



2010-11 Budget

ECONOMIC AND FISCAL OUTLOOK

Budget Paper No. 3

2010-11 Budget Paper set includes:

Budget Paper No. 1 – Budget Speech

Budget Paper No. 2 – Budget Statements (Volumes 1–3)

Budget Paper No. 3 – Economic and Fiscal Outlook

Budget Overview

Reader's Guide to the 2010-11 Budget Statements



2010-11 BUDGET

ECONOMIC AND FISCAL OUTLOOK

Budget Paper No. 3

**PRESENTED TO THE LEGISLATIVE ASSEMBLY
ON 20 MAY 2010**

2010-11 Economic and Fiscal Outlook

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2010-11 BUDGET

ECONOMIC AND FISCAL OUTLOOK

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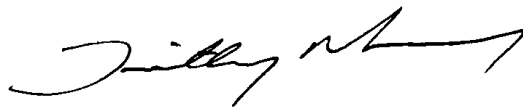
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Under Treasurer's Certification

This Government Financial Projections Statement is based upon Government decisions I was aware of or that were made available to me by the Treasurer on or before the budget planning cut-off date of 22 April 2010 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 2: *The Western Australian Economy*. These assumptions were finalised on 22 April 2010.

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

Timothy Marney
UNDER TREASURER

20 May 2010

Overview

The budget has been framed in an environment of early stages of recovery in the Western Australian economy, against a backdrop of continued fragility in the global economy¹.

Considerable measures have been put in place over the past 18 months to restore the State's finances to a more sustainable foundation. These measures have included a phasing in of cost-reflective charging for Government utilities, imposition of an efficiency dividend upon government departments, and capping of public sector employment.

These difficult measures, coupled with an improved revenue outlook, have restored budget surpluses across the forward estimates period.

In that context, the 2010-11 Budget is aimed at delivering four key objectives:

- improving service delivery in priority areas such as health, education, law and order, and child protection, with an emphasis on improving the way services are delivered to achieve better outcomes;
- engaging in State building projects to ensure Western Australia has the infrastructure in place to support future growth;
- ensuring that future growth is not constrained or hampered by structural impediments in the economy or unnecessary red tape; and
- ensuring the State's finances remain strong and Western Australia maintains a triple-A credit rating.

¹ The assumptions underpinning the budget are detailed later in this Budget Paper. Risks to the outlook, which may impact the projections, are detailed in Chapter 2: *The Western Australian Economy* and in Chapter 3: *Fiscal Strategy and Financial Projections*.

Economic and Revenue Outlook

Western Australia weathered the impact of the global financial crisis better than most economies, but still felt its effects. In 2008-09, the State's economy grew by just 0.7%.

Since then, global economic activity has picked up markedly. Reflecting this, the outlook for the Western Australian economy has improved, with growth of 3.75% now expected for 2009-10. This will be driven by consumer spending and exports, as well as stronger housing activity.

Growth is forecast to accelerate to 4.5% in 2010-11 and 4.75% in 2011-12. This rapid return to around long-run average growth largely reflects a rebound in business investment with a ramping up of construction on major projects including the \$43 billion Gorgon Liquefied Natural Gas project.

Economic growth is expected to moderate somewhat in 2012-13 and 2013-14 as the Gorgon project passes its peak construction period (and prior to the project commencing production in 2014-15). Nonetheless, business investment is expected to remain strong, supported by a new stream of resource projects. Annual business investment is forecast to reach \$58.3 billion by 2013-14 (in real terms), up from \$44.9 billion in 2008-09.

These forecasts were finalised at the point of the budget cut-off, 22 April 2010. This was prior to the announcement by the Commonwealth Government that it proposes to introduce a Resource Super Profits Tax. The impact of this proposal has not been factored into these forecasts.

Modest employment growth of 0.25% is expected in 2009-10 due to excess capacity and underemployment in the labour market. The State's unemployment rate is expected to peak at 5.25% in 2009-10 and then gradually improve to 4.5% by the end of the forward estimates period.

Table 1

KEY ECONOMIC FORECASTS FOR WESTERN AUSTRALIA

	2008-09 Actual ^(a) %	2009-10 Estimated Actual %	2010-11 Budget Estimate %	2011-12 Forward Estimate %	2012-13 Forward Estimate %	2013-14 Forward Estimate %
Real Gross State Product Growth ^(b)	0.7	3.75	4.5	4.75	3.0	3.0
Real State Final Demand Growth ^(b)	4.4	3.5	6.0	5.75	3.0	3.0
Employment Growth	3.2	0.25	1.75	2.25	2.5	2.75
Unemployment Rate	3.7	5.25	5.0	4.75	4.75	4.5
Wage Price Index Growth ^(c)	5.2	3.5	3.75	4.0	4.5	4.5
Average Weekly Earnings Growth ^(c)	5.2	5.25	5.25	5.5	5.5	6.0
Population Growth	3.2	2.6	2.3	2.2	2.2	2.2
Perth Consumer Price Index Growth	3.0	2.25	2.75	3.0	3.25	3.25

(a) Real Gross State Product (GSP) growth is based on 2008-09 State Accounts data, released on 22 December 2009 (ABS Catalogue Number 5220.0). State Final Demand (SFD) growth is based on Australian National Accounts: National Income, Expenditure and Product, December 2009, released on 3 March 2010 (ABS Catalogue Number 5206.0). 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).

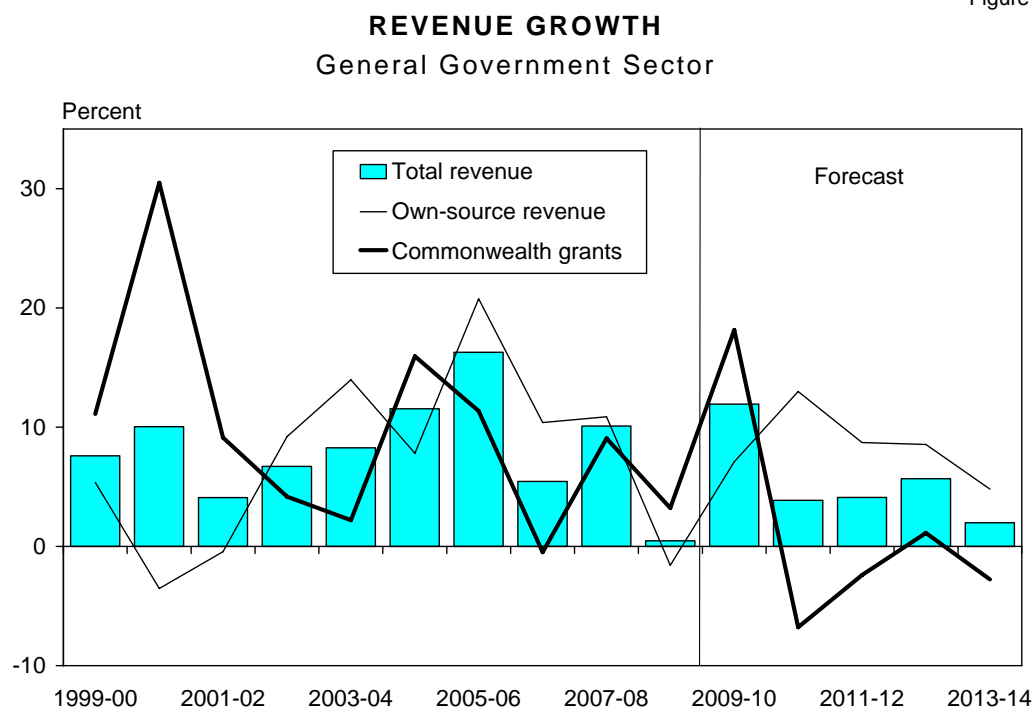
Other forecasting notes: All data are annual averages. The forecasts assume no changes in Commonwealth policy settings.

In line with the improvement in economic conditions, the revenue outlook has improved significantly since the 2009-10 mid-year review. Relative to the estimated outturn for 2009-10, general government revenue is expected to grow by \$839 million (or 3.9%) in 2010-11. Solid growth in taxation revenue and strong growth in royalty income is expected to be partially offset by a reduction in Commonwealth grants.

The following chart shows the significant spike in Commonwealth grants due to stimulus funding in 2009-10, and the subsequent impact of its unwinding over the next year or two. Total Commonwealth grants are expected to decline by \$681 million in 2010-11, and by \$1.1 billion over the four years to 2013-14. It is projected that Western Australia's share of national GST revenue will fall to just 5.7% by the end of the forward estimates, compared to an estimated population share of 10.6%.

The chart also shows that after declining sharply in 2008-09, growth in revenue from the State's own sources (mainly State taxes and mining royalties) is expected to rebound strongly, especially in 2010-11.

Figure 1



Fiscal Outlook

The improved economic and revenue outlook, combined with the Government's financial management has significantly strengthened the State's financial position. The general government operating surplus for 2009-10 is now estimated at \$290 million. This is up from the estimate of \$51 million in the mid-year review. A similar surplus (\$286 million) is forecast for 2010-11. Surpluses are also forecast in each of the forward estimate years.

The Government's efforts over the last 18 months to rein in the rate of expense growth, including implementation of the 3% efficiency dividend, a new public sector wages policy, a ceiling on public servant staff numbers, and two rounds of voluntary severances are expected to see expense growth ease to 3.9% in 2010-11. This has restored the structure of the State's finances to a more sound position.

Whilst the State's financial outlook has strengthened since the mid-year review, net debt levels are still projected to rise over the forward estimates period in support of record levels of infrastructure investment. However, the increase in net debt remains affordable and consistent with maintenance of the State's triple-A credit rating.

Table 2

KEY BUDGET AGGREGATES

Western Australia

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
GENERAL GOVERNMENT SECTOR						
Net Operating Balance (\$m)	318	290	286	652	807	325
Revenue (\$m)	19,435	21,752	22,591	23,517	24,850	25,343
Revenue Growth (%)	0.5	11.9	3.9	4.1	5.7	2.0
Expenses (\$m)	19,117	21,462	22,305	22,866	24,043	25,019
Expense Growth (%)	13.5	12.3	3.9	2.5	5.2	4.1
TOTAL PUBLIC SECTOR						
Net Debt at 30 June (\$m)	6,688	11,365	15,442	17,511	18,902	20,063
Asset Investment Program (\$m)	5,795	7,162	7,627	6,005	5,867	5,498
KEY FINANCIAL RATIOS ^(a)						
Net Interest Cost to Revenue (%)	1.3	1.9	2.4	3.0	3.0	3.0
Net Financial Liabilities ^(b) to Revenue	54.4	61.0	65.1	68.0	67.9	69.6

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

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

Budget Objectives

Improving Key Service Delivery

The 2010-11 Budget includes the biggest ever injection of additional funding for the State's health system, including \$1.1 billion over five years to accommodate increased demand and higher costs. This will also enable the progressive implementation of activity based funding. There will also be a further \$200 million provided for new and expanded ambulance services across the State, and improved access to Community Child Health services.

Other key service improvements include:

- \$70 million over the next four years for 316 additional teachers and education assistants employed to accommodate growth in student numbers;
- the continued roll-out of the Government's Independent Public Schools initiative, with an additional \$19 million over the next four years;
- an increase of \$44 million in 2010-11 for child protection services (bringing total spending to \$442 million), including support and protection services for children and young people, support for individuals and families at risk or in crisis, and additional child protection staff; and
- an extra \$44 million over the next four years to expand youth justice services in the Kimberley and Pilbara regions.

This budget also includes funding to establish:

- a Community Development Investment Fund to provide low-interest loans to eligible community sector organisations; and
- a Social Innovation Grants Program to promote new ways of delivering human services and encourage the further development of innovative ideas by the community sector.

State Building

The Government is continuing to invest in economic and social infrastructure to support future growth, with an Asset Investment Program in 2010-11 of \$7.6 billion. This compares with an estimated investment of \$7.2 billion in 2009-10 and an actual spend of \$5.8 billion in 2008-09.

Over the forward estimates period, funding for major State building projects includes:

- \$339 million for the State Government's contribution to Oakajee Port in the State's Mid West;
- \$119 million for the State Government's contribution to the Perth City Link Project;
- \$21 million for the planning and design of the Perth Waterfront Redevelopment;
- \$83 million to develop Perth's major rectangular stadium (ME Bank Stadium); and
- \$26 million for a new netball centre.

In addition to these major projects, the 2010-11 Asset Investment Program includes:

- \$1.1 billion on improving, expanding and maintaining the State's electricity infrastructure, including continuation of the State and Pilbara Underground Power projects, construction of two 100 megawatt high efficiency gas turbines, and a provision for the North Country Reinforcement southern stage;
- a record \$1.0 billion on public schools throughout the State;
- \$1.0 billion on the State's water, wastewater and drainage services, including commencement of the \$315 million Mundaring Water Treatment Plant, \$312 million on the Southern Seawater Desalination Plant, and \$25 million per annum for continuation of the Infill Sewerage Program;
- \$890 million on health facilities throughout the State, including planning for the new Children's Hospital at the QEII medical centre site, \$32 million on the Albany Health Campus development, and ongoing construction of the Fiona Stanley Hospital;
- \$683 million for the construction of public housing and other dwellings, and the development of land throughout the State;

- \$516 million on major road construction and maintenance, including \$35 million in 2010-11 to improve road safety; and
- \$416 million on law and order-related projects, including new court facilities at Kalgoorlie and Kununurra, and the commencement of a new police, court and community justice complex at Carnarvon.

Addressing Structural Issues

Initiatives in the 2010-11 Budget aimed at ensuring future growth is not constrained by inefficiencies in the economy include:

- an additional \$19 million over 2009-10 and 2010-11 for an additional 7,600 training places in industry priority areas;
- \$8 million over four years to automate the approvals system for the mining industry, enabling the industry to lodge, pay for, and track mining and petroleum approvals online;
- \$3 million over two years as bonus payments to employers who take on out-of-contract apprentices and trainees; and
- additional funding of \$0.3 million per annum for the establishment of an Office of Land and Housing Supply to ensure a comprehensive and coordinated approach to housing affordability issues.

The Western Australian Economy

Overview

Global economic activity picked up markedly over the latter part of 2009, with activity strongest in the emerging and developing economies¹. Monetary and fiscal stimulus measures have helped promote a return to growth in many countries, but the global recovery remains somewhat fragile.

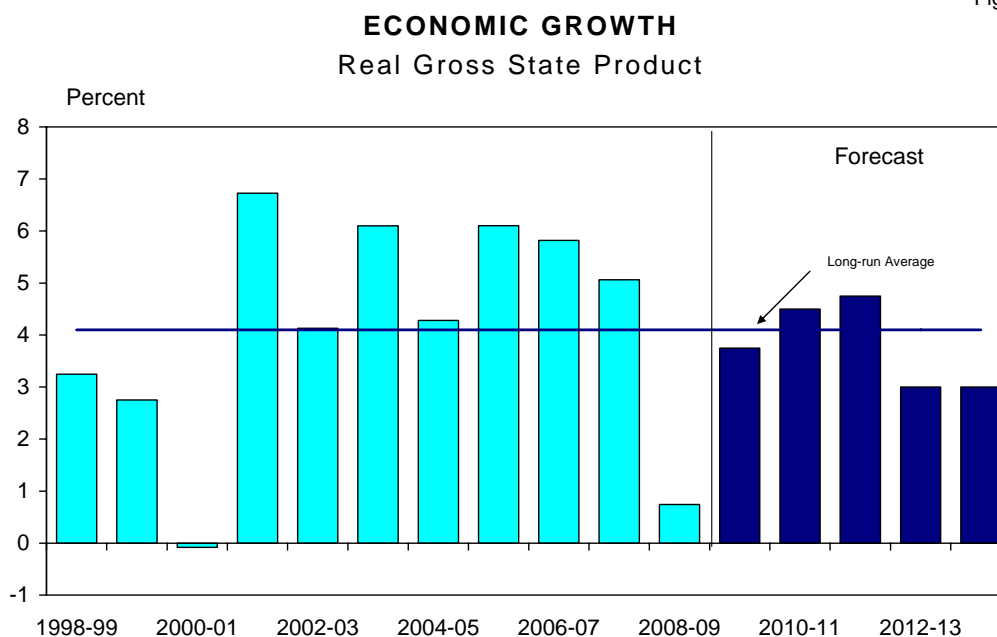
For Western Australia, the global recovery is critical for maintaining demand for exports and providing a suitable environment for business investment – two key components of the State's anticipated growth over the next few years.

After recording growth of only 0.7% in 2008-09, Western Australia's economy is forecast to grow by 3.75% in 2009-10, driven mainly by growth in household consumption and exports, as well as stronger dwelling investment. Growth is then expected to accelerate to 4.5% in 2010-11 and 4.75% in 2011-12, above the long-run average rate of growth of 4.1%. This is largely due to a rebound in business investment, underpinned by a ramping up of construction on the \$43 billion Gorgon Liquefied Natural Gas (LNG) project.

Economic growth in 2012-13 and 2013-14 is expected to moderate to around 3.0%. Even with underlying strength returning to private sector investment from a new stream of resource projects in both years, the quite sizable but progressively lower amounts of activity on the Gorgon project are expected to result in comparatively lower rates of growth in business investment.

¹ Source: International Monetary Fund (IMF), *World Economic Outlook*, April 2010. In the IMF report, the "Emerging and Developing Economies" group includes 151 countries from six regions. Among this group, activity in the Developing Asia region which consists of China, India, Indonesia, Malaysia, Philippines Thailand, and Vietnam is leading the way.

Figure 1



Source: ABS Catalogue 5220 and Department of Treasury and Finance.

Employment is forecast to grow by a modest 0.25% in 2009-10, with a recovery in hours worked and a reduction in underemployment meaning that the pick-up in headline employment has been somewhat muted so far. However, as the economic recovery gains traction, employment is forecast to grow by 1.75% in 2010-11, and then gradually accelerate to 2.75% by 2013-14. The State's unemployment rate is expected to peak at 5.25% in 2009-10, and then fall to 4.5% by 2013-14.

International Conditions

Following the global economic downturn of late 2008, conditions improved markedly over the second half of 2009. Stimulus measures have played a large role in the recent recoveries enjoyed by most countries, and the scaling back of these measures will need to be carefully managed if a durable global recovery is to be ensured. Also, recent Dubai, Greek and Portuguese sovereign bond duress are signs of the fragility of the global economic and financial recovery.

Table 1

MAJOR ECONOMIC AGGREGATES
Western Australia

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Actual ^(a) %	Estimated Actual %	Budget Estimate %	Forward Estimate %	Forward Estimate %	Forward Estimate %
Real Gross State Product Growth ^(b)	0.7	3.75	4.5	4.75	3.0	3.0
Real State Final Demand Growth ^(b)	4.4	3.5	6.0	5.75	3.0	3.0
Employment Growth	3.2	0.25	1.75	2.25	2.5	2.75
Unemployment Rate	3.7	5.25	5.0	4.75	4.75	4.5
Wage Price Index Growth ^(c)	5.2	3.5	3.75	4.0	4.5	4.5
Average Weekly Earnings Growth ^(c)	5.2	5.25	5.25	5.5	5.5	6.0
Consumer Price Index Growth	3.0	2.25	2.75	3.0	3.25	3.25

(a) Real Gross State Product (GSP) growth is based on 2008-09 State Accounts data, released on 22 December 2009 (ABS Catalogue Number 5220.0). State Final Demand (SFD) growth is based on Australian National Accounts: National Income, Expenditure and Product, December 2009, released on 3 March 2010 (ABS Catalogue Number 5206.0). 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 workforce compositional changes (unlike Earnings).

Further notes: All data are annual averages. The forecasts assume no changes in Commonwealth Government policy settings.

The International Monetary Fund's (IMF) April 2010 *World Economic Outlook* projects a continuation of the global economic recovery, but at varying speeds across and within regions – solid in most emerging and developing economies, but moderate in many advanced economies. Following a contraction of 0.6% in 2009, global growth is forecast to rebound to 4.2% in 2010 and 4.3% in 2011, with emerging and developing countries growing by 6.3% in 2010 and 6.5% in 2011. Advanced economies are forecast to grow by 2.3% in 2010 and 2.4% in 2011. The IMF also indicates that the recoveries in many advanced economies are likely to be slower than that experienced in previous recessions².

The IMF observes that the global recovery is evidenced by a turn around in world trade, industrial production, and retail sales. For key emerging and developing economies in particular, domestic demand has been strong and external demand “lifted by the normalisation of global trade”³.

The IMF cautions that “activity remains dependent on highly accommodative macroeconomic policies and is subject to downside risks”, especially given that many countries have much less of a capacity for further fiscal or monetary stimulus⁴.

² Source: International Monetary Fund, *World Economic Outlook*, April 2010.

³ Source: Ibid.

⁴ Source: Ibid.

Table 2

COMPONENTS OF GROSS STATE PRODUCT
Western Australia

	2008-09 Actual ^(a) %	2009-10 Estimated Actual %	2010-11 Budget Estimate %	2011-12 Forward Estimate %	2012-13 Forward Estimate %	2013-14 Forward Estimate %
Annual Average Growth^(b)						
Private						
Household Consumption	2.8	3.0	4.0	4.5	4.5	4.25
Business Investment	10.5	1.25	11.5	12.25	1.25	1.5
Dwelling Investment ^(c)	-4.2	3.25	7.25	4.25	3.5	3.75
Public						
Consumption	3.4	3.75	0.75	2.5	2.5	3.0
Investment	8.1	18.5	10.0	-6.75	3.5	0.0
STATE FINAL DEMAND	4.4	3.5	6.0	5.75	3.0	3.0
External Sector						
Merchandise Exports	2.2	6.5	5.0	6.0	3.0	3.0
Merchandise Imports	6.6	7.5	13.75	12.0	1.5	1.75
Net Exports ^(d)	-3.3	5.5	-1.25	1.0	3.75	3.25
Balancing Item ^(e)	14.8	3.75	4.5	4.75	3.0	3.0
GROSS STATE PRODUCT	0.7	3.75	4.5	4.75	3.0	3.0
Contributions To Growth^(b)						
Private						
Household Consumption	1.2	1.2	1.6	1.8	1.8	1.8
Business Investment	2.8	0.3	3.2	3.6	0.4	0.5
Dwelling Investment	-0.3	0.2	0.5	0.3	0.2	0.2
Public						
Consumption	0.4	0.4	0.1	0.3	0.3	0.3
Investment ^(c)	0.4	0.8	0.5	-0.4	0.2	0.0
STATE FINAL DEMAND	4.0	3.3	5.8	5.6	2.9	2.9
External Sector						
Merchandise Exports	1.0	2.9	2.4	2.9	1.4	1.4
Merchandise Imports	-1.2	-1.4	-2.6	-2.5	-0.3	-0.4
Net Exports ^(d)	-0.9	1.4	-0.3	0.2	0.9	0.8
Balancing Item ^(e)	-2.4	-0.8	-0.9	-1.0	-0.6	-0.6
GROSS STATE PRODUCT	0.7	3.75	4.5	4.75	3.0	3.0

(a) Real Gross State Product (GSP), services trade data (not reported here) and the balancing item are based on 2008-09 State Accounts data, released on 22 December 2009 (ABS Catalogue Number 5220.0). State Final Demand (SFD) and merchandise trade data are based on Australian National Accounts: National Income, Expenditure and Product, December 2009, released on 3 March 2010 (ABS Catalogue Number 5206.0). All other data are based on other various ABS data sources.

(b) Forecasts for ownership transfer costs, international trade in services, and the statistical discrepancy components of the State Accounts are not reported.

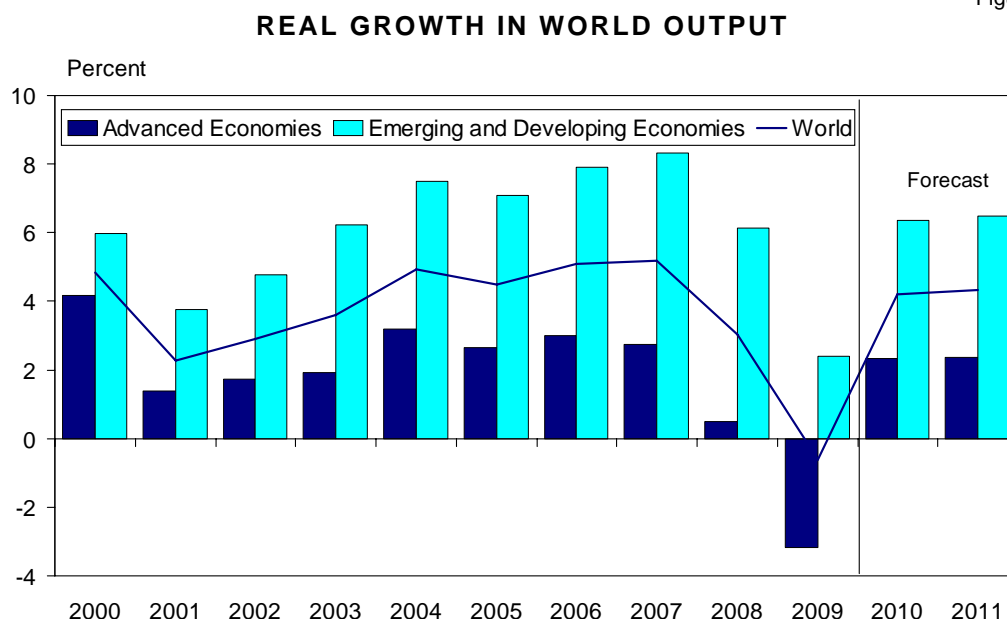
(c) Dwelling investment excludes ownership transfer costs. Ownership transfer costs are forecast separately and track transfer duty forecasts. For more information see Chapter 4: *General Government Revenue*.

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

(e) The balancing item includes interstate trade and changes in inventories, and a statistical discrepancy (the difference between the ABS production and expenditure calculation of GST). 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 GSP (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.

Figure 2



Source: International Monetary Fund, *World Economic Outlook*, April 2010.

The OECD in its April 2010 *Interim Economic Assessment* reported that economic activity picked up in most OECD economies in the December quarter 2009, with the notable exception of the euro area. In particular, household consumption strengthened somewhat in the USA, and external demand remains robust in Japan. House price growth has picked up in many countries and business confidence has continued to improve, especially in non-manufacturing sectors. Moreover, labour market indicators for many nations have stabilised. However, the pickup in activity seen in the G7 countries⁵ in the last quarter of 2009 is expected to ease in the first half of 2010, as fiscal stimulus measures start to unwind.

In China, Western Australia's largest export market, economic growth has been supported by accommodative monetary policy and bank lending, and a fiscal stimulus package directed mostly to infrastructure projects (worth about 4 trillion Yuan, or approximately \$A650 billion, equivalent to about 12% of Chinese GDP).

The IMF's latest report forecasts China's economy to return to strong growth of 10.0% in 2010 and 9.9% in 2011, with China also expected to contribute around half of overall global growth for the three years to 2011. This highlights the importance of China not just to the economic outlook for Western Australia, but also globally. The IMF also notes that while China has so far been on "a publicly driven growth path", this is expected to turn toward stronger private consumption and investment⁶.

Notwithstanding some recent encouraging signs of recovery, the USA faces continued challenges, particularly as historically high levels of fiscal stimulus wind down.

⁵ The G7 is a group of seven industrialised nations: Canada, France, Germany, Italy, Japan, the UK and the USA.

⁶ Source: International Monetary Fund, *World Economic Outlook*, April 2010.

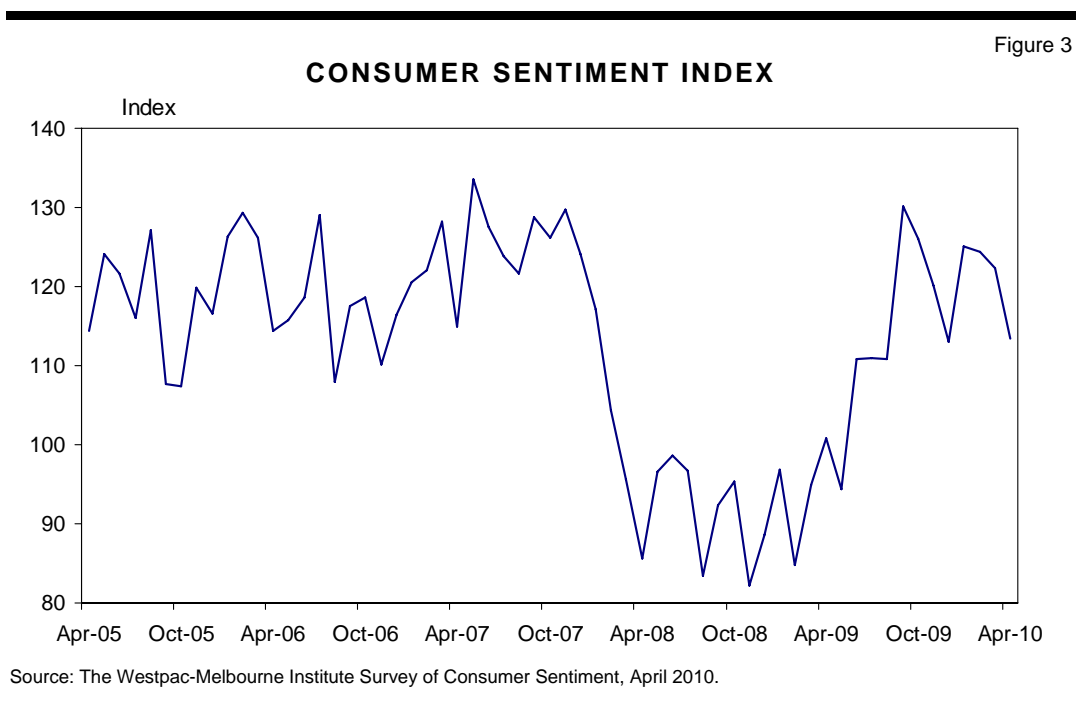
While expecting a continuing recovery in the short-term, chairman of the US Federal Reserve Ben Bernanke recently warned that for the USA, “significant restraints on the pace of the recovery remain, including weakness in both residential and non-residential construction and the poor fiscal condition of many state and local governments”⁷. The IMF’s latest report forecasts US economic growth of 3.1% in 2010, and 2.6% in 2011⁸.

Western Australia’s Domestic Activity

Household Consumption

The withdrawal of Commonwealth fiscal stimulus measures and recent increases in interest rates will subdue household consumption growth in the short-run, with growth of 3.0% forecast for 2009-10 (similar to the 2.8% growth recorded in 2008-09).

However, an improved labour market outlook in the State, steady real wage increases, higher consumer sentiment (see following figure), and the stronger financial position of most households are all expected to result in household consumption growth accelerating over the next two years, with growth of 4.0% and 4.5% forecast for 2010-11 and 2011-12 respectively. This is consistent with long-run average growth in household consumption of 4.3%. Growth is expected to continue at around this rate for the remainder of the forecast period.



⁷ Source: Testimony of US Federal Reserve Chairman Bernanke to the U.S. Congress Joint Economic Committee, April 14, 2010.

⁸ Source: International Monetary Fund, *World Economic Outlook*, April 2010.

Dwelling Investment⁹

After reaching historical highs in June 2008, demand for new dwellings in Western Australia during 2008-09 contracted by 4.2%. This was due to weakening economic conditions, rising unemployment and limited credit availability. The start of 2009-10 saw the beginning of a recovery in Western Australia's housing market, in part underpinned by a resilient local economy, which had weathered the worst of the global financial crisis, and the impact of the First Home Owners' Boost.

For the rest of 2009-10, dwelling investment is expected to remain close to current levels, with growth of 3.25% estimated for the year. The relatively flat conditions expected for the remainder of 2009-10 largely reflect that while there still is a sizable pipeline of residential construction work yet to be done, this pipeline is lower than it has been previously. The withdrawal of Commonwealth stimulus measures is another contributing factor.

While the cessation of the First Home Owners' Boost has already resulted in a sizable fall in the number of first-home buyers in the market, trade-up buyers and investors are now re-entering the market. For 2010-11, strong dwelling investment growth of 7.25% is forecast. This is consistent with the expected recovery in the economy more broadly, and is supported by leading indicators such as the recently observed rises in building approvals, housing finance, and dwelling commencements.

Dwelling investment growth is then forecast to moderate to rates closer to its long-run average, growing by 4.25% in 2011-12, 3.5% in 2012-13 and 3.75% in 2013-14. These rates of growth reflect strong demand for housing associated with moderately strong population growth and continued economic growth.

Business Investment

Activity in the State's resources sector has proven to be more resilient than expected a year ago, with investment decisions made during recent years resulting in a large pipeline of resource-related construction work still being completed. Decisions on new resource projects in the State experienced a brief pause as a result of the global financial crisis – the lagged results of which are expected to lead to growth in 2009-10 of just 1.25%. This compares to annual average growth in business investment of nearly 19% over the previous five years.

However, over the next two years business investment is forecast to make a significant contribution to the State's economic growth. In particular, growth in private investment will be driven by construction of LNG projects, particularly Chevron's \$43 billion Gorgon project (for which a final investment decision was approved in late 2009) and remaining construction on Woodside's \$12.3 billion Pluto project. This will be complemented by a range of large iron ore projects such as BHP Billiton's \$6.7 billion Rapid Growth Project 5 and Citic Pacific's \$5.2 billion Sino Iron Ore project¹⁰.

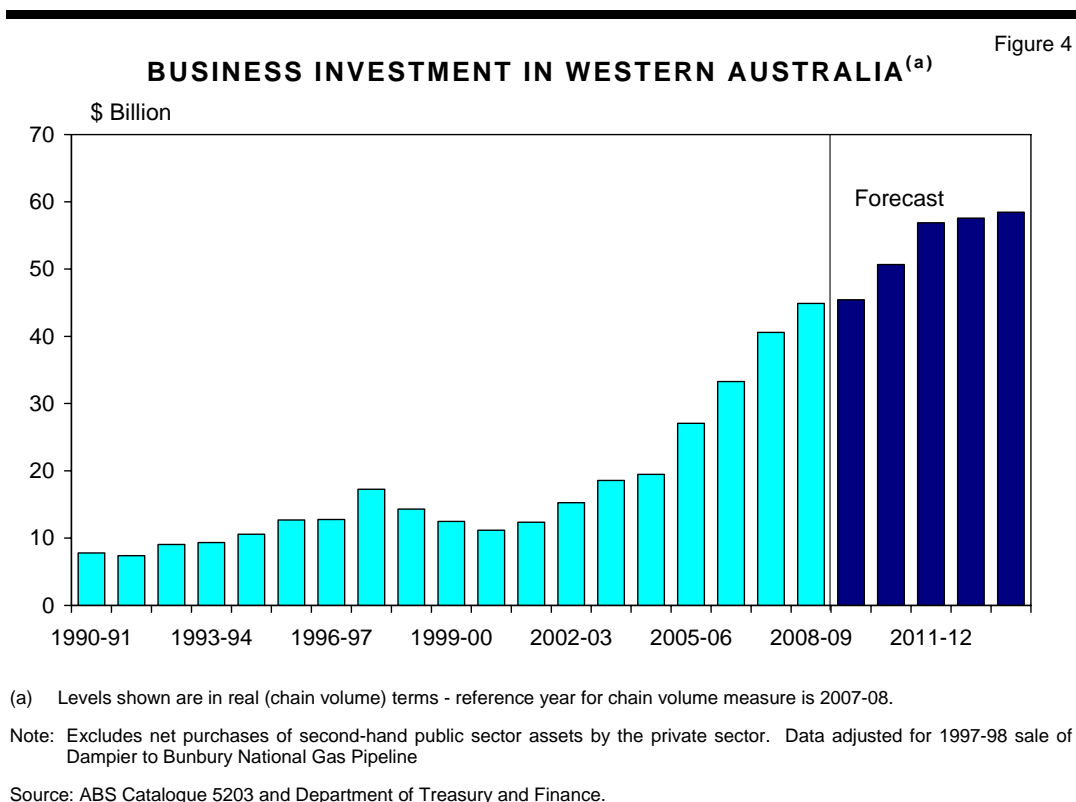
⁹ Dwelling Investment consists of new dwelling construction and residential alterations and additions. Ownership transfer costs are forecast separately and track transfer duty forecasts. See Chapter 4: *General Government Revenue*.

¹⁰ Source: Project values from Access Economics' *Investment Monitor*, March quarter 2010, and other various sources.

The Gorgon project has considerably influenced the overall picture for business investment. The \$43 billion project is the largest investment in a resource project in Australia, so deviations from the assumed construction profile over coming years could easily result in business investment being higher than predicted in one year and lower in another¹¹.

In addition, as the Gorgon project moves toward peak construction, this will significantly boost business investment. Subsequently, as the project passes peak construction, the headline growth figure will be pulled lower than would otherwise be the case.

As a result, despite construction on a series of other major projects winding down, business investment is forecast to grow strongly by 11.5% in 2010-11 and 12.25% in 2011-12 as construction on Gorgon ramps up. However, growth of only 1.25% and 1.5% is forecast for 2012-13 and 2013-14 respectively, as quite sizable but progressively lower amounts of activity occur on the Gorgon project. This is despite underlying strength returning to private sector investment from a new stream of resource projects¹².



These forecast for business investment, together with those recently released by the Commonwealth in the 2010-11 Budget, show that Western Australia will be responsible for just under one-third (31.8%) of the expected national growth in business investment over the next three years.

¹¹ Construction on Gorgon is expected to finish around 2014.

¹² This includes increasing levels of work done on Midwest iron ore projects related to the Oakajee port and rail project. It also includes an allowance for additional major LNG project work (i.e. further to the Pluto and Gorgon LNG projects).

By the end of the forecast period (2013-14), annual business investment in real terms is forecast to reach \$58.3 billion, up from the \$44.9 billion recorded in 2008-09. Business investment in Western Australia is now at such a historically high level, a large number of major resource projects are required just to maintain the current volume of activity¹³.

It is important to note that business investment includes capital equipment imported into the State. However, imports are not included as part of the State's overall economy (they are netted off Gross State Product). In particular, major resource projects like the Gorgon and Pluto LNG projects have a large amount of imported components (see the *Trade Balance* section below).

Public Expenditure

Public consumption and investment comprises spending in Western Australia by the Commonwealth, State and local governments, with all three levels recently influenced by fiscal stimulus-related measures.

Public investment recorded above-trend growth of 8.1% in 2008-09, primarily due to the State's sizable infrastructure program and the Commonwealth's fiscal stimulus measures.

These factors are also expected to influence public investment growth over the next year or two, with very strong stimulus-driven growth of 18.5% forecast in 2009-10 followed by growth of 10.0% in 2010-11. Reflecting the subsequent unwinding of stimulus spending, a fall of 6.75% is forecast in 2011-12, with only moderate to flat growth in the last two outyears.

Public consumption expenditure grew by 3.4% in 2008-09, slightly above its long-run average of 3.2%. Public consumption growth is forecast to increase slightly to 3.75% in 2009-10, before slowing to a modest 0.75% growth in 2010-11. This is mainly due to fiscal stimulus unwinding. For the remainder of the forecast period, public consumption is forecast to gradually head towards its long-run growth rate, growing by 2.5% in both 2011-12 and 2012-13, and 3.0% in 2013-14.

For full details of the Western Australian Government's fiscal strategy, recurrent expenditure outlays and major investment projects, see Chapter 3: *Fiscal Strategy and Financial Projections*, Chapter 5: *General Government Expenses*, and Chapter 6: *Asset Investment*. Note that unlike the movements discussed above, these chapters are for Western Australian Government budgeted expenditure only, and show data in nominal (not real) terms.

¹³ Western Australia's ratio of business investment to Gross State Product of 27.1% in 2008-09 is substantially higher than its ratio of 18.1% of just five years ago. It is also currently the highest ratio of all States, and considerably higher than the 17.0% ratio recorded nationally in 2008-09.

Trade Balance

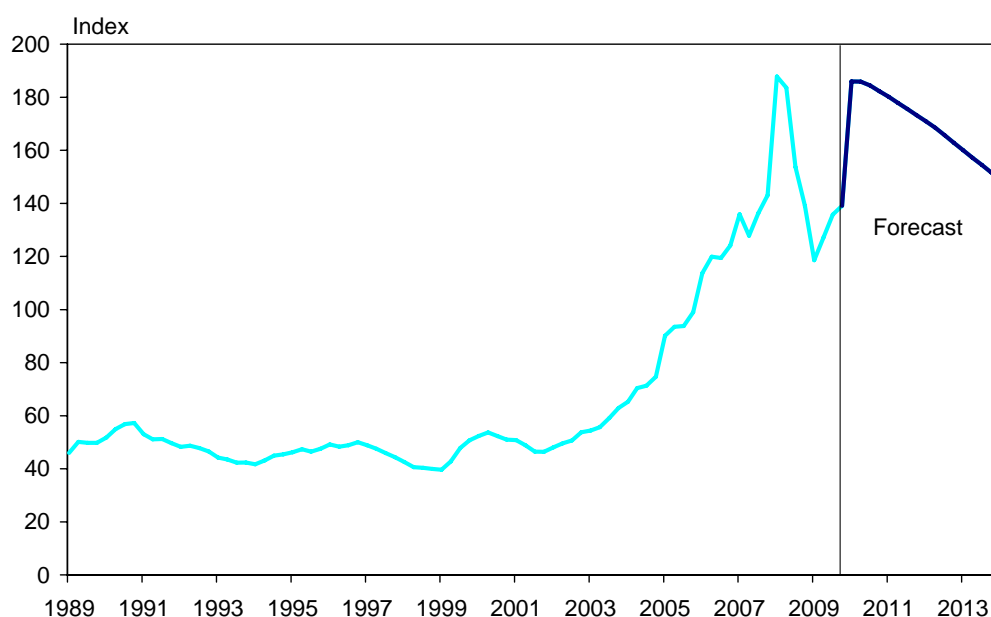
Western Australia's international trade outlook is underpinned by the economic growth prospects of its Asian trading partners and by movements in commodity prices. Changes in overall resource sector production in the shorter term are more dependant on the mix of resource projects in the State at any given time (e.g. which new projects are about to come online, and which projects are maturing or declining in production).

As noted earlier, monetary and fiscal stimulus packages have so far been effective in promoting economic recoveries across many developed and developing economies, while strong growth in the State's main trading partners (China in particular) is helping to sustain global demand for resources.

Commodity prices have responded to this improved outlook by growing strongly during the early stages of the global economic recovery. With growth in developing economies expected to remain solid, commodity prices are expected to stay high in the near term, before moderating (in \$US terms) over the budget period (see following figure).

Figure 5

WESTERN AUSTRALIA'S COMMODITY PRICE INDEX

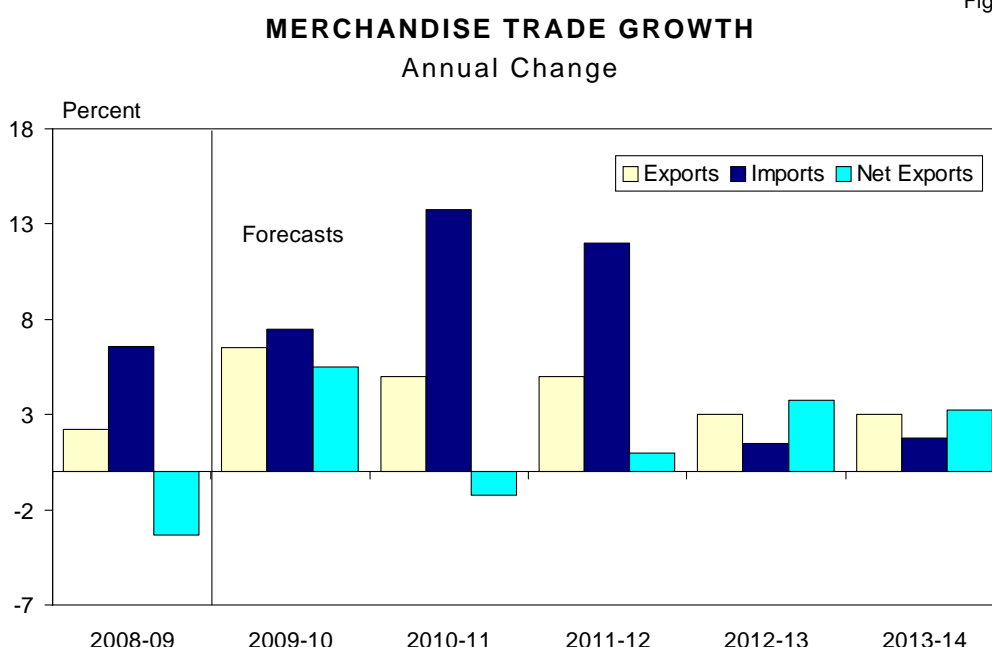


Source: Department of Treasury and Finance.

Notwithstanding the fragile nature of the global recovery, the IMF's most recent forecasts show that growth in the State's major export markets should help support Western Australia's economic recovery over the next two years, with the weighted average economic output¹⁴ of these economies expected to grow by 6.4% in 2010 and 6.5% in 2011, compared to growth of just 2.5% in 2009.

Western Australia's net trade performance (exports less imports) is expected to improve in 2009-10, helped by the economic recovery in Western Australia's major trading markets and a large number of major resource projects commencing their production phases. Accordingly, after detracting from economic growth in the previous two years, net exports are expected to make a solid contribution to Gross State Product growth in 2009-10.

Figure 6



Source: ABS Catalogue 5206 and Department of Treasury and Finance.

While solid export growth is forecast to continue over 2010-11 and 2011-12, accelerating growth in imports (driven largely by the capital equipment requirements of the Gorgon LNG project) means the external sector's effect on Gross State Product growth will be negligible (detracting 0.3 percentage points in 2010-11, and then contributing 0.2 points in 2011-12). While export growth is expected to moderate in the last two outyears, imports are expected to moderate to an even greater extent (as the Gorgon project passes peak construction), with the external sector therefore contributing more strongly to Gross State Product growth (adding 0.9 and 0.8 percentage points in 2012-13 and 2013-14 respectively).

¹⁴ A Department of Treasury and Finance measure derived to gauge the growth in Western Australia's export markets. The indicator is calculated as the weighted average economic growth of the State's 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 90% of total exports from Western Australia over 2009. The weights are based on the percentage share of each country in Western Australia's exports over the year.

Exports¹⁵

Total export volumes are expected to increase by 6.5% in 2009-10 due to increased production from iron ore projects such as Rio Tinto's Mesa A and BHP Billiton's Rapid Growth Project 4.

Exports are forecast to grow by 5.0% in 2010-11 as many projects currently in their construction phases start producing during the year, with export volumes growing by a further 6.0% in 2011-12 as these projects head into their first full year of production. These include BHP Billiton's Rapid Growth Project 5 (iron ore), Woodside's Pluto project (LNG), and Citic Pacific's Sino project (iron ore).

Growth in export volumes is expected to steady at 3.0% in both 2012-13 and 2013-14. While business investment growth in the resources sector is expected to moderate over these years, various resource projects still under construction are yet to commence export production, including the Gorgon LNG project and BHP Billiton's iron ore Rapid Growth Project 6. While Woodside's North Rankin 2 LNG redevelopment project is expected to start producing by around mid 2012¹⁶, crude oil production is expected to fall by 10% in 2013-14 as several of the State's older oil fields mature.

Imports

Import volumes are forecast to grow by 7.5% in 2009-10 as business investment activity and consumer spending improves, supported by a stronger Australian dollar making imports cheaper.

Strong business investment activity (owing to the construction of the Gorgon project and other resource projects) and stronger growth in household consumption spending mean that growth in import volumes is expected to accelerate to 13.75% in 2010-11 and 12.0% in 2011-12.

Import growth is expected to moderate to 1.5% in 2012-13 and 1.75% in 2013-14, commensurate with the moderation in business investment, with lower imports associated with the Gorgon project in particular.

Labour Market

Employment

After stalling in 2009 as a lagged response to the global economic downturn, employment growth in Western Australia is now gradually recovering. While latest labour demand indicators like job vacancies and job advertisements have shown notable improvements, they are still at levels lower than their previous peaks.

¹⁵ Export forecasts are guided by estimates of expected mining production from a confidential annual survey of mining companies undertaken by the Department of Mines and Petroleum. The Department of Treasury and Finance is provided aggregated results from the Survey. These results also help underpin royalty income forecasts – for further information on royalty forecasts, see Chapter 4: *General Government Revenue*.

¹⁶ Woodside's North Rankin 2 redevelopment aims to recover remaining low pressure gas from the North Rankin and Perseus gas fields to help underpin future gas supplies for the North West Shelf Venture's LNG plant.

Strengthening demand for labour over the remainder of 2009-10 is expected to be accommodated to some extent by a recovery in hours worked and a reduction in underemployment. These factors are expected to partly dampen the recovery in headline employment, with growth of only 0.25% forecast in 2009-10.

Employment is then forecast to grow by 1.75% in 2010-11, bolstered by the recovery in the State's domestic economy.

As the State's economy expands further and as job prospects and consumer confidence improve, employment is forecast to grow by 2.25% in 2011-12.

Steady growth in population and a broadening of the economic recovery is expected to underpin employment growth in the outyears, with employment forecast to rise by 2.5% in 2012-13 and 2.75% in 2013-14.

Unemployment and Participation Rates

After averaging 3.7% in 2008-09, the State's unemployment rate is forecast to average 5.25% in 2009-10, partly as a lagged response to subdued economic activity over most of the previous year. However, this is expected to represent the peak, with the unemployment rate forecast to moderate to 5.0% in 2010-11, as employment growth picks up pace alongside strengthening economic activity.

Unemployment is forecast to fall to 4.75% in both 2011-12 and 2012-13, as the State's economic recovery consolidates and as demand for labour strengthens. The State's unemployment rate is forecast to fall to 4.5% in 2013-14, a legacy of relatively robust household consumption and business investment growth over the two years prior.

The above forecasts assume that the State's participation rate falls by a full percentage point by 2013-14, mainly as a result of an ageing of the State's workforce.

Wage Costs

Western Australia's Wage Price Index grew by 5.2% in 2008-09. This is forecast to slow to 3.5% in 2009-10, reflecting the diminishing legacy of strong quarterly growth rates over the past two years (when large Western Australian public sector wage agreements took effect), and delayed effects of the slowdown in the State's economy in 2008-09.

The gradual improvement in the labour market is, however, expected to result in the Wage Price Index growing by 3.75% in 2010-11 and 4.0% in 2011-12, before rising further in 2012-13 and 2013-14 (by 4.5%).

The Wage Price Index is viewed as a better measure of underlying wages growth relative to Average Weekly Earnings (see next section below). This is because the Wage Price Index is designed to measure wage changes for a fixed quantity and quality of labour, and is not influenced by changes in the composition of the State's workforce.

However, as Average Weekly Earnings is compositionally influenced¹⁷, it is more closely related to trends in the State's payroll tax receipts (for information on how the outlook for the State's labour market and earnings relates to payroll tax, see Chapter 4: *General Government Revenue*).

Earnings

Following growth of 5.2% in 2008-09, Average Weekly Earnings are expected to remain relatively elevated for the remainder of this year and into 2010-11, with earnings forecast to grow by 5.25% in both 2009-10 and 2010-11.

A shift towards increased average hours worked, and relatively stronger employment growth in higher paying industries (e.g. in construction and mining in particular), is expected to boost Average Weekly Earnings growth to rates higher than those forecast for the Wage Price Index over the forecast period.

These compositional shifts in the labour market are expected to become more acute as the domestic economy improves, with Average Weekly Earnings forecast to increase by 5.5% in 2011-12 and 2012-13. In 2013-14, Average Weekly Earnings are forecast to grow by 6.0% in line with the ongoing upward momentum in the labour market.

Prices

Consumer Price Index

Perth's inflation rate has almost halved, from an annual average rate of 3.8% in the year to the March quarter 2009, to 2.0% in the year to the March quarter 2010. This slowdown was almost identical with national consumer price trends.

This moderation resulted from a slowing in housing costs and declining fuel prices as a result of softer economic conditions and a higher Australian dollar.

Perth's annual average rate of inflation is forecast to remain low in 2009-10, with a rise of 2.25% expected. Inflation is forecast to then accelerate to 2.75% in 2010-11, as economic activity in the State gathers momentum.

Inflation is forecast to increase to 3.0% in 2011-12 and 3.25% in 2012-13 in step with a strengthening domestic economy, an improving labour market and elevated wage pressure. In 2013-14, inflation is forecast to remain at 3.25%, which is around its long-run (10 year) average rate of growth.

¹⁷ Compositional effects that can influence Average Weekly Earnings growth include variations over time in: the occupational distribution within and across industries; the distribution of employment between industries; the proportion of male and female employees; and over time in the proportions of full-time, part-time and casual workers.

These forecasts are broadly consistent with the latest national inflation forecasts from the Reserve Bank of Australia¹⁸ (over the long-term, Perth inflation tends to move in line with the other capital cities).

Risks to the Outlook

Global Risks

Key external risks to the Western Australian economy are much less acute than they were a year ago, when the global economy was in the middle of its deepest and most synchronised downturn in decades. Demand from key Asian export markets, fiscal and monetary stimulus measures, and stable banking and financial systems have helped counter a potentially unstable period for Western Australia.

However, the rapidly changing and highly unpredictable nature of the global economy at present means that a strong and sustained global economic recovery is by no means certain.

Even though the stimulus measures implemented by many countries have largely been successful in encouraging recoveries, many now face significant pressures as a result of such measures. To protect their fiscal positions, many nations now have to plan a delicate balancing act to unwind stimulus spending in a way that does not compromise their domestic recoveries.

Public debt concerns represent their own unique set of risks. The IMF in its April 2010 *World Economic Outlook* warned that the “rapid increase in public debt and deterioration of fiscal balance sheets could be transmitted back to banking systems or across borders”¹⁹. For example, a wider outbreak of sovereign debt distress (similar to that experienced currently by Greece) could cause increased financial market volatility and risk aversion, and in turn raise global wholesale funding costs.

Financial markets still face residual pressures from the global financial crisis (GFC). While estimates of the banking system write-downs through to April 2010 have been reduced from \$2.8 trillion (in October last year) to \$2.3 trillion²⁰, they still remain substantial. Many countries’ moves towards financial market reforms, and banks’ own reticence to engage in pre-GFC type lending practices, likely means a continuation of higher liquidity and capital buffers. This in turn could restrain the recovery in global credit markets.

Global commodity demand and prices could weaken from current buoyant levels if growth in the economies of Western Australia’s key export markets (especially China) is lower than expected.

¹⁸ Source: Reserve Bank of Australia, Statement on Monetary Policy, February 2010. This was the most recently published Statement available at the time the economic parameters for this Budget were finalised. Note though that the Reserve Bank’s forecasts for inflation only extend to the end of 2011-12.

¹⁹ Source: International Monetary Fund, *World Economic Outlook*, April 2010.

²⁰ Source: Ibid (note that the IMF specifies the write-downs as being from “the economies hit hardest from the onset of the crisis”).

In China, the success of efforts by local authorities to rebalance the country's economic activity is still uncertain. The sustainability of the monetary policies that have helped spark China's revival is unclear – China has not yet started to tighten its monetary policy significantly; at best it has moved into a 'neutral stance' which could potentially allow its economy to overheat²¹.

Domestic Risks

National factors, such as higher interest rates and the unwinding of fiscal stimulus measures, remain key risks to the domestic outlook.

Interest rates are expected to increase back towards longer term (ten year) historical averages over the next few years. While the latest risk assessment by the Reserve Bank of Australia of the nation's financial sector has shown it to be in a reasonably healthy state, the possibility of higher global funding costs could result in higher credit costs and tighter credit availability domestically. These factors would adversely affect key areas like business investment and housing.

Withdrawal of Commonwealth Government stimulus activity is another key risk to the forecasts. If stimulus measures are wound down quicker than expected, or are boosting (or have boosted) key areas of the State's economy more than expected, the economic forecasts presented in this budget may be somewhat lower. In particular:

- household consumption was boosted by targeted stimulus payments to households over 2008-09, with this stimulus now having tailed off;
- stimulus-related public spending by the Commonwealth Government in Western Australia (including indirect spending through the State Government or local governments), while continuing in the short term, will eventually be wound down;
- business investment was boosted by the Federal Government's investment allowances brought in to help businesses; and
- dwelling investment activity has recently been lifted by the First Home Owners' Boost, the Housing Affordability Fund, and the Home Insulation and Solar Hot Water Rebate programs.

In particular, while the First Home Owners' Boost has likely helped satisfy some pent-up demand (demand previously constrained by housing affordability), if it has also resulted in a sizeable pull-forward of activity, this would present a short-term risk to the State's housing market.

While stimulus measures have been taken into account in forecasting, it is often difficult to ascertain the likely near term effects on behaviour once a measure is removed or wound down. This includes ascertaining the true extent of underlying demand, and how any given national stimulus measure is affecting Western Australia in particular.

²¹ A. Wolfe, "China: No Exit", *Roubini Global Economics*, February 2010.

Business investment in Western Australia is typically very volatile as the State has a relatively small economy, yet hosts some of the largest resource projects in the world. Therefore, individual projects can have significant effects on the rate of business investment in the State. This is particularly so over the current forecast period due to the number of large projects – particularly the Gorgon LNG project – either currently under construction or expected to go ahead. If major projects do not proceed as expected, actual business investment could diverge quite significantly from these budget forecasts.

There is a risk that the Commonwealth's proposal to introduce a 40% Resource Super Profits Tax (RSPT) from 1 July 2012 will have a significant negative impact on the level of future investment in the mining sector in Western Australia, which would affect the overall level of economic activity in the State. Given the timing of the release and the current uncertainty around the final form of the proposed RSPT-based package (and its possible impact on Western Australia), the economic forecasts presented in this budget exclude any potential impacts from an RSPT.

A key risk to the dwelling investment forecasts is housing and land supply. The future availability of supply in these key areas is largely dependent on sufficient residential land being released, and builders having the capacity to complete dwellings in a timely, cost effective manner. While these factors are perhaps not as relevant for 2009-10, they will become more important from 2010-11 onwards as housing demand recovers.

Removing Constraints to Economic Growth

While stronger economic growth delivers benefits to the State, it can also pose some challenges. The last period of strong economic growth in Western Australia led to shortages and large price rises in a number of key markets, including labour and housing markets. The Government's objective is to improve the responsiveness and flexibility of supply in these markets so that the benefits of strong demand are realised as growth rather than inflation. To this end, the Government has committed to a number of reforms aimed at improving the regulatory frameworks applying to land and housing supply, mining and resource approvals, and labour supply, as well as reducing costs and delays to business due to red tape.

Housing Supply

The strong growth in residential land and housing prices during the last period of economic expansion had significant consequences for the State. High prices in metropolitan areas led to decreasing affordability, and increased demand for social housing. In a number of regional areas, particularly in the north of the State, high housing costs contributed to difficulties in attracting workers to expanding resource industries, hence constraining that expansion.

The reforms to land and housing markets aim, in part, to improve the ability of these markets to respond to increases in demand through the introduction of a more efficient planning and development process.

The “*Planning makes it happen: A blueprint for reform (September 2009)*” report highlighted a number of strategic priorities and outlined a forward work program for achieving reform of the State’s planning process. The Government recently introduced the Approvals and Related Reforms (no. 4) (Planning) Bill 2009 to Parliament, which will implement some of the high priority reforms identified in the report.

To assist the Government in achieving a comprehensive and coordinated approach to housing affordability, a new Office of Land and Housing Supply is to be established. The Office will reside in the Department of Planning, and will identify short and medium term infrastructure requirements to support strategic land and housing projects, monitor land release approvals and assist stalled projects, and identify legislation, policy and practices that need to be addressed.

Mining and Resource Approvals

In 2009, the Government also acted on the State’s mining approvals process with the establishment of the Ministerial Taskforce on Approvals, Development and Sustainability. The objectives of the Taskforce are to identify opportunities to streamline and improve approval processes, facilitate land availability in regional centres and the Perth metropolitan area, and investigate effective training and resource development strategies to better align training provision with areas of skills shortages.

Reforms resulting from the Taskforce include the following:

- four Bills have been introduced to Parliament to streamline approvals processes. The purpose of these Bills is to introduce a seamless approvals system that can deliver necessary approvals within an acceptable timeframe and with acceptable costs to both the proponents and the Government;
- a lead agency framework has been established to provide approval seekers with a single point of contact and a level of assistance tailored to their proposal. Major projects in Western Australia will be assigned to a lead agency that works with proponents to manage all interactions with government, including statutory approvals. The single point of contact for all proponent interactions is more efficient and will reduce the time taken to deliver projects; and
- administrative reforms steered by the Taskforce have improved the time taken to approve applications and grant permits. An example includes reducing the backlog of applications for tenure under the *Mining Act 1978* from over 10,000 at 31 December 2008 to 8,384 at 1 April 2010.

The Government has also created an independent and autonomous Office of the Environmental Protection Authority to meet the growing complexity, size and demands of development assessment in the State.

In addition, this budget includes additional expenditure of \$8 million to automate the mining approvals process, enabling the mining industry to lodge, pay for, and track mining and petroleum approvals online.

Labour Supply

Strong labour demand and tight supply resulted in high wage growth in Western Australia during the mid-2000s, particularly in the mining and construction industries. Labour force shortages impeded the ability of many businesses to expand their operations in response to strong demand.

A number of Government initiatives are underway to improve the supply of labour in key industries and help ensure that the necessary labour will be available during the next period of economic expansion.

In this regard, the Government is funding an extra 7,600 training places at a cost of \$19.4 million over two years, and is developing a skilled migration strategy, through the Department of Training and Workforce Development.

The Government is also working with other jurisdictions to establish a national licensing system for occupations. This will reduce the costs faced by businesses and workers based in other jurisdictions who operate in Western Australia as they will only be required to hold one national license, rather than having to apply for licenses in each jurisdiction in which they operate. This will also make it easier for people to relocate to Western Australia from other States as demand for their skills grows.

Red Tape Reduction and Regulatory Gatekeeping

In January 2009, the Government set up the Red Tape Reduction Group to identify and report on opportunities to reduce the burden of existing State regulation and red tape on business and consumers. The Red Tape Reduction Group travelled around the State and conducted extensive consultation with business, local government, consumer groups and the wider community.

The Group's report, *Reducing the Burden*, was released in February 2010 and presents 107 key recommendations for immediate and ongoing red tape reduction. The direct benefits of the proposed reforms to the Western Australian community have been estimated to be at least \$44 million in a single year. The Government is developing its formal response to the report, and is already making progress on key areas such as setting up a lead agency framework to expedite major approvals processes (as noted earlier).

The Group's recommendations complement other Government initiatives already underway, including a reduction in the number of government boards and committees. The Government is working to reduce the number of boards and committees from more than 1,300 to approximately 650.

A Regulatory Gatekeeping Unit within the Department of Treasury and Finance and a Regulatory Impact Assessment process have also been implemented to avoid unnecessary or unjustifiable regulatory burdens being imposed on business and the community.

Fiscal Strategy and Financial Projections

Overview

The improved outlook for the State's economy (see Chapter 2), combined with the Government's commitment to responsible financial management, has resulted in an improved outlook for the State's finances.

Relative to the December 2009 mid-year review, the general government operating surplus for 2009-10 has been revised up from an estimated \$51 million to \$290 million, with a similar surplus (of \$286 million) expected for 2010-11. This is a marked turnaround from the \$336 million deficit projected for 2010-11 in the mid-year review.

Surpluses are also projected across each of the forward estimate years. Net debt remains at levels consistent with the State's triple-A credit rating, and the Asset Investment Program is expected to reach \$7.6 billion in 2010-11 (up from an estimated \$7.2 billion in 2009-10).

Fiscal Strategy

The Government is committed to improving key service delivery, addressing structural issues in the economy, and investing in key strategic infrastructure to support the State's future growth. The Government is also committed to managing the State's finances responsibly, in line with the financial targets outlined below.

Financial Targets

The financial targets adopted by the Government for the 2010-11 Budget are consistent with those in last year's budget, with the exception of the total non-financial public sector net interest costs as a share of revenue target. The upper limit of this target has been reduced from 5% to 4.5% to reflect the revenue impact of the Gold Corporation's recent gold refinery acquisition¹.

The financial targets are to:

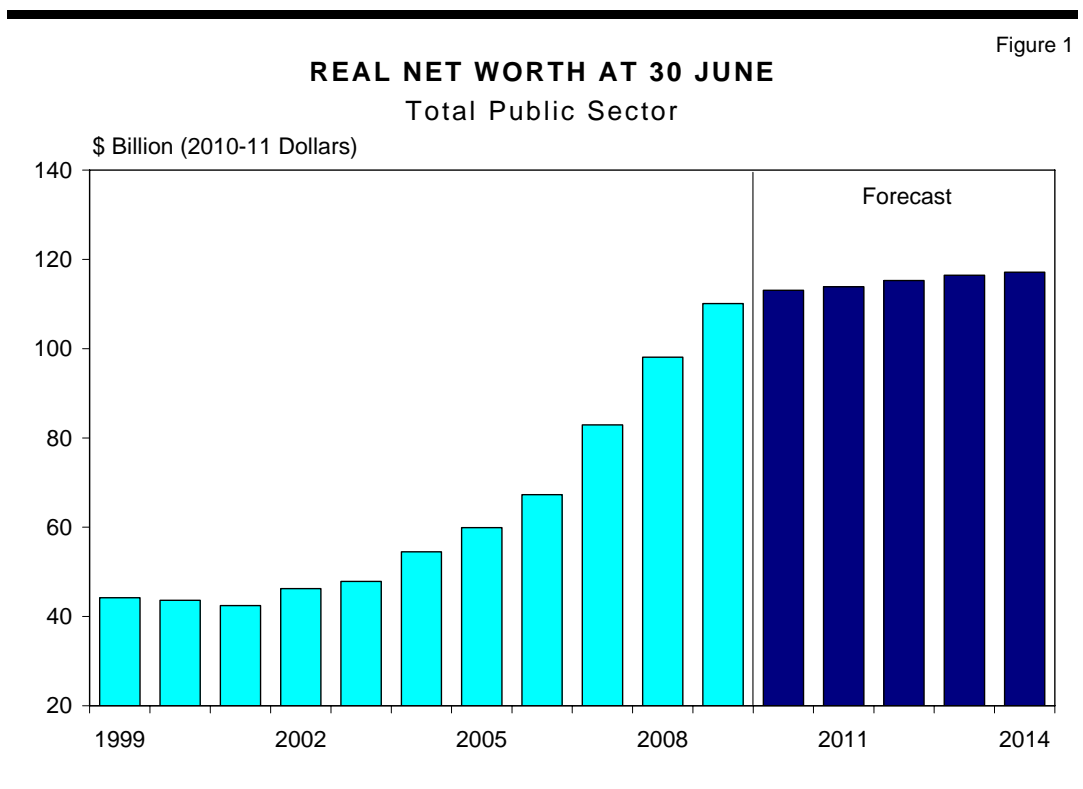
- maintain or increase the real net worth of the total public sector;
- achieve an operating surplus for the general government sector;
- maintain the ratio of total non-financial public sector net interest costs as a share of revenue at or below 4.5%;
- ensure that real per-capita own-purpose general government expenses do not increase; and
- provide a fair and efficient taxation system that is competitive with other Australian States.

¹ In May 2009, the Government approved the Gold Corporation Board's recommendation to dissolve the AGR Matthey partnership and for the Corporation to acquire full ownership of the associated gold refinery. The dissolution of the joint venture partnership, which was finalised in March 2010, has resulted in a structural shift in the State's finances. There will be a substantial and permanent increase in the Gold Corporation's revenue, matched by an associated increase in expenses. This will be reflected in the total non-financial public sector financial statements and although not materially impacting bottom lines, the Government's net interest costs target is impacted by this change due to the significant increase in the revenue denominator of the ratio.

Maintain Or Increase Real Net Worth Of The Total Public Sector

This is a broad measure of the strength of the State's financial position. Net worth in real terms is the difference between total assets and liabilities, adjusted to remove the impact of inflation.

This target is expected to be met in the current year and across the forward estimates. In nominal terms, net worth is projected to be around \$114 billion at 30 June 2010, rising to around \$126 billion by the end of the forward estimates period. This reflects the impact of projected operating surpluses across the forward estimates period.



Achieve An Operating Surplus For The General Government Sector

General government sector operating surpluses are expected to be achieved across the entire forecast period, including an estimated \$290 million surplus for 2009-10, up from the \$51 million surplus forecast at the time of the mid-year review.

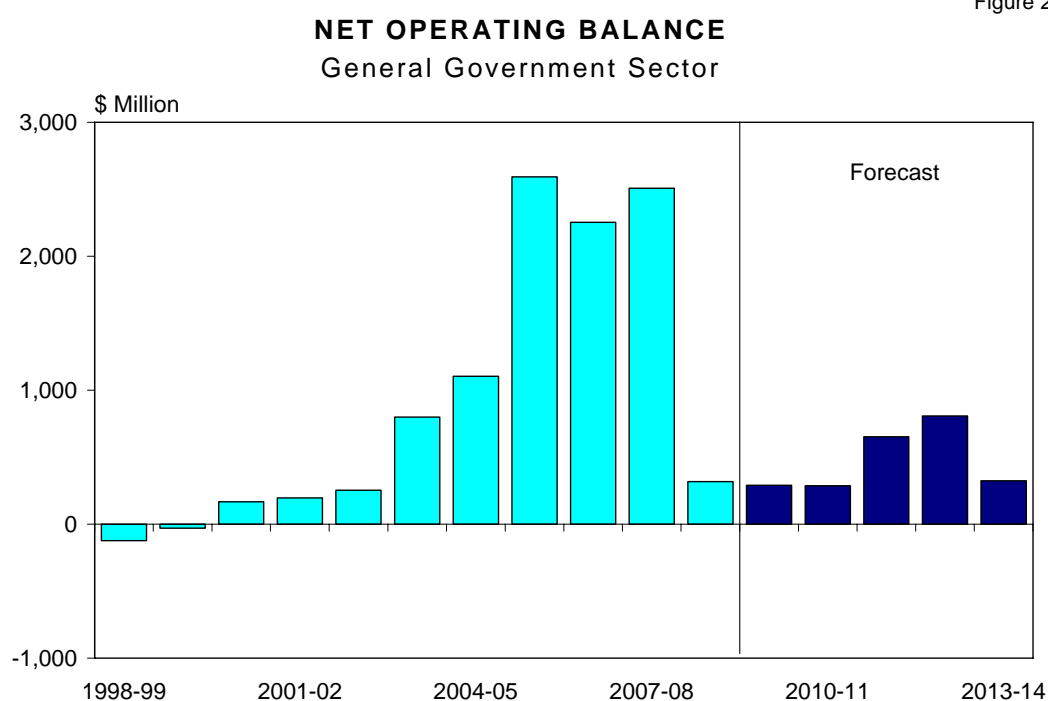
A \$286 million surplus is budgeted for 2010-11, with surpluses expected to increase over the following two years (to \$652 million in 2011-12 and \$807 million in 2012-13), before softening to around \$325 million in 2013-14.

This pattern mainly reflects:

- substantially higher commodity prices (particularly iron ore) in the short to medium term;
- improving conditions in the residential property market (flowing through to higher transfer duty estimates);
- a rapidly declining share of national GST revenue over the forward estimates period (from 8.1% in 2009-10 to just 5.7% in 2013-14); and
- the scheduled abolition of duty on non-real property in 2013-14.

Surpluses over the period 2009-10 to 2013-14 total \$2.4 billion, and provide an important source of non-debt funding for the Government's Asset Investment Program.

Figure 2



Maintain Net Interest Costs As A Share Of Revenue Below 4.5%

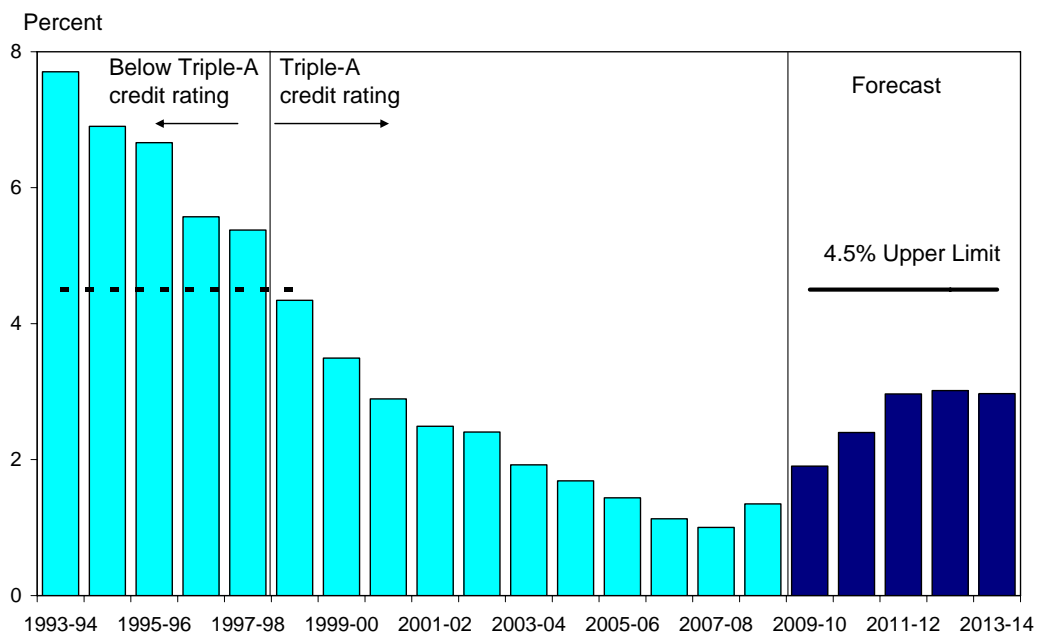
This target determines the share of income required to pay interest on the State's debt, and measures the overall affordability of forecast net debt levels.

Net interest costs are forecast to increase to 2.4% of revenue in 2010-11, up from 1.9% in 2009-10, and reach a maximum 3.0% by 2013-14 as borrowings increase in support of record levels of infrastructure investment. This is well below the Government's 4.5% upper target limit.

Figure 3

NET INTEREST COSTS AS A SHARE OF REVENUE

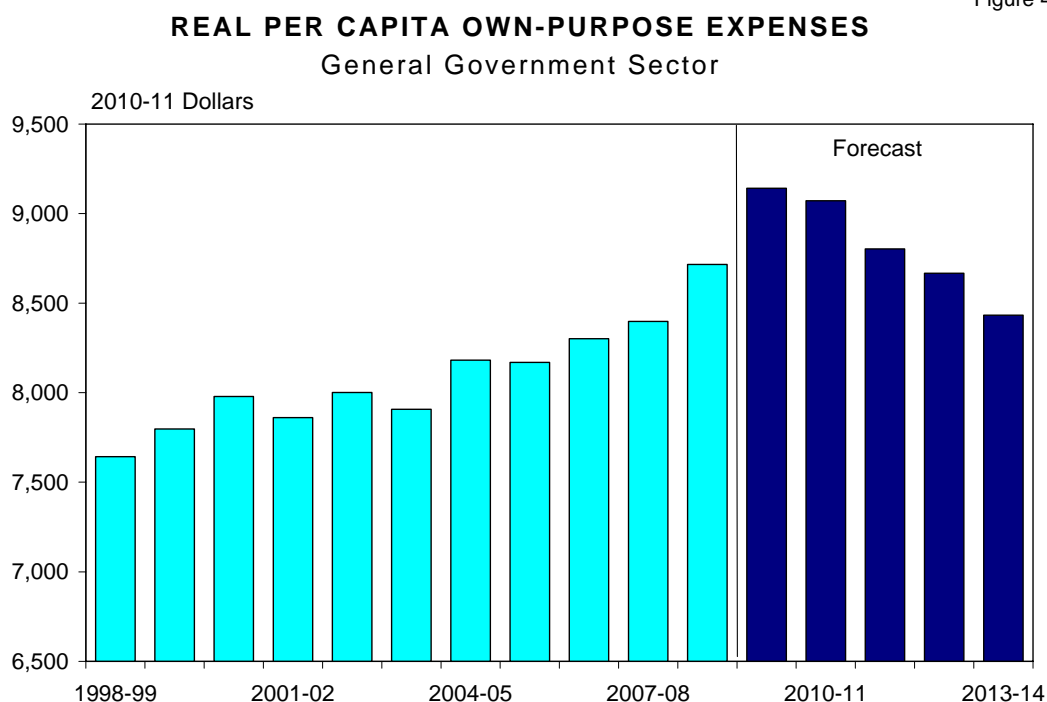
Total Non-Financial Public Sector



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

This target, which measures growth in recurrent spending under the direct control of the State Government, is not expected to be met in 2009-10, but is expected to be met in the budget year and each of the outyears.

Figure 4



In 2009-10, expenses are estimated to increase by 12.3% (in nominal terms), exceeding target growth of 6.1%. This outcome includes the impact of:

- sharp increases in Commonwealth spending on-passed through the State (stimulus grants, grants to non-government schools and local governments, etc.);
- subsidies to fund the gap between the cost of supplying electricity and the lower prices charged through electricity tariffs; and
- the 2009-10 voluntary severance programs announced by the Government in March 2009 (\$48 million) and in March 2010 (\$30 million).

Abstracting from these extraordinary items impacting 2009-10, underlying expense growth is 9.2%, well below the 13.5% outcome for 2008-09 and the 12.3% headline result expected for 2009-10.

Growth in salaries, which account for around 40% of total expenses, is expected to be 8.5% in 2009-10. This compares with 12.4% recorded in 2008-09 and underlines the success of initiatives to reduce spending implemented over the last 18 months, including:

- the 3% efficiency dividend;
- a ceiling on public sector staff numbers;
- implementation of the Government's public sector wages policy; and
- two rounds of voluntary severance offers.

Excluding the voluntary severance programs, salaries growth in 2009-10 is an estimated 7.5%, the lowest annual rate since 2003-04.

Figure 5



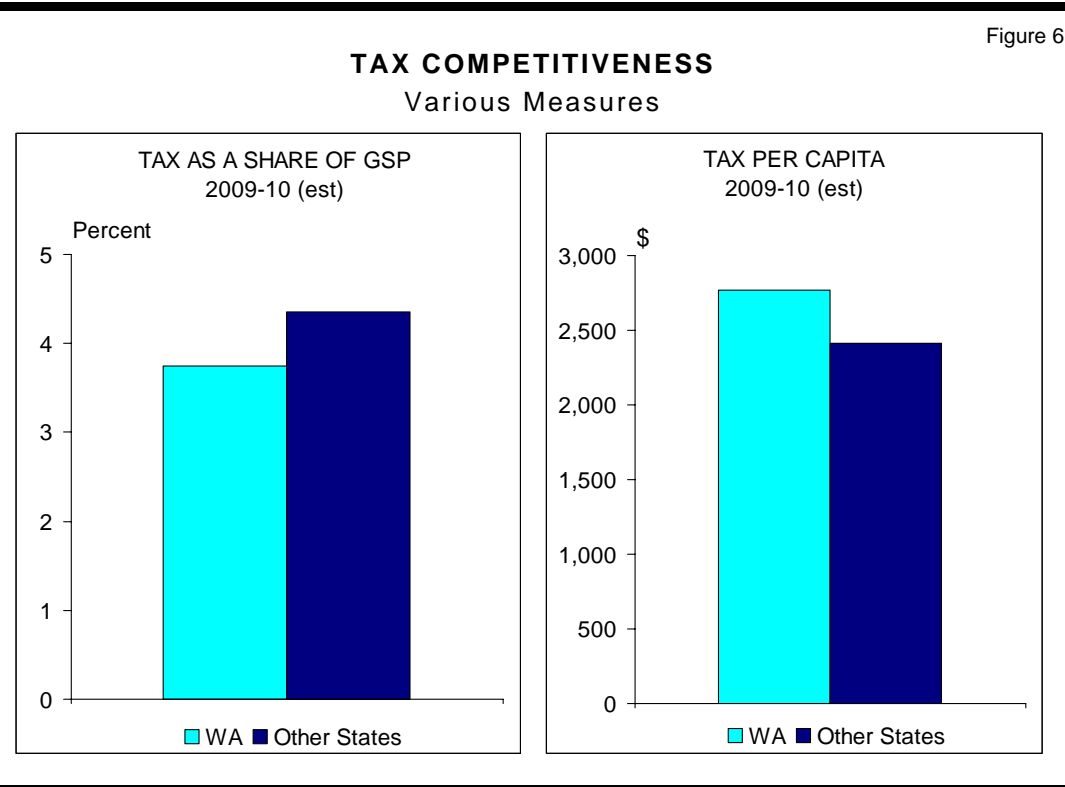
Provide a Fair And Efficient Tax System That Is Competitive With Other States

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

Performance against this target is assessed in a qualitative sense, including by reference to a variety of tax competitiveness indicators. These include tax revenue as a share of Gross State Product (GSP) and tax revenue on a per capita basis².

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 2009-10, at 3.7% compared to an average 4.4% for the other States.

This contrasts with Western Australia’s high tax per capita ranking. However, this largely reflects Western Australia’s higher per capita economic base than other States, as opposed to having higher average tax rates. 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.



² The Commonwealth Grants Commission has recently ceased reporting information on total tax ‘effort’. Accordingly, this indicator has been removed from the assessment of Western Australia’s tax competitiveness.

Summary of Financial Projections

General Government Sector

Summary

The outlook for general government sector finances has strengthened since the 2009-10 mid-year review. Operating surpluses are now forecast for each year of the forward estimates, compared with the mid-year review outlook which forecast deficits in two of the four forecast years.

The improved outlook largely reflects the impact of higher commodity prices on royalties, and a rebound in the property market lifting expected transfer duty revenue.

New measures are also contributing to the improved financial outlook. These include a second round of voluntary severances expected to reduce salaries costs from 2010-11 onwards, and increased dividend payout ratios for a number of the State's public corporations.

The stronger operating surpluses result in improved balance sheet outcomes and a projected reduction in net debt levels relative to mid-year review projections.

Table 1

GENERAL GOVERNMENT Summary Financial Statements

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
OPERATING STATEMENT						
Revenue	19,435	21,752	22,591	23,517	24,850	25,343
Expenses	19,117	21,462	22,305	22,866	24,043	25,019
Net Operating Balance	318	290	286	652	807	325
BALANCE SHEET						
Assets	120,624	127,694	133,024	138,476	143,496	147,923
Liabilities	13,462	16,810	19,153	20,633	21,423	22,414
Net Worth	107,162	110,885	113,871	117,843	122,074	125,509
STATEMENT OF CASH FLOWS						
Net increase in cash and equivalents	98	272	-954	-448	-422	-202
Cash Surplus/deficit	-375	-1,900	-2,019	-1,048	-284	-457
<i>Memorandum Item: Net Debt</i>	-2,618	197	2,920	4,365	5,066	5,800

Note: Columns may not add due to rounding.

Importantly, the positive outcomes projected in the budget include the impact of the State Government's suite of corrective measures announced over the last 18 months and extended further in this budget. In the absence of these measures, the 2010-11 operating balance would be in a deficit position of nearly \$1 billion.

Operating Statement

2009-10 Estimated Outturn

A general government operating surplus of \$290 million is forecast for 2009-10. This is an improvement on the \$51 million surplus projection contained in the recent mid-year review, with upward revisions to revenue more than offsetting an increase in expenses.

General government revenue in 2009-10 has been revised up by \$868 million (or 4.2%) since the mid-year review, mainly due to:

- an upward revision of \$292 million to duty on transfers, reflecting stronger than expected activity in the State's housing market and the impact of several large, one-off commercial property transactions;
- an improved outlook for iron ore royalties (up \$207 million), with iron ore prices rising sharply in the June quarter 2010; and
- a \$170 million increase in GST revenue as a consequence of stronger activity in the national economy.

General government expenses for 2009-10 are forecast to be \$628 million (or 3.0%) higher than estimated at mid-year review. This includes new policy decisions worth \$127 million (outlined in Chapter 5), a substantial boost to the health budget (\$210 million) to address pressures in the system that have emerged through the year, and increased First Home Owner Grants (\$90 million).

Further details on the major factors affecting projections of the general government operating balance since the 2009-10 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 2009-10 MID-YEAR REVIEW

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	Total \$m
2009-10 MID-YEAR REVIEW - NET OPERATING BALANCE	51	-336	-125	196		
Revenue						
<i>Policy Decisions</i>						
Dividend payout ratios	32.1	95.5	59.8	103.6	111.6	402.6
Land tax concession for Caravan Parks	-	-1.0	-1.0	-1.0	-1.0	-4.0
All other ^(a)	5.0	0.2	0.7	1.6	0.9	8.5
<i>Total Policy</i>	<i>37.1</i>	<i>94.7</i>	<i>59.5</i>	<i>104.2</i>	<i>111.5</i>	<i>407.1</i>
<i>Parameter</i>						
Taxation	269.8	235.0	222.5	306.3		1,033.6
- Payroll Tax	-31.0	-25.5	-26.7	25.7		-57.5
- Total Duty on Transfers	292.1	140.0	123.0	152.3		707.4
- Emergency Services Levy	-	24.2	29.3	27.6		81.2
- Land tax/MRIT	-	78.5	82.3	90.5		251.5
- All other taxes	8.7	17.7	14.5	10.1		51.0
Commonwealth grants	192.4	305.1	296.7	26.6		820.7
- GST grants	170.2	117.1	329.0	132.6		748.9
- East Kimberley Development Project	-87.6	74.9	12.7	-		-
- Perth City Link	-20.0	-11.8	2.6	29.2		-
- Health projects	15.0	84.1	9.8	-130.9		-22.0
- <i>Nation Building and Jobs Plan</i> - government schools	14.2	41.6	-41.3	-		14.4
- First Home Owners' Boost	47.8	-	-	-		47.8
- North West Shelf grants	19.7	-29.8	-71.1	-65.0		-146.2
- All Other	33.1	29.0	55.0	60.7		177.8
Royalty income	217.2	819.9	758.0	787.4		2,582.5
- Iron ore	206.8	753.7	680.1	741.9		2,382.5
- Gold	-4.3	9.9	7.9	-0.3		13.2
- Nickel	0.2	29.3	33.7	13.6		76.8
- All other royalties	14.5	27.0	36.3	32.2		110.0
Interest income	46.6	91.3	45.9	28.9		212.6
All other revenue from public corporations	49.6	16.7	31.9	160.1		258.3
Other	55.0	22.3	22.5	18.2		118.0
<i>Total Parameter</i>	<i>830.6</i>	<i>1,490.2</i>	<i>1,377.5</i>	<i>1,327.3</i>		<i>5,025.6</i>
TOTAL REVENUE	867.7	1,585.0	1,437.0	1,431.5		5,321.2
Expenses						
<i>Policy Decisions ^(b)</i>	<i>127.3</i>	<i>299.9</i>	<i>281.2</i>	<i>271.0</i>	<i>226.8</i>	<i>1,206.2</i>
<i>Parameter ^(c)</i>						
Cost and demand pressures						
- Health	210.0	253.3	294.9	268.6		1,026.9
- Education	86.8	49.5	103.5	111.1		351.0
- Child Protection	10.9	31.4	37.3	44.0		123.6
- Corrective Services	28.2	25.3	23.0	26.1		102.5
- Disability Services	0.3	1.0	6.7	17.4		25.4
Electricity tariffs - operating subsidy	7.6	130.9	-	-		138.4
First Home Owner grants	89.6	44.6	37.0	30.1		201.3
Redress Scheme - timing change	-23.9	23.9	-	-		-
Albany Entertainment Centre - transfer to the City of Albany	-	-	-	70.0		70.0
Interest	22.0	7.1	1.1	-13.3		17.0
Other	69.3	95.5	-124.1	-4.8		35.9
<i>Total Parameter</i>	<i>500.7</i>	<i>662.7</i>	<i>379.3</i>	<i>549.1</i>		<i>2,091.8</i>
TOTAL EXPENSES	628.0	962.6	660.5	820.1		3,071.2
TOTAL VARIANCE	239.7	622.4	776.5	611.4		2,250.0
2010-11 BUDGET - NET OPERATING BALANCE	290	286	652	807	325	

(a) Includes measures to enhance Fines Enforcement Registry collections, contributions from the Public Transport Authority for road and rail projects, and the decision not to introduce child care licensing fees.

(b) Expense policy decisions taken since the 2009-10 mid-year review are outlined in Chapter 5.

(c) 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.

Note: Columns may not add due to rounding.

2010-11 and Beyond

General government sector operating surpluses are forecast in each year of the forward estimates period, including a projected \$286 million surplus for 2010-11.

Revenue

Operating revenue is forecast to grow by \$839 million (or 3.9%) to \$22,591 million in 2010-11.

Consistent with expectations of a continued recovery in domestic economic activity and an unwinding of Commonwealth stimulus measures, own-source revenue is expected to take the lead from Commonwealth grants as the main source of revenue growth.

Taxation revenue is forecast to grow at a moderate pace in 2010-11, underpinned by renewed strength in the State's labour market and a further improvement in property market activity. Total taxation revenue is forecast to grow by \$310 million (or 4.9%) in 2010-11.

Royalty income is expected to rebound by a very substantial \$1.1 billion (up 47.6%) in 2010-11, making it the single largest contributor to growth in the budget year. This mainly reflects an expected surge in iron ore royalties, due to sharply escalating iron ore prices and an anticipated rise in the volume of iron ore shipments. Gold, nickel and petroleum royalties are also forecast to increase in 2010-11³.

Partly offsetting these gains is a looming reduction in Commonwealth grants to Western Australia. This includes the unwinding of temporary Commonwealth stimulus funding, most notably in relation to capital grants for schools and social housing. GST grants are also expected to decline due to cuts in Western Australia's share of national GST revenue. Based on the latest review by the Commonwealth Grants Commission, the State's share of GST revenue will decline to 7.1% in 2010-11 (down from 8.1% in 2009-10), which compares to an estimated population share of 10.3%. Overall, total Commonwealth payments are expected to be \$681 million (or 6.8%) lower in 2010-11 than in 2009-10.

Across the outyears, total operating revenue is expected to grow at a moderate 3.9% per annum. Although own-source revenue is likely to grow by around 7.3% (underpinned by strong economic activity), growth in total revenue will be constrained by a continued reduction in the State's share of national GST revenue. By 2013-14, it is projected that Western Australia's GST share will fall to just 5.7% of national collections.

Expenses

General government expenses are forecast to rise to \$22,305 million in 2010-11, an increase of \$843 million (or 3.9%) on 2009-10. This is lower than the expected 12.3% increase for 2009-10, which includes significant Commonwealth stimulus funding on-passed through the State.

³ As noted in the Statement of Risks, these forecasts were prepared prior to the Commonwealth's announcement of a proposed Resource Super Profits Tax, which is to apply from 1 July 2012.

The major drivers of expense growth in 2010-11 include:

- higher employee costs (up \$561 million, or 5.9%), reflecting higher staff numbers and salary growth across the sector. Salaries account for most of the increase (\$509 million), with the key service delivery areas of Health (up \$197 million) and Education (up \$147 million) accounting for around 68% of the total increase. The Government's initiative to increase district allowances contributes a further \$34 million. Concurrent superannuation expenses are expected to increase in line with salaries growth (up \$47 million);
- current and capital transfers⁴, which are forecast to rise by an aggregate \$127 million (or 2.2%). Major factors underpinning this increase are:
 - the \$100 million one-off payroll tax rebate for small to medium employers (announced in the 2009-10 Budget, and payment of which is expected to commence in the September quarter 2010);
 - higher spending by the Department for Communities (up \$75 million), including for the Redress Scheme; and
 - *Royalties for Regions* spending on a range of programs including the provision of grants to regional local governments (\$92 million) and grants by the Regional Development Commissions (\$24 million).

These higher transfers are partly offset by significantly lower First Home Owner Grant spending in 2010-11 (down \$197 million), mainly due to the cessation of the Commonwealth's First Home Owners' Boost in 2009-10; and

- higher interest costs (up \$196 million), reflecting the combined impact of higher interest rates and increasing levels of borrowings in support of the Asset Investment Program.

Beyond 2010-11, expenses are forecast to increase by an average 3.9% per annum. This includes:

- forecast growth in employee expenses increasing by around 5.9% per year on average, reflecting anticipated wage growth and moderate growth in the size of the sector's workforce over the forward estimates period;
- higher interest costs, reflecting both higher interest rates and projected growth in borrowings; and
- higher depreciation expenses, including the impact of new health infrastructure coming on-line in the outyears, including the Fiona Stanley Hospital.

The end of Commonwealth stimulus-related spending is expected to have a moderating effect that will partly offset the above increases.

⁴ Largely consisting of grants and subsidies paid to third parties, including other sectors of government.

Asset Investment

The general government sector is expected to invest \$3.3 billion in 2009-10, \$3.9 billion in 2010-11 and \$3.3 billion in 2011-12 in infrastructure to expand service delivery capacity and support the State's growth. From 2012-13, the sector is forecast to return to more normal levels of investment.

Over 60% of the general government sector's capital spend is on health, education and roads infrastructure. In 2010-11, the program includes:

- Education – \$1.0 billion on schools, including continuation of the State Government's \$300 million *Investing in Schools* program. The schools Asset Investment Program includes the commencement or continuation of construction on 24 new or replacement primary school facilities, the commencement of construction of high schools (including Baldivis and Butler) and the redevelopment of the Governor Stirling Senior High School, and additions and improvements to 20 high schools and district high schools;
- Health – \$890 million on projects, including the Fiona Stanley Hospital, the State Rehabilitation Service, and developments at the Joondalup Health Campus, and the Hedland Regional Resource Centre and the Albany Health Campus; and
- Main Roads – total project expenditure of \$516 million, including works on the Great Eastern, Reid, and Dampier Highways, and the *Safer Roads and Bridge Program*.

The 2009-10 forecast for fixed asset investment is around \$600 million lower than was originally budgeted to be spent. The majority of this spending is now anticipated to be completed in 2010-11 and 2011-12.

This lower than budgeted infrastructure spending reflects delays in construction and related factors, and includes a range of projects in the Asset Investment Programs of State Development (for both the *Royalties for Regions* and Commonwealth-funded portions of the Ord-East Kimberley Expansion Project⁵), Corrective Services, Education, Main Roads, and the Western Australian Sports Centre Trust.

Chapter 6: *Asset Investment* provides further detail of the Asset Investment Program for 2010-11 and the forward estimates period.

Balance Sheet

The general government sector balance sheet is anticipated to remain in a strong position across the forward estimates period. Net worth is projected to steadily increase, from \$107 billion at 30 June 2009 to a projected \$111 billion at 30 June 2010 and around \$126 billion by 30 June 2014.

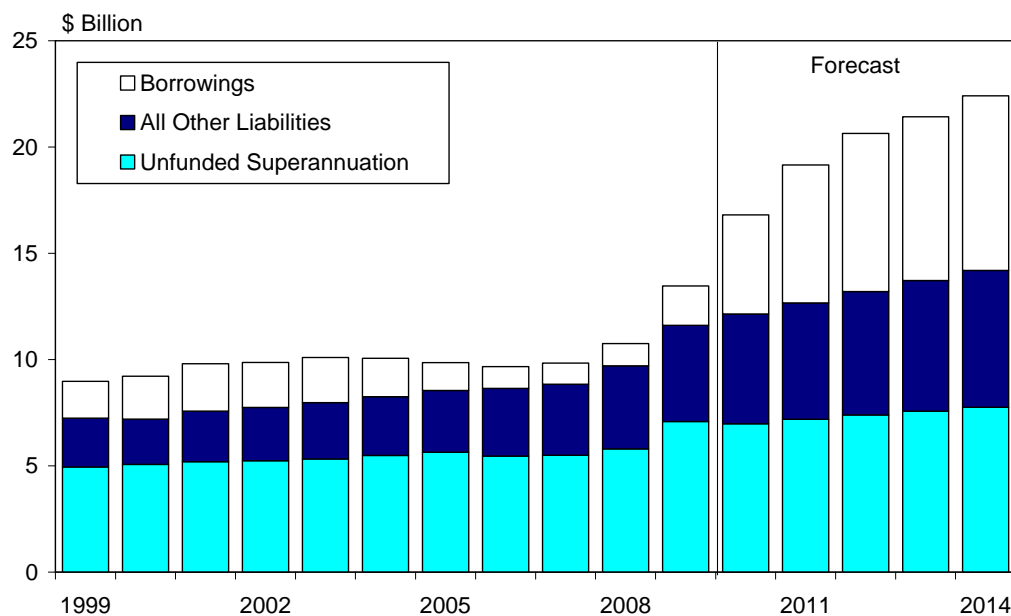
⁵ In the 2009-10 Budget and subsequent mid-year review, the Asset Investment Program of the Department of State Development included the Commonwealth's contribution to the Ord-East Kimberley Expansion Project, expected to be received and capitalised in 2009-10. This initiative, which includes projects in the areas of health, education, housing, etc., has now been transferred to the relevant service delivery agencies which have also revised the timing of the spending across the forward estimates period.

Total assets are forecast to increase by \$5.3 billion during 2010-11, to reach an estimated \$133 billion by 30 June 2011 and \$148 billion by 30 June 2014. This largely reflects the result of higher holdings of non-financial assets (i.e. land, plant, equipment and infrastructure, such as roads and buildings), and growing equity holdings in public corporations.

General government liabilities are forecast to increase over the budget and forward estimate years, rising from \$13.5 billion at 30 June 2009 to around \$22.4 billion by 30 June 2014.

TOTAL LIABILITIES AT 30 JUNE
General Government Sector

Figure 7



The increase in general government liabilities primarily reflects growth in borrowings, which are projected to increase from \$1.8 billion at 30 June 2009 to \$8.2 billion by 30 June 2014, in support of the sector's increasing spending on infrastructure.

Unfunded superannuation liabilities are anticipated to increase by \$770 million over the forward estimates period, mainly for the impact of movements in key parameters such as the 10 year Commonwealth bond rate that is used to value these liabilities⁶, and changes in projected wages.

Further discussion of net debt and net financial liabilities can be found later in this chapter.

⁶ Movements in bond rates influence the value of unfunded superannuation liabilities from year to year. An increasing bond rate means that unfunded liabilities decrease in value (and vice versa).

Cash Flow Statement

A cash deficit of \$2,019 million is forecast for 2010-11. The cash deficit is set to decline to \$1,048 million in 2011-12, and \$284 million in 2012-13 before increasing to \$457 million in 2013-14. These projections reflect the timing of infrastructure investment across the forecast period, as well as the pattern of expected operating surpluses.

Total Public Sector⁷

Summary

Stronger general government projections are expected to be mirrored in the forecast outcomes for the total public sector. Increasing electricity tariffs, as part of the transition towards cost-reflective pricing, also bolster these projected outcomes.

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

Table 3

TOTAL PUBLIC SECTOR Summary Financial Statements						
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
OPERATING STATEMENT						
Revenue	28,651	33,570	38,277	40,119	42,650	43,820
Expenses	28,564	33,387	38,166	39,447	41,582	43,104
Net Operating Balance	87	183	111	672	1,068	716
BALANCE SHEET						
Assets	144,216	153,601	160,465	167,158	174,207	178,946
Liabilities	37,054	42,717	46,594	49,315	52,134	53,437
Net Worth	107,162	110,885	113,871	117,843	122,074	125,509
STATEMENT OF CASH FLOWS						
Net increase in cash and equivalents	335	-18	-1,226	-506	-286	-60
Cash Surplus/deficit	-2,439	-4,629	-4,187	-2,086	-1,185	-1,006
<i>Memorandum Item: Net Debt</i>	6,688	11,365	15,442	17,511	18,902	20,063

Note: Columns may not add due to rounding.

Operating Statement

The total public sector is expected to record an operating surplus of \$111 million in 2010-11 and to remain in surplus across the outyears. These outcomes are consistent with the general government sector surpluses discussed earlier in this chapter, and expected surplus outcomes in the public corporations sectors.

⁷ The total public sector consolidates the general government sector (discussed above), the public non-financial corporations sector (which includes entities operating on a predominantly cost recovery basis like the State's ports, and the electricity and water utilities), and the public financial corporations sector (which includes agencies such as the Western Australian Treasury Corporation and the Insurance Commission of Western Australia).

Public Non-Financial Corporations (PNFCs)⁸

For 2010-11, an operating surplus of \$352 million is forecast for the PNFC sector. Abstracting from the accounting change (see footnote), this is largely unchanged from the mid-year review estimate.

Growing surpluses are expected across the forward estimates period, largely reflecting the flow-through of higher electricity and water pricing assumptions.

Public Financial Corporations (PFCs)

The PFC sector is also expected to record surpluses in 2009-10 and each year of the projection period. This follows a \$6 million operating deficit recorded by the sector in 2008-09 (largely due to lower investment revenue for the Insurance Commission of Western Australia (ICWA), reflecting international financial market volatility).

The strengthening outlook of the sector is largely from a faster than expected recovery in global financial markets and an associated improvement in investment returns for ICWA (which has substantial investment assets in support of the claims liabilities it manages).

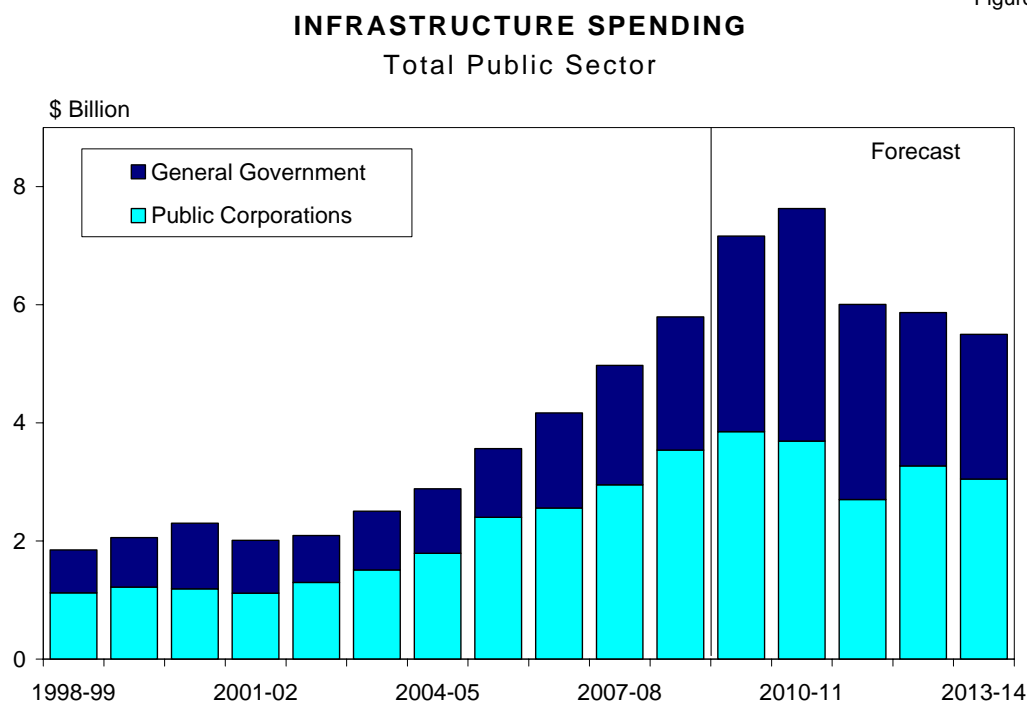
Asset Investment

The total public sector is projected to deliver infrastructure spending of \$7.6 billion in 2010-11. Commonwealth stimulus programs account for around \$687 million of the projected total spending in 2010-11.

⁸ The 2010-11 Budget contains two key changes to the presentation of the PNFC sector:

- the accounting treatment of dividends is now shown as a non-transaction cost (i.e. excluded from the PNFC operating balance), in line with the treatment in Australian Accounting Standards Board 1049: *Whole of Government and General Government Sector Financial Reporting* and in equivalent public corporations sector financial projections by other jurisdictions. This has the effect of increasing the operating surplus in public corporations sectors, relative to Western Australia's previous disclosures. However, there is no impact on either the general government or total public sector surplus following this change. This same impact also applies to the PFC sector but is much smaller for that sector; and
- a joint venture between the Gold Corporation and AGR Matthey ended in March 2010. The Gold Corporation acquired full ownership of the joint venture gold refinery. This results in a substantial and permanent increase in the Gold Corporation's revenue which is also matched by an associated increase in expenses. In net terms, these impacts largely offset each other with no material impact on either the operating surplus or the balance sheet.

Figure 8



The general government and PNFC sectors are expected to spend nearly equal contributions to the public sector infrastructure program.

Relative to the mid-year review, the total public sector Asset Investment Program has increased by around \$2.1 billion over the period to 2012-13. The general government sector (discussed earlier) accounts for around \$1.8 billion of this increase. For the PNFC sector:

- Horizon Power will invest an additional \$27 million in 2010-11 to address safety issues; and
- additional investment will be provided for the Perth City Link Project:
 - the East Perth Redevelopment Authority will invest an additional \$35 million to undertake redevelopment work (\$10 million of this will be spent over the four years to 2012-13, with a further \$4 million in 2013-14); and
 - the Public Transport Authority will invest an additional \$114 million over the five years to 2013-14 to reflect the revised scope and timing of this project.

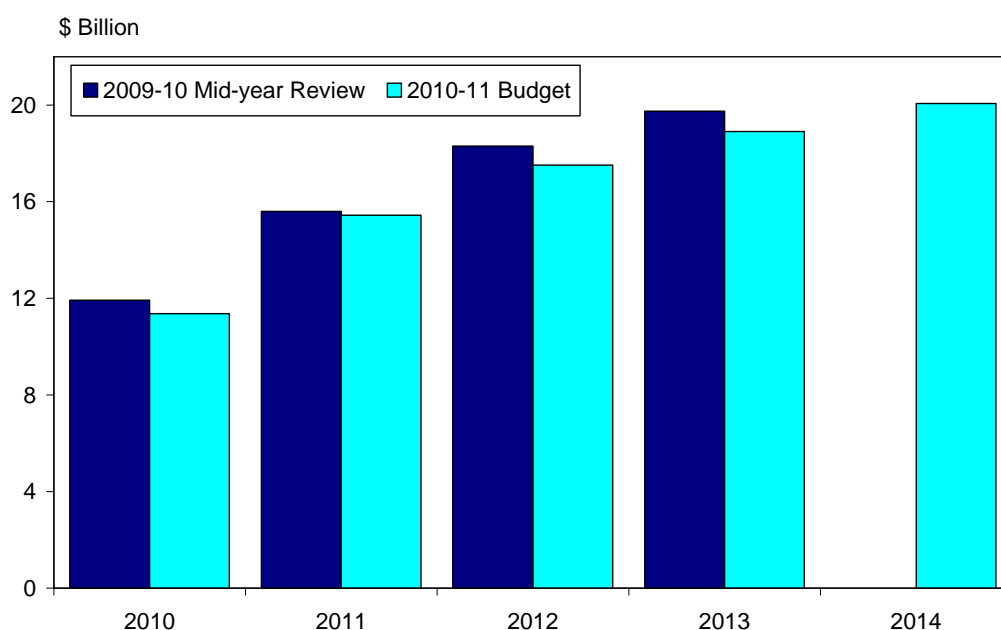
Further detail of the Asset Investment Program is available in Chapter 6: *Asset Investment*.

Net Debt⁹ and Net Financial Liabilities¹⁰

Net debt for the total public sector is projected to rise from an estimated \$11.4 billion at 30 June 2010 to a forecast \$20.1 billion by 30 June 2014. This increase reflects the State's very significant Asset Investment Program, which is funded by both operating surpluses (discussed elsewhere in this chapter) and new borrowings.

NET DEBT AT 30 JUNE
Total Public Sector

Figure 9



Reflecting the stronger general government operating surpluses now in prospect, net debt is forecast to be \$849 million lower at 30 June 2013 than forecast at the time of the 2009-10 mid-year review.

As shown in the above chart, net debt is forecast to grow significantly across the forecast period. Nonetheless, projected net debt levels remain affordable. This is reflected in the burden of net interest costs required to service this debt. In this regard, total non-financial public sector net interest costs as a share of revenue are projected to reach a maximum of 3.0% from 2011-12, well below the Government's 4.5% financial target limit.

⁹ 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.

¹⁰ 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 the credit rating agency 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.

Of note, the ratio of net financial liabilities as a share of revenue for the total non-financial public sector is projected to increase from 61.0% in 2009-10 to 69.6% in 2013-14. This trend largely reflects the net debt outcomes discussed above, and the relatively slow growth of unfunded superannuation liabilities¹¹.

Importantly, these ratio levels remain consistent with Western Australia's triple-A credit rating¹².

The following table summarises changes in the projected level of total public sector net debt since the 2009-10 mid-year review.

¹¹ As noted earlier, significant decreases in this ratio since mid-year review time largely reflect the impact of the Gold Corporation's acquisition of gold refining operations from a former joint venture from March 2010 (increasing revenue by around \$6.5 billion in the first full year of operating in 2010-11).

¹² For credit rating purposes, Standard and Poor's has set a 'trigger' threshold of 90% for Western Australia's net financial liabilities ratio. This may change later this year when the annual credit rating assessment takes the Gold Corporation gold refinery acquisition into account for the first time. In terms of the ratio, the full year impact of the Gold Corporation change equates to a 15 percentage point reduction in the State's ratios calculated above.

Table 4

NET DEBT OF THE TOTAL PUBLIC SECTOR AT 30 JUNE

	2010 \$m	2011 \$m	2012 \$m	2013 \$m	2014 \$m
2009-10 MID-YEAR REVIEW - TOTAL PUBLIC SECTOR NET DEBT	11,921	15,603	18,305	19,751	
<i>Less change in net cash flows from operating activities and dividends paid</i>					
- general government	101.6	780.8	950.0	778.7	
- public non-financial corporations	-53.8	-29.7	-109.2	-0.4	
- public financial corporations	-15.6	-57.2	11.2	7.0	
<i>Total public sector</i>	<i>32.2</i>	<i>694.0</i>	<i>852.0</i>	<i>785.3</i>	
<i>Plus purchases of non-financial assets</i>					
<i>Policy decisions ^(a)</i>	<i>8.8</i>	<i>326.1</i>	<i>353.3</i>	<i>636.6</i>	<i>499.1</i>
<i>Parameter movements</i>					
- Remove general government underspend provision	350.0	-	-	-	
- State Development	-220.2	35.6	27.9	0.1	
- Corrective Services	-125.8	110.6	15.5	0.5	
- Education	-93.1	267.5	27.0	1.1	
- Main Roads	-55.5	-25.1	21.7	93.8	
- Western Australian Sports Centre Trust	-54.8	24.0	29.6	-	
- WA Health	46.4	220.0	333.6	139.8	
- Fremantle Port Authority	-71.5	71.5	-	-	
- Public Transport Authority	-16.3	1.5	4.0	-19.7	
- Housing Authority	-65.2	-46.0	-15.2	-69.5	
- Western Power	22.6	-20.4	-103.4	15.0	
- Provision for North Country Reinforcement	-10.0	-72.9	104.0	-2.2	
- Western Australian Land Authority	-55.5	78.3	-56.4	-56.8	
- Horizon Power	19.1	17.6	60.8	19.8	
- All other	-165.5	204.5	-105.4	-60.8	
<i>Total parameter</i>	<i>-495.3</i>	<i>866.5</i>	<i>343.6</i>	<i>61.0</i>	
<i>Total purchase of non-financial assets</i>	<i>-486.6</i>	<i>1,192.6</i>	<i>696.9</i>	<i>697.6</i>	
<i>Less proceeds from sale of non-financial assets</i>	<i>-28.8</i>	<i>111.9</i>	<i>-21.1</i>	<i>-11.9</i>	
<i>Plus all other financing</i>					
Net acquisition under finance leases and similar arrangements ^(b)	-	-	-499.2	2.7	
All Other ^(c)	-66.4	8.8	0.5	17.6	
<i>Cumulative impact on net debt at 30 June</i>	<i>-556.4</i>	<i>-160.8</i>	<i>-793.5</i>	<i>-849.0</i>	
2010-11 BUDGET - TOTAL PUBLIC SECTOR NET DEBT	11,365	15,442	17,511	18,902	20,063

(a) An agency listing of the capital policy decisions taken since the 2009-10 midyear review is provided in Chapter 6.

(b) Assets acquired under finance leases increase net debt but have no associated cash flow reflected in other items in this table. The \$499 million decline in 2011-12 reflects the change in accounting treatment (from finance lease to operating lease) of the Collgar Windfarm.

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

Note: Columns may not add due to rounding.

Statement of Risks

Estimating Assumptions

Key economic parameters underlying the 2010-11 Budget are detailed in the following table.

MAJOR ECONOMIC PARAMETERS						
Western Australia						
	2008-09 Actual ^(a) %	2009-10 Estimated Actual %	2010-11 Budget Estimate %	2011-12 Forward Estimate %	2012-13 Forward Estimate %	2013-14 Forward Estimate %
Real Gross State Product Growth ^(b)	0.7	3.75	4.5	4.75	3.0	3.0
Real State Final Demand Growth ^(b)	4.4	3.5	6.0	5.75	3.0	3.0
Employment Growth	3.2	0.25	1.75	2.25	2.5	2.75
Unemployment Rate	3.7	5.25	5.0	4.75	4.75	4.5
Wage Price Index Growth ^(c)	5.2	3.5	3.75	4.0	4.5	4.5
Average Weekly Earnings Growth ^(c)	5.2	5.25	5.25	5.5	5.5	6.0
Oil Price (\$US per barrel)	68.9	82.5	86.8	88.4	89.2	89.8
\$US/\$A (cents)	74.6	92.0 ^(d)	88.5	83.5	79.0	74.5
Population Growth	3.2	2.6	2.3	2.2	2.2	2.2

(a) Real Gross State Product (GSP) growth is based on 2008-09 State Accounts data, released on 22 December 2009 (ABS Catalogue Number 5220.0). State Final Demand (SFD) growth is based on Australian National Accounts: National Income, Expenditure and Product, December 2009, released on 3 March 2010 (ABS Catalogue Number 5206.0). All other data are based on other various ABS data sources.

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

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

(d) Estimated average over the remainder of 2009-10.

Further information on the State's economic outlook and associated risks is contained in Chapter 2: *The Western Australian Economy*.

On 2 May 2010, the Commonwealth Government announced its response to the Henry Tax Review, the key element of which is a 40% Resource 'Super Profits' Tax (RSPT) to apply from 1 July 2012. The economic forecasts in this budget were finalised prior to this announcement. There is a risk that the RSPT – and the uncertainty leading up to its planned introduction – could deter investment in the State's resources sector, which would adversely impact the economic forecasts underpinning this budget.

Revenue Estimates

The revenue estimates are sensitive to changes in key economic parameters, including the \$US/\$A exchange rate, commodity prices (especially iron ore), employment and wages growth. Approximate annual impacts of changes in these variables are outlined in the following table.

Table 6

APPROXIMATE PARAMETER SENSITIVITY OF REVENUE ESTIMATES 2010-11

	Variability (\$m)	Detail
Royalty income and North West Shelf grants	±47	For each US1 cent decrease/increase in the \$US/\$A exchange rate
Iron ore royalties	±24	For each \$US1 per tonne increase/decrease in the price of iron ore
Petroleum royalties	±5	For each \$US1 increase/decrease in the price of a barrel of oil
Payroll tax	±24	For each one percent increase/decrease in taxable wages or employment growth (i.e. the total wages bill)
Transfer duty	±21	For each one percent increase/decrease in average property prices

In addition to the above sensitivities, specific risks to the revenue estimates are discussed below.

State Taxes (\$6,626 million in 2010-11)

Payroll Tax

The payroll tax forecasts are based on expectations of a continued improvement in the labour market. If activity in the labour market is more sluggish than anticipated (for instance, if the global economic recovery falters), then there is a risk that payroll tax revenue could be lower than anticipated. As indicated in Table 2 of this chapter, forecast payroll tax revenue has been revised down by a total of \$58 million over the period 2009-10 to 2012-13 relative to the mid-year review, reflecting weaker than expected actual collections in recent months.

Transfer Duty

Transfer duty forecasts are often subject to a high margin of uncertainty due to the cyclical nature of activity in the State's housing market and the amplitude of those cycles.

The transfer duty forecasts are based on an assumption that prices will grow by around 2.5% in 2010-11 and that the number of dutiable property sales will rise by around 9.5%. One of the key uncertainties facing Western Australia's housing market in 2010-11 is the withdrawal of the Commonwealth's First Home Owners' Boost, and how this will affect activity. Other downside risks include the possibility of further interest rate increases.

Commonwealth Grants (\$9,361 million in 2010-11)

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).

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.

Payments for Specific Purposes

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

- the potential for Commonwealth policy changes (including possible new National Partnerships);
- uncertainty over the outcomes of the Commonwealth's proposed changes to health funding (this budget assumes that existing health funding arrangements will continue);
- 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).

National Health Reform

On 20 April 2010, the Council of Australian Governments, with the exception of Western Australia, endorsed the National Health and Hospitals Network Agreement. While the Western Australian Government was willing to sign the health agreement as it related to health services, it strongly disagreed with the funding mechanism proposed where the Commonwealth would retain a significant portion of the State's GST revenue. The State instead offered to pay an equivalent amount into a funding pool to meet its required contribution level for the health plan. The Western Australian and Commonwealth Governments have agreed to continue discussions on the matter.

Infrastructure Funding

Discussions have been taking place with the Commonwealth Government in relation to its election commitment to establish a Western Australia Infrastructure Fund from Gorgon/Pluto petroleum revenue. The Commonwealth's commitment equates to \$100 million per annum, which would be quarantined from the Grants Commission process. However, there had been no formal agreement on this issue at the time of the budget cut-off date (22 April 2010), nor did the Commonwealth make any provision for this Fund in its 2010-11 Budget.

On 2 May 2010, the Commonwealth Government indicated that some of the additional revenue from its proposed RSPT would be directed to a State Infrastructure Fund from 2012-13. There is no provision for this funding in the forward estimates as the Commonwealth's announcement was made after the budget cut-off date. The Commonwealth included this State Infrastructure Fund in its 2010-11 Budget, but did not provide a breakdown by State.

Royalty Income (\$3,271 million in 2010-11)

The royalty income estimates (and North West Shelf grant estimates) are particularly sensitive to the \$US/\$A exchange rate and \$US commodity price assumptions noted above (see Tables 5 and 6).

Similar to the 2009-10 mid-year review, the exchange rate projections underlying this budget are based on an assumption that the current rate moves towards the long-term average (of US72 cents) by the end of the forward estimates period (this equates to an average exchange rate of US74.5 cents in 2013-14 – see Table 5). To the extent that the Australian economy outperforms the US economy, commodity demand and prices remain strong, and domestic interest rates remain relatively high, there is a possibility that the exchange rate could exceed current projections.

Iron Ore Prices

Based on recent price negotiations between major producers and steel mills in Asia, it is assumed that iron ore prices (net of freight costs) will average \$US115 per tonne in the June quarter 2010. This is based on average spot prices in the March quarter 2010, and represents an increase of approximately 90% relative to the benchmark price in the 2009-10 Japanese fiscal year.

For the remainder of the budget period, it is assumed that prices will return (in a linear fashion) to a long-run value of \$US70 per tonne. This is broadly consistent with recent projections by private sector analysts and expectations of a looming increase in international supply in coming years.

Iron ore prices have become increasingly volatile in recent times, which adds an extra element of risk to the revenue forecasts. A discussion of recent developments in the iron ore market can be found in the *Development in the Global Iron Ore Market* feature box in Chapter 4.

Iron Ore Royalty Concessions

The iron ore royalty estimates in this budget are based on an assumption of no change in royalty rates. The Government has indicated publicly that it is examining a range of options for removing royalty concessions contained in State Agreement Acts.

Revised Dividend Arrangements

Dividend payout ratios have been increased for a number of State public corporations from the 2009-10 financial year onwards. In some cases, dividend estimates have been calculated by the Department of Treasury and Finance and incorporated in budget estimates due to the absence of specific declaration of interim dividends prior to budget publication. The revenue estimates have been based on current forecasts of net profit after tax.

There are risks that projected revenue for 2009-10 may change as the corporations finalise profit forecasts and declare interim dividends. There is also a risk that interim dividends may not be declared prior to the end of the financial year. For some corporations, payment may be deferred until the next financial year, resulting in minor differences in budget expectations between years.

Wages Growth

As indicated earlier in this chapter, the measures implemented by the Government over the last 18 months to rein in the rate of spending growth are having an impact in containing growth in salaries expenditure, with underlying growth in general government salaries expenses in 2009-10 slowing to an estimated 7.5%, which is the lowest rate of growth since 2003-04.

With the Western Australian economy having tentatively turned the corner following the impact of the global financial crisis, there is a risk that rising expectations could lead to excessive wage claims. However, the projected operating surpluses across the forward estimates period are relatively modest, and significant risks to the economic outlook remain (see Chapter 2). These factors limit the Government's capacity to fund wage claims in excess of Consumer Price Index (CPI) growth, although, consistent with the Government's public sector wages policy, wage increases up to growth in the Wage Price Index will be supported if genuine efficiency and work practice improvements are identified to justify the above-CPI increase.

Health Expenses

The 2009-10 mid-year review Statement of Risks outlined a range of general expense risks for the health sector which were, at that time, still to be considered by Government.

The provision of additional health funding outlined earlier in this chapter and in Chapter 5: *General Government Expenses* addresses these risks, and is expected to enable the Department of Health to fully manage its cash and budget pressures.

Asset Investment

The budget estimates are based on latest cost estimates available to agencies. Further cost increases could arise depending on the conditions and capacity of the construction sector. The Asset Investment Program also includes some projects that are subject to confirmation of Commonwealth funding further planning and definition of scope and design, finalisation of contract negotiations, and/or other events.

Oakajee Port Project

The expenditure by the State of its \$339 million contribution to the Oakajee Port is subject to the development of a final feasibility study by Oakajee Port and Rail Pty Ltd (OPR) and the successful negotiation of implementation agreements between the State and OPR. The budget assumes the Commonwealth's \$339 million contribution will be paid directly to OPR, with the exact payment mechanism to be determined at a later date. The Commonwealth payment is also subject to Infrastructure Australia analysis of the business case.

Princess Margaret Hospital (PMH) Replacement – New Children's Hospital

The replacement of PMH to be built on the Queen Elizabeth II medical centre site is one of the Government's 2008 election commitments. Planning continues to progress with appropriate consideration of budget, scope, timing and risk assessment factors (including phasing of works on the site). The current approved budget of \$117 million represents planning and early development for this project, as well as costs associated with maintaining the existing Princess Margaret Hospital. The full costs of the development will be considered by the Government on the presentation of a business case later this year.

Royal Perth Hospital (RPH)

The retention of RPH as a tertiary hospital and trauma facility is being progressed, consistent with the Government's 2008 election commitment. The Department of Health has set aside \$10 million for planning purposes through its Asset Investment Program.

Perth Waterfront Redevelopment

The allocation of \$21.5 million has been made for detailed planning and design. The total cost of the State's contribution to the project will be considered for incorporation in the State's financial aggregates once the planning is finalised and considered by the Government.

Western Power Capital Expenditure

On 19 January 2010, the Economic Regulation Authority (ERA) released its Further Final Decision on Western Power's revisions to its Access Arrangement to apply for the second regulatory period which runs from 2009-10 to 2011-12. The revised Access Arrangement has now been approved and will form the framework under which access seekers will negotiate and contract with Western Power.

However, under the *Electricity Networks Access Code 2004*, Western Power must satisfy the Regulatory Test prior to commencing major investments. Further, all capital investment must pass the New Facilities Investment Test before Western Power is able to earn a return on these assets.

To ensure fiscal discipline, Western Power will also prepare detailed business cases, outlining the justification for the proposed capital investment, for Government review and approval before committing to additional expenditure.

Following these processes, additional capital expenditure may be required to meet growth and undertake asset maintenance and replacement.

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 2009 are provided in the 2008-09 *Annual Report on State Finances*, released on 24 September 2009. At that time, quantified guarantees, indemnities and sureties totalled \$1.4 billion at the end of 2008-09. No material change to that disclosure has been noted to date.

General Government Revenue

Overview

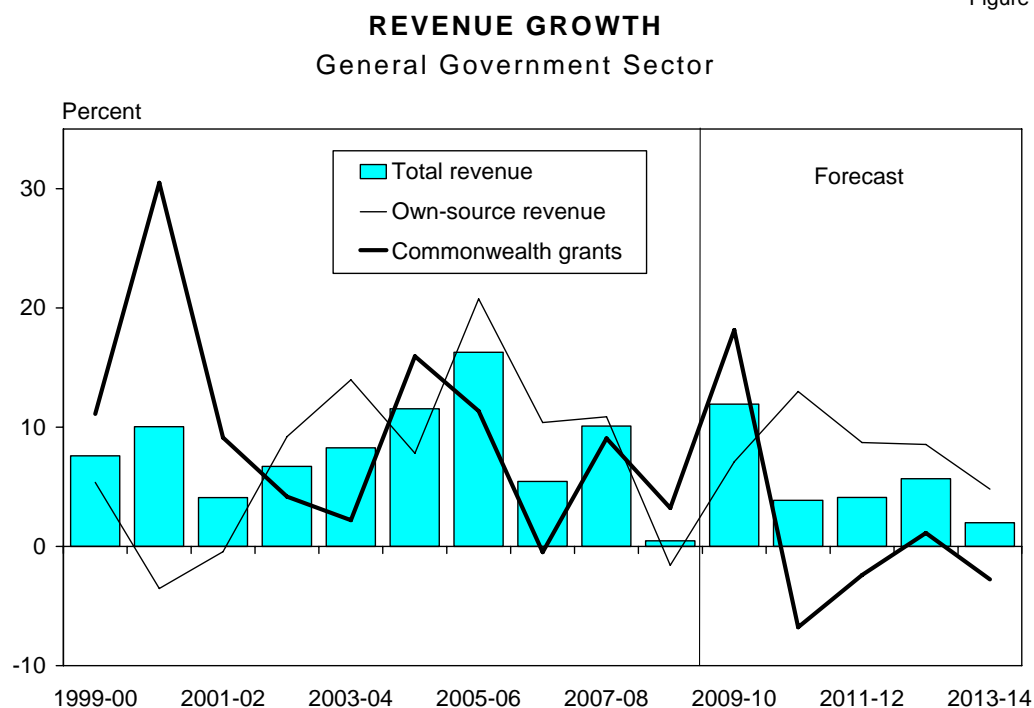
The revenue outlook has improved considerably since the 2009-10 mid-year review, with total general government revenue revised up by \$5.3 billion over the four years to 2012-13. Revenue is now forecast to increase by 3.9% or \$839 million in 2010-11 (relative to the estimated outturn for 2009-10), and grow at an average rate of 3.9% per annum over the period 2011-12 to 2013-14.

In terms of the main components of the State's revenue:

- taxation revenue is increasing steadily, buoyed by a recovery in domestic economic activity;
- royalty income is being bolstered by renewed strength in global commodity markets, particularly for iron ore; and
- Commonwealth grants are set to fall in the near term due to the withdrawal of federal government stimulus funding, and over the medium term due to a continued decline in Western Australia's share of national GST revenue.

Figure 1 shows the significant spike in Commonwealth stimulus funding in 2009-10, and the subsequent unwinding of this funding. The chart also shows that after declining sharply in 2008-09, revenue from the State's own sources (mainly State taxes and mining royalties) is expected to rebound strongly, especially in 2010-11.

Figure 1



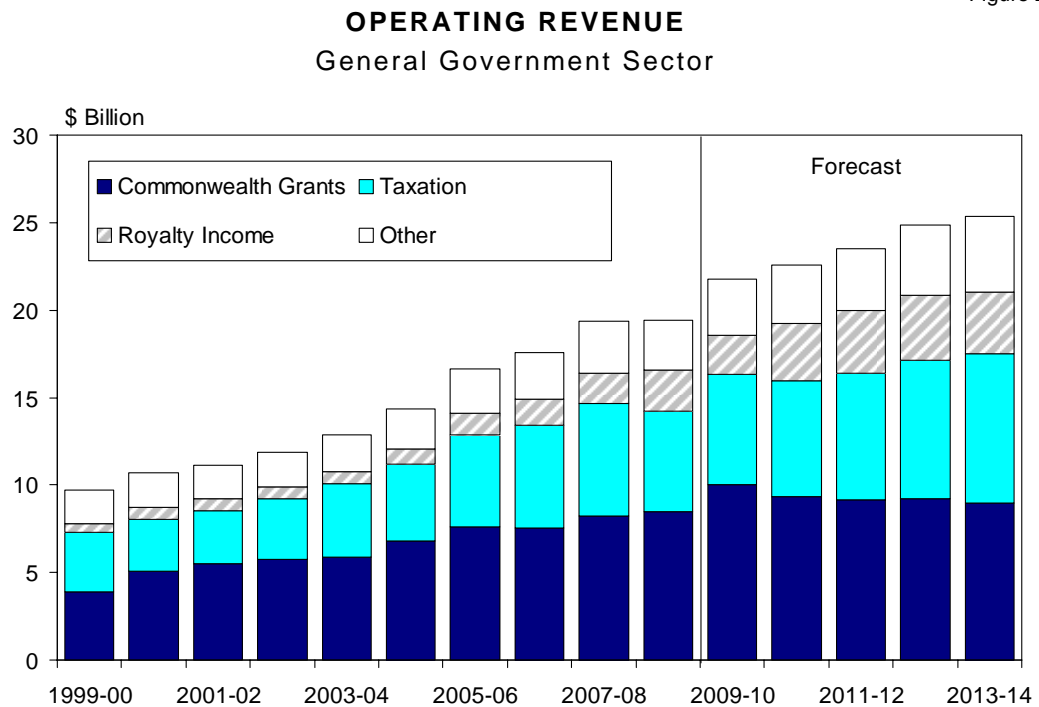
2009-10

The estimated outturn for total operating revenue in 2009-10 is \$21.8 billion, an 11.9% or \$2.3 billion increase relative to 2008-09. This incorporates a one-off spike in grants from the Commonwealth.

At the same time, transfer duty revenue has rebounded on the back of a steady recovery in the State's property market. Combined with moderate growth in payroll tax and motor vehicle duty, total taxation revenue is expected to grow by 10.7% in 2009-10.

Partly offsetting these gains, royalty income is projected to decline by 5.6% or \$131 million in 2009-10. This largely reflects the impact of the higher \$US/\$A exchange rate (which has reduced the domestic currency value of commodity exports), and a decline in benchmark iron ore prices during the 2009-10 Japanese financial year. These factors have been sufficient to counteract a strong rise in the volume of commodity exports, particularly in relation to iron ore.

Figure 2



2010-11

Total operating revenue is forecast to grow by 3.9% or \$839 million to \$22.6 billion in 2010-11.

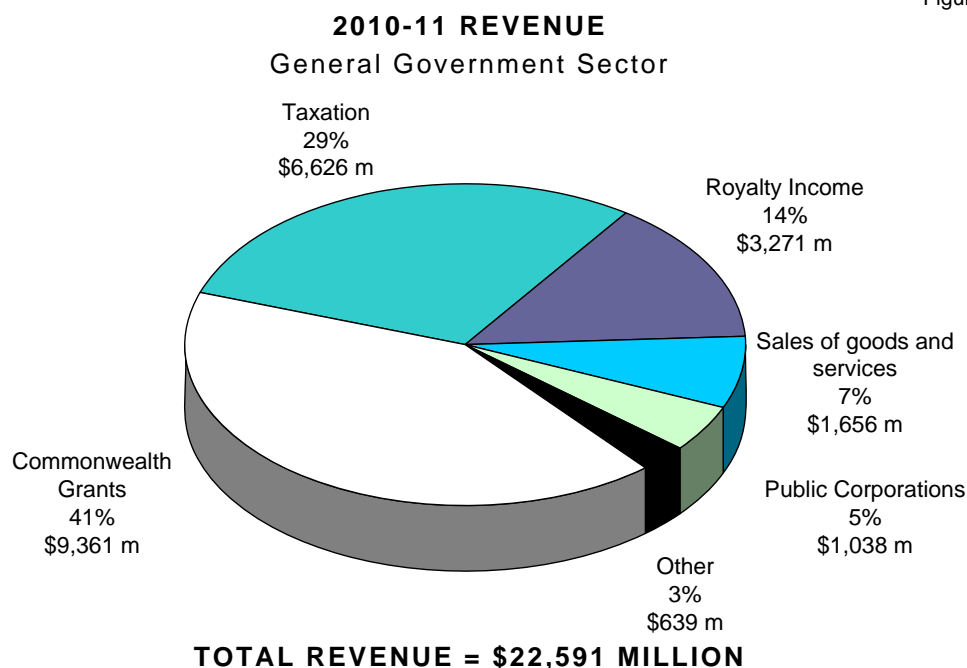
The key reason for reduced revenue growth in 2010-11 is the withdrawal of temporary Commonwealth stimulus funding, most notably in relation to capital grants for schools and social housing. GST grants are also expected to fall, despite a projected expansion in the national GST pool. This reflects the impact of the Commonwealth Grants Commission process, which effectively penalises Western Australia for its strong economic performance relative to other States and Territories in recent years. In 2010-11, Western Australia's GST share has been reduced to 7.1% (from 8.1% in 2009-10), which compares to an estimated population share of 10.3%. Total Commonwealth payments are expected to fall by \$681 million or 6.8% in 2010-11.

Offsetting the expected decline in Commonwealth payments is a forecast rise in the State's own-source revenue.

Taxation revenue is expected to strengthen in 2010-11, underpinned by a solid gain in payroll tax due to a continued recovery in the State's labour market. Transfer duty is also projected to increase, consistent with expectations of a further improvement in the property market. Total taxation revenue is forecast to grow by 4.9% in 2010-11.

After falling in 2009-10, royalty income is expected to rebound sharply and increase by 47.6% in 2010-11. This primarily reflects an expected surge in iron ore royalties, due to a spike in prices and a solid rise in the volume of iron ore shipments. Gold, nickel and petroleum royalties are also forecast to rise in 2010-11¹.

Figure 3



Notwithstanding the looming decline in Commonwealth stimulus funding and GST grants, Commonwealth grants are expected to remain the largest source of total operating revenue in 2010-11 (\$9.4 billion), followed by taxation (\$6.6 billion), royalty income (\$3.3 billion), sales of goods and services (\$1.7 billion) and revenue from public corporations (\$1.0 billion).

2011-12 Onwards

Total operating revenue is projected to grow at a moderate pace in the outyears. The main constraint on growth is an expected reduction in Western Australia's share of GST revenue, which is projected to fall to just 5.7% by 2013-14 compared to an estimated population share of 10.6%. Consequently, total GST revenue is expected to decrease over the period 2011-12 to 2013-14, notwithstanding estimates of continued growth in the national GST pool. Combined with expected trends in other grants, total Commonwealth payments are forecast to fall from \$9.4 billion in 2010-11 to \$9.0 billion in 2013-14.

¹ On 2 May 2010, the Commonwealth Government announced its response to the Henry Tax Review, the key element of which is a 40% Resource 'Super Profits' Tax (RSPT) to apply from 1 July 2012. The economic forecasts in this budget were finalised prior to this announcement. There is a risk that the RSPT – and the uncertainty leading up to its planned introduction – could deter investment in the State's resources sector, which would adversely impact the economic forecasts underpinning this budget.

In contrast, growth in own-source revenue is expected to remain solid during the outyears. Taxation revenue is forecast to grow at an annual rate of 8.8% over the period 2011-12 to 2013-14, in line with expectations of a strengthening domestic economy. Royalty income is projected to grow at a strong pace in 2011-12, but moderate in the outyears, mainly reflecting an expectation that some commodity prices (particularly iron ore) will ease from current high levels.

Table 1

GENERAL GOVERNMENT
Operating Revenue

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
Taxation	5,706	6,316	6,626	7,259	7,909	8,536
Growth (%)	-11.5	10.7	4.9	9.6	9.0	7.9
GST revenue grants	3,529	3,585	3,374	3,556	3,422	3,277
Growth (%)	-11.4	1.6	-5.9	5.4	-3.8	-4.3
Other Commonwealth grants ^(a)	3,882	5,078	4,836	4,540	4,727	4,544
Growth (%)	13.8	30.8	-4.8	-6.1	4.1	-3.9
SPPs 'through' the State ^(b)	1,089	1,379	1,151	1,040	1,090	1,161
Growth (%)	29.9	26.6	-16.5	-9.6	4.8	6.5
Sales of goods and services	1,410	1,552	1,656	1,740	1,821	1,906
Growth (%)	0.2	10.0	6.7	5.1	4.6	4.6
Interest Income	285	200	253	259	255	246
Growth (%)	-14.1	-30.0	27.0	2.3	-1.5	-3.7
Revenue from public corporations	821	1,061	1,038	1,126	1,555	1,738
Growth (%)	-6.8	29.3	-2.2	8.5	38.1	11.7
Royalty income	2,348	2,217	3,271	3,598	3,673	3,535
Growth (%)	39.8	-5.6	47.6	10.0	2.1	-3.8
Other	364	365	386	399	397	401
Growth (%)	-0.1	0.5	5.6	3.3	-0.4	1.0
Total	19,435	21,752	22,591	23,517	24,850	25,343
Growth (%)	0.5	11.9	3.9	4.1	5.7	2.0

(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.

Overall, total operating revenue is projected to grow by 3.9% per annum over the period 2011-12 to 2013-14. Revenue growth in 2013-14 is expected to be modest (2.0%), reflecting a projected decline in GST revenue and other Commonwealth payments (which detract one percentage point from total revenue growth), the scheduled abolition of transfer duty on non-real business transfers, and a projected moderation in royalty income (as discussed above).

Over the forward estimates period the percentage of Commonwealth funding as a proportion of total revenue is set to decline sharply, from 46% in 2009-10 to just 35% by 2013-14.

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

The remainder of this chapter focuses on revenue measures implemented in this budget, and the detailed basis for the revenue estimates through to 2013-14 in each of the major revenue categories. Information on major tax and royalty exemptions and concessions is included in Appendix 5: *Tax and Royalty Expenditure Statement*.

Revenue Measures

Land Tax – 100% Concession for Caravan Parks

The Legislative Assembly's Economics and Industry Standing Committee tabled a report on the *Provision, Use and Regulation of Caravan Parks (and Camping Grounds) in Western Australia* in October 2009. Among other things, the Committee found that further growth in land values had offset the value of the 50% land tax concession for caravan parks that was introduced in 2005, contributing to pressures on low cost tourism and family holiday accommodation.

Having regard for the Committee's recommendations, the Government has decided that the land tax concession for caravan parks should be increased to 100% (i.e. a full exemption) and, if a caravan park is redeveloped for an alternative use, the 'claw back' period for the concession should be increased from five years to ten years. The scope of the concession will remain in its current form, which excludes caravan park land used for accommodation such as chalets and cabins.

The estimated cost of increasing the land tax concession to 100% from 1 July 2010 is around \$1 million per year.

Dividend Payout Ratios

Dividend payout ratios have been increased for selected public corporations with effect from 2009-10. This will bring dividends more in line with Australian public corporations generally, and is part of the Government's continuing role in setting policy for the State's public corporations. The increases are detailed in the table below.

DIVIDEND PAYOUT RATIOS

Table 2

	Previous payout ratio %	New payout ratio %	Difference percentage points
Horizon Power	50	65	15
Synergy	50	75	25
Verve Energy	50	65	15
Western Power	50	65	15
Western Australian Land Authority	50	65	15
Gold Corporation	60	75	15
Western Australian Treasury Corporation	50	65	15
State Port Authorities	50	65	15
Forest Products Commission	50	65	15

Note: The dividend payout ratio for the Water Corporation remains unchanged at 85%.

The revised dividend payout ratios are expected to increase general government revenue by the amounts shown in Table 3.

GENERAL GOVERNMENT REVENUE IMPACT					
Change In Dividend Payout Ratios					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Estimated Total	32	96	60	104	112
Note: The projected revenue may change as Corporations finalise their profit forecasts and calculate final dividend payments, or if any interim dividends are not declared before the end of the financial year.					

Taxation Revenue Estimates

Summary

Table 4 summarises the budget projections for State taxes.

The estimated outturn for taxation revenue in 2009-10 is \$6.3 billion, which is 10.7% higher than in 2008-09. This mainly reflects a rebound in transfer duty revenue, consistent with the ongoing recovery in Western Australia's property market. Moderate increases are also expected in relation to payroll tax and insurance duty.

Consistent with the economic outlook described in Chapter 2: *The Western Australian Economy*, growth in taxation revenue is projected to remain solid in 2010-11. Payroll tax is expected to be the largest component of growth, while transfer duty is also projected to grow at a solid pace. Overall, taxation revenue is forecast to grow by 4.9% in 2010-11.

The 2010-11 State Budget incorporates no new taxes.

Table 4

TAXATION REVENUE						
Western Australia						
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
TAXES OF EMPLOYERS' PAYROLL						
Payroll tax	2,246	2,296	2,458	2,697	2,980	3,369
Growth (%)	15.8	2.2	7.0	9.7	10.5	13.0
TAXES ON PROPERTY						
Land tax	568	541	527	553	609	669
MRIT	82	81	79	83	92	101
Transfer duty	1,102	1,565	1,602	1,836	2,006	2,027
Landholder duty	24	72	58	67	73	74
Other	182	189	233	244	257	277
Total	1,958	2,449	2,499	2,783	3,036	3,148
Growth (%)	-35.4	25.0	2.1	11.4	9.1	3.7
TAXES ON GAMBLING						
Lotteries Commission	134	128	133	138	143	148
Casino tax	91	90	92	94	96	98
Betting tax	32	34	36	39	41	43
Other	0	0	1	1	1	1
Total	257	253	262	272	280	290
Growth (%)	9.2	-1.7	3.7	3.5	3.3	3.3
TAXES ON INSURANCE						
Insurance duty	377	403	433	465	499	536
Other	21	23	22	22	22	22
Total	397	426	455	487	521	558
Growth (%)	6.7	7.3	6.8	6.9	7.0	7.0
MOTOR VEHICLE TAXES						
Vehicle licence duty	318	329	361	400	441	487
Motor vehicle registrations	486	515	541	571	600	633
Other	44	47	49	50	51	52
Total	848	892	951	1,021	1,092	1,171
Growth (%)	-2.1	5.2	6.7	7.3	6.9	7.3
TOTAL TAXES	5,706	6,316	6,626	7,259	7,909	8,536
Growth (%)	-11.5	10.7	4.9	9.6	9.0	7.9

Note: Columns may not add due to rounding.

Continued strength in Western Australia's economy is expected to underpin estimated average growth of 8.8% per annum in taxation revenue over the period 2011-12 to 2013-14. This compares to long-run average growth of 6.7% per annum.

Detail

Payroll Tax

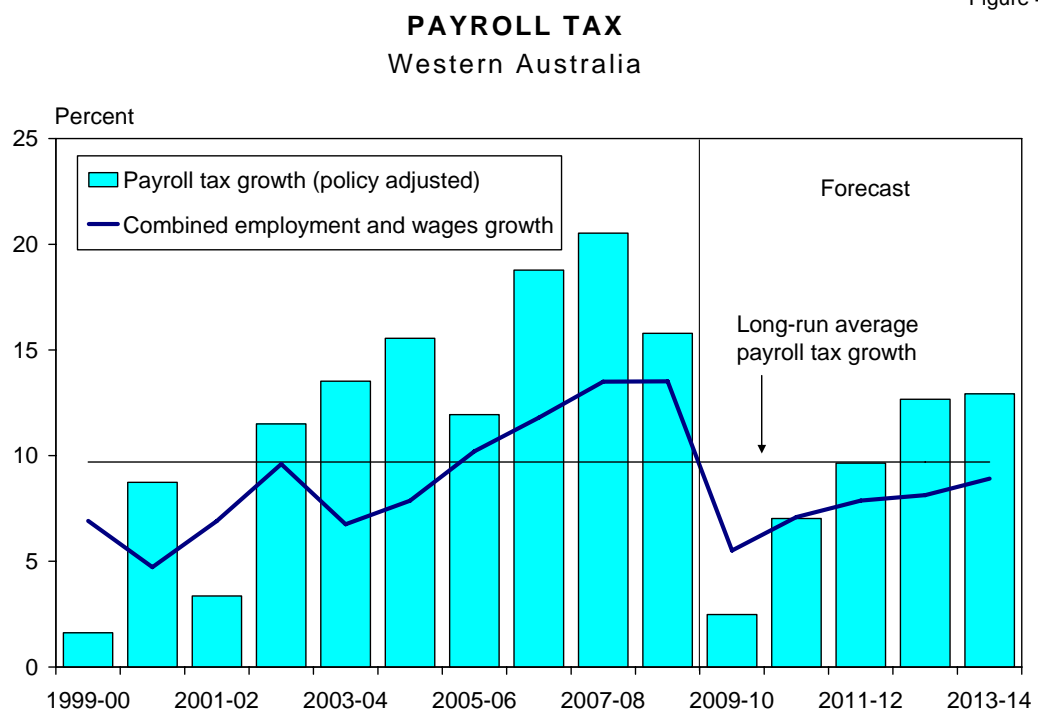
Growth in payroll tax has been subdued so far in 2009-10. This mainly reflects the lagged impact of the global financial crisis and subsequent slowdown in economic activity on the State's labour market, particularly in relation to the level of full-time employment.

However, as detailed in Chapter 2: *The Western Australian Economy*, activity in the State's labour market is expected to gather momentum in 2010-11. Growth in employment is expected to strengthen to 1.75% in 2010-11 (up from an estimated 0.25% in 2009-10), while average weekly earnings is forecast to increase by a robust 5.25%, partly due to an assumed increase in average hours worked.

Growth in payroll tax is expected to accelerate in the outyears. This is consistent with expectations of continued strength in the State's labour market, with both employment and earnings assumed to expand at a solid pace. Having regard to the introduction of payroll tax harmonisation measures in 2012-13, growth in payroll tax is assumed to average 11.1% a year over the period 2011-12 to 2013-14. This compares to long-run average growth of 9.7% per annum.

The State Government's \$100 million one-off payroll tax rebate for small and medium sized businesses will be paid in the first half of the 2010-11 financial year.

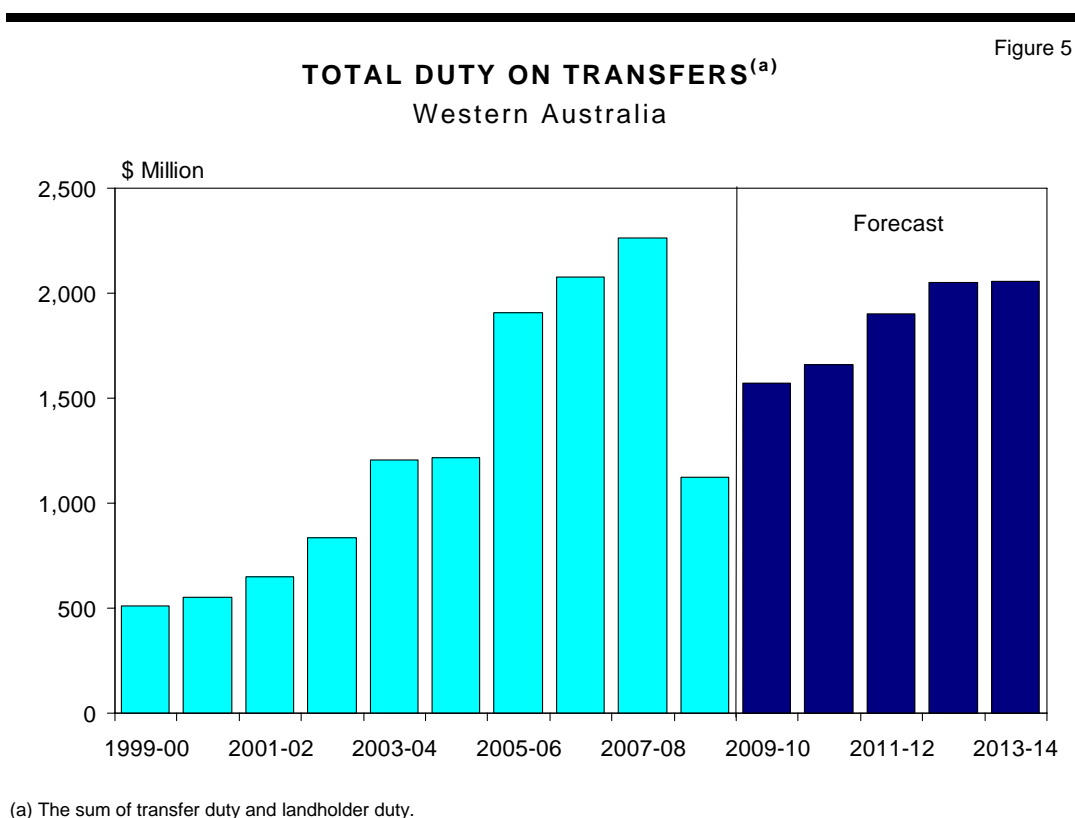
Figure 4



Taxes on Property

Taxes on property includes transfer duty (the State's second largest tax after payroll tax), landholder duty, land tax, the metropolitan region improvement tax (MRIT), the emergency services levy, and loan guarantee fees.

After falling by approximately 50% in 2008-09, transfer duty has rebounded sharply so far in 2009-10. This reflects both a spike in revenue from several one-off, high-value commercial property transactions, and a recovery in the State's residential property market. House prices have increased at a robust pace in 2009-10, supported by strong population growth, relatively low interest rates and solid growth in earnings, while the number of dutiable property sales has also increased sharply. For these reasons, total duty on transfers (i.e. including landholder duty) is expected to grow by 45% or \$511 million to \$1,637 million in 2009-10, though this is well below the peak level of \$2,265 million in 2007-08.



Notwithstanding expectations that economic conditions will strengthen in 2010-11, growth in transfer duty is expected to moderate relative to 2009-10. This partly reflects the base effect of several high-value assessments in 2009-10. Growth in underlying transfer duty is also expected to ease, reflecting an assumption that growth in house prices will soften due to the withdrawal of the First Home Owners' Boost, a rise in interest rates, and a looming increase in the number of residential building completions (which is consistent with an expected 7.25% increase in dwelling investment in 2010-11). Overall, transfer duty is estimated to increase by 2.4% or \$37 million in 2010-11.

Across the outyears, transfer duty is forecast to increase by an average of 8.2% a year. This incorporates the revenue impact of the abolition of duty on non-real business transfers from 1 July 2013 (which reduces revenue in 2013-14 by \$139 million).

Unlike transfer duty, land tax is expected to fall in 2009-10 (by 4.7% or \$27 million), with the average taxable value of land having decreased over the relevant assessment period (i.e. August 2008 relative to August 2007). This decline also partly reflects the tax relief measures introduced in the 2009-10 Budget.

In 2010-11, land tax revenue is expected to decrease further (by 2.6% or \$14 million). This is based on preliminary advice from the Valuer General with respect to unimproved prices as at August 2009. Over the outyears, land tax revenue is projected to grow at an average rate of 8.3% per annum.

Taxes on Gambling

Taxes on gambling mainly comprise lotteries, casino and 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 10.5% across the other States).

Gambling taxes are forecast to increase by 3.7% in 2010-11, following an estimated decline of 1.7% in 2009-10. Growth in gambling taxes is projected to average 3.4% per annum across the outyears.

Taxes on Insurance

Taxes on insurance mainly comprise duty on insurance policies, which is forecast to increase by 7.4% in 2010-11 (partially supported by higher premiums), following expected growth of 7.1% in 2009-10. In the outyears, growth is assumed to settle at an average of 7.3% a year.

Motor Vehicle Taxes

Motor vehicle taxes comprise duty on the transfer of vehicles (vehicle licence duty), annual vehicle registration fees, permit fees for oversize vehicles and loads, and the motor vehicle recording fee.

Revenue from vehicle licence duty (which accounts for approximately 37% of total motor vehicle taxes) is forecast to increase by 9.7% in 2010-11, following estimated growth of 3.7% in 2009-10. Consistent with expectations of strengthening economic activity, growth in motor vehicle sales is expected to accelerate over the outyears. Accordingly, growth in vehicle licence duty is forecast to return to its long-run average of above 10% a year over the period 2011-12 to 2013-14. Total motor vehicle taxes are forecast to grow by 6.7% in 2010-11, and by an average of 7.2% per annum across the outyears.

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 47% of total Commonwealth grants for Western Australia in 2010-11 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, roads and social housing). These account for around 53% of total Commonwealth grants to Western Australia in 2010-11.

From 1 January 2009, the arrangements for PSPs have been significantly reformed through the Council of Australian Governments (COAG) process. Further details are provided in the section on *Payments for Specific Purposes (PSPs)*.

With the notable exception of Western Australia, the April 2010 meeting of COAG agreed to a national health reform plan which involves, among other things, the Commonwealth taking a proportion of the GST to fund public hospital expenditure and the provision of additional Commonwealth health funding. This budget has been prepared and presented on a 'no change' basis.

COMMONWEALTH GRANTS

Table 5

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
General Purpose Grants						
GST revenue	3,529	3,585	3,374	3,556	3,422	3,277
Growth (%)		1.6	-5.9	5.4	-3.8	-4.3
North West Shelf grants ^(a)	867	860	985	1,013	1,087	1,102
Growth (%)		-0.7	14.5	2.8	7.3	1.4
Total general purpose grants	4,396	4,445	4,359	4,568	4,509	4,378
Payments for Specific Purposes						
PSPs 'to' the State ^(b)	3,015	4,218	3,851	3,527	3,640	3,442
Growth (%)		39.9	-8.7	-8.4	3.2	-5.4
PSPs 'through' the State	1,089	1,379	1,151	1,040	1,090	1,161
Growth (%)		26.6	-16.5	-9.6	4.8	6.5
Total PSPs	4,104	5,597	5,002	4,567	4,730	4,604
TOTAL COMMONWEALTH GRANTS	8,500	10,042	9,361	9,135	9,239	8,982
Growth (%)		18.1	-6.8	-2.4	1.1	-2.8

(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 \$211 million in 2010-11. This mainly reflects a reduction in Western Australia's share of GST collections (from 8.1% of the national pool in 2009-10 to 7.1% in 2010-11), in line with the February 2010 recommendations of the Commonwealth Grants Commission (see below). This reduction in the State's share is only partly offset by forecast growth in the national pool of GST revenue.

Over the outyears, GST grants are forecast to rise in 2011-12 before declining again. These changes reflect the net impact of projected growth in the national pool of GST revenue (average 6.3% per annum, with growth expected to be somewhat stronger in the earlier years due to economic recovery) and Western Australia's projected share of GST grants declining slightly in 2011-12 and more strongly thereafter.

GST Grant Shares in 2010-11

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).

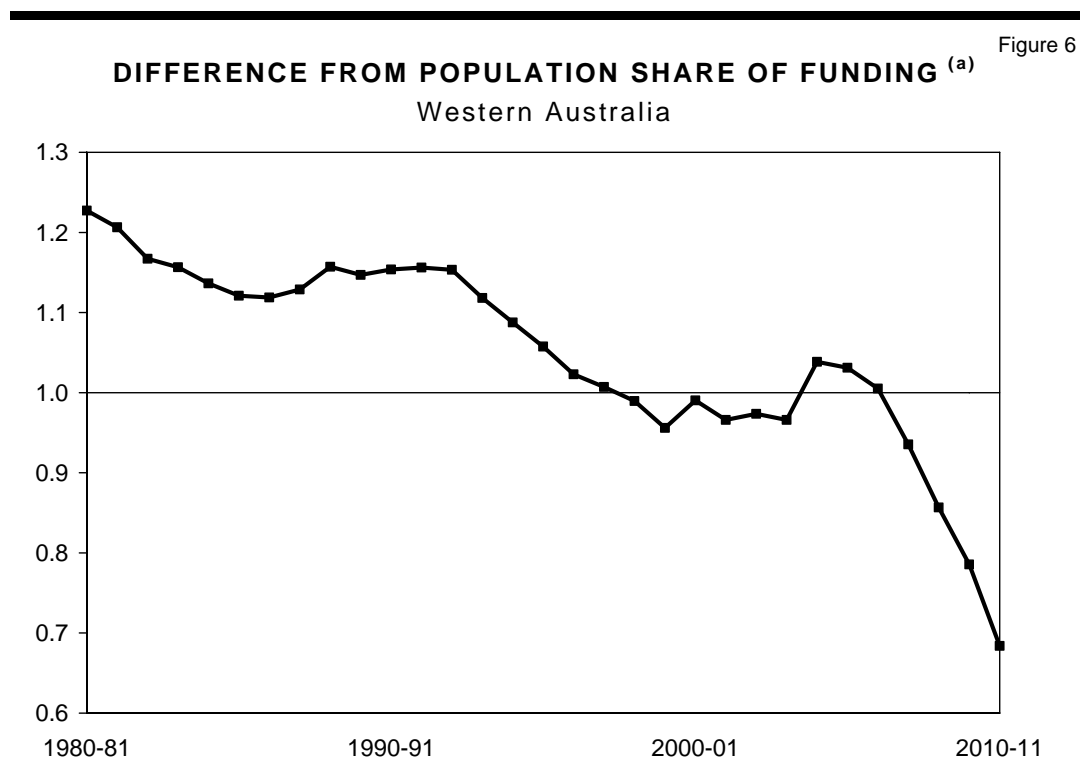
The Grants Commission updates relativities annually, using the latest available data (e.g. on State revenue bases and the composition of State populations). In addition to annual updates, the Commission undertakes a major review of the methods used to implement fiscal equalisation every five or six years.

The Grants Commission reported on its latest method review (the '2010 Review') in February 2010 (for further details see feature box on the *Commonwealth Grants Commission 2010 Review of Methods*). The report (which presents the new methods and incorporates the annual data update) determines States' GST revenue grant shares in 2010-11, and the new methods will also be used to calculate subsequent years' relativities.

The 2010 Review will see a cut of \$503 million² (\$216 per person) in Western Australia's share of the GST grant pool in 2010-11.

This continues a longer term trend that has seen Western Australia's grant share decline, reflecting our strong economic and revenue base growth relative to other States (see Figure 6).

² This estimate is based on latest estimates of the 2010-11 GST grant pool and population shares. The Grants Commission estimated this loss at \$443 million, based on estimates of the 2009-10 GST grant pool and population shares from the Commonwealth's 2009-10 *Mid-Year Economic and Fiscal Outlook*.



(a) Graph shows Western Australia's relativities (i.e. grant share divided by population share) for GST grants and, prior to 2000-01, the preceding financial assistance grants (relativities for financial assistance grants have been adjusted for consistency with GST relativities). The national grant pool includes imputed grants for the Australian Capital Territory for years prior to self government.

Source: Department of Treasury and Finance estimates.

Apart from changes to the relativities, GST revenue grants are also affected by growth in the national pool of GST revenue and changes in each State's share of the national population. Western Australia's forecast GST revenue grant for 2010-11 includes a \$262 million increase on account of growth in the GST pool and a \$32 million increase on account of the State's increasing population share. However, because of the \$503 million reduction due to Western Australia's lower GST share referred to earlier, overall GST revenue in 2010-11 is expected to decline by \$211 million relative to 2009-10.

Commonwealth Grants Commission 2010 Review of Methods

In February 2010, the Commonwealth Grants Commission released the results of its review of the methods it uses to calculate GST 'relativities', also incorporating its normal annual update to reflect the latest available data.

The '2010 Review' methods replace the '2004 Review' methods that had been used over the period 2004-05 to 2009-10.

Table 6 shows the impact of the Grants Commission's 2010 Review recommendations for all States.

Table 6

IMPACT OF GRANTS COMMISSION RECOMMENDATIONS

	Relativity ^(a)		GST grant share		Impact on GST of 2010 Review in 2010-11 ^(b)	
	2009 Update	2010 Review	2009 Update	2010 Review	\$m	\$ per capita
NSW	0.932	0.952	30.3%	30.8%	+314	+43
Vic	0.919	0.940	22.8%	23.4%	+253	+45
Qld	0.916	0.913	18.5%	18.6%	-21	-5
WA	0.785	0.683	8.1%	7.1%	-503	-216
SA	1.247	1.285	9.2%	9.4%	+133	+80
Tas	1.620	1.621	3.7%	3.7%	+1	+2
ACT	1.271	1.153	2.0%	1.8%	-90	-249
NT	5.251	5.074	5.4%	5.2%	-87	-373

(a) A State's relativity represents its share of GST grants as a proportion of its population share.

(b) These estimates differ from those quoted by the Grants Commission, because they are valued using 2010-11 GST grant pool and population estimates (the Commission used 2009-10 GST pool and population estimates).

Western Australia's loss in 2010-11 is primarily due to the Grants Commission using more recent data in its calculations. Because the State's capacity (relative to other States) to raise revenue from its own sources (particularly mining royalties) has been increasing over time, more recent data gives Western Australia a lower relativity.

- A normal annual update of the 2009-10 relativities (i.e. with no method changes) would have resulted in a loss of around \$439 million in 2010-11.³
- However, as part of its 2010 Review, the Commission decided to change the data period on which its assessments are based from a five-year average of States' past circumstances to a three-year average (e.g. GST grant shares in 2010-11 will now be based on States' average circumstances over the three years to 2008-09, rather than the five years to 2008-09). This has cost Western Australia \$180 million in 2010-11.

³ Department of Treasury and Finance estimate.

Partially offsetting the impact of the shorter data period, Western Australia has received a gain of around \$116 million from the 2010 Review method changes.⁴ Significant method changes that increased Western Australia's grant share included:

- recognition for the first time that high population growth States such as Western Australia have a relatively high need to spend on capital infrastructure;
- a much improved health services assessment, with better recognition of the higher costs for Western Australia due to the low level of private service provision;
- a revised assessment of justice services, incorporating better recognition of the cost of providing services to indigenous communities; and
- a new land tax assessment.

Significant method changes that reduced Western Australia's grant share included:

- a new assessment of rural/remote water subsidies;
- a new assessment of welfare and housing services;
- a revised roads assessment, where the effect of rural road length on expenses has been reduced; and
- a new mining revenue assessment, based on the classification of minerals as either 'high royalty rate' or 'low royalty rate'.

Table 7 shows estimates of the impact of the new methods and three-year averaging period across the forward estimates. Although the net impact of these changes was a loss of around \$64 million in 2010-11 for Western Australia, a moderate gain is projected across the forward estimates period.

⁴ Department of Treasury and Finance estimates. The net combined impact of new methods and three-year averaging is a loss of around \$64 million (i.e. a gain of \$116 million from moving from old methods based on five-year averaging to new methods based on five-year averaging, less \$180 million in relation to moving from five-year averaging to three-year averaging under the new methods).

Table 7

ESTIMATED IMPACT OF 2010 REVIEW DECISIONS
On Western Australia's GST Revenue Grants

	2010-11 Budget Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m
Method changes ^(a)				
<i>New capital assessments</i> ^(b)	+290	+372	+449	+499
<i>Other method changes</i> ^(c)	-174	-151	-145	-175
Total method changes	+116	+221	+304	+324
Introducing three-year averaging ^(d)	-180	-54	-219	-325
Total	-64	+166	+85	-2

(a) Based on five-year averaging of States' circumstances. Under three-year averaging, the gain from method changes in 2010-11 is around \$260 million.

(b) New assessments for Investment (in social infrastructure) and Net Lending, which recognise the impact of population growth.

(c) 'Other method changes' includes revisions to data that was used in the 2009 Update (i.e. for the four data-years ended 2007-08).

(d) Based on the new 2010 Review methods.

Note: Columns may not add due to rounding.

Source: Department of Treasury and Finance estimates. This table, and numbers in the text, reflect a different conceptual approach from the Grants Commission's presentation in its 2010 Review report (volume 1, page 13). The Grants Commission assessed the notional impact of three-year averaging on 2009-10 GST grants (not 2010-11 GST grants), and based this calculation on old, not new, methods. It also assessed the notional impact of method changes on 2009-10 GST grants, based on three-year averaging. The Commission assessed the impact of data updating on the basis of three-year averaging and new methods.

The \$439 million cost in 2010-11 from updating the relativities (before any other changes in methodology, noted earlier in this feature box), combined with the \$64 million net cost in 2010-11 from methodology changes in the 2010 Review (shown in table above), bring the total cost to Western Australia's GST grants to \$503 million in the budget year.

Forecasts of Future GST Shares

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

- the national pool of GST grants (as estimated by the Department of Treasury and Finance, updated from the Commonwealth's 2009-10 *Mid-Year Economic and Fiscal Outlook*);
- Western Australia's share of the national population; and
- Western Australia's GST relativity.

In line with the Grants Commission's new approach, the GST relativity projections for each year of the forward estimates (2011-12 to 2013-14) are based on a rolling average of assessments of Western Australia's revenue capacity and expenditure requirements (relative to other States) for three consecutive years. For example, the relativity projections for 2013-14 are based on projected assessments of revenue capacity and expenditure requirements for the years 2009-10 to 2011-12.

As the growth in Western Australia's revenue raising capacity becomes reflected in the three data years used by the Grants Commission, Western Australia's GST grant share is forecast to drop from 8.1% in 2009-10, to just 5.7% by 2013-14.

PROJECTED GST RELATIVITY

Table 8

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
WA population share %	10.2	10.3	10.3	10.4	10.5	10.6
WA 'relativity' (a), (b)	0.88	0.78	0.68	0.67	0.60	0.54
WA GST share %	8.7	8.1	7.1	7.0	6.3	5.7

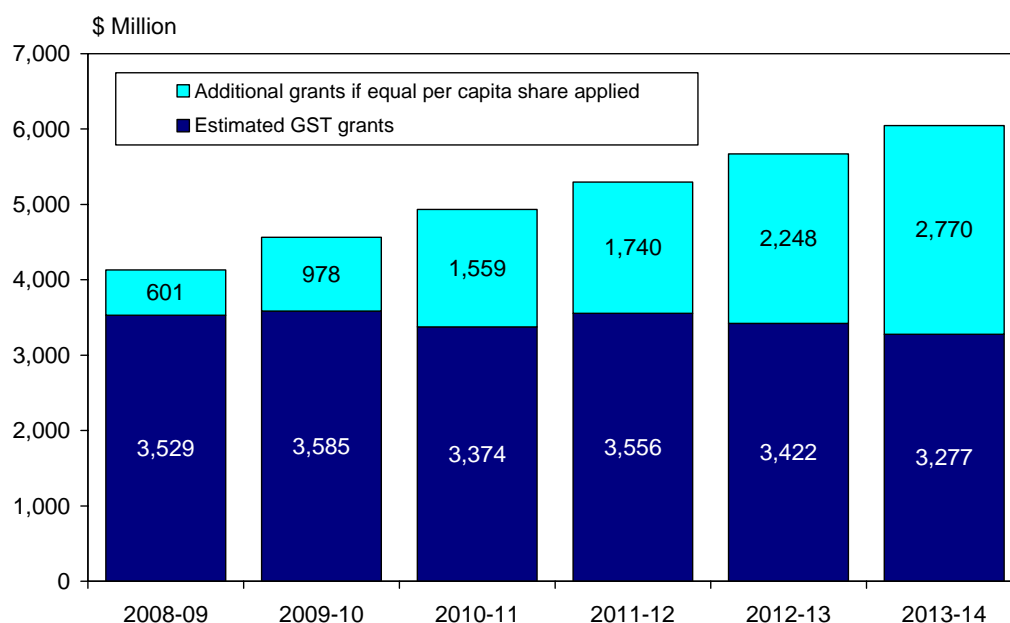
(a) Western Australia's relative per capita share of GST grants, which is the ratio of Western Australia's GST grant share to Western Australia's population share.

(b) These relativity projections will differ from those published in the Commonwealth Budget Papers, as they reflect projected changes in the relative revenue raising capacity of the States and Territories, which are not reflected in the equivalent Commonwealth's projections.

Over the four years from 2010-11, Western Australia's GST grants will be \$8.3 billion lower than if the State received an equal per capita share of GST revenues (see Figure 7).

REDUCTION IN WESTERN AUSTRALIA'S GST REVENUE GRANTS (a)

Figure 7



(a) These forecasts are based on relativity projections that differ from those published in the Commonwealth Budget Papers, as they reflect projected changes in the relative revenue raising capacity of the States and Territories, which are not reflected in the equivalent Commonwealth's projections.

Source: Department of Treasury and Finance estimates.

Western Australia's declining GST share is likely to further increase the State's overall net contribution to the Federation, which now stands at \$10.8 billion according to the Department of Treasury and Finance's latest (2008-09) estimates (see feature box on *Redistribution of Resources Across States by the Commonwealth*).

North West Shelf Grants

Under a long-standing arrangement with the Commonwealth Government, Western Australia receives grants in relation to the North West Shelf project. The value of these payments fluctuates according to the price and output of petroleum products (including crude oil, condensate and LNG).

North West Shelf grants (including compensation for changes in Commonwealth crude oil excise arrangements) are expected to increase by 14.5% to \$985 million in 2010-11. This reflects an assumed increase in energy prices, and an expected rise in the production of LNG. Average annual growth of 3.8% is projected for the period 2011-12 to 2013-14.

Redistribution of Resources across States by the Commonwealth

The allocation of GST revenue grants to State governments to achieve 'fiscal equalisation' (rather than on the basis of where the GST is generated), is a highly visible example of a Commonwealth policy that redistributes resources across States.

However, many other Commonwealth fiscal policies also have the effect of redistributing resources between States. States with higher incomes and business profits contribute more to total Commonwealth taxes, while those with younger and healthier populations, or better economic conditions, draw less on social security and health benefits.

The Department of Treasury and Finance annually estimates the net impact of this redistribution by the Commonwealth on each State. Results using the latest available data (for 2008-09) are shown in Table 9, together with the 'GST only' redistribution for comparison purposes. (A positive figure for a State indicates that it makes a net contribution to the Commonwealth.)

Table 9

NET REDISTRIBUTION OF RESOURCES2008-09 ^(a)

	GST only ^(b)		Total Resources	
	\$m	\$ per capita	\$m	\$ per capita
New South Wales	2,802	396	5,634	796
Victoria	904	168	-488	-91
Queensland	-362	-83	-2,275	-521
Western Australia	297	134	10,814	4,887
South Australia	-1,014	-629	-6,950	-4,307
Tasmania	-784	-1,564	-3,735	-7,458
Northern Territory	-1,842	-8,260	-3,000	-13,453
Total	0	0	0	0

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 publication 5220.0. Results are based on the latest available data. Some data has been proxied by escalating earlier data using relevant economic indicators.

(a) All Commonwealth outlays and revenue relating to the Australian Capital Territory are allocated to the other States according to population shares. This recognises that the ACT would be unlikely to exist as a separate entity if the federation dissolved.

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

In 2008-09 it is estimated that the Commonwealth derived \$38.1 billion in revenue from Western Australia, while expenditure for the benefit of the State (including the State's share of the Commonwealth deficit) totalled only \$27.3 billion, yielding a net contribution to the federation from Western Australia of \$10.8 billion.

Western Australia's contribution to the federation is much greater (in both absolute and per capita terms) than New South Wales, the only other contributor.

Table 10 provides the 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 varies from its population share. It shows that Western Australia's net contribution to the federation is largely driven by the high level of Commonwealth revenue derived from the State (e.g. personal income tax, company tax and petroleum extraction revenue). In addition, the State makes a significant contribution through its low draw on Commonwealth social security and health payments and the low level of Commonwealth spending on services in the State. Western Australia's falling GST share is also contributing to its net contribution to the federation.

Table 10

COMPONENTS OF WESTERN AUSTRALIA'S NET CONTRIBUTION TO THE COMMONWEALTH

Relative to Western Australia's Population Share

	2006-07	2007-08	2008-09
	\$m	\$m	\$m
	(revised)	(revised)	(preliminary)
Personal Income Tax	1,808	2,824	2,681
Company Tax	3,065	3,866	3,401
Fuel Excise (net of rebates)	231	338	262
Taxes and Royalties on Petroleum Extraction ^(a)	1,293	1,232	1,607
Commonwealth Services ^(b)	894	1,030	1,096
Personal Benefit Payments	746	841	1,228
Net impact of GST	-203	49	297
<i>GST Collections</i>	-170	-215	-286
<i>GST Grants</i>	-33	264	583
Other Grants to State and Local Governments ^(c)	-71	-33	146
Other	-435	-648	97
Total	7,329	9,499	10,814

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 publication 5220.0. Results are based on the latest available data. Some data has been proxied by escalating earlier data using relevant economic indicators.

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

(b) Departmental expenditures, including defence.

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

Payments for Specific Purposes (PSPs)

PSPs are grants from the Commonwealth to the States for specific activities, and under major reforms agreed by COAG (taking effect from 1 January 2009), comprise National Specific Purpose Payments (SPPs), National Partnership (NP) payments and certain other payments.

- There are five SPPs, for health, school education, vocational education and training, disability services, and housing. These payments comprise an estimated \$1.9 billion for Western Australia in 2010-11. They are ongoing, with indexation arrangements (subject to periodic review) and have no conditions attached other than to be spent in the relevant area and for spending in these areas to be reported.
- There are many NPs, comprising (together with other non-SPP payments) an estimated \$1.9 billion for Western Australia in 2010-11. NPs are generally time limited and funding to States is usually contingent on the achievement of milestones or targets.⁵

⁵ Guidelines for developing NPs have been agreed and are available on www.federalfinancialrelations.gov.au. Heads of Treasuries are undertaking a review of all NPs, as well as National Agreements in major areas of service provision.

Distinctions are also made between:

- PSPs ‘to’ the State, that support specific areas of State responsibility (this includes all the SPPs apart from the private schools component of the school education SPP); and
- PSPs that are channelled ‘through’ the State, primarily to local governments and private schools. First Home Owners Boost payments are also included in this category.

In 2010-11, Western Australia expects to receive around \$3.9 billion in PSPs ‘to’ the State, a decrease of 8.7% compared with 2009-10. This is largely due to lower grants provided under the Commonwealth’s *Nation Building and Jobs Plan* (\$1.1 billion for 2009-10, declining to \$634 million in 2010-11).

Over the outyears, PSPs ‘to’ the State are projected to decline by an average 3.7% per annum as the *Nation Building and Jobs Plan* is completed and other NP payments are concluded, offsetting the growth in SPPs.

Commonwealth PSPs that pass ‘through’ the State’s accounts are expected to decline by 16.5% in 2010-11 and 9.6% in 2011-12, primarily reflecting the cessation of payments relating to the Commonwealth’s First Home Owners Boost and Building the Education Revolution program. Growth is expected to resume after 2011-12.

PAYMENTS FOR SPECIFIC PURPOSES Western Australia

Table 11

	2010-11 Budget Estimate	Share of total PSPs
	\$m	%
Payments ‘To’ the State – SPPs		
National Healthcare Agreement	1,228	25
National Education Agreement	352	7
National Skills and Workforce Development Agreement	135	3
National Disability Agreement	94	2
National Affordable Housing Agreement	127	3
Other Payments ‘To’ the State		
<i>Nation Building and Jobs Plan</i>	634	13
Health	325	7
Housing	100	2
Roads	245	5
Other ^(a)	612	12
Payments ‘Through’ the State		
Non-government Schools Assistance	887	18
Local Government Financial Assistance Grants	143	3
Local Government Roads	95	2
Other	25	1
Total PSPs	5,002	100

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

Note: Columns may not add due to rounding.

Royalty Income

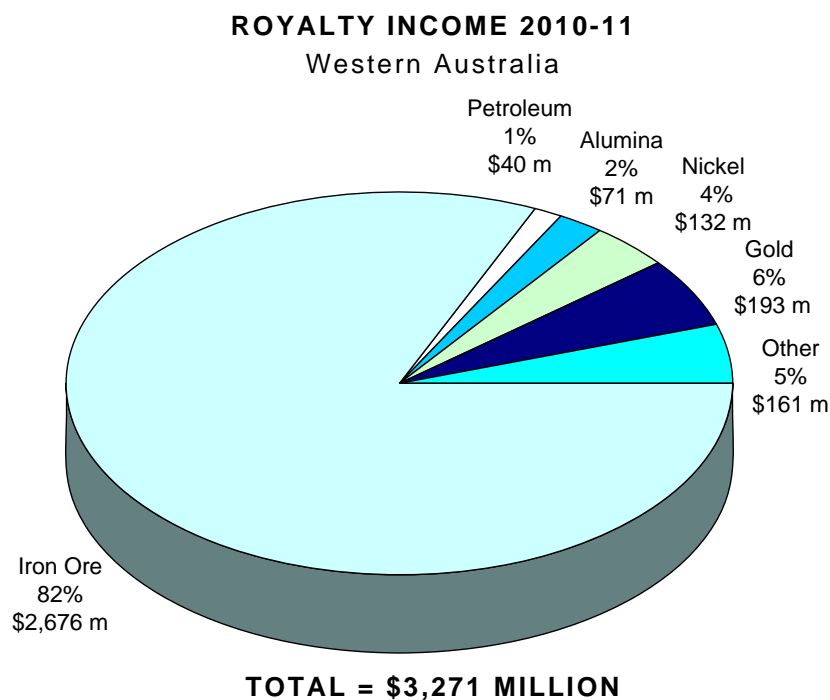
Summary

Despite renewed strength in global commodity markets, royalty income is expected to decline by 5.6% or \$131 million in 2009-10. This reflects the impact of the higher \$US/\$A exchange rate (which reduces the domestic currency value of commodity exports), and a decline in benchmark iron ore prices during the 2009-10 Japanese financial year. These factors have offset a strong rise in the volume of commodity exports in 2009-10.

In 2010-11, royalty income is expected to rise substantially, with the key driver being a recent surge in iron ore prices. Combined with growth in other royalties, total royalty income is expected to rise by 47.6% or \$1,055 million in 2010-11.

Royalty income is projected to grow at a solid pace in 2011-12, but moderate in the outyears, mainly reflecting an expectation that some commodity prices (particularly iron ore) will ease from current high levels.

Figure 8



Reflecting substantial growth in past years, iron ore royalties are expected to account for the lion's share of Western Australia's royalty collections in 2010-11 (82%), while the remainder is spread across a broad range of resource commodities, including gold, nickel, alumina and petroleum.

Table 12

ROYALTY INCOME
Western Australia

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
Iron Ore	1,933	1,720	2,676	2,970	3,062	2,929
Petroleum	21	30	40	42	43	41
Alumina	72	64	71	83	93	101
Diamonds	20	15	16	17	21	27
Mineral Sands	24	22	11	15	14	15
Nickel	62	87	132	142	131	105
Gold	126	160	193	198	188	195
Other	91	119	133	133	121	122
Total Royalty Income	2,348	2,217	3,271	3,598	3,673	3,535

Note: Columns may not add due to rounding.

Assumptions

Key assumptions underpinning the royalty income estimates are outlined in the following table.

Table 13

KEY ASSUMPTIONS
Royalty Income Estimates

	2009-10	2010-11	2011-12	2012-13	2013-14
Exchange Rate (US cents per \$A)	92.0 ^(a)	88.5	83.5	79.0	74.5
Iron Ore Price (\$US per tonne)	61.7	107.4	96.5	85.7	74.9
Oil Price (\$US per barrel)	82.5 ^(a)	86.8	88.4	89.2	89.8

(a) Estimated average for the remainder of 2009-10.

The mining production estimates that underpin the royalty income forecasts are guided by a confidential survey undertaken by the Department of Mines and Petroleum⁶. 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).

As noted elsewhere in this chapter, the Commonwealth's proposed 40% Resource 'Super Profits' Tax, to apply from 1 July 2012, was announced after the economic forecasts in this budget were finalised. The risks and uncertainties leading up to the planned introduction of this tax could deter investment in the State's resources sector, which would adversely impact the economic forecasts underpinning this budget.

Further detail on the outlook for royalty income is set out below.

⁶ The data provided to the Department of Treasury and Finance is aggregated at a commodity level.

Detail

Iron ore

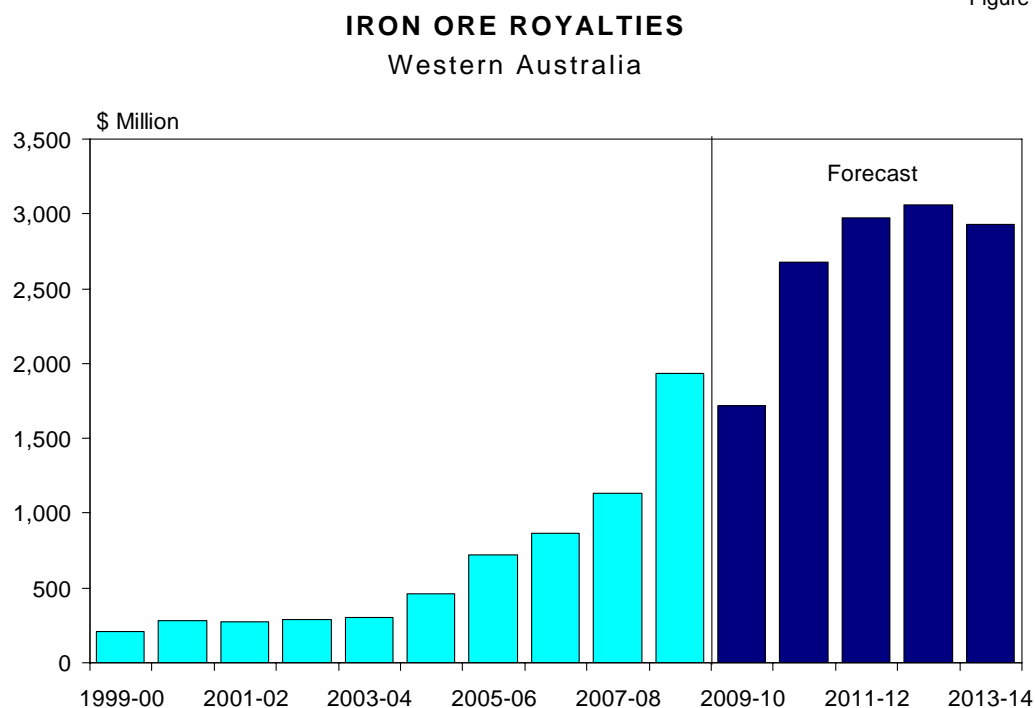
Iron ore royalties have decreased so far in 2009-10, with a substantial rise in the \$US/\$A exchange rate and a reduction in benchmark prices during the 2009-10 Japanese financial year offsetting a strong rise in the volume of iron ore shipments.

However, a recent surge in prices means that iron ore royalties are set to rebound sharply in 2010-11. Major producers have recently agreed with a number of Asian steel mills to abandon the traditional annual benchmark pricing system in favour of shorter-term contracts with direct links to spot prices. For the June quarter 2010, this implies a realised price of approximately \$US115 per tonne, an increase of roughly 90% relative to last year's benchmark price.

The sharp escalation in prices reflects strong international demand, especially in China, against a backdrop of a relatively limited global supply response (even though domestic production has increased strongly in 2009-10). However, prices are likely to ease over time, as supply expands due to the large number of projects that are currently underway, both in Western Australia and overseas. For forecasting purposes, it is assumed that prices will return to \$US70 per tonne by the June quarter 2014, which is broadly consistent with recent private sector expectations.

As indicated above, domestic shipments of iron ore have been strong in 2009-10. This partly reflects a relatively low base in 2008-09 (due to the global financial crisis), as well as solid contributions from recently completed projects, including BHP Billiton's Rapid Growth Project 4 and expansions at Rio Tinto's projects. Total iron ore shipments in 2009-10 are expected to rise to 379 million tonnes, an increase of 20.3% relative to 2008-09. Further solid growth in iron ore shipments is expected over the outyears (an annual average increase of 8.1% per annum).

Figure 9



Combined with the price assumption outlined above, total iron ore royalties are projected to grow by 55.6% or \$956 million to \$2.7 billion in 2010-11. In the outyears, iron ore royalties are expected to consolidate at a high level.

In contrast to the 2009-10 mid-year review, these forecasts are based on an assumption of no change in iron ore royalty rates. Previously, it had been assumed that royalty rates in State Agreement Acts for iron ore fines would increase from 3.75% to 5.625% in relation to new production (with effect from 1 July 2010). This was a policy of the previous State Government that was incorporated into the 2008-09 *Pre-election Financial Projections Statement*. The revenue impact of this change, based on the exchange rate, iron ore price and production assumptions in this budget, is an estimated reduction in royalties of \$84 million in 2010-11, and a total of \$373 million over the forward estimates period.

Developments in the Global Iron Ore Market

In March 2010, BHP Billiton announced that it had reached agreement with various customers in Asia to price iron ore on a shorter-term 'landed price equivalent basis'. This marked a significant departure from the annual benchmark pricing system, which had been a feature of the global iron ore market for a number of decades.

It is now assumed that all domestic producers will set prices on a quarterly basis, with direct links to the average spot price in the preceding quarter (due to the commercial-in-confidence nature of these agreements, the precise pricing arrangements are unknown).

The new pricing system introduces an additional source of uncertainty into the revenue forecasting process. Previously, the \$US price of iron ore for the budget year was often known in advance of the budget cut-off date. Prices will now change at least quarterly (and perhaps more frequently), based on movements in spot markets (which are themselves inherently volatile).

This creates a particular challenge for revenue forecasting purposes. Due to strong growth in iron ore royalties in recent years, revenue has become very sensitive to movements in iron ore prices. It is currently estimated that each \$US1 per tonne movement in realised prices results in a \$24 million per annum change in iron ore royalties.

Petroleum

Petroleum royalties are projected to grow by 31.9% or \$10 million in 2010-11, with higher energy prices offsetting a moderate decline in production.

In 2011-12 and 2012-13, petroleum royalties are expected to grow by 4.2% and 3.6% respectively, before contracting by 5.3% in 2013-14. This is mainly due to an expected decline in production from existing oil and gas fields, which is expected to counteract the impact of higher prices.

Alumina

Alumina royalties are expected to increase over the budget period, with prices improving as world economic activity strengthens. Alumina royalties are projected to grow by 10.8% or \$7 million in 2010-11, and by an average of 12.8% per annum in the outyears.

Diamonds

Diamond royalties are forecast to remain steady in 2010-11 and 2011-12, with prices and domestic output stabilising after a significant decline in global diamond markets during 2009-10. In 2012-13 and 2013-14, diamond royalties are expected to grow strongly, buoyed by an increase in production capacity at the Argyle diamond mine.

Mineral Sands

Mineral sand royalties are expected to fall in 2010-11 and remain relatively subdued over the forecast period. This is mainly due to an assumed decline in production, particularly for zircon, rutile and ilmenite.

Nickel

Domestic production of nickel is likely to contract in 2009-10, largely due to the closure of several mines in the aftermath of the global financial crisis. However, a more recent recovery in prices means that nickel royalties are expected to increase by 40.7% or \$25 million in 2009-10.

A further strong increase in nickel royalties is expected in 2010-11 (up 51% or \$44 million), mainly due to a looming recovery in output (in part driven by the expansion of current projects). Moderate growth in nickel royalties is anticipated for the outyears.

Gold

Reflecting its traditional role as a safe-haven investment and store of value, the price of gold has been particularly strong over the past 12 months. With domestic output also increasing at a solid pace, gold royalties are expected to grow by 27% or \$34 million in 2009-10.

Prices are assumed to remain at current high levels in 2010-11 and over the forward estimates period. Gold production is expected to strengthen in 2010-11, but moderate over the outyears due to a decline in output from existing operations. Consequently, gold royalties are forecast to grow by 20.2% or \$32 million in 2010-11, but moderate over the period 2011-12 to 2013-14.

Other Revenue

Sales of Goods and Services

Sales of goods and services revenue is forecast to grow by \$105 million or 6.7% in 2010-11 and by similar rates of growth over the period to 2013-14. These projections reflect the impact of a steadily growing population and economy on the demand for State government goods and services.

Interest Income

Revenue on interest earning investments, such as cash and other liquid financial assets, is projected to be \$253 million in 2010-11. This represents a \$54 million or 27% increase on the expected outturn for 2009-10, and mainly reflects the impact of higher interest rates.

The outyears assume that declines in forecast holdings of interest bearing assets are largely offset by stabilising interest rates, resulting in largely flat interest income projections beyond 2010-11.

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 2010-11 is estimated to be \$1.0 billion, comprising \$365 million in income tax equivalent payments, \$13 million in local government rate equivalent payments, and \$661 million in dividend payments. This is a decrease of \$23 million or 2.2 % from the estimated outturn for 2009-10.

REVENUE FROM PUBLIC CORPORATIONS

Table 14

	2008-09 Actual \$m	2009-10 Estimated Actual \$m	2010-11 Budget Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m
Income Tax Equivalent	344	383	365	409	594	707
Local Government Rate Equivalent	11	11	13	13	13	13
Dividends	466	666	661	705	949	1,018
TOTAL	821	1,061	1,038	1,126	1,555	1,738

Note: Columns may not add due to rounding.

A more detailed overview of revenues from individual public corporations can be found in Appendix 8: *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.

At \$386 million, 'other' revenue is forecast to grow by \$20 million (or 5.6%) in 2010-11. This mainly reflects movements in projected revenue from traffic infringements.

Beyond 2010-11, 'other' revenue is anticipated to be largely flat, reflecting the uncertainties of projecting movements in these 'lumpy' revenue sources.

General Government Expenses

Overview

This chapter outlines, by portfolio and agency, policy decisions taken by the Government since the 2009-10 mid-year review that impact general government expenses (i.e. recurrent spending by general government sector agencies such as the Departments of Health and Education). Policy decisions impacting capital spending (i.e. the Asset Investment Program) are outlined in Chapter 6: *Asset Investment*.

The 2010-11 Budget has been framed with the key objectives of improving outcomes in key service delivery areas and addressing structural issues that will provide support to the State's economy, while ensuring the State's finances remain strong and consistent with the triple-A credit rating.

Improving Key Service Delivery

Health

Relative to the estimated outturn for 2009-10, spending on health services will increase by \$348 million or 6.7% in 2010-11 to \$5.6 billion. Key initiatives funded as part of this budget include:

- an additional \$1.1 billion over five years, including \$210 million in 2009-10, to accommodate cost and activity increases in the health system, including inpatient, outpatient and emergency department activity;
 - this substantial funding injection will place the Department of Health on a more financially sustainable setting and facilitate the progressive implementation of activity based funding (ABF) over next three years. The ABF model is based on the provision of 'like resources for like activity' and will promote equity, transparency, efficiency and certainty in the development and management of health budgets;

- \$149.6 million over four years (including \$26.1 million from *Royalties for Regions*) for new and expanded ambulance services across metropolitan and regional areas of the State; and
- \$49.7 million over four years to improve access to community child health services, with a focus on speech pathology, occupational therapy and physiotherapy.

Education

Key education-related initiatives funded as part of this budget include:

- additional expenditure of \$19.3 million over four years to facilitate the continued implementation of the Independent Public Schools initiative. This initiative was launched in 2010 with 34 independent public schools successfully introduced, and will be further rolled out to other schools during 2011 and 2012;
- \$69.7 million over four years to address growth in student numbers;
- \$21.8 million over four years to provide adequate curriculum access for students as the half cohort moves through secondary education;
- additional expenditure of \$13.9 million over 2009-10 and 2010-11 to ensure equitable access to intensive English language support to children on temporary 457 visas from non-English speaking backgrounds; and
- \$5 million in 2010-11 to prepare Western Australian schools for the implementation of the National Curriculum.

Law and Order

Spending by Western Australia Police and the Departments of Corrective Services and the Attorney General will increase by \$140.7 million (or 6.9%) to \$2.2 billion in 2010-11. Key initiatives funded as part of this budget include:

- additional expenditure of \$161 million over four years to meet the projected increase in the prisoner population arising from the Government's law and order commitments and the general tightening of parole eligibility conditions;
- \$43.9 million over four years to expand youth justice services in the Kimberley and Pilbara, funded from *Royalties for Regions*;
- \$13.2 million over four years to tackle illicit drugs in the community, including the implementation of Cannabis Law reform, and additional resources to detect and dismantle clandestine drug laboratories ; and
- \$5.1 million over four years for the implementation of the Government's response to the recommendations of the Coroner's report into the death of Mr Ward, with a further \$2.5 million in capital spending to upgrade the Western Australia Police's security vehicles in regional and remote areas.

Communities

Strong growth in spending on social services in the 2010-11 Budget demonstrates the Government's commitment to ensuring the most vulnerable members of the community are supported with high quality services.

Spending on child protection services will increase by \$43.5 million or 10.9% in 2010-11, reflecting increased funding for the continued reform and expansion of residential care services (\$16.2 million), demand growth associated with the delivery of statutory services (\$13.3 million), the Hardship Utility Grants Scheme and financial counselling (\$4.2 million), and the expansion of Responsible Parenting Services to regional areas (\$2.8 million).

Disability services spending is forecast to increase by \$51.9 million or 10.6% in 2010-11, mainly as a result of increased funding for accommodation and preventative services (\$14.9 million), growth and indexation funding received under the National Disability Agreement (\$16.4 million), additional indexation funding for disability sector organisations (\$8.2 million), and increased funding for accommodation support (\$5.2 million).

This budget also includes two key initiatives to boost the capacity of the community sector to meet future demand and move towards a more sustainable financial footing:

- \$10 million in 2010-11 for the creation of a Community Development Investment Fund to provide low-interest loans for capital purposes to community sector organisations that wish to develop as community employers or social enterprises; and
- \$2 million in 2010-11 and \$4 million per annum thereafter for a Social Innovation Grants program to expand the capacity of the community sector to develop and trial new ways of delivering human services.

Addressing Structural Issues

In addition to improving key service delivery, the 2010-11 Budget includes a number of initiatives to address structural impediments to growth in the State's economy and ensure that Western Australia is well placed to maximise the benefits of economic growth.

Skilled Labour Supply

In addition to the significant growth already factored into the forward estimates, the Government has approved a further \$19.4 million over 2009-10 and 2010-11 to meet unmet training demand through the purchase of an additional 7,600 training places. This growth means that the number of training places will rise from 134,000 in 2008 to 156,000 in 2011.

Housing Supply and Affordability

The Housing Authority is undertaking a range of initiatives to help address housing affordability, including partnerships with registered Community Housing Organisations to support the growth of the not-for-profit housing sector. In addition, the Government has established an Office of Land and Housing Supply to ensure a comprehensive and coordinated approach to housing affordability issues.

Approvals Processes

In 2009 the Government established the Ministerial Taskforce on Approvals, Development and Sustainability. Administrative reforms steered by the Taskforce have improved the time taken to approve applications and grant permits. This includes reducing the backlog of applications for tenure under the *Mining Act 1978* from over 10,000 at 31 December 2008 to 8,384 at 1 April 2010.

This budget includes an additional \$8 million over four years to automate the approvals system for the mining industry. The system will enable industry participants to lodge, pay for, and track mining and petroleum approvals online.

The Government has also created an independent and autonomous Office of the Environmental Protection Authority to meet the growing complexity, size and demands of development assessments in the State.

Local Government Reform

Recognising that the effectiveness of local governments is constrained by historically derived boundaries and structures and its fragmented and duplicated systems, the Government has committed to assist local governments undertake reform. The Local Government Reform Strategy is aimed at creating fewer, but stronger, local governments that are better able to deliver services to their communities. The Government is committing \$10.3 million over two years to support local governments undertaking amalgamations and reform.

Expense Policy Decisions (by Portfolio)

Summary

Expense policy decisions by agency since the 2009-10 mid-year review are summarised in the following table. It should be noted that this table (and the following commentary) only includes expense changes classified as policy decisions. Other expense movements caused by parameter-driven factors (such as higher costs of, or increased demand for, services) are summarised in Chapter 3: *Fiscal Strategy and Financial Projections* and outlined in more detail in Budget Paper No. 2: *Budget Statements*.

Table 1

SUMMARY OF EXPENSE POLICY DECISIONS BY AGENCY SINCE THE 2009-10 MID-YEAR REVIEW

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	Total \$m
Premier and Cabinet	-	5.4	8.2	5.6	6.1	25.2
Public Sector Commission	0.6	-	-	-	-	0.6
State Development	33.9	48.9	37.5	15.2	15.1	150.6
Treasury and Finance	0.5	0.2	0.2	0.2	0.2	1.4
WA Health	-	35.2	52.9	64.7	62.5	215.3
Fisheries	-	-	0.9	0.9	1.0	2.8
Mines and Petroleum	0.1	2.9	4.7	7.2	9.2	24.0
Regional Development and Lands	-	18.3	40.8	43.5	6.5	109.0
Kimberley Development Commission	15.0	-	-	-	-	15.0
Western Australian Land Authority ^(a)	-	1.0	-	-	-	1.0
Country High School Hostels Authority	0.2	-	-	-	-	0.2
Curriculum Council	-	12.7	-	-	-	12.7
Education	7.1	12.2	7.1	6.9	5.2	38.4
Education Services	-	1.4	0.8	0.8	0.8	3.8
Western Australia Tourism Commission	0.1	10.1	3.7	0.8	-	14.6
Commissioner of Main Roads	-	23.2	23.7	23.0	23.0	93.0
Public Transport Authority ^(a)	-0.4	8.4	9.8	14.6	19.5	51.9
Transport	3.1	14.6	10.1	8.8	8.8	45.4
Fire and Emergency Services Authority	7.3	26.1	32.5	31.1	38.5	135.6
Western Australia Police	1.0	2.6	2.3	2.3	4.2	12.5
Western Australian Sports Centre Trust	-	0.4	0.4	0.4	1.3	2.4
Culture and the Arts	2.2	6.2	1.9	2.0	2.0	14.3
Planning	1.1	0.3	1.1	0.6	0.3	3.4
Office of Energy	2.7	6.7	1.1	0.7	-	11.3
Training and Workforce Development	9.6	11.4	1.5	-	-	22.5
Western Power ^(a)	7.3	-	-	-	-	7.3
Attorney General	-	1.3	1.6	1.7	1.0	5.6
Corrective Services	0.4	4.0	12.7	15.5	16.0	48.5
Office of the Inspector of Custodial Services	-	0.6	0.6	0.6	0.7	2.5
Child Protection	2.2	2.8	6.5	9.3	9.3	30.2
Communities ^(b)	-	1.7	2.7	3.5	0.5	8.3
Heritage Council of Western Australia	-	0.3	-	-	-	0.3
Local Government	-	7.2	3.1	-	-	10.3
Agriculture and Food	2.3	18.7	10.8	10.9	10.0	52.8
Swan River Trust	1.0	2.0	-	-	-	3.0
Commerce	-	8.0	17.0	15.0	-	40.0
Housing Authority	-	20.4	-	-	-	20.4
Global Provision – Voluntary Severances	30.0	-15.0	-15.0	-15.0	-15.0	-30.0
TOTAL	127.3	299.9	281.2	271.0	226.8	1,206.2

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

(b) The Department for Communities appears twice in the ministerial portfolio tables that follow.

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

PREMIER; TREASURER; MINISTER FOR STATE DEVELOPMENT

Table 2

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING GENERAL GOVERNMENT EXPENSES					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Premier and Cabinet					
- Commonwealth Heads of Government Meeting (CHOGM) and Royal Visit	-	2.5	3.1	-	-
- Community Development Investment Fund and Social Innovation Grants Program	-	2.9	5.1	5.6	6.1
- <i>Total</i>	-	5.4	8.2	5.6	6.1
Public Sector Commission					
- Public Sector Reform	0.6	-	-	-	-
- <i>Total</i>	0.6	-	-	-	-
State Development					
- Oakajee Port and Rail Project	5.2	6.1	4.5	3.2	2.7
- Browse Liquefied Natural Gas (LNG) Precinct Project	28.7	40.3	32.9	12.1	12.5
- Anketell Strategic Industrial Area	-	2.5	-	-	-
- <i>Total</i>	33.9	48.9	37.5	15.2	15.1
Treasury and Finance					
- Royalties for Regions – Ngarluma Aboriginal Sustainable Housing (NASH) Project – Roebourne	0.5	-	-	-	-
- Shark Hazard Response	-	0.2	0.2	0.2	0.2
- <i>Total</i>	0.5	0.2	0.2	0.2	0.2
PORTFOLIO TOTAL	35.0	54.5	45.9	21.1	21.4

Note: Columns may not add due to rounding.

Premier and Cabinet

Commonwealth Heads of Government Meeting (CHOGM) and Royal Visit

A total of \$5.6 million will be spent over two years from 2010-11 on the preparation and coordination of the Commonwealth Heads of Government Meeting and the concurrent Royal Visit, which is scheduled to occur in late 2011.

Community Development Investment Fund and Social Innovation Grants Program

Recurrent funding of \$19.7 million has been provided over four years from 2010-11 to meet the cost of providing low-interest loans to assist in building the financial sustainability of community sector organisations and for a grants program to stimulate social innovation in the delivery of human services.

Public Sector Commission

Public Sector Reform

In 2009-10, \$0.6 million will be allocated to the Special Counsel who will advise the Government on legislative requirements to implement public sector reform.

State Development

Oakajee Port and Rail Project

A total of \$21.7 million will be spent over five years to fund salary costs for additional FTEs, legal and commercial advice and technical studies for the port, industrial corridor and rail components of the Oakajee Port and Rail project.

Key components include the review and approval of a Bankable Feasibility Study, the evaluation and execution of Port and Rail Implementation Agreements, the development of a Port Master Plan, technical reviews of a detailed rail design and the negotiation of commercial arrangements with proponents.

State Development will provide grant funding of \$1.4 million to the Geraldton Port Authority, \$0.8 million to the Public Transport Authority and \$0.2 million to the Western Australian Land Authority to fund those agencies' activities in relation to this project.

Browse Liquefied Natural Gas (LNG) Precinct Project

A total of \$126.5 million will be spent over five years from 2009-10 to meet the cost of salaries, a strategic assessment, environmental and social studies, and legal work related to this project. It also includes funding to the Kimberley Land Council and the negotiation of associated agreements.

A major component of the total cost is a Regional Benefits Agreement (\$85.1 million), which aims to compensate traditional owners for the impact of the project on native title rights and contribute towards the social, health and economic needs of indigenous people in the Kimberley. Of the total amount to be spent, \$15.7 million will be contributed by the industry proponent.

Anketell Strategic Industrial Area

A total of \$2.5 million will be spent in 2010-11 to cover legal, commercial and technical advice costs associated with the negotiation of an Industrial Development Agreement and Native Title negotiations for the development of a deepwater port and strategic industrial area at Mount Anketell in the Pilbara.

Treasury and Finance

Royalties for Regions – Ngarluma Aboriginal Sustainable Housing (NASH) Project – Roebourne

An amount of \$0.5 million has been allocated from *Royalties for Regions* in 2009-10 to facilitate detailed implementation planning in relation to the NASH project in Roebourne.

Shark Hazard Response

A total of \$0.9 million will be spent over four years from 2010-11 for mid-week aerial shark patrols. This is an expansion of the aerial patrols that occur on weekends and public holidays.

DEPUTY PREMIER; MINISTER FOR HEALTH; INDIGENOUS AFFAIRS

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING GENERAL GOVERNMENT EXPENSES					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
WA Health					
- State Ambulance Service	-	26.3	35.7	43.8	43.9
- Community Child Health	-	7.0	11.0	14.9	16.7
- Royalties for Regions – Rural Generalist Pathways	-	0.1	4.3	4.1	-
- Royalties for Regions – Pilbara Cardio Vision Program	-	0.5	0.2	0.2	0.2
- Cannabis Law Reform	-	1.1	1.7	1.6	1.7
- Senior Keep Fit Classes	-	0.2	-	-	-
- <i>Total</i>	-	35.2	52.9	64.7	62.5
PORTFOLIO TOTAL	-	35.2	52.9	64.7	62.5

Note: Columns may not add due to rounding.

WA Health

State Ambulance Service

In response to the State Government's review of ambulance services, a total of \$149.6 million (including \$26.1 million from *Royalties for Regions*) over four years from 2010-11 will be spent on new and expanded ambulance services across metropolitan and regional areas of the State. This will provide additional paramedics and transport officers, and further training and support for volunteers, to improve the efficiency of the system and deliver better response times for emergency situations.

Community Child Health

The Government has approved additional expenditure of \$49.7 million over four years from 2010-11 to improve access to community child health services with a focus on speech pathology, occupational therapy and physiotherapy, significantly reducing waiting times for children seeking to access child health services, and partnering with the community sector to deliver innovation and value for money.

Royalties for Regions – Rural Generalist Pathways

An amount of \$8.5 million over three years from 2010-11 from *Royalties for Regions* will be spent on the development of a Rural Generalist Pathway program. This expenditure will assist with accommodation, relocation and travel costs for the placement of junior doctors and medical education staff in rural sites and encourage the longer term placement of doctors in regional areas of the State.

Royalties for Regions – Pilbara Cardio Vision Program

Additional spending of \$1.2 million over four years from 2010-11 from *Royalties for Regions* will provide for a major cardiovascular disease screening program that is designed to address poor health outcomes for indigenous people in the Pilbara, and will include heart ultrasounds with cardiologist involvement and primary care support.

Cannabis Law Reform

In partnership with the Western Australia Police and the Department of Corrective Services, the Department of Health will spend a total of \$6.1 million over four years from 2010-11, to give effect to the cannabis law reforms contained in the *Tackling Illicit Drugs in our Community: Law Enforcement* policy document. These reforms will be enacted through legislative amendments to the *Misuse of Drugs Act 1981* and the *Young Offenders Act 1994*.

Senior Keep Fit Classes

In 2010-11, \$0.2 million will be spent by the Department of Health to engage the Council of the Ageing to deliver Seniors Keep Fit Classes.

Cost and Activity Increases

While classified as a parameter change rather than a policy decision, this budget includes an additional \$1,116 million over five years, including \$210 million in 2009-10, to provide enhanced capacity to accommodate cost and activity increases in the health system. This substantial expenditure increase will place the Department of Health on a more financially sustainable setting, and facilitate the progressive implementation of activity based funding over next three years with a focus on improving accountability and efficiencies in the delivery of quality healthcare.

MINISTER FOR MINES AND PETROLEUM; FISHERIES; ELECTORAL AFFAIRS

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING GENERAL GOVERNMENT EXPENSES					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Fisheries					
- Camden Sound Marine Park Enforcement Program	-	-	0.9	0.9	1.0
- <i>Total</i>	-	-	0.9	0.9	1.0
Mines and Petroleum					
- Regulating the Introduction of Uranium Mining	-	0.7	0.8	0.8	0.8
- Petroleum Systems and Process Improvements	-	0.5	0.8	1.9	2.8
- Regulating the Gorgon Gas Project	-	-	1.0	1.5	2.5
- Data Centre Hosting Facilities – Upgrade and Transition	-	0.1	0.2	0.3	0.3
- Royalties Forecasting	-	0.2	0.2	0.2	0.2
- Approvals Process Automation	-	1.2	1.7	2.5	2.6
- Australian Prospectors and Miners Hall of Fame – Financial Assistance	0.1	0.2	-	-	-
- <i>Total</i>	0.1	2.9	4.7	7.2	9.2
PORTFOLIO TOTAL	0.1	2.9	5.6	8.1	10.1

Note: Columns may not add due to rounding.

Fisheries

Camden Sound Marine Park Enforcement Program

A total of \$2.8 million will be spent over three years, commencing in 2011-12, to facilitate the establishment of the Camden Sound Marine Park Enforcement Program through compliance, research and monitoring programs.

Mines and Petroleum

Regulating the Introduction of Uranium Mining

The Government has approved additional expenditure of \$3.1 million over four years from 2010-11 to regulate the environmental performance of uranium activities, including the assessment of mining proposals and programs of work and the development of community information and engagement strategies relating to uranium mining and exploration.

Petroleum Systems and Process Improvements

A total of \$6 million will be spent over four years from 2010-11 to meet the cost of investigations and prosecutions associated with the Varanus Island gas explosion, including the engagement of specialist staff to undertake integrity and safety compliance reviews, the amendment of legislation and strengthening the powers of investigation.

Regulating the Gorgon Gas Project

An amount of \$5 million will be spent over three years from 2011-12 to monitor and review the carbon dioxide sequestration activities associated with the Gorgon Gas project and to maximise benefits from existing petroleum developments through the management of State petroleum resources.

Data Centre Hosting Facilities – Upgrade and Transition

A total of \$0.9 million will be spent over four years from 2010-11 to fund the operational costs associated with the redevelopment of data centre hosting facilities at Mineral House to reduce future power and cooling requirements of information technology systems and infrastructure.

Royalties Forecasting

Additional expenditure of \$0.2 million per annum, commencing in 2010-11, has been approved to supplement the Department's annual mining survey and improve royalties forecasting. This includes costs associated with development of forecasting models and acquisition of data from alternate sources.

Approvals Process Automation

A total of \$8 million will be spent over four years to establish and maintain a seamless approvals system that will deliver to Government and proponents the necessary approvals within an acceptable timeframe and cost.

The program of work will assist the mining and petroleum industry by automating and providing online approvals related functionality that is consistent with best practice to enable industry to lodge, pay for and track mining and petroleum approvals online and assist with the development of a high level overview to enable end-to-end tracking of mining applications.

Australian Prospectors and Miners Hall of Fame – Financial Assistance

A total of \$0.4 million will be spent over two years from 2009-10 to provide support to the Australian Prospectors and Miners Hall of Fame. This will cover 50% of the normal operational losses of the facility as well as an outstanding liability to the Australian Taxation Office.

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

**POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW
AFFECTING GENERAL GOVERNMENT EXPENSES**

Table 5

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Regional Development and Lands –					
Royalties for Regions					
– Rangelands Reform Implementation	-	0.8	0.8	0.8	-
– Pilbara Infrastructure Australia	-	-	25.0	39.7	-
– Gascoyne Development Plan	-	9.6	15.0	3.0	6.5
– Carnarvon Fascine Redevelopment Planning	-	1.0	-	-	-
– Carnarvon Library and Art Centre	-	1.8	-	-	-
– Living Lakes (Feasibility and Planning)	-	0.6	-	-	-
– Ngarluma Aboriginal Sustainable Housing (NASH) Project – Roebourne	-	4.5	-	-	-
– <i>Total</i>	-	18.3	40.8	43.5	6.5
Kimberley Development Commission					
– Royalties for Regions – Indigenous Housing	15.0	-	-	-	-
– <i>Total</i>	15.0	-	-	-	-
Western Australian Land Authority					
– Royalties for Regions – Carnarvon Waterfront Development Planning Project ^(a)	-	1.0	-	-	-
– <i>Total</i>	-	1.0	-	-	-
PORTFOLIO TOTAL	15.0	19.3	40.8	43.5	6.5

(a) 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.

Regional Development and Lands

Royalties for Regions – Rangelands Reform Implementation

\$2.3 million will be spent over three years from 2010-11 from *Royalties for Regions* on the Rangelands Reform program to provide assistance to pastoralists who wish to diversify their land use. The project also seeks to deliver greater economic certainty to those who work in the rangelands and ultimately to the wider community in regional areas.

Royalties for Regions – Pilbara Infrastructure Australia

The Government's vision for Pilbara Cities is for modern vibrant cities and regional centres that will support and deliver a skilled workforce for major economic projects in the Pilbara.

Royalties for Regions will provide \$25 million in 2011-12 and \$39.7 million in 2012-13 to partner with the Australian Government to address the development of the region.

Royalties for Regions – Gascoyne Development Plan

The Gascoyne Development Plan, prepared by the Gascoyne Development Commission in consultation with the four local government authorities in the region (Carnarvon, Exmouth, Shark Bay and Upper Gascoyne), will provide a strategic direction for the Gascoyne region over next 10 years. \$34.1 million will be spent over four years from 2010-11 from *Royalties for Regions* to implement the Plan.

Royalties for Regions – Carnarvon Fascine Redevelopment Planning

Expenditure of \$1 million in 2010-11 from *Royalties for Regions* will enable the Shire of Carnarvon to begin remedial work on the Fascine wall and undertake the design and consultation process for improvement to the Fascine surrounds.

Royalties for Regions – Carnarvon Library and Art Centre

Expenditure of \$1.8 million in 2010-11 from *Royalties for Regions* will facilitate the upgrade and fit-out of the Carnarvon Regional Library and Art Gallery. This project is part of the community development and town centre revitalisation proposed under the Gascoyne Regional Development Plan.

Royalties for Regions – Living Lakes (Feasibility and Planning)

An amount of \$0.6 million will be spent in 2010-11 from *Royalties for Regions* to undertake a feasibility study of the Government's election commitment 'Living Lakes 2030' which aims to help revitalise the Wheatbelt. The Department, in conjunction with the Wheatbelt Development Commission, is scoping the possibility of an inland water-based system for community, social and economic benefits.

Royalties for Regions – Ngarluma Aboriginal Sustainable Housing (NASH) Project – Roebourne

A total of \$5 million from *Royalties for Regions* will be contributed to the delivery of the NASH project, which has the objective of developing and increasing housing accommodation in Roebourne. Of this amount, \$0.5 million has been provided to the Department of Treasury and Finance to oversee a consultancy in relation to the project.

Kimberley Development Commission

Royalties for Regions – Indigenous Housing

A total of \$15 million will be spent in 2009-10 to overcome constraints on indigenous housing provision in the Fitzroy Crossing, Kununurra and Halls Creek communities. An amount of \$5 million is to be provided to each of the three areas which have been targeted based on chronic shortages of social housing, coupled with the known ability and willingness of local indigenous groups in Fitzroy Crossing and Kununurra and the Shire of Halls Creek to provide access to land.

Western Australian Land Authority

Royalties for Regions – Carnarvon Waterfront Development Planning Project

\$1 million will be spent in 2010-11 from *Royalties for Regions* on a feasibility study for the Carnarvon Waterfront Development Project. The study will be undertaken in two stages, the first being to determine the suitability of a waterfront development. Subject to this having a positive outcome, Stage 2 will involve obtaining the necessary approvals and developing an implementation plan.

MINISTER FOR EDUCATION; TOURISM

Table 6

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING GENERAL GOVERNMENT EXPENSES					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Country High School Hostels Authority					
- Kununurra Aboriginal Student Hostel – Grant	0.2	-	-	-	-
- <i>Total</i>	0.2	-	-	-	-
Curriculum Council					
- Implementation of the National Curriculum	-	5.0	-	-	-
- Senior Schools Reform	-	7.7	-	-	-
- <i>Total</i>	-	12.7	-	-	-
Education					
- English as a Second Language – Support for Temporary 457 Visa Holders	6.9	7.0	-	-	-
- Independent Public Schools	-	3.3	5.2	5.0	5.2
- Royalties for Regions – Foodbank and Clontarf Colleges	0.2	1.8	1.9	1.9	-
- <i>Total</i>	7.1	12.2	7.1	6.9	5.2
Education Services					
- Strengthening the Financial Accountability of Non-Government Schools	-	0.8	0.8	0.8	0.8
- Independent Standards Function for Independent Public Schools	-	0.6	-	-	-
- <i>Total</i>	-	1.4	0.8	0.8	0.8
Western Australian Tourism Commission					
- Media and Marketing, Advertising and Consultants Savings	-	1.3	-	-	-
- Royalties for Regions – Western Australian Indigenous Tourism Operators Committee (WAITOC)	0.1	0.3	0.3	0.3	-
- A Better Future for Tourism in Western Australia	-	8.5	3.3	0.5	-
- <i>Total</i>	0.1	10.1	3.7	0.8	-
PORTFOLIO TOTAL	7.3	36.4	11.6	8.5	6.0

Note: Columns may not add due to rounding.

Country High School Hostels Authority

Kununurra Aboriginal Student Hostel - Grant

A grant of \$0.2 million in 2009-10 will be provided to the operator of the Kununurra Aboriginal Student Hostel, to assist in meeting the costs associated with connecting necessary utilities and services to the Hostel.

Curriculum Council

Implementation of the National Curriculum

\$5 million will be spent in 2010-11 to prepare Western Australian schools for implementation of the National Curriculum.

Senior Schools Reform

Additional expenditure of \$7.7 million in 2010-11 has been approved to undertake the final stage of Senior Schools Reform in the 2010 school year. The reform aims to modernise senior school courses and facilitate a more equitable student transition into post-school training and employment opportunities.

Education

English as a Second Language – Support for Temporary 457 Visa Holders

The Government has approved additional expenditure of \$13.9 million over two years from 2009-10 to provide English as a Second Language tuition in public schools to eligible migrant students holding a temporary 457 visa.

Independent Public Schools

Additional expenditure of \$18.7 million over four years from 2010-11 has been approved to facilitate the continued implementation of Independent Public Schools (IPS), the key reform initiative approved in line with the Government's election commitment of *Empowering School Communities*. The IPS initiative provides schools with greater autonomy to set the school's direction, and for day-to-day decision making.

Royalties for Regions – Foodbank and Clontarf Colleges

Additional expenditure totalling \$5.8 million over four years from 2009-10 will be provided from *Royalties for Regions* to assist Foodbank to expand its School Breakfast Scheme (\$0.8 million), and to provide assistance to Clontarf Colleges (\$5 million) to set up an additional eight football academies.

Education Services

Strengthening the Financial Accountability of Non-Government Schools

Additional expenditure of \$0.8 million per annum from 2010-11 has been approved to strengthen the financial accountability of non-government schools.

Independent Standards Function for Independent Public Schools

Additional expenditure of \$0.6 million in 2010-11 has been approved for the standards-based auditing of Independent Public Schools, consistent with the Government's election commitment of *Empowering School Communities*.

Western Australian Tourism Commission

Media and Marketing, Advertising and Consultants Savings

At a cost of \$1.3 million in 2010-11, the Government has extended by one year the Commission's exemption from the media and marketing, advertising and consultants savings initiative.

Royalties for Regions – Western Australian Indigenous Tourism Operators Committee (WAITOC)

An amount of \$1 million will be provided over four years from 2009-10 from *Royalties for Regions* to support the operation of the WAITOC, an incorporated body that provides support services and networking opportunities for the State's indigenous tourism sector.

A Better Future for Tourism in Western Australia

An amount of \$12.3 million will be spent over three years from 2010-11 to cover staffing and one-off transitional costs associated with implementation of the new operational structure of the Western Australian Tourism Commission. The new structure is intended to increase the competitiveness and viability of the Western Australian tourism industry through a sharper focus in the areas of marketing, events and significant tourism infrastructure development, thereby delivering greater economic benefits for Western Australia.

MINISTER FOR TRANSPORT; DISABILITY SERVICES

Table 7

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING GENERAL GOVERNMENT EXPENSES

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Commissioner of Main Roads					
- Office of Road Safety Initiatives	-	23.2	23.7	23.0	23.0
- <i>Total</i>	-	23.2	23.7	23.0	23.0
Public Transport Authority					
- Bus Security Program – Additional Security Patrols	-	2.5	2.6	2.7	2.8
- Royalties for Regions – Orange School Bus Initiatives	-	3.3	2.6	2.3	2.7
- Oakajee Port and Rail and Karara Rail Projects	-	1.3	1.0	0.8	0.8
- Perth City Link – Transport	-0.4	1.2	3.6	8.8	13.2
- <i>Total</i>	-0.4	8.4	9.8	14.6	19.5
Transport					
- Grain Freight Network Rescue – Transitional Assistance Package	2.1	4.1	1.4	1.4	1.4
- Oakajee Port and Rail Project	1.0	1.6	1.3	-	-
- Improvements to the Perth Central Area Transit Services	-	2.4	2.4	2.4	2.4
- Royalties for Regions – Tantabiddi Boat Ramp	-	1.5	-	-	-
- Royalties for Regions – Regional Recreational Boating Facilities Scheme	-	5.0	5.0	5.0	5.0
- <i>Total</i>	3.1	14.6	10.1	8.8	8.8
PORTFOLIO TOTAL	2.7	46.2	43.6	46.4	51.4

Note: Columns may not add due to rounding.

Commissioner of Main Roads

Office of Road Safety Initiatives

The Government has approved additional expenditure of \$93.0 million over four years from 2010-11 to implement road safety initiatives consistent with the *Towards Zero* Strategy.

Public Transport Authority

Bus Security Program – Additional Security Patrols

Expenditure of \$10.7 million will occur over four years from 2010-11 to enhance the safety of drivers and passengers travelling on the Transperth bus network through the provision of additional mobile security patrols.

Royalties for Regions – Orange School Bus Initiatives

Funding of \$10.9 million will be provided from *Royalties for Regions* over four years from 2010-11 for the provision of air-conditioning on all new school buses ordered after 1 July 2010, automatic transmission as a standard specification for future school bus purchases, and improvements in the standard of accessories.

Oakajee Rail and Karara Rail Projects

\$3.9 million will be spent over four years from 2010-11 to cover costs associated with the Oakajee Port and Rail and Karara Rail projects, including approvals facilitation and land acquisition. It will also include the provision of rail corridor, engineering and technical advice for rail design, legal advice and environmental compliance and rail safety surveillance audits.

Perth City Link – Transport

Over five years from 2009-10, an additional \$26.5 million will be spent on operating costs associated with the Perth City Link – Transport project. The total cost of this project (both operating and capital) over the forward estimates period is \$405.7 million.

Transport

Grain Freight Network Rescue – Transitional Assistance Package

Additional expenditure of \$10.4 million over five years from 2009-10 has been approved for the Transitional Assistance Package (TAP). The TAP will provide subsidies to the handler in transporting grain from bin to port, whilst the Government considers a range of options to optimise the efficiency of the grain freight network.

Oakajee Port and Rail Project

Additional expenditure of \$3.9 million over three years from 2009-10 has been approved in relation to the design, engineering, construction and overall implementation of the common-use infrastructure component of the Oakajee Port and Rail Project.

Improvements to the Perth Central Area Transit (CAT) Service

The Government has approved additional expenditure of \$2.4 million per annum from 2010-11 for improvements to the Perth CAT service, funded from the Perth Parking Levy.

Royalties for Regions – Tantabiddi Boat Ramp

A grant of \$1.5 million will be made to the Shire of Exmouth in 2010-11 from *Royalties for Regions* to improve boat ramp facilities at Tantabiddi (North West Cape).

Royalties for Regions – Regional Recreational Boating Facilities Scheme

A program of grants, totalling \$20 million over four years from 2010-11, will be provided from *Royalties for Regions* to improve regional recreational boating facilities.

MINISTER FOR POLICE; EMERGENCY SERVICES; ROAD SAFETY

Table 8

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING GENERAL GOVERNMENT EXPENSES

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Fire and Emergency Services Authority					
- Bushfire Preparedness and Response Capability	7.3	8.8	8.8	8.8	8.9
- Community Fire Management	-	2.9	5.3	6.1	6.2
- Additional Career Firefighters	-	2.6	5.1	7.9	11.0
- Operations Compliance and Performance	-	1.4	1.0	1.0	1.0
- Operations Aerial Capability – Pilbara and Kimberley	-	0.3	0.3	0.3	0.3
- Grants for Local Government and Volunteers	-	10.0	12.0	7.0	11.0
- <i>Total</i>	7.3	26.1	32.5	31.1	38.5
Western Australia Police					
- Cannabis Law Reform	-	0.7	0.4	0.4	0.4
- Graffiti Taskforce	0.5	1.0	1.0	1.0	1.0
- Constable Care	-	0.4	0.4	0.4	0.4
- Drug Lab Equipment Requirements	0.5	0.5	0.5	0.5	0.5
- Cockburn Central Police Hub	-	-	-	-	1.7
- Western Suburbs Police Hub	-	-	-	-	0.2
- <i>Total</i>	1.0	2.6	2.3	2.3	4.2
PORTFOLIO TOTAL	8.3	28.7	34.9	33.5	42.7

Note: Columns may not add due to rounding.

Fire and Emergency Services Authority

Bushfire Preparedness and Response Capability

A total of \$42.6 million will be spent over five years from 2009-10 to extend bushfire preparedness and response capability, including two helicopters, the ongoing development of the State Alert Communications system and FESA's website. The Government will also fund the creation of a Manjimup regional office and new public awareness programs in response to the Victorian Bushfire Royal Commission recommendations and changes in Western Australian bushfire legislation.

Community Fire Management

A further \$20.6 million will be spent over four years from 2010-11 to extend the Community Emergency Services Officers Program in conjunction with Local Governments. This will provide enhanced fire services and volunteer support in areas of high risk and enable the continuation of a community centred approach to fire management.

Additional Career Firefighters

A total of \$26.6 million will be spent over four years from 2010-11 to employ 102 additional career firefighters. This will ensure that ongoing relief capacity is available and also allow an increase in crewing levels in country stations. It will also enable the continuation of other duties by career firefighters, including building fire assessments and providing assistance in counter terrorism.

Operations Compliance and Performance

A total of \$4.5 million will be spent over four years from 2010-11 for enhanced compliance monitoring and the establishment of a regulatory unit to monitor the delivery of emergency management and services by FESA, other emergency services agencies and local government.

Operations Aerial Capability – Pilbara and Kimberley

A total of \$1.3 million will be spent over four years from 2010-11 to allow the Pilbara and Kimberley regions to extend regional burning and aerial reconnaissance.

Grants for Local Government and Volunteers

A total of \$40 million over four years from 2010-11 will be provided for grant funding to replace volunteer Bush Fire Brigade and State Emergency Services appliances, vehicles, equipment and facilities. This funding also provides for the provision of a first response fire fighting capability for vulnerable remote communities.

Western Australia Police

Cannabis Law Reform

A total of \$1.9 million will be spent by the Western Australia Police over four years from 2010-11 to give effect to the cannabis law reforms contained in the *Tackling Illicit Drugs in our Community: Law Enforcement* policy document.

Graffiti Taskforce

A total of \$4.5 million will be spent over five years from 2009-10 to continue the Graffiti Taskforce and instigate a number of anti-graffiti initiatives.

Constable Care

Spending on the Constable Care program will be increased by \$0.4 million per annum from 2010-11 onwards.

Drug Lab Equipment Requirements

\$2.5 million will be spent over five years from 2009-10 to increase the capacity of the Western Australia Police and the Chemistry Centre to investigate clandestine drug laboratories.

Cockburn Central Police Hub

\$1.7 million will be spent in 2013-14 on recurrent costs associated with the new purpose-built facility at Cockburn Central that will replace the existing Murdoch and Cockburn Police Stations.

Western Suburbs Police Hub

\$0.2 million will be spent in 2013-14 on recurrent costs associated with a new purpose-built facility in the western suburbs to combine and centralise the existing Claremont, Cottesloe, Subiaco and Wembley police stations.

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

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING GENERAL GOVERNMENT EXPENSES					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Western Australian Sports Centre Trust					
- Corporate Administrative Compliance	-	0.4	0.4	0.4	0.4
- State Netball Centre Operating Costs	-	-	-	-	0.9
- <i>Total</i>	-	0.4	0.4	0.4	1.3
PORTFOLIO TOTAL	-	0.4	0.4	0.4	1.3

Note: Columns may not add due to rounding.

Western Australian Sports Centre Trust

Corporate Administrative Compliance

Expenditure of \$0.4 million per annum from 2010-11 has been approved to enable improved strategic direction and planning capabilities to meet the current and future audit and corporate compliance requirements of the Trust.

State Netball Centre Operating Costs

An amount of \$0.9 million per annum from 2013-14 has been allocated to meet the estimated operating costs of the new State Netball Centre which is expected to be completed by 2014.

MINISTER FOR PLANNING; CULTURE AND THE ARTS

Table 10

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING GENERAL GOVERNMENT EXPENSES

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Culture and the Arts					
- Albany Entertainment Centre – Due Diligence Review	0.1	-	-	-	-
- Better Beginnings	-	1.6	1.7	1.7	1.8
- Performing Arts Grants – West Australian Symphony Orchestra Relocation	-	4.4	-	-	-
- Performing Arts Grants – West Australian Ballet Relocation	2.0	-	-	-	-
- Perth Fashion Festival	0.1	-	-	-	-
- Royalties for Regions – Performing Arts Regional Tours Boost	-	0.3	0.3	0.3	0.3
- <i>Total</i>	2.2	6.2	1.9	2.0	2.0
Planning					
- Oakajee Port and Rail Project	1.1	-	0.8	0.3	-
- Office of Land and Housing Supply	-	0.3	0.3	0.3	0.3
- <i>Total</i>	1.1	0.3	1.1	0.6	0.3
PORTFOLIO TOTAL	3.3	6.5	3.0	2.6	2.3

Note: Columns may not add due to rounding.

Culture and the Arts

Albany Entertainment Centre – Due Diligence Review

\$0.1 million will be spent in 2009-10 to enable the Perth Theatre Trust to undertake a due diligence review of the Albany Entertainment Centre.

Better Beginnings

\$6.8 million will be spent over four years from 2010-11 for the continuation of the Better Beginnings program, with \$2.8 million provided through *Royalties for Regions*. Better Beginnings is an early literacy program run by the State Library of Western Australia, in partnership with Rio Tinto and local government, which targets children aged 0-3 years old and their families.

Performing Arts Grants – West Australian Symphony Orchestra (WASO) Relocation

\$4.4 million will be spent in 2010-11 to relocate the WASO to new premises, bringing the total amount committed by the Government to \$8 million.

Performing Arts Grants – West Australian Ballet Relocation

\$2 million will be spent in 2009-10 to assist with the fit-out of the new West Australian Ballet premises being developed by the City of Bayswater at Maylands.

Perth Fashion Festival

\$0.1 million will be spent in 2009-10 to allow the Perth Fashion Festival to undertake activities in the Perth Cultural Centre in 2010.

Royalties for Regions – Performing Arts Regional Tours Boost

From 2010-11, \$0.3 million per annum will be spent on tours to the regions by the four major performing arts companies – WASO, the West Australian Ballet, the West Australian Opera and the Black Swan State Theatre Company. This is to be funded from *Royalties for Regions*.

Planning

Oakajee Port and Rail Project

Expenditure of \$2.2 million over three years has been approved to meet the cost of salaries, consultancies, environmental reviews and technical designs for the services corridor component of the Oakajee Port and Rail Project.

Office of Land and Housing Supply

Commencing in 2010-11, \$0.3 million per annum has been approved to meet the operational costs of the newly created Office of Land and Housing Supply. The Office will be responsible for cross-agency coordination of land availability approval processes, the collection of analytical data on land availability and affordability, and provide advice to Cabinet in respect to policy initiatives available to facilitate land supply.

MINISTER FOR ENERGY; TRAINING AND WORKFORCE DEVELOPMENT

Table 11

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING GENERAL GOVERNMENT EXPENSES					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Office of Energy					
- Gas Supply and Emergency Management Review	-	1.1	1.1	0.7	-
- Cleaner Energy Initiative – Planning	-	0.6	-	-	-
- Hardship Assistance	2.7	5.0	-	-	-
- <i>Total</i>	2.7	6.7	1.1	0.7	-
Training and Workforce Development					
- Employer Bonus Payment	-	1.5	1.5	-	-
- Training Places	9.5	9.9	-	-	-
- Skilled Migration Strategy	0.1	-	-	-	-
- <i>Total</i>	9.6	11.4	1.5	-	-
Western Power					
- Distribution Headworks Charge – Refund	7.3	-	-	-	-
- <i>Total</i>	7.3	-	-	-	-
PORTFOLIO TOTAL	19.6	18.1	2.6	0.7	-

Note: Columns may not add due to rounding.

Office of Energy

Gas Supply and Emergency Management Review

Additional expenditure of \$3 million over three years from 2010-11 has been approved to implement the recommendations of the Gas Supply and Emergency Management Committee in relation to gas disruption management and mitigation and gas market arrangements.

Cleaner Energy Initiative – Planning

\$0.6 million will be spent in 2010-11 on planning for the development and implementation of a program to achieve Western Australia's share of the 20% national renewable energy target and encourage energy efficiency.

Hardship Assistance

An additional \$7.7 million over two years from 2009-10 has been approved for the development of a more equitable tariff and concession framework to assist financially disadvantaged customers and for the provision of efficient water heating in public and community housing.

Training and Workforce Development

Employer Bonus Payment

Additional expenditure of \$3 million over two years from 2010-11 will provide payments of \$4,000 to employers who take on ‘out of contract’ apprentices and trainees to allow them to complete their apprenticeship and traineeship.

Training Places

An amount of \$19.4 million will be spent over 2009-10 and 2010-11 to purchase an additional 7,600 training places. This will see the number of training places rising from 134,000 in 2008 to 156,000 in 2011, providing the skills required to meet industry demand as the State’s economy expands.

Skilled Migration Strategy

An amount of \$0.1 million will be spent in 2009-10 on the development of the WA Skilled Migration Strategy.

Western Power

Distribution Headworks Charge – Refund

The Distribution Headworks Charge is a once-off charge for consumers requiring a new connection to Western Power’s electricity network, or an upgrade of the capacity of their existing connection at edge of grid locations. At an estimated cost of \$7.3 million in 2009-10, the Government has approved a refund of headworks charges paid by consumers since the inception of the scheme, funded from *Royalties for Regions*.

ATTORNEY GENERAL; MINISTER FOR CORRECTIVE SERVICES

Table 12

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING GENERAL GOVERNMENT EXPENSES					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Attorney General					
- Fines Enforcement Registry – Enhanced Measures	-	1.0	1.5	1.5	0.9
- Implementation of Ward Inquiry Recommendations	-	0.3	0.2	0.2	0.2
- <i>Total</i>	-	1.3	1.6	1.7	1.0
Corrective Services					
- Implementation of Ward Inquiry Recommendations	0.4	0.4	0.4	0.4	0.4
- Royalties for Regions – Kimberley and Pilbara Youth Justice Services Expansion	-	3.0	11.6	14.4	14.9
- Cannabis Law Reform	-	0.6	0.6	0.7	0.7
- <i>Total</i>	0.4	4.0	12.7	15.5	16.0
Office of the Inspector of Custodial Services					
- Implementation of Ward Inquiry Recommendations	-	0.6	0.6	0.6	0.7
- <i>Total</i>	-	0.6	0.6	0.6	0.7
PORTFOLIO TOTAL	0.4	5.9	14.9	17.8	17.7

Note: Columns may not add due to rounding.

Attorney General

Fines Enforcement Registry (FER) – Enhanced Measures

\$4.8 million will be spent over four years from 2010-11 to enable the FER to introduce enhanced measures under the *Fines, Penalties and Infringement Notice Enforcement Act 1994*.

Implementation of Ward Inquiry Recommendations

Expenditure of \$0.8 million over four years from 2010-11 will provide enhanced training to, and monitoring of, Justices of the Peace as part of the Government's response to the recommendations of the Coroner's report into the death of Mr Ward.

Corrective Services

Implementation of Ward Inquiry Recommendations

As part of the Government's response to the recommendations of the Coroner's report into the death of Mr Ward, expenditure of \$0.4 million per annum from 2009-10 will be incurred on additional staff to strengthen the monitoring of the prisoner transport fleet and to ensure the contractor's staff comply with policies and procedures.

Royalties for Regions – Kimberley and Pilbara Youth Justice Services Expansion

A total of \$43.9 million over four years from 2010-11 from *Royalties for Regions* will be spent on new youth justice services in the Kimberley and Pilbara to address young people at risk of entering the justice system and those already in the justice system.

The new services will feature outreach support for young people and their families, emergency bail accommodation, community work programs to provide young offenders with the capacity to enter employment, and juvenile justice teams to divert young people from the justice system.

Cannabis Law Reform

A total of \$2.6 million will be spent by the Department of Corrective Services over four years from 2010-11 to give effect to the cannabis law reforms contained in the *Tackling Illicit Drugs in our Community: Law Enforcement* policy document. These reforms will be enacted through legislative amendments to the *Misuse Use of Drugs Act 1981* and the *Young Offenders Act 1994*.

Office of the Inspector of Custodial Services

Implementation of Ward Inquiry Recommendations

Expenditure of \$2.5 million over four years from 2010-11 will enable the establishment of a new audit team as part of the Government's response to the recommendations of the Coroner's report into the death of Mr Ward.

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

Table 13

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING GENERAL GOVERNMENT EXPENSES					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Child Protection					
- Continuation of Emergency Management Services	2.2	-	-	-	-
- Royalties for Regions – Responsible Parenting Services	-	2.8	6.5	9.3	9.3
- <i>Total</i>	2.2	2.8	6.5	9.3	9.3
Communities					
- Foodbank WA Capital Grant	-	1.0	2.0	3.0	-
- <i>Total</i>	-	1.0	2.0	3.0	-
PORTFOLIO TOTAL	2.2	3.8	8.5	12.3	9.3

Note: Columns may not add due to rounding.

Child Protection

Continuation of Emergency Management Services

Additional expenditure of \$2.2 million in 2009-10 has been approved to enable the continuation of emergency welfare support services under the *Emergency Management Act 2005*. Further funding will be subject to the expected review of the Act in 2010.

Royalties for Regions – Responsible Parenting Services

An additional \$27.9 million over four years from 2010-11 from *Royalties for Regions* will be provided to expand the Responsible Parenting Services program to regional areas, including the Murchison, Great Southern, Goldfields, Pilbara, Wheatbelt and the South West.

Communities

Foodbank WA Capital Grant

A total of \$6 million in capital grants will be provided to Foodbank WA over three years from 2010-11, for the Foodbank 2030 initiative. The three year infrastructure project will provide purpose built warehouse facilities to assist with the expansion of Foodbank WA's storage capacity and distribution networks throughout the State.

MINISTER FOR LOCAL GOVERNMENT; HERITAGE; CITIZENSHIP AND MULTICULTURAL INTERESTS

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING GENERAL GOVERNMENT EXPENSES					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Heritage Council of Western Australia					
- Conservation Works – St Mary the Virgin Church Complex	-	0.3	-	-	-
- <i>Total</i>	-	0.3	-	-	-
Local Government					
- Local Government Reform	-	7.2	3.1	-	-
- <i>Total</i>	-	7.2	3.1	-	-
PORTFOLIO TOTAL	-	7.4	3.1	-	-

Note: Columns may not add due to rounding.

Heritage Council of Western Australia

Conservation Works – St Mary the Virgin Church Complex

\$0.3 million will be spent in 2010-11 on remedial work to the façade of St Mary the Virgin Church Complex in South Perth.

Local Government

Local Government Reform

The Government has allocated \$10.3 million over two years from 2010-11 (including \$2.5 million from *Royalties for Regions*) to provide financial assistance to support local governments undertaking amalgamations and reform.

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

**POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW
AFFECTING GENERAL GOVERNMENT EXPENSES**

Table 15

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Agriculture and Food					
- New Crops for New Climate Environments	-	0.4	1.9	1.9	1.9
- Voluntary Redundancy Program	2.0	7.0	-6.0	-6.0	-6.0
- Additional Agriculture Initiatives	-	5.0	3.1	2.6	2.4
- Upgrade of Information Management Systems	-	0.7	1.0	1.5	1.7
- Natural Resource Management	-	5.0	10.0	10.0	10.0
- Royalties for Regions – Regional Men's Health	0.3	0.7	0.8	0.9	-
- <i>Total</i>	2.3	18.7	10.8	10.9	10.0
PORTFOLIO TOTAL	2.3	18.7	10.8	10.9	10.0

Note: Columns may not add due to rounding.

Agriculture and Food

New Crops for New Climate Environments

\$6.1 million will be spent over four years from 2010-11 as part of the establishment of two pilot facilities in Merredin and Katanning to evaluate Genetically Modified based crops.

Voluntary Redundancy Program

Expenditure of \$2 million in 2009-10 and \$13 million in 2010-11 will enable employees to access a voluntary redundancy program. The Department will retain 50 per cent (or \$6 million per annum) of the expected \$12 million in recurrent savings from 2010-11.

Additional Agriculture Initiatives

\$13.1 million will be spent over four years from 2010-11 to enhance the Department's innovation and economic analysis capability, respond to the WA Beef Stocktake, increase grain yields in the higher rainfall areas of the State, improve market access opportunities for new and existing products, and facilitate agricultural expansion in the north of the State.

Upgrade of Information Management Systems

\$4.8 million will be spent over four years from 2010-11 to upgrade the Department's Information Management Systems. This will include restructuring web services, improving database system cohesion, upgrading infrastructure and reforming management practices.

Natural Resource Management

Additional expenditure of \$5 million in 2010-11 and \$10 million per annum from 2011-12 will focus on maintaining or enhancing the condition of priority land, water and biodiversity assets so that they continue to provide economic, environmental and social benefits to Western Australians now and in the future.

Royalties for Regions – Regional Men’s Health

\$2.8 million will be spent over four years from 2009-10 from *Royalties for Regions* to extend the Wheatbelt Men’s Health programs and services to farming and pastoral community families throughout regional areas of the State.

MINISTER FOR ENVIRONMENT; YOUTH

Table 16

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING GENERAL GOVERNMENT EXPENSES					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Communities					
- Cadets WA	-	0.7	0.7	0.5	0.5
- <i>Total</i>	-	0.7	0.7	0.5	0.5
Swan River Trust					
- Swan and Canning River Oxygenation Program	1.0	-	-	-	-
- Healthy Rivers Program	-	1.8	-	-	-
- Monitoring and Reporting on Dolphins	-	0.3	-	-	-
- <i>Total</i>	1.0	2.0	-	-	-
PORTFOLIO TOTAL	1.0	2.7	0.7	0.5	0.5

Note: Columns may not add due to rounding.

Communities

Cadets WA

Additional expenditure of \$2.3 million over four years from 2010-11 has been approved to assist the Cadets WA program to increase the range of activities undertaken and arrest the decline in cadet numbers. Included in the additional funding is \$150,000 per annum in 2010-11 and 2011-12 for a pilot program for younger cadets, focussing on environmental matters.

Swan River Trust

Swan and Canning River Oxygenation Program

\$1 million will be spent in 2009-10 to trial new technologies that could provide oxygen relief in areas that regularly suffer from poor water quality.

Healthy Rivers Program

Additional expenditure of \$1.8 million in 2010-11 will further reduce the amount of nutrients and other contaminants entering the Swan and Canning Rivers.

Monitoring and Reporting on Dolphins

\$0.3 million will be spent in 2010-11 to conduct research on dolphins in the Swan and Canning Rivers.

MINISTER FOR COMMERCE; SCIENCE AND INNOVATION; HOUSING; MINISTER ASSISTING THE TREASURER

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING GENERAL GOVERNMENT EXPENSES					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Commerce					
- Royalties for Regions – Regional Communications Project	-	8.0	17.0	15.0	-
- <i>Total</i>	-	8.0	17.0	15.0	-
Housing Authority					
- Remote Area Essential Services Program	-	20.4	-	-	-
- <i>Total</i>	-	20.4	-	-	-
PORTFOLIO TOTAL	-	28.4	17.0	15.0	-

Note: Columns may not add due to rounding.

Commerce

Royalties for Regions – Regional Communications Project

A total of \$40 million will be spent over three years from 2010-11 from *Royalties for Regions* to fund the provision of telecommunications network infrastructure that will improve and expand services in regional, rural and remote areas of the State.

Housing Authority

Remote Area Essential Services Program

An additional \$20.4 million will be spent in 2010-11 to continue the provision of power, water and waste water services to remote indigenous communities under the Remote Area Essential Services Program.

GLOBAL PROVISION – VOLUNTARY SEVERANCES

Table 18

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING GENERAL GOVERNMENT EXPENSES					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Provision					
- Voluntary Severances	30.0	-15.0	-15.0	-15.0	-15.0
- Total	30.0	-15.0	-15.0	-15.0	-15.0
TOTAL	30.0	-15.0	-15.0	-15.0	-15.0

Note: Columns may not add due to rounding.

Voluntary Severances

A second round of voluntary severances for Western Australian public servants was announced in March 2010. Building on the first round of voluntary severances announced last year, this initiative will assist agencies contain salaries costs over the forward estimates. The financial impact of this initiative is reflected as a global provision in the budget, and will be allocated to agencies as applications under the program are approved.

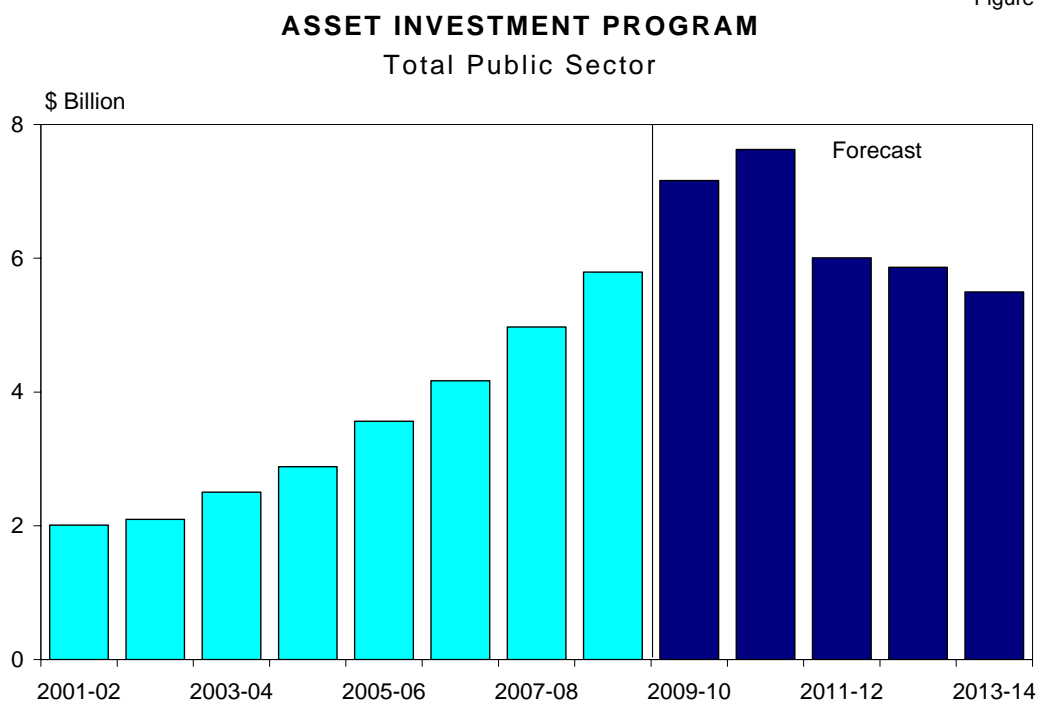
Asset Investment

Overview

The Government is continuing to invest at record levels in the infrastructure that is essential to sustain the State's growth into the future. Key State building projects included in the Asset Investment Program include:

- the development of Oakajee Port in the State's mid-west, with a State Government contribution of \$339 million over the forward estimates period;
- the Perth City Link project, which has an estimated total cost of \$656.3 million, with the State's contribution over the forward estimates period totalling \$119 million;
- redevelopment of the Perth waterfront, with this budget including \$21.5 million for the planning and design of the project;
- \$846.1 million over four years to 2013-14 for Pilbara Cities, funded through *Royalties for Regions*;
- \$82.5 million for the development of a quality rectangular sporting stadium; and
- \$26.1 million to develop a new State Netball Centre.

Figure 1



2010-11 Asset Investment Program – Summary

At \$7.6 billion, the 2010-11 Asset Investment Program will be the largest infrastructure program ever delivered in this State. Major areas of investment in 2010-11 include:

- \$1.1 billion on improving, expanding and maintaining the State's electricity infrastructure, with specific initiatives including:
 - \$650.3 million on transmission and distribution capacity within Western Power and Horizon Power networks to support growth and improve reliability, including the continuation of the State and Pilbara Underground Power projects;
 - \$161.9 million (out of a total cost of \$263.4 million) for the continued construction of two 100 megawatt high efficiency gas turbines to contribute to the reliability of electricity supply within the South West Interconnected System and lower the overall carbon intensity of Verve Energy's generation portfolio; and
 - a provision of \$47.1 million for the North Country Reinforcement southern stage, which forms part of a \$318.9 million provision across the forward estimates. The project is still subject to regulatory and Government approvals;

- \$1.025 billion on schools, including continuation of the State Government's \$300 million *Investing in Schools* program. Overall, the schools Asset Investment Program will see:
 - the commencement or continuation of construction on 24 new or replacement primary school facilities;
 - the commencement of construction of high schools including Baldivis, Butler and the redevelopment of the Governor Stirling Senior High School; and
 - major additions and improvements to 20 high schools and district high schools;
- \$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:
 - completion of the construction of wastewater treatment plants at Alkimos and Broome;
 - continuing construction of the \$955 million Southern Seawater Desalination plant at Binningup, which is expected to be completed by the end of 2011;
 - commencement of the \$315.5 million Mundaring Water Treatment Plant;
 - \$100 million over four years for the Infill Sewerage Program; and
 - \$7.1 million for the West Pilbara Water Security initiative;
- \$890 million for health-related infrastructure, including:
 - planning of the new Children's Hospital and the Midland Health Campus;
 - commencing construction of a new facility for the State Rehabilitation Service and the Albany Health Campus Development; and
 - continued construction of the Fiona Stanley Hospital and the Joondalup Health Campus;
- \$683 million to construct new dwellings and develop land by the Housing Authority throughout the State. This investment includes funding from the continuation of State and Commonwealth stimulus programs, under which the Housing Authority will construct 1,926 houses in 2010-11, including 529 houses in regional Western Australia;
- \$516 million on road construction and improvement works on major projects such as:
 - \$45.3 million towards the on-going duplication of the Dampier Highway (Stages 2 to 6) between Karratha and the Burrup Peninsula Road in Dampier;

- \$36.5 million towards land acquisition and pre-construction activities to upgrade the Great Eastern Highway in Belmont and Rivervale;
- \$35.5 million to commence construction of a bridge on Roe Highway over Great Eastern Highway with on and off ramps;
- \$35 million to continue the Safer Roads and Bridges program;
- \$33.4 million to commence construction of the interchange on Reid Highway at Alexander Drive;
- \$29.4 million towards the reconfiguration of the Great Northern Highway in Port Hedland; and
- the extension of Reid Highway from West Swan Road to Great Northern Highway (\$6.4 million);
- \$416 million on law and order-related projects, including:
 - new court facilities at Kalgoorlie and Kununurra, and the commencement of a new police, court and community justice complex at Carnarvon;
 - continued construction of the Perth Police Complex; and
 - continued construction of the Kimberley Prison and Work Camp, the New Young Adults Facility and the Fast Tracked Prisoner Accommodation project;
- \$200 million to improve port infrastructure across the State, including continuation of work on Stage 1 to deepen the Inner Harbour and upgrade the North Quay Berth at Fremantle Port;
- \$30.6 million will be spent in 2010-11 on The Perth City Link – Transport project, which involves undergrounding a section of the Perth to Fremantle Railway line and constructing a new underground Wellington Street Bus Station, at an estimated total cost of \$609.3 million. In addition, the East Perth Redevelopment Authority will spend \$10 million in 2010-11, out of a total project cost of \$47 million, on the Perth City Link, to reconnect the city centre with the Northbridge entertainment district and deliver a vibrant mixed use precinct; and
- \$22.7 million will be spent in 2010-11 on the construction of the 7.5km extension of the Northern Suburbs Railway to Butler, and associated park and ride, bus transfer facility and road bridges infrastructure, with the project having an estimated total cost of \$240.7 million.

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 1

**SUMMARY OF ASSET INVESTMENT POLICY DECISIONS BY AGENCY
SINCE THE 2009-10 MID-YEAR REVIEW**

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	Total \$m
Agriculture and Food	-	12.0	12.2	7.4	5.5	37.1
Attorney General	-	8.0	33.0	40.0	14.7	95.7
Bunbury Port Authority	4.6	-	-	-	-	4.6
Bunbury Water Board	-	2.1	1.6	0.5	6.0	10.1
Commerce	-	0.3	30.0	50.0	-	80.3
Commissioner of Main Roads	0.5	39.0	41.0	-2.0	-	78.5
Country High School Hostels Authority	-	2.5	19.4	20.0	10.0	51.9
Culture and the Arts	-	2.8	3.0	11.4	3.5	20.8
East Perth Redevelopment Authority	0.9	5.4	2.2	1.3	4.2	14.0
Education	-	20.5	30.0	25.0	25.0	100.5
Environment and Conservation	-	5.0	5.0	5.0	5.0	20.0
Esperance Port Authority	3.1	-	-	-	-	3.1
Fisheries	-	2.0	2.6	-	-	4.6
Geraldton Port Authority	2.0	2.2	2.1	2.9	3.8	13.0
Housing Authority	-	5.5	6.0	6.5	-	18.0
Horizon Power	-	27.3	-	-	-	27.3
Mines and Petroleum Office of the Inspector of Custodial Services	-	0.5	0.4	-	-	0.9
Parliamentary Services	-	(a)	-	-	-	(a)
Public Transport Authority	-	2.0	-	-	-	2.0
Regional Development and Lands	-11.2	22.9	-11.4	81.3	45.6	127.3
Sport and Recreation	-	45.9	53.3	163.5	254.0	516.7
Transport	0.2	4.3	32.5	51.0	20.6	108.6
Treasury and Finance	-	8.0	15.0	15.0	-	38.0
WA Health	6.0	45.0	-	-	-	51.0
Water	-	10.5	34.8	126.5	61.7	233.5
Water Corporation	-	0.7	4.5	-	-	5.2
Western Australia Police	2.0	32.1	25.0	25.0	25.0	109.1
Western Australian Land Authority	0.5	2.4	0.5	-	10.3	13.7
Western Australian Planning Commission	0.2	1.0	-	-	-	1.0
Western Australian Sports Centre Trust	-	14.4	8.7	4.6	2.4	30.0
	-	1.8	1.8	1.8	1.8	7.2
TOTAL	8.8	326.1	353.3	636.6	499.1	1,823.9

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

Note: Columns may not add due to rounding.

The following discussion outlines, by agency, the asset investment policy decisions made since the 2009-10 mid-year review. The timing of cash flows for some previously announced 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 2

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Agriculture and Food					
- New Crops for New Climate Environments	-	2.0	1.0	-	-
- Upgrade of Information Management Systems	-	10.0	11.2	7.4	5.5
- <i>Total</i>	-	12.0	12.2	7.4	5.5

Note: Columns may not add due to rounding.

New Crops for New Climate Environments

\$3 million will be spent over two years from 2010-11 to establish two pilot facilities in Merredin and Katanning to evaluate Genetically Modified-based crops.

Upgrade of Information Management Systems

\$34.1 million will be spent over four years from 2010-11 to upgrade the Department's Information Management Systems. This will include restructuring web services, improving database system cohesion, upgrading infrastructure and reforming management practices.

Attorney General

Table 3

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Attorney General					
- Carnarvon Police and Justice Complex	-	1.5	11.0	28.7	10.9
- Royalties for Regions – Kununurra Courthouse Redevelopment	-	6.0	22.0	11.3	3.7
- Royalties for Regions – Broome Justice Complex	-	0.5	-	-	-
- <i>Total</i>	-	8.0	33.0	40.0	14.7

Note: Columns may not add due to rounding.

Carnarvon Police and Justice Complex

An additional \$52.2 million will be spent over four years from 2010-11 to construct a new police and justice complex in Carnarvon, with \$9.5 million of this expenditure funded from *Royalties for Regions*. The new complex will incorporate two courtrooms, a mediation suite, community services centre and police station.

Royalties for Regions – Kununurra Courthouse Redevelopment

Expenditure of \$43 million over four years from 2010-11 from *Royalties for Regions* will enable the redevelopment of the Kununurra Courthouse. This will involve the construction of a new contemporary courthouse and justice facility on the existing site. The proposed complex will include two courtrooms, a mediation suite and supporting facilities.

Royalties for Regions – Broome Justice Complex

Expenditure of \$0.5 million in 2010-11 from *Royalties for Regions* will allow for the planning and identification of alternative sites for the construction of a new justice complex in Broome.

Bunbury Port Authority

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Bunbury Port Authority					
- Wastewater Management Project	4.6	-	-	-	-
- Total	4.6	-	-	-	-

Note: Columns may not add due to rounding.

Wastewater Management Project

Expenditure of \$4.6 million was approved in 2009-10 to introduce a wastewater management system to address storm and wastewater management issues at Berth 8.

Bunbury Water Board

Table 5

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Bunbury Water Board					
- Asset Investment Program Update	-	2.1	1.6	0.5	6.0
- <i>Total</i>	-	2.1	1.6	0.5	6.0

Note: Columns may not add due to rounding.

Asset Investment Program Update

An additional \$10.1 million will be spent over four years from 2010-11 on the Bunbury Water Board's Asset Investment Program. This brings total expenditure over this period to \$15.6 million. \$7.9 million of this expenditure relates to the development of additional production and treatment capacity. Other significant items of expenditure include the purchase of parcels of land that will act as buffer zones to adjacent water treatment plants, and the development of additional bore sites.

Commerce

Table 6

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Commerce					
- Royalties for Regions – Regional Communications Project	-	0.3	30.0	50.0	-
- <i>Total</i>	-	0.3	30.0	50.0	-

Note: Columns may not add due to rounding.

Royalties for Regions – Regional Communications Project

Royalties for Regions will provide \$80.3 million over three years to upgrade communications for regional police and emergency services, with \$0.3 million allocated in 2010-11, followed by \$30 million in 2011-12 and \$50 million in 2012-13.

Commissioner of Main Roads

Table 7

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Commissioner of Main Roads					
- Chester Pass Road Project	0.5	-	-	-	-
- Safer Roads and Bridges Program	-	35.0	35.0	8.0	-
- Coalfields Highway Upgrade	-	4.0	10.0	-	-
- Eelup Rotary Upgrade	-	-	-4.0	-10.0	-
- <i>Total</i>	0.5	39.0	41.0	-2.0	-

Note: Columns may not add due to rounding.

Chester Pass Road Project

As part of Stage One of the Grain Freight Network Rescue Package, additional expenditure of \$0.5 million was approved in 2009-10 to commence project development and pre-construction activities for the section of Chester Pass Road immediately south of the Stirling Ranges to Borden.

Safer Roads and Bridges Program

\$78 million has been approved over three years from 2010-11 to continue the Safer Roads and Bridges Program.

Coalfields Highway Upgrade

Expenditure of \$14 million over 2010-11 and 2011-12 has been approved to upgrade the Coalfields Highway between the Allanson Townsite through Collie and some highway sections between the Wellington Dam turn-off and Allanson. This expenditure has been allocated from funds previously allocated to the Eelup Rotary Upgrade project whilst a preferred long-term design solution for that project is finalised. Interim improvements will still be undertaken at the Eelup Roundabout to address safety concerns whilst the long-term planning and design work is carried out.

Country High School Hostels Authority

Table 8

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Country High School Hostels Authority					
- Royalties for Regions – Esperance Residential College Redevelopment	-	1.0	12.0	0.4	-
- Royalties for Regions – Merredin Residential College Redevelopment	-	1.5	7.4	0.2	-
- Royalties for Regions – Regional Residential Colleges Capital Works Allocation	-	-	-	19.5	10.0
- <i>Total</i>	-	2.5	19.4	20.0	10.0

Note: Columns may not add due to rounding.

Royalties for Regions – Esperance Residential College Redevelopment

A total of \$13.4 million will be provided over three years from 2010-11 through *Royalties for Regions* to fund the redevelopment of the Esperance Residential College. This redevelopment will include additional student and staff accommodation, and major improvements to existing infrastructure.

Royalties for Regions – Merredin Residential College Redevelopment

A total of \$9 million will be provided over three years from 2010-11 through *Royalties for Regions* to replace ageing facilities at the Merredin Residential College, resulting in additional student bedrooms, new ablution blocks and two staff flats.

Royalties for Regions – Regional Residential Colleges Capitals Works Allocation

\$29.5 million will be provided through *Royalties for Regions* to fund major capital works at Regional Colleges in 2012-13 and 2013-14.

Culture and the Arts

Table 9

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Culture and the Arts					
- Library Books	-	2.8	3.0	11.4	3.5
- <i>Total</i>	-	2.8	3.0	11.4	3.5

Note: Columns may not add due to rounding.

Library Books

Additional expenditure of \$20.8 million has been approved over four years from 2010-11 to maintain expenditure on materials in local government libraries at levels consistent with population growth.

East Perth Redevelopment Authority

Table 10

**POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING
TOTAL PUBLIC SECTOR ASSET INVESTMENT**

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
East Perth Redevelopment Authority					
- Perth City Link	0.9	5.4	2.2	1.3	4.2
- Total	0.9	5.4	2.2	1.3	4.2

Note: Columns may not add due to rounding.

Perth City Link

An additional \$35 million, including a \$14 million increase over the period 2009-10 to 2013-14, will be spent on redevelopment works in accordance with the Link Master Plan, bringing the total estimated cost (for the East Perth Redevelopment Authority) of the Perth City Link project to \$47 million.

The Perth City Link project will reunite the Perth City centre with the Northbridge entertainment district. The project will deliver an intensity of people and activity into the city while complementing other developments and changes in the CBD. This area will be a mix of transit, commercial and retail zones, public spaces and living opportunities – all of which will draw workers, residents and visitors to the area.

The Public Transport Authority's policy decision table provides further information on its component of this project.

Education

Table 11

**POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING
TOTAL PUBLIC SECTOR ASSET INVESTMENT**

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Education					
- Royalties for Regions – Regional Schools Plan	-	20.5	30.0	25.0	25.0
- Total	-	20.5	30.0	25.0	25.0

Note: Columns may not add due to rounding.

Royalties for Regions – Regional Schools Plan

Additional expenditure totalling \$100.5 million over four years from 2010-11 from *Royalties for Regions* has been approved to enable the Department to undertake a more aggressive program of asset upgrades to schools in regional Western Australia.

Environment and Conservation

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Environment and Conservation					
- Royalties for Regions – Conservation Parks Infrastructure and Roads	-	5.0	5.0	5.0	5.0
- <i>Total</i>	-	5.0	5.0	5.0	5.0

Note: Columns may not add due to rounding.

Royalties for Regions – Conservation Parks Infrastructure and Roads

\$20 million will be spent over four years from 2010-11 from *Royalties for Regions* to upgrade roads and infrastructure, and provide new and improved caravan and camping opportunities, in national parks and reserves.

Esperance Port Authority

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Esperance Port Authority					
- Iron Ore Circuit Upgrade	3.1	-	-	-	-
- <i>Total</i>	3.1	-	-	-	-

Note: Columns may not add due to rounding.

Iron Ore Circuit Upgrade

Additional expenditure of \$3.1 million will be incurred in 2009-10 to undertake upgrades to the Iron Ore Circuit, which will increase the efficiency and productivity of the existing facilities at Esperance Port.

Fisheries

Table 14

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Fisheries					
- Patrol Vessels – Refit and Replacement	-	2.0	2.6	-	-
- <i>Total</i>	-	2.0	2.6	-	-

Note: Columns may not add due to rounding.

Patrol Vessels – Refit and Replacement

A total of \$4.6 million over two years from 2010-11 has been committed to fund the replacement of Patrol Vessel Walcott (at a total cost of \$4 million) and the refit of the Patrol Vessel Hamelin (at a total cost of \$0.6 million). The Department of Fisheries' patrol vessels are used predominantly for compliance functions and fisheries research, as well as to assist in emergencies at sea, whale entanglements and oil pollution incidents.

Geraldton Port Authority

Table 15

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Geraldton Port Authority					
- Oakajee Port and Rail Project	-	2.2	2.1	2.9	3.8
- Wastewater Management Project	2.0	-	-	-	-
- <i>Total</i>	2.0	2.2	2.1	2.9	3.8

Note: Columns may not add due to rounding.

Oakajee Port and Rail Project

Expenditure of \$11 million over the budget and forward estimates will be undertaken on consultancy works for preliminary design and scope work, associated with compatibility and preliminary design of navigation and infrastructure requirements for the Oakajee Port and Rail project.

Wastewater Management Project

Expenditure of \$2 million in 2009-10 has been incurred for the installation of a wastewater treatment system to enable the Geraldton Port Authority to meet the Department of Environment and Conservation's licensing conditions.

Housing Authority

Table 16

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Housing Authority					
- Royalties for Regions – Indigenous Visitor Hostels	-	0.5	6.0	6.5	-
- Royalties for Regions – Roebourne Housing Initiative	-	5.0	-	-	-
- <i>Total</i>	-	5.5	6.0	6.5	-

Note: Columns may not add due to rounding.

Royalties for Regions – Indigenous Visitor Hostels

Royalties for Regions is providing \$13 million to the Housing Authority over three years from 2010-11 to acquire land and construct a 30 bed visitors hostel in Kalgoorlie and a 50 bed visitors hostel in Broome. The visitors hostels will provide short term accommodation for Indigenous people visiting from remote communities.

Royalties for Regions – Roebourne Housing Initiative

Royalties for Regions is providing \$5 million to the Housing Authority in 2010-11 to redevelop and construct ten new dwellings in the village area of Roebourne.

Horizon Power

Table 17

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Horizon Power					
- Asset Management Risk Mitigation	-	27.3	-	-	-
- <i>Total</i>	-	27.3	-	-	-

Note: Columns may not add due to rounding.

Asset Management Risk Mitigation

Additional expenditure of \$27.3 million is planned in 2010-11 on Horizon Power's asset management to address safety requirements through a pole and conductor replacement program.

Mines and Petroleum

Table 18

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Mines and Petroleum					
- Data Centre Hosting Facilities – Upgrade and Transition	-	0.5	0.4	-	-
- <i>Total</i>	-	0.5	0.4	-	-

Note: Columns may not add due to rounding.

Data Centre Hosting Facilities – Upgrade and Transition

A total of \$0.9 million will be spent over two years from 2010-11 to redevelop the data centre hosting facilities at Mineral House to reduce future power and cooling requirements of information technology systems and infrastructure. This is to be funded by the retention of net land sales proceeds from the Department's property in Brookman Street, Kalgoorlie.

Office of the Inspector of Custodial Services

Table 19

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Office of the Inspector of Custodial Services					
- Implementation of Ward Inquiry Recommendations	-	-(a)	-	-	-
- <i>Total</i>	-	-(a)	-	-	-

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

Note: Columns may not add due to rounding.

Implementation of Ward Inquiry Recommendations

Expenditure of \$30,000 in 2010-11 for fit-out costs will accommodate the establishment of a new audit team as part of the Government's response to the recommendations of the Coroner's report into the death of Mr Ward.

Parliamentary Services

Table 20

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Parliamentary Services					
- Infrastructure Maintenance and Refurbishment	-	2.0	-	-	-
- <i>Total</i>	-	2.0	-	-	-

Note: Columns may not add due to rounding.

Infrastructure Maintenance and Refurbishment

Additional funding of \$2 million has been approved in 2010-11 for infrastructure maintenance and refurbishment, to address critical occupational health, safety and welfare issues at Parliament House.

Public Transport Authority

Table 21

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Public Transport Authority					
- Perth City Link – Transport	-11.2	9.4	-11.4	81.3	45.6
- Grain Freight Network Rescue Package – Stage One	-	13.5	-	-	-
- <i>Total</i>	-11.2	22.9	-11.4	81.3	45.6

Note: Columns may not add due to rounding.

Perth City Link – Transport

An additional \$113.8 million has been provided over five years to reflect the revised scope and timing of the project. Design and forward works on this project commenced in 2009-10, with \$376.8 million planned to be spent over the period to 2013-14. The project includes undergrounding a section of the Perth to Fremantle Railway line and constructing a new underground Wellington Street Bus Station.

The East Perth Redevelopment Authority's policy decision table provides further information on its component of this project.

Grain Freight Network Rescue Package – Stage One

The Authority will spend \$13.5 million in 2010-11 to commence re-sleeping works on the Avon to Albany rail line.

Regional Development and Lands

Table 22

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Regional Development and Lands					
- Royalties for Regions – Pilbara Infrastructure Australia	-	20.0	15.0	60.3	150.0
- Royalties for Regions – Gascoyne Development Plan	-	3.4	11.4	7.3	18.1
- Royalties for Regions – Service Workers Coral Bay	-	2.1	-	-	-
- Royalties for Regions – Jigalong Essential Services Pilot	-	6.0	4.0	-	-
- Royalties for Regions – Regional Capital Works Initiative	-	14.4	22.9	95.9	85.9
- <i>Total</i>	-	45.9	53.3	163.5	254.0

Note: Columns may not add due to rounding.

Royalties for Regions – Pilbara Infrastructure Australia

The Government's vision for Pilbara Cities is for modern, vibrant cities and regional centres that will support and deliver a skilled workforce for major economic projects in the Pilbara.

Royalties for Regions will provide \$245.3 million over four years from 2010-11 to partner with the Australian Government to address the development of the region and infrastructure development.

Royalties for Regions – Gascoyne Development Plan

The Gascoyne Regional Development Plan, prepared by the Gascoyne Development Commission in consultation with the four local government authorities (Carnarvon, Exmouth, Shark Bay and Upper Gascoyne), will provide a strategic direction for the Gascoyne region over the next 10 years. Asset investment expenditure of \$40.3 million has been allocated over four years from 2010-11 from *Royalties for Regions* to implement the Plan.

Royalties for Regions – Service Workers Coral Bay

The Service Workers Coral Bay project is a housing and land development project under the Gascoyne Development Plan. The allocation of \$2.1 million in 2010-11 from *Royalties for Regions* will provide for accommodation to house tourism and the labour force in Coral Bay as the population expands in coming years.

Royalties for Regions – Jigalong Essential Services Pilot

\$10 million has been allocated over two years from 2010-11 from *Royalties for Regions* to run an essential services pilot project for the Jigalong community in the Western Desert region. The services include water and power with the aim that the project could be used as a future model for other remote indigenous communities.

Royalties for Regions – Regional Capital Works Initiative

Expenditure of \$218.8 million over four years from 2010-11 from *Royalties for Regions* has been approved for strategic projects in regional areas. These projects will be prioritised by the Regional Development Council.

Sport and Recreation

Table 23

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Sport and Recreation					
- State Netball Centre	-	2.0	12.5	11.0	0.6
- Perth's Major Rectangular Stadium (ME Bank Stadium):					
- Planning	0.2	2.3	-	-	-
- Development	-	-	20.0	40.0	20.0
- <i>Total</i>	0.2	4.3	32.5	51.0	20.6

Note: Columns may not add due to rounding.

State Netball Centre

Expenditure of \$26.1 million has been approved over four years from 2010-11 to construct a new State Netball Centre at the preferred Matthews netball facilities site. The new centre will include four netball courts and office space for Netball WA.

Perth's Major Rectangular Stadium (ME Bank Stadium) – Planning and Development

Expenditure of \$200,000 in 2009-10 and a further \$2.3 million in 2010-11 has been approved to undertake planning of the Stadium's redevelopment. A provision of \$80 million over three years from 2011-12 has been made for the associated works. This will provide for a quality rectangular stadium with a maximum capacity of 25,000 people.

Transport

Table 24

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Department of Transport					
- Royalties for Regions – Carnarvon Boat Ramp Project	-	3.0	-	-	-
- Royalties for Regions – Broome Boating Facility – Stage One	-	5.0	15.0	15.0	-
- <i>Total</i>	-	8.0	15.0	15.0	-

Note: Columns may not add due to rounding.

Royalties for Regions – Carnarvon Boat Ramp Project

Additional expenditure of \$3 million has been allocated in 2010-11 from *Royalties for Regions* to improve boat ramp facilities within the Carnarvon Harbour.

Royalties for Regions – Broome Boating Facility – Stage One

Additional expenditure of \$35 million over three years from 2010-11 will be funded from *Royalties for Regions* to construct additional boating facilities near Broome Port.

Treasury and Finance

Table 25

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Treasury and Finance					
- Master Plan for Government Office Accommodation	-	42.9	-	-	-
- New Works Reforms Systems Funding	6.0	2.1	-	-	-
- <i>Total</i>	6.0	45.0	-	-	-

Note: Columns may not add due to rounding.

Master Plan for Government Office Accommodation

Expenditure of \$42.9 million in 2010-11 has been approved to facilitate completion of fit out and refurbishment work under the Master Plan for Government Office Accommodation. This expenditure is administered by the Department of Treasury and Finance, but relates to whole-of-government agency accommodation. Investment in this new approach will generate savings of around \$20 million to \$25 million per annum once fully implemented.

New Works Reforms Systems Funding

Expenditure of \$8.1 million over two years from 2009-10 will enable the department to improve asset management and leasing capabilities, consistent with the Government's works reform objectives.

WA Health

Table 26

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
WA Health					
- Royalties for Regions – Nickol Bay Hospital	-	3.5	15.0	53.5	53.0
- Royalties for Regions – Exmouth Health Clinic	-	-(a)	3.6	4.5	-
- Royalties for Regions – Carnarvon Hospital	-	0.1	-	15.2	5.4
- Royalties for Regions – Esperance Hospital	-	-	10.0	8.8	-
- Royalties for Regions – Remote Indigenous Health Infrastructure	-	6.0	5.0	11.2	-
- Harvey Hospital	-	0.8	1.2	5.7	-
- Albany Health Campus Development	-	-	-	27.6	3.4
- <i>Total</i>	-	10.5	34.8	126.5	61.7

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

Note: Columns may not add due to rounding.

Royalties for Regions – Nickol Bay Hospital

The Government has committed \$150 million over five years to 2014-15 from *Royalties for Regions* for a new health campus at Nickol Bay, including \$125 million over the budget year and forward estimates period. The project includes the development of new ambulatory care infrastructure and will provide a new emergency department in Karratha.

Royalties for Regions – Exmouth Health Clinic

A total of \$8.1 million will be spent over three years from 2010-11 from *Royalties for Regions* to refurbish the Exmouth Health Clinic to address the increased demand for dental, mental health, pathology, occupational health and community health services in the area.

Royalties for Regions – Carnarvon Hospital

The Government has approved additional expenditure of \$20.8 million from *Royalties for Regions* for the upgrade of Carnarvon Hospital, of which \$20.7 million will be spent over the forward estimates period. The project will deliver enhanced health services in the Gascoyne region with improvements in emergency, dental, day surgery and pathology renovations, and ambulatory care services.

Royalties for Regions – Esperance Hospital

Additional expenditure of \$18.8 million over two years from 2011-12 from *Royalties for Regions* has been approved to support the upgrade of Esperance Hospital. The hospital will have substantially improved emergency, maternity, obstetrics and medical imaging services and includes a ‘one stop shop’ for ambulatory care, community and allied health services.

Royalties for Regions – Remote Indigenous Health Infrastructure

A total of \$22.2 million will be spent over three years from 2010-11 from *Royalties for Regions* for new Indigenous health clinics and associated infrastructure in regional and remote areas of Western Australia.

Harvey Hospital

An additional \$7.7 million over three years from 2010-11 will be directed towards a new purpose built emergency unit at Harvey Hospital. This unit will replace the existing unit and provide improved critical care to the Harvey and surrounding communities.

Albany Health Campus Development

An additional \$31 million will be spent over two years from 2012-13 on the Albany Health Campus Development as a result of further asset specification and consideration of scope issues, bringing the total estimated cost to \$166 million. The additional expenditure has been offset by lower than budgeted tender outcomes from other projects in the Health Asset Investment program.

Medical Equipment Replacement Program

In addition to policy decisions above, the Government has approved a \$120 million increase in spending on replacement medical equipment over three years, beginning in 2009-10.

Water

Table 27

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Water					
- Royalties for Regions – Collie Desalination	-	0.7	4.5	-	-
- <i>Total</i>	-	0.7	4.5	-	-

Note: Columns may not add due to rounding.

Royalties for Regions – Collie Desalination

\$5.2 million will be spent over two years from 2010-11 from *Royalties for Regions* towards the design and construction of a desalination plant on the Collie River.

Water Corporation

Table 28

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Water Corporation					
- Infill Sewerage	-	25.0	25.0	25.0	25.0
- Royalties for Regions – West Pilbara Water Security	2.0	7.1	-	-	-
- <i>Total</i>	2.0	32.1	25.0	25.0	25.0

Note: Columns may not add due to rounding.

Infill Sewerage

The Water Corporation will continue the infill sewerage program, spending \$100 million over four years from 2010-11 throughout metropolitan and country areas.

Royalties for Regions – West Pilbara Water Security

Under *Royalties for Regions*, the Water Corporation will receive \$9.1 million over two years from 2009-10 for the West Pilbara Water Security initiative. These funds will be used to increase the capacity of the existing West Pilbara Water Supply Scheme and to improve wastewater treatment services in the area.

Western Australia Police

Table 29

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Western Australia Police					
- Cockburn Central Police Hub	-	-	-	-	3.3
- Western Suburbs Police Hub	-	-	-	-	7.0
- Security Vehicles Conversion Program	-	2.0	0.5	-	-
- Cannabis Law Reform	-	0.4	-	-	-
- Drug Lab Equipment Requirements	0.5	-	-	-	-
- <i>Total</i>	0.5	2.4	0.5	-	10.3

Note: Columns may not add due to rounding.

Cockburn Central Police Hub

\$3.3 million will be spent in 2013-14 to complete the construction of a new purpose-built facility to replace the existing Murdoch and Cockburn police stations. This will result in a large police station strategically located in the district, enhancing capability and frontline service delivery by improving the quality and timeliness of police response.

Western Suburbs Police Hub

Expenditure of \$7 million in 2013-14 will enable the commencement of construction of a new purpose-built facility to combine and centralise the existing Claremont, Cottesloe, Subiaco and Wembley police stations on a new site. This centralised approach will provide economies of scale for the rostering and deployment of police resources and contribute to more efficient and effective policing in the district.

Security Vehicles Conversion Program

\$2.5 million will be spent over two years from 2010-11 to upgrade security vehicles in regional and remote areas to bring them up to a standard consistent with the recommendations of the Coroner's report into the death of Mr Ward.

Cannabis Law Reform

\$0.4 million will be spent in 2010-11 to create a new database to give effect to the Cannabis Law reforms contained in the *Tackling Illicit Drugs in our Community: Law Enforcement* policy document.

Drug Lab Equipment Requirements

Expenditure of \$0.5 million in 2009-10 is required to purchase further essential equipment that will increase the capacity of the Western Australia Police and the Chemistry Centre to investigate clandestine drug laboratories.

Western Australian Land Authority

Table 30

**POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING
TOTAL PUBLIC SECTOR ASSET INVESTMENT**

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Western Australian Land Authority					
- Oakajee Port and Rail Project	0.2	-	-	-	-
- Royalties for Regions – Carnarvon Waterfront Development Planning Project	-	1.0	-	-	-
- <i>Total</i>	0.2	1.0	-	-	-

Note: Columns may not add due to rounding.

Oakajee Port and Rail Project

\$200,000 will be spent in 2009-10 to provide project management support to undertake the planning and access arrangements for the Oakajee Industrial Estate.

Royalties for Regions – Carnarvon Waterfront Development Planning Project

\$1 million will be spent in 2010-11 from *Royalties for Regions* on a feasibility study for the Carnarvon Waterfront Development Planning Project. The study will be undertaken in two stages, the first being to determine the suitability of a waterfront development. Subject to this having a positive outcome, Stage 2 will involve obtaining the necessary approvals and developing an implementation plan.

Western Australian Planning Commission

Table 31

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT					
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Western Australian Planning Commission					
- Perth Waterfront Project	-	10.9	5.2	3.1	2.4
- Stirling City Centre Project	-	3.5	3.5	1.5	-
- <i>Total</i>	-	14.4	8.7	4.6	2.4

Note: Columns may not add due to rounding.

Perth Waterfront Project

Expenditure of \$21.5 million over four years from 2010-11 has been approved for the Perth Waterfront Project to develop detailed planning, design and undertake due diligence. This project will reconnect the City with the Swan River to create a vibrant, mixed use precinct for the Western Australian community and visitors alike.

Stirling City Centre Project

Expenditure of \$8.5 million over three years from 2010-11 has been approved to plan an integrated city centre around the Stirling train station and the Innaloo retail precinct. An estimated \$3 million of this funding is expected to be recouped from City of Stirling.

Western Australian Sports Centre Trust

Table 32

POLICY DECISIONS SINCE 2009-10 MID-YEAR REVIEW AFFECTING TOTAL PUBLIC SECTOR ASSET INVESTMENT

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Western Australian Sports Centre Trust					
- Asset Upgrades and Maintenance	-	1.8	1.8	1.8	1.8
- <i>Total</i>	-	1.8	1.8	1.8	1.8

Note: Columns may not add due to rounding.

Asset Upgrades and Maintenance

Expenditure of \$1.8 million per annum from 2010-11 to enable urgent asset upgrades and maintenance works to be undertaken across facilities managed by the Trust.

Royalties for Regions

Overview

Prior to the proclamation of the Royalties for Regions legislation, the *Royalties for Regions* program operated pursuant to section 10(a) of the *Financial Management Act 2006*. The *Royalties for Regions Act 2009* was proclaimed on 27 March 2010 to provide for the operation of the Royalties for Regions Fund. The objective of the Act is to promote and facilitate economic, business and social development in regional Western Australia through the operation of the fund.

The annual contribution to the Royalties for Regions Fund reflects the forecast royalty income for the financial year. Each financial year the Treasurer is to credit to the fund an amount equal to 25 per cent of the forecast royalty income for the financial year.

The amount allocated in 2010-11 is \$817.8 million (25 per cent of forecast royalty income of \$3,271 million for 2010-11). With carryovers, an amount of \$897 million is budgeted to be spent on the *Royalties for Regions* program in 2010-11.

The *Royalties for Regions* program continues to provide 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.

Projects and Government initiatives that are supported through the *Royalties for Regions* program are described below.

Key Initiatives

A major component of the Royalties for Regions Regional Infrastructure and Headworks Fund is the identification of three programs of works in the Pilbara, Kimberley and Gascoyne regions. This is made up of the Pilbara Cities Initiative, Gascoyne Revitalisation and the Kimberley Revitalisation plan, which mainly comprises the Ord-East Kimberley Expansion Project.

Pilbara Cities

The Liberal-National Government's vision for Pilbara Cities is for modern vibrant cities and regional centres that will support and deliver a skilled workforce for major economic projects in the Pilbara.

By the end of 2013-14, *Royalties for Regions* will have committed almost one billion dollars to Pilbara Cities, with \$977 million to be invested in vital initiatives including a new Nickol Bay Hospital.

A total of \$310 million, including \$20 million in 2010-11, will be provided by *Royalties for Regions* to partner with the Australian Government and the private sector (including mining companies and indigenous corporations) on major infrastructure projects to address the development of this nationally important region.

Gascoyne Revitalisation

A total of \$131 million will be spent over four years, including \$31 million in 2010-11.

The Gascoyne Regional Development Plan prepared by the Gascoyne Development Commission in consultation with the four local government authorities (Carnarvon, Exmouth, Shark Bay and Upper Gascoyne) will provide a strategic direction for the Gascoyne region over the next 10 years.

The plan includes 20 flagship initiatives looking at key infrastructure and services such as water, power, health, community development and town centre revitalisation, tourism, maritime, housing and land availability to enhance the region's economic and social development.

This will include part-funding from *Royalties for Regions* for the Carnarvon Police and Justice Complex and upgrades to the Carnarvon Hospital and Exmouth Clinic.

The Government has commenced work to identify sites for industrial and residential expansion in Gascoyne towns such as Carnarvon, Exmouth and Denham.

Ord-East Kimberley Expansion Project

The Ord-East Kimberley Expansion Project is a major State Government election commitment. Activity will be ramping up in the 2010-11 financial year with construction of 19 kilometres of irrigation channel and 14 kilometres of road to support the 8,000 hectares of farm land that will make up Phase 2 of the project, which is scheduled to commence in May 2010.

The project is funded by \$220 million from the *Royalties for Regions* program in partnership with a \$195 million investment from the Commonwealth in the form of the East Kimberley Development Package to support education, housing, health and community services.

This project will also set a precedent in indigenous engagement and will maximise aboriginal involvement and employment opportunities.

Country Local Government Fund

The Country Local Government Fund provides support to local governments and regional groups of councils.

In 2010-11, the Liberal-National Government will invest \$102 million through the Royalties for Regions Country Local Government Fund and will extend the program a further year to 2013-14. This will build on the \$97.5 million that was allocated to 110 local governments in 2008-09, which funded some 560 projects renewing and creating vital local community infrastructure.

\$61 million will be allocated in 2010-11 to individual country local governments towards the cost of implementing their forward capital works plans. A further \$33 million will be allocated to groups of country local governments to invest in regionally significant infrastructure projects, developed with the support of Regional Development Commissions.

St John Ambulance Services in Country WA

\$26.1 million over four years has been committed from *Royalties for Regions* to the St John Ambulance Service to improve capacity, response times and clinical standards of this vital service, including \$5.3 million in 2010-11.

Orange School Buses

The Government recognises the need to improve conditions for regional students travelling long distances to access a school education. A \$10.9 million program over four years will upgrade the regional school bus network to ensure that new buses are equipped with air conditioning.

Education in Regional Western Australia

The Regional Schools Plan will receive \$100.5 million over four years for regional school upgrades.

Regional Residential College Upgrades will receive \$51.9 million over four years.

The Clontarf Foundation aims to actively engage indigenous students in targeted schools through the establishment of eight additional Clontarf Academies in Carnarvon, Newman, Northam, Wyndham, Katanning, Derby, Roebourne-Karratha and Fitzroy Crossing. *Royalties for Regions* will allocate \$1.6 million in 2010-11 from a total of \$5 million over three years.

Justice Services and Infrastructure in the Gascoyne, Kimberley and Pilbara

Expansion of Kimberley and Pilbara Youth Justice Services

An amount of \$43.9 million over four years will expand this program to the Kimberley and Pilbara regions to help tackle youth offending in the early stages and provide an extended hours family support service for at-risk youth and their families.

Justice Infrastructure in the Gascoyne and Kimberley

An amount of \$53 million over four years is budgeted for expenditure on Police and Justice Complexes in the Gascoyne and Kimberley (Kununurra \$43 million, Carnarvon \$9.5 million and Broome \$0.5 million). Of this, \$8 million will be spent in 2010-11.

Responsible Parenting and Better Beginnings

\$27.9 million over four years will be spent to expand the Responsible Parenting program, comprising home visiting services, and support and advice to at-risk families. The program will be expanded to the Murchison and Great Southern regions in 2010-11 and rolled out to other areas of the State over the following two years.

As part of the Better Beginnings program, \$2.8 million over four years has been allocated to develop early literacy skills in young children through fostering a love of books and language.

Regional Communications

A total of \$120.3 million over three years has been allocated for regional communications.

The shortcomings of mobile telephone coverage on the State's major regional highways will be addressed by the Liberal-National Government. Improved mobile telephone and radio communications coverage in regional Western Australia is essential for our police and emergency services, business and recreational purposes and vital for leveraging a commitment to improve mobile telephone coverage from telecommunications providers.

Investment in Regional Health

- \$150 million will be provided over five years for a new Nickol Bay Hospital (in Karratha) in line with the Pilbara Cities initiative.
- Kalgoorlie Hospital has been allocated \$10 million in 2010-11 from a total commitment of \$15.5 million over the next three years.
- Albany Hospital will receive \$20.3 million in 2010-11 from a total commitment of \$60.9 million over three years.
- Carnarvon Hospital will receive \$0.1 million in 2010-11 with a total commitment of \$20.7 million over four years.

- The Government will also provide \$8.5 million over three years under the Rural Generalist Pathways program to support the training of junior doctors in regional areas.
- Esperance Hospital will receive \$18.8 million from *Royalties for Regions* over 2011-12 to 2012-13 for upgrades.
- Remote Indigenous Health Clinics will receive \$6 million in 2010-11 with a total of \$22 million over three years.

Regional Services

Country Age Pension Fuel Card Stage 2

The already successful scheme will be expanded in 2010-11 to include additional semi-rural country postcodes in the Peel region, and four additional Centrelink income and assets tested pension categories. These include Disability Support Pension, Wife Pension, Widow B Pension, and Carer Payment. An amount of \$23.5 million has been allocated in 2010-11 to allow for the expansion.

Regional Workers Incentives – District Allowance Increase

To attract and retain public sector workers who provide essential government services in the north of the State, *Royalties for Regions* will provide \$25.7 million in 2010-11 to increase District Allowance. This is part of a \$110.8 million allocation over four years.

Reforming the Rangelands

A three-year, \$2.3 million Rangeland Reform program, supported by *Royalties for Regions*, will address long-standing problems faced by our pastoral industry. The outcomes will include better support for pastoralists who wish to diversify their land use. This will give greater economic certainty to those who work and live on our rangelands which, in turn, will support communities in regional centres.

Regional Strategic Projects

Regional Strategic Projects refer to funds set aside for contestable and strategic projects. A total of \$302.5 million has been allocated over four years to be administered under the decision of the Regional Development Council.

Regional Capital Works Initiative

\$218.8 million has been allocated for capital works programs over four years to be prioritised by the Regional Development Council.

Table 1

ROYALTIES FOR REGIONS EXPENDITURE ^(a)

	2008-09 Actual \$m	2009-10 Estimated Actual \$m	2010-11 Budget Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m
COUNTRY LOCAL GOVERNMENT FUND						
Local Government – Local Infrastructure Asset Renewal and New Assets	97.5	3.9	61.5	54.0	54.0	-
Administration of funds		0.3	0.6	0.6	0.6	0.6
Regional Groupings of Local Governments	-	0.9	33.1	54.0	54.0	108.1
Capacity Building – Regional Governance Services and Asset Management Tools	0.8	5.0	6.6	2.4	2.4	2.4
TOTAL – COUNTRY LOCAL GOVERNMENT FUND	98.3	10.0	101.7	111.0	111.0	111.0
REGIONAL COMMUNITY SERVICES FUND						
Country Age Pension Fuel Card	1.3	15.1	23.5	23.5	23.7	24.9
Bushchange Housing Grant	-	-	-	10.0	25.0	25.0
Royal Flying Doctor Service	5.7	9.2	9.3	3.9	3.9	4.1
Patient Assisted Travel Scheme	4.2	8.7	9.0	8.9	9.3	9.7
Rural Generalist Pathways	-	-	0.1	4.3	4.1	-
St John Ambulance Services in Country WA	-	-	5.3	6.1	6.9	7.7
Pilbara Cardio Vision Program	-	-	0.5	0.2	0.2	0.3
Regional Workers Incentives	-	-	25.7	27.0	28.3	29.8
Boarding Away From Home	-	1.8	1.9	2.0	2.5	2.5
Community Resource Centres	2.1	6.0	12.0	13.0	14.0	14.0
Wild Dogs Management Plan	-	-	4.8	1.9	1.2	0.7
Kimberley and Pilbara Youth Justice Services Expansion	-	-	3.0	11.6	14.4	14.9
Performing Arts Regional Tours Boost	-	-	0.3	0.3	0.3	0.3
Foodbank	-	0.2	0.2	0.2	0.2	-
Clontarf Colleges	-	-	1.6	1.7	1.7	-
Regional Men's Health	-	0.3	0.7	0.8	0.9	-
Western Australian Indigenous Tourism Operators Committee (WAITOC)	-	0.1	0.3	0.3	0.3	-
Better Beginnings – Early Literacy	-	-	0.6	0.7	0.7	0.8
Responsible Parenting Support Services	-	-	2.8	6.5	9.3	9.3
Rangelands Reform Implementation	-	-	0.8	0.8	0.8	-
'Orange' School Bus Initiatives	-	-	3.3	2.6	2.3	2.7
Exploration Incentive Scheme	1.9	17.3	20.7	23.3	16.8	-
Regional Strategic Projects	1.2	30.5	74.0	53.8	73.8	100.9
TOTAL – REGIONAL COMMUNITY SERVICES FUND	16.4	89.1	200.5	203.2	240.6	247.5

ROYALTIES FOR REGIONS EXPENDITURE ^(a)

Table 1 (cont.)

	2008-09 Actual \$m	2009-10 Estimated Actual \$m	2010-11 Budget Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m
REGIONAL INFRASTRUCTURE AND HEADWORKS FUND						
<i>Pilbara Cities Initiative</i>						
Nickol Bay Hospital Upgrade	-	4.0	3.0	3.0	-	-
New Nickol Bay Hospital	-	-	3.5	15.0	53.5	53.0
Pilbara Infrastructure Australia (State Contribution, Asset Investment)	-	-	20.0	15.0	60.3	150.0
Pilbara Infrastructure Australia (State Contribution, Operating)	-	-	-	25.0	39.7	-
Pilbara Revitalisation Unit	-	0.3	0.8	0.5	0.5	-
Pilbara Underground Power (Asset Investment)	-	11.5	88.5	-	-	-
Pilbara Underground Power (Operating)	-	0.4	0.6	0.6	0.6	-
Karratha Service Workers Accommodation	-	2.0	28.4	-	-	-
Housing for Workers – South Hedland Town Centre Revitalisation	0.1	3.1	20.1	-	-	-
Pilbara Water Opportunities	-	2.9	-	-	-	-
West Pilbara Water	-	2.0	7.1	-	-	-
Pilbara Health Partnership (Asset Investment)	-	3.2	5.3	5.6	6.9	7.2
Pilbara Health Partnership (Operating)	-	4.8	-	-	-	-
Ngarluma Aboriginal Sustainable Housing (NASH) Project – Roebourne	-	0.5	4.5	-	-	-
Roebourne Housing Initiatives	-	-	5.0	-	-	-
Northern Towns Development Fund	-	-	7.5	11.3	9.0	10.3
Pilbara Revitalisation Phase 2 (Asset Investment)		16.0	42.5	18.0	10.0	67.3
Pilbara Revitalisation Phase 2 (Operating)	77.5	0.5	16.5	18.0	-	12.7
Pilbara Health Equipment	-	2.5	-	-	-	-
Pilbara Cities Subtotal	77.6	53.6	253.2	112.0	180.5	300.5
<i>Kimberley Revitalisation</i>						
Ord – East Kimberley Expansion Project (Asset Investment)	1.1	25.7	95.5	87.7	-	-
Ord – East Kimberley Expansion Project (Operating)	-	2.0	4.0	4.0	-	-
Aboriginal Housing	-	15.0	-	-	-	-
Broome Boating Facility Stage 1	-	-	5.0	15.0	15.0	-
Kununurra Justice Complex	-	-	6.0	22.0	11.3	3.7
Broome Justice Complex	-	-	0.5	-	-	-
Kimberley Revitalisation Subtotal	1.1	42.7	111.0	128.7	26.3	3.7

ROYALTIES FOR REGIONS EXPENDITURE ^(a)

Table 1 (cont.)

	2008-09 Actual \$m	2009-10 Estimated Actual \$m	2010-11 Budget Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m
<i>Gascoyne Revitalisation</i>						
Gascoyne Development Plan (Asset Investment)	-	-	3.4	11.4	7.3	18.1
Gascoyne Development Plan (Operating)	-	-	9.6	15.0	3.0	6.5
Carnarvon Fascine Redevelopment Planning	-	-	1.0	-	-	-
Carnarvon Library and Art Centre	-	-	1.8	-	-	-
Carnarvon Police and Justice Complex	-	-	1.5	8.0	-	-
Exmouth Health Clinic	-	-	0.0	3.6	4.5	-
Tantabiddi Boat Ramp Upgrade	-	-	1.5	-	-	-
Carnarvon Hospital	-	-	0.1	-	15.2	5.4
Carnarvon Boat Ramp Project	-	-	3.0	-	-	-
Waterfront Development Planning	-	-	1.0	-	-	-
Service Workers Coral Bay	-	-	2.1	-	-	-
Gascoyne Irrigation Pipeline Project	-	-	6.0	1.6	-	-
Gascoyne Revitalisation Subtotal	-	-	31.1	39.6	30.0	30.0
<i>General</i>						
Regional Schools Plan	-	-	20.5	30.0	25.0	25.0
Regional Residential Colleges Upgrades	-	-	2.5	19.4	20.0	10.0
Regional Communications (Asset Investment)	-	-	0.3	30.0	50.0	-
Regional Communications (Operating)	-	1.2	8.0	17.0	15.0	-
Indigenous Visitor Hostels	-	-	0.5	6.0	6.5	-
Housing for Workers	-	131.0	79.0	100.0	100.0	100.0
Distribution Headworks Rebate	-	7.3	-	-	-	-
Collie Desalination	-	-	0.7	4.5	-	-
Recreational Boating Facilities Scheme	-	-	5.0	5.0	5.0	5.0
Regional Airport Development Scheme	0.5	5.5	5.5	5.5	5.0	5.0
Conservation Parks Infrastructure and Roads	-	-	5.0	5.0	5.0	5.0
Kalgoorlie Hospital	-	-	10.0	2.0	3.4	-
Albany Hospital	-	-	20.3	20.3	20.3	-
Esperance Hospital	-	-	-	10.0	8.8	-
Bunbury to Albany Gas Pipeline	-	-	-	10.0	10.0	-
Pre-Feasibility Pilbara / Gascoyne	0.2	0.2	-	-	-	-
Living Lakes (Feasibility and Planning)	-	-	0.6	-	-	-
Jigalong Essential Services Pilot	-	-	6.0	4.0	-	-
Remote Indigenous Health Clinics	-	-	6.0	5.0	11.2	-
Regional Capital Works Initiative	-	-	14.4	22.9	95.8	85.8
General Subtotal	0.6	145.2	184.3	296.7	381.0	235.8
TOTAL – REGIONAL INFRASTRUCTURE AND HEADWORKS FUND	79.3	241.5	579.6	576.9	617.7	570.0

ROYALTIES FOR REGIONS EXPENDITURE ^(a)

Table 1 (cont.)

	2008-09 Actual \$m	2009-10 Estimated Actual \$m	2010-11 Budget Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m
NEW REGIONAL AND STATEWIDE INITIATIVES						
New Regional and Statewide Initiatives	-	6.0	10.0	10.0	3.1	9.2
New Regional and Statewide Initiatives	-	5.8	-	-	-	-
Administering the Royalties for Regions Fund	-	4.8	5.0	5.2	5.4	5.7
TOTAL – NEW REGIONAL AND STATEWIDE INITIATIVES	-	16.6	15.0	15.2	8.5	14.9
TOTAL – ROYALTIES FOR REGIONS EXPENDITURE	193.9	357.1	896.8	906.2	977.9	943.3

(a) The above expenditure amounts are net of the \$25 million per annum from 2009-10 in savings contributions.

Source: Department of Regional Development and Lands.

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*.

Of note, the 2010-11 Budget contains a change to the presentation of the public non-financial corporations and public financial corporations sectors. The accounting treatment of dividends is now shown as a non-transaction cost (i.e. excluded from the operating balance), in line with the treatment in AASB 1049 and in equivalent public corporations sector financial projections by other jurisdictions.

This has the effect of increasing the operating surplus in the public corporations sectors, relative to Western Australia's previous disclosures. There is no impact on either the general government or total public sector surplus following this change.

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Table 1.1

GENERAL GOVERNMENT Operating Statement

	Note	2008-09 Actual \$m	2009-10 Estimated Actual \$m	2010-11 Budget Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m
<i>Results from Transactions</i>							
REVENUE							
Taxation		5,706	6,316	6,626	7,259	7,909	8,536
Current grants and subsidies		8,089	8,119	8,092	8,422	8,490	8,512
Capital grants		411	1,922	1,269	714	749	470
Sales of goods and services		1,410	1,552	1,656	1,740	1,821	1,906
Interest income		285	200	253	259	255	246
Revenue from public corporations							
Dividends from other sector entities		466	666	661	705	949	1,018
Tax equivalent income		355	394	377	422	606	720
Royalty income		2,348	2,217	3,271	3,598	3,673	3,535
Other		364	365	386	399	397	401
Total	3	19,435	21,752	22,591	23,517	24,850	25,343
EXPENSES							
Salaries		7,764	8,423	8,932	9,486	10,102	10,673
Superannuation							
Concurrent costs		746	807	855	906	963	1,016
Superannuation interest cost		330	425	419	431	443	454
Other employee costs		326	339	344	350	355	359
Depreciation and amortisation		764	838	899	959	984	1,143
Services and contracts		2,216	1,507	1,575	1,516	1,563	1,590
Other gross operating expenses		1,698	3,031	2,866	3,004	3,130	3,213
Other interest		118	178	374	533	605	571
Other property expenses		-	-	-	-	-	-
Current transfers	4	4,554	4,817	5,533	5,192	5,299	5,501
Capital transfers	4	600	1,096	508	488	598	500
Total	5	19,117	21,462	22,305	22,866	24,043	25,019
NET OPERATING BALANCE	6	318	290	286	652	807	325
<i>Other economic flows</i>							
Net gains on assets/liabilities		52	266	162	86	110	33
Net actuarial gains - superannuation		-1,277	204	-161	-162	-163	-164
Provision for doubtful debts		24	-	-	-	-	-
All other		-	-	-	-	-	-
Total other economic flows		-1,201	470	1	-76	-54	-131
OPERATING RESULT		-883	760	287	576	753	193
<i>All other movements in equity</i>							
Revaluations		3,563	1,542	1,849	2,028	2,021	2,071
Gains recognised directly in equity		6	18	-1	-1	-1	-1
Changes in accounting policy/correction of prior period errors		-204	32	-128	-30	-80	73
Change in net worth of the public corporations sectors		11,901	1,370	979	1,398	1,537	1,098
All other		-	-	-	-	-	-
Total all other movements in equity		15,266	2,963	2,700	3,396	3,477	3,242
TOTAL CHANGE IN NET WORTH		14,382	3,723	2,987	3,972	4,231	3,435
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	318	290	286	652	807	325
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	5	2,255	3,312	3,938	3,304	2,596	2,450
Changes in inventories		13	-	-	-	-	-
Other movement in non-financial assets		-36	6	2	2	-70	-
<i>less:</i>							
Sales of non-financial assets		164	215	413	283	242	169
Depreciation		764	838	899	959	984	1,143
Total net acquisition of non-financial assets		1,305	2,264	2,628	2,064	1,300	1,138
NET LENDING/-BORROWING	6	-987	-1,973	-2,342	-1,412	-493	-813

Note: Columns may not add due to rounding.

Table 1.2

GENERAL GOVERNMENT **Balance Sheet at 30 June**

	Note	2009	2010	2011	2012	2013	2014
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		380	553	581	516	417	358
Advances paid		716	701	691	670	650	630
Investments, loans and placements		4,168	3,981	2,967	2,517	2,185	2,025
Receivables		1,549	1,755	1,836	1,928	2,101	2,208
Investment property		8	8	8	8	8	8
Shares and other equity							
Investments in other public sector entities - equity method		40,952	42,322	43,301	44,699	46,236	47,334
Investments in other public sector entities - direct injections		3,164	4,029	4,775	5,073	5,417	5,616
Investments in other entities		-	-	-	-	-	-
Other financial assets		-	-	-	-	-	-
Total financial assets		50,937	53,349	54,158	55,411	57,014	58,179
<i>Non-financial assets</i>							
Land		39,389	40,517	41,160	42,060	42,924	43,851
Property, plant and equipment		29,657	33,191	37,097	40,414	42,993	45,360
Biological assets		2	2	2	2	2	2
Inventories							
Land inventories		96	95	93	91	89	87
Other inventories		72	72	72	72	72	72
Intangibles		336	333	321	312	291	263
Non-current assets held for sale		18	28	10	2	2	2
Other		117	108	112	111	110	106
Total non-financial assets		69,686	74,346	78,867	83,065	86,482	89,744
TOTAL ASSETS		120,624	127,694	133,024	138,476	143,496	147,923
LIABILITIES							
Deposits held		391	370	293	268	267	255
Advances received		496	482	467	453	438	422
Borrowings		1,847	4,668	6,487	7,435	7,702	8,224
Unfunded superannuation		7,086	6,983	7,194	7,393	7,572	7,752
Other employee benefits		2,072	2,259	2,462	2,675	2,887	3,067
Payables		481	697	699	705	709	724
Other liabilities		1,088	1,352	1,551	1,704	1,847	1,970
TOTAL LIABILITIES		13,462	16,810	19,153	20,633	21,423	22,414
NET ASSETS		107,162	110,885	113,871	117,843	122,074	125,509
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		8,516	13,362	13,648	14,223	14,976	15,169
Other reserves		98,646	97,522	100,224	103,620	107,098	110,340
NET WORTH	6	107,162	110,885	113,871	117,843	122,074	125,509
MEMORANDUM ITEMS							
<i>Net financial worth</i>							
<i>Net financial liabilities</i>		37,476	36,539	35,005	34,778	35,592	35,765
		6,641	9,812	13,071	14,994	16,062	17,185
<i>Net debt</i>							
Gross debt liabilities		2,734	5,520	7,247	8,156	8,407	8,901
less: liquid financial assets		5,264	5,234	4,238	3,703	3,253	3,013
less: convergence differences impacting net debt		88	88	88	88	88	88
Net debt		-2,618	197	2,920	4,365	5,066	5,800

Note: Columns may not add due to rounding.

Table 1.3

GENERAL GOVERNMENT

Cash Flow Statement

Note	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES						
<i>Cash received</i>						
Taxes received	5,865	6,324	6,634	7,272	7,926	8,556
Grants and subsidies received	8,538	9,996	9,342	9,131	9,226	8,979
Receipts from sales of goods and services	1,556	1,610	1,718	1,791	1,853	1,941
Interest receipts	295	190	244	250	246	236
Dividends and tax equivalents	877	1,030	1,014	1,126	1,389	1,683
Other receipts	3,692	3,231	4,529	4,820	4,977	4,787
<i>Total cash received</i>	<i>20,822</i>	<i>22,382</i>	<i>23,481</i>	<i>24,389</i>	<i>25,617</i>	<i>26,183</i>
<i>Cash Paid</i>						
Wages, salaries and supplements, and superannuation	-8,595	-9,293	-9,861	-10,475	-11,179	-11,845
Payments for goods and services	-4,441	-4,954	-4,889	-4,958	-5,115	-5,212
Interest paid	-131	-138	-326	-494	-590	-569
Grants and subsidies paid	-4,650	-5,384	-5,665	-5,304	-5,444	-5,604
Dividends and tax equivalents	-	-	-	-	-	-
Other payments	-1,289	-1,417	-1,233	-1,185	-1,219	-1,130
<i>Total cash paid</i>	<i>-19,106</i>	<i>-21,186</i>	<i>-21,975</i>	<i>-22,416</i>	<i>-23,547</i>	<i>-24,359</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,717	1,196	1,506	1,973	2,070	1,823
CASH FLOWS FROM INVESTING ACTIVITIES						
<i>Cash flows from investments in non-financial assets</i>						
Purchase of non-financial assets	-2,255	-3,312	-3,938	-3,304	-2,596	-2,450
Sales of non-financial assets	164	215	413	283	242	169
<i>Total cash flows from investments in non-financial assets</i>	<i>-2,091</i>	<i>-3,096</i>	<i>-3,525</i>	<i>-3,021</i>	<i>-2,354</i>	<i>-2,280</i>
<i>Cash flows from investments in financial assets</i>						
<i>Cash received</i>						
For policy purposes	1	-	-	-	-	-
For liquidity purposes	25	61	-	-	-	-
<i>Cash paid</i>						
For policy purposes	-368	-735	-740	-288	-340	-203
For liquidity purposes	-3	-	-4	-2	-	-
<i>Total cash flows from investments in financial assets</i>	<i>-345</i>	<i>-674</i>	<i>-744</i>	<i>-290</i>	<i>-340</i>	<i>-203</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES	-2,437	-3,770	-4,269	-3,311	-2,694	-2,483
CASH FLOWS FROM FINANCING ACTIVITIES						
<i>Cash received</i>						
Advances received	14	14	14	15	15	15
Borrowings	1,012	3,037	1,876	995	312	661
Deposits received	-	-	-	-	-	-
Other financing receipts	30	31	33	32	32	32
<i>Total cash receipts from financing activities</i>	<i>1,056</i>	<i>3,082</i>	<i>1,923</i>	<i>1,042</i>	<i>359</i>	<i>708</i>
<i>Cash paid</i>						
Advances paid	-14	-14	-14	-15	-15	-15
Borrowings repaid	-182	-167	-40	-43	-43	-133
Deposits paid	-	-	-	-	-	-
Other financing payments	-43	-55	-61	-94	-99	-101
<i>Total payments for financing activities</i>	<i>-239</i>	<i>-237</i>	<i>-115</i>	<i>-152</i>	<i>-157</i>	<i>-250</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES	818	2,845	1,809	890	202	458
Net increase in cash and cash equivalents	98	272	-954	-448	-422	-202
Cash and cash equivalents at the beginning of the year	4,236	4,334	4,605	3,651	3,203	2,781
Cash and cash equivalents at the end of the year	4,334	4,605	3,651	3,203	2,781	2,579
KEY FISCAL AGGREGATES						
Net cash flows from operating activities	1,717	1,196	1,506	1,973	2,070	1,823
Net cash flows from investing in non-financial assets	-2,091	-3,096	-3,525	-3,021	-2,354	-2,280
Cash surplus/-deficit	6	-375	-1,900	-1,048	-284	-457

Note: Columns may not add due to rounding.

Table 1.4

PUBLIC NON-FINANCIAL CORPORATIONS
Operating Statement

	Note	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Current grants and subsidies		1,628	1,812	1,810	1,740	1,757	1,829
Capital grants		46	201	87	104	137	106
Sales of goods and services		9,186	11,972	15,811	16,849	18,366	19,124
Interest income		163	158	223	288	374	421
Other		580	435	389	381	447	471
<i>Total</i>		<i>11,604</i>	<i>14,578</i>	<i>18,320</i>	<i>19,361</i>	<i>21,081</i>	<i>21,950</i>
EXPENSES							
Salaries		835	916	931	941	956	975
Superannuation							
Concurrent costs		80	88	89	90	91	93
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		39	26	26	27	27	27
Depreciation and amortisation		1,310	1,366	1,476	1,520	1,541	1,582
Services and contracts		557	458	510	456	486	533
Other gross operating expenses		6,791	9,292	12,740	13,244	14,214	14,593
Other interest		707	802	1,000	1,180	1,288	1,374
Tax equivalents		344	341	342	384	564	672
Current transfers		682	863	848	950	883	893
Capital transfers		17	3	4	-	-	-
<i>Total</i>		<i>11,363</i>	<i>14,156</i>	<i>17,968</i>	<i>18,791</i>	<i>20,048</i>	<i>20,742</i>
NET OPERATING BALANCE	6	242	422	352	570	1,033	1,208
<i>Other economic flows</i>							
Net gains on assets/liabilities		124	207	209	233	324	369
Net actuarial gains - superannuation		-23	-27	-	-	-	-
Provision for doubtful debts		-19	-9	-10	-11	-12	-13
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		<i>81</i>	<i>170</i>	<i>199</i>	<i>222</i>	<i>312</i>	<i>356</i>
OPERATING RESULT		323	592	551	792	1,345	1,564
<i>All other movements in non-owner equity</i>							
Revaluations		12,184	1,234	950	1,104	947	404
Gains recognised directly in equity		316	-40	-48	-60	-60	-57
Changes in accounting policy/correction of prior period errors		-156	-36	29	95	60	-14
Capital injections from general government		-	-	-	-	-	-
All other		-	-	-	-	-	-
<i>Total all other movements in non-owner equity</i>		<i>12,344</i>	<i>1,158</i>	<i>932</i>	<i>1,139</i>	<i>946</i>	<i>334</i>
<i>Movements in owner equity</i>							
Dividends		-464	-654	-660	-700	-942	-1,010
Capital injections		367	865	746	298	344	199
<i>Total movements in owner equity</i>		<i>-97</i>	<i>211</i>	<i>85</i>	<i>-402</i>	<i>-598</i>	<i>-811</i>
TOTAL CHANGE IN NET WORTH		12,570	1,961	1,569	1,529	1,694	1,087
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	242	422	352	570	1,033	1,208
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		3,566	3,875	3,712	2,724	3,298	3,093
Changes in inventories		700	-127	653	5	2	-
Other movement in non-financial assets		-43	113	-87	-49	-43	-63
<i>less:</i>							
Sales of non-financial assets		444	620	681	829	860	917
Depreciation		1,310	1,366	1,476	1,520	1,541	1,582
<i>Total net acquisition of non-financial assets</i>		<i>2,470</i>	<i>1,875</i>	<i>2,120</i>	<i>330</i>	<i>856</i>	<i>531</i>
NET LENDING/-BORROWING	6	-2,228	-1,454	-1,768	241	177	677

Note: Columns may not add due to rounding.

Table 1.5

PUBLIC NON-FINANCIAL CORPORATIONS**Balance Sheet at 30 June**

Note	2009	2010	2011	2012	2013	2014
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
ASSETS						
<i>Financial assets</i>						
Cash and deposits	774	707	673	758	837	919
Advances paid	-	-	-	-	-	-
Investments, loans and placements	3,089	4,519	5,014	5,546	6,164	6,718
Receivables	1,423	1,649	903	1,018	1,120	1,176
Investment property	20	24	22	22	21	21
Shares and other equity						
Investments in other public sector entities - equity method	-	-	-	-	-	-
Investments in other public sector entities - direct injections	-	-	-	-	-	-
Investments in other entities	14	12	8	55	-	-
Other financial assets	579	741	910	1,039	1,172	1,308
<i>Total financial assets</i>	<i>5,898</i>	<i>7,651</i>	<i>7,530</i>	<i>8,438</i>	<i>9,314</i>	<i>10,143</i>
<i>Non-financial assets</i>						
Land	13,438	14,168	14,985	15,738	16,375	16,508
Property, plant and equipment	39,003	41,741	43,657	44,870	46,724	48,054
Biological assets	362	376	377	378	379	380
Inventories						
Land inventories	1,387	1,455	1,674	1,632	1,631	1,732
Other inventories	1,700	1,573	2,226	2,231	2,233	2,233
Intangibles	234	210	234	249	265	288
Non-current assets held for sale	1	1	1	1	1	1
Other	85	63	59	63	62	62
<i>Total non-financial assets</i>	<i>56,209</i>	<i>59,587</i>	<i>63,213</i>	<i>65,161</i>	<i>67,670</i>	<i>69,259</i>
TOTAL ASSETS	62,107	67,238	70,743	73,600	76,984	79,401
LIABILITIES						
Deposits held	8	2	2	2	2	2
Advances received	496	482	467	453	438	422
Borrowings	13,692	17,100	19,016	20,426	21,998	23,263
Unfunded superannuation	124	139	129	117	103	87
Other employee benefits	302	312	298	301	306	311
Payables	3,068	2,841	2,878	2,829	3,073	3,182
Other liabilities	1,310	1,294	1,314	1,305	1,204	1,188
TOTAL LIABILITIES	19,000	22,170	24,105	25,433	27,124	28,455
NET ASSETS	43,108	45,069	46,637	48,166	49,860	50,947
<i>Of which:</i>						
Contributed equity	3,164	4,029	4,775	5,073	5,417	5,616
Accumulated surplus	17,783	18,337	18,095	18,050	18,291	18,706
Other reserves	22,160	22,702	23,767	25,043	26,151	26,625
NET WORTH	6	43,108	45,069	48,166	49,860	50,947
MEMORANDUM ITEMS						
<i>Net financial worth</i>	<i>-56,209</i>	<i>-59,587</i>	<i>-63,213</i>	<i>-65,161</i>	<i>-67,670</i>	<i>-69,259</i>
<i>Net debt</i>						
Gross debt liabilities	14,196	17,584	19,486	20,881	22,437	23,687
less: liquid financial assets	3,863	5,225	5,687	6,304	7,001	7,637
less: convergence differences impacting net debt	-	-	-	-	-	-
<i>Net debt</i>	<i>10,333</i>	<i>12,359</i>	<i>13,799</i>	<i>14,577</i>	<i>15,436</i>	<i>16,050</i>

Note: Columns may not add due to rounding.

Table 1.6

PUBLIC NON-FINANCIAL CORPORATIONS
Cash Flow Statement

	Note	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Grants and subsidies received		1,531	1,843	1,728	1,669	1,718	1,753
Receipts from sales of goods and services		10,108	12,150	15,828	16,722	18,301	19,120
Interest receipts		168	158	223	288	373	420
Dividends and tax equivalents		-	-	53	-	-	-
Other receipts		815	787	790	843	896	994
<i>Total cash received</i>		<i>12,622</i>	<i>14,939</i>	<i>18,622</i>	<i>19,522</i>	<i>21,288</i>	<i>22,287</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-885	-1,057	-1,110	-1,126	-1,157	-1,199
Payments for goods and services		-7,676	-9,387	-12,358	-12,752	-13,596	-13,930
Interest paid		-722	-814	-976	-1,166	-1,291	-1,381
Grants and subsidies paid		-550	-768	-747	-829	-764	-778
Tax equivalents		-336	-363	-348	-390	-407	-622
Other payments		-1,142	-1,532	-1,703	-1,921	-1,822	-1,977
<i>Total cash paid</i>		<i>-11,311</i>	<i>-13,921</i>	<i>-17,242</i>	<i>-18,184</i>	<i>-19,039</i>	<i>-19,887</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES		1,311	1,018	1,380	1,338	2,250	2,400
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-3,566	-3,875	-3,712	-2,724	-3,298	-3,093
Sales of non-financial assets		444	620	681	829	860	917
<i>Total cash flows from investments in non-financial assets</i>		<i>-3,122</i>	<i>-3,255</i>	<i>-3,030</i>	<i>-1,894</i>	<i>-2,438</i>	<i>-2,176</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		260	146	17	24	7	161
<i>Cash paid</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		-193	-145	-19	-14	-132	-176
<i>Total cash flows from investments in financial assets</i>		<i>68</i>	<i>1</i>	<i>-2</i>	<i>10</i>	<i>-125</i>	<i>-15</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES		-3,054	-3,253	-3,032	-1,884	-2,563	-2,191
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		19,229	49,319	49,562	48,125	48,826	47,734
Deposits received		-	-	-	-	-	-
Other financing receipts		329	580	648	224	277	148
<i>Total cash received</i>		<i>19,557</i>	<i>49,900</i>	<i>50,210</i>	<i>48,349</i>	<i>49,104</i>	<i>47,882</i>
<i>Cash paid</i>							
Advances paid		-14	-14	-14	-15	-15	-15
Borrowings repaid		-17,068	-47,433	-48,144	-47,205	-47,761	-46,975
Deposits paid		-	-	-	-	-	-
Other financing payments		-	133	32	46	45	37
Dividends paid		-464	-651	-662	-700	-936	-1,010
<i>Total cash paid</i>		<i>-17,545</i>	<i>-47,966</i>	<i>-48,788</i>	<i>-47,873</i>	<i>-48,667</i>	<i>-47,963</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES		2,012	1,934	1,422	475	437	-80
Net increase in cash and cash equivalents		268	-302	-231	-71	123	128
Cash and cash equivalents at the beginning of the year		812	1,080	778	547	476	600
Cash and cash equivalents at the end of the year		1,080	778	547	476	600	728
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		1,311	1,018	1,380	1,338	2,250	2,400
Net cash flows from investing in non-financial assets		-3,122	-3,255	-3,030	-1,894	-2,438	-2,176
Dividends paid		-464	-651	-662	-700	-936	-1,010
Cash surplus/-deficit	6	-2,275	-2,889	-2,312	-1,256	-1,124	-786

Note: Columns may not add due to rounding.

Table 1.7

TOTAL NON-FINANCIAL PUBLIC SECTOR

Operating Statement

	Note	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Taxation		5,433	6,057	6,350	6,973	7,615	8,233
Current grants and subsidies		8,089	8,119	8,092	8,422	8,490	8,512
Capital grants		411	1,922	1,269	714	749	470
Sales of goods and services		10,322	13,213	17,164	18,284	19,876	20,711
Interest income		416	329	446	519	603	641
Royalty income		2,348	2,217	3,271	3,598	3,673	3,535
Dividend and tax equivalents		13	116	30	38	45	51
Other		927	728	766	775	840	867
<i>Total</i>		<i>27,960</i>	<i>32,701</i>	<i>37,390</i>	<i>39,321</i>	<i>41,890</i>	<i>43,020</i>
EXPENSES							
Salaries		8,600	9,340	9,863	10,427	11,058	11,648
Superannuation							
Concurrent costs		826	895	944	996	1,054	1,109
Superannuation interest cost		330	425	419	431	443	454
Other employee costs		246	219	227	233	238	242
Depreciation and amortisation		2,074	2,204	2,375	2,479	2,525	2,725
Services and contracts		2,763	1,954	2,074	1,961	2,038	2,112
Other gross operating expenses		8,177	12,006	15,287	15,918	17,001	17,450
Other interest		794	951	1,344	1,685	1,866	1,919
Other property expenses		-	-	-	-	-	-
Current transfers		3,484	3,751	4,458	4,285	4,306	4,444
Capital transfers		570	898	420	385	461	394
<i>Total</i>		<i>27,864</i>	<i>32,643</i>	<i>37,412</i>	<i>38,799</i>	<i>40,992</i>	<i>42,497</i>
NET OPERATING BALANCE	6	96	58	-22	522	898	523
<i>Other economic flows</i>							
Net gains on assets/liabilities		176	473	371	319	434	402
Net actuarial gains - superannuation		-1,301	177	-161	-162	-163	-164
Provision for doubtful debts		5	-9	-10	-11	-12	-13
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		<i>-1,120</i>	<i>640</i>	<i>200</i>	<i>146</i>	<i>259</i>	<i>224</i>
OPERATING RESULT		-1,024	698	179	668	1,157	748
<i>All other movements in equity</i>							
Revaluations		15,747	2,776	2,800	3,132	2,968	2,475
Gains recognised directly in equity		322	-22	-48	-61	-61	-57
Changes in accounting policy/correction of prior period errors		-360	-3	-98	65	-21	59
Change in net worth of the PFC sector		-302	274	155	167	188	210
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		<i>15,407</i>	<i>3,025</i>	<i>2,808</i>	<i>3,303</i>	<i>3,074</i>	<i>2,688</i>
TOTAL CHANGE IN NET WORTH		14,382	3,723	2,987	3,972	4,231	3,435
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	96	58	-22	522	898	523
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		5,786	7,151	7,618	5,995	5,862	5,493
Changes in inventories		714	-126	653	5	2	-
Other movement in non-financial assets		-79	118	-85	-47	-113	-63
<i>less:</i>							
Sales of non-financial assets		573	800	1,062	1,081	1,070	1,037
Depreciation		2,074	2,204	2,375	2,479	2,525	2,725
<i>Total net acquisition of non-financial assets</i>		<i>3,774</i>	<i>4,139</i>	<i>4,748</i>	<i>2,394</i>	<i>2,155</i>	<i>1,669</i>
NET LENDING-/BORROWING	6	-3,679	-4,081	-4,770	-1,871	-1,257	-1,146

Note: Columns may not add due to rounding.

Table 1.8

TOTAL NON-FINANCIAL PUBLIC SECTOR
Balance Sheet at 30 June

	Note	2009	2010	2011	2012	2013	2014
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
ASSETS							
<i>Financial assets</i>							
Cash and deposits		897	1,048	1,120	1,165	1,146	1,182
Advances paid		220	219	223	218	213	208
Investments, loans and placements		7,257	8,489	7,970	8,053	8,339	8,732
Receivables		2,783	3,264	2,590	2,800	2,902	2,946
Investment property		27	31	30	30	29	29
Shares and other equity							
Investments in other public sector entities - equity method		1,009	1,283	1,438	1,605	1,793	2,003
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		14	18	12	8	55	54
Other financial assets		-	-	-	-	-	-
<i>Total financial assets</i>		12,207	14,352	13,383	13,878	14,476	15,154
<i>Non-financial assets</i>							
Land		52,826	54,685	56,144	57,798	59,299	60,360
Property, plant and equipment		68,660	74,931	80,754	85,284	89,717	93,415
Biological assets		364	378	379	380	381	382
Inventories							
Land inventories		1,483	1,549	1,767	1,724	1,720	1,819
Other inventories		1,771	1,645	2,298	2,302	2,304	2,305
Intangibles		570	544	556	561	556	552
Non-current assets held for sale		19	29	11	3	3	3
Other		201	170	170	173	170	167
<i>Total non-financial assets</i>		125,894	133,932	142,078	148,225	154,150	159,002
TOTAL ASSETS		138,101	148,283	155,461	162,103	168,626	174,155
LIABILITIES							
Deposits held		142	151	151	151	151	151
Advances received		496	482	467	453	438	422
Borrowings		15,539	21,768	25,503	27,861	29,699	31,487
Unfunded superannuation		7,210	7,121	7,323	7,509	7,675	7,839
Other employee benefits		2,374	2,570	2,760	2,977	3,193	3,378
Payables		3,361	3,399	3,431	3,391	3,468	3,473
Other liabilities		1,817	1,908	1,955	1,918	1,928	1,897
TOTAL LIABILITIES		30,939	37,399	41,590	44,260	46,553	48,647
NET ASSETS		107,162	110,885	113,871	117,843	122,074	125,509
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		26,299	31,699	31,743	32,273	33,267	33,875
Other reserves		80,863	79,186	82,128	85,570	88,806	91,634
NET WORTH	6	107,162	110,885	113,871	117,843	122,074	125,509
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-18,732	-23,047	-28,207	-30,382	-32,077	-33,493
<i>Net financial liabilities</i>		19,755	24,347	29,657	31,994	33,924	35,550
<i>Net debt</i>							
Gross debt liabilities		16,177	22,401	26,121	28,465	30,288	32,060
less: liquid financial assets		8,374	9,756	9,314	9,435	9,698	10,122
less: convergence differences impacting net debt		88	88	88	88	88	88
<i>Net debt</i>		7,715	12,556	16,719	18,942	20,502	21,849

Note: Columns may not add due to rounding.

Table 1.9

TOTAL NON-FINANCIAL PUBLIC SECTOR

Cash Flow Statement

Note	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
CASH FLOWS FROM OPERATING ACTIVITIES						
<i>Cash received</i>						
Taxes received	5,603	6,062	6,353	6,975	7,617	8,236
Grants and subsidies received	8,538	9,996	9,342	9,131	9,226	8,979
Receipts from sales of goods and services	11,403	13,446	17,236	18,201	19,836	20,737
Interest receipts	430	319	436	509	592	630
Dividends and tax equivalents	77	16	57	36	46	52
Other receipts	4,347	3,999	5,309	5,657	5,867	5,775
<i>Total cash received</i>	<i>30,397</i>	<i>33,838</i>	<i>38,734</i>	<i>40,509</i>	<i>43,185</i>	<i>44,408</i>
<i>Cash paid</i>						
Wages, salaries and supplements, and superannuation	-9,479	-10,350	-10,971	-11,601	-12,337	-13,044
Payments for goods and services	-11,712	-14,026	-16,937	-17,398	-18,394	-18,818
Interest paid	-822	-923	-1,272	-1,631	-1,854	-1,923
Grants and subsidies paid	-3,657	-4,295	-4,681	-4,463	-4,489	-4,629
Dividends and tax equivalents	-	-	-	-	-	-
Other payments	-2,164	-2,682	-2,649	-2,804	-2,727	-2,781
<i>Total cash paid</i>	<i>-27,834</i>	<i>-32,275</i>	<i>-36,509</i>	<i>-37,898</i>	<i>-39,801</i>	<i>-41,195</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	2,564	1,562	2,224	2,611	3,384	3,213
CASH FLOWS FROM INVESTING ACTIVITIES						
<i>Cash flows from investments in non-financial assets</i>						
Purchase of non-financial assets	-5,786	-7,151	-7,618	-5,995	-5,862	-5,493
Sales of non-financial assets	573	800	1,062	1,081	1,070	1,037
<i>Total cash flows from investments in non-financial assets</i>	<i>-5,213</i>	<i>-6,351</i>	<i>-6,556</i>	<i>-4,915</i>	<i>-4,792</i>	<i>-4,457</i>
<i>Cash flows from investments in financial assets</i>						
<i>Cash received</i>						
For policy purposes	1	-	-	-	-	-
For liquidity purposes	286	208	17	25	7	161
<i>Cash paid</i>						
For policy purposes	-1	-	-	-	-	-
For liquidity purposes	-196	-145	-22	-16	-132	-177
<i>Total cash flows from investments in financial assets</i>	<i>90</i>	<i>63</i>	<i>-5</i>	<i>8</i>	<i>-126</i>	<i>-16</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES	-5,124	-6,288	-6,561	-4,906	-4,917	-4,472
CASH FLOWS FROM FINANCING ACTIVITIES						
<i>Cash received</i>						
Advances received	-	-	-	-	-	-
Borrowings	20,241	52,357	51,437	49,119	49,139	48,395
Deposits received	-	-	-	-	-	-
Other financing receipts	47	54	33	32	32	32
<i>Total cash received</i>	<i>20,288</i>	<i>52,410</i>	<i>51,470</i>	<i>49,152</i>	<i>49,170</i>	<i>48,427</i>
<i>Cash paid</i>						
Advances paid	-14	-14	-14	-15	-15	-15
Borrowings repaid	-17,250	-47,601	-48,184	-47,247	-47,804	-47,108
Deposits paid	-	-	-	-	-	-
Other financing payments	-98	-100	-120	-113	-116	-118
<i>Total cash paid</i>	<i>-17,362</i>	<i>-47,715</i>	<i>-48,318</i>	<i>-47,375</i>	<i>-47,935</i>	<i>-47,242</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES	2,926	4,695	3,152	1,776	1,235	1,185
Net increase in cash and cash equivalents	366	-30	-1,185	-519	-299	-74
Cash and cash equivalents at the beginning of the year	5,048	5,414	5,384	4,199	3,680	3,381
Cash and cash equivalents at the end of the year	5,414	5,384	4,199	3,680	3,381	3,308
KEY FISCAL AGGREGATES						
Net cash flows from operating activities	2,564	1,562	2,224	2,611	3,384	3,213
Net cash flows from investing in non-financial assets	-5,213	-6,351	-6,556	-4,915	-4,792	-4,457
Cash surplus/-deficit	6	-2,649	-4,789	-2,304	-1,408	-1,243

Note: Columns may not add due to rounding.

Table 1.10

PUBLIC FINANCIAL CORPORATIONS
Operating Statement

	Note	2008-09 Actual \$m	2009-10 Estimated Actual \$m	2010-11 Budget Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m
<i>Results from Transactions</i>							
REVENUE							
Current grants and subsidies		-	3	5	5	5	5
Capital grants		-	-	-	-	-	-
Sales of goods and services		719	852	786	837	891	952
Interest income		994	1,275	1,702	1,986	2,180	2,273
Other		8	2	-	-	-	-
<i>Total</i>		1,722	2,132	2,493	2,828	3,076	3,230
EXPENSES							
Salaries		35	38	39	40	42	44
Superannuation							
Concurrent costs		3	4	4	4	4	4
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		2	2	2	2	2	2
Depreciation and amortisation		14	16	17	18	16	15
Services and contracts		3	12	13	14	16	17
Other gross operating expenses		689	644	679	725	768	816
Other interest		969	1,165	1,568	1,829	2,005	2,080
Tax equivalents		10	53	35	38	43	48
Current transfers		3	3	3	3	3	3
Capital transfers		-	4	1	1	1	1
<i>Total</i>		1,728	1,941	2,360	2,674	2,899	3,030
NET OPERATING BALANCE	6	-6	191	133	154	177	200
<i>Other economic flows</i>							
Net gains on assets/liabilities		-298	-	-	-	-	-
Net actuarial gains - superannuation		-	-	-	-	-	-
Provision for doubtful debts		-1	-	-	-	-	-
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		-300	-	-	-	-	-
OPERATING RESULT		-306	191	133	154	177	200
<i>All other movements in non-owner equity</i>							
Revaluations		-24	98	18	18	18	18
Gains recognised directly in equity		130	-	-	-	-	-
Changes in accounting policy/correction of prior period errors		-101	50	5	-	-	-
Capital injections from general government		-	-	-	-	-	-
All other		-	-	-	-	-	-
<i>Total all other movements in non-owner equity</i>		6	148	22	18	18	18
<i>Movements in owner equity</i>							
Dividends		-2	-66	-1	-5	-7	-8
Capital injections		-	-	-	-	-	-
<i>Total movements in owner equity</i>		-2	-66	-1	-5	-7	-8
TOTAL CHANGE IN NET WORTH		-302	274	155	167	188	210
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	-6	191	133	154	177	200
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		8	11	9	10	5	4
Changes in inventories		-	-	-	-	-	-
Other movement in non-financial assets		-	-2	-	-	-	-
<i>less:</i>							
Sales of non-financial assets		-	-	-	-	-	-
Depreciation		14	16	17	18	16	15
<i>Total net acquisition of non-financial assets</i>		-6	-8	-8	-8	-12	-11
NET LENDING/-BORROWING	6	-	199	141	162	189	211

Note: Columns may not add due to rounding.

Table 1.11

PUBLIC FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	Note	2009	2010	2011	2012	2013	2014
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		20	19	-34	-34	-34	-34
Advances paid		2,654	4,153	4,699	5,259	5,841	6,435
Investments, loans and placements		19,552	25,443	28,905	31,017	32,529	32,635
Receivables		702	697	707	715	723	734
Investment property		359	408	447	486	528	572
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		990	1,143	1,260	1,377	1,501	1,633
Other financial assets		26	26	26	26	26	26
<i>Total financial assets</i>		<i>24,302</i>	<i>31,889</i>	<i>36,010</i>	<i>38,846</i>	<i>41,114</i>	<i>42,001</i>
<i>Non-financial assets</i>							
Land		24	31	32	33	34	35
Property, plant and equipment		261	255	264	270	278	285
Biological assets		-	-	-	-	-	-
Inventories							
Land inventories		-	-	-	-	-	-
Other inventories		-	-	-	-	-	-
Intangibles		10	11	11	13	11	10
Non-current assets held for sale		-	-	-	-	-	-
Other		3	37	31	31	30	29
<i>Total non-financial assets</i>		<i>298</i>	<i>334</i>	<i>338</i>	<i>347</i>	<i>352</i>	<i>359</i>
TOTAL ASSETS		24,600	32,222	36,347	39,193	41,466	42,359
LIABILITIES							
Deposits held		-	-	-	-	-	-
Advances received		3	1	1	1	1	1
Borrowings		21,195	28,423	32,291	34,811	36,734	37,249
Unfunded superannuation		11	11	12	12	12	13
Other employee benefits		8	7	7	7	7	7
Payables		54	55	100	122	145	168
Other liabilities		2,320	2,442	2,499	2,634	2,774	2,919
<i>TOTAL LIABILITIES</i>		<i>23,591</i>	<i>30,939</i>	<i>34,909</i>	<i>37,588</i>	<i>39,673</i>	<i>40,356</i>
NET ASSETS		1,009	1,283	1,438	1,605	1,793	2,003
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		894	1,018	1,151	1,300	1,470	1,662
Other reserves		115	265	287	305	323	341
NET WORTH	6	1,009	1,283	1,438	1,605	1,793	2,003
MEMORANDUM ITEMS							
<i>Net financial worth</i>		<i>-298</i>	<i>-334</i>	<i>-338</i>	<i>-347</i>	<i>-352</i>	<i>-359</i>
<i>Net debt</i>							
Gross debt liabilities		21,199	28,424	32,292	34,812	36,735	37,249
less: liquid financial assets		22,226	29,615	33,569	36,242	38,335	39,036
less: convergence differences impacting net debt		-	-	-	-	-	-
<i>Net debt</i>		<i>-1,027</i>	<i>-1,192</i>	<i>-1,278</i>	<i>-1,430</i>	<i>-1,600</i>	<i>-1,787</i>

Note: Columns may not add due to rounding.

Table 1.12

PUBLIC FINANCIAL CORPORATIONS
Cash Flow Statement

Note	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES						
<i>Cash received</i>						
Grants and subsidies received	-	3	5	5	5	5
Receipts from sales of goods and services	756	731	742	800	839	890
Interest receipts	1,098	1,275	1,702	1,986	2,180	2,273
Dividends and tax equivalents	-	-	-	-	-	-
Other receipts	90	75	78	81	85	89
<i>Total cash received</i>	<i>1,944</i>	<i>2,083</i>	<i>2,527</i>	<i>2,871</i>	<i>3,109</i>	<i>3,257</i>
<i>Cash paid</i>						
Wages, salaries and supplements, and superannuation	-37	-41	-42	-44	-45	-47
Payments for goods and services	-592	-583	-592	-614	-657	-701
Interest paid	-892	-1,162	-1,566	-1,827	-2,003	-2,078
Grants and subsidies paid	-1	-	-	-	-	-
Tax equivalents	-74	-3	-3	-32	-39	-44
Other payments	-129	-111	-116	-122	-130	-138
<i>Total cash paid</i>	<i>-1,724</i>	<i>-1,901</i>	<i>-2,319</i>	<i>-2,639</i>	<i>-2,874</i>	<i>-3,008</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	220	182	208	232	234	250
CASH FLOWS FROM INVESTING ACTIVITIES						
<i>Cash flows from investments in non-financial assets</i>						
Purchase of non-financial assets	-8	-11	-9	-10	-5	-4
Sales of non-financial assets	-	-	-	-	-	-
<i>Total cash flows from investments in non-financial assets</i>	<i>-8</i>	<i>-10</i>	<i>-9</i>	<i>-10</i>	<i>-5</i>	<i>-4</i>
<i>Cash flows from investments in financial assets</i>						
<i>Cash received</i>						
For policy purposes	-	-	-	-	-	-
For liquidity purposes	3,966	1,689	1,713	1,773	1,830	1,900
<i>Cash paid</i>						
For policy purposes	-	-	-	-	-	-
For liquidity purposes	-5,215	-3,340	-2,402	-2,485	-2,559	-2,646
<i>Total cash flows from investments in financial assets</i>	<i>-1,249</i>	<i>-1,651</i>	<i>-688</i>	<i>-712</i>	<i>-729</i>	<i>-745</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES	-1,257	-1,662	-697	-722	-734	-750
CASH FLOWS FROM FINANCING ACTIVITIES						
<i>Cash received</i>						
Advances received	-	-	-	-	-	-
Borrowings	33,437	69,694	67,814	65,814	65,824	63,782
Deposits received	-	-	-	-	-	-
Other financing receipts	-	-	-	-	-	-
<i>Total cash received</i>	<i>33,437</i>	<i>69,694</i>	<i>67,814</i>	<i>65,814</i>	<i>65,824</i>	<i>63,782</i>
<i>Cash paid</i>						
Advances paid	-	-	-	-	-	-
Borrowings repaid	-32,429	-68,185	-67,310	-65,304	-65,304	-63,259
Deposits paid	-	-	-	-	-	-
Other financing payments	-	-5	-2	-2	-2	-2
Dividends paid	-2	-12	-54	-5	-7	-8
<i>Total cash paid</i>	<i>-32,432</i>	<i>-68,202</i>	<i>-67,365</i>	<i>-65,311</i>	<i>-65,312</i>	<i>-63,269</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES	1,006	1,491	449	503	512	513
Net increase in cash and cash equivalents	-32	12	-41	13	13	13
Cash and cash equivalents at the beginning of the year	1,604	1,572	1,584	1,543	1,557	1,569
Cash and cash equivalents at the end of the year	1,572	1,584	1,543	1,557	1,569	1,582
KEY FISCAL AGGREGATES						
Net cash flows from operating activities	220	182	208	232	234	250
Net cash flows from investing in non-financial assets	-8	-10	-9	-10	-5	-4
Dividends paid	-2	-12	-54	-5	-7	-8
Cash surplus/-deficit	6	210	160	218	222	237

Note: Columns may not add due to rounding.

Table 1.13

TOTAL PUBLIC SECTOR Operating Statement

	Note	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Taxation		5,432	6,054	6,348	6,970	7,612	8,230
Current grants and subsidies		8,089	8,119	8,092	8,422	8,490	8,512
Capital grants		411	1,922	1,269	714	749	470
Sales of goods and services		10,797	13,846	17,748	18,907	20,543	21,428
Interest income		648	684	783	735	743	778
Royalty income		2,348	2,217	3,271	3,598	3,673	3,535
Other		926	727	765	774	839	867
<i>Total</i>		<i>28,651</i>	<i>33,570</i>	<i>38,277</i>	<i>40,119</i>	<i>42,650</i>	<i>43,820</i>
EXPENSES							
Salaries		8,634	9,377	9,902	10,467	11,100	11,692
Superannuation							
Concurrent costs		829	899	948	1,000	1,058	1,113
Superannuation interest cost		330	425	419	431	443	454
Other employee costs		248	220	229	235	240	244
Depreciation and amortisation		2,088	2,220	2,392	2,497	2,542	2,740
Services and contracts		2,766	1,966	2,087	1,975	2,054	2,129
Other gross operating expenses		8,621	12,428	15,764	16,429	17,546	18,030
Other interest		1,000	1,197	1,546	1,743	1,832	1,863
Other property expenses		-	-	-	-	-	-
Current transfers		3,477	3,752	4,458	4,285	4,306	4,444
Capital transfers		570	902	421	386	462	395
<i>Total</i>		<i>28,564</i>	<i>33,387</i>	<i>38,166</i>	<i>39,447</i>	<i>41,582</i>	<i>43,104</i>
NET OPERATING BALANCE	6	87	183	111	672	1,068	716
<i>Other economic flows</i>							
Net gains on assets/liabilities		-122	473	371	319	434	402
Net actuarial gains - superannuation		-1,301	177	-161	-162	-163	-164
Provision for doubtful debts		3	-9	-10	-11	-12	-13
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		<i>-1,420</i>	<i>640</i>	<i>200</i>	<i>146</i>	<i>259</i>	<i>224</i>
OPERATING RESULT		-1,332	824	311	818	1,326	940
<i>All other movements in equity</i>							
Revaluations		15,724	2,875	2,817	3,150	2,986	2,493
Gains recognised directly in equity		452	-22	-48	-61	-61	-57
Changes in accounting policy/correction of prior period errors		-461	46	-94	65	-21	59
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		<i>15,715</i>	<i>2,899</i>	<i>2,675</i>	<i>3,154</i>	<i>2,904</i>	<i>2,495</i>
TOTAL CHANGE IN NET WORTH		14,382	3,723	2,987	3,972	4,231	3,435
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	87	183	111	672	1,068	716
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		5,795	7,162	7,627	6,005	5,867	5,498
Changes in inventories		714	-126	653	5	2	-
Other movement in non-financial assets		-79	116	-85	-47	-113	-63
<i>less:</i>							
Sales of non-financial assets		574	800	1,062	1,081	1,070	1,037
Depreciation		2,088	2,220	2,392	2,497	2,542	2,740
<i>Total net acquisition of non-financial assets</i>		<i>3,768</i>	<i>4,131</i>	<i>4,740</i>	<i>2,385</i>	<i>2,144</i>	<i>1,658</i>
NET LENDING/-BORROWING	6	-3,681	-3,948	-4,629	-1,714	-1,076	-942

Note: Columns may not add due to rounding.

Table 1.14

TOTAL PUBLIC SECTOR
Balance Sheet at 30 June

	Note	2009	2010	2011	2012	2013	2014
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
ASSETS							
<i>Financial assets</i>							
Cash and deposits		916	1,066	1,085	1,129	1,111	1,146
Advances paid		2,871	4,371	4,921	5,476	6,053	6,642
Investments, loans and placements		9,528	8,610	7,344	6,905	7,143	6,151
Receivables		3,293	3,664	2,925	3,150	3,260	3,332
Investment property		386	439	477	516	557	601
Equity - Investments in other entities		1,004	1,160	1,272	1,385	1,556	1,687
Other financial assets		26	26	26	26	26	26
<i>Total financial assets</i>		<i>18,024</i>	<i>19,336</i>	<i>18,049</i>	<i>18,586</i>	<i>19,704</i>	<i>19,585</i>
<i>Non-financial assets</i>							
Land		52,850	54,716	56,176	57,831	59,333	60,394
Property, plant and equipment		68,921	75,186	81,017	85,554	89,995	93,700
Biological assets		364	378	379	380	381	382
Inventories							
Land inventories		1,483	1,549	1,767	1,724	1,720	1,819
Other inventories		1,771	1,645	2,298	2,302	2,304	2,305
Intangibles		580	555	567	574	567	561
Non-current assets held for sale		19	29	11	3	3	3
Other		204	206	201	204	200	196
<i>Total non-financial assets</i>		<i>126,192</i>	<i>134,265</i>	<i>142,416</i>	<i>148,572</i>	<i>154,503</i>	<i>159,360</i>
TOTAL ASSETS		144,216	153,601	160,465	167,158	174,207	178,946
LIABILITIES							
Deposits held		141	150	150	150	150	150
Advances received		496	482	467	453	438	422
Borrowings		19,453	24,868	28,262	30,507	32,709	33,519
Unfunded superannuation		7,221	7,133	7,334	7,522	7,687	7,852
Other employee benefits		2,382	2,578	2,767	2,984	3,201	3,385
Payables		3,387	3,446	3,497	3,474	3,569	3,594
Other liabilities		3,973	4,060	4,116	4,227	4,380	4,515
<i>TOTAL LIABILITIES</i>		<i>37,054</i>	<i>42,717</i>	<i>46,594</i>	<i>49,315</i>	<i>52,134</i>	<i>53,437</i>
NET ASSETS		107,162	110,885	113,871	117,843	122,074	125,509
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		27,194	32,717	32,894	33,573	34,737	35,537
Other reserves		79,968	78,168	80,977	84,270	87,336	89,972
NET WORTH	6	107,162	110,885	113,871	117,843	122,074	125,509
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-19,030	-23,381	-28,545	-30,729	-32,429	-33,852
<i>Net financial liabilities</i>		20,034	24,541	29,817	32,113	33,985	35,538
<i>Net debt</i>							
Gross debt liabilities		20,091	25,500	28,879	31,109	33,296	34,091
less: liquid financial assets		13,315	14,047	13,349	13,510	14,306	13,940
less: convergence differences impacting net debt		88	88	88	88	88	88
<i>Net debt</i>		6,688	11,365	15,442	17,511	18,902	20,063

Note: Columns may not add due to rounding.

Table 1.15

TOTAL PUBLIC SECTOR

Cash Flow Statement

Note	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES						
<i>Cash received</i>						
Taxes received	5,559	6,018	6,307	6,927	7,566	8,181
Grants and subsidies received	8,538	9,996	9,342	9,131	9,226	8,979
Receipts from sales of goods and services	11,978	13,963	17,759	18,771	20,434	21,374
Interest receipts	729	677	819	753	720	738
Dividends and tax equivalents	-	-	-	-	-	-
Other	4,431	4,066	5,381	5,731	5,945	5,857
Total cash received	31,234	34,720	39,607	41,312	43,891	45,130
<i>Cash paid</i>						
Wages, salaries and supplements, and superannuation	-9,516	-10,391	-11,013	-11,645	-12,382	-13,092
Payments for goods and services	-12,122	-14,395	-17,310	-17,783	-18,810	-19,266
Interest paid	-914	-1,168	-1,519	-1,717	-1,805	-1,837
Grants and subsidies paid	-3,658	-4,292	-4,675	-4,458	-4,484	-4,624
Dividends and tax equivalents	-	-	-	-	-	-
Other payments	-2,243	-2,742	-2,712	-2,871	-2,799	-2,857
Total cash paid	-28,453	-32,988	-37,229	-38,474	-40,280	-41,675
NET CASH FLOWS FROM OPERATING ACTIVITIES	2,782	1,732	2,378	2,839	3,611	3,455
CASH FLOWS FROM INVESTING ACTIVITIES						
<i>Cash flows from investments in non-financial assets</i>						
Purchase of non-financial assets	-5,795	-7,162	-7,627	-6,005	-5,867	-5,498
Sales of non-financial assets	574	800	1,062	1,081	1,070	1,037
Total cash flows from investments in non-financial assets	-5,221	-6,362	-6,565	-4,925	-4,797	-4,461
<i>Cash flows from investments in financial assets</i>						
<i>Cash received</i>						
For policy purposes	1	-	-	-	-	-
For liquidity purposes	4,242	1,884	1,731	1,797	1,837	2,061
<i>Cash paid</i>						
For policy purposes	-1	-	-	-	-	-
For liquidity purposes	-5,402	-3,472	-2,424	-2,501	-2,691	-2,822
Total cash flows from investments in financial assets	-1,160	-1,588	-694	-704	-854	-761
NET CASH FLOWS FROM INVESTING ACTIVITIES	-6,381	-7,950	-7,258	-5,629	-5,651	-5,222
CASH FLOWS FROM FINANCING ACTIVITIES						
<i>Cash received</i>						
Advances received	-	-	-	-	-	-
Borrowings	16,230	21,695	19,676	18,805	18,815	17,494
Deposits received	-	-	-	-	-	-
Other financing receipts	47	54	33	32	32	32
Total cash received	16,277	21,748	19,709	18,837	18,847	17,525
<i>Cash paid</i>						
Advances paid	-14	-14	-14	-15	-15	-15
Borrowings repaid	-12,231	-15,430	-15,917	-16,423	-16,960	-15,684
Deposits paid	-	-	-	-	-	-
Other financing payments	-98	-105	-122	-115	-118	-120
Total cash paid	-12,343	-15,549	-16,054	-16,553	-17,093	-15,819
NET CASH FLOWS FROM FINANCING ACTIVITIES	3,934	6,199	3,655	2,284	1,754	1,707
Net increase in cash and cash equivalents	335	-18	-1,226	-506	-286	-60
Cash and cash equivalents at the beginning of the year	6,652	6,987	6,968	5,742	5,236	4,950
Cash and cash equivalents at the end of the year	6,987	6,968	5,742	5,236	4,950	4,890
KEY FISCAL AGGREGATES						
Net cash flows from operating activities	2,782	1,732	2,378	2,839	3,611	3,455
Net cash flows from investing in non-financial assets	-5,221	-6,362	-6,565	-4,925	-4,797	-4,461
Cash surplus/-deficit	6	-2,439	-4,629	-2,086	-1,185	-1,006

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 2008-09 *Annual Report on State Finances* (ARSF), which are described in detail in Note 3: *Summary of Significant Accounting Policies* in Appendix 1 of the 2008-09 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 2009-10 is shown at Appendix 3: *2009-10 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

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
CURRENT TRANSFERS						
Local Government	216	129	202	210	212	241
Local Government on-passing	132	137	143	150	157	163
Private and Not-for-profit sector	1,792	2,071	2,379	2,312	2,357	2,393
Private and Not-for-profit sector on-passing	751	634	861	743	781	840
Other sectors of Government	1,663	1,846	1,948	1,777	1,792	1,864
<i>Total Current Transfers</i>	<i>4,554</i>	<i>4,817</i>	<i>5,533</i>	<i>5,192</i>	<i>5,299</i>	<i>5,501</i>
CAPITAL TRANSFERS						
Local Government	171	99	108	100	173	98
Local Government on-passing	89	92	95	99	103	108
Private and Not-for-profit sector	276	368	190	162	160	163
Private and Not-for-profit sector on-passing	18	333	27	23	24	26
Other sectors of Government	46	206	87	104	137	106
<i>Total Capital Transfers</i>	<i>600</i>	<i>1,096</i>	<i>508</i>	<i>488</i>	<i>598</i>	<i>500</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)**

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
<i>Expenses</i>						
General public services	500	624	654	651	902	1,335
Public order and safety	2,187	2,398	2,584	2,669	2,764	2,867
Education	4,884	5,533	5,401	5,495	5,617	5,758
Health	4,722	5,080	5,440	5,782	6,129	6,365
Social security and welfare	1,127	1,301	1,488	1,519	1,587	1,648
Housing and community amenities	1,866	1,842	1,615	1,709	1,724	1,724
Recreation and culture	620	666	681	685	765	698
Fuel and energy	120	326	336	170	168	166
Agriculture, forestry, fishing and hunting	418	381	384	365	367	370
Mining and mineral resources other than fuels; manufacturing; and construction	237	181	187	190	190	177
Transport and communications	1,476	1,624	1,688	1,766	1,911	2,017
Other economic affairs	380	766	910	747	714	706
Other purposes	581	739	936	1,115	1,205	1,188
Total General Government Expenses	19,117	21,462	22,305	22,866	24,043	25,019
<i>Purchases of new non-financial assets</i>						
General public services	270	253	286	245	172	170
Public order and safety	176	250	482	332	212	188
Education	301	994	1,033	398	250	265
Health	347	558	856	1,171	790	586
Social security and welfare	39	64	64	60	39	29
Housing and community amenities	184	202	225	210	302	462
Recreation and culture	70	202	252	114	91	62
Fuel and energy	3	3	3	3	3	1
Agriculture, forestry, fishing and hunting	16	19	31	50	102	77
Mining and mineral resources other than fuels; manufacturing; and construction	6	1	2	1	1	1
Transport and communications	790	629	554	576	567	590
Other economic affairs	54	136	151	143	67	19
Other purposes	-	-	-	-	-	-
Total Purchases of Non-financial Assets	2,255	3,312	3,938	3,304	2,596	2,450

(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

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	Actual	Estimate	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB1049 net operating balance	318	290	286	652	807	325
Plus GFS revenue adjustments						
Capital grants - prepaid AusLink road grants	199	3	-	-	-	-
Goods and services revenue - intersector equity/asset transfers recorded as revenue	-	-	-	-	-	-
Total GFS revenue adjustments	199	3	-	-	-	-
Total GFS adjustments to AASB 1049 net operating balance	199	3	-	-	-	-
GFS net operating balance	517	293	286	652	807	325
<u>Public non-financial corporations</u>						
AASB1049 net operating balance	242	422	352	570	1,033	1,208
Less GFS expense adjustments						
Capitalised interest	43	16	87	49	43	63
Dividends	464	654	660	700	942	1,010
Total GFS expense adjustments	506	671	748	749	985	1,073
Total GFS adjustments to AASB 1049 net operating balance	-506	-671	-748	-749	-985	-1,073
GFS net operating balance	-265	-249	-396	-178	48	136
<u>Total non-financial public sector</u>						
AASB1049 net operating balance	96	58	-22	522	898	523
Plus GFS revenue adjustments						
Capital grants - prepaid AusLink road grants	199	3	-	-	-	-
Goods and services revenue - intersector equity/asset transfers recorded as revenue	-	-	-	-	-	-
Total GFS revenue adjustments	199	3	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	43	16	87	49	43	63
Total GFS expense adjustments	43	16	87	49	43	63
Total GFS adjustments to AASB 1049 net operating balance	157	-13	-87	-49	-43	-63
GFS net operating balance	252	44	-109	473	855	460
<u>Public financial corporations</u>						
AASB1049 net operating balance	-6	191	133	154	177	200
Less GFS expense adjustments						
Dividends	2	66	1	5	7	8
Total GFS expense adjustments	2	66	1	5	7	8
Total GFS adjustments to AASB 1049 net operating balance	-2	-66	-1	-5	-7	-8
GFS net operating balance	-9	126	133	149	170	192
<u>Total public sector</u>						
AASB1049 net operating balance	87	183	111	672	1,068	716
Plus GFS revenue adjustments						
Capital grants - prepaid AusLink road grants	199	3	-	-	-	-
Goods and services revenue - intersector equity/asset transfers recorded as revenue	-	-	-	-	-	-
Total GFS revenue adjustments	199	3	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	43	16	87	49	43	63
Total GFS expense adjustments	43	16	87	49	43	63
Total GFS adjustments to AASB 1049 net operating balance	157	-13	-87	-49	-43	-63
GFS net operating balance	244	170	24	623	1,025	653

AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

Net Lending

	2008-09 Actual \$m	2009-10 Estimated Actual \$m	2010-11 Budget Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m
<u>General government</u>						
AASB1049 net lending/-borrowing	-987	-1,973	-2,342	-1,412	-493	-813
Plus Net operating balance convergence difference (noted above)	199	3	-	-	-	-
GFS net lending/-borrowing	-787	-1,971	-2,342	-1,412	-493	-813
<u>Public non-financial corporations</u>						
AASB1049 net lending/-borrowing	-2,228	-1,454	-1,768	241	177	677
Plus Net operating balance convergence difference (noted above)	-506	-671	-748	-749	-985	-1,073
GFS net lending/-borrowing	-2,735	-2,124	-2,516	-508	-808	-395
<u>Total non-financial public sector</u>						
AASB1049 net lending/-borrowing	-3,679	-4,081	-4,770	-1,871	-1,257	-1,146
Plus Net operating balance convergence difference (noted above)	157	-13	-87	-49	-43	-63
GFS net lending/-borrowing	-3,522	-4,095	-4,857	-1,920	-1,301	-1,209
<u>Public financial corporations</u>						
AASB1049 net lending/-borrowing	-	199	141	162	189	211
Plus Net operating balance convergence difference (noted above)	-2	-66	-1	-5	-7	-8
GFS net lending/-borrowing	-2	133	141	158	182	203
<u>Total public sector</u>						
AASB1049 net lending/-borrowing	-3,681	-3,948	-4,629	-1,714	-1,076	-942
Plus Net operating balance convergence difference (noted above)	157	-13	-87	-49	-43	-63
GFS net lending/-borrowing	-3,524	-3,961	-4,717	-1,763	-1,119	-1,005

AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)**Net Worth at 30 June**

	2009 Actual \$m	2010 Estimated Actual \$m	2011 Budget Estimate \$m	2012 Forward Estimate \$m	2013 Forward Estimate \$m	2014 Forward Estimate \$m
<u>General government</u>						
AASB1049 net worth	107,162	110,885	113,871	117,843	122,074	125,509
Plus						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	88
Provision for doubtful debts						
General government sector	158	147	147	147	147	147
Impact on public corporations net worth	29	7	9	11	12	15
Impact of AusLink Road grants prepayments	-3	-	-	-	-	-
Total GFS net worth adjustments	273	242	244	246	247	250
GFS net worth	107,435	111,127	114,115	118,089	122,321	125,758
<u>Public non-financial corporations</u>						
AASB1049 net worth	43,108	45,069	46,637	48,166	49,860	50,947
Plus						
Impact of general government equity injections	-3,164	-4,029	-4,775	-5,073	-5,417	-5,616
Provision for doubtful debts	29	7	9	10	12	14
Total GFS net worth adjustments	-3,136	-4,022	-4,766	-5,063	-5,405	-5,602
GFS net worth	39,972	41,046	41,871	43,104	44,455	45,345
<u>Total non-financial public sector</u>						
AASB1049 net worth	107,162	110,885	113,871	117,843	122,074	125,509
Plus						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	88
Provision for doubtful debts						
Total non-financial public sector	187	154	155	157	159	161
Impact on public corporations net worth	-	-	-	-	-	-
Impact of AusLink Road grants prepayments	-3	-	-	-	-	-
Total GFS net worth adjustments	273	242	244	246	247	250
GFS net worth	107,435	111,127	114,115	118,089	122,321	125,758
<u>Public financial corporations</u>						
AASB1049 net worth	1,009	1,283	1,438	1,605	1,793	2,003
Plus						
Provision for doubtful debts	-	-	-	-	-	-
Total GFS net worth adjustments	-	-	-	-	-	-
GFS net worth	1,009	1,283	1,438	1,605	1,793	2,004
<u>Total public sector</u>						
AASB1049 net worth	107,162	110,885	113,871	117,843	122,074	125,509
Plus						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	88
Provision for doubtful debts	187	154	156	158	159	162
Impact of AusLink Road grants prepayments	-3	-	-	-	-	-
Total GFS net worth adjustments	273	242	244	246	247	250
GFS net worth	107,435	111,127	114,115	118,089	122,321	125,758

AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)**Cash Surplus/-Deficit**

	2008-09 Actual \$m	2009-10 Estimated Actual \$m	2010-11 Budget Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m
<u>General government</u>						
AASB1049 cash surplus/-deficit	-375	-1,900	-2,019	-1,048	-284	-457
Less Acquisitions under finance leases and similar arrangements	7	5	2	2	-	-
GFS cash surplus/-deficit	-382	-1,905	-2,021	-1,050	-284	-457
<u>Public non-financial corporations</u>						
AASB1049 cash surplus/-deficit	-2,275	-2,889	-2,312	-1,256	-1,124	-786
Less Acquisitions under finance leases and similar arrangements	-	132	-	-	-	-
GFS cash surplus/-deficit	-2,275	-3,020	-2,313	-1,256	-1,124	-786
<u>Total non-financial public sector</u>						
AASB1049 cash surplus/-deficit	-2,649	-4,789	-4,332	-2,304	-1,408	-1,243
Less Acquisitions under finance leases and similar arrangements	7	136	3	2	-	-
GFS cash surplus/-deficit	-2,657	-4,925	-4,334	-2,306	-1,408	-1,243
<u>Public financial corporations</u>						
AASB1049 cash surplus/-deficit	210	160	145	218	222	237
Less Acquisitions under finance leases and similar arrangements	-	-	-	-	-	-
GFS cash surplus/-deficit	210	160	145	218	222	237
<u>Total public sector</u>						
AASB1049 cash surplus/-deficit	-2,439	-4,629	-4,187	-2,086	-1,185	-1,006
Less Acquisitions under finance leases and similar arrangements	7	136	3	2	-	-
GFS cash surplus/-deficit	-2,447	-4,765	-4,189	-2,088	-1,185	-1,006

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

	2009-10 Estimated Actual \$m	2010-11 Nomination \$m	2010-11 Budget Estimate \$m
General government cash surplus/deficit	1,900	1,896	2,019
Public non-financial Corporations sector cash surplus/deficit	2,889	2,106	2,312
<i>Total non-financial public sector cash surplus/deficit</i>	<i>4,789</i>	<i>4,002</i>	<i>4,332</i>
Acquisitions under finance leases and similar arrangements	136	3	3
<i>GFS cash surplus/deficit</i>	<i>4,925</i>	<i>4,005</i>	<i>4,334</i>
Less: Non-financial public sector net cash flows from investments in financial assets for policy purposes	-	-	-
Plus: Memorandum items ^(a)	1,196	157	155
Loan Council Allocation	6,121	4,162	4,489
<i>Tolerance Limit</i>		600	

(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).

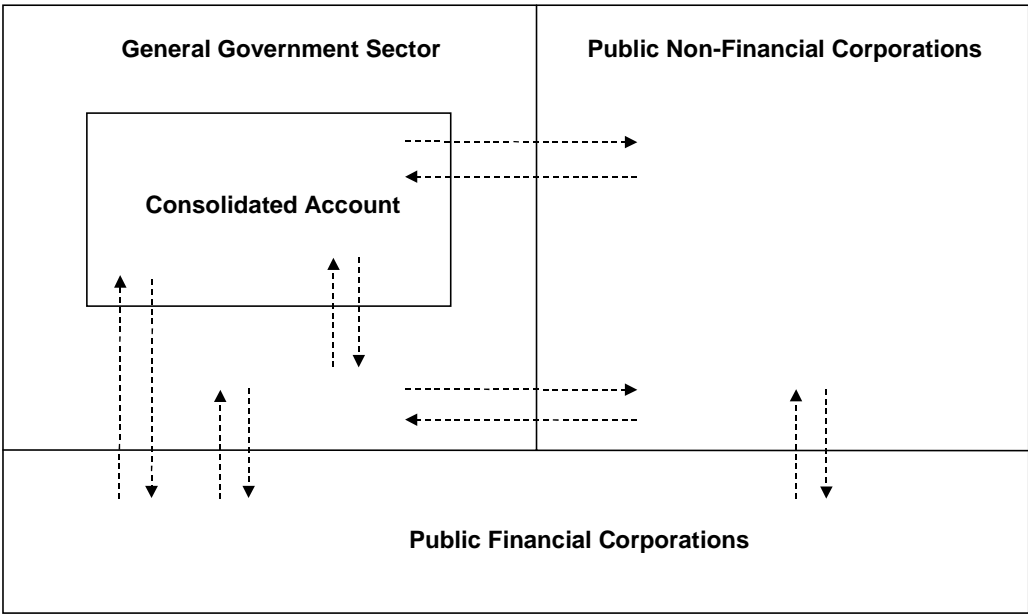
Note: Columns may not add due to rounding.

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	Independent Market Operator
Agricultural Produce Commission	Keep Australia Beautiful Council (W.A.)
Botanic Gardens and Parks Authority	Kimberley TAFE
Building and Construction Industry Training Board	Kimberley Development Commission
Central Institute of Technology ^(a)	Law Reform Commission of Western Australia
Challenger Institute of Technology ^(a)	Legal Aid Commission of Western Australia
Chemistry Centre (W.A.)	Legal Costs Committee
Commissioner for Children and Young People	Local Health Authorities Analytical Committee
Commissioner of Equal Opportunity	Mental Health Commission ^(a)
Commissioner of Main Roads	Mid-West Development Commission
Corruption and Crime Commission	Minerals and Energy Research Institute of Western Australia
Country High School Hostels Authority	Office of Energy
Curriculum Council	Office of Health Review
C.Y. O'Connor College of TAFE	Office of Native Title
Department for Child Protection	Office of the Auditor General
Department for Communities	Office of the Director of Public Prosecutions
Department for Planning	Office of the Environmental Protection Authority ^(a)
Department of Agriculture and Food	Office of the Information Commissioner
Department of Commerce	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 Housing	Pilbara Development Commission
Department of Indigenous Affairs	Pilbara TAFE
Department of Local Government	Polytechnic West ^(a)
Department of Mines and Petroleum	Professional Combat Sports Commission
Department of Racing, Gaming and Liquor	Professional Standards Council
Department of Regional Development and Lands	Public Sector Commission
Department of Sport and Recreation	Racing Penalties Appeal Tribunal of Western Australia
Department of State Development	Rural Business Development Corporation
Department of Training and Workforce Development ^(a)	Salaries and Allowances Tribunal
Department of Transport	Screen West (Inc.)
Department of the Legislative Assembly	Small Business Development Corporation
Department of the Legislative Council	South West Development Commission
Department of the Premier and Cabinet	South West Regional College of TAFE
Department of the Attorney General	State Supply Commission
Department of the Registrar, Western Australian Industrial Relations Commission	Swan River Trust
Department of Treasury and Finance	The Aboriginal Affairs Planning Authority
Department of Water	The Agriculture Protection Board of Western Australia
Disability Services Commission	The Anzac Day Trust
Durack Institute of Technology ^(a)	The Board of the Art Gallery of Western Australia
Economic Regulation Authority	The Burswood Park Board
Equal Opportunity Commission	The Coal Miners' Welfare Board of Western Australia
Fire and Emergency Services Authority of Western Australia	The Library Board of Western Australia
Gaming and Wagering Commission of Western Australia	The National Trust of Australia (W.A.)
Gascoyne Development Commission	The Queen Elizabeth II Medical Centre Trust
Goldfields-Esperance Development Commission	The Western Australia Museum
Governor's Establishment	Trustees of the Public Education Endowment
Great Southern Development Commission	WA Health
Great Southern TAFE	West Coast Institute of Training ^(a)
Heritage Council of Western Australia	

(a) Agency which has been either created, abolished, amalgamated or renamed since the 14 May 2009 presentation of the 2009-10 Budget.

General Government (cont.)

Western Australian Alcohol and Drug Authority
 Western Australian Building Management Authority
 Western Australian Electoral Commission
 Western Australian Gas Disputes Association
 Western Australian Greyhound Racing Association
 Western Australian Health Promotion Foundation
 Western Australian Institute of Sport
 Western Australian Land Information Authority

Western Australian Meat Industry Authority
 Western Australian Planning Commission
 Western Australia Police ^(a)
 Western Australian Sports Centre Trust
 Western Australian Tourism Commission
 Wheatbelt Development Commission
 WorkCover Western Australia Authority
 Zoological Parks Authority

Public Non-Financial Corporations

Albany Port Authority
 Animal Resources Authority
 Armadale Redevelopment Authority
 Broome Port Authority
 Bunbury Port Authority
 Bunbury Water Board
 Busselton Water Board
 Dampier Port Authority
 East Perth Redevelopment Authority
 Electricity Generation Corporation (Verve Energy)
 Electricity Networks Corporation (Western Power)
 Electricity Retail Corporation (Synergy)
 Esperance Port Authority
 Forest Products Commission
 Fremantle Port Authority
 Geraldton Port Authority

Gold Corporation and its subsidiaries
 Housing Authority
 Lotteries Commission
 Metropolitan Cemeteries Board
 Midland Redevelopment Authority
 Perth Market Authority
 Port Hedland Port Authority
 Potato Marketing Corporation of Western Australia
 Public Transport Authority of Western Australia
 Racing and Wagering Western Australia
 Regional Power Corporation (Horizon Power)
 Rottnest Island Authority
 Subiaco Redevelopment Authority
 Water Corporation
 Western Australian Coastal Shipping Commission
 Western Australian Land Authority

Public Financial Corporations

Community Insurance Fund ^(a)
 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 14 May 2009 presentation of the 2009-10 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

APPENDIX 2

General Government Operating Revenue

This appendix contains general government revenue estimates prepared on an accrual basis consistent with Australian Accounting Standards and Government Finance Statistics frameworks.

Table 2.1

OPERATING REVENUE
General Government

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
Taxation						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	2,246	2,296	2,458	2,697	2,980	3,369
Property taxes						
<i>Land tax</i>	568	541	527	553	609	669
Transfer Duty	1,102	1,565	1,602	1,836	2,006	2,027
Landholder Duty	24	72	58	67	73	74
<i>Total duty on transfers</i>	1,126	1,637	1,660	1,903	2,079	2,101
Mortgages	4	-	-	-	-	-
Other stamp duties	1	-	-	-	-	-
Metropolitan Region Improvement Tax	82	81	79	83	92	101
Emergency Services Levy	157	168	204	214	227	246
Loan guarantee fees	19	21	28	30	31	31
<i>Total other property taxes</i>	264	270	312	328	349	378
Taxes on provision of goods and services						
Lotteries Commission	134	128	133	138	143	148
Video lottery terminals	-	-	1	1	1	1
Casino Tax	91	90	92	94	96	98
Betting tax	32	34	36	39	41	43
<i>Total taxes on gambling</i>	257	253	262	272	280	290
Insurance Duty	377	403	433	465	499	536
Other	21	23	22	22	22	22
<i>Total taxes on insurance</i>	397	426	455	487	521	558
Taxes on use of goods and performance of activities						
Vehicle Licence Duty	318	329	361	400	441	487
Permits - Oversize Vehicles and Loads	4	4	4	4	4	4
Motor Vehicle recording fee	40	43	45	46	47	48
Motor Vehicle registrations	486	515	541	571	600	633
<i>Total motor vehicle taxes</i>	848	892	951	1,021	1,092	1,171
Total Taxation	5,706	6,316	6,626	7,259	7,909	8,536

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

OPERATING REVENUE
General Government

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
Current Grants and Subsidies						
<i>General Purpose Grants</i>						
GST Revenue grants	3,529	3,585	3,374	3,556	3,422	3,277
North West Shelf grants	844	766	928	956	1,029	1,045
Compensation for Crude Oil Excise Condensate	23	94	57	57	57	57
<i>Grants Through the State</i>						
Schools assistance – non-government schools	751	634	861	743	781	840
Local government financial assistance grants	132	137	143	150	157	163
Local government roads	89	92	95	99	103	108
First Home Owners' Boost	100	159	-	-	-	-
Other	-	25	25	25	25	25
<i>National Specific Purpose Payment Agreement Grants ^(a)</i>						
National Health Care Agreement	1,056	1,136	1,228	1,333	1,444	1,569
National Education Agreement	318	329	352	377	409	449
National Agreement for Skills and Workforce Development	131	132	135	138	142	146
National Disability Agreement	75	78	94	112	122	134
National Affordable Housing Agreement	122	125	127	129	132	135
<i>Nation Building and Jobs Plan</i>						
Schools	78	70	-	-	-	-
Housing	22	20	-	-	-	-
Transport	15	9	-	-	-	-
<i>Other Grants/National Partnerships</i>						
Health	439	323	325	338	356	361
Housing	29	11	16	15	15	11
Roads	38	52	50	51	50	50
Other	298	344	282	344	246	143
Total Current Grants and Subsidies	8,089	8,119	8,092	8,422	8,490	8,512
Capital Grants						
<i>Grants Through the State</i>						
Schools assistance – non-government schools	18	333	27	23	24	26
<i>Nation Building and Jobs Plan</i>						
Schools	-	651	479	-	-	-
Housing	4	368	155	20	-	-
Transport	10	7	-	-	-	-
<i>Other Grants/National Partnerships</i>						
Housing	40	188	85	101	135	104
Roads	229	158	195	288	353	187
Other	111	219	329	282	237	153
Total Capital Grants	411	1,922	1,269	714	749	470

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

OPERATING REVENUE
General Government

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
Sales of Goods and Services						
Department of Transport	142	145	163	171	172	175
WA Health	340	339	358	378	400	424
Department of Education	135	148	159	154	158	163
Department of Training and Workforce Development	35	39	43	44	45	46
State Training Providers	100	111	116	122	126	129
Western Australian Land Information Authority	81	101	124	124	134	150
Department of the Attorney General	69	69	82	81	84	87
Department of Corrective Services	21	19	21	22	23	23
Department of Environment	69	76	103	104	105	106
Department of Commerce	41	46	47	45	46	49
Department of Fisheries	24	27	28	29	29	29
Department of Culture and the Arts	24	22	27	28	28	29
Western Australia Police	28	26	26	27	27	28
All Other	300	383	359	412	443	468
Total Sale of Goods and Services	1,410	1,552	1,656	1,740	1,821	1,906
Interest Income	285	200	253	259	255	246
Revenue from Public Corporations						
Dividends	466	666	661	705	949	1,018
Tax Equivalent Regime	355	394	377	422	606	720
Total Revenue from Public Corporations	821	1,061	1,038	1,126	1,555	1,738
Royalty Income	2,348	2,217	3,271	3,598	3,673	3,535
Other						
Lease Rentals	65	72	67	69	71	73
Fines	138	119	179	199	199	199
Revenue not elsewhere counted	161	175	139	131	127	130
Total Other	364	365	386	399	397	401
TOTAL REVENUE	19,435	21,752	22,591	23,517	24,850	25,343

(a) SPP figures for 2008-09 have been derived to show grants on a consistent basis over time.

Note: Columns may not add due to rounding.

APPENDIX 3

2009-10 General Government Operating Revenue

This appendix contains general government revenue estimates for the 2009-10 financial year comparing the original 2009-10 Budget estimates, mid-year review revisions and the current estimated outturn.

Table 3.1

2009-10 OPERATING REVENUE
General Government

	2009-10 Budget Estimate \$m	2009-10 Mid-Year Revision \$m	2009-10 Estimated Actual \$m
Taxation			
Taxes on employers' payroll and labour force			
<i>Payroll tax</i>	2,216	2,327	2,296
Property taxes			
<i>Land tax</i>	547	541	541
Transfer Duty	1,186	1,293	1,565
Landholder Duty	37	52	72
<i>Total duty on transfers</i>	1,223	1,345	1,637
Other stamp duties	1	1	-
Metropolitan Region Improvement Tax	81	81	81
Emergency Services Levy	168	168	168
Loan guarantee fees	26	25	21
<i>Total other property taxes</i>	275	274	270
Taxes on provision of goods and services			
Lotteries Commission	126	126	128
Video lottery terminals	1	-	-
Casino Tax	84	90	90
Betting tax	37	34	34
<i>Total taxes on gambling</i>	248	251	253
Insurance Duty	388	401	403
Other	18	18	23
<i>Total taxes on insurance</i>	407	419	426
Taxes on use of goods and performance of activities			
Vehicle Licence Duty	323	328	329
Permits - Oversize Vehicles and Loads	4	4	4
Motor Vehicle recording fee	41	41	43
Motor Vehicle registrations	490	515	515
<i>Total motor vehicle taxes</i>	859	888	892
Total Taxation	5,775	6,046	6,316

Note: Columns may not add due to rounding.

Table 3.1 (cont.)

2009-10 OPERATING REVENUE
General Government

	2009-10 Budget Estimate \$m	2009-10 Mid-Year Revision \$m	2009-10 Estimated Actual \$m
Current Grants and Subsidies			
<i>General Purpose Grants</i>			
GST Revenue grants	3,332	3,415	3,585
North West Shelf grants	930	746	766
Compensation for Crude Oil Excise Condensate	60	94	94
<i>Grants Through the State</i>			
Schools assistance – non-government schools ^(a)	654	967	634
Local government financial assistance grants	137	137	137
Local government roads	92	92	92
First Home Owners' Boost	31	111	159
Other	25	25	25
<i>National Specific Purpose Payment Agreement Grants</i>			
National Health Care Agreement	1,136	1,136	1,136
National Education Agreement	329	329	329
National Agreement for Skills and Workforce Development	132	132	132
National Disability Agreement	78	78	78
National Affordable Housing Agreement	125	125	125
<i>Nation Building and Jobs Plan</i>			
Schools	77	77	70
Housing	40	20	20
Transport	10	9	9
<i>Other Grants/National Partnerships</i>			
Health	324	323	323
Housing	127	11	11
Roads	52	52	52
Other	150	352	344
Total Current Grants and Subsidies	7,838	8,230	8,119
Capital Grants			
<i>Grants Through the State</i>			
Schools assistance – non-government schools ^(a)	-	-	333
<i>Nation Building and Jobs Plan</i>			
Schools	628	629	651
Housing	387	368	368
Transport	5	7	7
<i>Other Grants/National Partnerships</i>			
Housing	87	188	188
Roads	198	198	158
Other	255	230	219
Total Capital Grants	1,560	1,620	1,922

Note: Columns may not add due to rounding.

Table 3.1 (cont.)

2009-10 OPERATING REVENUE
General Government

	2009-10 Budget Estimate \$m	2009-10 Mid-Year Revision \$m	2009-10 Estimated Actual \$m
Sales of Goods and Services			
Department of Transport	160	143	145
WA Health	350	339	339
Department of Education	195	184	148
Department of Training and Workforce Development	2	2	39
State Training Providers	102	111	111
Western Australian Land Information Authority	103	101	101
Department of the Attorney General	83	82	69
Department of Corrective Services	19	19	19
Department of Environment and Conservation	107	77	76
Department of Commerce	41	44	46
Department of Fisheries	25	27	27
Department of Culture and the Arts	21	27	22
Western Australia Police	26	26	26
All Other	391	341	383
Total Sale of Goods and Services	1,627	1,523	1,552
Interest Income	144	153	200
Revenue from Public Corporations			
Dividends	536	592	666
Tax Equivalent Regime	319	387	394
Total Revenue from Public Corporations	855	979	1,061
Royalty Income	2,577	2,000	2,217
Other			
Lease Rentals	64	64	72
Fines	129	129	119
Revenue not elsewhere counted	130	140	175
Total Other	324	334	365
TOTAL REVENUE	20,700	20,884	21,752

(a) The 2009-10 Mid-Year Revision assumed funding on-passed to non-government schools was all of a current nature. However, the 2010-11 Budget recognises a current and capital component of these transfers.

Note: Columns may not add due to rounding.

The Treasurer's Advance

Under the *Financial Management Act 2006* (FMA), the Treasurer is authorised, through the Treasurer's Advance, 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 Treasurer's Advance is limited by the FMA and all of the amounts drawn against recoverable advances, excesses and new items must remain within this boundary. This limit may be adjusted however, by a *Treasurer's Advance Authorisation Act*. The FMA authorised a limit of \$469.2 million on the Treasurer's Advance for 2009-10. This limit was amended by the *Treasurer's Advance Authorisation Act 2010*, which increased the limit for 2009-10 to \$1,150 million.

Table 4.1 shows the projected position of the Treasurer's Advance at 30 June 2010. These projections are consistent with the agency data underlying the budget projections outlined elsewhere in the Budget Papers. These projections show that \$984.4 million, or 85.6% of the \$1,150 million limit, is expected to be drawn against the Treasurer's Advance by 30 June 2010. Final draw downs will be reported in the 2009-10 *Annual Report on State Finances* and may vary from the projections shown in this appendix.

TREASURER'S ADVANCE AT 30 JUNE

Table 4.1

	2008-09 Actual \$m	2009-10 Projection \$m
AUTHORISED LIMIT	1,200	1,150
<i>Total Drawn Against Treasurer's Advance authorisation</i>	<i>1,146.0</i>	<i>984.4</i>
Comprising:		
Net recoverable advances as at 30 June	5.2	75.0
Excesses and New Items		
- recurrent	1,001.8	814.7
- capital	139.0	94.6

Note: Columns may not add due to rounding.

Transfers, Excesses and New Items

A number of appropriations that were originally allocated in the 2009-10 Budget have been transferred to other agencies. Transfers of appropriation funds are for the provision of an approved service that is now to be delivered by the alternative agency. These transfers are authorised under section 25 of the FMA and have no impact on the Treasurer's Advance. In 2009-10, appropriation transfers include:

- \$289.3 million for the demerger between the Department of Education and the Department of Training and Workforce Development, and which includes both capital and recurrent components.
- \$49.8 million from the Department for Planning to the Department of Transport for the transfer of responsibility for coastal infrastructure, transport planning, and support of the National Transport Commission.
- \$47.8 million from a central provision administered by the Department of Treasury and Finance to various agencies for voluntary severance payments (see further detail below).
- \$16.7 million (recurrent appropriation) from the Department of Health to the Mental Health Commission for general operational functions following the establishment of the Mental Health Commission on 8 March 2010.
- \$10.2 million from the Department for Planning to the Department of Treasury and Finance for work under the Government Office Accommodation Master Plan.
- \$8.2 million from the Department of the Premier and Cabinet for the transfer of the Office of Road Safety to the Commissioner of Main Roads.
- \$6.3 million (including transfer of both recurrent and capital appropriations) from the Department of Environment and Conservation to create the Office of the Environmental Protection Authority.
- \$2.5 million from the Department of Treasury and Finance to the Department of Commerce for costs associated with the establishment of the Building Commission as a division of the Department of Commerce.
- \$1.9 million from the Department of Transport to the Department for Planning for the transfer of Transport Executive Licensing Information System Support.
- \$1.8 million from the Department for Communities to the Department for Child Protection for the transfer of the Family and Domestic Violence Unit.
- \$1.2 million from the Department of Commerce for the transfer of the Resources Safety division to the Department of Mines and Petroleum.
- \$0.7 million from the Department of Health to the Department of Treasury and Finance for costs associated with the transfer of the Information and Communication Health Procurement function.

- \$0.6 million from the Department for Planning to the Department of Transport to transfer Transport Operations Staff and accommodation and refurbishment costs.
- \$0.2 million from the Department of Education to the Department of Local Government to fund Integrated Service Centres.
- \$0.2 million to the Office of the Information Commissioner from the Department of the Premier and Cabinet for the transfer of the Freedom of Information Review.
- \$0.1 million from the Public Sector Commission to the Department of Local Government for accommodation costs.
- \$0.1 million from the Department of State Development to the Department of Treasury and Finance for the cost of strategic procurement advice and guidance in support of forthcoming State Development projects.
- \$0.1 million from the Public Sector Commission to the Department of the Attorney General to transfer the Copyright function.
- \$0.1 million from Western Australia Police to the Department of Treasury and Finance for costs associated with procurement management.
- \$0.1 million from the Department of Local Government to the Department of Regional Development and Lands to transfer the Rural, Remote and Regional Network.
- \$0.1 million from the Department of Agriculture and Food to the Department of Treasury and Finance for costs associated with procurement management.
- \$40,000 from the Legislative Council to the Parliamentary Services Department to transfer the Electronic Document Records Management System licensing.

The 2009-10 Budget included a \$48 million allocation for voluntary severance to assist agencies in achieving the 3% efficiency dividend. This initiative resulted in the voluntary separation of 469 employees, including 328 from management and administration roles, at a cost of \$47.8 million. The Government has subsequently announced a further \$30 million in 2009-10 for a new round of voluntary separations to be offered to public sector employees. The offer is applicable for all appropriation-funded general government sector agencies and is expected to achieve recurrent savings of \$15 million from 2010-11. Table 4.2 below details voluntary severance costs by agency incurred during 2009-10.

Table 4.3 outlines new items and excesses that are projected to impact on the Treasurer's Advance under the authority of section 27 of the FMA by 30 June 2010. It should be noted that the projections shown in Table 4.3 are subject to timing and other movements in agencies' appropriations throughout the remainder of the financial year.

Table 4.2

2009-10 VOLUNTARY SEVERANCE COSTS

Agency	Amount \$m
Chemistry Centre of Western Australia	0.1
Curriculum Council	0.6
Department for Child Protection	1.5
Department for Planning	2.8
Department of Agriculture and Food	0.7
Department of Commerce	1.5
Department of Communities	0.2
Department of Corrective Services	0.2
Department of Culture and the Arts	1.3
Department of Education	4.3
Department of Environment and Conservation	5.5
Department of Fisheries	0.3
Department of Health	8.7
Department of Indigenous Affairs	0.6
Department of Local Government	0.3
Department of State Development	0.2
Department of the Attorney General	0.6
Department of the Premier and Cabinet	1.3
Department of Training and Workforce Development	3.5
Department of Transport	0.8
Department of Treasury and Finance	2.6
Economic Regulation Authority	0.3
Fire and Emergency Services Authority	0.1
Housing Authority	2.6
Public Sector Commission	1.7
Public Transport Authority	0.7
Registrar, Western Australia Industrial Relations Commission	0.3
Western Australian Land Information Authority	4.1
Western Australian Sports Centre Trust	0.2
Western Australian Tourism Commission	0.1
TOTAL	47.8

Note: Columns may not add due to rounding.

TRANSFERS, EXCESSES AND NEW ITEMS

Table 4.3

		Treasurer's Advance			Draw on Treasurer's Advance to date ^(b) \$m
Item	Appropriation	Transfers ^(a) \$m	New Items \$m	Excesses \$m	
Recurrent Appropriations					
Parliament					
1	Delivery of services – Legislative Council	-(c)	-	-	-
3	Delivery of services – Parliamentary Services	-(c)	-	-	-
The Parliamentary Commissioner for Administrative Investigations					
4	Delivery of services	-	-	0.5	-
Department of the Premier and Cabinet					
5	Delivery of services	-7.2	-	-	-
Public Sector Commission					
6	Delivery of services	1.5	-	-	-
Department of State Development					
12	Delivery of services	0.1	-	6.3	-
WA Health					
14	Delivery of services	-16.1	-	-	-
15	Contribution to Hospital Fund	7.4	-	197.3	-
Department of Indigenous Affairs					
16	Delivery of services	0.6	-	2.6	-
Department of Mines and Petroleum					
17	Delivery of services	1.2	-	-	-
18	Administered Grants, Subsidies and Other Transfer Payments	-	-	3.8	-
Chemistry Centre (WA)					
19	Delivery of services	0.1	-	-	-
Department of Fisheries					
20	Delivery of services	0.3	-	1.2	-
Western Australian Electoral Commission					
21	Delivery of services	-	-	0.2	-
Department of Regional Development and Lands					
22	Delivery of services	0.1	-	-	-
Kimberley Development Commission					
27	Delivery of services	-	-	0.5	-
South West Development Commission					
30	Delivery of services	-	-	4.6	-
Western Australian Land Information Authority					
32	Delivery of services	4.1	-	-	-
Department of Education					
33	Delivery of services	-250.4	-	67.7	-
Curriculum Council					
36	Delivery of services	0.6	-	-	-
Country High Schools Hostels Authority					
37	Delivery of services	-	-	0.2	-
Western Australian Tourism Commission					
38	Delivery of services	0.1	-	-	-
Department of Transport					
39	Delivery of services	35.9	-	4.4	-
Commissioner of Main Roads					
40	Delivery of services	8.2	-	-	-

(a) Authorised under section 25 of the FMA.

(b) Budget cut-off date, 22 April 2010.

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

Note: Columns may not add due to rounding.

Table 4.3 (cont.)

TRANSFERS, EXCESSES AND NEW ITEMS					
		Treasurer's Advance			Draw on Treasurer's Advance to date ^(b) \$m
Item	Appropriation	Transfers ^(a) \$m	New Items \$m	Excesses \$m	
<i>Public Transport Authority of Western Australia</i>					
41	Delivery of services	0.7	-	-	-
<i>Disability Services Commission</i>					
42	Delivery of services	-	-	6.9	-
<i>Department of Treasury and Finance</i>					
43	Delivery of services	1.0	-	0.4	-
49	Aerial Shark Surveillance Program	-	-	0.2	0.2
53	First Home Owners' Assistance	-	-	209.6	162.6
55	Office of Health Review	-	-	0.3	0.3
58	Provision for Unfunded Liabilities in the Government Insurance Fund	-	-	1.8	-
60	Refund of Past Years Revenue Collections – All Other	-	-	15.0	3.5
61	Royalties for Regions Fund	-	-	48.8	-
64	Voluntary Severance Package	-47.8	-	30.0	-
New	Provision for District Allowances	-	22.4	-	-
<i>Economic Regulation Authority</i>					
68	Delivery of services	0.3	-	-	-
<i>Department of Commerce</i>					
70	Delivery of services	2.8	-	-	-
<i>Registrar, Western Australia Industrial Relations Commission</i>					
72	Delivery of services	0.3	-	-	-
<i>Housing Authority</i>					
73	Delivery of services	2.6	-	-	-
<i>Western Australia Police</i>					
74	Delivery of services	-0.1	-	22.8	-
<i>Fire and Emergency Services Authority of Western Australia</i>					
75	Delivery of services	0.1	-	-	-
<i>Western Australian Sports Centre Trust</i>					
78	Delivery of services	0.2	-	2.9	-
<i>Department of Racing, Gaming and Liquor</i>					
80	Administered Grants, Subsidies and Other Transfer Payments	-	-	7.1	-
<i>Department of Planning</i>					
81	Delivery of services	-32.4	-	-	-
<i>Department of Culture and the Arts</i>					
84	Delivery of services	1.3	-	6.4	-
85	Art Gallery of Western Australia	-	-	0.2	-
86	Library Board of Western Australia	-	-	0.2	-
88	Western Australian Museum	-	-	0.9	-
<i>Department of the Attorney General</i>					
90	Delivery of services	0.7	-	20.8	-
<i>Office of the Information Commissioner</i>					
95	Delivery of services	0.2	-	-	-
<i>Department of Corrective Services</i>					
96	Delivery of services	0.2	-	66.0	-
<i>Department for Child Protection</i>					
98	Delivery of services	3.3	-	16.6	-
<i>Department for Communities</i>					
99	Delivery of services	-1.5	-	-	-
(a)	Authorised under section 25 of the FMA.				
(b)	Budget cut-off date, 22 April 2010.				
(c)	Amount less than \$50,000.				
Note: Columns may not add due to rounding.					

Table 4.3 (cont.)

TRANSFERS, EXCESSES AND NEW ITEMS

Item	Appropriation	Treasurer's Advance			Draw on Treasurer's Advance to date ^(b) \$m
		Transfers ^(a) \$m	New Items \$m	Excesses \$m	
<i>Department of Local Government</i>					
103	Delivery of services	0.6	-	-	-
<i>Department of Agriculture and Food</i>					
107	Delivery of services	0.6	-	-	-
<i>Department of Environment and Conservation</i>					
110	Delivery of services	-0.4	-	35.5	-
<i>Swan River Trust</i>					
112	Delivery of services	-	-	0.8	-
<i>Mental Health Commission</i>					
New	Delivery of services	16.7	-	-	-
<i>Department of Training and Workforce Development</i>					
New	Delivery of services	257.6	9.6	-	-
<i>Office of the Environmental Protection Authority</i>					
New	Delivery of services	6.0	0.3	-	-
Total Recurrent		-	32.3	782.4	166.5
Capital Appropriations					
<i>Parliament</i>					
114	Capital Contribution – Parliamentary Services	-	-	0.2	-
<i>Department of Health</i>					
116	Capital Contribution	-	-	64.9	-
<i>Department of Education</i>					
126	Capital Contribution	-34.8	-	-	-
<i>Department of Transport</i>					
130	Capital Contribution	13.2	-	-	-
<i>Public Transport Authority of Western Australia</i>					
132	Capital Contribution	-	-	_(c)	-
<i>Department of Treasury and Finance</i>					
134	Capital Contribution	10.2	-	6.0	-
140	Forest Products Commission	-	-	0.1	-
<i>Department of Sport and Recreation</i>					
154	Capital Contribution	-	-	0.2	-
<i>Department for Planning</i>					
156	Capital Contribution	-23.4	-	-	-
<i>Department for Culture and the Arts</i>					
160	Library Board of Western Australia	-	-	_(c)	-
161	Perth Theatre Trust	-	-	0.4	-
<i>Department for Child Protection</i>					
168	Capital Contribution	-	-	22.8	6.7
<i>Department of Environment and Conservation</i>					
172	Capital Contribution	-0.4	-	-	-
<i>Department of Training and Workforce Development</i>					
New	Capital Contribution	34.8	-	-	-
<i>Office of the Environmental Protection Authority</i>					
New	Capital Contribution	0.4	-	-	-
Total Capital		-	-	94.6	6.7
TOTAL		-	32.3	877.1	173.2

(a) Authorised under section 25 of the FMA.

(b) Budget cut-off date, 22 April 2010.

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

Note: Columns may not add due to rounding.

Tax and Royalty Expenditure Statement

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. Furthermore, data limitations mean that the tax and royalty expenditures identified in this statement are only approximations (data sources and methods used for estimating these expenditures are also subject to review each year).

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 2008-09 and estimates for 2009-10.

Specific tax and royalty expenditures

Notable movements in the value of specific tax and royalty expenditures between 2008-09 and 2009-10 (estimated) include:

- a moderate increase in the value of the payroll tax concession for small businesses, reflecting relatively subdued growth in economy-wide employment and earnings in 2009-10;
- a decrease in the cost of the principal place of residence exemption for land tax, mainly due to a decline in the assessed value of land during the relevant assessment period (August 2008 relative to August 2007);
- the reintroduction of the developer's land tax concession, which was announced in the 2009-10 Budget;
- an increase in the value of the corporate reconstructions transfer duty exemption, mainly reflecting a small number of very large transactions in 2009-10;
- an estimated contraction in the value of the first home buyers' transfer duty exemption, based on the cessation of the Commonwealth Government's First Home Owner Boost (resulting in fewer first home buyers from 1 January 2010), and continued solid growth in house prices (resulting in fewer applicants being eligible for the transfer duty exemption);
- an increase in the cost of the concessional scale for residential property transfers, reflecting a rebound in the number and value of properties sold;
- 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 for licence fees due to growth in the stock of motor vehicles and an increase in the family vehicle licensing concession;
- a moderate increase in the heavy vehicle concession duty; and
- a decrease in the cost of iron ore royalty concessions enshrined in State Agreement Acts, reflecting the effect of the higher \$US/\$A exchange rate and the reduction in benchmark prices for the 2009-10 Japanese financial year, which offset a strong rise in iron ore shipments.

Table 5.1

SUMMARY OF MAJOR TAX AND ROYALTY EXPENDITURES
Western Australia

	2008-09 Actual \$m	2009-10 Estimated Actual \$m
PAYROLL TAX		
Small business exemption	1,615.0	1,699.0
Apprentices and trainees exemption	26.9	27.3
LAND TAX AND MRIT		
Principal place of residence exemption	256.0	222.1
Primary production exemption	53.7	75.0
Developer's Concession	-	8.7
TRANSFER DUTY		
Corporate reconstructions exemption	170.6	285.2
Family farm exemption	13.4	14.7
First home buyers' exemption and concession	253.6	177.0
Concessional scale for residential property	51.3	87.6
INSURANCE DUTY		
Health insurance policies exemption	121.6	132.2
Workers' compensation insurance exemption	84.4	87.5
Marine hulls exemption	5.4	5.6
MOTOR VEHICLE LICENCE FEES		
Family vehicle concession	85.0	93.5
Primary producer vehicle concession	8.5	8.8
Pensioner vehicle concession	24.0	24.8
VEHICLE LICENCE DUTY		
Heavy vehicle concession	59.4 ^(a)	61.2
MINING ROYALTIES		
Iron Ore State Agreement Act concessions ^(b)	284.3	235.7
TOTAL	3,112.7	3,245.9

(a) Revised estimate from the Department of Transport.

(b) 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 \$713.6 million in 2008-09 and \$628.3 million in 2009-10.

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 services and 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 2008-09, the State provided social concessions with an estimated value of \$549.3 million across a range of service areas. The cost to the State was partly offset by a \$19.2 million contribution from the Commonwealth, in respect of certain concessions for pensioners and seniors card holders.

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 these criteria, no further conditions of eligibility apply.

State Concession Card (SCC)

The Department for Child Protection issues the SCC to specific Veteran's Affairs pensioners who are not eligible for a Commonwealth PCC.

Table 6.1

SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS
Western Australia

Class of Concession	2007-08 Estimated Total Value \$m	2007-08 Estimated No. of Recipients	2008-09 Estimated Total Value \$m	2008-09 Estimated No. of Recipients
ENERGY				
Supply charge rebate	20.2	232,946	20.5	238,965
Dependent child rebate	6.9	45,627	8.6	49,310
Other	1.1	n.a.	1.0	n.a.
WATER, SEWERAGE & DRAINAGE				
Rates rebate for pensioners	32.8	114,484	35.6	116,201
Consumption concession for pensioners	6.2	295,671	6.8	298,187
Rates rebate for seniors	9.7	45,673	11.0	49,461
Other	- ^(a)	215	- ^(a)	194
HOUSING & LAND				
Homeswest rental subsidy	115.0	27,733	115.6	27,617
Homeswest amenities fee waiver	0.7	9,227	0.7	9,263
Other	0.8	n.a.	0.5	n.a.
LOCAL GOVERNMENT				
Rates rebate for pensioners	59.0	346,282	64.3	358,750
Other	0.6	n.a.	0.7	1,847
TRANSPORT				
Contract school bus services	76.7	24,071	84.8	25,215
Transperth fares concession	55.2	n.a.	64.9	n.a.
Free travel on Transperth services ^(b)	-	-	2.8	n.a.
Motor vehicle licence fee concession for pensioners	24.0	n.a.	23.8	178,482
Taxi user subsidy	6.9	19,118	6.7	n.a.
Driver's licence fee concession for pensioners	10.1	325,681	8.8	299,403
Pensioners' annual free trip	3.7	70,477	3.2	69,707
TransWA fares concession	2.3	147,259	2.6	150,571
Subsidised student travel	1.2	584	1.1	523
Other	7.6	n.a.	6.6	n.a.
HEALTH				
Subsidised dental care	12.5	54,972	12.7	55,015
Spectacle subsidy scheme	2.5	51,260	2.7	54,281
Other	7.1	n.a.	7.2	n.a.
EDUCATION				
Secondary assistance scheme – school charges	3.8	n.a.	3.8	22,784
Secondary assistance scheme – clothing	2.6	23,041	2.6	22,917
Department of Training and Workforce Development tuition fees	5.8	25,522	6.0	n.a.
Boarding away from home allowance	2.6	2,493	2.7	2,302
Other	- ^(a)	59	- ^(a)	51
LEGAL SERVICES				
Legal assistance	13.8	n.a.	15.6	n.a.
Other	1.9	n.a.	2.0	n.a.
CULTURE, LEISURE & RECREATION				
Children's Zoo discount	0.9	n.a.	1.0	n.a.
Children under four years of age – free Zoo entry	1.3	n.a.	1.3	n.a.
Other	2.7	n.a.	2.6	n.a.
SENIORS				
Seniors cost of living rebate ^(b)	-	-	18.4	214,091
TOTAL	498.2	n.a.	549.3	n.a.

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

(b) Commenced in 2008-09.

Note: Columns may not add due to rounding.

Benefits Provided in 2008-09

Energy

Supply charge rebate (\$20.5 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 \$86 per year.

Dependent child rebate (\$8.6 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 increase in the total value of the concession is due to the increased number of dependents being claimed. The average value of the rebate per family is approximately \$174 per year.

Other (\$1.0 million)

Other concessions include Synergy and Horizon rebates on account establishment fees, air conditioning subsidy, certain fee waivers and permanent caravan park residents subsidy for holders of a PCC, HCC or WASC.

Water

Rates rebate for pensioners (\$35.6 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 \$306 per year.

Consumption concession for pensioners (\$6.8 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 \$23 per year.

Rates rebate for seniors (\$11.0 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 \$222 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 (\$115.6 million)**

Low income individuals and families with accommodation needs can receive a rental subsidy from Homeswest. Eligibility for the subsidy is based on the applicant's capacity to pay rent (as determined by an income and assets test). The average value of the subsidy per recipient is approximately \$4,184 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 \$76 per year.

Other (\$0.5 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 (\$64.3 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 per household is \$355 per year.

Other (\$0.7 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 (\$84.8 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 increased cost of the concession was primarily driven by the increase in the number of school days in 2008-09 by six. Further operational changes led to the inclusion of Bunbury regional school bus services in this concession. The average value of the concession per student is estimated to be \$8.71 per journey or about \$3,363 per year.

Transperth fares concession (\$64.9 million)

Children, students and holders of a WASC, PCC or a HCC receive discounts on Transperth fares (between 58-63%), or free travel. The total value of Transperth fare concessions has increased in 2008-09 due to the opening of the Mandurah train line resulting in a greater number of concession fares. The value per concession is \$0.90 per journey.

Free travel on Transperth services (\$2.8 million)

Seniors, aged and disability pensioners can travel for free between 9:00am and 3:30pm on weekdays, all day on weekends and public holidays. Senior and aged pensioners also have free travel during Seniors Week. This concession includes regional town bus services. The value per concession is \$2.68 per journey.

Motor vehicle licence fee concession for pensioners (\$23.8 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 weighted average value of the concession per pensioner is approximately \$148 per year.

Taxi user subsidy (\$6.7 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 \$11.69 per trip.

Driver's licence fee concession (\$8.8 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 weighted average value of these concessions per recipient is \$31 per year.

Pensioners' annual free trip (\$3.2 million)

Holders of a PCC who live north of the 26th parallel receive one free trip per year to Perth, or anywhere in the South West land division that can be reached for an equivalent fare. The Department of Transport funds this concession. In addition, holders of a WASC or a PCC also receive one free train return trip or two single train trips to any location within Western Australia from the Public Transport Authority. The weighted average value of this concession is approximately \$210 per recipient.

TransWA fare concession (\$2.6 million)

Children under 15 years of age, students, Western Australian residents holding a WASC, PCC, CSHC or a HCC receive a 50% discount on fares for TransWA services. The average value of the concession is \$16.95 per journey.

Subsidised student travel (\$1.1 million)

Full-time students whose parents live in remote areas of the State receive a number of free return trips per year between home and school, dependent on type of student concession (primary, secondary or tertiary) and if they have previously claimed free trips. The Department of Transport funds this concession. The annual value of these return trips averages \$2,151 per recipient.

Other (\$6.6 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 (\$12.7 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 Government dental clinics. The discount is generally between 50% and 75% of standard fees. The average value of the concession is \$170 per treatment based on 74,817 treatments during 2008-09.

Spectacle subsidy scheme (\$2.7 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 \$49.60.

Other (\$7.2 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 provides assistance to low income families with secondary school children to meet school charges, which average \$168 per recipient. Recipients must hold a family HCC or a PCC or be a sole parent or carer.

Secondary assistance scheme for clothing (\$2.6 million)

The Department of Education provides assistance of \$115 per annum to low income families with secondary school children to meet clothing costs associated with schooling. Recipients must hold a family HCC or a PCC.

Department of Training and Workforce Development tuition fees concessions (\$6.0 million)

Holders of a PCC, HCC or persons who receive AUSTUDY, ABSTUDY or Youth Allowance subsidies, prisoners and persons between 15-17 years who will not reach 18 years in the enrolling calendar year, pay reduced tuition fees for Vocational Education and Training (VET) courses offered by TAFE colleges. The average value of the concession is \$0.69 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 \$35.38.

Boarding away from home allowance (\$2.7 million)

Families with geographically isolated students received up to \$1,215 annual concession from the Department of Education to help meet costs associated with boarding away from home.

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 (\$15.6 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 (\$2.0 million)

Other legal service concessions include a reduction or waiver of court fees in the State Administrative Tribunal, Supreme Court, District Court, Family Court and the Magistrates Court for those experiencing financial hardship or in the interest of justice. Legal Aid also provides minor assistance, legal advice and a duty lawyer to the community.

Culture, Leisure and Recreation**Children's Zoo discount (\$1.0 million)**

Children between four and 14 years of age receive a discount on the entry fee for the Perth Zoo. The value of the discount is \$9.50 per child for each visit.

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 \$19 per child for each visit.

Other (\$2.6 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.

Seniors**Seniors Cost of Living Rebate (\$18.4 million)**

Holders of the WASC are eligible to apply for this concession to help them meet the rising cost of living. In 2009, single WASC holders received \$100 and couples (where both hold a WASC) received \$150 from the Department for Communities. The rebate is to be indexed annually to the CPI.

APPENDIX 7

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 7.1

ASSET INVESTMENT PROGRAM

	2009-10 Estimated Actual \$m	2010-11 Budget Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m
PARLIAMENT					
Legislative Assembly	0.1	-	-	-	-
Parliamentary Services	3.9	2.2	0.5	0.5	0.5
Parliamentary Commissioner for Administrative Investigations	0.3	0.1	0.1	0.2	0.2
PREMIER; TREASURER; MINISTER FOR STATE DEVELOPMENT					
Premier and Cabinet	2.0	2.1	1.3	-	-
Public Sector Commission	_(a)	_(a)	_(a)	_(a)	_(a)
Gold Corporation	5.9	6.5	6.2	6.5	2.3
Governor's Establishment	0.2	0.1	0.1	0.1	0.1
Lotteries Commission	8.2	3.4	0.1	0.8	0.3
Office of the Public Sector Standards Commissioner	0.1	0.1	0.1	0.1	0.1
Parliamentary Inspector of the Corruption and Crime Commission	_(a)	_(a)	_(a)	-	-
Salaries and Allowances Tribunal	_(a)	_(a)	_(a)	_(a)	_(a)
Treasury and Finance	244.4	280.1	241.0	170.1	168.6
Insurance Commission of Western Australia	6.1	6.0	8.0	3.1	2.7
Office of the Auditor General	0.5	0.7	0.5	0.5	0.6
Western Australia Treasury Corporation	1.6	0.7	0.5	0.5	0.6
State Development	25.8	95.6	87.9	0.1	_(a)
Oakajee Port Project	-	-	-	339.0	-
DEPUTY PREMIER; MINISTER FOR HEALTH; INDIGENOUS AFFAIRS					
WA Health	579.0	890.3	1,219.7	823.1	609.8
Western Australia Health Promotion Foundation	0.1	0.1	0.1	0.1	0.1
Animal Resources Authority	0.5	0.5	0.5	0.5	0.5
Indigenous Affairs	0.6	0.4	0.5	0.4	-
MINISTER FOR MINES AND PETROLEUM; FISHERIES; ELECTORAL AFFAIRS					
Mines and Petroleum	1.0	1.4	1.3	0.9	0.9
Fisheries	13.7	8.0	5.9	3.3	3.3
Western Australian Electoral Commission	0.5	0.1	0.1	-	-

Table 7.1 (cont.)

ASSET INVESTMENT PROGRAM

	2009-10 Estimated Actual \$m	2010-11 Budget Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m
MINISTER FOR REGIONAL DEVELOPMENT; LANDS; MINISTER ASSISTING THE MINISTER FOR STATE DEVELOPMENT; MINISTER ASSISTING THE MINISTER FOR TRANSPORT					
Regional Development and Lands	16.1	88.4	81.3	183.4	321.2
Royalties for Regions – Regional and State-wide Initiatives	6.0	10.0	10.0	3.1	9.2
Great Southern Development Commission	_(a)	-	-	-	-
Kimberley Development Commission	_(a)	-	-	-	-
Mid West Development Commission	0.1	_(a)	_(a)	_(a)	_(a)
Pilbara Development Commission	_(a)	_(a)	_(a)	_(a)	_(a)
South West Development Commission	0.1	_(a)	_(a)	0.1	_(a)
Wheatbelt Development Commission	0.1	_(a)	_(a)	0.1	_(a)
Western Australian Land Authority	298.4	375.5	291.0	247.5	387.0
Western Australian Land Information Authority	15.6	17.0	17.4	14.3	13.6
MINISTER FOR EDUCATION; TOURISM					
Education	955.7	1,024.6	378.3	224.7	252.9
Education Services	0.2	_(a)	_(a)	_(a)	_(a)
Curriculum Council	0.8	0.2	0.2	0.2	0.2
Country High School Hostels Authority	9.8	3.2	20.2	20.5	10.5
Western Australian Tourism Commission	0.7	0.5	0.5	0.6	0.6
Rottne Island Authority	3.7	3.7	3.7	3.7	3.7

Table 7.1 (cont.)

ASSET INVESTMENT PROGRAM

	2009-10 Estimated Actual \$m	2010-11 Budget Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m
MINISTER FOR TRANSPORT; DISABILITY SERVICES					
Transport	24.1	37.7	28.4	22.9	11.6
Commissioner of Main Roads	604.8	516.0	547.1	543.9	578.2
Public Transport Authority of Western Australia	176.4	222.7	219.9	373.9	263.2
Albany Port Authority	4.8	2.0	2.8	1.0	1.0
Broome Port Authority	0.7	0.5	0.6	0.6	0.6
Bunbury Port Authority	7.1	4.0	1.5	1.6	2.4
Dampier Port Authority	4.5	4.0	1.0	2.0	3.0
Esperance Port Authority	37.5	2.9	3.0	3.0	3.0
Fremantle Port Authority	130.9	160.2	36.5	60.1	99.4
Geraldton Port Authority	2.5	6.7	4.6	5.4	6.3
Port Hedland Port Authority	168.8	19.4	2.9	1.6	19.4
Disability Services Commission	3.0	2.5	2.9	2.9	2.9
MINISTER FOR POLICE; EMERGENCY SERVICES; ROAD SAFETY					
Western Australia Police	95.7	121.0	81.2	34.5	32.0
Fire and Emergency Services Authority of Western Australia	24.6	61.4	30.4	11.3	13.2
MINISTER FOR SPORT AND RECREATION; RACING AND GAMING; MINISTER ASSISTING THE MINISTER FOR HEALTH					
Sport and Recreation	1.3	4.9	33.1	51.6	21.2
Western Australian Sports Centre Trust	126.2	163.6	39.7	3.7	3.7
Western Australian Institute of Sport	0.2	0.2	0.5	0.4	0.4
Racing, Gaming and Liquor	0.1	-(a)	0.1	0.2	0.1
Racing and Wagering Western Australia	15.8	4.3	4.1	7.3	10.1
Western Australian Greyhound Racing Authority	0.4	0.2	0.6	0.6	-
Burswood Park Board	0.7	0.7	0.7	0.8	1.1

ASSET INVESTMENT PROGRAM

Table 7.1 (cont.)

	2009-10 Estimated Actual \$m	2010-11 Budget Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m
MINISTER FOR PLANNING; CULTURE AND THE ARTS					
Planning	35.8	13.6	6.4	6.4	7.5
Armadale Redevelopment Authority	45.8	23.2	17.5	16.1	14.6
East Perth Redevelopment Authority	20.2	28.0	30.7	21.8	24.9
Midland Redevelopment Authority	14.6	10.3	12.3	11.4	9.8
Subiaco Redevelopment Authority	6.1	14.1	7.6	-	-
Western Australian Planning Commission	106.8	68.9	71.1	78.7	95.5
Culture and the Arts	82.1	56.1	17.4	11.4	14.9
MINISTER FOR ENERGY; TRAINING AND WORKFORCE DEVELOPMENT					
Office of Energy	0.2	0.3	0.3	0.2	0.2
Independent Market Operator	2.2	2.1	2.5	1.8	-
Horizon Power	145.3	155.6	128.9	57.3	36.1
Synergy	10.1	11.6	6.3	6.4	7.1
Verve Energy	172.4	245.6	65.8	34.4	45.3
Western Power	940.6	640.7	632.3	690.1	727.0
North Country Reinforcement	-	47.1	244.0	27.8	-
Training and Workforce Development	54.8	56.8	24.6	20.1	18.8
State Training Providers	25.0	13.9	4.8	3.8	3.5
Building and Construction Industry Training Board	0.4	-	-	-	-
ATTORNEY GENERAL; MINISTER FOR CORRECTIVE SERVICES					
Attorney General	25.8	33.1	64.7	48.6	21.6
Corruption and Crime Commission	1.6	4.9	2.8	2.7	10.0
Commissioner for Equal Opportunity	0.1	_(a)	0.1	0.1	0.1
Law Reform Commission of Western Australia	_(a)	_(a)	_(a)	_(a)	-
Office of the Director of Public Prosecutions	0.5	0.1	0.1	0.1	0.1
Office of the Information Commissioner	_(a)	-	-	-	-
Legal Aid Commission of Western Australia	0.9	2.4	1.2	1.1	1.1
Corrective Services	101.5	262.3	153.9	113.8	110.3
Office of the Inspector of Custodial Services	_(a)	0.1	0.1	_(a)	_(a)

Table 7.1 (cont.)

ASSET INVESTMENT PROGRAM					
	2009-10 Estimated Actual \$m	2010-11 Budget Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m
MINISTER FOR CHILD PROTECTION; COMMUNITY SERVICES; SENIORS AND VOLUNTEERING; WOMEN'S INTERESTS					
Child Protection	37.0	23.6	7.6	3.0	1.6
Communities	-	-	1.7	-	-
MINISTER FOR WATER; MENTAL HEALTH					
Water	14.5	22.1	18.9	11.0	11.1
Water Corporation	1,133.7	1,025.4	679.2	833.9	871.1
Bunbury Water Board	11.0	3.5	3.2	1.6	7.2
Busselton Water Board	3.6	5.1	2.7	5.9	1.9
MINISTER FOR LOCAL GOVERNMENT; HERITAGE; CITIZENSHIP AND MULTICULTURAL INTERESTS					
Local Government	0.1	0.1	0.1	0.1	0.1
Metropolitan Cemeteries Board	5.2	7.9	7.6	4.7	4.6
Heritage Council of Western Australia	-	-	_(a)	_(a)	_(a)
National Trust of Australia (WA)	2.2	0.7	0.7	0.7	0.7
MINISTER FOR AGRICULTURE AND FOOD; FORESTRY; MINISTER ASSISTING THE MINISTER FOR EDUCATION					
Agriculture and Food	6.2	22.6	43.2	96.7	71.4
Western Australian Meat Industry Authority	19.5	-	-	-	-
Perth Market Authority	3.1	3.5	0.5	0.6	0.7
Forest Products Commission	0.8	0.8	0.8	0.8	0.8

Table 7.1 (cont.)

ASSET INVESTMENT PROGRAM

	2009-10 Estimated Actual \$m	2010-11 Budget Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m
MINISTER FOR ENVIRONMENT; YOUTH					
Environment and Conservation	29.0	24.9	23.4	23.9	22.9
Botanic Gardens and Parks Authority	2.0	4.1	1.7	1.0	1.0
Office of the Environmental Protection Authority	0.4	-(a)	0.1	0.1	0.1
Swan River Trust	0.2	0.2	0.1	0.2	-
Zoological Parks Authority	2.6	2.2	2.3	3.2	2.3
MINISTER FOR COMMERCE; SCIENCE AND INNOVATION; HOUSING; MINISTER ASSISTING THE TREASURER					
Commerce	4.8	4.1	35.0	53.0	4.2
Small Business Development Corporation	0.2	0.2	0.2	0.2	0.2
Registrar, Western Australian Industrial Relations Commission	0.1	0.4	0.2	-	-
WorkCover WA Authority	1.5	2.5	0.3	1.2	0.3
Chemistry Centre (WA)	0.8	0.6	0.6	0.6	0.6
Housing Authority	903.3	683.0	314.9	343.1	352.2
Keystart Housing Scheme Trust	3.2	2.3	1.2	1.1	1.1
Provision for Underspend / Carryover	-400.0	-	-	200.0	200.0
Inter-agency Purchases	-47.7	-59.9	-55.1	-51.5	-69.1
TOTAL	7,162.0	7,627.1	6,005.1	5,866.5	5,497.7
<i>Funded by:</i>					
APPROPRIATIONS					
Capital Appropriation	2,169.1	2,594.9	1,177.8	802.7	764.1
OTHER FUNDING					
Holding Account	183.1	151.0	200.8	194.6	213.3
Agency Borrowings	2,311.0	1,709.3	1,362.9	1,434.9	1,099.0
Royalties for Regions	232.2	423.6	483.4	543.1	540.0
Commonwealth Grants	385.8	533.0	606.2	604.4	413.7
Land and Property Sales	473.9	420.5	490.2	451.3	476.2
Internal Funds and Balances	1,044.0	1,219.2	970.9	1,420.9	1,625.2
Other	362.9	575.6	712.9	414.7	366.5
TOTAL	7,162.0	7,627.1	6,005.1	5,866.5	5,497.7

(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.

Dividend payout ratios have been increased for selected public corporations from the 2009-10 financial year. In some cases these dividend estimates have been calculated by the Department of Treasury and Finance and incorporated in budget estimates due to the absence of specific declaration of interim dividends prior to budget publication. The revenue estimates have been based on current forecasts of net profit after tax.

The increase in dividend payout ratios will bring these public corporations into line with public corporations in other jurisdictions and enable the Government to have more direct control over how the profits of the corporations are re-invested in their activities.

Revenue from public corporations in 2010-11 is estimated to be \$1,038 million, comprising \$364.6 million in income tax equivalent payments, \$12.5 million in local government rate equivalent payments, and \$660.7 million in dividend payments. This is a decrease of \$23 million or 2.2 % from the estimated outturn for 2009-10.

The decrease in revenue in 2010-11 is largely a result of projected reductions in payments from Western Power, the Western Australian Treasury Corporation and the Insurance Commission of Western Australia, partially offset by a projected increase in payments from the Western Australian Land Authority, Port Hedland Port Authority, Geraldton Port Authority and Verve Energy.

In this regard:

- Western Power's dividend is expected to decline by \$43 million in 2010-11, largely reflecting the accounting treatment of an anticipated interim dividend declaration prior to 30 June 2010 (as part of the Government's decision in this budget to increase the dividend payout ratio applying to Western Power and some other public corporations). The interim dividend (assumed to be paid by 30 June 2010) has the effect of reducing the amount of the final dividend declaration to be made during 2010-11. Western Power's dividend increases substantially in 2012-13 due to the assumptions that deferred tariff revenue from the second access arrangement period (2009-10 to 2011-12) will be recovered in the third access arrangement period (post 2012-13);
- the Western Australian Treasury Corporation's dividend for 2009-10 was abnormally high due to unbudgeted market valuation gains, lower funding costs and a larger than forecast lending program. The estimated dividend for 2010-11 represents a return to normal activity levels;
- the decrease in income tax equivalent revenue in 2010-11 from the Insurance Commission of Western Australia is due to a forecast reduction in profitability, mainly due to lower projected returns on the back of an annual revaluation of investment assets;
- the increase in the Western Australian Land Authority's income tax equivalent revenue is due to increased profit margins associated with land development in 2010-11;
- the increase in income tax equivalent revenue from the Port Hedland Port Authority in 2010-11 is mainly due to increased throughput associated with the opening of the Utah Point berth.
- the increase in income tax equivalent and dividend revenue from the Geraldton Port Authority in 2010-11 is mainly due to additional throughput as a result of the Berth 5 upgrade; and
- the increase in dividend revenue from Verve Energy is due mainly to increased profitability driven by assumed increases in prices received under the Vesting Contract and bilateral contracts, changes to coal supply arrangements benefits from the commissioning of the High Efficiency Gas Turbines, and reduced interest cost due to reduced debt levels.

A detailed listing of revenue received from individual public corporations is provided in Table 8.2. Dividend payout ratios are shown in Table 8.3.

There are risks that projected revenues for 2009-10 may change as public corporations finalise profit forecasts and declare interim dividends. There is also a risk that interim dividends are not declared prior to the end of the financial year. For some public corporations, payment may be deferred until the next financial year resulting in minor differences in budget expectations between years.

There are also significant payments from the general government sector to public corporations. Such payments include funding for 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 such payments. For example, the provision of household water and wastewater services in country areas at prices set by the Government (to match metropolitan water prices) is subsidised by a payment to the Water Corporation.

A detailed list of general government sector expenses arising from payments to individual public corporations is provided in Table 8.4.

Electricity Tariffs

Budget Planning Assumptions

During the annual budget process, planning assumptions are made for future electricity tariffs.

The Office of Energy's Final Recommendations Report on the Review of Electricity Tariff Arrangements, released on 29 January 2009, showed that electricity tariffs are substantially below the cost of producing and supplying electricity. In response, since April 2009, the Government has moved to increase electricity tariffs to bring them closer to cost-reflective levels. Prior to these increases, and excluding the introduction of the GST, residential electricity tariffs in Western Australia had not increased since 1997-98, while small business tariffs had not increased since 1991-92.

In line with the Government's policy to move electricity tariffs to cost-reflective levels, the Government announced on 8 March 2010:

- residential tariff increases of 7.5% effective 1 April 2010 and a further 10% effective 1 July 2010;
- small business tariff increases of 7.5% effective 1 April 2010 and a further 10% effective 1 July 2010; and
- other business tariff increases of 7.5% effective 1 April 2010 and a further 10% effective 1 July 2010, with the exception of the S1, T1 and the W1/W2 tariffs which will face lower increases (as they are closer to cost-reflective levels).

Despite these increases, the majority of electricity tariffs are still below the cost of producing and supplying electricity. In this regard, even after these increases, the Government is still expecting to provide an operating subsidy to Synergy (to offset the impact of below cost-reflective tariffs) of \$165 million in 2009-10 and \$152 million in 2010-11.

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 subsidy by the Government).

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 correct signals are sent to customers, reflecting the cost of energy and capacity.

For the purposes of the 2010-11 Budget and forward estimates, it has been assumed that:

- tariff increases in 2009-10 and 2010-11 are consistent with the Government's announcement of 8 March 2010; and
- all tariffs will be at cost-reflective levels by 1 July 2011.

The following tables detail the assumed electricity tariff paths reflected in the 2010-11 Budget and forward estimates. It is important to note that the tariff increases for 2011-12 are planning assumptions only. They are based on certain assumptions around the cost of producing and supplying electricity and movement to fully cost reflective tariffs on 1 July 2011. Risks around the assumptions are as follows:

- it has been assumed that the Carbon Pollution Reduction Scheme is not introduced over the budget period;
- the costs of the proposed changes to the Renewable Energy Target have not been considered at this stage;
- network costs for 2012-13 onward are still to be decided by the Economic Regulation Authority and therefore are subject to change; and
- forecasts of generation cost more than two years into the future are unlikely to have a high degree of accuracy. These costs are likely to be revised as better estimates become available.

The Government has not explicitly taken decisions on electricity tariff increases in 2011. It will make decisions in relation to the actual level of electricity tariffs for the forward years during the budget formulation process for the relevant financial year. Therefore, the increases outlined in Table 8.1 for 2011-12 are parameter assumptions made by the Department of Treasury and Finance for budget planning purposes only.

Table 8.1

ASSUMED NON-CONTESTABLE TARIFF GLIDE PATH ^(a)

Tariff	1 April 2010	2010-11	2011-12	2012-13	2013-14
Residential (A1/A2)	7.5%	10.0%	22.3%	5.6%	6.0%
Residential Hot Water (B1)	-	7.3%	8.3%	13.9%	3.6%
Community and Charitable Organisations (C1/C2)	7.5%	10.0%	21.1%	4.3%	5.9%
Charitable Organisation providing Residential Accommodation (D1/D2)	7.5%	10.0%	21.1%	4.3%	5.9%
Combined Residential/Business (K1/K2)	7.5%	10.0%	21.1%	4.3%	5.9%
Small Business (L1/L2)	7.5%	10.0%	13.7%	4.0%	5.9%
Small Business Time of Use (R1)	7.5%	10.0%	17.0%	4.6%	5.6%

ASSUMED CONTESTABLE TARIFF GLIDE PATH ^(a)

Tariff	1 April 2010	2010-11	2011-12	2012-13	2013-14
Medium Business (L3/L4)	7.5%	10.0%	12.1%	5.2%	4.9%
Medium Business Time of Use (R3)	7.5%	10.0%	8.1%	2.9%	4.6%
Large Business (M1/M2)	7.5%	10.0%	20.3%	4.0%	5.0%
Commonwealth and Foreign Government Instrumentalities – North West Interconnected System (P2)	7.5%	10.0%	12.1%	5.2%	4.9%
Large Business Low Voltage (S1)	4.1%	2.0%	6.8%	3.7%	4.4%
Large Business High Voltage (T1)	7.5%	5.0%	6.2%	4.6%	4.2%
Traffic Lighting (W1/W2)	3.5%	-	7.3%	9.8%	4.2%
Street Lighting (z)	7.5%	10.0%	30.1%	-4.1%	7.5%

(a) Department of Treasury and Finance budget planning assumptions only for 2011-12 onwards. The State Government has not yet made any explicit electricity tariff decision beyond 1 July 2010.

Table 8.2

REVENUE TO GOVERNMENT FROM PUBLIC CORPORATIONS

Details of Payment	2009-10 Estimated Actual \$'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Horizon Power					
Dividends	-	-	-	19,658	21,431
<i>Subtotal</i>	-	-	-	19,658	21,431
Synergy					
Income tax expense	57,004	38,282	62,644	67,224	70,354
Dividends	64,572	99,757	66,993	109,627	117,642
<i>Subtotal</i>	121,576	138,039	129,637	176,851	187,996
Verve Energy					
Income tax expense	-	-	-	-	30,505
Local Government Rates expense	510	510	510	510	510
Dividends	19,264	37,255	59,222	63,677	62,376
<i>Subtotal</i>	19,774	37,765	59,732	64,187	93,391
Western Power					
Income tax expense	-	-	16,811	144,646	175,297
Local Government Rates expense	869	1,262	1,293	1,326	1,359
Dividends	65,336	22,827	50,216	174,793	144,305
<i>Subtotal</i>	66,205	24,089	68,320	320,765	320,961
Water Corporation					
Income tax expense	221,586	215,851	229,748	259,307	295,851
Local Government Rates expense	4,569	4,049	4,151	4,254	4,360
Dividends	431,587	416,356	417,658	480,587	562,168
<i>Subtotal</i>	657,742	636,256	651,557	744,148	862,379
Western Australian Land Authority (LandCorp)					
Income tax expense	23,065	36,279	23,238	39,756	44,742
Local Government Rates expense	3,727	4,603	4,398	4,290	4,294
Dividends	31,096	31,096	31,096	31,096	30,540
<i>Subtotal</i>	57,888	71,978	58,732	75,142	79,576
Gold Corporation					
Income tax expense	8,686	5,161	5,072	8,006	9,507
Local Government Rates expense	110	115	120	125	130
Dividends	19,031	15,201	9,031	8,876	14,011
<i>Subtotal</i>	27,827	20,477	14,223	17,007	23,648
Western Australian Treasury Corporation					
Income tax expense	374	3,091	4,630	5,377	6,238
Dividends	12,175	567	4,688	7,021	8,155
<i>Subtotal</i>	12,549	3,658	9,318	12,398	14,393

Table 8.2 (cont.)

REVENUE TO GOVERNMENT FROM PUBLIC CORPORATIONS

Details of Payment	2009-10 Estimated Actual \$'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Albany Port Authority					
Income tax expense	1,653	1,938	2,038	2,202	1,836
Local Government Rates expense	100	104	108	120	120
Dividends	1,344	1,988	2,331	2,452	2,652
<i>Subtotal</i>	<i>3,097</i>	<i>4,030</i>	<i>4,477</i>	<i>4,774</i>	<i>4,608</i>
Broome Port Authority					
Income tax expense	219	208	193	175	175
Local Government Rates expense	15	268	276	284	284
Dividends	328	316	294	265	265
<i>Subtotal</i>	<i>562</i>	<i>792</i>	<i>763</i>	<i>724</i>	<i>724</i>
Bunbury Port Authority					
Income tax expense	2,935	2,420	2,418	2,413	2,872
Local Government Rates expense	210	220	220	220	220
Dividends	1,152	3,670	3,667	3,660	4,355
<i>Subtotal</i>	<i>4,297</i>	<i>6,310</i>	<i>6,305</i>	<i>6,293</i>	<i>7,447</i>
Dampier Port Authority					
Income tax expense	2,598	3,740	4,001	4,122	4,197
Local Government Rates expense	100	100	100	100	100
Dividends	2,531	4,222	5,954	6,068	6,250
<i>Subtotal</i>	<i>5,229</i>	<i>8,062</i>	<i>10,055</i>	<i>10,290</i>	<i>10,547</i>
Esperance Port Authority					
Income tax expense	422	484	-	96	785
Local Government Rates expense	325	330	335	335	340
Dividends	160	96	429	96	96
<i>Subtotal</i>	<i>907</i>	<i>910</i>	<i>764</i>	<i>527</i>	<i>1,221</i>
Fremantle Port Authority					
Income tax expense	5,043	3,192	3,217	3,262	3,293
Local Government Rates expense	366	379	398	417	438
Dividends	8,437	6,834	4,194	4,267	4,341
<i>Subtotal</i>	<i>13,846</i>	<i>10,405</i>	<i>7,809</i>	<i>7,946</i>	<i>8,072</i>
Geraldton Port Authority					
Income tax expense	2,121	9,190	9,190	9,190	9,190
Local Government Rates expense	160	160	160	160	160
Dividends	5,580	17,603	17,493	18,960	18,960
<i>Subtotal</i>	<i>7,861</i>	<i>26,953</i>	<i>26,843</i>	<i>28,310</i>	<i>28,310</i>
Port Hedland Port Authority					
Income tax expense	2,575	11,288	10,793	8,753	8,753
Local Government Rates expense	280	312	327	344	344
Dividends	3,891	2,905	17,244	16,368	16,368
<i>Subtotal</i>	<i>6,746</i>	<i>14,505</i>	<i>28,364</i>	<i>25,465</i>	<i>25,465</i>
Bunbury Water Board					
Income tax expense	469	612	758	884	902
<i>Subtotal</i>	<i>469</i>	<i>612</i>	<i>758</i>	<i>884</i>	<i>902</i>
Busselton Water Board					
Income tax expense	1,209	1,006	1,006	1,006	1,006
<i>Subtotal</i>	<i>1,209</i>	<i>1,006</i>	<i>1,006</i>	<i>1,006</i>	<i>1,006</i>

Table 8.2 (cont.)

REVENUE TO GOVERNMENT FROM PUBLIC CORPORATIONS

Details of Payment	2009-10 Estimated Actual \$'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Forest Products Commission					
Dividends	-	-	-	1,530	3,813
<i>Subtotal</i>	-	-	-	1,530	3,813
Subiaco Redevelopment Authority					
Dividends	-	-	14,000	-	-
<i>Subtotal</i>	-	-	14,000	-	-
Insurance Commission of WA					
Income tax expense	52,932	31,845	33,387	37,411	41,940
<i>Subtotal</i>	52,932	31,845	33,387	37,411	41,940
Perth Market Authority					
Local Government Rates expense	125	134	145	155	165
<i>Subtotal</i>	125	134	145	155	165
Total Amounts					
Income tax expense	382,891	364,587	409,144	593,830	707,443
Local Government Rates expense	11,466	12,546	12,541	12,640	12,824
Dividends	666,484	660,693	704,510	949,001	1,017,728
Total	1,060,841	1,037,826	1,126,195	1,555,471	1,737,995

Table 8.3

REVENUE FROM PUBLIC CORPORATIONS**Dividend Payout Ratios ^(a)**

	2009-10	2010-11	2011-12	2012-13	2013-14
	%	%	%	%	%
Horizon Power	65	65	65	65	65
Synergy	75	75	75	75	75
Verve Energy	65	65	65	65	65
Western Power	65	65	65	65	65
Water Corporation ^(b)	85	85	85	85	85
Western Australian Land Authority (LandCorp) ^(c)	65	65	65	65	65
Gold Corporation	75	75	75	75	75
Western Australian Treasury Corporation	65	65	65	65	65
State Port Authorities	65	65	65	65	65
Forest Products Commission ^(d)	65	65	65	65	65

(a) With the exception of the Water Corporation, all dividend payout ratios have been increased from 2009-10 onwards. Synergy's payout ratio has been increased by 25 percentage points (to 75%), while all other payout ratios have been increased by 15 percentage points.

(b) The after-tax value of handover assets from developers is excluded from the calculation of the Water Corporation's dividend payments.

(c) Adjusted for the need to maintain adequate land stocks.

(d) Adjusted for native forest (natural resource asset) revaluations.

Table 8.4

EXPENSES FROM GOVERNMENT TO PUBLIC CORPORATIONS

Details of Payment	Funding Department	2009-10 Estimated Actual \$'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Water Corporation						
Burup Water Supply System	DSD	8,275	8,482	8,694	8,694	8,694
Statewide Water Efficiency Measures	DoW	374	262	262	262	262
Country Water, Sewerage and Drainage Operations	DTF	351,214	337,449	334,285	331,432	341,248
Infill Sewerage Program	DTF	46,507	42,899	43,484	44,334	46,821
Pensioner and Senior Concessions	DTF	102,440	111,776	125,259	140,302	153,897
Rural Irrigation Schemes	DTF	697	187	27	28	29
State Waterwise Strategy – Rebates Scheme	DTF	500	-	-	-	-
Reimbursement of Land Sales	DTF	-	200	-	-	-
Subtotal		510,007	501,255	512,011	525,052	550,951
Horizon Power						
Aboriginal and Remote Communities Project – Stage 1	DTF	10,773	10,046	9,872	9,907	10,540
Aboriginal and Remote Communities Project – Stage 2	DTF	143	2,127	2,956	2,726	2,755
Air Conditioning Allowance (North of 26 th Parallel)	DTF	235	274	336	354	376
Coral Bay Electricity Supply	DTF	2,649	2,539	2,523	2,573	2,770
Energy Rebate	DTF	350	282	368	362	360
Feed In Tariff	DTF	-	117	120	153	186
Dependent Child Rebate	DTF	200	416	487	539	596
Tariff Migration – Movement to L2 and A2 Tariff	DTF	8,779	7,828	7,493	7,707	7,603
Tariff Adjustment Payment – Operating Subsidy	DTF	13,870	12,646	-	-	-
Subtotal		36,999	36,275	24,155	24,321	25,186
Synergy						
Air Conditioning Allowance (North of 26 th Parallel)	DTF	1,563	1,870	2,358	2,567	2,806
Charitable Organisation Rebate	DTF	1,048	1,216	1,487	1,571	1,665
Dependent Child Rebate	DTF	10,641	12,734	16,051	17,479	19,105
Feed In Tariff	DTF	-	4,791	5,325	5,979	6,634
Energy Rebate	DTF	26,532	30,798	40,444	44,045	48,142
Hardship Package – Energy Efficiency Scheme	OoE	5,055	9,940	10,010	10,075	7,735
Tariff Adjustment Payment – Operating Subsidy	DTF	165,284	151,875	-	-	-
Subtotal		210,123	213,224	75,675	81,716	86,087

Table 8.4 (cont.)

EXPENSES FROM GOVERNMENT TO PUBLIC CORPORATIONS

Details of Payment	Funding Department	2009-10 Estimated Actual \$'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Western Power						
Underground Power Program	OoE	4,820	4,820	9,820	9,820	4,820
Headworks Rebate – <i>Royalties for Regions</i>	DTF	7,300	-	-	-	-
<i>Subtotal</i>		<i>12,120</i>	<i>4,820</i>	<i>9,820</i>	<i>9,820</i>	<i>4,820</i>
Western Australian Land Authority (LandCorp)						
Australian Marine Complex – Rate of Return Stage 1 and 2	DTF	18,985	18,985	18,985	18,985	18,985
Australian Marine Complex Technology Precinct	DTF	315	324	334	344	355
Bunbury Timber Jetty – Rate of Return	DTF	-	-	329	329	-
Carnarvon Waterfront Development Planning Project – <i>Royalties for Regions</i>	DTF	-	1,000	-	-	-
Collie – Shotts Industrial Park	MIN	1,193	20	20	-	-
Forrestdale – Rate of Return (Armadale Redevelopment Authority)	DTF	200	200	-	-	-
Halls Creek Residential Land Requirements	DTF	2,000	2,900	4,400	-	-
Hope Valley / Wattleup Redevelopment – Land Acquisition	DTF	6,615	6,610	6,625	6,640	6,655
Kalgoorlie North West Sector	DTF	-	3,500	-	-	-
Karratha / Burrup Service Corridor	DTF	2,316	2,316	2,316	2,316	2,316
Karratha Service Workers Accommodation – <i>Royalties for Regions</i>	DTF	2,000	28,400	-	-	-
Kemerton Core – Land Acquisition	DTF	1,977	-	-	-	-
Kwinana Land – Holding Costs	DTF	1,082	1,159	1,194	1,229	1,266
North West Planning Program	DoP	-	1,000	500	-	-
Oakajee Port and Rail	DSD	200	-	-	-	-
Project Ready Heavy Use Industrial Land	DSD	1,227	1,470	250	1,250	-
South Hedland Town Centre Revitalisation – <i>Royalties for Regions</i>	DTF	3,605	15,495	-	-	-
Strategic Asset Management	DTF	1,000	1,000	1,000	1,000	1,000
Townsite Development Program	DTF	4,000	4,000	4,000	4,000	4,000
<i>Subtotal</i>		<i>46,715</i>	<i>88,379</i>	<i>39,953</i>	<i>36,093</i>	<i>34,577</i>
Broome Port Authority						
Jetty Extension – Subsidy	DTF	372	372	360	342	-
<i>Subtotal</i>		<i>372</i>	<i>372</i>	<i>360</i>	<i>342</i>	<i>-</i>

Table 8.4 (cont.)

EXPENSES FROM GOVERNMENT TO PUBLIC CORPORATIONS

Details of Payment	Funding Department	2009-10 Estimated Actual \$'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Bunbury Port Authority						
Casting Basin Loan – Interest Costs	DSD	95	95	95	95	95
<i>Subtotal</i>		95	95	95	95	95
Dampier Port Authority						
Burup Port Infrastructure – Subsidy	DSD	8,150	10,358	9,113	9,113	9,113
<i>Subtotal</i>		8,150	10,358	9,113	9,113	9,113
Armadale Redevelopment Authority						
Administration and Operating Costs	DTF	1,250	1,250	1,250	-	-
Wungong Developer Contribution Scheme – Management Costs	DTF	540	560	580	-	-
Champion Lakes – Development Officer and Program Costs	DSR	100	-	-	-	-
<i>Subtotal</i>		1,890	1,810	1,830	-	-
Forest Products Commission						
Debt Servicing Costs – Non-Commercial Native Forests	DTF	1,070	1,070	1,070	1,070	1,070
Debt Servicing Costs – Non-Commercial Plantations	DTF	2,300	2,300	2,300	2,300	2,300
<i>Subtotal</i>		3,370	3,370	3,370	3,370	3,370
Public Transport Authority						
“Orange” School Bus Initiative – <i>Royalties for Regions</i>	DTF	-	3,296	2,619	2,273	2,692
Total Appropriations Provided to Deliver Services	DTF	701,307	754,163	811,976	869,746	920,356
<i>Subtotal</i>		701,307	757,459	814,595	872,019	923,048
Total		1,531,148	1,617,417	1,490,977	1,561,941	1,637,247

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 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 is included here 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 motor vehicle 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 property transfer duty.

Results

Table 9.1 shows the impact of the changes in State government tariffs, fees and charges on the 'representative household' in 2010-11.

Table 9.1

ESTIMATED IMPACT ON STANDARD 'REPRESENTATIVE HOUSEHOLD'

	2009-10 \$ level	% change	\$ change	2010-11 \$ level
Motor Vehicles				
Motor vehicle licence fee ^(a)	\$210.32	1.71%	\$3.60	\$213.92
Recording fee	\$13.05	0.00%	\$0.00	\$13.05
CTP insurance	\$245.01	0.00%	\$0.00	\$245.01
Drivers licence ^(b)	\$73.20	0.00%	\$0.00	\$73.20
<i>Total</i>	<i>\$541.58</i>	<i>0.66%</i>	<i>\$3.60</i>	<i>\$545.18</i>
Utility Charges ^(c)				
Electricity	\$1,208.65	16.07%	\$194.27	\$1,402.92
Water	\$441.30	17.71%	\$78.15	\$519.45
Sewerage	\$531.00	4.00%	\$21.24	\$552.24
Drainage	\$67.30	34.32%	\$23.10	\$90.40
<i>Total</i>	<i>\$2,248.25</i>	<i>14.09%</i>	<i>\$316.76</i>	<i>\$2,565.01</i>
Public Transport				
Student fares	\$260.00	0.00%	\$0.00	\$260.00
Full fares (2 zones)	\$702.00	2.78%	\$19.50	\$721.50
<i>Total</i>	<i>\$962.00</i>	<i>2.03%</i>	<i>\$19.50</i>	<i>\$981.50</i>
Emergency Services Levy ^(d)	\$152.00	18.42%	\$28.00	\$180.00
Stamp Duty				
Stamp duty on general insurance	\$131.56	0.00%	\$0.00	\$131.56
Stamp duty on CTP insurance	\$24.50	0.00%	\$0.00	\$24.50
<i>Total</i>	<i>\$156.06</i>	<i>0.00%</i>	<i>\$0.00</i>	<i>\$156.06</i>
Total Expenditure (Nominal)	\$4,059.90	9.06%	\$367.86	\$4,427.76

(a) The effective increase in motor vehicle licence expenditure for the representative household is 1.71% taking into account the \$65 discount available to family vehicles.

(b) Drivers licence expenditure is for two drivers.

(c) Assumes no access to the Hardship Utilities Grants Scheme.

(d) The actual impact of the Emergency Services Levy on household charges is to be confirmed by the Fire and Emergency Services Authority in June 2010, after property valuation data is finalised.

Note: Columns may not add due to rounding.

On the basis of the assumptions below and the 2010-11 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 \$4,427.76. This represents an increase of \$367.86 (or 9.06%) on 2009-10 levels.

Assumptions

The 'representative household' model is based on a household with a single income (full-time work), two adults and two children. The characteristics of the 'representative household' are updated annually and it is assumed that the household:

- consumes:
 - 6,067 kW hours of electricity per annum, based on the 2008-09 average level of consumption for a household provided by Synergy; and

- 300 kL of water per annum, based on the current average level of water usage for a residential customer provided by the Water Corporation;
- purchases five standard 2-zone Transperth fares and ten Transperth school fares each week. Transperth fares are assumed to be 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 calculation of sewerage, drainage and Emergency Services Levy charges).

The reference rate of inflation used for the annual budget review of tariffs, fees and charges is calculated as the annual average growth in the Perth Consumer Price Index up to the most recent preceding September quarter (i.e. September 2008 to September 2009). For the 2010-11 Budget, the reference rate of inflation is 2.1%.

Discussion

In 2010-11, ‘representative household’ expenditure on selected State government goods and services will increase by more than the reference rate of inflation.

This is mainly due to increases in electricity prices in accordance with the Government’s announcement on 8 March 2010. For residential supply and consumption tariffs, a 7.5% increase took effect from 1 April 2010, to be followed by a further 10.0% increase effective 1 July 2010. For a residential consumer, based on the 2008-09 average level of consumption of 6,067 kW hours of electricity, it is estimated that household electricity charges will total \$1,402.92 in 2010-11. This is a \$194.27 (or 16.1%) increase on 2009-10.

Transperth standard fares will increase by the reference rate of inflation, rounded to the nearest 10 cents, and Transperth concession fares will increase to 40% of the full adult fare (up from an average of 37.8% currently).

Motor vehicle registration fees will increase by the reference rate of inflation, subject to rounding. This increase is partially offset by an increase in the family concession for motor vehicle registrations (the family discount will rise from \$63 to \$65).

It is estimated that the average metropolitan residential Emergency Services Levy will increase by \$28 (or 18.4%), with the actual impact to be confirmed in June 2010 after property valuation data is finalised.

To encourage reduced water usage, and following the Economic Regulation Authority's final report on water tariffs, 2010-11 will see more transparent water pricing with an increase in water consumption charges offset by a reduction in the fixed supply charge. Based on the average level of consumption of 300 kL per year, consumption tariffs for residential customers are estimated to increase by an average of 38.2%, partially offset by a 6.9% reduction in annual supply tariffs. As a result, total water charges for the average household will increase by \$78.15 (or 17.7%) in 2010-11.

Sewerage and drainage charges will rise by \$21.24 (or 4.0%) and \$23.10 (or 34.3%) respectively in order to cover cost increases and the cost of draining public open space, which will now be spread across all metropolitan customers in drainage areas instead of only non-residential customers.

Fees and charges that remain unchanged in 2010-11 include:

- drivers licence fees;
- compulsory third party insurance premiums, which remain the lowest in the nation;
- motor vehicle recording fees;
- Transperth 50 cent student fares; and
- stamp duty rates on insurance policies.

Other Charges¹

Following are a number of fees and charges that are either new or involve increases in excess of the reference rate of inflation (2.1%).

Department of Mines and Petroleum

Various fees associated with State petroleum and geothermal activities will increase by 15.4% on 1 April 2010, with a further 2.1% increase to take effect from 1 July 2010. These fees have not increased since 1 March 2003, and continue to be below the level of full cost recovery.

Western Australian Land Information Authority

The standard document registration fee will increase from \$110 to \$135 (up \$25 or 23%) in 2010-11, largely to recover the costs of the iLand program. iLand aims to transition the Western Australian Land Information Authority's (Landgate's) current manual and labour orientated registration process to online services, digital input and automated processing.

¹ This section provides commentary on several key changes but does not cover all tariffs, fees and charges increases.

Department of Treasury and Finance

From 1 July 2010 a fee of \$35 per land tax enquiry (i.e. to determine whether a land tax liability exists on a certain property) will cover both electronic and manually lodged enquiries. This will replace two existing fees, one for electronic lodgement (\$30) and one for manual lodgement (\$50).

Western Australian Planning Commission

Land development application fees will increase by an average of 6% in 2010-11 in a move towards better reflecting the full cost of processing land development applications. However, these fees remain significantly below the level required to achieve full cost recovery.

Horizon Power

A range of fees and charges levied by Horizon Power will increase by more than the reference rate of inflation in 2010-11. These include fees for:

- installing and removing temporary power supply (as used during small construction projects such as houses and light industrial units), which will increase from \$300 to \$700 (up \$400 or 133%) to reflect the cost of this process (in addition to installation);
- disconnecting and securing a premise's overhead power supply following an unauthorised reconnection, which will increase from \$190 to \$400 (up \$210 or 111%). This fee is expected to impact a minimal number of customers annually; and
- three phase connection, which will increase from \$240.40 to \$268.00 (up \$27.60 or 11.5%).

Synergy

Synergy will introduce the following new fees from 1 July 2010:

- a \$340 fee for the removal of temporary electricity supply, which is intended to recover costs levied by Western Power where supply is required for construction purposes and a builder requests removal of this temporary supply. This fee is in addition to the existing connection of temporary supply fee (\$300) charged by Synergy, and is estimated to impact around 1,600 customers annually; and
- a new Renewable Energy Buyback Scheme (REBS) administration fee, which has been decoupled from current metering costs for transparency purposes. The REBS allows customers that generate excess wind, solar or hydro power the opportunity to receive money for the power they input into the electricity grid.

In addition, a range of fees and charges levied by Synergy will increase by more than the reference rate of inflation in 2010-11. These include:

- a rebalancing of SmartMeter tariffs, in line with the transition of tariffs to full cost reflectivity and to incentivise customers to move consumption from on-peak periods to off-peak periods, with increases ranging from 0.8c/kW (4.7%) to 7.4c/kW (25.6%). SmartMeter is a voluntary time-of-use alternative to the A1 residential tariff which rewards customers who are able to shift more of their energy consumption to off-peak periods and weekends;
- the three phase meter upgrade fee, up from \$240.40 to \$268.00 (increase of \$27.60 or 11.5%). This fee has not increased since 1 July 2002;
- the fee for R1 and R3 time-of-use meter installation, up from \$709 to \$786 (increase of \$77 or 10.9%). This fee has not increased since 1 July 2002; and
- the supply abolition fee, up from \$330 to \$360.20 (increase of \$30.20 or 9.1%).

Department of Transport

A new fee of \$193.90 for checking and examining documents which may be supplied in support of applications for marine safety-related approvals will be introduced in 2010-11. This fee will help to recover costs incurred by the Marine Safety Business Unit when it makes marine safety-related assessments.

