealth).

Table 11.1

NET REDISTRIBUTION OF RESOURCES
2007-08^(a)

	GST only ^(b)		Total Resources	
	\$m	\$ per capita	\$m	\$ per capita
New South Wales	2,526	364	4,637	668
Victoria	1,355	257	607	115
Queensland	-609	-143	-2,137	-504
Western Australia	163	76	8,204	3,832
South Australia	-906	-568	-5,221	-3,275
Tasmania	-748	-1,510	-3,001	-6,056
Northern Territory	-1,781	-8,198	-3,089	-14,214
Total	0	0	0	0

(a) Estimates calculated by allocating all Commonwealth outlays and revenue relating to the Australian Capital Territory (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 revenue 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 2007-08, it is estimated that the Commonwealth derived \$37.3 billion from Western Australia, while expenditure for the benefit of the State (including future benefits from the Commonwealth surplus) totalled only \$29.1 billion, yielding a net contribution to the federation from Western Australia of \$8.2 billion (much larger than for New South Wales and Victoria, the only other net contributors).

2007-08 marks the first time that Western Australia contributed more to the national GST pool than it received in GST revenue grants.

Table 11.2 provides an estimated breakdown 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 mainly reflects the high levels of personal income tax, company tax and petroleum extraction revenue derived from the State, as well as the low level of social security and health payments received by State residents and low Commonwealth spending on services in the State.

More complete data has resulted in the previously published estimate of Western Australia's net contribution in 2006-07 being revised upwards from \$6.2 billion to \$7.5 billion. This revision is due predominantly to higher than previously estimated company tax contributions.

Table 11.2

**COMPONENTS OF WESTERN AUSTRALIA'S CONTRIBUTION TO THE
COMMONWEALTH**

Relative to Western Australia's Population Share

	2005-06	2006-07	2007-08
	\$m	\$m	\$m
Personal Income Tax	1,281	1,813	1,825
Company Tax	1,051	3,243	3,484
Fuel Excise (net of rebates)	290	232	359
Taxes and Royalties on Petroleum Extraction ^(a)	1,290	1,321	1,234
Commonwealth Services ^(b)	936	893	1,019
Personal Benefit Payments	636	726	840
Net impact of GST	-284	-115	163
<i>GST Collections</i>	-155	-80	-103
<i>GST Grants</i>	-129	-34	265
Other Grants to State and Local Governments ^(c)	-18	-73	-63
Other	-514	-494	-656
Total	4,667	7,546	8,204

(a) Net of the North West Shelf grants paid to Western Australia by the Commonwealth.

(b) Departmental expenditures, including defence.

(c) Includes grants to universities. Excludes North West Shelf grants paid 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

Note: Columns may not add due to rounding.