



2011-12

Budget

Economic and Fiscal Outlook

Budget Paper No. 3

Presented to the Legislative Assembly on 19 May 2011

2011-12 Budget Paper set includes:

Budget Paper No. 1 – Budget Speech

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

Budget Paper No. 3 – Economic and Fiscal Outlook

Budget Overview

Reader's Guide to the 2011-12 Budget Statements (Available electronically from <http://ourstatebudget.wa.gov.au>)



2011-12 BUDGET

ECONOMIC AND FISCAL OUTLOOK

Budget Paper No. 3

**PRESENTED TO THE LEGISLATIVE ASSEMBLY
ON 19 MAY 2011**

2011-12 Economic and Fiscal Outlook

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Published May 2011

John A. Strijk, Government Printer

ISSN 1448-2630

2011-12 BUDGET

ECONOMIC AND FISCAL OUTLOOK

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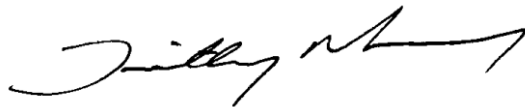
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Under Treasurer's Certification

The Government Financial Projections Statement presented in this budget 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 20 April 2011 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 20 April 2011.



Timothy Marney
UNDER TREASURER

19 May 2011

Overview

Overall, the Western Australian economy has recovered well from the global economic downturn, with growth of 4.5% forecast for 2011-12, following estimated growth of 4.0% in the current financial year.

However, there is significant divergence in the performance of key sectors of the State's economy. Growing demand from emerging economies and soaring commodity prices are generating a substantial pipeline of investment activity in the resources sector and boosting the State's royalty revenue. At the same time, households are being cautious in their spending, and the housing market has been much weaker than expected, resulting in a substantial downward revision to property transfer duty revenue.

In addition, the projected decline in Western Australia's share of national GST revenue over coming years, from 7.4% in 2011-12 to an unsustainable 3.5% by 2014-15, represents a major structural challenge in managing the State's finances. The State Government will continue to actively pursue a more equitable and sustainable GST sharing arrangement, including through the Review of the GST Distribution recently announced by the Prime Minister.

Against this background, the 2011-12 State Budget:

- delivers major social infrastructure for future generations;
- targets spending to deliver high quality services for all Western Australians, including through the biggest ever injection of additional funding into the not-for-profit sector;
- invests in the Western Australian economy to sustain growth into the future; and
- provides increased accountability through disciplined financial management.

Following an estimated operating surplus for the general government sector of \$784 million in 2010-11, this budget delivers an operating surplus of \$442 million for the coming financial year.

Despite these surpluses on day-to-day or recurrent operations, and the new measures implemented in this budget that build on the Government's track record of strong financial management, net debt levels are projected to rise over the forward estimates period, from an estimated \$13.4 billion at 30 June 2011 to \$22.4 billion by 30 June 2015¹. This reflects that the State's total revenue – from State taxes, mining royalties, GST revenue and other sources – is not sufficient to meet the State's total expenditure requirements, including infrastructure investment for essential utilities such as power and water. The resulting cash shortfall must be funded by borrowings, which are used to invest in infrastructure that is essential for the State's continued growth.

Importantly, the net debt levels projected in this budget are sustainable and affordable, and remain consistent with the State's triple-A credit rating.

Economic and Revenue Outlook

Western Australia's economy is expanding at a stable pace. Conditions in the resources sector are particularly strong, with robust demand from emerging economies and high commodity prices creating a substantial pipeline of investment activity.

However, conditions in other sectors of the State's economy are more subdued. Households continue to display a heightened level of fiscal restraint, resulting in modest growth in discretionary spending. Activity in the established housing market has softened markedly, partly in response to higher interest rates and the withdrawal of Commonwealth stimulus measures. At the same time, the agricultural sector has been affected by extreme weather conditions, and a number of industries are being challenged by the high Australian dollar.

Nevertheless, the overall outlook for growth is positive. Western Australia is in the midst of a major investment cycle, led by construction of the \$43 billion Gorgon Liquefied Natural Gas (LNG) project and several iron ore developments in the Pilbara and Mid West. Investment on these projects will underpin growth in the State's economy in 2011-12 and 2012-13, with exports becoming the major driver of growth from 2013-14.

Conditions in the household sector are also expected to strengthen over the budget period, supported by improving conditions in the labour market, stronger asset prices and a further consolidation in household balance sheets.

Overall, Gross State Product (GSP) is forecast to grow by 4.5% in 2011-12, following estimated growth of 4.0% in 2010-11.

Across the outyears, GSP is projected to grow at 4.0% per annum, which is broadly consistent with the long-run trend rate of growth in the Western Australian economy. This reflects a number of factors, including expectations of moderating growth in the working age population, above-average levels of household debt, and a projected moderation in business investment after several years of exceptional growth.

¹ The forward estimates are based on the projected future costs of the Government's existing expenditure and revenue policies. They therefore provide a guide as to the future direction of the State's finances, but do not take into consideration or seek to anticipate future changes in Government policy.

Table 1

KEY ECONOMIC FORECASTS
Western Australia, Annual Growth (%)

	2009-10 Actual	2010-11 Estimated Actual	2011-12 Budget Estimate	2012-13 Forward Estimate	2013-14 Forward Estimate	2014-15 Forward Estimate
Gross State Product (GSP)	4.3	4.0	4.5	4.0	4.0	4.0
Gross State Income (GSI)	3.6	14.5	2.75	0.25	0.25	-0.25
Employment	0.3	3.0	2.5	2.5	2.25	2.0
Unemployment rate ^(a)	5.0	4.5	4.5	4.25	4.25	4.0
Consumer Price Index (CPI)	2.5	2.75	3.0	3.25	3.25	3.25
Wage Price Index (WPI)	3.3	4.0	4.25	4.5	4.5	4.5
Population	2.4	2.3	2.2	2.2	2.1	2.1

(a) Average level over the year.

The strength in global commodity markets, particularly for iron ore, has underpinned a sharp rise in royalty income, which is expected to grow by \$1.8 billion or almost 80% in 2010-11. On the other hand, underlying² taxation revenue is expected to contract slightly in 2010-11, largely due to a significant downturn in transfer duty. Commonwealth grants are also expected to decline, reflecting a withdrawal of stimulus funding and a reduction in GST grants.

In 2011-12, total general government revenue is forecast to grow by \$1.5 billion or 6.2%. Revenue growth in 2011-12 is expected to be more evenly balanced than in 2010-11, with royalties continuing to increase but at a more moderate pace, and tax revenue rising steadily due to stronger domestic economic activity. GST revenue is also expected to rise in 2011-12.

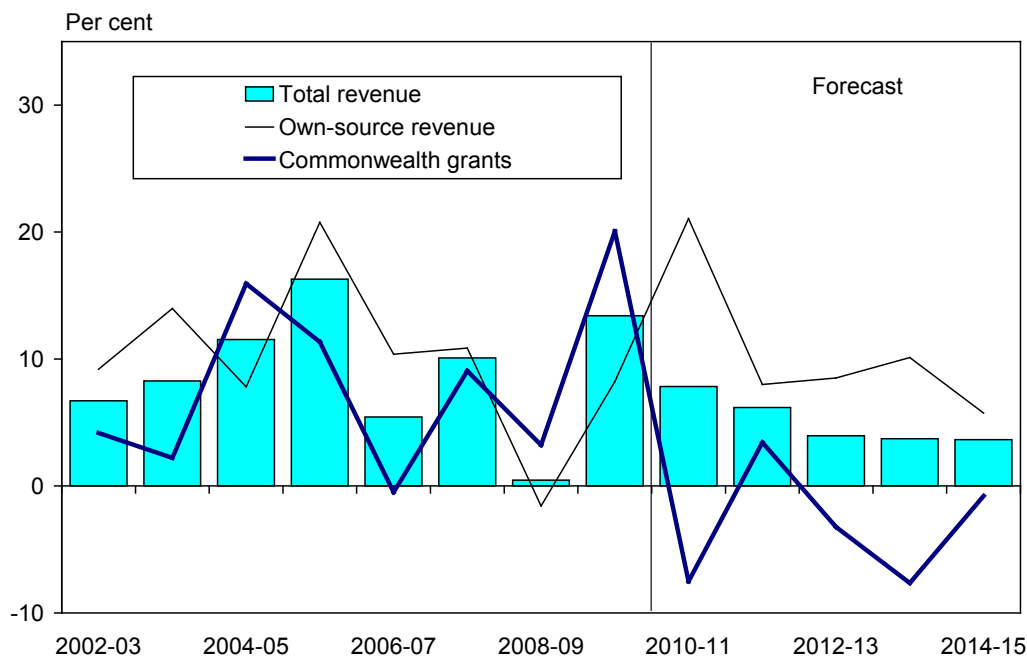
However, growth in total revenue is expected to moderate to an average of 3.8% per annum across the outyears, notwithstanding expectations of solid growth in own-source revenue (predominantly payroll tax and transfer duty). This compares with average growth of 10.8% per annum during the period 2003-04 to 2007-08, and average growth of 8.5% per annum over the last decade.

In this regard, Commonwealth grants are expected to decline significantly over the budget period. This reflects the principle of ‘fiscal equalisation’, which is applied by the Commonwealth Grants Commission in allocating national GST revenue to the States and Territories. Based on the Grants Commission’s current methodology, Western Australia’s GST grants are forecast to decline from \$3.6 billion in 2011-12 to just \$2 billion in 2014-15.

² That is, abstracting from the one-off payment of \$350 million by major iron ore producers, which is classified as a ‘tax’ for government financial reporting purposes.

Figure 1

REVENUE GROWTH
General Government Sector



Fiscal Outlook

The fiscal outlook for the State remains positive, with general government operating surpluses projected across all years.

An operating surplus of \$784 million is estimated for 2010-11 (largely unchanged from the \$758 million surplus estimated at the time of the mid-year review). A \$442 million surplus is forecast for 2011-12, while surpluses are also forecast for each of the outyears.

In cash terms, the State is projected to have a substantial borrowing requirement over the forward estimates period. A negative cash position reflects high levels of infrastructure investment which are expected to more than offset surpluses from day-to-day operating activities. Accordingly, net debt is forecast to increase in the medium term. Nonetheless, it will remain affordable with the total non-financial public sector net interest cost to revenue ratio projected to remain comfortably below the Government’s 4.5% target limit, reaching a maximum 3.0% in 2014-15.

This outcome incorporates a \$3.5 billion package of new measures implemented in this budget to contain growth in net debt over the forward estimates period. These measures include:

- an increase in the iron ore ‘fines’ royalty rate, from the current 5.625% rate to 6.5% in 2012-13 and to the ‘lump’ ore rate of 7.5% from 2013-14. It is envisaged that the additional revenue from this measure over the forward estimates period, estimated at \$1.9 billion, will be quarantined for debt reduction purposes;
- the deferral of spending totalling \$541 million from the Government’s Asset Investment Program, relating to the West Pilbara desalination plant and adjustments to the cashflow for the Eastern Goldfields Regional Prison to be consistent with the latest construction timing estimates;
- a 5% efficiency dividend on the discretionary operating expenditure of Government Trading Enterprises from 2011-12 (with an expected net debt reduction of \$515 million by 30 June 2015); and
- further savings of \$300 million over the period 2012-13 to 2014-15 to be achieved through a targeted review (to be led by Treasury) of specific programs and activities that are no longer considered a priority of the Government or to provide value for money.

The budget aggregates also include the impact of savings measures implemented over the last two years, including the 3% efficiency dividend (which is estimated to achieve savings of \$1.46 billion over its first four full years, including \$376 million in 2011-12). As a result of these savings measures and improved controls implemented by this Government, expense growth is moderating, from an average of 10.9% over the last three years to an expected 7.9% in 2011-12.

Table 2

KEY BUDGET AGGREGATES
Western Australia

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
GENERAL GOVERNMENT SECTOR						
Net Operating Balance (\$m)	831	784	442	768	787	471
Revenue (\$m)	22,039	23,764	25,233	26,232	27,209	28,202
Revenue Growth (%)	13.4	7.8	6.2	4.0	3.7	3.7
Expenses (\$m)	21,208	22,980	24,791	25,464	26,422	27,732
Expense Growth (%)	10.9	8.4	7.9	2.7	3.8	5.0
TOTAL PUBLIC SECTOR						
Net Debt at 30 June (\$m)	9,896	13,387	17,291	19,959	21,451	22,441
Asset Investment Program (\$m)	6,828	6,936	7,638	7,303	6,129	5,401
Cash Position (\$m)	-2,816	-3,763	-3,944	-2,534	-1,425	-852
KEY FINANCIAL RATIOS ^(a)						
Net Interest Cost to Revenue (%)	1.6	2.1	2.4	2.8	2.9	3.0
Net Financial Liabilities ^(b) to Revenue (%)	54.6	60.6	67.3	70.8	71.1	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

Supporting Our Community

Delivering Major Social Infrastructure for Future Generations

Significant infrastructure investments in the 2011-12 State Budget that will benefit future generations of Western Australians include:

- the Perth Waterfront Project, which represents an important shift to a more diverse, liveable and contemporary city. Net of land sales revenue, the State Government will invest \$270 million to see this project come to fruition;
- \$505 million will be appropriated to the New Children's Hospital Special Purpose Account in 2011-12. This will be a state of the art children's hospital providing 274 beds, and will house the State's only paediatric trauma centre. The hospital will have increased family facilities and bedside accommodation for parents and carers, will provide tertiary and key secondary health services including inpatient, ambulatory and outpatient care, and include a new Integrated Research and Education facility (combining efforts with the Telethon Institute of Child Health Research, university research units and other research bodies). Construction is expected to start in early 2012 and be completed by late 2015;
- \$169 million for new schools, additional school infrastructure, preventative maintenance and the extension of air conditioning to all government schools to provide students with an optimal learning environment;

- \$41 million over four years for the implementation of the Kimberley Science and Conservation Strategy which includes the following suite of initiatives aimed at preserving the unique environmental and cultural values of the Kimberley:
 - \$10 million in funding for the Western Australian Marine Science Institute and an Integrated Marine Observation System, to contribute to the study of the Kimberley’s marine environment;
 - \$9 million for the establishment and management of Eighty Mile Beach and Camden Sound Marine Parks;
 - \$9 million for the creation of a conservation reserve corridor, an island conservation reserve, and additional conservation linkages across the North Kimberley through voluntary partnerships with traditional owners, pastoralists and non-government organisations;
 - \$7 million from *Royalties for Regions (RfR)* for the development and promotion of tourism corridors across the region, including the development and upgrade of camping facilities;
 - \$3 million to enable geophysical and geochemical surveys of the region; and
 - \$3 million for two new recreational fishing initiatives in the Kimberley and to monitor progress of the Strategy;
- \$16 million over four years from *RfR* for the establishment and management of Capes Marine Park and Dampier Archipelago Marine Park and for research activities which aim to promote a sustained increase in the abundance and diversity of existing fish stocks in Western Australian waters; and
- planning money for a new major stadium (\$13 million), a new purpose built Western Australian Institute of Sport Centre (\$2 million), and a new Museum in the Perth Cultural Centre (\$5 million).

Targeted Spending to Deliver Quality Services for All Western Australians

Key initiatives in the 2011-12 State Budget that support the community through targeted spending on high quality services include:

- over \$600 million to support the development of a sustainable not-for-profit sector. This includes \$491 million to provide an average 25% increase in funding for human services contracts by 2014-15, and \$96 million in additional indexation funding;
- \$538 million for the *RfR* Southern Inland Health Initiative package (to 2014-15). This includes \$240 million to be spent over four years to address the shortfall of General Practitioners (GPs) in regional Western Australia by providing GPs with incentives to retain and/or attract them into the regions, improving the level of Telehealth services, and increasing the number of primary health care staff associated with the redevelopment of six integrated district health services across the State;

- \$151 million for an additional 284 homes for people who are significantly impaired by a disability, living with mental illness, or dealing with alcohol and drug related issues;
- expansion of the working hours criterion for eligibility for the Seniors Card to an average of 25 hours per week (compared to the current limit of 20 hours per week), and a significant increase in the Seniors Cost of Living Rebate to \$150 (up from \$104.80) for singles and \$225 (up from \$157.22) for couples in 2011-12;
- \$363 million for additional spending on health services, supporting increased hospital demand growth, and a further \$75 million for the employment and training of junior doctors graduating from Western Australian universities to ensure an appropriate supply of locally trained doctors;
- an additional \$51 million to meet increases in demand for child protection services (including increased effort in prevention and early intervention programs for at-risk families), and \$41 million to meet the expected growth in demand for disability services (including respite options, access to aids and equipment, and family and carer support);
- an increase in the amount of speed and red light camera revenue provided to the Road Trauma Trust Fund, doubling the current one-third proportion to two-thirds in 2011-12 and further increasing it to 100% from 2012-13. The Government will have the dedicated capacity to significantly increase road safety programs, police traffic enforcement, road building and maintenance, community education campaigns and school-based programs in both metropolitan and regional Western Australia; and
- \$113 million for information and communications technology infrastructure and systems for Western Australia Police in support of modern policing techniques and the increasingly intelligence-led approach to crime reduction.

Building the State

The following initiatives in the 2011-12 State Budget are about investing now to keep the growth going into the future:

- \$164 million over five years to purchase an additional 15 three-car train sets (with \$137 million to be spent over the period to 2014-15). Once operational, these will have the capacity to carry an additional 8,400 passengers;
- \$40 million to purchase an additional 78 buses over the next four years, and a further \$134 million to provide more frequent and accessible bus services;
- \$30 million over the next two years to widen the Mitchell Freeway between Hepburn Avenue and Hodges Drive. The northbound carriageway of Mitchell Freeway will be widened from two to three lanes, increasing capacity to meet the existing and forecast traffic demand, and reduce delays;

- \$33 million in 2011-12 for an additional 12,000 training places, including \$23 million for 7,500 places in occupations that are in higher demand from industry and the remainder for an additional 4,546 workforce participation training places;
- \$4 million over four years to attract and retain skilled migrants to Western Australia and meet State sponsorship targets;
- continued investment in the Pilbara Cities Initiative, which totals over \$1 billion over five years, and aims to transform the Pilbara by building sustainable communities that are well serviced by modern infrastructure and amenities to support continued economic growth;
- \$283 million over four years for the State Government’s contribution to the Perth City Link project;
- \$100 million over four years to widen Great Eastern Highway between Kooyong Road and Tonkin Highway; and
- \$60 million over the next four years to expand Western Australia’s events calendar, including \$40 million from *RfR*, enabling major new metropolitan and regional events to be developed and facilitate enhancements to existing events.

The Western Australian Economy

Overview

Western Australia's economy is expanding at a stable pace. Conditions in the resources sector are particularly strong, with robust demand from emerging economies and high commodity prices creating a substantial pipeline of investment activity.

However, conditions in other sectors of the State's economy are more subdued. Households continue to display a heightened level of fiscal restraint, resulting in modest growth in discretionary spending, whilst activity in Western Australia's established housing market has softened significantly, partly in response to higher interest rates and the withdrawal of Commonwealth Government stimulus measures. At the same time, the agricultural sector has been affected by extreme weather conditions, while a number of industries are being challenged by the high Australian dollar.

The overall outlook for growth is nevertheless positive. Western Australia is in the midst of a major investment cycle, led by construction of the \$43 billion Gorgon Liquefied Natural Gas (LNG) project and several iron ore developments in the Pilbara and the Mid West. Investment on these projects will underpin growth in Western Australia's economy in both 2011-12 and 2012-13, with exports becoming the major driver of growth from 2013-14.

Conditions in the household sector are also expected to strengthen over the budget period, supported by improving conditions in the labour market, stronger asset prices and a further consolidation in household balance sheets.

Overall, Gross State Product (GSP) is forecast to grow by 4.5% in 2011-12, following an estimated increase of 4.0% in 2010-11. Major drivers of growth in 2011-12 include business investment (up 15.0%), merchandise exports (up 6.5%) and household consumption (up 3.75%).

In the outyears, growth is projected at a solid 4.0% per annum, which is broadly consistent with the long-run trend rate of growth (see chart below). This reflects a number of factors, including expectations of moderating growth in the State's working age population and a projected moderation in business investment after several years of exceptional strength.

Table 1

MAJOR ECONOMIC AGGREGATES
Western Australia, Annual Growth (%)

	2009-10 Actual	2010-11 Estimated Actual	2011-12 Budget Estimate	2012-13 Forward Estimate	2013-14 Forward Estimate	2014-15 Forward Estimate
Gross State Product (GSP)	4.3	4.0	4.5	4.0	4.0	4.0
Gross State Income (GSI)	3.6	14.5	2.75	0.25	0.25	-0.25
Employment	0.3	3.0	2.5	2.5	2.25	2.0
Unemployment rate ^(a)	5.0	4.5	4.5	4.25	4.25	4.0
Consumer Price Index (CPI)	2.5	2.75	3.0	3.25	3.25	3.25
Wage Price Index (WPI)	3.3	4.0	4.25	4.5	4.5	4.5
Population	2.4	2.3	2.2	2.2	2.1	2.1

(a) Average rate over the year.

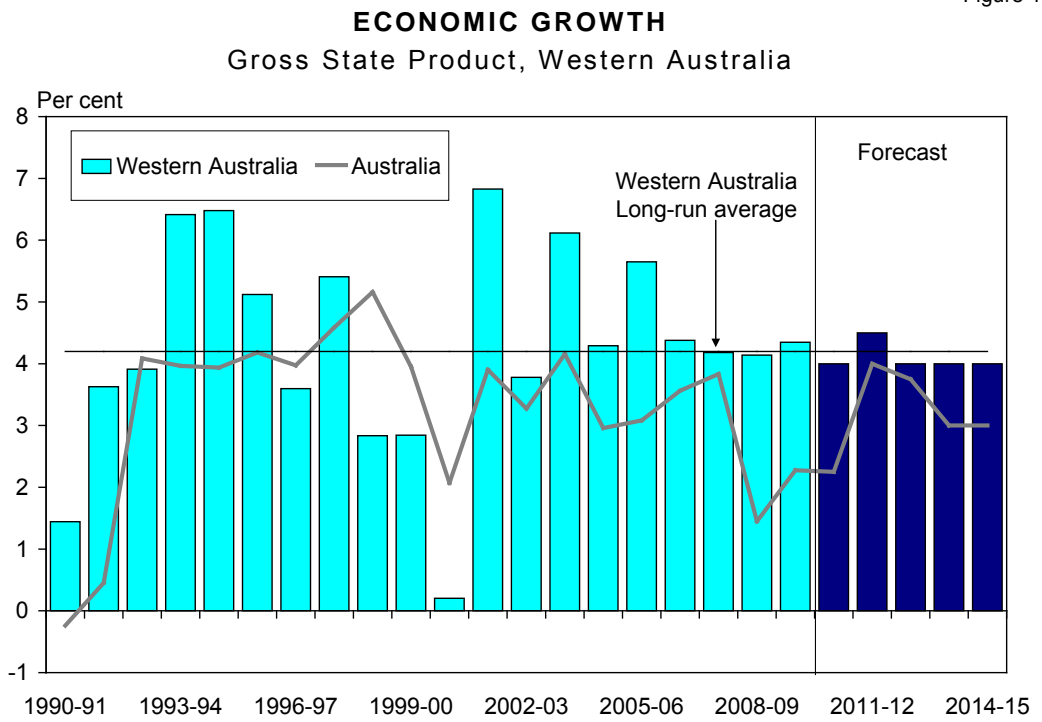
Gross State Income (GSI), which incorporates the income and welfare effects of changes in the terms of trade (the ratio of export prices to import prices), is forecast to grow by a strong 14.5% in 2010-11, mainly due to the sharp escalation in commodity prices over the past year. However, in 2011-12 and the budget outyears, growth in GSI is projected to soften as commodity prices ease from current high levels (see the *'Measuring Economic Growth'* feature box for more information on GSI and other growth measures).

Conditions in Western Australia's labour market have improved significantly since the global financial crisis. Employment is expected to grow by 3.0% in 2010-11, following growth of just 0.3% in 2009-10.

Despite a more recent moderation in employment growth, demand for labour is expected to remain strong in 2011-12 and over the budget period, consistent with the expansion in the State's resources industry and renewed strength in other sectors.

However, growth in labour supply is forecast to ease over the medium term, largely due to expectations of a slight moderation in population growth and the ageing of the State's population. Consequently, Western Australia's unemployment rate is forecast to fall to 4.0% by 2014-15, with wages growth rising from 4.0% in 2010-11 to 4.5% from 2012-13.

Figure 1



Source: Australian Bureau of Statistics Catalogue 5220.0, Department of Treasury and Commonwealth 2011-12 Budget.

Table 2

ECONOMIC FORECASTS
Western Australia, Annual Growth (%)

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Actual ^(a)	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
Demand and Output ^(a)						
Household Consumption	3.6	3.75	3.75	4.0	4.0	4.0
Dwelling Investment	2.8	1.0	3.0	4.0	4.5	4.5
Business Investment	-2.4	10.0	15.0	8.0	2.5	-2.5
Government Consumption	3.1	3.0	2.5	2.0	2.5	2.5
Government Investment	31.1	3.5	8.0	-10.0	-14.5	-3.0
State Final Demand (SFD)	3.1	4.75	7.25	4.5	2.5	1.5
Merchandise Exports	7.7	3.0	6.5	3.5	6.5	6.5
Merchandise Imports	-5.3	5.0	22.0	7.5	2.0	-1.5
Net Exports ^(b)	16.4	1.75	-2.5	2.5	8.5	11.0
Gross State Product (GSP) ^(c)	4.3	4.0	4.5	4.0	4.0	4.0
GSP per capita	1.8	1.7	2.3	1.7	1.8	1.8
Nominal GSP	2.7	14.25	6.5	4.25	4.0	3.5
Income ^(a)						
Terms of trade	0.3	16.75	-3.0	-6.0	-6.25	-7.0
Gross State Income (GSI)	3.6	14.5	2.75	0.25	0.25	-0.25
Labour market						
Population	2.4	2.3	2.2	2.2	2.1	2.1
Working Age Population (15-64)	2.6	2.0	1.7	1.6	1.6	1.6
Employment	0.3	3.0	2.5	2.5	2.25	2.0
Unemployment rate ^(d)	5.0	4.5	4.5	4.25	4.25	4.0
Participation rate (15-64) ^(d)	80.1	80.5	80.5	81.25	81.75	82.0
Average Weekly Earnings (AWE)	5.5	3.5	4.5	5.0	5.5	5.5
Prices						
Consumer Price Index (CPI)	2.5	2.75	3.0	3.25	3.25	3.25
Wage Price Index (WPI)	3.3	4.0	4.25	4.5	4.5	4.5
SFD deflator	1.1	1.25	2.25	2.5	2.5	2.75
GSP deflator	-1.9	10.0	1.75	0.5	0.0	-0.5
Established house price index	10.1	-2.4	2.3	5.8	5.8	6.1
Other key parameters ^(d)						
Exchange Rate \$US/\$A (cents)	88.3	98.0	97.5	90.6	83.7	76.9
Iron ore price (\$US/t) (FOB)	74.9	138.8	149.1	128.8	108.2	87.5
Crude oil price (\$US/barrel)	75.2	90.1	108.0	105.0	102.6	101.4

(a) Based on 2009-10 State Accounts annual data, released on 19 November 2010, updated with the latest quarterly State Final Demand data (for the December quarter 2010, released on 2 March 2011).

(b) Net exports refer to international trade in both goods and services.

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

(d) Data expressed in terms of the annual average during the financial year.

Global Outlook

The global economic recovery is continuing, albeit at a modest pace.

Activity has been stronger than previously expected in advanced economies, but growth remains unbalanced and unemployment rates are still high, with renewed fiscal stresses in the euro area periphery adding to the downside risks. On the other hand, activity in many emerging economies remains robust, although inflationary pressures are intensifying in many of these countries.

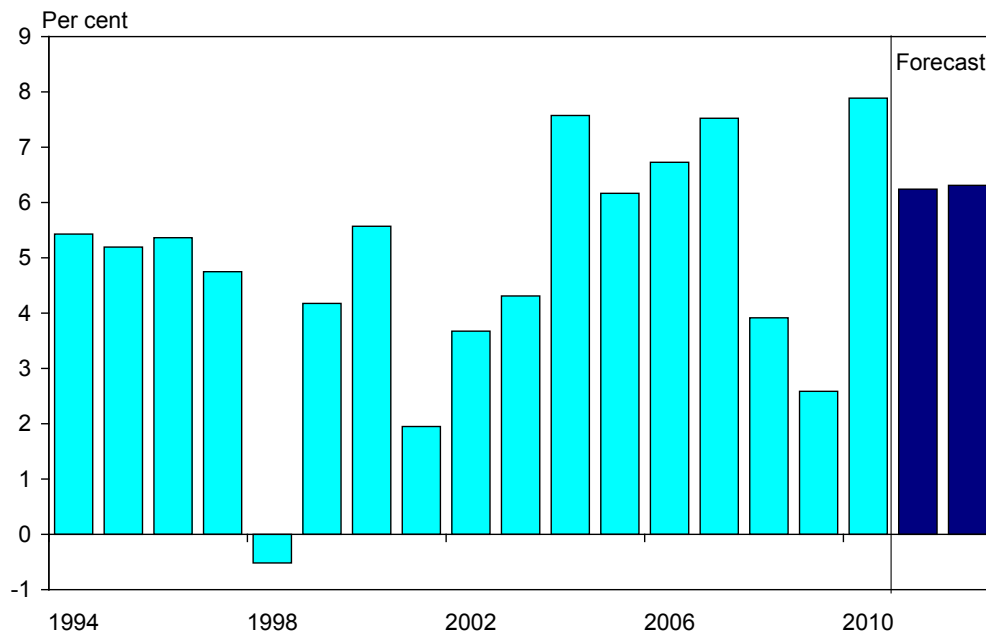
In its April 2011 *World Economic Outlook*, the International Monetary Fund (IMF) forecast global growth of 4.4% in 2011, with advanced economies growing by 2.4% and emerging and developing economies growing by 6.5%.

The IMF argues that due to ‘improvements in financial markets, buoyant activity in many emerging and developing economies, and growing confidence in advanced economies, economic prospects for 2011-12 are good, notwithstanding new volatility caused by fears about disruptions to oil supply’. The Organisation for Economic Cooperation and Development (OECD) also shares a cautiously optimistic outlook on global growth.

Importantly for Western Australia, growth in the State’s key trading partners is expected to remain strong. Based on IMF forecasts, the weighted average economic output of the State’s key export markets is forecast to grow by about 6% in both 2011 and 2012 (see chart below).

WESTERN AUSTRALIA’S MAJOR EXPORT MARKETS (a)
Annual Growth

Figure 2



(a) Includes China, Japan, South Korea, India and nine other countries. Together, these accounted for 83.8% of the State’s exports in 2010.

Source: IMF and Department of Treasury.

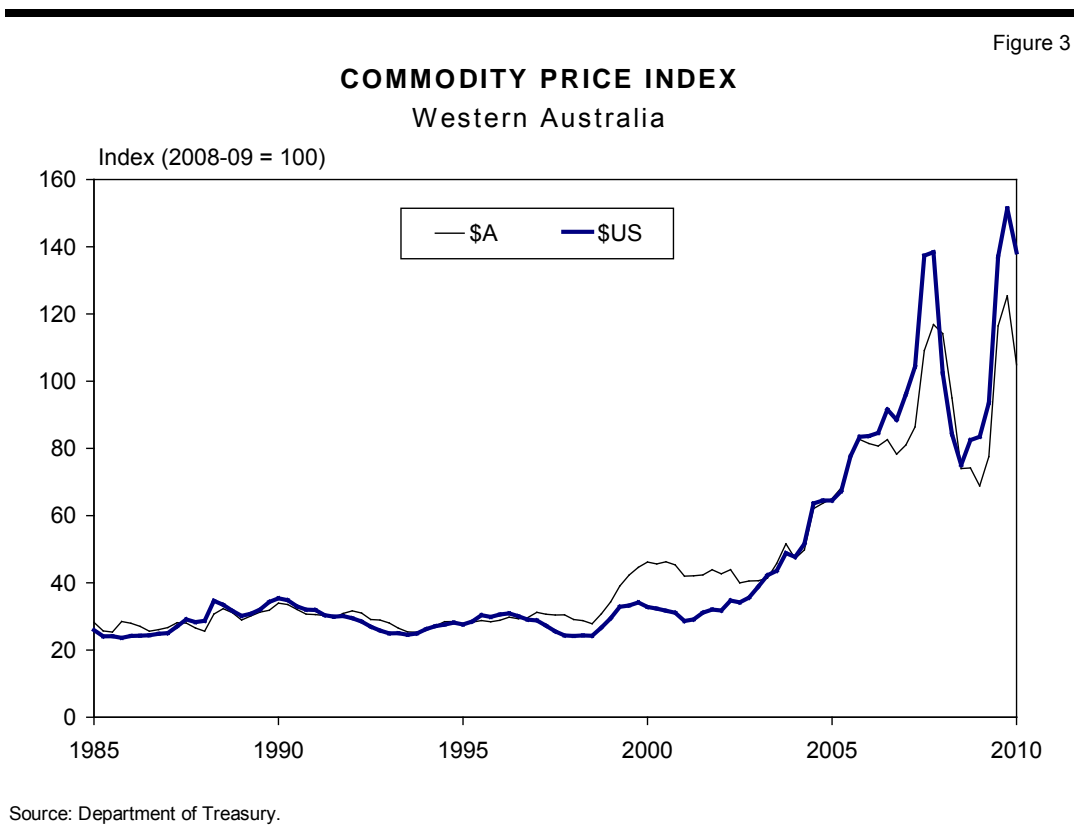
Global risks to the State’s outlook remain and include high oil prices, sovereign debt in advanced economies, inflation in emerging economies, and potential spill-over effects from the earthquake and tsunami in Japan. These risks are discussed in detail in the *Risks to the Outlook* section.

Global Commodity Markets

Robust growth from emerging and developing economies has driven global commodity prices to very high levels.

Iron ore prices have been especially strong, rising by an estimated 84.9% in 2010-11, with buoyant global demand currently exceeding the capacity of global producers to respond. At the same time, geopolitical tension in the Middle East and North Africa has pushed up oil prices (by 19.8%), while gold has been trading at close to record highs (up 24.0%), partly reflecting concerns about sovereign debt in advanced economies and gold’s traditional role as a ‘safe haven’ investment.

Nationally, the terms of trade are close to their highest level in more than 60 years. In Western Australia, both the terms of trade and the State’s commodity price index are also close to record highs (see Figure 3).



Although strength in the terms of trade presents a challenge for some industries (due to an associated appreciation in the exchange rate), it will deliver a number of important economy-wide benefits, both at the State and national level. High prices for Western Australia's key export commodities are underpinning a wave of new investment projects, particularly in the iron ore and LNG sectors, which will drive economic growth over coming years. In addition, the high terms of trade and strong Australian dollar have boosted the purchasing power of households, whilst Western Australia is also benefiting from a sharp rise in royalty income¹.

Most analysts forecast that prices for many commodities will gradually moderate in coming years. This reflects expectations that the global supply response will eventually gather momentum, alleviating upward pressure on prices. Nevertheless, prices are generally expected to be sustained at high levels by historical standards.

More information on the outlook for commodity prices is contained in Chapter 4: *General Government Revenue*.

Measuring Economic Growth

The Australian Bureau of Statistics (ABS) publishes a number of different measures of economic growth for Australia's States and Territories. The most well-known of these is GSP, which is a broad measure of the total level of goods and services produced in a State economy (in value added terms). The national equivalent of GSP is Gross Domestic Product, or GDP.

GSP data are typically presented in two ways – in nominal terms, where output is measured in current prices, and in real ('chain volume') terms, where only volumes are measured, and price effects are held constant. Economic growth data, both in Australia and overseas, are typically expressed in real terms.

Although real GSP is a frequently quoted indicator of economic growth, one of its limitations is that it excludes the income and welfare effects of changes in the terms of trade (i.e. export prices relative to import prices). When export prices rise relative to import prices, a larger volume of goods and services (e.g. motor vehicles) can be imported in exchange for a given volume of exports (e.g. iron ore). In other words, the real purchasing power of domestic income rises.

Growth in nominal GSP can capture some of these relative price effects, especially if import prices are unchanged. Due to sharply increasing export prices in Western Australia, nominal GSP is forecast to grow by more than 14% in 2010-11. This translates to per capita GSP of around \$90,600 in 2010-11, which is 45% higher than national GDP per capita (\$62,200).

¹ Albeit that approximately 70% of royalty income generated in Western Australia is ultimately redistributed to other States (via a reduction in GST grants) under the Commonwealth Grants Commission process. See Chapter 4: *General Government Revenue* for more detail.

A more complete adjustment for movements in the terms of trade is incorporated in ABS estimates of real GSI. Real GSI is calculated by adjusting real GSP to account for the relative purchasing power of the State's exports (with domestic prices held constant). In 2010-11, GSI in Western Australia is forecast to grow by 14.5%, which compares to estimated growth of 4.0% in real GSP.

Both GSP and GSI have limitations as indicators of economic welfare. For instance, neither variable accounts for net income transfers to other States or overseas, i.e. due to foreign ownership. The depreciation of the economy's capital stock and the depletion of non-renewable resources are also excluded from these indicators.

Gross household disposable income is often regarded as a more direct indicator of economic well-being, since it accounts for net income transfers in the economy. Over the five years to 2009-10, per capita gross household disposable income in Western Australia grew by 47% (to around \$42,000), compared to national growth of 31% over the same period (to around \$37,700).

Household Sector

Household Spending

Household spending grew at a moderate pace in the second half of 2010, with growth largely concentrated on non-discretionary items, including utilities, transportation, services and food.

Consumers in Western Australia (and the rest of the nation) are generally being cautious in their spending behaviour. This restraint in spending has occurred against a backdrop of slightly above-average consumer sentiment, improving conditions in the State's labour market and the strong appreciation of the Australian dollar. Nevertheless, it is consistent with the withdrawal of Commonwealth stimulus funding, higher interest rates and above-average levels of household debt.

With Commonwealth Government policy measures, including the flood levy and the proposed carbon tax, potentially adding to household conservatism in the near term, household consumption is forecast to grow by 3.75% in both 2010-11 and 2011-12 (slightly below the trend growth rate of around 4%).

Close to trend growth is forecast for the remaining years, as consumers relax their post-financial crisis conservatism and increase discretionary spending on the back of rising household income. However, growth is not expected to return to the same rates observed in the last resources boom, partly reflecting expectations that household debt will remain relatively high, as well as expectations that population growth will moderate slightly over the budget period.

Housing Market

Established Housing Market

Activity in Western Australia's established housing market has been very subdued in 2010-11.

House prices have fallen, turnover remains low, and the number of houses on the market is well above the long-term trend. In part, this reflects a rise in variable home loan rates over the past 18 months by around 2 percentage points, together with a continued unwinding of First Home Owner Boost (FHOB) induced activity (which is having a negative impact on the trade-up segment of the market). It also reflects elevated household debt and heightened levels of household caution over the past year.

The established housing market is expected to gradually improve in 2011-12 and across the forward estimates period. House prices in Perth are forecast to grow by 2.3% in 2011-12 (following an estimated decrease of 2.4% in 2010-11), while the volume of house sales is expected to increase from current low levels. House price growth is forecast to accelerate in the outyears, supported by rising incomes and stronger household balance sheets.

Dwelling Investment²

After growing by 2.8% in 2009-10 (in part due to Commonwealth Government stimulus measures, including the FHOB and the solar panel and home insulation schemes), dwelling investment has contracted in the first half of 2010-11. Both of the main components of dwelling investment – new residential construction, and alterations and additions – have been subdued.

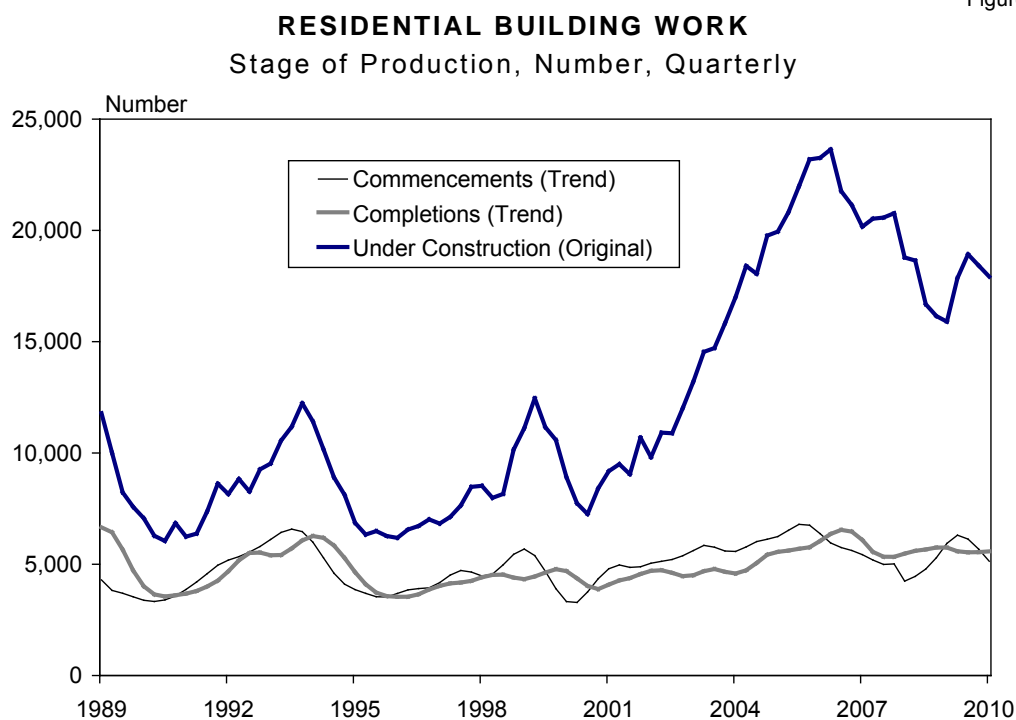
Despite the recent moderation in investment activity, the number of dwellings under construction in Western Australia remains high by historical standards, in part due to the pull-forward in activity caused by the FHOB. This should be sufficient to underpin modest growth of 1.0% in dwelling investment for the full 2010-11 year.

In 2011-12, first-home buyers are expected to gradually re-enter the market in increasing numbers. Growth in household income should also stimulate more investment, although current weakness in forward indicators of activity (including building approvals and housing finance) points to moderate growth in the second half of 2011. Overall, dwelling investment is forecast to grow by 3.0% in 2011-12.

In 2012-13 and beyond, growth in dwelling investment is forecast to strengthen to between 4.0% and 4.5% per year, which is broadly consistent with the long-run trend. Activity should be supported by rising incomes and solid (albeit moderating) growth in the State's population.

² Dwelling investment consists of the construction of new dwellings (usually around 60% of overall dwelling investment) and residential alterations and additions (the remaining 40%). Ownership transfer costs are forecast separately and track transfer duty forecasts. See Chapter 4: *General Government Revenue*.

Figure 4



Source: ABS Catalogue 8752.0 and Department of Treasury.

Business Investment

The outlook for business investment in Western Australia is bright.

Robust demand from emerging economies, particularly for mineral and energy commodities, has created a significant pipeline of investment activity in the State's resources sector. As at December 2010, the value of engineering construction yet to be done in Western Australia stood at almost \$65 billion³.

Over the next two years, investment growth will be driven by the \$43 billion Gorgon LNG project and around \$20 billion of expenditure on iron ore projects in the Pilbara and the Mid West⁴. Petroleum and iron ore projects dominate the State's medium-term investment horizon, accounting for over 80% of current and prospective resource projects.

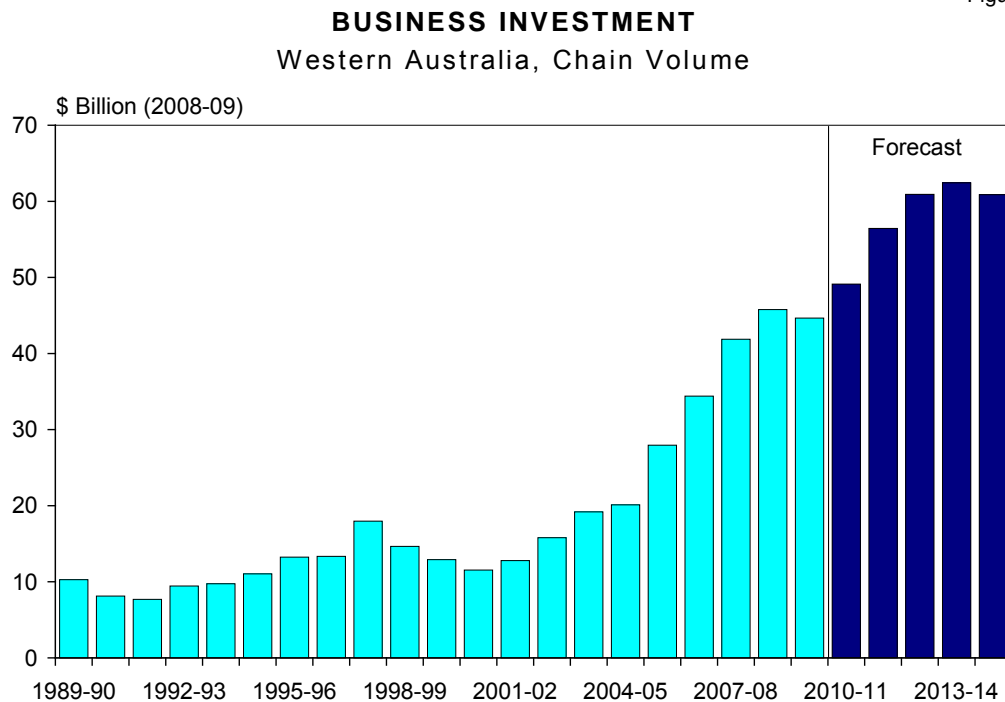
Reflecting the expected profile of spending on these projects, total business investment is forecast to grow by 10.0% in 2010-11, 15.0% in 2011-12 and 8.0% in 2012-13.

As the Gorgon project passes peak construction (to be expected around 2012-13), total business investment in Western Australia is expected to moderate and eventually contract. This is due to the enormous size of the Gorgon project, and the scale of replacement activity needed to sustain investment spending at such high levels.

³ Source: ABS catalogue 8762.0, *Engineering Construction Activity, Australia*, December 2010.

⁴ Source: Project values from Access Economics' *Investment Monitor*, December quarter 2010, and other various sources.

Figure 5



Note: Excludes net purchases of second-hand public sector assets by the private sector. Data adjusted for 1997-98 sale of Dampier to Bunbury Natural Gas Pipeline from the public sector to the private sector.

Source: ABS Catalogue 5206.0 and Department of Treasury.

Based on the current status of major projects in the outyears, business investment is projected to grow by 2.5% in 2013-14, before declining by 2.5% in 2014-15. The level of investment is nevertheless expected to remain very high in historical terms (see chart above).

There is a possibility that business investment could exceed these projections, particularly if a number of the State's prospective LNG projects receive final investment approval and commence construction over the budget period. These include: Woodside's proposed \$30 billion Browse LNG precinct; Chevron's \$23 billion Wheatstone LNG development; and Woodside's Pluto 2 project (approximately \$10 billion). It is noted, however, that the Commonwealth Government will collect all of the royalties generated by these LNG projects, under its Petroleum Resource Rent Tax (PRRT) regime.

Government Sector

Government Consumption

Public consumption expenditure, which includes spending by Commonwealth, State and local governments, is expected to grow by 3.0% (in real terms) in 2010-11.

In 2011-12 and the outyears, growth in public consumption is expected to range between 2.0% and 2.5%. The expected moderation in growth is consistent with the expense growth projections in Chapter 3: *Financial Projections and Fiscal Strategy*, and with expectations that population growth in Western Australia will be slightly lower than in previous years.

Government Investment

After increasing by more than 30% in 2009-10 (due to stimulus measures in response to the global financial crisis), growth in investment by Commonwealth, State and local governments is expected to moderate to 3.5% in 2010-11.

State Government investment on major projects and other economic and social infrastructure is expected to drive growth in total public investment of 8.0% in 2011-12. Growth in public investment is then projected to contract over the forward estimates period, partly due to the completion of a number of large projects.

Further information on the State Government's recurrent expenditure and its Asset Investment Program is outlined in Chapter 5: *General Government Expenses*, and Chapter 6: *Asset Investment*.

International Trade

Exports

International demand for resources, particularly from China and other emerging economies, remains very strong.

Export growth is nevertheless expected to moderate to 3.0% in 2010-11 (following 7.7% growth in the previous year). This reflects a number of temporary supply factors, including the impact of extreme weather conditions on agricultural production and the effect of recent cyclone activity on iron ore shipments.

However, export growth is forecast to accelerate to 6.5% in 2011-12, mainly due to an assumed recovery from the drought and the completion of a number of major projects. These include Woodside's Pluto LNG project, Rio Tinto's Brockman 4 iron ore development and Gindalbie Metals' Karara iron ore project.

In 2012-13, exports are forecast to grow at a slower pace of 3.5%, reflecting an anticipated pause in completions of large resource projects. However, growth is expected to strengthen to 6.5% per annum in 2013-14 and 2014-15, supported by additional iron ore capacity and initial production from the Gorgon LNG project (in 2014-15).

Imports

Imports are expected to grow strongly in coming years, largely driven by the projected upswing in business investment (including major items of capital equipment required to support the construction of the State's major resource projects). In addition, imports will be boosted by slightly stronger growth in household consumption.

Following estimated growth of 5.0% in 2010-11, imports are projected to grow by 22.0% in 2011-12. As the investment cycle unwinds, import growth will moderate in 2012-13 and the outyears.

Labour Market

Employment

Employment growth stalled in 2009 (as a lagged response to the global financial crisis), but rebounded strongly throughout most of 2010.

Over the past two quarters, however, the pace of employment growth has softened noticeably⁵. Leading indicators of employment demand⁶ have also plateaued, and remain well down from the levels observed in the last resources boom.

The outlook for employment demand is nevertheless quite positive, particularly as business investment grows and domestic activity strengthens. Based on outcomes in the year-to-date, employment is expected to grow by 3.0% in 2010-11.

Labour demand is expected to strengthen in 2011-12 and the outyears, underpinned by robust activity in the resources sector and renewed strength in other sectors of the State's economy.

However, growth in labour supply is projected to slow over this period, mainly due to expectations of moderating population growth and the ageing of the State's population. Reflecting these constraints, employment growth is expected to moderate slightly over the medium term, from 2.5% in 2011-12 and 2012-13 to 2.25% in 2013-14 and 2.0% in 2014-15.

Unemployment and Participation

The unemployment rate in Western Australia has been fairly steady so far in 2010-11, ranging between 4.2% and 4.6% in seasonally adjusted terms.

Over the whole of 2010-11, the unemployment rate is expected to average 4.5%. This is higher than the average rate observed over the period 2006-07 to 2008-09, but lower than the average unemployment rate over the past decade (4.9%).

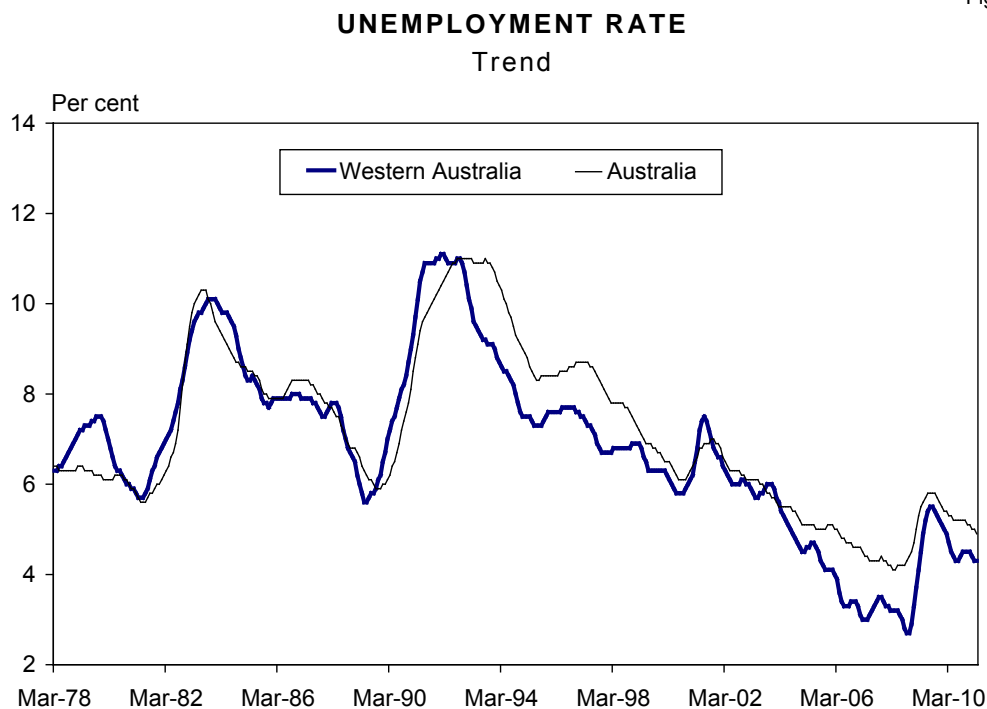
Western Australia's unemployment rate is likely to remain relatively low in 2011-12, as strengthening domestic economic growth boosts demand for labour. The unemployment rate is forecast to fall further over the outyears, to 4.25% in 2012-13 and 2013-14 and to 4.0% in 2014-15, as economic activity expands and demand for labour intensifies.

At the national level, the Commonwealth Treasury predicts the unemployment rate will fall to 4.5% by the end of 2012-13.

⁵ The Reserve Bank of Australia has recently expressed concern that the ABS may have overestimated employment growth in early 2010. This would imply that employment growth more recently could be understated.

⁶ For instance, the ANZ Newspaper Jobs Advertisement series, and the Federal Department of Education, Employment and Workplace Relations' Skilled Vacancy Index.

Figure 6



Source: ABS Catalogue 6202.0.

Strong demand for labour and rising wages are expected to drive a moderate increase in the State's participation rate (for workers aged between 15-64) over the budget period, from 80.5% in 2011-12 to 82.0% in 2014-15.

Wages

Wages growth in Western Australia has been relatively moderate so far in 2010-11.

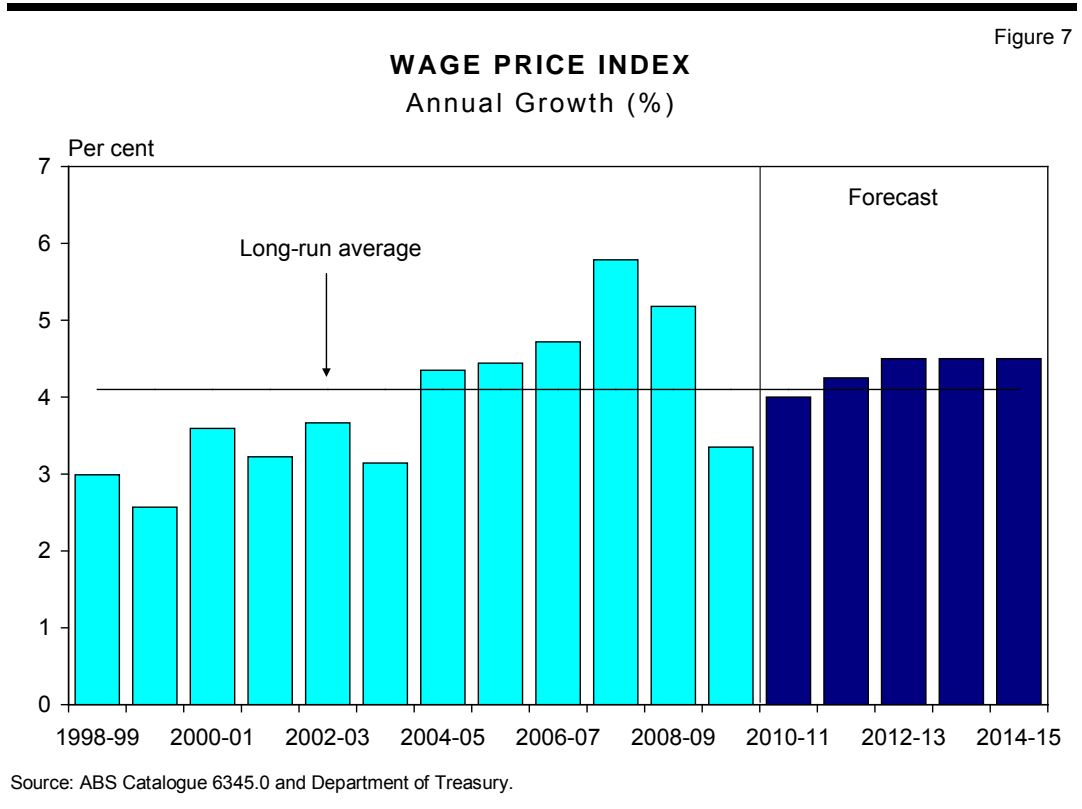
The Wage Price Index⁷ (WPI) grew by 0.9% in the December quarter 2010, following an increase of 1.2% in the previous quarter. Based on these outcomes, and the positive near term outlook for the labour market, the WPI is forecast to grow by 4.0% in 2010-11.

Increasing demand for labour, combined with expectations of moderating growth in labour supply, means that wages growth is likely to strengthen over the budget period.

However, wage pressures are not expected to be as acute as the resource boom period of the mid to late 2000s. Although forward indicators of labour demand are positive, they are still below the levels observed over the three years to 2008-09. The projected moderation in business investment in 2013-14 and 2014-15 could also partly offset tightness in the labour market over this period.

⁷ The WPI is viewed as a better measure of underlying wages growth than other indicators reported by the ABS. This is because the WPI is designed to measure wage changes for a fixed quantity and quality of labour, and so abstracts from compositional changes in the labour market.

Overall, the WPI is forecast to grow by 4.25% in 2011-12, and by 4.5% per annum in each of the outyears. This is slightly higher than the long-run average of 4.1% growth.



Average Weekly Earnings (AWE), which are affected by compositional change in the labour market, rose by just 0.1% in the three months to November 2010, partly reflecting a reduction in average hours worked. Based on modest outcomes in the year-to-date, AWE are forecast to rise by 3.5% in 2010-11.

Similar to the expected profile for the WPI, growth in AWE is expected to strengthen in 2011-12 and the outyears. AWE is forecast to grow by 4.5% in 2011-12, 5.0% in 2012-13 and 5.5% in 2013-14 and 2014-15. This compares to average growth of 6.0% over the past decade.

Prices

Consumer Price Index

Inflation has been relatively low so far in 2010-11, with Perth's Consumer Price Index (CPI) increasing by just 0.1% in the December quarter 2010, after a 0.5% rise in the previous quarter. This partly reflects the dampening effect of the high Australian dollar, together with moderate wages growth and relatively subdued consumer demand.

In the remainder of 2010-11, however, food prices are likely to rise, with the supply of fresh produce affected by flooding in the State's Gascoyne region and extreme weather events in Australia's eastern seaboard. This is expected to boost overall growth in Perth's CPI to 2.75% in 2010-11⁸.

Inflation is expected to accelerate in 2011-12 and over the forward estimates period, as the State's economy strengthens and spare capacity diminishes. Perth's CPI is forecast to rise by 3.0% in 2011-12 and 3.25% per annum in the outyears. This is similar to the average level of inflation recorded over the past decade.

These forecasts are also broadly consistent with national CPI projections from the Reserve Bank of Australia and the Commonwealth Treasury.

Risks to the Outlook

Global Risks

The economic forecasts outlined in this Chapter are based on assumptions about the global outlook sourced from the IMF, OECD, Consensus Forecasts and other global analysts.

Although international economic conditions have been gradually improving in recent months (see *Global Outlook* section), global risks to the State's economic outlook remain.

The broad consensus among economists and financial analysts is that the most acute risks to the global economy and financial markets are high oil prices (including the potential for a supply shock), sovereign debt in advanced economies, inflation in emerging economies, and potential spill-over effects arising from the natural disasters in Japan.

Oil Prices

Recent turmoil in the Middle East and North Africa has contributed to sharp rises in oil prices. With the earthquake in Japan also reducing its oil refining capacity by around 20%, energy prices could be sustained at high levels in the near term.

Historically, oil price shocks have had significant impacts on financial markets and real economic activity. Although the effect of such shocks on developed economies is perhaps less significant than in the past (due to gradually declining oil dependency per unit of output), a further increase in oil prices in 2011-12 could have adverse consequences for global growth and inflation.

⁸ The Reserve Bank of Australia estimates that the direct impact of these events will be to add 0.5 percentage points to growth in the national CPI in 2010-11. These effects should begin to reverse in the second half of the year and should have largely dissipated by the end of 2011.

Sovereign Debt

Despite some gradual progress in austerity measures, risks associated with the European financial crisis remain a concern, as highlighted by Portugal's bailout negotiations, fears that Greece may need to restructure its debt, and the credit rating downgrade for Ireland's major banks to 'junk' status.

With Europe still comprising a significant share of the global economy and the global financial system, any major problems in the euro area could quickly spread to other regions, and potentially drive increased market volatility and heightened risk aversion.

In the United States (US), Standard & Poor's has recently revised its outlook on the long-term rating of US sovereign bonds from stable to negative. This indicates that the rating on these securities could be downgraded unless the US Government reduces its budget deficit within two years⁹. If investors start demanding higher returns for holding riskier US debt, higher bond yields would translate to higher borrowing costs for consumers and businesses, and potentially threaten the global economic recovery.

Inflation in Emerging Economies

Risks in the medium term include whether emerging economies, including China, can address inflationary concerns while also maintaining strong rates of economic growth. In China, inflation has exceeded its 4.0% target rate since October 2010, prompting successive increases in capital reserve requirements for banks and repeated interest rate hikes. If high inflation persists, further action could be required, potentially reducing the outlook for growth.

Japan's Natural Disasters

The devastating earthquake and tsunami in Japan pose some key risks for the global economic outlook. Japan is the world's third largest economy, and the State's second largest export destination (accounting for around 15% of the State's total exports by value in 2010). The full effects from the earthquake, tsunami and ensuing nuclear crisis are not known with certainty, but are potentially significant.

According to the OECD, growth in Japan might be reduced by between 0.2-0.6 percentage points in the March quarter 2011, and by between 0.5-1.4 percentage points in the June quarter 2011.

Reconstruction efforts could offset the negative effects on GDP from the September quarter 2011 onwards¹⁰. However, it is relevant to note that Japan's fiscal position was precarious prior to these disasters. Like many other countries, the extent to which Japan's financial difficulties impinge upon future economic growth is also a key risk.

⁹ Source: Standard & Poor's, *AAA/A-1+' Rating On United States of America Affirmed; Outlook Revised To Negative*, 18 April 2011.

¹⁰ Source: OECD, *What is the economic outlook for OECD countries?* Interim Assessment, April 2011.

Domestic Risks

Key domestic risks to the economic outlook relate to Commonwealth Government policy measures, sustained fiscal caution by households, the high Australian dollar, and the possibility of rising labour shortages and associated wage inflation in the outyears.

Commonwealth Government Policies

In February 2011, the Prime Minister announced that a fixed carbon price (equivalent to a carbon tax) would be imposed from 1 July 2012, before the scheme transitions to a cap and trade emissions trading system after three to five years.

Many key details, including the carbon price and compensation for energy-intensive, trade-exposed industries, had not been released at the time of this budget. Key risks for Western Australia relate to the impact of a carbon tax on the State's LNG and magnetite iron ore sectors, and the potential loss of major projects to overseas jurisdictions that do not impose a carbon tax.

Ongoing uncertainty in relation to the Commonwealth Government's Minerals Resource Rent Tax, which is also proposed to commence on 1 July 2012, could also potentially affect future business investment, particularly in the State's emerging magnetite iron ore sector.

Household Sector and the Housing Market

Persistent consumer conservatism presents another risk to the State's economic outlook, and the potential for higher interest rates, particularly if inflation gathers momentum at the national level, risks denting consumer confidence.

On the other hand, the State's labour market could grow faster than currently anticipated, boosting household income and spending. This would also stimulate a faster than expected recovery in the housing market.

The Australian Dollar

The Australian dollar has appreciated by 11% against the US dollar and significantly against many other currencies so far in 2010-11. This is due to a combination of factors, including strong demand for Australia's resources commodities, relatively high interest rate differentials between Australia and other countries, and weakness in the US dollar.

Persistent strength in the Australian dollar could exert continued competitive pressure on a number of the State's trade-exposed industries, including the tourism, manufacturing and agricultural sectors.

Even so, there are some potential economy-wide benefits associated with a strong Australian dollar. To the extent that the currency reflects bullish demand for resources, this could underpin a further rise in investment and employment in Western Australia. A high Australian dollar will also boost the purchasing power of households and potentially assist in curbing inflation.

Population and the Labour Market

After hitting a peak of 3.3% in 2008-09, population growth in Western Australia has moderated (to 2.4% in 2009-10), partly reflecting reduced growth in the Commonwealth Government's migration program.

Combined with the impact of population ageing, growth in the State's core working age population (i.e. those aged between 15-64) is expected to moderate over the budget period. If aggregate demand in the State's economy is higher than expected, competition for labour could intensify, potentially resulting in higher wages and inflation.

Financial Projections and Fiscal Strategy

Overview

As outlined in Chapter 2, the Western Australian economy is expanding at a stable pace, which is expected to deliver solid growth in the State's taxation and royalty revenue over the budget period. However, this growth in the State's own-source revenue will be significantly offset by a substantial decline in Western Australia's share of GST revenue under the current Commonwealth Grants Commission (CGC) arrangements.

At the same time, the State's growing economy is increasing demand for State government services (e.g. health and education) and infrastructure (e.g. public transport, electricity and water infrastructure). In this regard, general government expenses are budgeted to increase by \$1,811 million or 7.9% in 2011-12, and the State's Asset Investment Program is expected to total \$7.6 billion in 2011-12, an increase of \$702 million on the current financial year.

Table 1

KEY BUDGET AGGREGATES
Western Australia

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
GENERAL GOVERNMENT SECTOR						
Net Operating Balance (\$m)	831	784	442	768	787	471
Revenue (\$m)	22,039	23,764	25,233	26,232	27,209	28,202
Revenue Growth (%)	13.4	7.8	6.2	4.0	3.7	3.7
Expenses (\$m)	21,208	22,980	24,791	25,464	26,422	27,732
Expense Growth (%)	10.9	8.4	7.9	2.7	3.8	5.0
TOTAL PUBLIC SECTOR						
Net Debt at 30 June (\$m)	9,896	13,387	17,291	19,959	21,451	22,441
Asset Investment Program (\$m)	6,828	6,936	7,638	7,303	6,129	5,401
Cash Position (\$m)	-2,816	-3,763	-3,944	-2,534	-1,425	-852
KEY FINANCIAL RATIOS ^(a)						
Net Interest Cost to Revenue (%)	1.6	2.1	2.4	2.8	2.9	3.0
Net Financial Liabilities ^(b) to Revenue (%)	54.6	60.6	67.3	70.8	71.1	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.

This budget seeks to contain growth in expenditure, with funding for a further 400 voluntary separations in 2011-12 and a \$3.5 billion package of new measures to contain growth in net debt across the forward estimates period.

Overall, a general government sector operating surplus of \$442 million is budgeted for 2011-12, following an estimated operating surplus of \$784 million in 2010-11. Operating surpluses are also projected across the forward estimates period.

These surpluses on day-to-day operating activities will not, on their own, be sufficient to fund the Government's \$26.5 billion four year Asset Investment Program. As a consequence, a cash shortfall is estimated for 2011-12 and across the forward estimates. New borrowings will be required to fund this cash position. The level of total public sector net debt is therefore projected to be \$17.3 billion at 30 June 2012 and rise to \$22.4 billion by 30 June 2015.

Importantly however, this level of net debt remains affordable and consistent with the State's triple-A credit rating. The ratio of net financial liabilities to revenue (a key indicator for credit rating purposes) is projected to peak at 71.1% in 2013-14, which is well below the 90% 'trigger ratio' set by Standard & Poor's. Further, net interest costs as a share of revenue are projected to reach a maximum 3.0% in 2014-15, comfortably below the Government's 4.5% target limit.

Summary of Financial Projections

General Government Sector

Summary

The financial projections presented in this budget include operating surpluses in all years of the forward estimates, including a surplus of \$442 million in 2011-12.

Table 2

GENERAL GOVERNMENT						
Summary Financial Statements						
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
OPERATING STATEMENT						
Revenue	22,039	23,764	25,233	26,232	27,209	28,202
Change	2,604	1,725	1,469	1,000	976	994
Growth (%)	13.4	7.8	6.2	4.0	3.7	3.7
Expenses	21,208	22,980	24,791	25,464	26,422	27,732
Change	2,092	1,772	1,811	673	958	1,310
Growth (%)	10.9	8.4	7.9	2.7	3.8	5.0
Net Operating Balance	831	784	442	768	787	471
BALANCE SHEET						
Assets	124,797	129,116	135,507	140,827	145,963	150,918
Liabilities	16,953	17,851	21,039	22,574	24,403	25,450
Net Worth	107,844	111,265	114,468	118,253	121,560	125,468
STATEMENT OF CASHFLOWS						
Net Increase in Cash and Equivalents	1,012	-1,278	-122	-463	510	199
Cash Position	-867	-1,462	-2,283	-1,086	-641	-263
<i>Memorandum Item: Net Debt</i>	-1,076	1,086	4,129	5,665	6,543	7,001

Note: Columns may not add due to rounding.

Revenue growth is projected to be relatively subdued compared to its long-run trend of 8.5% per annum over the past decade, averaging 4.4% per annum across the four year budget period. This reflects the combined impact of:

- higher forecast royalty revenue, including the impact of the Government's decision to align the royalty rate for iron ore 'fines' with the 'lump' ore rate of 7.5% (phased in over two years commencing in 2012-13);
- recovering forecasts of taxation revenue, underpinned by an expectation that property market activity will gradually recover over coming years; and
- a sharp decline in GST grant revenue (from \$3.6 billion in 2011-12 to \$2 billion in 2014-15), due to weaker growth in consumer spending and an expected decline in Western Australia's share of the national GST pool.

To help offset the negative effect of Western Australia's declining share of GST revenue, and to ensure a sustainable level of borrowings to support infrastructure investment, this budget includes a \$3.5 billion package of measures to contain growth in net debt. This includes:

- a phased increase in the iron ore 'fines' royalty rate to the 'lump' ore rate over two years, with an increase to 6.5% from 1 July 2012 and to 7.5% from 1 July 2013. It is envisaged that the additional revenue from this measure over the forward estimates period, projected at \$1.9 billion, will be quarantined for debt reduction purposes;
- the deferral of spending totalling \$541 million from the Government's Asset Investment Program, relating to the West Pilbara desalination plant and adjustments to the cashflow for the Eastern Goldfields Regional Prison to be consistent with the latest construction timing estimates;
- implementation of a 5% efficiency dividend on the discretionary operating expenditure of Government Trading Enterprises from 2011-12 (with an expected net debt reduction of \$515 million by 30 June 2015); and
- further savings of \$300 million over the period 2012-13 to 2014-15 through a targeted review of specific programs and activities that are no longer considered to provide value for money.

As announced in March this year, this budget also includes funding of \$40 million in 2011-12 for a further 400 voluntary separations, which is expected to deliver ongoing savings of around \$15 million per year.

Operating Statement

2010-11 Estimated Actual

A general government operating surplus of \$784 million is forecast for 2010-11. This is largely unchanged from the \$758 million surplus projection in the December 2010 mid-year review.

Relative to the mid-year review, general government revenue in 2010-11 has been revised up by \$391 million (or 1.7%). This mainly reflects:

- a one-off payment of \$350 million from BHP Billiton and Rio Tinto as part of an agreement to allow the companies greater flexibility to expand and integrate their iron ore operations in the Pilbara;
- an upward revision to iron ore royalty estimates (up \$112 million), due to higher short-term prices, partially offset by a higher than expected exchange rate;

- higher Commonwealth grants (up \$109 million), with higher tied grants¹ (up \$214 million) offsetting lower GST grants (down \$105 million, mainly due to a lower national pool of collections);
- lower duty on transfers (down \$95 million), mainly reflecting weaker conditions in Western Australia's established housing market; and
- lower fines revenue (down \$43 million), largely due to a downward revision to speed and red light camera infringement revenue.

At the same time, general government expenses have been revised up by \$366 million (or 1.6%). This includes policy decisions totalling \$33 million (outlined in Chapter 5: *General Government Expenses*), higher electricity price subsidies (up \$131 million), a substantial boost to the education budget (\$104 million) to fund growth in student numbers and other pressures that have emerged through the year, and spending of the additional Commonwealth health grants (up \$61 million).

The following table provides a breakdown of the major policy decisions and parameter changes that have affected the estimates since the mid-year review. Parameter changes include movements in financial aggregates arising from changes in key economic parameters, Commonwealth programs, cost and demand pressures, adjustments to existing fees and charges, movements in interest and depreciation, etc.

¹ For funding services such as non-government schools, local governments and health-related grants under the National Partnership Agreement on Improving Public Hospital Services.

Table 3

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE
VARIATIONS SINCE THE 2010-11 MID-YEAR REVIEW**

	2010-11	2011-12	2012-13	2013-14	2014-15	Total
	\$m	\$m	\$m	\$m	\$m	\$m
2010-11 MID-YEAR REVIEW - NET OPERATING BALANCE	758	1,063	940	147		
Revenue						
<i>Policy Decisions</i>						
Iron ore royalties - phased implementation of a 7.5% royalty on iron ore 'fines' ^(a)	-	-	377.8	824.0	817.1	2,018.9
Contribution from mining companies	350.0	-	-	-	-	350.0
Government Trading Enterprises (GTEs) Efficiency Dividend (dividends and tax equivalents)	-	30.5	78.5	82.6	84.9	276.5
Other ^(b)	3.4	18.7	24.2	25.7	21.2	93.1
<i>Total Policy</i>	<i>353.4</i>	<i>49.2</i>	<i>480.4</i>	<i>932.3</i>	<i>923.2</i>	<i>2,738.6</i>
<i>Parameter</i>						
Taxation	-135.6	-220.3	-194.7	-87.0		-637.6
- Payroll tax	-31.5	42.2	59.5	91.6		161.9
- Land tax	-13.1	-5.8	-60.7	-66.8		-146.5
- Total duty on transfers	-95.1	-247.4	-179.3	-99.4		-621.2
- Other taxes	4.0	-9.3	-14.2	-12.4		-31.8
Commonwealth grants	108.7	603.5	387.1	49.9		1,149.3
- GST grants	-104.8	236.3	141.9	-267.6		5.8
- Health grants	31.0	143.4	124.5	188.3		487.2
- Transport grants	26.7	163.2	66.7	97.7		354.3
- Other Commonwealth grants	-26.3	46.9	136.0	102.9		259.4
Royalty income	113.4	387.5	136.5	502.0		1,139.4
- Iron ore	111.6	335.5	50.6	412.4		910.1
- Nickel	5.3	24.3	36.2	41.6		107.4
- Other royalties	-3.5	27.7	49.7	48.0		121.9
Revenue from public corporations	-2.0	47.3	-41.4	-127.3		-123.4
Goods and services revenue	-39.8	-51.1	-52.5	-47.9		-191.3
Interest income	20.5	37.2	36.6	55.8		150.1
Other	-27.2	-4.6	12.6	17.9		-1.3
<i>Total Parameter</i>	<i>38.0</i>	<i>799.5</i>	<i>284.1</i>	<i>363.5</i>		<i>1,485.1</i>
TOTAL REVENUE	391.4	848.7	764.5	1,295.9		3,300.5

Table 3 (cont.)

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE
VARIATIONS SINCE THE 2010-11 MID-YEAR REVIEW**

	2010-11	2011-12	2012-13	2013-14	2014-15	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Expenses						
<i>Policy Decisions</i> ^(c)						
Sustainable Funding and Contracting with the Not-For-Profit Sector	-	87.8	91.6	145.6	165.9	490.9
RfR - Southern Inland Health Initiative	-	42.4	55.3	69.8	72.6	240.0
RfR - Mid West Revitalisation	-	40.8	40.8	70.8	70.8	223.0
Additional Bus Service Kilometres	-	7.2	16.5	26.3	36.9	87.0
RfR - Regional Centres Development Plan (SuperTowns)	-	85.5	-	-	-	85.5
RfR - Regional Development Water and Natural Resource Management Initiatives	-	22.8	17.7	16.5	21.2	78.2
Junior Doctors Training	2.8	11.5	15.0	22.6	22.3	74.2
Voluntary Separation Offers	-	25.4	-14.6	-14.6	-14.6	-18.4
Deferral of Eastern Goldfields Regional Prison	-	-	-	-23.3	-12.0	-35.3
GTE Efficiency Dividend (appropriation support)	-	-18.8	-19.1	-20.9	-21.3	-80.2
Deferral of West Pilbara Desalination Plant	-0.2	-4.4	-29.8	-47.0	-47.5	-128.7
General Government Savings Target	-	-	-50.0	-100.0	-150.0	-300.0
Other	30.2	374.4	188.0	139.2	160.5	892.3
Total Policy Decisions	32.8	674.5	311.4	284.9	304.8	1,608.5
<i>Parameter</i>						
Electricity tariffs - operating subsidy	131.0	366.5	374.2	212.0		1,083.7
Education - structural re-alignment	103.9	149.1	70.9	39.6		363.5
Spending under the National Partnership Agreement on Improving Public Hospital Services	60.7	52.7	73.1	90.7		277.2
Health - cost and activity increases	20.0	57.9	49.0	114.5		241.4
Transfer of Assets Associated with the RfR Ord-East Kimberley Expansion Project	-	71.1	77.1	-		148.2
Other	17.6	98.2	-20.0	-85.8		9.9
Total Parameter	333.2	795.5	624.3	371.0		2,123.9
TOTAL EXPENSES	366.0	1,470.0	935.7	655.9		3,427.6
TOTAL VARIANCE	25.4	-621.3	-171.1	640.0		-127.1
2011-12 BUDGET - NET OPERATING BALANCE	784	442	768	787	471	

(a) This is accompanied by an ongoing reduction in GST revenue commencing from 2014-15 (\$96 million).

(b) Includes the introduction of a building services levy (which forms part of the reform to the building regulation system – further details are available in Chapter 4), and additional revenue expected to be generated by the Department of Culture and the Arts as part of the presentation of a series of exhibitions from New York's Museum of Modern Art.

(c) An agency listing of expense policy decisions taken since the 2010-11 Mid-year Review is provided in Appendix 4.

Note: Columns may not add due to rounding.

2011-12 and Beyond

A general government operating surplus of \$442 million is forecast for 2011-12. Operating surpluses are also in prospect in each year of the forward estimates period. The expected surplus for 2014-15 (\$471 million) is lower than forecasts for the two preceding years, mainly reflecting the State's declining share of GST revenue, and an expected moderation in commodity prices.

Revenue

In 2011-12, total revenue is forecast to grow by 6.2% or \$1.5 billion. The drivers of growth are expected to be more evenly balanced than in 2010-11, with royalties increasing (albeit at a more moderate pace) due to sustained strength in iron ore prices, and taxes rising steadily due to stronger domestic economic activity. GST revenue is also expected to rise in 2011-12.

However, growth in total revenue is expected to moderate over the remainder of the budget period, with steady growth in the State's own-source revenue being partly offset by a projected decline in GST grants from the Commonwealth.

Under the principle of 'fiscal equalisation', which is applied by the CGC in allocating national GST revenue to the States and Territories, Western Australia's per capita share is set to decrease significantly after 2011-12. This will offset projected growth in the national GST pool, resulting in a forecast decline in GST grants of 45% over the period 2011-12 to 2014-15.

Overall, this means that total revenue is projected to grow at an average rate of 3.8% per annum across the three outyears, compared with average growth of 8.5% per annum over the last decade.

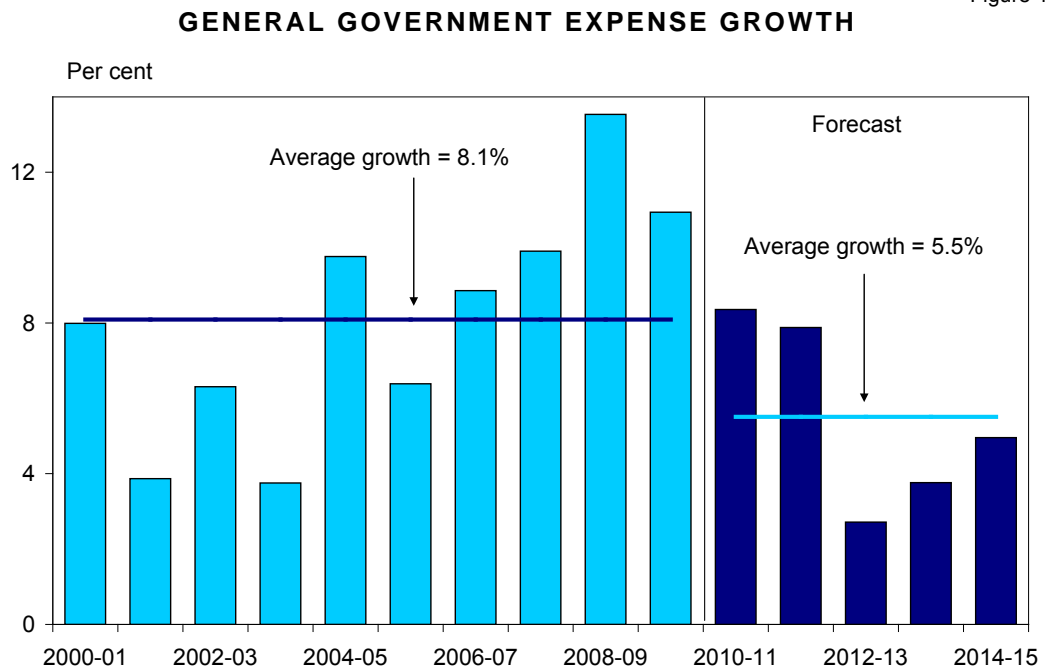
Expenses

General government expenses are forecast to be \$24.8 billion in 2011-12, up \$1,811 million or 7.9% compared to 2010-11. Growth is mainly underpinned by higher salary costs (up \$729 million or 8.2%), largely reflecting the impact of a number of significant Enterprise Bargaining Agreements (EBAs), and current transfers² (up \$461 million or 9.1%). Capital transfers are expected to be \$123 million or 16.8% lower in 2011-12, as Commonwealth stimulus payments (particularly to non-government schools) wind down.

The following figure shows that growth in general government expenses is moderating relative to the peak (of 13.5%) in 2008-09. This reflects the impact of Government initiatives to contain expense growth, including the 3% efficiency dividend, a concerted effort to rein in employee costs through staff ceilings and wage policy settings and, as part of this budget, a provision for further savings through a targeted review of programs and activities that no longer represent value for money. Expense growth is also moderating due to the phase-out of Commonwealth stimulus monies.

² Mainly grants and subsidies.

Figure 1



This budget includes \$1.6 billion of new policy expense decisions over the forward estimates relative to the mid-year review, including \$675 million in 2011-12. In addition to this, the budget also includes parameter driven increases to spending, including \$796 million in 2011-12.

Key increases in general government expenses since release of the mid-year review include:

- higher payments to Synergy and Horizon (up \$1.1 billion over 2011-12 to 2014-15) to reflect lower electricity price increases than were assumed in the 2010-11 Budget and mid-year review. Specifically, the revised estimates assume a 5% increase in residential tariffs in 2011-12 and 2012-13, and 12% in 2013-14 and 2014-15 (compared to a previous 22% assumption for 2011-12, 5.6% in 2012-13 and 6.0% in 2013-14);
- additional spending on health, including:
 - \$343 million to address the predicted population increase and corresponding take up of health services across Western Australia and the increasing cost of delivering those services;
 - \$240 million over four years to 2014-15 on the *Royalties for Regions (RfR)* Southern Inland Health Initiative to improve medical access and services in the Great Southern, Mid West, South West and Wheatbelt regions;

- \$217 million between 2011-12 and 2013-14 on targeted elective surgery, emergency department and sub-acute care initiatives, through a new National Partnership Agreement on Improving Public Hospital Services; and
- \$74 million over the five years to 2014-15 to employ all graduating domestic junior doctors in Western Australia and provide additional supervision and expand simulated learning and training environments;
- \$604 million over the five years to 2014-15 to support the development of a sustainable not-for-profit sector, including \$491 million to provide an average 25% increase in funding for existing human services contracts by 2014-15, and \$96 million in additional indexation funding;
- an additional \$258 million over 2011-12 to 2014-15 to meet costs associated with the 2011 Teachers and Administrators EBA and ongoing implementation of the Independent Public Schools initiative, and to place the Department of Education on a financially sustainable setting as it moves towards a more efficient and effective service delivery model for the public school education system;
- \$223 million over the four years to 2014-15 for the *RfR* Mid West Revitalisation project to implement major infrastructure projects and initiatives in the Mid West region and enable a more sustainable social and economic base;
- the transfer of assets to local governments and the private sector associated with the Ord-East Kimberley Expansion Project on completion of works (up \$148 million);
- increases in spending on community support, including \$51 million to meet increases in demand for child protection services, \$41 million to cater for growth in demand for disability services, and \$45 million to provide recurrent support services for high need clients in social housing;
- an additional \$87 million in appropriation funding to the Public Transport Authority (PTA) over four years from 2011-12 (as part a total \$134 million increase in operating costs associated with providing additional bus services in the Perth metropolitan area);
- \$86 million in 2011-12 on the *RfR* Regional Centres Development Plan (SuperTowns) initiative, to promote growth and development of regional towns and communities, and deliver four initial Pilot Towns;
- \$78 million over 2011-12 to 2014-15, funded from *RfR*, on a series of strategic initiatives to deliver greater access to information about water availability and supply options in regional Western Australia;
- \$40 million to increase the Seniors Cost of Living Rebate to \$150 for singles and \$225 for couples in 2011-12. In addition, the working hours criterion for eligibility for the Seniors Card has been eased to an average of 25 hours per week (compared to the current limit of 20 hours per week); and

- \$37 million for the establishment and ongoing management of the Eighty Mile Beach and Camden Sound Marine Parks and related initiatives under the Kimberley Science and Conservation Strategy.

Further detail on these items is available in Chapter 5: *General Government Expenses*.

The General Government Sector Operating Surplus, the Total Public Sector Cash Position and Movements in Net Debt

The general government sector net operating balance is a key focus for the State Government's financial management framework.

An operating surplus for this sector is important on several counts:

- the general government sector is most directly influenced by Government policy settings in terms of its day-to-day operations;
- a surplus is a clear indicator that the current generation of taxpayers are adequately funding the services they consume rather than increasing debt for future generations to pay off;
- it covers all day-to-day running costs (both cash and non-cash); and
- the operating surplus provides an important non-debt funding source for infrastructure investment.

A drawback with the operating surplus is that it only captures a part of the State's finances. For example, it does not capture spending that, for accounting purposes, is treated as capital (i.e. the cash required to fund asset investment each year).

In this regard, a surplus or deficit in the total public sector **cash** position captures all Government spending for the year and, therefore, directly relates to movements in net debt. In particular, while operating receipts such as State taxes, royalties and Commonwealth grants may be larger than operating payments such as salaries, subsidies and rent (generating an operating surplus), this surplus will generally be insufficient to meet the State's infrastructure spending requirements in the year. The resulting cash shortfall needs to be funded through borrowings.

Borrowing for infrastructure is considered appropriate when the assets purchased are:

- available for use by future generations, not just the current generation of taxpayers (i.e. the debt servicing costs are spread out over the life of the asset and all users contribute to the cost of the asset – spreading the burden equitably over time); and
- there is a return on the investment that provides a measurable benefit into the future – some benefits may be easy to measure such as the economic return on the electricity network, while others may be harder to measure (such as the social benefits of providing schools to educate our community, which benefits the community and the economy in the future).

The following table broadly reconciles the relationship between the general government net operating balance, the total public sector cash position and the need to borrow (i.e. movements in total public sector net debt).

Table 4

RECONCILING KEY FINANCIAL AGGREGATES

	2010-11	2011-12	2012-13	2013-14	2014-15
	\$m	\$m	\$m	\$m	\$m
General government sector net operating balance	784	442	768	787	471
<i>plus depreciation</i> ^(a)	906	936	1,041	1,180	1,175
<i>plus other accruals</i> ^(b)	-235	303	189	151	302
<i>less general government net infrastructure spending</i> ^(c)	2,917	3,964	3,084	2,759	2,211
<i>equals general government sector cash position</i>	<i>-1,462</i>	<i>-2,283</i>	<i>-1,086</i>	<i>-641</i>	<i>-263</i>
<i>Public Corporations</i>					
<i>less public corporations net infrastructure spending</i> ^(c)	3,208	2,644	2,870	2,003	2,040
<i>plus public corporations cash from operations</i>	1,701	1,720	2,263	2,313	2,687
<i>less dividends paid to general government</i>	794	736	842	1,095	1,237
<i>equals total public sector cash position</i>	<i>-3,763</i>	<i>-3,944</i>	<i>-2,534</i>	<i>-1,425</i>	<i>-852</i>
Other movements in net debt ^(d)	-271	-40	134	66	138
<i>Annual movement in net debt (new borrowings, repayments, use of cash, etc.)</i>	3,492	3,903	2,668	1,492	991
Total public sector net debt at 30 June	13,387	17,291	19,959	21,451	22,441

(a) Non-cash costs.

(b) Items such as accounts receivable and accounts payable, etc.

(c) Infrastructure spending less the sale of second-hand assets.

(d) Changes in the value of debt liabilities with no cashflows such as the value of Insurance Commission of Western Australia investments, new finance leases, etc.

Capital Investment

The general government sector is expected to spend \$4.2 billion on infrastructure in 2011-12, and a further \$8.8 billion over the three outyears. Spending on health infrastructure is the most significant component of this program (accounting for \$1.6 billion or 37% of general government investment in 2011-12), and includes investment in the Fiona Stanley Hospital and the New Children's Hospital. Education and road infrastructure are also significant areas of investment, accounting for a further \$1.5 billion or 35% of the sector's spend in 2011-12.

This budget includes \$1.5 billion of new infrastructure policy decisions since the time of the mid-year review, including \$202 million in 2011-12. The budget also includes additional parameter driven increases in infrastructure investment, including \$355 million in 2011-12.

Key increases in general government infrastructure spending since release of the mid-year review include:

- \$369 million over the five years to 2014-15 for the Perth Waterfront Project (net of land sales revenue, the public sector will invest a total of \$270 million in this project over the period to 2021-22);
- higher roads spending, including:
 - \$124 million between 2011-12 and 2013-14 on Perth Urban and Freight Corridor Upgrade initiatives to complement Commonwealth funding for the Nation Building Program;
 - an additional \$100 million on widening Great Eastern Highway between Kooyong Road and Tonkin Highway, scheduled to be completed by 2014-15; and
 - \$30 million to widen the northbound carriageway of the Mitchell Freeway between Hepburn Avenue and Hodges Drive from two to three lanes scheduled to be completed by 2012-13;
- significant increases to health infrastructure, including:
 - \$298 million for the Southern Inland Health Initiative (funded from *RfR*) to improve medical access and services in the Great Southern, Mid West, South West and Wheatbelt regions;
 - \$71 million to upgrade small hospitals and nursing posts; and
 - \$40 million for medical equipment replacement in 2012-13;
- \$169 million for new schools, additional school infrastructure, preventative maintenance and air-conditioning;
- \$91 million for information and communications technology (ICT) for the Western Australia Police, including the replacement of core police ICT business systems, and a program of ICT infrastructure replacement to mitigate operational risks and support the delivery of services by frontline police and operational staff; and
- new facilities supporting the development of skills and training in regional areas (\$78 million, which is to be funded by *RfR*).

Further details on major changes to infrastructure spending are disclosed in full in Chapter 6: *Asset Investment*.

In line with previous rounds of forward estimates, the general government infrastructure projections also include a central provision for unforeseen slippage in the sector's very large spending program. This provision is \$125 million in 2010-11 (down from an estimated \$375 million at the time of the mid-year review) and a further \$375 million in 2011-12. The reduction in the 2010-11 provision reflects the magnitude of deferrals now directly recognised by agencies within their individual infrastructure programs, the timing of which has become clearer since mid-year review. The new provision in 2011-12 represents 8% of the total program, which is in line with underspending between agency budgets and actuals in the sector over recent years.

Balance Sheet

General government sector net worth is forecast to rise from \$107.8 billion at 30 June 2010 to \$125.5 billion by 30 June 2015.

Table 5

GENERAL GOVERNMENT						
Balance Sheet at 30 June						
	2010	2011	2012	2013	2014	2015
	\$m	\$m	\$m	\$m	\$m	\$m
2011-12 BUDGET						
Assets	124,797	129,116	135,507	140,827	145,963	150,918
Liabilities	16,953	17,851	21,039	22,574	24,403	25,450
<i>Net Worth</i>	<i>107,844</i>	<i>111,265</i>	<i>114,468</i>	<i>118,253</i>	<i>121,560</i>	<i>125,468</i>
Net Debt	-1,076	1,086	4,129	5,665	6,543	7,001
2010-11 MID-YEAR REVIEW						
Assets	124,797	130,834	137,013	142,239	146,520	na
Liabilities	16,953	18,339	19,797	20,750	22,135	na
<i>Net Worth</i>	<i>107,844</i>	<i>112,495</i>	<i>117,216</i>	<i>121,489</i>	<i>124,385</i>	<i>na</i>
Net Debt	-1,076	1,436	3,153	4,061	5,125	na
VARIANCE						
Assets	-	-1,718	-1,506	-1,412	-556	na
Liabilities	-	-488	1,242	1,825	2,269	na
<i>Net Worth</i>	-	-1,230	-2,748	-3,236	-2,825	na
Net Debt	-	-350	975	1,604	1,418	na

Note: Columns may not add due to rounding.

General government assets are forecast to increase by \$22 billion over the forward estimates period, largely due to:

- an increase in the equity asset holding in public corporations (up \$5.6 billion), reflecting injections of infrastructure capital by the general government sector, and the effect of operating surpluses; and
- increasing holdings of fixed assets reflecting the Asset Investment Program (\$15.6 billion).

General government liabilities are projected to increase by around \$7.6 billion by 30 June 2015. This is mainly due to increases in borrowings in support of the sector's infrastructure program (net debt is discussed later in this chapter).

Unfunded superannuation liabilities are expected to be around \$7.8 billion at 30 June 2015. Importantly, the State's large unfunded schemes are closed (with the last significant scheme, Gold State Super, closing to new members in 1996), with superannuation entitlements of the State's open schemes fully funded. This means that this liability will gradually decline as entitlements are paid out over the next two to three decades.

Cashflow Statement

The cash shortfall is expected to peak in 2011-12, and then decline in the outyears.

Importantly, in cash terms, net cashflows from operating activities are expected to be in surplus in all years. Proceeds from the general government operating surplus are invested in the provision of infrastructure.

Infrastructure spending more than offsets the cash operating surplus in each of the outyears. While this gives rise to a borrowing requirement (and hence, growth in net debt), the higher borrowings remain affordable (net debt is discussed later in this chapter).

Total Public Sector³

Summary

Operating surpluses are forecast for the total public sector in each year of the forward estimates, while net debt levels are projected to rise from \$13.4 billion at 30 June 2011 to \$22.4 billion at 30 June 2015, in line with the substantial investment in public sector infrastructure.

The following table summarises the key financial aggregates for the total public sector.

³ 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 mainly engaged in financial activities such as the Western Australian Treasury Corporation and the Insurance Commission of Western Australia).

Table 6

TOTAL PUBLIC SECTOR
Summary Financial Statements

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
OPERATING STATEMENT						
Revenue	34,895	37,423	39,751	41,875	44,032	46,716
Expenses	34,036	37,055	39,392	41,106	43,286	46,252
Net Operating Balance	859	368	359	769	747	464
BALANCE SHEET						
Assets	153,049	160,830	165,466	171,278	176,255	181,295
Liabilities	45,205	49,565	50,998	53,025	54,695	55,828
Net Worth	107,844	111,265	114,468	118,253	121,560	125,468
STATEMENT OF CASHFLOWS						
Net Increase in Cash and Equivalents	2,125	-2,009	-300	-276	559	484
Cash Position	-2,816	-3,763	-3,944	-2,534	-1,425	-852
<i>Memorandum Item: Net Debt</i>	9,896	13,387	17,291	19,959	21,451	22,441

Note: Columns may not add due to rounding.

Operating Statement

A total public sector operating surplus of \$359 million is forecast for 2011-12, with operating surpluses also forecast for each of the outyears. These outcomes are consistent with general government sector surpluses discussed earlier in this chapter, and expected surplus outcomes in the public corporations sectors.

Public Non-Financial Corporations

A public non-financial corporations (PNFC) sector operating surplus of \$529 million is forecast for 2011-12. This represents a \$22 million decrease on the forecast at the time of the 2010-11 Mid-year Review. Across the outyears, surpluses are forecast to grow from \$684 million in 2012-13 to \$1 billion in 2014-15. These surplus projections are lower than those forecast in the mid-year review.

Key changes to the operating outlook since the release of the mid-year review include:

- a \$367 million increase in electricity price subsidies in 2011-12 (and a further \$698 million over the outyears), in line with the change in planning assumptions for residential electricity prices outlined earlier in this chapter;
- lower revenue for Western Power in 2012-13 and 2014-15, reflecting an expectation of lower than previously forecast network tariff rates;
- lower profits for Synergy, due mainly to the effect of competitive pressures in contestable electricity and gas retail markets;

- the effect of higher gold prices (which have traded at up to around \$US1,500 per troy ounce and are forecast to continue to remain at high levels in the outyears) for Gold Corporation products, which increases both revenue and expenses;
- lower revenue for the Water Corporation (partially offset by lower expenses), reflecting a downward revision to growth forecasts across the forward estimates period; and
- lower revenue (and subsequently expenses) for the Lotteries Commission, reflecting a decline in overall sales revenue forecasts across the forward estimates.

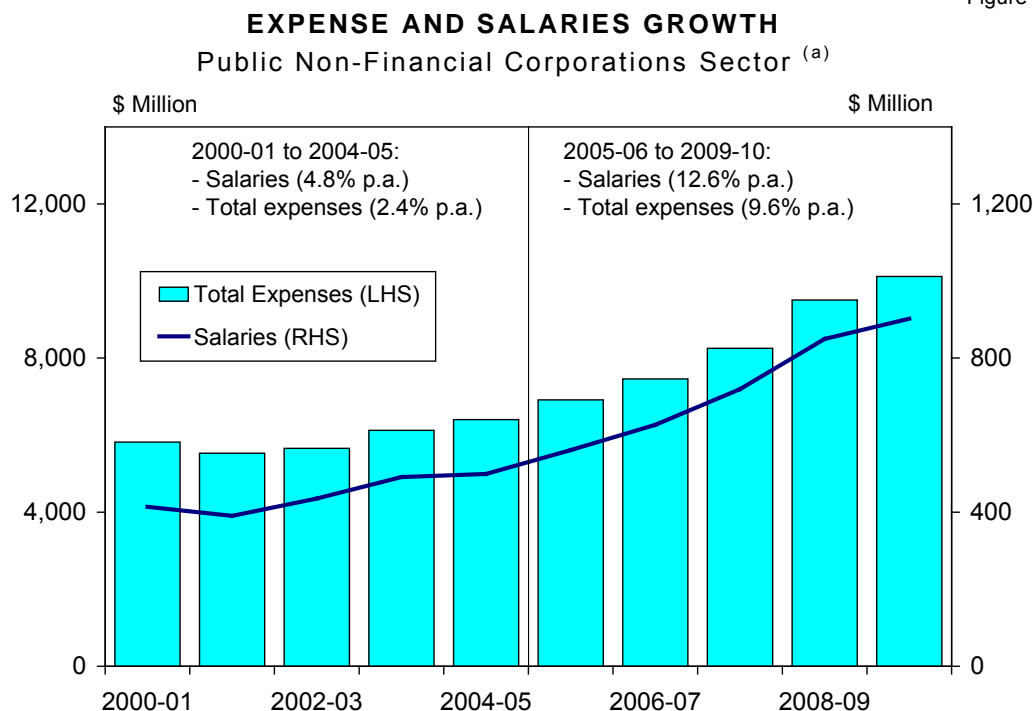
The PNFC sector includes most of the State's Government Trading Enterprises (GTEs)⁴. As part of measures to contain growth in net debt, the Government has decided to implement a 5% efficiency dividend on the discretionary operating expenditure of GTEs from 2011-12.

The efficiency dividend (and the associated improvement in GTE profitability) is expected to generate an additional \$277 million in dividends and tax equivalent revenue to the general government sector and reduce total public sector net debt by a total of \$515 million by 30 June 2015. These savings have been included as a central provision in this budget. Agency-level budget adjustments will be reflected in the 2011-12 Mid-year Review (to be published in December 2011). Further details are in Appendix 8: *Public Corporations – Impact on General Government Revenue and Expenses*.

The following chart shows that expenses (and salaries) for the PNFC sector have grown significantly in recent times. For example, salaries growth has accelerated from an average of 4.8% per annum over the period 2000-01 to 2004-05, to 12.6% over 2005-06 to 2009-10. The efficiency dividend will ensure that GTEs are operating as efficiently as possible.

⁴ GTEs include corporatised agencies that are subject to dividend and tax equivalent arrangements with the general government sector. Not all public corporations are GTEs.

Figure 2



(a) For comparative purposes, AlintaGas (which ceased operations in 2000-01) and Gold Corporation (which acquired a gold refinery in 2009-10) have been removed from the data underlying this chart.

Note: Columns may not add due to rounding.

Public Financial Corporations

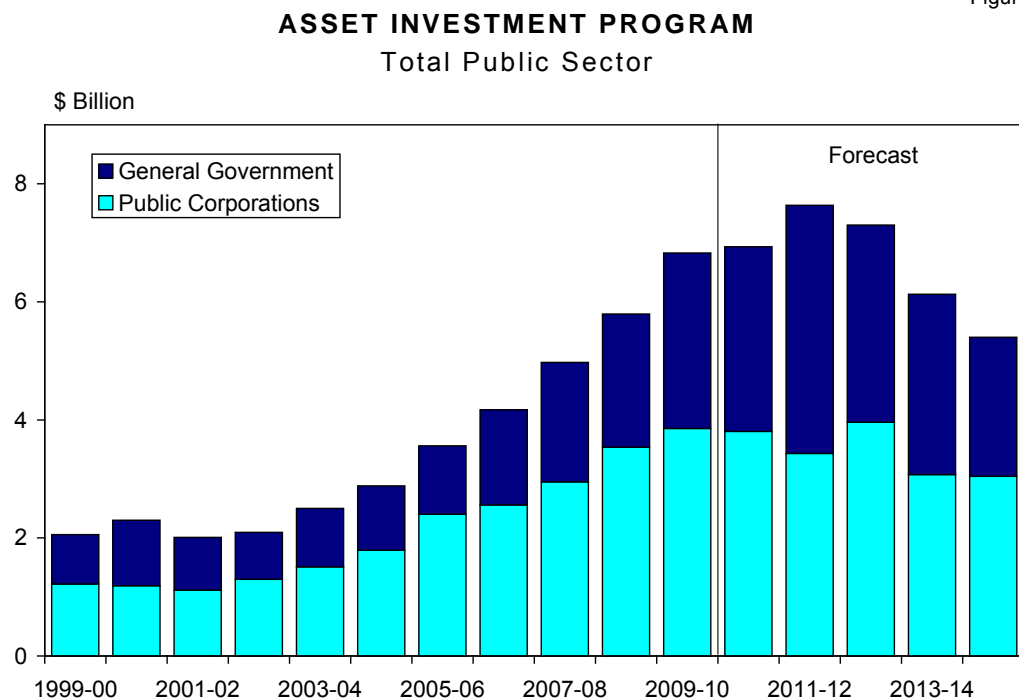
The public financial corporation sector is forecast to record an operating surplus of \$127 million in 2011-12. Surplus outcomes of increasing magnitude are also expected across the outyears, rising to \$184 million in 2014-15.

These outcomes are largely unchanged from the mid-year review, and mainly reflect the profitability of the Insurance Commission of Western Australia (which has substantial investment assets in support of the claims liabilities it manages).

Capital Investment

The Asset Investment Program for the total public sector is forecast to total \$7.6 billion in 2011-12, up from \$6.9 billion in the current financial year.

Figure 3



Note: Columns may not add due to rounding.

This budget includes \$1.9 billion of new policy decisions since the time of the mid-year review, including \$451 million in 2011-12. Of the total increase, \$1.5 billion is in the general government sector (discussed earlier), with the remaining \$422 million for the PNFC sector. The budget also includes additional parameter-driven increases to infrastructure spending. Significant changes to asset investment for the PNFC sector from 2011-12 include:

- \$217 million for social housing, including a significant boost of \$151 million for the provision of 284 homes for high need clients of the Disability Services Commission, Mental Health Commission and the Drug and Alcohol Office;
- higher investment in electricity infrastructure, including:
 - Western Power, including provisions (up \$260 million) to meet regulatory compliance obligations and to improve safety and reliability for electricity infrastructure throughout the State;
 - Horizon Power (up \$108 million) to address risks in the distribution and generation systems operated and maintained by the regional utility, and for upgrading its information system; and
 - Verve Energy (up \$50 million) for maintenance works on the Muja Power Station, and Pinjar and Mungarra Gas Turbines, to improve energy security and reliability of the main electricity grid and provide energy balancing services;

- land investment by the Western Australian Land Authority (up \$140 million), reflecting increased activity in response to new priority projects in the metropolitan region (such as the Claremont North East Precinct) and accelerated land delivery programs in areas such as Alkimos, Broome, Karratha and Kununurra;
- higher PTA spending, including:
 - \$164 million over five years to procure an additional 15 three-car train sets (with \$137 million to be spent over the forward estimates period to 2014-15); and
 - \$40 million on the purchase of additional buses to provide new services and improvements to existing services, offset by a \$50 million saving from the purchase of diesel fuelled buses in preference to buses using natural gas fuel; and
- lower spending by the Water Corporation, mainly reflecting:
 - deferral of the West Pilbara Desalination Plant (\$370 million, including \$5 million in 2010-11), due to recent heavy rain in the State's north;
 - an additional \$141 million for construction of water and wastewater distribution infrastructure in support of future urban residential land development; and
 - an extra \$65 million to upgrade and refurbish the pipeline between Wellington Dam and Shotts Industrial Park.

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

Like the general government sector discussed earlier, the PNFC sector also includes a provision for as yet unidentified slippage across the four year infrastructure program. These provisions are worth \$125 million in 2010-11 and \$375 million in 2011-12. The total provision for capital underspending represents 3% of the total program over 2010-11 and the forward estimates, which is conservative by historical standards.

Balance Sheet

Total public sector net worth is equal to that of the general government sector. This reflects the consolidation of the net worth of public corporations as an equity asset in the balance sheet of the general government sector, which was discussed earlier in this chapter.

Further detail of total public sector net debt and net financial liabilities are discussed below.

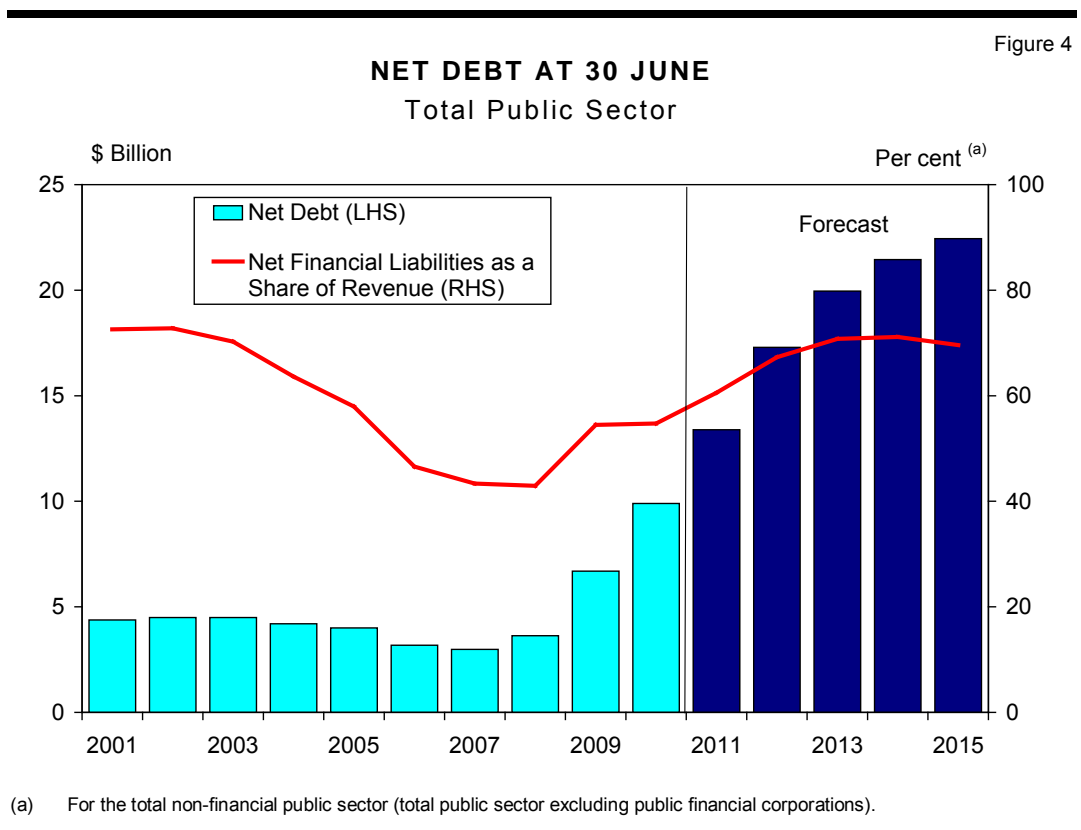
Cashflow Statement

A cash shortfall of \$3.9 billion is forecast for the total public sector in 2011-12. This reflects the large Asset Investment Program for the year (\$7.6 billion), which more than outweighs a cash surplus from operating activities of \$2.7 billion.

Reflecting the combination of continuing cash surpluses from operating activities as well as a declining annual infrastructure program, the magnitude of the cash shortfall is expected to decline across the outyears, with a forecast \$852 million cash shortfall in 2014-15.

Net Debt⁵ and Net Financial Liabilities⁶

Total public sector net debt is forecast to rise from an estimated \$13.4 billion at 30 June 2011 to \$22.4 billion by 30 June 2015. Rising net debt reflects significant infrastructure spending which is only partially funded by operating surpluses (with the balance largely funded by new borrowings).

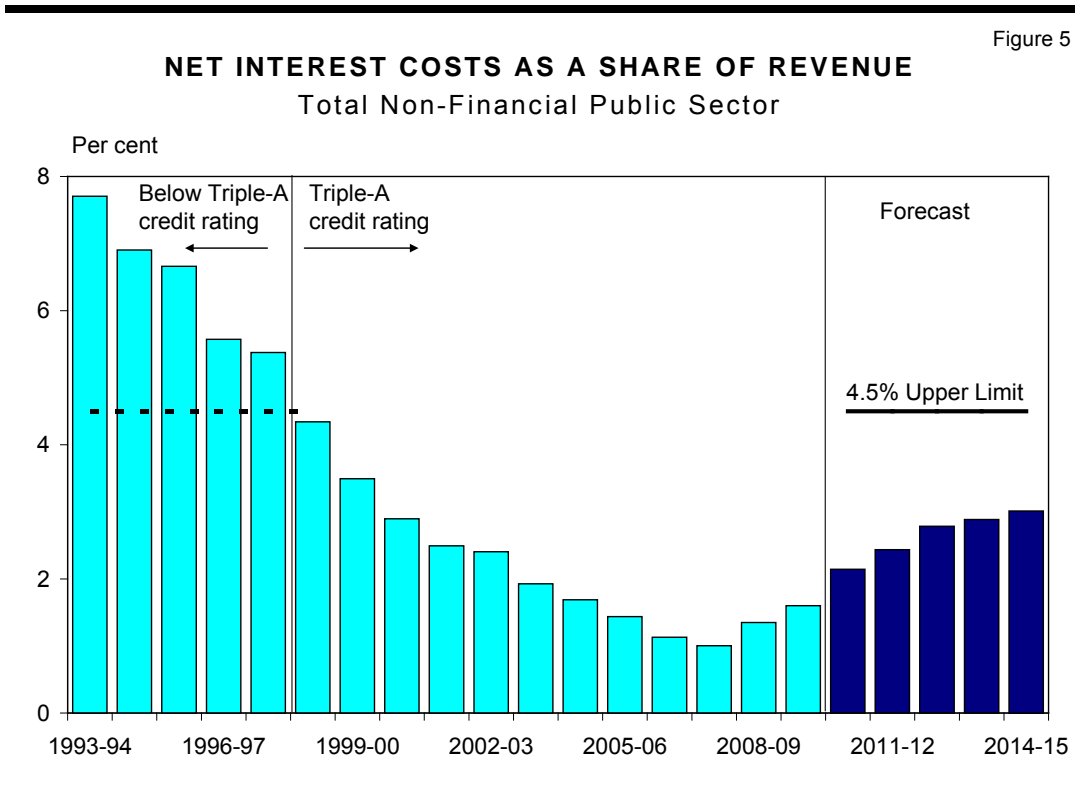


As noted earlier, this budget includes a \$3.5 billion package of measures to ensure that net debt levels remain sustainable and affordable. These measures result in the net financial liabilities to revenue ratio peaking at 71.1% in 2013-14 before declining to 69.6% in 2014-15, which is well below the 90% 'trigger' threshold set by Standard & Poor's for credit rating purposes.

⁵ Net debt is a balance sheet indicator based on Government Finance Statistics concepts. It is calculated as the difference between liquid financial assets (including cash and cash equivalents, loans made by government instrumentalities, and other liquid investments) and financial liabilities that attract a debt servicing cost (which also includes finance leases).

⁶ Net financial liabilities are a wider measure of balance sheet liabilities than net debt. References to net financial liabilities in this section are consistent with the definition applied by Standard & 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 I of these budget papers, as its calculation excludes some assets and liabilities that are included in the Uniform Presentation Framework (UPF) measure (e.g. government loan assets and accounts payable are not included in the Standard & Poor's measure).

Total non-financial public sector net interest costs as a share of revenue are projected to reach a maximum 3.0% in 2014-15, compared to the Government’s financial target limit of 4.5% (see chart below).



The following table summarises changes in the projected level of total public sector net debt since the 2010-11 Mid-year Review.

Table 7

NET DEBT OF THE TOTAL PUBLIC SECTOR AT 30 JUNE

	2011 \$m	2012 \$m	2013 \$m	2014 \$m	2015 \$m
2010-11 MID-YEAR REVIEW - TOTAL PUBLIC SECTOR NET DEBT	14,009	16,774	18,305	19,886	
<i>Less</i> change in net cashflows from operating activities and dividends paid					
- general government	-200.1	-607.7	-108.9	453.9	
- public non-financial corporations	159.9	25.9	-168.4	-133.3	
- public financial corporations	-1.4	-4.8	-1.8	-4.0	
<i>Total public sector</i>	<i>-41.6</i>	<i>-586.5</i>	<i>-279.1</i>	<i>316.7</i>	
<i>Plus</i> purchases of non-financial assets					
<i>Policy decisions</i> ^(a)					
- Perth Waterfront Project	0.4	48.0	162.2	135.9	22.3
- Health	-	7.7	47.0	142.4	102.0
- Social Housing	25.0	164.5	37.8	14.4	-
- Water Corporation	1.0	97.6	116.3	9.6	-
- Roads	-	24.9	103.4	78.2	5.0
- Additional train sets and buses	-	25.0	51.6	59.4	41.1
- Education	-	31.0	47.0	36.0	55.0
- Electricity Utilities	19.7	73.5	36.6	2.4	17.4
- Deferral of Eastern Goldfields Regional Prison	-53.7	-76.7	-28.8	62.7	89.5
- Deferral of West Pilbara Desalination Plant	-5.0	-135.0	-200.0	-30.0	-
- Other	20.2	190.9	77.9	75.7	88.3
<i>Total policy decisions</i>	<i>7.6</i>	<i>451.4</i>	<i>451.1</i>	<i>586.6</i>	<i>420.7</i>
<i>Parameter movements</i>					
- Reduction in Underspend Provision (2010-11 Program)	500.0	-	-	-	
- Provision for Underspend (2011-12 Program)	-	-750.0	-	-	
- Education	-441.5	430.5	16.3	8.0	
- Health	-101.0	119.1	89.4	-22.9	
- Main Roads	-100.2	47.5	78.2	-29.7	
- Electricity Utilities	-234.3	-25.9	276.2	55.9	
- Western Australian Sports Centre Trust	-56.5	56.7	-	-	
- Fremantle Port Authority	-53.4	53.4	-	-	
- Public Transport Authority	-50.5	29.8	20.7	-	
- Agriculture and Food	-6.3	-22.8	-79.1	-51.4	
- Other	-147.4	165.1	149.1	-144.8	
<i>Total parameter movements</i>	<i>-691.0</i>	<i>103.4</i>	<i>550.8</i>	<i>-184.8</i>	
<i>Total purchase of non-financial assets</i>	<i>-683.4</i>	<i>554.8</i>	<i>1,001.9</i>	<i>401.9</i>	
<i>Less</i> proceeds from sale of non-financial assets	<i>-102.5</i>	<i>8.1</i>	<i>105.1</i>	<i>155.5</i>	
<i>Plus</i> all other financing ^(b)	<i>-82.4</i>	<i>4.9</i>	<i>-38.3</i>	<i>-19.5</i>	
<i>Cumulative impact on net debt at 30 June</i>	<i>-621.7</i>	<i>516.4</i>	<i>1,654.0</i>	<i>1,564.1</i>	
2011-12 BUDGET - TOTAL PUBLIC SECTOR NET DEBT	13,387	17,291	19,959	21,451	22,441

(a) An agency listing of the infrastructure policy decisions taken since the 2010-11 Mid-year Review is provided in Appendix 4.

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

Note: Columns may not add due to rounding.

Fiscal Strategy

The Government is committed to responsible and sustainable financial management outcomes, using the financial targets outlined below as the framework for delivering this commitment.

Financial Targets

The Government's financial targets are unchanged from last year. These targets are to:

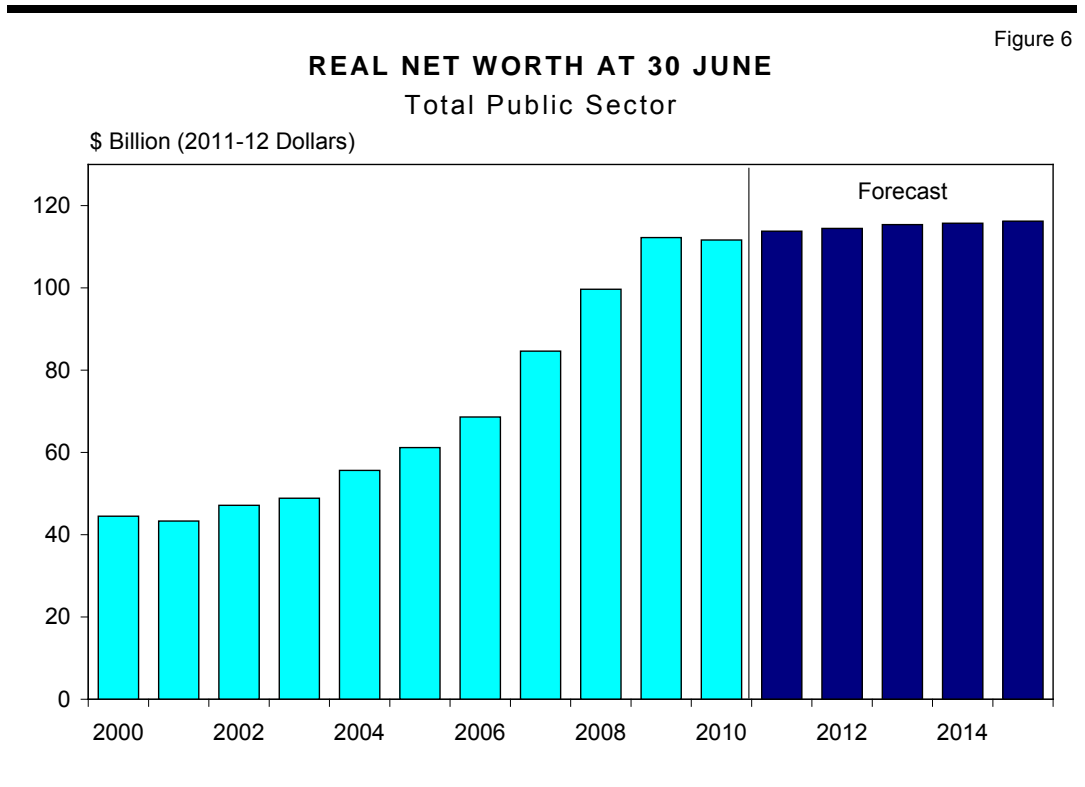
- maintain or increase the real net worth of the total public sector;
- achieve an operating surplus for the general government sector;
- maintain the ratio of total non-financial public sector net interest costs as a share of revenue at or below 4.5%;
- ensure that real per capita own-purpose general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

Maintain or Increase Real Net Worth of the Total Public Sector

This target is forecast to be met in each of the forward estimate years.

Net worth represents the difference between total assets and total liabilities. This target measures the strength of the State’s financial position, with an increase in net worth in real terms indicating a strengthening balance sheet after adjusting for inflation.

In nominal terms, net worth is projected to be around \$111 billion at 30 June 2011, rising to around \$125 billion by the end of the forward estimates period. This increase is driven by operating surpluses across all sectors of government in each year of the forward estimates period.



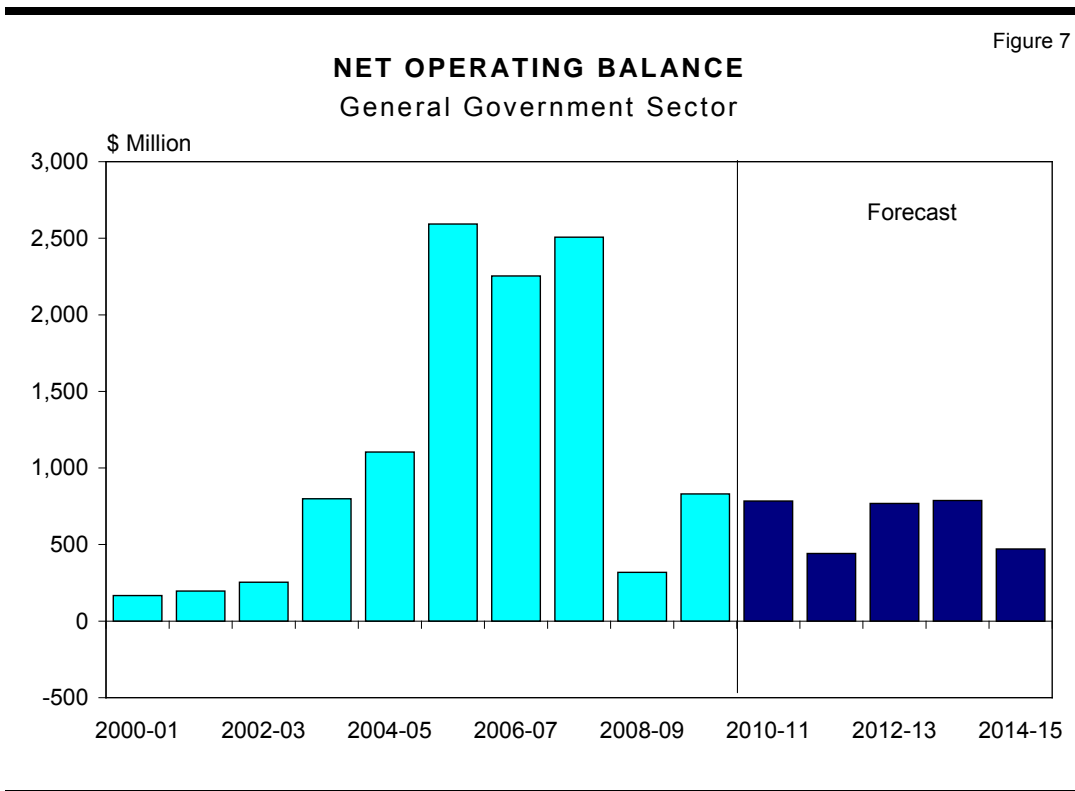
Achieve an Operating Surplus for the General Government Sector

General government sector operating surpluses are anticipated across the entire forecast period, although as indicated in the chart below, the projected surpluses are significantly lower than those recorded during the 2005-06 to 2007-08 period.

Operating surpluses (i.e. the balance of revenue over expenditure on the public sector’s day-to-day operating activities, excluding capital investment) are an important source of cash funding for infrastructure investment. The general government sector, which is the focus of this target, comprises key service delivery and regulatory agencies, but excludes GTEs and other public corporations.

Following an estimated surplus of \$784 million in the current financial year, a general government operating surplus of \$442 million is budgeted for 2011-12.

The relationship between the general government sector operating balance, the total public sector cash position and movements in net debt is outlined in a feature box earlier in this chapter.

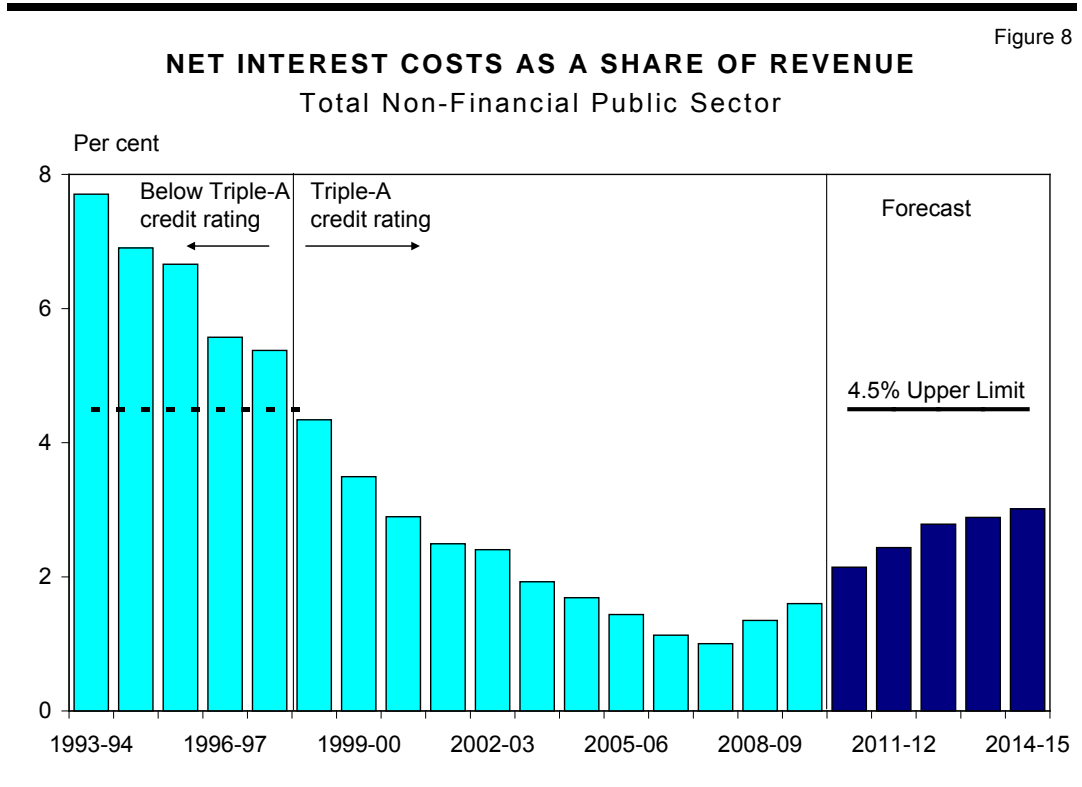


Maintain Total Non-Financial Public Sector Net Interest Costs as a Share of Revenue Below 4.5%

This target is expected to be met in 2011-12 and each year of the forward estimates period.

The ratio of net interest costs to revenue measures the affordability of borrowings by both the general government sector and public corporations such as the Water Corporation, port authorities and electricity entities. These borrowings are used to support investment in essential economic and social infrastructure.

Net interest costs are forecast to increase to 2.4% of revenue in 2011-12, up from 2.1% in 2010-11, and reach a maximum 3.0% by 2014-15. These levels remain well below the Government’s 4.5% upper target limit.

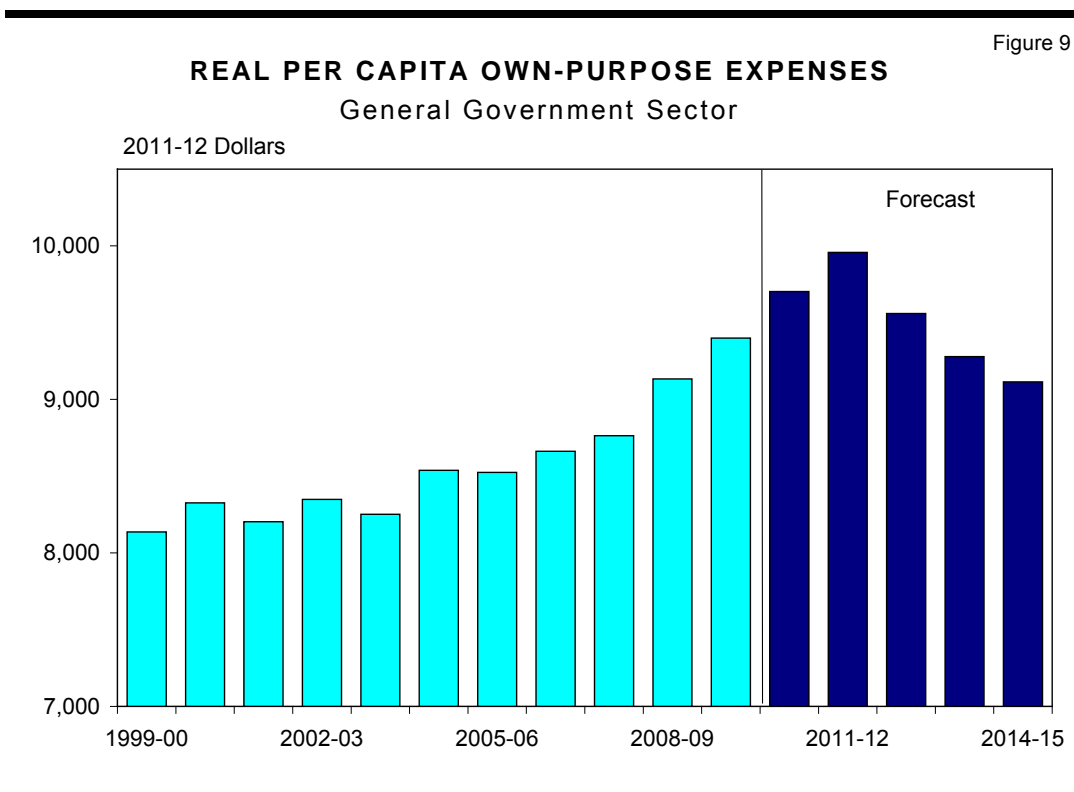


Ensure that Real Per Capita Own-Purpose Expenses for the General Government Sector do not Increase

This target measures growth in day-to-day spending controlled by the State Government. The target abstracts from Commonwealth grants passed through the State, and provides for expenses to grow in line with increases in population and the Wage Price Index (wages and salaries are the most significant day-to-day running cost for the general government sector).

As forecast in the 2010-11 Mid-year Review, the target is not expected to be met in 2010-11. The target is also not expected to be met in 2011-12, reflecting the impact of new spending supporting the delivery of services by the not-for-profit sector, higher subsidies for electricity consumers, targeted spending increases in key service delivery agencies, and the transfer of assets to local government associated with completion of the Ord-East Kimberley Expansion Project (these asset transfers are expensed for accounting and government financial reporting purposes).

The target is forecast to be met in each of the outyears.



The projections include the Government’s substantial savings measures implemented in the previous two budgets (including recommendations from the Economic Audit Committee, implementation of the 3% efficiency dividend, and two rounds of voluntary separations). A new round of measures included in this budget (including a provision for targeted savings in agency programs and activities and a new round of voluntary separations) are reflected in the outyears.

Provide a Fair and Efficient Tax System that is Competitive with other States

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

Performance against this target is assessed by reference to a variety of indicators which together indicate that the State has a competitive tax system. These include tax revenue as a share of Gross State Product (GSP), tax revenue on a per capita basis, and total tax 'effort' as calculated by the CGC.

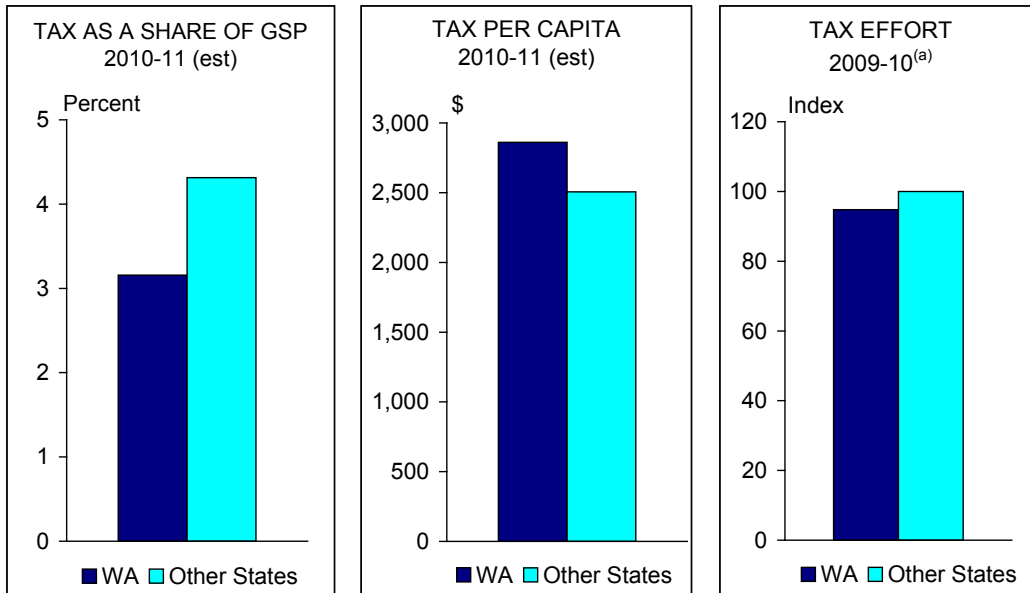
Tax as a proportion of the economy (i.e. GSP) is an internationally recognised measure of tax competitiveness, which, unlike tax per capita, accounts for the impact of differences in the size and composition of each State's economy on tax revenue. Western Australia's tax to GSP ratio is expected to be 3.2% in 2010-11. This is the lowest of all States and compares to an average of 4.3% in the rest of Australia.

In contrast, tax per capita in Western Australia is higher than other States. This mainly reflects Western Australia's higher per capita economic base, as opposed to higher average tax rates. Under the CGC process, this relative economic advantage is redistributed to other States through a reduction in Western Australia's share of national GST revenue.

Tax effort refers to the level of tax actually raised by a State, divided by the State's 'standardised' tax revenue (i.e. the level of tax revenue the CGC estimates the State would have raised had it applied national average State tax rates and concessions). According to the CGC, Western Australia's tax effort was 5.2% lower than the national average in 2009-10 (the latest available year). Tax effort was higher in New South Wales, Victoria and South Australia.

Figure 10

TAX COMPETITIVENESS
Various Measures



Source: Department of Treasury and the CGC.

Statement of Risks

Estimating Assumptions

Key economic and revenue parameters underlying the 2011-12 Budget are detailed in the following table.

Table 8

KEY ECONOMIC AND REVENUE PARAMETERS						
Annual Growth (%)						
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
Gross State Product (GSP)	4.3	4.0	4.5	4.0	4.0	4.0
Gross State Income (GSI)	3.6	14.5	2.75	0.25	0.25	-0.25
Population	2.4	2.3	2.2	2.2	2.1	2.1
Employment	0.3	3.0	2.5	2.5	2.25	2.0
Unemployment rate ^(a)	5.0	4.5	4.5	4.25	4.25	4.0
Consumer Price Index (CPI)	2.5	2.75	3.0	3.25	3.25	3.25
Wage Price Index (WPI)	3.3	4.0	4.25	4.5	4.5	4.5
\$US/\$A exchange rate (cents) ^(a)	88.3	98.0	97.5	90.6	83.7	76.9
Iron ore price (\$US per tonne) ^(a)	75.0	138.7	149.1	128.8	108.2	87.5
Crude oil price (\$US per barrel) ^(a)	75.2	90.1	108.0	105.0	102.6	101.4

(a) Average level over the year.

Economic Outlook

A detailed analysis of the State's economic outlook and associated risks is presented in Chapter 2: *The Western Australian Economy*.

Carbon Tax

A particular risk to the economic outlook relates to the Commonwealth Government's proposed carbon tax. Many key details of the new tax, including the carbon price and compensation for energy-intensive, trade-exposed industries, had not been confirmed at the time of this budget. There is a risk that the carbon tax – and the uncertainty leading up to its planned implementation – could deter investment in the State's LNG and magnetite iron ore sectors, which would adversely impact the economic forecasts underpinning this budget. Indeed, if a carbon tax were to be effective in reducing emissions, it must in turn have a significant economic impact, through activity, prices or both.

Minerals Resource Rent Tax

Ongoing uncertainty in relation to the Commonwealth Government's Minerals Resource Rent Tax (MRRT), which is proposed to commence on 1 July 2012, could also potentially affect future business investment, particularly in the State's emerging magnetite iron ore sector.

This uncertainty extends to the interaction of the MRRT with the State's royalties. Previous assurance has been given by the Commonwealth Government that the royalty increase contained in this budget would be accommodated by the MRRT. If this assurance is not honoured, there will be significant consequences for investor certainty and State revenue projections.

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 9

APPROXIMATE PARAMETER SENSITIVITY OF REVENUE ESTIMATES 2011-12

	Variability (\$m)	Detail
Royalty income and North West Shelf grants	±60	For each US1 cent decrease/increase in the \$US/\$A exchange rate
Iron ore royalties	±28	For each \$US1 per tonne increase/decrease in the price of iron ore
Petroleum royalties	±4	For each \$US1 increase/decrease in the price of a barrel of oil
Payroll tax	±29	For each one per cent increase/decrease in taxable wages or employment growth (i.e. the total wages bill)
Transfer duty	±18	For each one per cent increase/decrease in average property prices

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

State Taxes (\$6,965 million in 2011-12)

Tax Forum

On 20 March 2011, the Commonwealth Treasurer announced that the Commonwealth Government will hold a Tax Forum on 4-5 October 2011 to assist the Commonwealth to develop its tax reform agenda. The Commonwealth Treasurer's press release indicated that the Forum would focus on a broad range of topics, including State taxes.

The State tax revenue estimates in this budget are based on the assumption of no change in tax bases or rates as a result of any new reform. Any agreed changes to State taxes following the Forum could have positive or negative revenue effects, and would be incorporated in the revenue estimates as appropriate at that time.

Transfer Duty

Forecasting transfer duty is a challenging task, reflecting the cyclical nature of activity in the State's housing market and the amplitude of those cycles.

The transfer duty forecasts in this budget are based on an assumption that residential property prices will increase slightly in 2011-12, and that the number of taxable property transactions gradually recovers to its long-run trend level by 2014-15. A key risk to the outlook is that if sentiment in the housing market remains low, there could be continued weakness in housing turnover.

Commonwealth Grants (\$9,762 million in 2011-12)

General Purpose Grants

Growth in Western Australia's general purpose grants fundamentally depends first on growth in the Commonwealth's overall GST collections, exposing Western Australia directly to national economic conditions. And second, on the distribution of GST collections among States and Territories according to the recommendations of the CGC.

There are two key risks known to Western Australia in this process. The first is the risk associated with increases and decreases in the total pool of GST collected, and the second is Western Australia's declining share of the total GST pool. The first risk factor sees Western Australia exposed to fluctuations in national economic conditions. An example of such exposure is Western Australia's share of the GST pool being revised down by \$725 million over the budget and forward estimates period since the State's mid-year review, on account of lower estimates of GST pool growth.

The second risk factor, relating to Western Australia's declining share of the total pool of GST revenue collected, is presently at critical levels. This risk is occasioned by CGC methodology. Essentially, the CGC's recommendations incorporate estimates of each State's and Territory's capacity to raise revenue from its own sources and its costs of providing services, compared to other States, yielding substantial penalties in the form of reduced GST grants for Western Australia. There are hundreds of variables at play in the complicated and now largely capricious 'equalisation' formula used in the distributive process by the CGC. Given the complex methodology and numerous variables taken into consideration, significant difficulties are attached to predicting Western Australia's future share of GST revenue. However, as discussed in depth in Chapter 4: *General Government Revenue*, Western Australia's current estimates are that the State's population share of GST will fall to a record low of 33% by 2014-15.

However, while the Prime Minister has announced a review of the arrangements for distributing GST revenue grants among the States and Territories, and the review is likely to significantly alter Western Australia's GST grant share from 2013-14 onwards, sufficient uncertainties exist regarding the outcome of the review to warrant forward estimates based essentially on a continuation of current arrangements (even though those arrangements are almost certain to change).

Some argument exists to suggest that some estimate of the additional revenue anticipated from the reform of the GST distribution system could or should be included in the forward estimates for this budget. Notably that, commencing in 2013-14, which is the financial year the Federal Treasurer has nominated as potentially the first baseline year of a new GST redistribution system, some estimate of the increase in GST grant share and revenue could be shown in 2013-14 and 2014-15.

By way of explaining the significant sensitivity for Western Australia's budget in 2013-14 and 2014-15 to any changes in the GST sharing arrangements, the following should be noted.

As part of the GST review the State Government will continue to push for a 75% 'floor' under the share any State or Territory receives from national GST collections relative to its population-based share. If achieved, this would add an estimated \$1.8 billion to Western Australia's GST grants in 2013-14 and a further \$2.5 billion in 2014-15. As illustrated by the following table, this would, all other factors being equal, result in a substantially lower profile for the State's net debt, with an expected peak in net debt in 2012-13.

Table 10

**KEY BUDGET AGGREGATES
ADJUSTED FOR 75% GST RELATIVITY ^(a) 'FLOOR'
Western Australia**

	2010-11 Estimated Actual	2011-12 Budget Estimate	2012-13 Forward Estimate	2013-14 Scenario Estimate	2014-15 Scenario Estimate
Increase in GST grants	-	-	-	1,791	2,534
GENERAL GOVERNMENT SECTOR					
Net Operating Balance (\$m)	784	442	768	2,578	3,124
Revenue (\$m)	23,777	25,224	26,235	29,000	30,736
Revenue Growth (%)	7.9	6.1	4.0	10.5	6.0
Expenses (\$m)	22,994	24,783	25,466	26,422	27,612
Expense Growth (%)	8.4	7.8	2.8	3.8	4.5
TOTAL PUBLIC SECTOR					
Net Debt at 30 June (\$m)	13,387	17,291	19,959	19,660	17,997
Asset Investment Program (\$m)	6,936	7,638	7,303	6,129	5,401
Cash Position (\$m)	-3,492	-3,903	-2,668	299	1,663
KEY FINANCIAL RATIOS					
Net Interest Cost to Revenue (%)	2.1	2.4	2.8	2.8	2.6
Net Financial Liabilities to Revenue (%)	60.5	67.3	70.8	64.3	56.8

(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.

Risks associated with North West Shelf grants (which are classed as general purpose grants) revolve mainly around oil price and exchange rate volatility (see *Royalty Income* below).

Payments for Specific Purposes

The forward estimates of payments for specific purposes, and associated impacts on State spending, have a significant margin of uncertainty, reflecting:

- the potential for Commonwealth policy changes (including possible new National Partnerships), including greater intrusion by the Commonwealth into the delivery of State services;
- uncertainty over the outcomes of the Commonwealth's proposed changes to health funding;
- that some National Partnership payments are contingent on the State's performance and may require the State to match Commonwealth funding;
- that National Partnership agreements continue to impose inflexible input controls and onerous reporting requirements, which may limit the State's autonomy and ability to improve service outcomes;
- in some cases, the need for the States to compete for national pools of funding, and to provide matching funding; and
- parameter uncertainties (such as timing and indexation for inflation and wages growth).

Commonwealth Funding for Infrastructure

In its 2007 election, the Commonwealth Government committed 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 CGC process. However, there had been no formal agreement on this issue at the time of the budget cut-off date (20 April 2011).

On 2 May 2010, the Commonwealth indicated that some of the additional revenue from its proposed mining tax regime would be directed to a Regional Infrastructure Fund from 2012-13. The Commonwealth has committed that Western Australia would receive at least \$2 billion over 10 years from the Fund (out of a total of \$6 billion). However, no provision for this funding has been made in the State forward estimates at this stage.

Royalty Income (\$4,794 million in 2011-12)

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.

Exchange Rate

The exchange rate projections underlying this budget are based on an assumption that the current rate moves towards the long-term average (of US74 cents) by the end of the forward estimates period⁷.

There is a risk that the \$US/\$A could remain at a high level for a sustained period, particularly if global commodity markets remain strong and if domestic interest rates remain relatively high.

Iron Ore Prices

Iron ore prices are assumed to return to a value of \$US78 per tonne over the course of the forward estimates period⁸. This is broadly consistent with Consensus Forecasts, and reflects an expectation that the global supply of iron ore will gradually accelerate in coming years in response to current high prices.

To the extent that global demand remains strong, there is some upside risk to the price forecasts, particularly in the short run. Conversely, if global economic conditions were to deteriorate sharply, this could result in a significant contraction in iron ore prices.

Spending Risks

Savings Measures

As part of a strategy to contain growth in net debt, this budget includes initiatives to:

- achieve savings from a targeted review of specific programs and activities that no longer provide value for money; and
- implement a 5% efficiency dividend across the State's GTEs (to be applied from 2011-12 and target discretionary expenditure of the affected corporations, such as salaries and administration).

The resulting impacts on general government revenue (through tax equivalent and dividend arrangements) and expenses, and the anticipated effect on total public sector net debt, have been calculated by the Department of Treasury (based on financial estimates available during budget formulation).

There are risks that projected financial benefits for 2011-12 and beyond will change as the affected agencies implement these savings initiatives. The exact savings and reduction in net debt will be finalised as part of the 2011-12 Mid-year Review.

⁷ This equates to an average exchange rate of US76.9 cents in 2014-15.

⁸ This equates to an average iron ore price of \$US87.5 per tonne in 2014-15.

Road Trauma Trust Fund

The Government announced in April 2011 that, by 2012-13, all speed and red light infringement revenue will be allocated to the Road Trauma Trust Fund (RTTF). The appropriation of this revenue to the RTTF is reflected in this budget.

However, spending these funds is subject to the submission of individual business cases and subsequent approval by Cabinet. As expenditure decisions are yet to be taken by Cabinet, the spending of these funds is not reflected in the forward estimates. This strategy has been adopted to provide the best utilisation of RTTF funding to deliver the Government's 'Towards Zero' program.

Electricity Tariffs

Despite recent increases in electricity tariffs, there remain a number of risks for the cost of providing electricity in Western Australia. These include the Commonwealth Government's proposed carbon tax and renewable energy policies, and the forthcoming review of network tariffs under Western Power's Access Arrangement 3 (AA3).

Asset Investment

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

Health Information and Communications Technology Project

The Department of Health's Asset Investment Program includes approved spending of \$335 million for the ICT Project. Outcomes of a review of system-wide needs and associated funding requirements are expected to be presented to Government during 2012-13. It is envisaged that this review will provide clarity on the ICT scope and budgets of individual health infrastructure projects and the system-wide Health Information Network.

Western Power Capital Expenditure

Western Power is required to provide its AA3 submission to the Economic Regulation Authority on 1 October 2011. This access arrangement will outline Western Power's capital investment over the period 2012-13 to 2016-17. Additional capital expenditure may be required to meet growth requirements in the network and undertake asset maintenance and replacement to mitigate safety, security and reliability issues.

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 2010 are provided in the 2009-10 *Annual Report on State Finances*, released on 28 September 2010. At that time, quantified guarantees, warranties, indemnities and sureties totalled \$1.2 billion at the end of 30 June 2010. No material change to that disclosure has been noted to date.

General Government Revenue

Overview

General government revenue, including Commonwealth grants, is projected to grow at an average rate of 4.4% per year over the period 2010-11 to 2014-15. This compares with average growth of 10.8% per annum during the resources boom (2003-04 to 2007-08), and average growth of 8.5% per annum over the past decade.

Of particular note is the widely divergent outlook for the State's own-source revenue (predominantly State taxes and mining royalties) and Commonwealth grants (see Figure 1).

Growth in own-source revenue has been strong in 2010-11, with robust conditions in global commodity markets driving a sharp increase in royalty income, particularly for iron ore. Royalties are likely to be sustained at a high level over the budget period, underpinned by rising domestic production and further reform of iron ore royalty rates. These factors should offset projected moderation in commodity prices over the medium term.

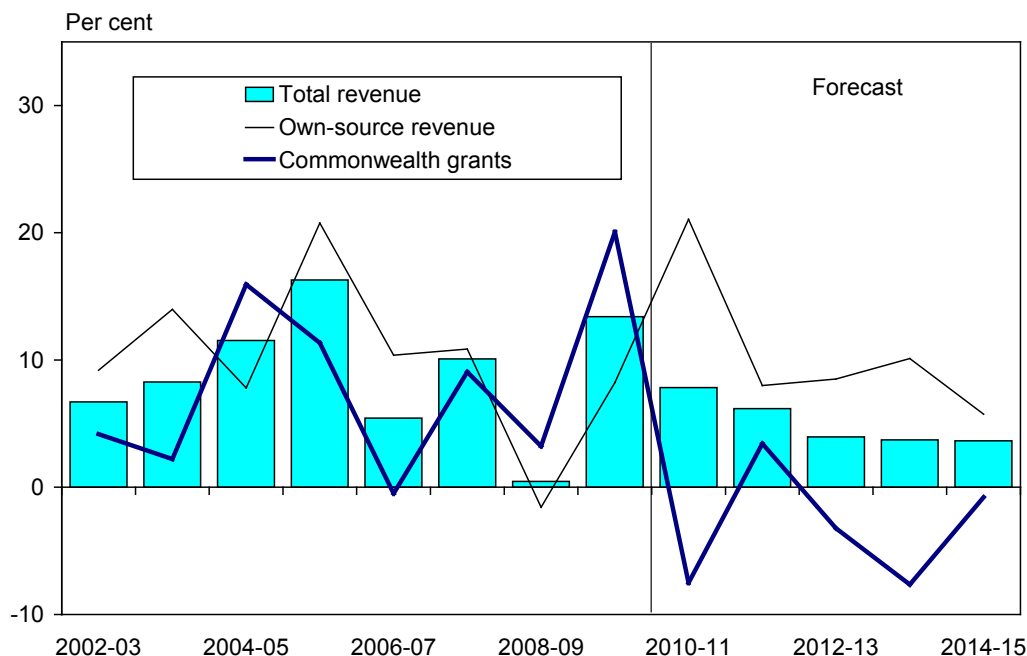
After a subdued outcome in 2010-11 (largely due to a weak housing market), taxation revenue is also expected to rise at a solid pace over the budget period, consistent with expectations of steady growth in domestic economic activity.

Total own-source revenue is projected to grow at an average rate of 8.1% per annum from 2010-11 to 2014-15.

Conversely, Commonwealth grants are expected to decline significantly over the budget period, mainly due to lower GST revenue. This reflects the principle of 'fiscal equalisation', which is applied by the Commonwealth Grants Commission (CGC) in allocating national GST revenue to the States and Territories. Based on the current CGC methodology, Western Australia's GST grants are projected to fall dramatically over the forward estimates period, from \$3.6 billion in 2011-12 to just \$2.0 billion in 2014-15.

Figure 1

REVENUE GROWTH General Government Sector



2010-11

The estimated actual for total revenue in 2010-11 is \$23.8 billion, which is a \$1.7 billion or 7.8% increase relative to 2009-10.

The main driver of growth is higher royalty income (up \$1.8 billion or 79.0%), mostly due to a sharp rise in \$US iron ore prices, higher production levels and an increase in iron ore royalty rates¹.

Revenue in 2010-11 has also been boosted by a one-off payment of \$350 million by BHP Billiton and Rio Tinto in recognition of less restrictive requirements under State Agreement Acts. This payment has been allocated to the New Children's Hospital.

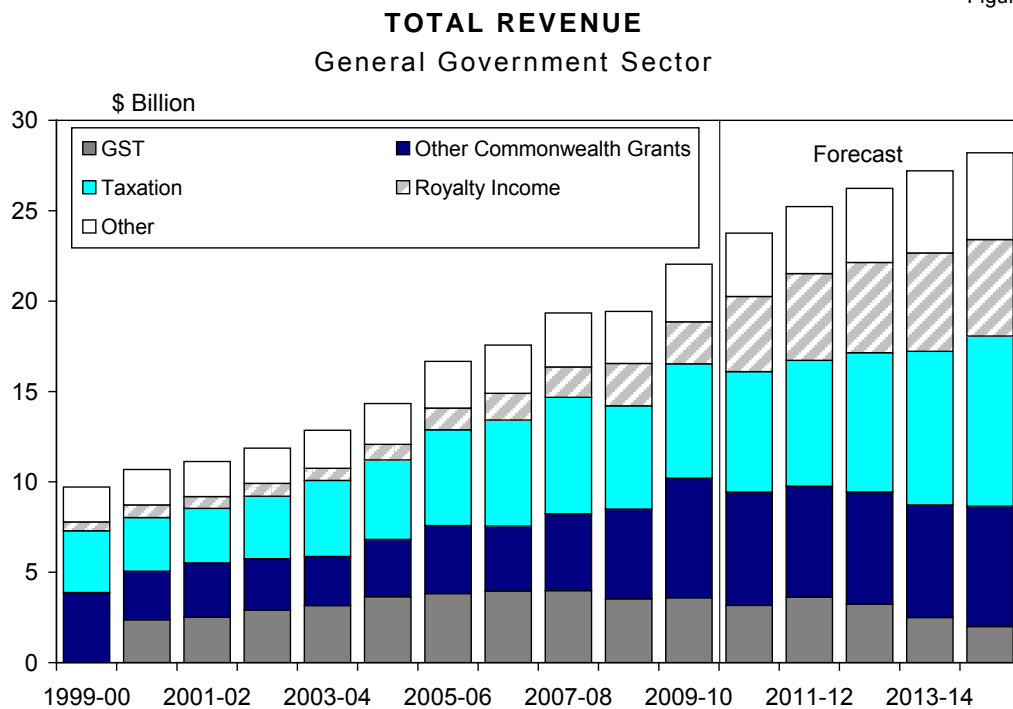
Other sources of State revenue in 2010-11 have been subdued. Transfer duty has decreased significantly (down \$385 million or 24.8% relative to 2009-10), mainly reflecting weaker conditions in Western Australia's established housing market. Although payroll tax has increased, total taxation revenue (in underlying terms²) is expected to contract slightly in 2010-11.

¹ In June 2010, the State Government announced an agreement with major iron ore producers to reform royalty rates in State Agreement Acts. The main change was to increase the royalty rate for iron ore 'fines' from 3.75% to 5.625% (with effect from 1 July 2010), which is consistent with the rate paid by other iron ore producers in Western Australia.

² That is, abstracting from the one-off payment of \$350 million by major iron ore producers, which is classified as a 'tax' for government financial reporting purposes.

At the same time, total Commonwealth grants to Western Australia are projected to fall by \$767 million (or 7.5%) in 2010-11. The withdrawal of Commonwealth stimulus funding, and a cut in Western Australia’s share of national GST revenue (from 8.1% in 2009-10 to 7.0% in 2010-11), are the main reasons for this decline.

Figure 2



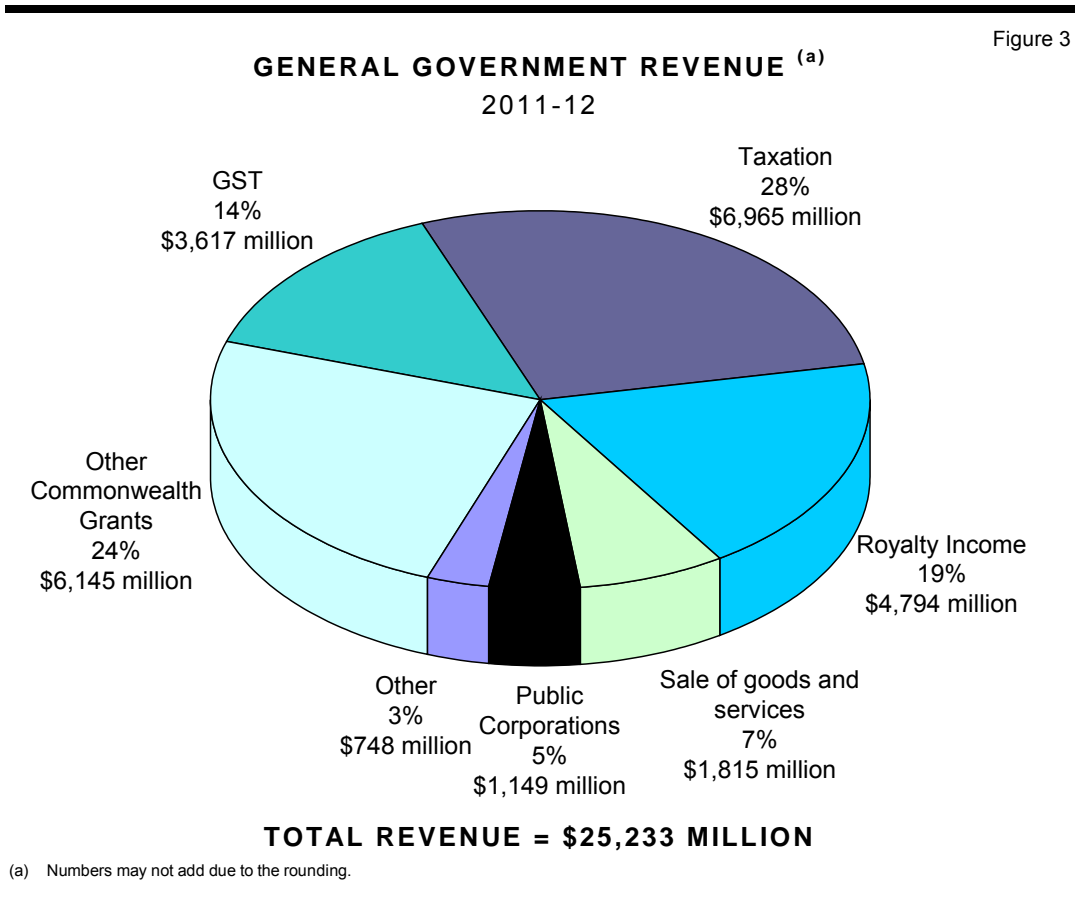
2011-12

Total revenue is forecast to grow by \$1.5 billion (or 6.2%) to \$25.2 billion in 2011-12. Compared to 2010-11, the drivers of revenue growth in 2011-12 are expected to be more evenly balanced.

Taxation revenue is expected to strengthen in 2011-12, underpinned by higher transfer duty collections (due to an assumed improvement in the established housing market), and continued solid growth in payroll tax. Overall, total taxation revenue is forecast to grow by \$303 million (or 4.5%) in 2011-12 – or by 10.3% after abstracting from the one-off payment of \$350 million in 2010-11 by major iron ore producers.

The outlook for royalty income is also positive. Total royalties are forecast to grow by \$636 million (or 15.3%) in 2011-12, largely due to a projected increase in iron ore royalties.

GST revenue is also expected to increase in 2011-12 (by \$452 million or 14.3%). This reflects projected growth in the national GST pool (notwithstanding recent downward revisions to national GST collections) and a rise in the State’s share of GST revenue (from 7.0% in 2010-11 to 7.4% in 2011-12). However, as explained later in this chapter, the increase in Western Australia’s share of GST revenue is expected to be short-lived.



The composition of State revenue has changed significantly in recent years. Royalty income is expected to account for 19% of total revenue in 2011-12, up from 9% in 2007-08 and 6% a decade ago. Conversely, Commonwealth grants are shrinking rapidly as a source of State revenue. After hitting a peak of almost 50% in 2001-02, Commonwealth grants are expected to account for around 39% of total revenue in 2011-12, and approximately 31% by the end of the forward estimates period.

In 2011-12, the main sources of State revenue are expected to be:

- taxation (\$7.0 billion);
- Commonwealth grants (other than GST) (\$6.1 billion);
- royalty income (\$4.8 billion);
- GST (\$3.6 billion);

- sales of goods and services revenue (\$1.8 billion); and
- revenue from public corporations (\$1.1 billion).

2012-13 Onwards

Revenue growth is expected to moderate over the period 2012-13 to 2014-15, with the main detractor from growth being a projected decline in GST revenue.

Under the principle of 'fiscal equalisation', which is applied by the CGC in allocating national GST revenue to the States and Territories, and based on the current CGC methodology, Western Australia's per capita share is expected to contract significantly after 2011-12.

This primarily reflects the current strength in Western Australia's capacity to generate royalty income relative to other States. As recent growth in Western Australia's revenue raising capacity (including in relation to iron ore royalties) is progressively reflected in data used by the CGC (a rolling three-year average), the State's GST grant share is forecast to drop from 7.4% in 2011-12 to just 3.5% by 2014-15.

Table 1

GENERAL GOVERNMENT Operating Revenue

	2009-10 Actual \$m	2010-11 Estimated Actual \$m	2011-12 Budget Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m
Taxation	6,324	6,662	6,965	7,697	8,499	9,414
<i>Growth (%)</i>	10.8	5.3	4.5	10.5	10.4	10.8
GST revenue grants	3,590	3,165	3,617	3,233	2,497	1,997
<i>Growth (%)</i>	1.7	-11.8	14.3	-10.6	-22.8	-20.0
SPPs 'through' the State ^(a)	1,473	1,307	1,092	1,165	1,259	1,360
<i>Growth (%)</i>	35.2	-11.2	-16.5	6.7	8.1	8.0
Other Commonwealth grants ^(b)	5,143	4,966	5,053	5,049	4,968	5,300
<i>Growth (%)</i>	32.5	-3.5	1.8	-0.1	-1.6	6.7
Sales of goods and services	1,635	1,718	1,815	1,905	2,000	2,101
<i>Growth (%)</i>	15.9	5.1	5.6	4.9	5.0	5.1
Interest income	227	309	355	354	353	309
<i>Growth (%)</i>	-20.5	36.3	14.8	-0.3	0.0	-12.5
Revenue from public corporations	920	1,055	1,149	1,426	1,771	1,969
<i>Growth (%)</i>	12.1	14.7	8.9	24.1	24.2	11.2
Royalty income	2,324	4,159	4,794	4,998	5,447	5,336
<i>Growth (%)</i>	-1.0	79.0	15.3	4.2	9.0	-2.0
Other	405	422	393	407	415	418
<i>Growth (%)</i>	11.2	4.4	-6.9	3.5	2.0	0.7
Total	22,039	23,764	25,233	26,232	27,209	28,202
<i>Growth (%)</i>	13.4	7.8	6.2	4.0	3.7	3.7

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

(b) 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.

Note: Columns may not add due to rounding.

In contrast, growth in the State's own-source revenue is expected to remain solid across the outyears. Growth in taxation revenue is forecast to exceed 10% per annum, consistent with expectations of strong conditions in the State's labour market and a recovery in the property market. Royalty income is projected to grow at an average rate of 3.6% a year, with an assumed moderation in \$A commodity prices being offset by a forecast increase in mining production and higher royalty rates for iron ore 'fines' (see the *Revenue Measures* section).

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 2014-15 in each of the major revenue categories. Information on major tax and royalty exemptions and concessions is included at the end of this chapter.

Revenue Measures

Iron Ore Royalties

The revenue projections in this budget incorporate the State Government's decision to further reform iron ore royalty rates. This follows an agreement between the Government and major iron ore producers in June 2010 to lift the iron ore 'fines' royalty rate in relevant State Agreement Acts from 3.75% to 5.625%, with effect from 1 July 2010³.

The State Government will seek to increase the royalty rate for iron ore 'fines' to 6.5% from 1 July 2012, and to 7.5% from 1 July 2013, in both the *Mining Act* and relevant State Agreement Acts. This will ultimately align the 'fines' royalty rate with the existing 7.5% rate for 'lump' ore and other 'crushed and screened' ores under the *Mining Act*. This change also reflects the fact that iron ore fines account for the majority of the State's iron ore shipments, and are no longer considered an inferior product in the global market.

This reform is expected to increase royalty income by \$378 million in 2012-13 and by over \$800 million per annum in both 2013-14 and 2014-15. However, this will be accompanied by an ongoing reduction in the State's GST revenue, commencing from 2014-15. The net impact of these changes is an additional \$1.9 billion in revenue over the budget period.

In the absence of fundamental reform to the CGC process (see the *Commonwealth Grants* section), these changes could trigger an even higher GST 'penalty' beyond the forward estimates period.

³ Other changes included an increase in the royalty rate for 'beneficiated' ore from 3.25% to 5.0%.

Table 2

IRON ORE ROYALTY RATE CHANGES						
Western Australia						
	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Royalty rate – iron ore ‘fines’	5.625%	5.625%	6.5%	7.5%	7.5%	
Royalty income (\$m)	-	-	378	824	817	2,019
GST impact (\$m)	-	-	-	-	-96	-96
Net revenue impact (\$m)	-	-	378	824	722	1,923

Vehicle Licence Duty – Exemption for Transfers of Vehicle Licenses Between Spouses

From 1 July 2011, an exemption from motor vehicle duty will apply for transfers of private vehicle licences between spouses or de facto partners of at least two years.

This exemption will provide more consistent treatment with the existing duty exemption for transfers of a principal place of residence from one spouse or de facto partner into the joint ownership of both partners. Similar exemptions apply in most other jurisdictions.

As a result, a husband and wife (for example) will be able to swap the person responsible for all dealings with the Department of Transport in relation to their vehicle (such as licence renewals or traffic infringements) without paying duty. A transfer fee (currently \$15) will continue to apply to cover the Department of Transport’s administrative costs.

The exemption will save spouses or other eligible partners \$275 on the transfer of a licence for a \$10,000 vehicle, \$550 for a \$20,000 vehicle, and \$1,050 for a \$30,000 vehicle.

The cost of the exemption is expected to be negligible.

Taxation Revenue Estimates

Summary

The estimated actual for taxation revenue in 2010-11 is \$6.7 billion, which represents growth of 5.3% relative to 2009-10. However, excluding the one-off payment of \$350 million from BHP Billiton and Rio Tinto in relation to changes to State Agreement Acts, taxation revenue is expected to decline in underlying terms by 0.2% in 2010-11, reflecting a significant reduction in property transfer duty.

Consistent with the economic outlook described in Chapter 2: *The Western Australian Economy*, growth in taxation revenue is expected to strengthen to 4.5% (or 10.3% in underlying terms) in 2011-12. Sustained growth in the State’s economy should underpin a solid rise in tax revenue across the outyears, with growth averaging 10.6% per annum over the period 2012-13 to 2014-15, which is slightly above the trend rate of growth over the past decade.

Table 3

TAXATION REVENUE
Western Australia

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
TAXES ON EMPLOYERS' PAYROLL						
Payroll tax	2,303	2,604	2,927	3,256	3,692	4,171
<i>Growth (%)</i>	2.5	13.1	12.4	11.2	13.4	13.0
TAXES ON PROPERTY						
Land tax	528	515	548	549	604	663
MRIT	78	77	84	84	92	101
Transfer duty	1,552	1,167	1,345	1,618	1,782	2,014
Landholder duty	87	38	49	59	65	73
Other	197	227	244	258	276	285
<i>Total</i>	2,443	2,024	2,269	2,568	2,818	3,136
<i>Growth (%)</i>	24.8	-17.2	12.1	13.2	9.8	11.3
TAXES ON GAMBLING						
Lotteries Commission	130	134	138	142	146	150
Casino tax	92	92	115	117	120	122
Betting tax	32	33	34	36	38	40
Other	-	21	1	1	1	1
<i>Total</i>	254	279	288	295	304	312
<i>Growth (%)</i>	-1.2	9.9	3.1	2.6	2.9	2.6
TAXES ON INSURANCE						
Insurance duty	404	440	467	504	545	588
Other	24	26	21	22	22	22
<i>Total</i>	428	466	488	526	567	610
<i>Growth (%)</i>	7.7	8.8	4.8	7.7	7.7	7.7
MOTOR VEHICLE TAXES						
Vehicle licence duty	332	343	365	394	425	458
Motor vehicle registrations	516	546	575	604	638	668
Other	48	50	52	54	55	57
<i>Total</i>	895	939	992	1,052	1,118	1,184
<i>Growth (%)</i>	5.6	4.9	5.7	6.0	6.3	5.9
OTHER TAXES						
	-	350.0	-	-	-	-
TOTAL TAXES						
	6,324	6,662	6,965	7,697	8,499	9,414
<i>Growth (%)</i>	10.8	5.3	4.5	10.5	10.4	10.8
<i>Underlying Growth (%)^(a)</i>	10.8	-0.2	10.3	10.5	10.4	10.8

(a) Excluding a one-off payment of \$350 million in 2010-11 by BHP Billiton and Rio Tinto in relation to changes to State Agreement Acts.

Note: Columns may not add due to rounding.

Detail

Payroll Tax

Payroll tax is forecast to grow by 13.1% (or \$301 million) in 2010-11. This follows growth of just 2.5% in the previous year, and reflects a solid recovery in Western Australia's labour market since the global financial crisis.

As detailed in Chapter 2: *The Western Australian Economy*, activity in the State's labour market is expected to remain strong in 2011-12. Employment is forecast to grow by 2.5%, whilst growth in Average Weekly Earnings is expected to strengthen to 4.5%. On this basis, payroll tax is projected to grow by 12.4% (or \$323 million) in 2011-12.

The longer-term outlook for payroll tax is similarly robust. This is based on expectations of continued strength in the State's labour market, with both employment and earnings assumed to expand at a solid pace. Incorporating the impact of payroll tax harmonisation measures from 2012-13 (which have an estimated revenue cost of \$62 million in the first year), payroll tax is projected to grow at an average rate of 12.5% per annum in the outyears. This is broadly consistent with the trend growth rate recorded over the past decade.

Taxes on Property

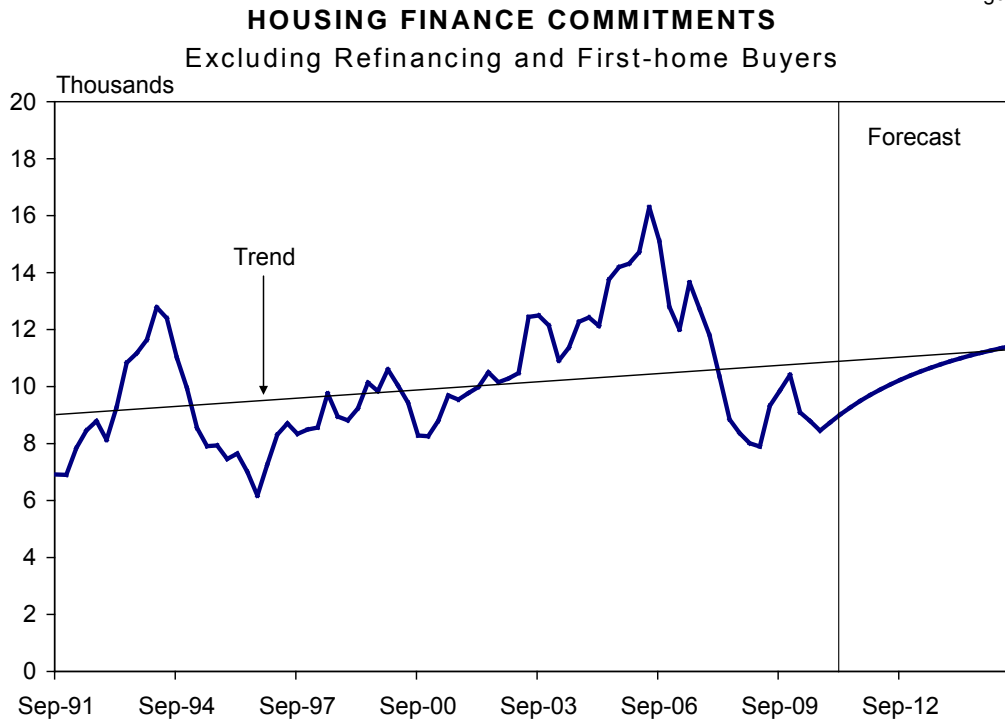
Taxes on property include transfer duty (the State's second largest tax after payroll tax), landholder duty, land tax, the metropolitan region improvement tax (MRIT), the emergency services levy, and loan guarantee fees.

*Transfer Duty*⁴

Transfer duty has been very weak in 2010-11. This reflects current subdued conditions in the State's established housing market, including a significant decline in the number of dutiable property transactions (see following chart) and a contraction in house prices.

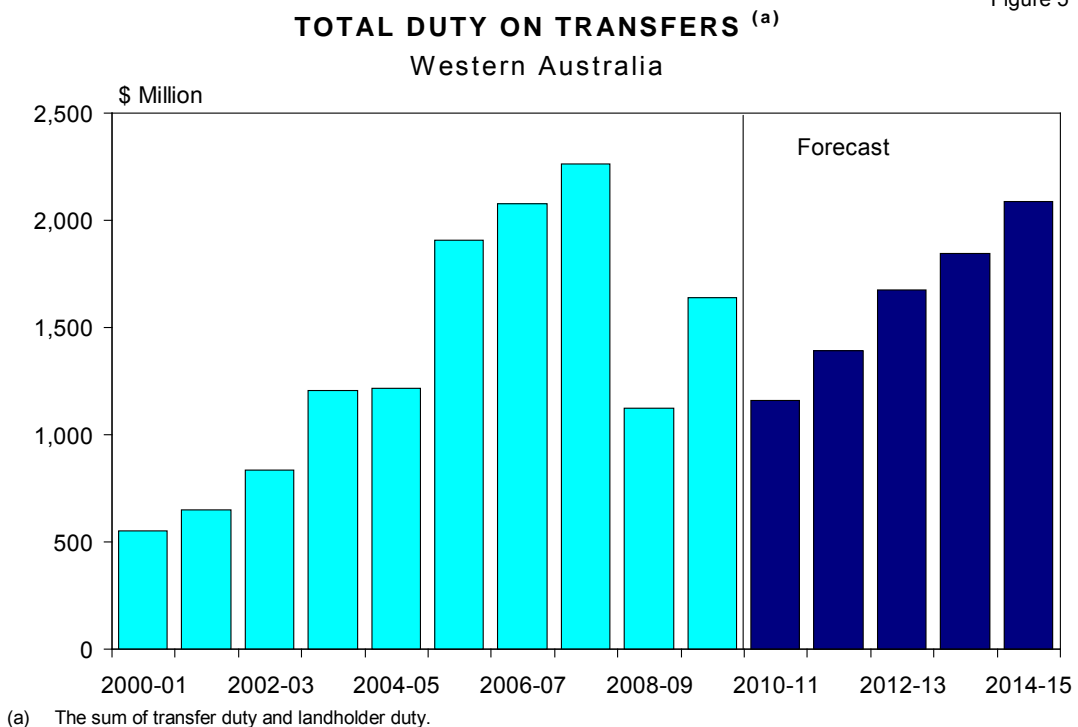
⁴ This section discusses total duty on transfers which is the sum of transfer duty and landholder duty.

Figure 4



With revenue from large commercial transactions also much lower than in 2009-10, transfer duty is expected to decline by \$435 million (or almost 27%) in 2010-11 relative to 2009-10.

Figure 5



The transfer duty projections for 2011-12 and the outyears are based on an assumed recovery in Western Australia's established property market. The projections reflect an assumed modest growth in house prices (averaging 5.0% per annum across the forward estimates period), and an assumed return to the long-run trend level of activity (i.e. volume of transactions) by 2014-15.

After falling by an estimated 2.4% in 2010-11, house prices are forecast to grow by 2.3% in 2011-12, supported by rising incomes, solid (albeit moderating) population growth, and stronger household balance sheets. Rising confidence in the housing market should also underpin a recovery in the number of residential property sales. Combined with an assumed improvement in the non-residential property market, transfer duty is estimated to increase by 15.7% (or \$189 million) in 2011-12.

Across the outyears, transfer duty is forecast to increase at an average rate of 14.4% per annum. Although this is higher than the long-run average (of around 12% growth per annum), the transfer duty estimate for 2014-15 (\$2.1 billion) is still below the peak recorded in 2007-08 (see chart above).

These estimates incorporate the revenue impact of the abolition of duty on non-real business transfers from 1 July 2013 (which reduces revenue by approximately \$118 million in 2013-14 and \$131 million in 2014-15).

Land Tax

Land tax is forecast to rise by \$34 million (or 6.5%) to \$548 million in 2011-12. This is based on advice from the Valuer General with respect to unimproved land values as at August 2010.

With 2012-13 land tax assessments reflecting unimproved land values at August 2011, and with expected flat growth in property prices between August 2010 and August 2011, land tax is expected to remain flat in 2012-13. However, growth in land tax is assumed to return to its long-run average of 10% per annum in both 2013-14 and 2014-15.

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 (4.1% in Western Australia relative to an average of 9.8% across the other States in 2011-12).

Gambling taxes are forecast to increase by 3.1% in 2011-12, following an estimated increase of 9.9% in 2010-11. The strong growth in 2010-11 is mainly due to the payment of a one-off fee of \$20 million in relation to the expansion of Burswood Casino. Growth in gambling taxes is projected to moderate in the outyears, averaging 2.7% per annum.

Taxes on Insurance

Taxes on insurance mainly consist of duty on insurance policies (with a number of key exemptions, including health insurance and life insurance). In 2011-12, insurance duty is forecast to increase by 6.1% to \$467 million, following expected growth of 8.9% in 2010-11. In the outyears, growth in insurance duty is forecast to grow by 8.0% per annum.

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 in 2011-12 is expected to account for approximately 37% of total motor vehicle taxes) is forecast to increase by 6.4% in 2011-12, following expected growth of 3.4% in 2010-11. Consistent with expectations of strengthening economic activity, growth in motor vehicle sales is expected to accelerate over the outyears. Accordingly, vehicle licence duty is forecast to grow by an average of 7.9% per annum in the outyears.

Total motor vehicle taxes are forecast to grow by 5.7% in 2011-12 and by an average of 6.1% per annum across the outyears.

Commonwealth Grants

Commonwealth grants are expected to total \$9.8 billion, accounting for 39% of the State's revenue in 2011-12 (down from 46% in 2009-10), and take three forms:

- GST revenue grants – which carry no restrictions on how the money can be spent, and comprise around 37% (\$3.6 billion) of forecast total Commonwealth grants to Western Australia in 2011-12;
- North West Shelf grants – which also carry no spending restrictions, and comprise around 11% (\$1.1 billion) of forecast total Commonwealth grants to Western Australia in 2011-12; and
- payments for specific purposes (PSPs) – which must be spent on specific activities (e.g. health, education, roads and social housing). These comprise around 52% (\$5.1 billion) of forecast total Commonwealth grants to Western Australia in 2011-12.

The Commonwealth and all State and Territory Governments signed a Heads of Agreement on National Health Reform in February 2011. The details of this reform (which will eventually see the Commonwealth and States equally share the 'efficient' cost of growth in hospital service costs) are being worked through by governments.

Table 4

COMMONWEALTH GRANTS						
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
General Purpose Grants						
GST revenue	3,590	3,165	3,617	3,233	2,497	1,997
<i>Growth (%)</i>	1.7	-11.8	14.3	-10.6	-22.8	-20.0
North West Shelf grants ^(a)	948	947	1,084	1,160	1,259	1,340
<i>Growth (%)</i>	9.3	0.0	14.5	6.9	8.6	6.4
Total general purpose grants	4,537	4,113	4,702	4,392	3,756	3,336
Payments for Specific Purposes						
PSPs 'to' the State ^(b)	4,196	4,018	3,968	3,889	3,709	3,960
<i>Growth (%)</i>	39.1	-4.2	-1.2	-2.0	-4.6	6.8
PSPs 'through' the State	1,473	1,307	1,092	1,165	1,259	1,360
<i>Growth (%)</i>	35.2	-11.2	-16.5	6.7	8.1	8.0
Total PSPs	5,668	5,326	5,061	5,054	4,969	5,321
TOTAL COMMONWEALTH GRANTS	10,206	9,439	9,762	9,447	8,725	8,657
<i>Growth (%)</i>	20.1	-7.5	3.4	-3.2	-7.6	-0.8

(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 CGC recommendations.

GST revenue grants to Western Australia are expected to grow by \$452 million in 2011-12. This reflects forecast growth in the national pool of GST revenue (of 6.7%), together with an increase in Western Australia's share of GST collections (from 7.0% in 2010-11 to 7.4% in 2011-12), in line with the February 2011 recommendations of the CGC (see below).

However, GST grants are forecast to decline significantly in each of the outyears. This reflects large projected declines in Western Australia's share of GST grants, more than offsetting projected growth in the national pool of GST revenue. By 2014-15, Western Australia's GST grants are forecast to be 45% (or \$1.6 billion) lower than in 2011-12.

The Federal Government has announced a review of the GST distribution arrangements (see below). Subject to the timing of the Commonwealth Government's response to this review, there could be a significant impact on the States' GST grant shares from 2013-14 or 2014-15 onwards.

GST Grant Shares in 2011-12

Each year, the CGC determines States' relative per capita GST grant shares (i.e. GST 'relativities', which are ratios of each State's GST grant share to its population share), 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 costs of providing a 'standard' level of services have declined, will have its grant share reduced (and vice versa).

The CGC 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 CGC undertakes a major review of the methods used to implement fiscal equalisation every five or six years.

The CGC reported on its latest annual update (the '2011 Update') in February 2011. The report determines States' GST relativities in 2011-12.

Changes in the GST relativities in the 2011 Update will see an increase of \$171 million⁵ in Western Australia's share of the GST grant pool in 2011-12 – which is mainly the result of revisions to data, particularly data on relative wage levels across the States.

This increase only slightly offsets a longer term trend that has seen Western Australia's grant share decline on the back of its strong economic and revenue base growth relative to other States. This downward trend is expected to continue in future years.

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 2011-12 includes a \$215 million increase on account of growth in the GST pool and a \$22 million increase on account of the State's increasing population share. In addition, Western Australia's GST revenue grant in 2010-11 was reduced for a \$44 million overpayment in 2009-10⁶.

Together, these influences increase Western Australia's overall GST revenue in 2011-12 by \$452 million relative to 2010-11.

⁵ This is based on latest estimates of the 2011-12 GST grant pool and population shares. The CGC estimated this gain at \$164 million, based on estimates of the 2010-11 GST grant pool and population shares from the Commonwealth's 2010-11 *Mid-Year Economic and Fiscal Outlook*.

⁶ GST revenue grants are paid during the budget year on the basis of *estimated* GST collections and population shares, with a reconciliation the following year once actual GST collections and population shares are known.

Table 5

ESTIMATED CHANGE IN WESTERN AUSTRALIA'S GST GRANT
2010-11 to 2011-12

	\$m
Estimated 2010-11 GST grant	3,165
Add back deduction in 2010-11 for overpayment in 2009-10	44
Increase in the national GST pool	215
Change in GST relativities	171
Change in population shares	22
Total Change	452
Estimated 2011-12 GST grant	3,617

Review of the GST Distribution

On 30 March 2011, the Prime Minister announced a review of the arrangements for distributing GST revenue grants among the States.

This review is to be conducted by the Hon Nick Greiner, the Hon John Brumby and Mr Bruce Carter, with assistance from the Commonwealth Treasury and an Advisory Committee of State Treasuries. It is to report to the Federal Treasurer, who is to present the results to COAG for consideration, before a final decision is made on new arrangements by the end of 2013.

In considering possible changes to the form of 'equalisation' across the States, the review is to have regard to:

- economic efficiency, including the effect of alternate approaches on the allocation of resources in the national economy and on the States' reform, service delivery and investment decisions to best meet the requirements for growth;
- equity, including the extent to which alternate approaches would affect States' fiscal capacities to provide for Australians' access to government services, regardless of where they reside;
- simplicity, including the extent to which alternate approaches would provide for reduced complexity and increased transparency; and
- predictability and stability in the determination of States' GST shares so as to better support long-term decision making and reform by Governments.

As noted above, this review has the potential to significantly alter Western Australia's GST grant share from 2013-14 or 2014-15 onwards. However, due to uncertainties about the outcome of the review, the forward estimates in this budget are based on a continuation of current arrangements and CGC methodology.

Forecasts of Future GST Shares

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

- the national pool of GST grants;
- Western Australia's share of the national population; and
- Western Australia's GST relativity.

In line with the CGC's process, the GST relativity projections for each year of the forward estimates (2012-13 to 2014-15) 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 2014-15 are based on projected assessments of States' revenue capacities and expenditure requirements for the years 2010-11 to 2012-13.

As growth in Western Australia's revenue raising capacity becomes reflected in the three data years used by the CGC, Western Australia's GST grant share is forecast to drop from 7.0% in 2010-11 to a historically unprecedented figure of just 3.5% by 2014-15.

PROJECTED GST RELATIVITY AND SHARE						
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
WA population share %	10.2	10.3	10.4	10.4	10.5	10.6
WA 'relativity' ^{(a), (b)}	0.78	0.68	0.72	0.60	0.44	0.33
WA GST share % ^(c)	8.1	7.0	7.4	6.3	4.6	3.5

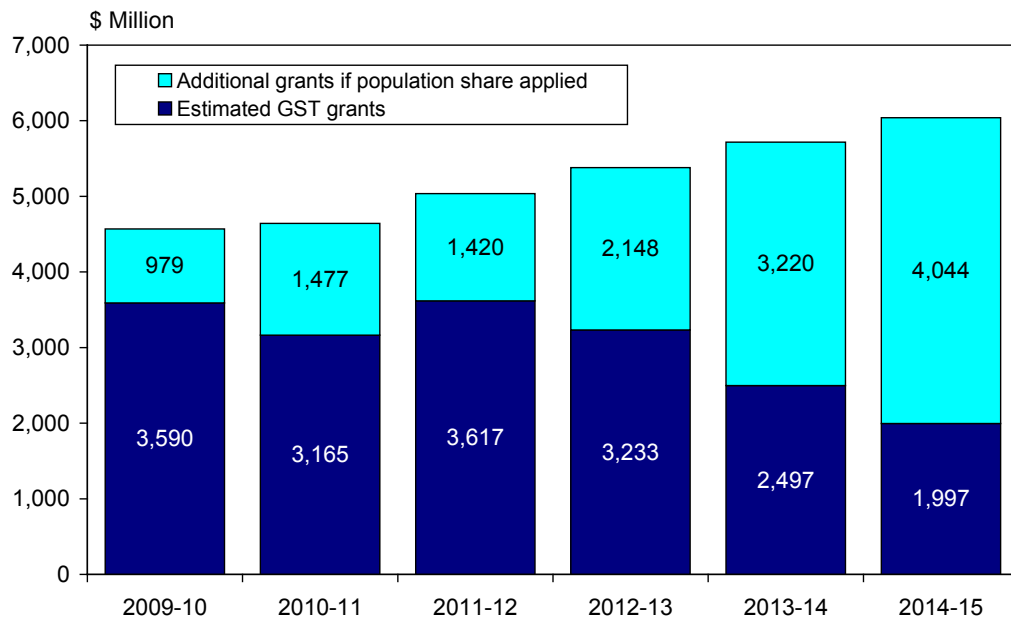
(a) Western Australia's relative per capita share of GST grants, which is the ratio of Western Australia's GST grant share to Western Australia's population share.

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

(c) Western Australia's GST share equals Western Australia's population share multiplied by its relativity.

Over the period from 2010-11 to 2014-15, Western Australia's GST grants are projected to be \$12.3 billion lower than if the State received an equal per capita share of GST revenue (see following chart). Such penalties being borne by Western Australia have come about through a now outdated and inequitable CGC redistributive system, and will not be sustainable after 2014-15.

Figure 6

REDUCTION IN WESTERN AUSTRALIA'S GST REVENUE GRANTS

Source: Department of Treasury 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 \$13.7 billion according to the Department of Treasury's latest (2009-10) 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 \$1,084 million in 2011-12. This reflects an assumed increase in energy prices, and an expected rise in LNG production. Average annual growth of 7.3% is projected for the period 2012-13 to 2014-15.

Redistribution of Resources across States by the Commonwealth

In 2011-12 Western Australia will contribute around \$1.5 billion to other States through the GST fiscal equalisation process (rising to an estimated \$4.0 billion in 2014-15). This reflects that Western Australia will receive only around 72% of its population share of national GST revenue in 2011-12, falling to just 33% in 2014-15.

However, this redistribution of GST revenue represents only a small fraction of Western Australia's total support for other States through the Commonwealth's overall revenue raising and spending measures.

Many Commonwealth fiscal policies 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 annually estimates the net impact of this broader redistribution by the Commonwealth on each State. Results using the latest available data (for 2009-10) are shown in the following table, 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 7

NET REDISTRIBUTION OF RESOURCES

2009-10 ^(a)

	GST only ^(b)		Total Resources	
	\$m	\$ per capita	\$m	\$ per capita
New South Wales	1,187	165	980	136
Victoria	1,091	198	-1,373	-250
Queensland	178	40	-1,222	-273
Western Australia	1,170	515	13,723	6,044
South Australia	-998	-610	-5,974	-3,653
Tasmania	-731	-1,445	-3,204	-6,336
Northern Territory	-1,897	-8,321	-2,931	-12,858
Total	0	0	0	0

(a) All Commonwealth outlays and revenue relating to the Australian Capital Territory (ACT) 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 estimated GST revenue raised from economic activity in each State and GST grants paid to the State.

Source: Department of Treasury 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.

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

The table below provides the estimated breakdown of Western Australia's net contribution in 2009-10, based on the extent to which Western Australia's share of each area of revenue and spending varies from its population share. As has been the trend in recent years, 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. Notable contributions include company tax, personal income tax and petroleum extraction revenue.

In addition, the State makes a significant contribution through its low draw on Commonwealth social security and health payments received by State residents and low Commonwealth spending on services in the State. Western Australia's falling GST share is another major factor contributing to its large net contribution to the federation. In 2009-10 it is estimated that the Commonwealth derived \$39.7 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 \$26.0 billion, yielding a net contribution to the federation from Western Australia of \$13.7 billion.

Table 8

COMPONENTS OF WESTERN AUSTRALIA'S NET CONTRIBUTION TO THE COMMONWEALTH

Relative to Western Australia's Population Share

	2009-10 (preliminary) \$m
Personal Income Tax	3,066
Company Tax	5,179
Fuel Excise (net of rebates)	65
Taxes and Royalties on Petroleum Extraction ^(a)	1,293
Commonwealth Services ^(b)	1,392
Personal Benefit Payments	1,011
Net impact of GST	1,170
<i>GST Collections</i> ^(c)	226
<i>GST Grants</i>	944
Other Grants to State and Local Governments ^(d)	-83
Other	631
Total	13,723

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

(b) Departmental expenditures, including defence.

(c) A revised method of allocating GST collections has been implemented. The most significant change in the new method is that it now accounts for GST collections on construction of dwellings (which are relatively high in Western Australia).

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

Source: Department of Treasury 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.

Payments for Specific Purposes

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

- There are five NSPPs, for health (easily the largest), school education, vocational education and training, disability services, and housing. These payments are ongoing, and comprise an estimated \$2.1 billion for Western Australia in 2011-12. They grow in line with agreed indexation arrangements. No conditions are attached other than the requirement to spend the payments in the relevant sector.
- There are many NPs. Together with some minor Commonwealth own purpose outlays paid to the State, they comprise an estimated \$3 billion for Western Australia in 2011-12, including funding from the NP on Improving Public Hospital Services signed in conjunction with the Heads of Agreement on National Health Reform in February 2011. NPs are generally time limited and funding to States is usually contingent on the achievement of milestones or targets.

In 2011-12, Western Australia expects to receive around \$4 billion in PSPs 'to' the State, a decrease of 1.2% compared with 2010-11. This is largely due to lower grants provided under the Commonwealth's *Nation Building and Jobs Plan* stimulus program (\$599 million for 2010-11, declining to \$60 million in 2011-12).

Over the outyears, PSPs 'to' the State are projected to decrease by an average of 0.1% per annum, as existing NPs (including stimulus programs) expire.

PSPs that pass 'through' the State's accounts (e.g. funding for local governments and private schools) are expected to decline by 16.5% in 2011-12, but increase by an average of 7.6% over the outyears. The decrease in 2011-12 mainly reflects reduced funding for non-government schools due to the unwinding of the Commonwealth's *Building the Education Revolution* stimulus program.

Table 9

PAYMENTS FOR SPECIFIC PURPOSES
Western Australia

	2011-12 Budget Estimate	Share of total PSPs
	\$m	%
Payments 'To' the State		
– National Specific Purpose Payments		
Healthcare	1,330	26
Schools	379	7
Skills and Workforce Development	139	3
Disability Services	113	2
Affordable Housing	129	3
Other Payments 'To' the State		
<i>Nation Building and Jobs Plan</i>	60	1
Health	450	9
Housing	121	2
Transport	415	8
Other ^(a)	833	16
Payments 'Through' the State		
Non-government Schools Assistance	810	16
Local Government Financial Assistance Grants	156	3
Local Government Roads	101	2
Other	25	-
Total Payments for Specific Purposes	5,061	100

(a) Comprises a large number of National Partnerships and other payments.

Note: Columns may not add due to rounding.

Royalty Income

Summary

Reflecting robust conditions in global commodity markets, royalty income is forecast to grow by \$1.8 billion (or 79.0%) to \$4.2 billion in 2010-11.

The standout contributor has been iron ore royalties (up 98.2% or \$1.8 billion), reflecting strong prices, rising domestic production and the State Government's reform of royalty rates in relevant State Agreement Acts (including an increase in the royalty rate for iron ore 'fines' from 3.75% to 5.625% with effect from 1 July 2010).

In 2011-12, royalty income is forecast to rise by a further \$636 million (or 15.3%) to \$4.8 billion. Iron ore is again expected to be the main driver of growth, with modest contributions also coming from other commodities, including nickel and alumina.

In the outyears, prices for key commodities, including iron ore, are expected to ease from current high levels. However, this will be partly offset by an assumed increase in domestic production.

The outyear royalty income estimates also incorporate expectations of further reform to iron ore royalty rates. As noted earlier in this chapter, the royalty rate for iron ore ‘fines’ is set to increase to 6.5% from 1 July 2012 and 7.5% from 1 July 2013, which is equivalent to the rate for ‘lump’ ore and other ‘crushed and screened’ ores under the *Mining Act*. This reform will add \$378 million in 2012-13 and over \$800 million per annum in both 2013-14 and 2014-15. Overall, total royalties are expected to grow at an average rate of 3.6% per annum during the outyears.

Table 10

ROYALTY INCOME
Western Australia

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
Iron Ore	1,813	3,593	4,137	4,313	4,749	4,635
Petroleum	25	26	36	36	34	35
Alumina	64	70	86	96	104	113
Diamonds	15	15	16	22	30	37
Mineral Sands	24	13	12	15	16	16
Nickel	97	114	143	154	146	127
Gold	161	206	214	207	216	224
Other	125	121	150	155	151	148
Total Royalty Income	2,324	4,159	4,794	4,998	5,447	5,336

Note: Columns may not add due to rounding.

Assumptions

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

Table 11

KEY ASSUMPTIONS
Royalty Income Estimates

	2010-11	2011-12	2012-13	2013-14	2014-15
\$US/\$A Exchange Rate (cents) ^(a)	98.0	97.5	90.6	83.7	76.9
Iron Ore Price (\$US per tonne) ^(b)	138.7	149.1	128.8	108.2	87.5
Crude Oil Price (\$US per barrel) ^(c)	90.1	108.0	105.0	102.6	101.4

(a) The \$US/\$A exchange rate is assumed to return to approximately US74 cents by June 2015, which is equivalent to the average since the Australian dollar was floated in 1983.

(b) The iron ore price is assumed to return to a value of \$US78 per tonne by the June quarter 2015, which is broadly consistent with Consensus Forecasts.

(c) The crude oil price assumptions are based on futures market prices.

The mining production estimates that underpin the royalty income forecasts are guided by a confidential survey undertaken by the Department of Mines and Petroleum. Only those new mining projects or project expansions assessed as having a strong likelihood of proceeding have been included in the estimates (in most cases this will involve the new project or project expansion having received both final investment approval by the company and formal government approvals).

Detail

Iron ore

Iron ore royalties are forecast to grow by 98.2% or \$1.8 billion in 2010-11. Growth has been driven by a combination of factors, including a sharp rise in prices, higher domestic production, and the State Government's reform of State Agreement Acts, which has included an increase in the royalty rate for iron ore 'fines' from 3.75% to 5.625% with effect from 1 July 2010. Total iron ore royalties are expected to reach \$3.6 billion – the highest on record and 10 times higher than a decade ago (see chart below).

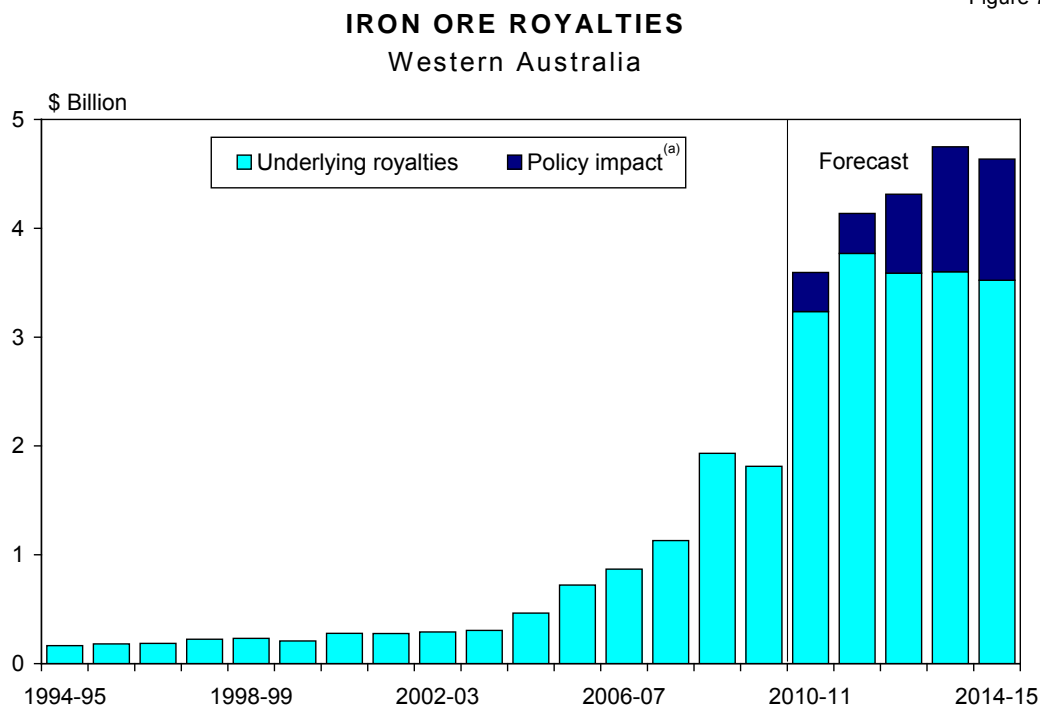
Iron ore prices have been exceptionally strong in 2010-11, reflecting robust demand from developing and emerging economies (including China) and a comparatively limited supply response by global producers. This has induced a significant investment response, both domestically and overseas, which will eventually see a moderation in prices from current elevated levels. In this budget, the price of iron ore 'fines'⁷ is projected to fall from \$US149.1 per tonne in 2011-12 to \$US87.5 per tonne by the end of the budget period (which is broadly consistent with projections by other analysts). Conversely, iron ore production in Western Australia is assumed to grow by 27% over the budget period, from 445 Mt in 2011-12 to 565 Mt in 2014-15.

The iron ore royalty estimates in this budget also reflect the State Government's intention to pursue further reform of royalty rates. This will see the royalty rate for iron ore 'fines' increasing to 6.5% in 2012-13 and 7.5% in 2013-14, which is equivalent to the existing rate for 'lump' ore (see the *Revenue Measures* section for more detail). The effect of this reform will be to boost royalties by \$378 million in 2012-13 and by more than \$800 million per annum in the last two years of the budget period.

Overall, iron ore royalties are expected to grow by \$544 million (or 15.1%) in 2011-12. Iron ore royalties are expected to increase further in 2012-13 and 2013-14, largely due to the assumed increase in royalty rates. However, royalties are projected to contract slightly in 2014-15, with higher iron ore shipments being offset by an assumed moderation in prices.

⁷ Based on a purity of 62% in 'free on board' terms.

Figure 7



(a) Reflects the cumulative effect of iron ore royalty rate changes, including an increase in the iron ore ‘fines’ rate to 5.625% from 1 July 2010, 6.5% from 1 July 2012 and 7.5% from 1 July 2013.

Although growth in iron ore royalties has provided a significant boost to State government revenue, it must be considered in the broader context of Australia’s system of Commonwealth-State financial relations. In the longer term, approximately 70% of these royalties will be redistributed to other States and Territories (in the form of reduced GST grants). This is due to the principle of ‘fiscal equalisation’, which is applied by the CGC in making recommendations about Western Australia’s share of national GST revenue. The CGC process and the GST forecasts are discussed in the *Commonwealth Grants* section above.

Petroleum

Petroleum royalties are forecast to grow by \$10 million (or 39.1%) in 2011-12, primarily reflecting strong growth in energy prices.

Across the outyears, petroleum royalties are projected to decrease slightly, with high prices being offset by declining output from existing on-shore oil and gas fields.

Alumina

Alumina royalties are forecast to grow by \$15 million (or 21.9%) in 2011-12, supported by higher prices and a moderate increase in production. These factors are also expected to underpin strong growth of 9.6% per annum in the outyears.

Diamonds

Diamond royalties are expected to total \$16 million in 2011-12, a slight increase on the estimated actual in 2010-11. Growth in diamond royalties is expected to accelerate in the outyears, buoyed by the underground development at the Argyle diamond mine. By 2014-15, diamond royalties are projected to reach \$37 million.

Mineral Sands

In 2010-11, royalties from mineral sands are expected to decline by \$11 million (or 45.2%), partly reflecting a decline in production, particularly for leucoxene, rutile and zircon. However, mineral sands royalties are forecast to increase over the budget period, rising from an estimated \$12 million in 2011-12 to \$16 million in 2014-15.

Nickel

Nickel royalties are forecast to grow by \$30 million (or 26.0%) to \$143 million in 2011-12. This largely reflects an assumed increase in nickel output, including from the Ravensthorpe nickel mine.

After a further increase in 2012-13, nickel royalties are projected to contract in both 2013-14 and 2014-15, reflecting an assumed moderation in prices and a decline in domestic production.

Gold

The gold price has been trading at close to record highs, partly reflecting concerns about the global economic recovery and gold's traditional role as a 'safe haven' investment. With domestic output also increasing at a solid pace, gold royalties are expected to grow by \$45 million (or 27.8%) to \$206 million in 2010-11.

The price of gold is assumed to remain at high levels in 2011-12 and over the forward estimates period. However, gold production is expected to moderate due to a decline in output from existing gold operations. Consequently, gold royalties are forecast to grow by a more moderate \$8 million (or 3.7%) in 2011-12, and by an average of 1.5% per annum across the outyears.

Other Revenue

Sales of Goods and Services

Sales of goods and services are forecast to increase by \$97 million (or 5.6%) in 2011-12. Excluding the introduction of the building services levy the increase is just below 5.0%⁸. Across the outyears, goods and services revenue is forecast to grow by between 4.9% and 5.1% per annum. This reflects the effect of population and economic growth on demand for State government goods and services.

Interest Income

Revenue from interest earning investments, including cash and other liquid financial assets, is projected to be \$355 million in 2011-12. This represents a \$46 million (or 14.8%) increase on the expected actual for 2010-11, and mainly reflects the impact of higher interest rates.

Interest revenue across the outyears is forecast to remain broadly unchanged reflecting modest movements in interest earning investment balances and anticipated interest rates on those balances.

Revenue from Public Corporations

The State's major public corporations are liable for income tax equivalent and dividend payments to the State⁹. A number of these public corporations are also liable for local government rate equivalent payments.

Revenue from public corporations in 2011-12 is estimated to be \$1.1 billion, comprising \$699 million in dividends, \$437 million in income tax equivalent payments and \$13 million in local government rate equivalent payments. This is an increase of \$93 million (or 8.9%) from the estimated actual for 2010-11.

Across the outyears, revenue from public corporations is forecast to grow at an average rate of 19.7% per annum, mainly reflecting:

- changes to revenue earned by Western Power as a result of the Economic Regulation Authority's approval to change the treatment of capital contributions (which has the effect of increasing network tariff revenue);
- higher profitability for Verve Energy, driven by higher prices under its contracts for electricity supply, lower coal costs due to new supply arrangements, and reduced interest costs as a result of earlier than expected repayment of debt;

⁸ The building services levy forms part of the reform to the building regulation system. This includes the transfer of the functions of the Builder's Registration Board, the Painter's Registration Board, the Building Disputes Tribunal and the Building Industry Development group into the Department of Commerce's Building Commission Division. As part of the restructure, the levy will be implemented to fund operations of the Building Commission Division and will be calculated on a percentage of building approval values for government and non-government buildings.

⁹ Tax and local government rate equivalents are levied by the State to ensure competitive neutrality between significant government business activities and private sector businesses.

- an increase in the Water Corporation's profitability driven by increased revenue from customers and reductions in operating expenditure; and
- the anticipated effect from a 5% efficiency dividend to be applied to the discretionary operating expenditure of GTEs from 2011-12 to ensure they are operating as efficiently as possible.

These increases in dividend and tax equivalent revenue are largely offset by increased operating subsidies paid to the public corporations, including:

- \$1.1 billion to be paid over the forward estimates to Synergy and Horizon Power to compensate them for below cost-reflective tariffs, rebates and concessions, and others; and
- \$1.4 billion to be paid to the Water Corporation to offset certain revenue shortfalls.

A detailed overview of revenue from and payments to individual public corporations can be found in Appendix 8: *Public Corporations – Impact on General Government Revenue and Expenses*.

REVENUE FROM PUBLIC CORPORATIONS							Table 12
	2009-10 Actual \$m	2010-11 Estimated Actual \$m	2011-12 Budget Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	
Dividends	570	696	699	806	1,050	1,188	
Income Tax Equivalent	339	348	437	606	708	768	
Local Government Rate Equivalent	11	11	13	13	13	13	
TOTAL	920	1,055	1,149	1,426	1,771	1,969	

Note: Columns may not add due to rounding.

Other Revenue

'Other revenue' incorporates a number of revenue items not classified elsewhere, including fines for traffic infringements, judicial fines and penalties, donations and grants from private organisations and/or local government, net asset transfers, and mining-related lease rentals for exploration and production licences.

Other revenue is forecast to contract by \$29 million (or 6.9%) in 2011-12. This reflects the net impact of an expected increase in traffic infringement fines revenue (of \$21 million) and declines in all other revenue, due largely to the receipt of a one-off \$40 million reimbursement to the Consolidated Account in 2010-11 from the Government Employees Superannuation Board for accumulated overpayments (and interest) over a number of years (following an audit of the Board's systems).

Beyond 2011-12, other revenue is anticipated to be relatively flat, reflecting uncertainty associated with projecting movements in these 'lumpy' revenue sources.

TAX AND ROYALTY EXPENDITURE STATEMENT

What is a tax or royalty expenditure?

Tax and royalty expenditure includes revenue forgone by government, and financial benefits to taxpayers, from exemptions and other concessions that depart from the general tax or royalty treatment. It is 'expenditure' in the sense that the impact on the budget is similar to direct outlays, and 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 expenditure

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 this expenditure are also subject to review each year).

This statement is not exhaustive. For example, it does not include estimates of revenue forgone 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 2009-10 and estimates for 2010-11.

Table 13

SUMMARY OF MAJOR TAX AND ROYALTY EXPENDITURE
Western Australia

	2009-10 Actual \$m	2010-11 Estimated Actual \$m
PAYROLL TAX		
Small business exemption	1,652.5	1,612.2
Apprentices and trainees exemption	27.9	29.9
LAND TAX AND MRIT		
Principal place of residence exemption	222.1	220.2
Primary production exemption	75.0	74.5
Developers' concession	13.0	7.0
Caravan park exemption	1.1	2.2
TRANSFER DUTY		
Connected entities restructure exemption	196.0	130.2
Family farm exemption	14.3	11.8
First home owners' exemption and concession	180.6	129.7
Concessional scale for residential property	86.3	68.6
INSURANCE DUTY		
Health insurance policies exemption	136.8	147.7
Workers' compensation insurance exemption	86.2	91.9
Marine hulls exemption	6.0	6.3
VEHICLE LICENCE FEES		
Family vehicle concession	73.3	76.7
Primary producer vehicle concession	8.8	9.0
Pensioner vehicle concession	25.6	26.1
VEHICLE LICENCE DUTY		
Heavy vehicle concession	23.3	24.1
Caravan and camper trailer exemption	14.8	15.3
MINING ROYALTIES		
Iron Ore State Agreement Acts concessions ^(a)	235.1	-
TOTAL	3,078.5	2,683.3

(a) Calculated relative to the *Mining Act* rate of 5.625% for iron ore 'fines'. However, relative to the general *Mining Act* rate of 7.5% for 'crushed and screened' ores, these concessions are valued at \$661 million in 2009-10 and \$745 million in 2010-11.

MAJOR TAX AND ROYALTY EXPENDITURE

Payroll Tax

Tax-free threshold

An employer is not liable for payroll tax if its (or its group's) total Australia-wide wages paid per annum is \$750,000 or less.

Apprentices exemption

The wages of all apprentices, and trainees employed under a training contract registered under the *Vocational Education and Training Act 1996*, are exempt from payroll tax.

Land Tax and Metropolitan Region Improvement Tax

Principal place of residence exemption

Generally, land used by the owner as their primary residence at midnight 30 June, is exempt from land tax and Metropolitan Region Improvement Tax ((MRIT) for the following assessment year.

Primary production exemption

Land used in carrying out certain rural businesses on a commercial basis is exempt from land tax and MRIT where all relevant conditions are met.

Developers' concession

Land tax and MRIT is only paid on the un-subdivided (or 'englobo') value of land holdings at midnight 30 June, rather than the full subdivided value of lots, for one year after the creation of the lots.

Caravan parks exemption

Land used as caravan parks, park home sites or camping grounds is exempt from land tax and MRIT. Prior to 1 July 2010, a 50% land tax concession was available.

Transfer Duty

Connected entities restructure exemption

Certain transactions between related corporations or unit trust schemes are exempt from transfer duty.

Family farm exemption

A transfer of farming land in Western Australia to a family member is exempt from transfer duty, subject to certain conditions being satisfied.

First home owners' exemption and concession

First home buyers eligible for the First Home Owners Grant may also be entitled to a concessional rate of transfer duty if the value of the dutiable property is below \$600,000 for house and land, or below \$400,000 for vacant land. No duty is payable if the house and land value is below \$500,000, or the vacant land value is below \$300,000.

Concessional scale for residential property

A concessional transfer duty scale applies to purchases of residential properties, including not only principal places of residence but also rental properties and land on which the building of a residence is subsequently commenced within five years.

Insurance Duty

Health insurance policies exemption

Health insurance issued by a private health insurer (as defined in the *Private Health Insurance Act 2007*) is exempt from insurance duty.

Workers' compensation insurance exemption

Insurance against an employer's liability to pay compensation under the *Workers' Compensation and Injury Management Act 1981* is exempt from insurance duty.

Marine hulls exemption

Insurance in respect of marine hulls used mainly for commercial purposes is exempt from insurance duty.

Vehicle Licence Fees

Family vehicle concession

A licence fee discount (\$65 in 2010-11) applies to cars and wagons of up to three tonnes used solely for family purposes. This discount is indexed to Perth's Consumer Price Index.

Primary producer vehicle concession

Vehicles used by farmers or graziers principally on their farm, and vehicles used by beekeepers, kangaroo hunters, prospectors and sandalwood pullers solely or principally in the course of their occupation, are entitled to a 50% vehicle licence fee concession.

Pensioner vehicle concession

A 50% concession on vehicle licence fees is available to holders of a Centrelink Pensioner Concession Card or Veterans' Affairs Pensioner Concession Card, and seniors who hold both a State Seniors Card and a Commonwealth Seniors Health Card.

Vehicle Licence Duty

Heavy vehicle concession

Transfers of heavy vehicle licences are subject to a single flat duty rate (currently 3%) and a maximum duty amount (of \$12,000) rather than the progressive rate scale that applies to light vehicles.

Caravan and camper trailers exemption

Caravans and camper trailers that are permanently fitted for human habitation are exempt from vehicle licence duty.

Royalty income

Iron Ore State Agreement Acts concessions

Previously, State Agreement Acts included a concessional royalty rate of 3.75% for iron ore 'fines' and 3.25% for beneficiated ore. From 1 July 2010, the current rates in the Mining Regulations apply (5.625% for fine ore and 5% for beneficiated ore), achieving consistency across all iron ore producers. The current 5.625% rate for 'fines' ore is regarded as a transitional rate towards the full rate of 7.5% that applies to 'crushed and screened' ores.

Notable changes in tax and royalty expenditure

Notable movements in the value of specific tax and royalty expenditure between 2009-10 (actual) and 2010-11 (estimated) include:

- a decrease of 45.9% (or \$6 million) in the value of the developers' land tax and MRIT concession, largely due to subdued residential housing activity;
- an increase of 105.5% (or \$1 million) in the value of the caravan park land tax and MRIT concession, due to the change in the then 50% concession to a 100% exemption from 1 July 2010;

- a decrease of 33.6% (or \$66 million) in the value of the connected entities restructure transfer duty exemption, notwithstanding an increase in the number of exemptions granted, attributable to the impact of large one-off transactions in 2009-10;
- a decrease of 17.5% (or \$3 million) in the value of the family farm transfer duty exemption, reflecting a reduction in the value of the dutiable property transferred;
- a decrease of 28.2% (or \$51 million) in the value of the first home owners' transfer duty exemption and concession, due to the cessation of the Commonwealth Government's First Home Owner Boost on 1 January 2010 (which had generated a pull-forward in demand in the first home buyers market), and generally subdued housing market activity on the back of higher home loan interest rates and greater consumer conservatism;
- a decrease of 20.5% (or \$18 million) in the value of the residential transfer duty concessions scale, due to lower activity in the State's residential property market (both in terms of house prices and the number of house sales); and
- a decrease of 100.0% (or \$235 million) in the value of the Iron Ore State Agreement Acts concessions, reflecting the State Government's policy decision to reform royalty rates for iron ore 'fines' in State Agreement Acts from 1 July 2010.

General Government Expenses

Overview

In 2011-12, general government expenses are budgeted to increase by \$1.8 billion or 7.9%, to \$24.8 billion. Targeted spending increases in the key service delivery areas of health, education, and law and order account for \$766 million or 42% of the total increase in general government expenses in 2011-12.

The Government continues to pay close attention to growth in general government expenses. This budget builds on previous measures implemented by this Government (including the 3% efficiency dividend, a ceiling on the number of full-time equivalent public servants, and a very clear and fair public sector wages policy), by funding a further 400 voluntary separations in 2011-12 and targeting \$300 million across the forward estimates period in savings from general government programs and activities that no longer provide value for money.

At the same time, the 2011-12 State Budget seeks to support our community through targeted spending to deliver quality services for all Western Australians. Key initiatives include the following.

Supporting Our Community – Targeting Spending to Deliver Quality Services for All Western Australians

Sustainable Funding and Contracting with the Not-For-Profit Sector

The Government is committed to improving services and support for disadvantaged and vulnerable people in the Western Australian community by building the capacity of the not-for-profit (NFP) to improve the welfare and wellbeing of the people for whom they care.

The 2011-12 Budget includes additional expenditure of more than \$600 million over the period to 2014-15, including \$99 million in 2011-12, to support the development of a sustainable NFP sector now and into the future, and to address historical funding shortfalls that have emerged in service agreements with NFP organisations. This includes:

- \$491 million over the forward estimates period, including \$88 million in 2011-12, to bring funding of the sector to a sustainable foundation. This represents an average 25% increase in funding provided for human services contracts by 2014-15;
- \$96 million for indexation of their costs, recognising the ongoing growth in costs faced by the NFP sector; and
- \$18 million for appropriate education, training and support to the public and NFP sectors for the roll-out of the additional funding and the implementation of contracting reforms.

Health

Spending on health services will increase to \$6.2 billion in 2011-12, an increase of \$470 million or 8.2% from 2010-11. The key health initiatives funded as part of this budget include:

- an additional \$363 million over five years from 2010-11, including \$58 million in 2011-12, to meet forecast health service needs including inpatient, emergency department and outpatient activity. The continued implementation of activity based funding and management which promotes equity, transparency and efficiency in health, will assist in providing a sustainable health system;
- \$277.1 million over four years from 2010-11, including \$52.7 million in 2011-12, on targeted elective surgery, emergency department and sub-acute care initiatives;
- \$240 million over four years, including \$42.3 million in 2011-12, from *Royalties for Regions (RfR)* to improve the level of access to regional health services; and
- \$74.2 million over five years from 2010-11, including \$11.5 million in 2011-12, to employ all graduating domestic junior doctors in Western Australia and provide additional supervision and expand simulated learning and training environments.

Education

Relative to 2010-11, spending by the Department of Education is budgeted to increase by \$185.6 million or 4.9% in 2011-12 to \$4 billion. Key education-related spending initiatives in this budget include:

- additional expenditure of \$361.6 million over five years from 2010-11, including \$149.1 million in 2011-12, to meet the anticipated costs associated with the 2011 Teachers and Administrators Enterprise Bargaining Agreement, the ongoing implementation of the Independent Public Schools initiative, and to place the Department of Education on a financially sustainable setting as it moves towards a more efficient and effective service delivery model;

- additional expenditure of \$78 million over five years from 2010-11, including \$17.8 million in 2011-12, to fund growth in student numbers, including those students with disabilities or learning difficulties and to support children of 457 visa holders with English as a Second Language programs;
- additional expenditure of \$23.2 million over four years from 2011-12 to support the increase in costs associated with compulsory Year 12 examinations in Western Australia; and
- \$7.5 million over two years from 2011-12 for the ongoing implementation of the National Curriculum in Western Australia.

Child Protection

This budget provides for a \$39.2 million or 8.8% increase in spending on child protection and related services in 2011-12. Key initiatives include:

- increased spending of \$51 million over four years, including \$12.2 million in 2011-12, to ensure the safety of children and young people by responding to increases in demand for core child protection services, increasing prevention and early intervention programs for at-risk families and improving outcomes for children and young people in care;
- additional spending of \$20.5 million over four years, including \$2.4 million in 2011-12, for increases in indexation to NFP child protection sector organisations for the continued delivery of services; and
- as a direct result of discussions between the Premier and Western Australian Council of Churches, \$5.4 million has been allocated for the construction (\$4 million) and operation (\$1.4 million) of an Acute Overnight Homeless Centre for Men in the city area.

Seniors

This budget significantly increases the Seniors Cost of Living Rebate at an estimated cost of \$40 million over the next four years. In 2011-12, the rebate increases to \$150 for singles (up from the current \$104.80) and to \$225 for couples (up from \$157.22). The Government has also expanded access to the Seniors Card to seniors who work up to 25 hours a week (up from the current limit of 20 hours) at a cost of \$10.5 million.

Law and Order

Spending by Western Australia Police and the Departments of Corrective Services and the Attorney General will increase by \$110.9 million (or 5%) to \$2.3 billion in 2011-12. Key spending initiatives as part of this budget include:

- an additional \$22 million over four years to meet the recurrent costs associated with the upgrade and replacement of Information and Communications Technology (ICT) software and hardware to ensure the ongoing provision of quality and timely policing services;

- an additional \$28.6 million over two years, including \$20.6 million in 2011-12, to meet the recurrent costs associated with hosting the Commonwealth Heads of Government Meeting (CHOGM);
- \$10.2 million over three years on the operation of new work camps at Roebourne and Gnowangerup, funded from *RfR*; and
- additional expenditure of \$11.6 million over four years to enable the Legal Aid Commission to expand its duty lawyer service throughout the State and provide additional grants of aid primarily for people defending criminal charges in the Magistrate's Court.

Building the State – Investing Now to Keep the Growth Going Into the Future

Labour Supply and Training

The Government is providing additional training places to ensure Western Australians have the opportunity to contribute to and benefit from the next period of economic growth, and to help ensure industry has access to the skills needed for the future.

Spending by the Department of Training and Workforce Development (DTWD) will increase by \$62.5 million or 9% in 2011-12, to \$758 million. Key initiatives funded as part of this budget include:

- expenditure of \$22.7 million in 2011-12 to provide 7,500 additional training places in areas of critical skill shortages, and a further \$10.7 million in 2011-12 to provide 4,546 additional training places to increase workforce participation. This growth means that the number of training places will rise from 134,000 in 2008 to 168,000 in 2011; and
- additional expenditure of \$33 million over two years, as part of the *RfR* Skills Training Initiative, to develop skills and training initiatives in regional Western Australia.

In addition, the Government has launched the Western Australian Skilled Migration Strategy to provide a strategic and coordinated plan for attracting migrants to the State, and will contribute \$4 million over four years for the operation of Skilled Migration WA (within DTWD).

Events Funding

To expand Western Australia's events calendar, Tourism WA will receive an additional \$60 million over the next four years to spend on sporting, arts and cultural, and uniquely Western Australian events. This includes \$40 million from *RfR* for regional events.

Kimberley Science and Conservation Strategy

Recurrent expenditure totalling \$37.4 million over four years¹, including \$8.4 million in 2011-12, has been approved for the Kimberley Science and Conservation Strategy (KSCS), to implement a suite of initiatives aimed at preserving the unique environmental and cultural values of the Kimberley. Key initiatives include:

- \$10.2 million over four years, including \$3 million in 2011-12, in support funding to the Western Australian Marine Science Institute for the study of the Kimberley's marine environment and to the Integrated Marine Observation System for the development of data gathering moorings and related infrastructure in Kimberley waters;
- \$9 million over four years, including \$1.5 million in 2011-12, for the creation and management of conservation reserve corridors linking key national parks, islands and lands through partnerships with pastoralists, non-government organisations and traditional land owners;
- \$7.7 million over four years for the establishment and ongoing management of the Camden Sound and Eighty Mile Beach Marine Parks in the Kimberley;
- \$4.2 million over four years from *RfR* for the development and promotion of tourism corridors across the Kimberley region including the upgrade and development of new camping facilities;
- \$3.3 million over four years for two new recreational fishing initiatives in the Kimberley and to monitor progress of the KSCS; and
- \$3 million over three years to enable baseline geochemical and geophysical surveys to be undertaken in the Kimberley basin.

Major Expense Changes by Portfolio

Summary

The following tables provide details of major changes in general government expenses by agency since the 2010-11 Mid-year Review was released in December 2010. This includes policy decisions made between the cut-off date for the mid-year review (1 December 2010) and the cut-off date for this budget (20 April 2011), and parameter changes of a material nature affecting agency expenses (including issues such as variations to Commonwealth-funded programs, higher cost and demand for government services, depreciation, and the settlement of Enterprise Bargaining Agreements).

¹ A further \$4.1 million is to be used for infrastructure provision, discussed in Chapter 6: *Asset Investment*, with total spending on this initiative totalling \$41.4 million over four years.

Changes related purely to timing are not included in this chapter as they are broadly net debt neutral across the forward estimates period. Any material timing changes are discussed in Chapter 3: *Financial Projections and Fiscal Strategy*. Changes in total public sector infrastructure spending (i.e. the Asset Investment Program) are outlined in Chapter 6: *Asset Investment*.

PREMIER; MINISTER FOR STATE DEVELOPMENT

Table 1

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Premier and Cabinet					
- Increased Policy Capacity	-	2.3	2.7	2.7	2.7
- Community Development Investment Fund	-	10.0	-	-	-
- Donations and Support to Disaster Victims	1.2	-	-	-	-
- Kimberley Science and Conservation Strategy	-	0.3	0.4	0.4	0.5
- Conservation Council of Western Australia	-	0.1	-	-	-
Public Sector Commission					
- Accountability, Governance and Integrity Programs	-	1.1	1.1	0.8	0.8
- Western Australian Leadership Program	-	1.3	1.0	0.5	0.7
- Public Sector Improvement Initiatives	-	1.2	1.2	0.8	0.8
- Indigenous Employment Strategy	-	1.6	2.4	2.0	2.6
- <i>Royalties for Regions</i> – Public Sector Regional Leadership	-	0.7	0.7	1.0	-
State Development					
- Transfer of Assets Associated with the <i>Royalties for Regions</i> Ord-East Kimberley Expansion Project	-	71.1	77.1	-	-
- Ashburton North Strategic Industrial Area	-	4.5	0.6	0.6	0.3
- Anketell Strategic Industrial Area	-	2.3	0.6	0.6	0.4
- CHOGM – Investment Promotion Material	0.1	0.1	-	-	-

Premier and Cabinet

Increased Policy Capacity

A total of \$10.5 million will be spent over four years to assist with the implementation of the Government's reform agenda as outlined in the Economic Audit Committee recommendations and perform strategic reviews of the activities of key agencies. Strategic reviews are aimed at ensuring that agencies' service delivery is aligned with the Government's priorities. These contrast with value for money reviews, which are focused on the efficiency of agencies' service delivery and the effectiveness of the outcomes achieved.

Community Development Investment Fund

A total of \$10 million will be spent in 2011-12 to assist NFP sector organisations to build financial sustainability and improve the delivery of human services in Western Australia.

Donations and Support to Disaster Victims

In 2010-11, \$1.2 million will be paid to the victims of a number of natural disasters in Western Australia and Queensland. This includes a donation of \$1 million to the Queensland Premier's Disaster Relief Appeal, \$100,000 for the Carnarvon-Gascoyne floods, and \$70,000 for the Lake Clifton bushfire.

Kimberley Science and Conservation Strategy

A total of \$1.5 million will be spent over four years to progress the KSCS in conjunction with other agencies. The strategy is designed to protect the region's natural and cultural heritage while allowing the region to fulfil its economic potential. The additional expenditure will support cross-sector coordination projects, ensuring that opportunities from a coordinated approach to the challenges of economic development in a 'biodiversity hotspot' are realised, and that agencies work together to achieve optimum outcomes.

Conservation Council of Western Australia

A grant of \$100,000 will be paid in 2011-12 to assist the Conservation Council in its advocacy role on conservation issues and a sustainable Western Australia.

Public Sector Commission

Accountability, Governance and Integrity Programs

A total of \$3.9 million will be spent over four years to assist with the implementation of public sector reform processes. This incorporates the development of strategic policies, supporting guidelines and training for employing authorities and their employees on accountability and integrity issues, including disciplinary investigations and public interest disclosures.

Western Australian Leadership Program

The Public Sector Commission will directly spend \$3.5 million over four years to continue high quality leadership and management learning and development opportunities for mid-level managers and Senior Executive Officers. Enhancements will be made to reporting capabilities of key systems to improve agency workforce management, identify emerging leaders in the public sector and assist in creating a more flexible public sector to meet government priorities.

Public Sector Improvement Initiatives

A total of \$4 million will be spent over four years to expand workforce planning in the public sector, address critical workforce issues, and to better position the sector to meet emerging needs and challenges. This will be achieved through training of agency staff, development of guidelines and programs to assist agencies to respond to workforce attraction and retention issues, and implementation of an improved workforce data gathering and reporting system to support agency workforce planning.

Indigenous Employment Strategy

A total of \$8.6 million will be spent over four years on this strategy, which aims to increase the representation of Indigenous Australians in the public sector workforce. A target for the employment of Indigenous people in the public sector to reach 3.2% of the total workforce by 2015 has been set for Western Australia. The expenditure will see an additional 163 trainees in the workforce. The strategy will be implemented through the establishment of a centrally coordinated and funded traineeship program available to all age groups, which encompasses an integrated employment, training, support and placement service.

***Royalties for Regions* – Public Sector Regional Leadership**

A total of \$2.4 million will be spent from 2011-12 to 2013-14 on initiatives to expand the Public Sector Commission's interaction with public sector bodies in regional Western Australia. This will be achieved through the provision of a range of learning and development opportunities, business and workforce planning initiatives, and employment services to regional Western Australia.

State Development

Transfer of Assets Associated with the *Royalties for Regions* Ord-East Kimberley Expansion Project

Operating expenses incurred by the Department will increase by a total of \$148.2 million between 2011-12 and 2012-13, representing the transfer of road and irrigation assets associated with the *RfR* Ord-East Kimberley Expansion Project from the Department of State Development to a non-government cooperative and the Shire of Wyndham East Kimberley.

Ashburton North Strategic Industrial Area

A total of \$6 million will be spent over four years to facilitate the development of common user infrastructure at the proposed Ashburton North Strategic Industrial Area and port, including negotiation of State Development Agreements and native title arrangements, land planning and environmental studies and the development of social infrastructure proposals.

Anketell Strategic Industrial Area

A total of \$3.8 million will be spent over four years to facilitate the development of common user infrastructure at the proposed Anketell Strategic Industrial Area and port. The expenditure will cover the development of a social management plan, legal expenses for the negotiation of State Development Agreements, land planning and environmental studies.

Commonwealth Heads of Government Meeting – Investment Promotion Material

Additional expenditure totalling \$160,000 over two years, commencing in 2010-11, will be incurred to develop a suite of publication materials to promote Western Australia's attractiveness as an investment destination, potential trading partner and base for corporate operations.

DEPUTY PREMIER; MINISTER FOR HEALTH; TOURISM

Table 2

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
WA Health					
- Junior Doctors Training	2.8	11.5	15.0	22.6	22.3
- National Partnership Agreement on Improving Public Hospital Services	60.7	52.7	73.1	90.7	-
- <i>Royalties for Regions</i> – Southern Inland Health Initiative	-	42.4	55.3	69.8	72.6
- Cost and Activity Increases	20.0	57.9	49.0	114.5	121.3
- Fresh Start Recovery Program	0.5	1.0	-	-	-
- Community Living Support Services	-	0.2	0.5	0.5	0.5
- Prospect Lodge Rehabilitation Treatment Facility	-	0.2	0.3	0.3	0.3
- <i>Royalties for Regions</i> – Addressing Alcohol and Drug Related Harm in the Kimberley and Pilbara	-	2.2	4.6	4.7	4.9
- <i>Royalties for Regions</i> – Dual Purpose Alcohol and Drug Centre in Carnarvon	-	0.6	0.6	0.6	0.6
- Neurosciences Research Institute – Grant	-	5.0	-	-	-
- CHOGM – Provision of Health Services	0.2	1.2	-	-	-
- Seniors Card Eligibility	-	-(a)	-(a)	-(a)	-(a)
Western Australian Tourism Commission					
- Aviation and Market Development in China	-	1.3	1.3	1.3	1.3
- New Golf Tournament	-	2.4	2.4	2.4	-
- Event Tourism	-	15.0	15.0	15.0	15.0
- <i>Royalties for Regions</i> – Kimberley Science and Conservation Strategy	-	1.0	1.4	1.2	0.7
- CHOGM – Marketing Western Australia	0.2	0.8	-	-	-
Rottnest Island Authority ^(b)					
- Maintenance of Rottnest Island's Natural and Cultural Heritage Assets	-	1.0	2.0	3.0	3.0

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

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

WA Health

Junior Doctors Training

Additional spending of \$74.2 million from 2010-11 to 2014-15 has been provided as part of the Government's commitment to employ all graduating domestic junior doctors in Western Australia. This expenditure also includes additional capacity for supervision of junior doctors and the targeted expansion of 14 simulated learning facilities and mobile simulation training units across the State.

National Partnership Agreement on Improving Public Hospital Services

As part of the total \$351.6 million, including capital, that the Commonwealth will provide through a new National Partnership Agreement on Improving Public Hospital Services, \$277.1 million will be allocated from 2010-11 to 2013-14 to:

- increase the capacity of hospitals to perform medical services through the provision of additional sub-acute beds;
- ensure a higher proportion of emergency department patients are admitted to hospital, referred for treatment or discharged within a four-hour period (where clinically appropriate); and
- enable a higher proportion of elective surgery patients to be seen within clinically recommended times.

***Royalties for Regions* – Southern Inland Health Initiative**

As part of the \$538 million *RfR* Southern Inland Health Initiative package (to 2014-15), \$240 million will be spent over four years to address the shortfall of General Practitioners in regional Western Australia by providing General Practitioners with incentives to retain and/or attract them into the regions, improving the level of Telehealth services, and increasing the number of primary health care staff associated with the redevelopment of six integrated district health services across the State.

Cost and Activity Increases

The State Government will spend an additional \$363 million from 2010-11 to 2014-15 reflecting the predicted population increase and corresponding take up of health services across Western Australia and the increasing cost of delivering those services. This builds on the substantial increase of \$1.1 billion over five years provided in the 2010-11 Budget to accommodate increased levels of health service activity, and retains the Health system on a financially sustainable setting through the continued implementation of activity-based funding and management.

Fresh Start Recovery Program

A total of \$1.5 million will be spent over two years from 2010-11 for 244 treatments to be provided by the Fresh Start Recovery Program to assist patients with alcohol and drug addiction using naltrexone implants.

Community Living Support Services

A total of \$1.5 million will be spent over four years to provide treatment and support to people with alcohol and other drug (AOD) problems and their families in short-term social housing. This initiative is linked to the provision of an additional 15 homes by the Department of Housing to provide transitional accommodation to individuals exiting residential AOD treatment services.

Prospect Lodge Rehabilitation Treatment Facility

A total of \$1 million will be spent over four years to expand the Prospect Lodge residential rehabilitation service in the Goldfields. This will allow the facility to operate at its full 10 bed capacity and improve access to culturally secure AOD services for residents in the Goldfields region.

Royalties for Regions – Addressing Alcohol and Drug Related Harm in the Kimberley and Pilbara

A total of \$16.4 million will be spent over four years to increase the capacity of AOD prevention and treatment services in the Kimberley (\$11 million) and Pilbara (\$5.4 million) regions. This initiative will expand the level of resources in existing service hubs and double the number of service hubs from four to eight.

Royalties for Regions – Dual Purpose Alcohol and Drug Centre in Carnarvon

A total of \$2.4 million will be spent over four years to operate a dual purpose counselling and sobering-up centre in Carnarvon that reduces harm related to alcohol use for both the individual and the community.

Neurosciences Research Institute – Grant

A grant of \$5 million will be provided in 2011-12 as the State Government's contribution towards the construction of the new state of the art Neurosciences Research Institute on the Queen Elizabeth II Medical Centre. Once completed in 2014, the new facility will bring together key areas of related neurosciences research that will enhance the collaborative links between the various research organisations.

Commonwealth Heads of Government Meeting – Provision of Health Services

A total of \$1.4 million will be spent over two years from 2010-11 to provide health and first aid services for all CHOGM events. This includes the provision of ambulance services, doctors and nurses for all meetings, dinners and functions attended by Foreign Ministers and Leaders.

Seniors Card Eligibility

A further \$0.2 million will be spent over four years to meet additional costs resulting from the extension of the Seniors Card working hours criterion from an average 20 hours per week to 25 hours per week. This will result in an estimated additional 4,500 seniors becoming eligible for the Seniors Card and Seniors rebates.

Western Australian Tourism Commission

Aviation and Market Development in China

An additional \$5.2 million will be spent over four years on the implementation of an aviation and marketing development strategy in China to attract and capture a greater share of its growing outbound visitor market.

New Golf Tournament

A total of \$7.2 million will be spent from 2011-12 to 2013-14 to enable Western Australia to secure a major international golf event.

Event Tourism

An additional \$60 million will be spent over four years (including \$40 million from *RfR*) on the development of a State-wide events calendar that will enhance the vibrancy of Perth and the regions. This expenditure will enable major new metropolitan and regional events to be developed and facilitate enhancements to existing events. It will also provide a boost to the existing regional events scheme which supports and encourages growth of smaller events held throughout the State.

***Royalties for Regions* – Kimberley Science and Conservation Strategy**

A total of \$4.2 million will be spent over four years to implement the tourism initiatives and components of the KSCS. This will include the development of Indigenous tourism products, and development and promotion of tourism corridors across the region.

Commonwealth Heads of Government Meeting – Marketing Western Australia

A total of \$990,000 will be spent over two years from 2010-11 to promote Western Australia to CHOGM delegates and to create awareness of the event amongst the Western Australian public.

Rottnest Island Authority

Maintenance of Rottnest Island's Natural and Cultural Heritage Assets

An additional \$9 million will be spent over four years on maintaining the marine and terrestrial environment and heritage management of Rottnest Island, to protect the Island's natural and cultural heritage assets.

MINISTER FOR MINES AND PETROLEUM; FISHERIES; ELECTORAL AFFAIRS

Table 3

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Mines and Petroleum					
- Accelerating Reinvestment in Western Australian Mine Sites	-	1.0	1.8	2.4	-
- Sustaining Reduction in Mineral Titles Application Processing	-	0.5	0.5	0.5	0.5
- Government Contribution to Mines and Petroleum Safety Regulation	1.0	1.0	1.0	1.0	1.0
- <i>Royalties for Regions</i> – Exploration Incentive Scheme – Regional Alternative Energy Mobilisation Project	-	3.6	13.5	3.5	-
- Kimberley Science and Conservation Strategy – Baseline Geochemical and Geophysical Surveys	-	0.7	1.1	1.1	-
- Implementation of Oil and Gas Regulation Reform	-	1.0	1.0	-	-
- Mining Tenement Refunds	8.1	8.0	-	-	-
- Regulation of the Resources Industry	-	6.9	5.9	7.5	9.1
- Delayed Roll-in into Shared Services	0.6	1.8	1.8	0.1	-
Fisheries					
- Aquatic Biosecurity Functions	-	4.7	4.7	-	-
- Aquatic Biosecurity – Port Inspections	2.4	-	-	-	-
- <i>Royalties for Regions</i> – Establishment and Management of Capes Marine Park	-	0.8	0.8	0.8	0.8
- <i>Royalties for Regions</i> – Fisheries Research and Attraction	-	0.5	0.5	0.5	0.5
- Kimberley Science and Conservation Strategy – Establishment and Management of Eighty Mile Beach Marine Park	-	0.3	0.6	0.6	0.6
- Abrolhos Islands – Upgrade of Public Airstrips	0.5	0.5	-	-	-
- Northern Fisheries Protection – Recreational Fishing Compliance in the Pilbara and Gascoyne	-	0.2	-	-	-
- Kimberley Science and Conservation Strategy – Kimberley Marine Education Program	-	0.2	0.4	0.3	0.2
- Kimberley Science and Conservation Strategy – Barramundi Stocking in Lake Kununurra	-	0.2	0.2	0.2	0.1

Mines and Petroleum

Accelerating Reinvestment in Western Australian Mine Sites

An additional \$5.2 million will be spent from 2011-12 to 2013-14 on regulation and control of mine sites rehabilitation to enable faster bond and tenement relinquishment, thereby increasing opportunities for companies to reinvest in new mining developments.

Sustaining Reduction in Mineral Titles Application Processing

An additional \$500,000 per annum from 2011-12 will be spent on retaining a specialised team dealing with the processing of exploration and mineral titles applications.

Government Contribution to Mines and Petroleum Safety Regulation

An additional \$1 million per annum from 2010-11 will be spent on the ‘public good’ component of the Department’s mines and petroleum safety regulation activities. These activities are predominantly funded from industry, but it is appropriate that the Government also makes a direct contribution in recognition of the broader community benefits of safety regulation.

***Royalties for Regions* – Exploration Incentive Scheme – Regional Alternative Energy Mobilisation Project**

An additional \$20.6 million will be spent from 2011-12 to 2013-14 on mobilising drilling rigs and fracturing equipment into Western Australia in order to support exploration and production of unconventional energy resources including shale gas, tight gas and geothermal energy.

Kimberley Science and Conservation Strategy – Baseline Geochemical and Geophysical Surveys

An additional \$3 million will be spent from 2011-12 to 2013-14 on baseline geochemical and geophysical surveys in the Kimberley Basin. This spending will enable a complete geological mapping of the region and support other scientific and conservation programs undertaken as part of the KSCS.

Implementation of Oil and Gas Regulation Reform

An additional \$2 million will be spent over two years from 2011-12 on the implementation of oil and gas regulation reform as part of the National Partnership Agreement to Deliver a Seamless National Economy.

Mining Tenement Refunds

An additional \$16.1 million will be spent from 2010-11 to 2011-12 to cover an anticipated increase in mining tenement refunds. The increase brings the expenditure up to \$9 million per annum in 2010-11 and 2011-12 and reflects variables such as the backlog of tenement applications, mineral commodity prices, the level of mineral exploration expenditure and native title factors.

Regulation of the Resources Industry

An additional \$29.4 million will be spent over four years on regulation of the resources industry, with the cost of the additional regulation to be fully recovered from industry.

Delayed Roll-in into Shared Services

A total savings of \$4.4 million previously harvested will be returned to the Department due to a delayed roll-in into Shared Services. This is discussed later in this chapter (see Department of Finance).

Fisheries

Aquatic Biosecurity Functions

A total of \$9.4 million will be spent over two years from 2011-12 to meet State, Commonwealth and international aquatic biosecurity obligations, particularly in relation to monitoring activities at key Western Australian ports. The Department is the lead agency for the administration and management of a number of Acts and agreements, aiming to minimise and control the introduction of aquatic pests.

Aquatic Biosecurity – Port Inspections

An additional \$2.4 million will be spent in 2010-11 to carry out immediate inspections of nationally significant ports at Fremantle, Dampier and Port Hedland to identify potential marine pest incursions. The additional expenditure will also cover the development of cost effective methods of in-water inspection and cleaning of vessels, in partnership with industry.

***Royalties for Regions* – Establishment and Management of Capes Marine Park**

A total of \$3.3 million will be spent over four years, from 2011-12 to facilitate the establishment and ongoing management of the Capes Marine Park. The additional expenditure will enable the Department to plan and implement research, compliance and education activities within the proposed Park.

***Royalties for Regions* – Fisheries Research and Attraction**

Additional expenditure of \$1.9 million will be incurred over four years to fund research and activities which aim to promote a sustained increase in the abundance and diversity of existing fish stocks in Western Australian waters.

Kimberley Science and Conservation Strategy – Establishment and Management of Eighty Mile Beach Marine Park

A total of \$2 million will be spent over four years to facilitate the establishment and ongoing management of the Eighty Mile Beach Marine Park, south of Broome. The additional expenditure will primarily cover an increase in recreational and commercial compliance activities by the Department within the new marine park.

Abrolhos Islands – Upgrade of Public Airstrips

An additional \$1 million will be spent from 2010-11 to 2011-12 to enable gravel sheeting maintenance works to be carried out on the East Wallabi and Rat Island airstrip surfaces in the Abrolhos Islands.

Northern Fisheries Protection – Recreational Fishing Compliance in the Pilbara and Gascoyne

A total of \$200,000 will be spent in 2011-12 to cover the costs of increased compliance and education services in the Pilbara and Gascoyne in recognition of the increased levels of recreational fishing activity being experienced in these regions.

Kimberley Science and Conservation Strategy – Kimberley Marine Education Program

An additional \$1.1 million will be spent over four years as part of the KSCS initiative to implement a Kimberley marine education program for recreational fishers and tour charter operators, to promote the unique features of the Kimberley marine environment and how they can be protected through sustainable fishing and tourism practices.

Kimberley Science and Conservation Strategy – Barramundi Stocking in Lake Kununurra

A total of \$695,000 will be spent over four years as part of the KSCS initiative to restock Lake Kununurra with barramundi fingerlings to form the basis of a still-water recreational fishery in the Kimberley.

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

Table 4

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Regional Development and Lands					
- <i>Royalties for Regions</i> – Mid West Investment Plan	-	40.0	40.0	70.0	70.0
- <i>Royalties for Regions</i> – Mid West Unit	-	0.8	0.8	0.8	0.8
- <i>Royalties for Regions</i> – Regional Centres Development Plan (SuperTowns)	-	85.5	-	-	-
- <i>Royalties for Regions</i> – Regional Development Water and Natural Resource Management Initiatives	-	22.8	17.7	16.5	21.2
- <i>Royalties for Regions</i> – Bushchange Housing Grant	-	-10.0	-25.0	-25.0	-
- <i>Royalties for Regions</i> – Pilbara Cities Strategic Infrastructure	-	-	-	50.0	-
- <i>Royalties for Regions</i> – Administration of the <i>Royalties for Regions</i> Fund	5.1	8.6	8.8	9.1	9.4
- <i>Royalties for Regions</i> – Regional Capital Works Program	-5.0	-23.0	-	-	-
- Regional Development Program Support	2.5	2.8	2.9	2.9	2.9
- <i>Royalties for Regions</i> – Gascoyne Development Plan	-10.3	8.6	20.7	-6.1	-
- <i>Royalties for Regions</i> – Coral Bay Seasonal Staff Accommodation	-	1.4	-	-	-
- <i>Royalties for Regions</i> – Regional Buy Local Initiatives	-	1.0	-	-	-
- <i>Royalties for Regions</i> – Rushton Park	0.1	-	-	-	-
Gascoyne Development Commission					
- <i>Royalties for Regions</i> – Regional Grants Scheme 2010-11	-	1.1	-	-	-
- <i>Royalties for Regions</i> – Regional Strategic Projects Grants	2.0	0.8	-	-	-
Goldfields-Esperance Development Commission					
- <i>Royalties for Regions</i> – Regional Grants Scheme 2010-11	-	1.1	-	-	-
Great Southern Development Commission					
- <i>Royalties for Regions</i> – Regional Grants Scheme 2010-11	-	1.1	-	-	-
- <i>Royalties for Regions</i> – Regional Strategic Projects Grants	1.2	-	-	-	-
Kimberley Development Commission					
- <i>Royalties for Regions</i> – Regional Grants Scheme 2010-11	-	1.1	-	-	-
- Warmun Aboriginal Community Re-establishment	0.3	0.2	-	-	-
Mid West Development Commission					
- <i>Royalties for Regions</i> – Regional Grants Scheme 2010-11	-	1.1	-	-	-

Table 4 (cont.)

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE 2010-11 MID-YEAR REVIEW					
Peel Development Commission					
- <i>Royalties for Regions</i> – Regional Grants Scheme 2010-11	-	1.1	-	-	-
- <i>Royalties for Regions</i> – Regional Strategic Projects Grants	1.0	-	-	-	-
Pilbara Development Commission					
- <i>Royalties for Regions</i> – Regional Grants Scheme 2010-11	-	1.1	-	-	-
South West Development Commission					
- <i>Royalties for Regions</i> – Regional Grants Scheme 2010-11	-	1.1	-	-	-
- <i>Royalties for Regions</i> – Regional Strategic Projects Grants	0.7	0.2	-	-	-
Wheatbelt Development Commission					
- <i>Royalties for Regions</i> – Regional Grants Scheme 2010-11	-	1.1	-	-	-
Western Australian Land Authority ^(a)					
- Shotts Industrial Park Collie – Infrastructure Upgrades	1.1	11.6	1.4	0.4	0.2
Western Australian Land Information Authority (Landgate)					
- Strategic Development Plan 2011-12 to 2014-15	-5.9	-4.2	2.1	1.6	4.4

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

Regional Development and Lands

Royalties for Regions – Mid West Investment Plan

A total of \$220 million will be spent over four years to implement major infrastructure projects and initiatives in the Mid West region and enable a more sustainable social and economic base. Projects will relate to a broad range of infrastructure across a number of areas, such as transport, health, education, town revitalisation and recreation facilities.

Royalties for Regions – Mid West Unit

A total of \$3 million will be spent to provide administration and project management to support the delivery of Mid West Investment Plan.

Royalties for Regions – Regional Centres Development Plan (SuperTowns)

A total of \$80 million will be spent on this initiative in 2011-12 providing an opportunity to promote growth and development of regional towns and communities. This expenditure will deliver four initial Pilot Towns, in which a broad range of town development initiatives will be undertaken to improve amenity of residents and enhance economic opportunities. An amount of \$5.5 million will also be spent in 2011-12 to facilitate the development of master plans and a planning framework.

Royalties for Regions – Regional Development Water and Natural Resource Management Initiatives

A total of \$78.2 million will be spent over four years on a series of strategic initiatives to deliver greater access to information about water availability and supply options in regional Western Australia. This will assist in the management of demand and supply of water needs for the regional economic development priorities of government.

Royalties for Regions – Bushchange Housing Grant

A reduction in planned expenditure of \$60 million from 2011-12 to 2013-14 associated with this program has been approved. Alternative options for delivery of the grant will be investigated through the *RfR* Regional Housing for Workers and SuperTowns initiatives.

Royalties for Regions – Pilbara Cities Strategic Infrastructure

Planned expenditure of \$50 million has been transferred from the capital component of this initiative, and will now be spent in 2013-14 to reflect the intention of the infrastructure under this program to be built and owned by entities outside the State public sector.

Royalties for Regions – Administration of the Royalties for Regions Fund

A total of \$41 million will be spent from 2010-11 to 2014-15 to provide additional resources to the Department to administer and implement the *RfR* program. This includes additional officers to implement and manage the substantially increased number of projects funded by *RfR* and other support staff to deliver the program.

Royalties for Regions – Regional Capital Works Program

A reduction of expenditure of \$28 million has been approved due to the reallocation of these funds to other *RfR* initiatives.

Regional Development Program Support

An additional \$14 million will be spent from 2010-11 to 2014-15 to increase the capacity of the Department to deliver better regional development outcomes for the State. This will ensure adequate expenditure on central agency functions that support the delivery of regional development policy and projects, including *RfR*.

Royalties for Regions – Gascoyne Development Plan

A total of \$12.8 million will be spent from 2010-11 to 2013-14 to increase the capacity of the Gascoyne Development Plan, with the objective of enhancing the Gascoyne region through a variety of projects.

Royalties for Regions – Coral Bay Seasonal Staff Accommodation

A total of \$1.4 million will be spent in 2011-12 to provide an Indigenous employment package to enhance the outcomes achieved in relation to the Coral Bay Seasonal Staff Accommodation project.

Royalties for Regions – Regional Buy Local Initiatives

A total of \$1 million will be spent in 2011-12 to establish programs to promote local suppliers in regional Western Australia.

Royalties for Regions – Rushton Park

A total of \$125,000 will be spent in 2010-11 to provide financial assistance to the redevelopment of Rushton Park, Mandurah, and allow for completion of the grandstand upgrade.

Development Commissions – All

Royalties for Regions – Regional Grants Scheme 2010-11

An additional \$1.1 million will be spent by each of the Development Commissions in 2011-12 (\$10.1 million in total) on the 2010-11 round of the Regional Grants Scheme. Individuals and organisations are eligible to apply for funding to improve economic and community infrastructure in the regions through this contestable grants scheme.

Gascoyne Development Commission

Royalties for Regions – Regional Strategic Projects Grants

An additional \$2.8 million will be spent from 2010-11 to 2011-12 on various community infrastructure projects, such as building the Carnarvon One Mile Jetty Interpretative Centre and a new Gascoyne Regional Library and Art Gallery, under the Regional Strategic Projects Grants scheme.

Great Southern Development Commission

Royalties for Regions – Regional Strategic Projects Grants

An additional \$1.2 million will be spent in 2010-11 on community infrastructure projects under the Regional Strategic Projects Grants scheme.

Kimberley Development Commission

Warmun Aboriginal Community Re-establishment

An additional \$500,000 will be spent from 2010-11 to 2011-12 by the Warmun Aboriginal Community Re-establishment Taskforce on the coordination of the recovery of the Warmun community in the East Kimberley.

Peel Development Commission

***Royalties for Regions* – Regional Strategic Projects Grants**

An additional \$1 million will be spent in 2010-11 on various community infrastructure projects under the Regional Strategic Projects Grants scheme.

South West Development Commission

***Royalties for Regions* – Regional Strategic Projects Grants**

An additional \$0.9 million will be spent from 2010-11 to 2011-12 on community infrastructure projects under the Regional Strategic Projects Grants scheme.

Western Australian Land Authority

Shotts Industrial Park Collie – Infrastructure Upgrades

An additional \$14.7 million subsidy, over the period from 2010-11 to 2014-15, will be provided for the relocation of communications, road and water infrastructure that crosses the site area within the Shotts Industrial Park to be occupied by the proponent 'Perdaman Chemicals and Fertilisers'. Also included is a component to meet rental shortfalls and estate holding costs during Perdaman's pre-construction, construction and commissioning period.

This is a significant manufacturing project for the South West region, requiring an investment of around \$3.5 billion, a construction workforce of approximately 1,500 people and a permanent operational workforce of around 200 to be located in the Collie/Bunbury area. The urea plant will utilise environmentally-friendly technologies to transform sub-bituminous coal into urea for use in chemical and fertiliser applications using innovative and clean coal gasification processes.

Western Australian Land Information Authority (Landgate)

Strategic Development Plan 2011-12 to 2014-15

Adjustments relating to the Strategic Development Plan reflect Landgate's forecast expenditures and revenues and the resultant impact on cashflows to and from government. Expenditures decreased in 2010-11 and are expected to remain below previous estimates in 2011-12 due to the downturn in the property market. An additional \$8.1 million will be spent from 2012-13 to 2014-15 reflecting the peak of the three-year valuation cycle and a projected improvement in the property market.

TREASURER; ATTORNEY GENERAL

Table 5

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Treasury					
- Enhanced Cost and Demand Modelling	-	0.5	0.5	0.5	0.5
- Performance Management and Evaluation	-	0.3	0.3	0.3	0.3
- Value for Money Reviews	-	0.5	0.5	0.6	0.6
- Government Trading Enterprises – Umbrella Legislation	-	0.3	-	-	-
- Government Trading Enterprises – Monitoring	-	0.8	0.8	0.8	0.8
- Delivering Community Services in Partnership Policy	-	0.3	0.2	0.2	0.2
- First Home Owners' Scheme Grant	-12.5	-	-	-	-
- Refunds of State Taxes	15.1	-	-	-	-
- Grants to Local Government	45.0	-	-	-	-
- Grants to Non-government Schools	123.0	-	-	-	-
Economic Regulation Authority					
- Building In-house Capacity and Expertise	2.1	2.5	-	-	-
Attorney General					
- Retrospective Remuneration Agreement with Copyright Agency Limited	3.1	-	-	-	-
- Ex-gratia Payment to Constable Butcher	3.3	-	-	-	-
- Establishment of the Building Disputes Tribunal	0.8	4.0	3.2	3.3	3.4
- Reduce Backlog of Mining Tenement Objections	-	0.4	0.4	0.4	0.4
- <i>Royalties for Regions</i> – Aboriginal Justice Education Program	-	4.0	2.3	2.3	-
- <i>Criminal Injuries Compensation Act 2003</i>	6.5	6.7	6.9	7.1	7.3
- Office of Shared Services – Revised Roll-in Date	-	6.3	1.9	-	-
Office of the Director of Public Prosecutions					
- Specialised Appeals Team	-	1.2	1.2	-	-
Office of the Information Commissioner					
- Administration of the <i>Freedom of Information Act</i>	-	0.3	0.3	0.3	0.3
Legal Aid Commission of Western Australia					
- Duty Lawyer Service	-	1.2	1.3	1.3	1.3
- Grants of Aid	-	1.6	1.6	1.7	1.7

Treasury

Enhanced Cost and Demand Modelling

In line with the recommendations of the Economic Audit Committee (EAC), a total of \$2 million will be spent over four years to allow the Department to assist agencies develop robust cost and demand models to strengthen the budget process and develop a more in-depth understanding of the cost and demand drivers in key service delivery agencies.

Performance Management and Evaluation

In line with the recommendations of the EAC, a total of \$1.2 million will be spent over four years to build program evaluation capacity and enhance the quality and usefulness of performance management information. This will assist in identifying savings from programs that are no longer achieving desired outcomes or delivering value for money.

Value for Money Reviews

In line with the recommendations of the EAC, a total of \$2.2 million will be spent over four years for the conduct of value for money reviews of key government agencies. These reviews are aimed at ensuring that agencies are delivering services as efficiently and effectively as possible.

Government Trading Enterprises – Umbrella Legislation

A total of \$300,000 will be spent in 2011-12 to facilitate the development of umbrella legislation for the State's Government Trading Enterprises (GTEs), in line with the recommendations of the EAC.

Government Trading Enterprises – Monitoring

In line with the recommendations of the EAC, a total of \$3.2 million will be spent over four years to provide increased oversight of the State's GTEs and strengthen governance arrangements. This will include monitoring the implementation of the efficiency dividend announced in this budget, to ensure that costs are reduced and GTEs are operating as efficiently as possible as utility tariffs move to cost-reflective levels over coming years.

Delivering Community Services in Partnership Policy

As part of the significant funding boost in this budget for the NFP sector, \$1.1 million will be spent over four years to support and monitor the roll-out of the additional funding and associated contracting reforms. Further expenditure has also been approved for the Department of Finance for the provision of appropriate education, training and support to the public and NFP sectors (see Department of Finance later in this chapter).

First Home Owners' Scheme Grant

Expenses associated with the First Home Owners' Scheme have been revised down by \$12.5 million in 2010-11, in line with reduced activity.

Refunds of State Taxes

Higher than expected claims for refunds of State taxes (up \$15.1 million) have been recorded in 2010-11.

Grants to Local Government

Local government grants have been revised up by \$45 million in 2010-11. This money is received from the Commonwealth and on-passed to local governments (i.e. there is no impact on the State's net operating balance). The grant increases are for general purposes (\$27 million) and roads (\$18 million).

Grants to Non-government Schools

Commonwealth grants on-passed to non-government schools by the State have been revised up by \$123 million in 2010-11. Similar to the local government grants, these grants have no effect on Western Australia's net operating position.

Economic Regulation Authority

Building In-house Capacity and Expertise

An additional \$4.7 million will be spent from 2010-11 to 2011-12 to allow the Economic Regulation Authority to carry out more work in-house, build staff expertise and reduce its reliance on external consultants, responding to the complexity of its functions and legislative obligations.

Attorney General

Retrospective Remuneration Agreement with Copyright Agency Limited

A total of \$3.1 million will be spent in 2010-11 to extinguish the State's retrospective copyright liability for the period 1 July 2001 to 30 June 2010.

Ex-gratia Payment to Constable Butcher

An ex-gratia payment of \$3.3 million has been made in 2010-11 to Constable Matthew Butcher.

Establishment of the Building Disputes Tribunal

An additional \$14.7 million will be spent from 2010-11 to 2014-15 to enable the State Administrative Tribunal to resolve building complaints in accordance with the Building Services (Complaint Resolution and Administration) Bill 2010.

Reduce Backlog of Mining Tenement Objections

An additional \$435,000 per annum will be spent from 2011-12 to help reduce the backlog of mining tenement objections dealt with by the Magistrate's Court.

Royalties for Regions – Aboriginal Justice Education Program

A total of \$8.5 million will be spent from 2011-12 to 2013-14 to enable the delivery of two projects within the Aboriginal Justice Education Program, being Enhancement of Victims of Crime Services (\$3 million) and Enhanced Driver Training for Regional Aboriginal Communities (\$5.5 million). This is expected to reduce incarceration rates, victimisation rates and lead to safer communities.

Criminal Injuries Compensation Act 2003

An additional \$34.6 million will be spent from 2010-11 to 2014-15 to enable the Department of the Attorney General to meet the anticipated increased costs of award payments made in accordance with the *Criminal Injuries Compensation Act 2003*. The estimated total cost of award payments in 2011-12 is \$26.2 million.

Office of Shared Services – Revised Roll-in Date

A total savings of \$8.1 million harvested from the Department will be returned over two years from 2011-12 due to the delayed roll-in to the Office of Shared Services. This is discussed further under the Department of Finance.

Office of the Director of Public Prosecutions

Specialised Appeals Team

A total of \$1.2 million per annum will be spent in 2011-12 and 2012-13 to establish a new specialised Appeals Team to conduct criminal appeals. This Team will initially be engaged on a two year basis, and its results will be assessed to determine future resourcing requirements.

Office of the Information Commissioner

Administration of the Freedom of Information Act

A total of \$1.2 million will be spent over four years to enable the Office of the Information Commissioner to clear the current backlog of appeals, and to address increases in costs and demand for Freedom of Information training and assistance.

Legal Aid Commission of Western Australia

Duty Lawyer Service

An additional \$5.1 million will be spent over four years to enable the Legal Aid Commission to expand its duty lawyer service throughout the State, thereby reducing the number of unrepresented persons appearing in the Magistrate's and Children's Courts prior to entering a plea.

Grants of Aid

An additional \$6.6 million will be spent over four years to enable the Legal Aid Commission to provide additional grants of aid primarily for people defending criminal charges in the Magistrate's Court.

MINISTER FOR EDUCATION

Table 6

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Education					
- Structural Re-alignment	103.9	149.1	70.9	39.6	-1.9
- Growth in Student Numbers	4.8	17.8	18.2	18.5	18.7
- Commonwealth Grants	51.4	21.2	17.9	16.5	55.1
- Civil Service Association General Agreement	0.8	4.2	7.9	10.8	11.1
Education Services					
- Continuation of International Education Program	-	1.5	1.5	1.5	1.5
- Per capita Grants for Non-government Schools	0.5	11.9	16.6	22.6	51.4
Curriculum Council					
- Compulsory Year 12 Examinations	-	6.0	6.2	6.4	4.6
- Implementation of the National Curriculum	-	5.0	2.5	-	-

Education

Structural Re-alignment

An additional \$361.6 million will be spent from 2010-11 to 2014-15 to meet the anticipated costs associated with the 2011 Teachers and Administrators Enterprise Bargaining Agreement, the ongoing implementation of the Independent Public Schools initiative, and to place the Department on a more financially sustainable setting as it moves towards a more efficient and effective service delivery model.

Growth in Student Numbers

An additional \$78 million will be spent from 2010-11 to 2014-15 to address growth in public school student enrolments. This includes growth in the general student population, growth in the number of students with disabilities or learning difficulties, and the provision of English as a Second Language tuition in public schools to eligible migrant students holding a temporary 457 visa.

Commonwealth Grants

As a result of a Commonwealth Government review of its recurrent grants, an additional \$162.1 million will be spent from 2010-11 to 2014-15 on a number of programs including Special Purpose Payments, Digital Education Revolution rollout and Schools Special Projects.

Civil Service Association General Agreement

An additional \$34.8 million will be spent from 2010-11 to 2014-15 to meet costs related to the Civil Service Association General Agreement.

Education Services

Continuation of International Education Program

An amount of \$1.5 million per annum will be spent over four years to support the coordinated marketing of Western Australian international education.

Per capita Grants for Non-government Schools

Additional administered funding of \$103 million over five years from 2011-12 has been provided for per capita grant payments to non-government schools. This funding reflects the most recent forecasts of future enrolment growth and indexation for the non-government school sector and, in accordance with usual practice, updates forecasts made as part of the previous budget.

Curriculum Council

Compulsory Year 12 Examinations

An additional \$23.2 million will be spent over four years to support compulsory Year 12 examinations in Western Australia due to a projected increase in the number of examinations, higher numbers of students taking those examinations and associated administration costs.

Implementation of the National Curriculum

An additional \$7.5 million will be spent over two years from 2011-12 for the ongoing implementation of the National Curriculum in Western Australia.

MINISTER FOR FINANCE; COMMERCE; SMALL BUSINESS

Table 7

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Finance					
- Government Office Accommodation Master Plan	19.6	20.2	13.6	13.9	13.9
- Funding of Key Corporate Positions for the Department of Finance	-	1.0	1.0	1.0	1.0
- Delivering Community Services in Partnership Policy	0.4	3.3	3.4	4.5	5.1
- Shared Services Corporate Reform Project	5.9	18.2	23.0	8.9	5.5
- Improved Contract Management and Vocational Education	-	1.1	1.1	1.2	1.2
- Tax Administration Measures	-	1.6	1.6	1.6	1.7
- Duty Assessments Valuations	0.9	-	-	-	-
- WA Seniors Card	-	0.5	0.5	0.5	0.5
- Relocation of the Department of Education	0.3	1.2	-	-	-
Commerce					
- Building Regulation Reform	2.2	8.6	9.8	10.2	10.5
- Value for Money Audit	-1.3	-1.4	-1.9	-1.9	-1.9
Small Business Development Corporation					
- Business Migration Program	-	0.5	-	-	-
- Small Business Commissioner	-	0.3	-	-	-

Finance

Government Office Accommodation Master Plan

Depreciation expenses totalling \$50.8 million will be recognised by the Building Management and Works business unit from 2010-11 to 2014-15 in relation to \$230.6 million of capital assets associated with the Government Office Accommodation Master Plan (Plan).

An estimated \$30.4 million will be spent from 2010-11 to 2011-12 to meet the liability for the payment of rent on new premises. There is an unavoidable timing disparity between the commencement of leases earmarked as part of the Plan and the expiry of current leases.

Funding of Key Corporate Positions for the Department of Finance

Following the decision to split the Department of Treasury and Finance into two separate departments from 1 July 2011, a total of \$4 million will be spent over four years to fund four new positions for the new Department of Finance, being the Director General, Chief Finance Officer and two internal auditors.

Delivering Community Services in Partnership Policy

As part of the significant funding boost for the NFP sector in this budget, \$16.7 million will be spent from 2010-11 to 2014-15 to provide appropriate education, training and support to the public and NFP sectors for the roll-out of the additional funding and the implementation of contracting reforms.

Shared Services Corporate Reform Project

An additional \$61.5 million from 2010-11 to 2014-15 has been approved to offset the loss of funding as a consequence of delayed agency roll-ins to the Office of Shared Services, pending the outcome of the Economic Regulation Authority review of the Shared Services Corporate Reform project.

Improved Contract Management and Vocational Education

In line with the recommendations of the EAC, a total of \$4.6 million will be spent over four years to build the procurement and contracting skills of the public sector through various contract management and vocational education programs.

Tax Administration Measures

A total of \$6.5 million will be spent over four years to improve administration of the State's tax system and ensure that taxpayers meet their statutory responsibilities in a timely manner.

Duty Assessments Valuations

A total of \$900,000 will be spent in 2010-11 to conduct valuations on high value fixtures and machinery on mining tenements and petroleum licences for duty assessment purposes.

WA Seniors Card

An extra \$1.9 million will be spent over 2011-12 to 2014-15 to meet additional costs resulting from the extension of the working hours criterion for holders of Seniors cards.

Relocation of the Department of Education

An additional \$1.4 million will be spent over two years, from 2010-11 to relocate the Department of Education from existing accommodation at Hale House.

Commerce

Building Regulation Reform

Expenditure of \$41.3 million over five years has been approved to reflect the reform to the building regulation system, including the transfer of the functions of multiple independent boards to the Building Commission Division (BCD) within the Department, and the implementation of the Building Services Levy which will provide a source of funding to the BCD.

Value for Money Audit

Reduced expenditure of \$8.4 million from 2010-11 to 2014-15 has been approved to reflect savings achieved through implementation of recommendations arising from a value for money audit of the Department. These savings are comprised of a reduction in full-time equivalent staff and accompanying expenses.

Small Business Development Corporation

Business Migration Program

A total of \$500,000 will be spent in 2011-12 for the continuation of the Business Migration Program. This program is an investment attraction initiative promoting Western Australia as a preferred destination for business migrants, marketing the State's economic opportunities, and supporting business migrants through the State Sponsorship process.

Small Business Commissioner

A total of \$300,000 will be spent in 2011-12 on the establishment of a Small Business Commissioner in Western Australia. The Commissioner is expected to enhance the competitive and fair operating environment for small business in Western Australia and provide an effective means of resolving business disputes.

MINISTER FOR POLICE; EMERGENCY SERVICES; ROAD SAFETY

Table 8

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Western Australia Police					
- ICT Core Business Systems Development	-	3.0	4.5	4.5	-
- ICT Infrastructure Replacement and Continuity	-	0.4	0.6	0.6	0.6
- Breath and Drug Buses	-	0.6	0.6	0.6	0.6
- CHOGM – Additional Resources	8.0	20.6	-	-	-
- Depreciation Costs	-	0.2	3.4	8.0	10.2
- <i>Royalties for Regions</i> – Community Safety Network	0.1	2.1	3.0	3.7	4.2
- Hoon and No Motor Drivers Licence Impoundment Costs	11.5	9.4	9.3	9.2	9.1
Fire and Emergency Services Authority					
- Community Safety Network	-	3.2	0.4	0.4	0.5

Western Australia Police

ICT Core Business Systems Development

A total of \$12 million will be spent from 2011-12 to 2013-14, being the expense component to upgrade and replace core ICT business systems (software) with fit-for-purpose systems that reflect modern policing practices.

ICT Infrastructure Replacement and Continuity

In addition to capital costs, a total of \$2.2 million will be spent over four years to undertake an ongoing program of ICT infrastructure replacement (servers, desktop and laptop personal computers, printers and other hardware that falls beneath the capitalisation threshold) to mitigate operational risks and ensure the ongoing provision of quality and timely policing.

Breath and Drug Buses

A total of \$2.4 million will be spent over four years to meet the operating costs for two new Breath and Drug buses, which will significantly enhance the Western Australia Police (WAPOL's) capacity to undertake large volume roadside drug and alcohol testing, and facilitate large scale alcohol and drug enforcement operations in regional Western Australia.

Commonwealth Heads of Government Meeting – Additional Resources

An additional \$28.6 million will be spent from 2010-11 to 2011-12 to meet the costs associated with hosting CHOGM. This includes officer accommodation and air travel, catering for operational officers, air support, operational equipment, training, traffic management and the establishment of staging areas and command posts.

Depreciation Costs

Depreciation costs of \$21.8 million will be incurred from 2011-12 to 2014-15 in relation to the Community Safety Network (\$13.2 million), ICT business systems (\$7.8 million) and the two new Breath and Drug Buses (\$0.9 million).

***Royalties for Regions* – Community Safety Network**

A total of \$13.1 million will be spent from 2011-12 to 2014-15 to cover running costs of the Community Safety Network, such as staffing costs, site leasing, licensing and utility charges.

Hoon and No Motor Drivers Licence Impoundment Costs

A total of \$48.5 million will be spent from 2010-11 to 2014-15 to meet increased vehicle impoundment costs associated with changes to Hoon and No Motor Drivers Licence legislation. This expenditure is expected to be significantly offset by the generation of \$44.5 million in revenue from cost recovery processes.

Fire and Emergency Services Authority

Community Safety Network

A total of \$4.5 million will be spent over four years on operational costs for the Community Safety Network. The Network will provide the Fire and Emergency Services Authority access to the WAPOL's existing communication network and a more stable and secure communication platform across the greater metropolitan area and major regional centres.

MINISTER FOR SPORT AND RECREATION; RACING AND GAMING

Table 9

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Sport and Recreation					
- Sport for All Program	-	5.0	5.0	5.0	5.0
- Recreation Camps Maintenance	0.3	0.5	-	-	-
- Fixed Asset Revaluation – Depreciation	-1.0	-1.1	-1.1	-1.2	-1.1
- Community Sporting and Recreation Facilities Fund	-	-	10.0	-	-
- Surf Life Saving Western Australia	-	1.0	-	-	-
Western Australian Sports Centre Trust					
- Rugby Stadium Operational and Maintenance Costs	-	0.3	0.3	0.3	0.3
Racing, Gaming and Liquor					
- Implement Requirements of the Liquor Control Amendment Bill 2010	0.4	0.2	0.2	0.2	0.2

Sport and Recreation

Sport for All Program

A total of \$20 million will be spent over four years on the implementation and delivery of the Sport for All Program to increase the participation of Western Australians in sport and recreational activities. The program includes a number of initiatives aimed at reducing the cost of participating in sport, developing unstructured play activities for children and providing information technology support to community volunteers and local clubs.

Recreation Camps Maintenance

An additional \$750,000 will be spent from 2010-11 to 2011-12 to enable essential maintenance works to be undertaken at various recreation camps operated by the Department.

Fixed Asset Revaluation – Depreciation

Depreciation costs have been reduced by \$5.5 million over 2010-11 to 2014-15 due to a revaluation of assets controlled by the Department.

Community Sporting and Recreation Facilities Fund

An additional \$10 million has been allocated in 2012-13 to enable further grants to be provided under the Community Sporting and Recreation Facilities Fund (CSRFF). A total of \$19.2 million will be made available under the CSRFF grants program in 2012-13.

Surf Life Saving Western Australia

A \$1 million grant will be provided in 2011-12 to assist Surf Life Saving Western Australia develop a new administration building.

Western Australian Sports Centre Trust

Rugby Stadium Operational and Maintenance Costs

A total of \$1.2 million will be spent over four years on the maintenance and operating costs of the new Rugby facility at AK Reserve, Mount Claremont, which will be completed in mid-2011.

Racing, Gaming and Liquor

Implement Requirements of the Liquor Control Amendment Bill 2010

A total of \$1.2 million will be spent from 2010-11 to 2014-15 on the implementation of initiatives contained in the Liquor Control Amendment Bill 2010. These initiatives, primarily dealing with liquor licensing and prohibition legislation, aim to enhance the Department's ability to address alcohol-related harm and anti-social behaviour.

MINISTER FOR PLANNING; CULTURE AND THE ARTS; SCIENCE AND INNOVATION

POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE 2010-11 MID-YEAR REVIEW

Table 10

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Planning					
- Development Assessment Panels	-	0.7	0.7	0.7	0.7
- Metropolitan Redevelopment Authority	0.3	0.4	-	-	-
- Rockingham Kwinana Development Office	-	0.2	0.2	-	-
Western Australian Planning Commission					
- Perth Waterfront Project	6.9	4.5	2.1	2.6	1.1
Culture and the Arts					
- Art Gallery Museum of Modern Art Exhibitions	0.1	7.9	8.7	7.4	2.0
- Cultural Institutions	1.1	6.0	-	-	-
- State Theatre Centre – Operating Cost	-	0.5	0.6	0.6	0.6
- Cultural Events Package	-	1.0	1.0	1.0	1.0
- State Records Office Repository Site Planning	-	0.1	-	-	-
- CHOGM – Arts Festival	0.8	0.3	-	-	-
- Perth Fashion Festival	-	0.3	0.3	0.3	0.3
Commerce					
- Office of the Nobel Laureates	-	0.8	-	-	-
- Australian Square Kilometre Array Project	-	10.8	-	-	-
- Gravity Discovery Centre	-	0.4	0.3	0.3	0.2
- Research Fellowship Program	-	0.5	-	-	-
- Research and Innovation	-	10.0	-	-	-
- <i>Royalties for Regions</i> – Pilbara Maritime Common Use Support Facility	-	5.0	-	-	-
- Kimberley Science and Conservation Strategy – Western Australian Marine Science Institute	-	2.0	2.0	2.0	2.0
- Kimberley Science and Conservation Strategy – Integrated Marine Observation System	-	1.0	0.6	0.6	-
- Non-Kimberley Western Australian Marine Science Institute	-	1.5	-	-	-
- Non-Kimberley Integrated Marine Observation System	-	1.0	1.4	1.4	-

Planning

Development Assessment Panels

A total of \$2.8 million will be spent over four years to meet the operational costs of the newly established Development Assessment Panels (DAPs). The DAPs will comprise a Chairman, two technical experts and two elected local government representatives, which will consider development applications over \$3 million outside the City of Perth and \$10 million within the City of Perth, rather than the local council. This mix of expertise and knowledge will help balance the technical aspects of development with local concerns and interests and provide a more efficient and transparent approval process.

Metropolitan Redevelopment Authority

A total of \$710,000 will be spent from 2010-11 to 2011-12 to fund the establishment costs of the new Metropolitan Redevelopment Authority, which combines the East Perth, Midland, Armadale and Subiaco Redevelopment Authorities into a single agency.

Rockingham Kwinana Development Office

A total of \$200,000 per annum will be spent in 2011-12 and 2012-13 for the operating costs of the Rockingham Kwinana Development Office.

Western Australian Planning Commission

Perth Waterfront Project

A total of \$17.2 million will be spent from 2010-11 to 2014-15 on the Perth Waterfront Project to meet the costs of completing the detailed design and documentation, statutory approvals and contractor procurement processes.

Culture and the Arts

Art Gallery Museum of Modern Art Exhibitions

A total of \$26.1 million will be spent from 2010-11 to 2014-15 to meet the cost of presenting a series of exhibitions from New York's Museum of Modern Art. The cost of presenting the exhibitions will be offset by ticket sales and sponsorships to the estimated value of \$20.1 million.

Cultural Institutions

An additional \$1.1 million in 2010-11 and \$6.0 million in 2011-12 will be spent to meet the increased operating costs of institutions within the Culture and the Arts portfolio. The Department of the Premier and Cabinet will undertake a strategic review of the portfolio during 2011-12 to clarify its governance structure and desired outcomes.

State Theatre Centre – Operating Cost

A total of \$2.2 million will be spent over four years to meet the operating costs of the new State Theatre Centre which opened in January 2011.

Cultural Events Package

The Government has committed \$1 million per annum over four years to provide support to a number of high profile events that add to the cultural vibrancy of the State.

State Records Office Repository Site Planning

Expenditure of \$100,000 in 2011-12 will be undertaken to identify a suitable site for the location of a proposed new State Records Office Repository.

Commonwealth Heads of Government Meeting – Arts Festival

A total of \$1 million will be spent in 2010-11 and 2011-12 on the Arts Festival to be run in conjunction with CHOGM.

Perth Fashion Festival

The Government has committed \$250,000 per annum over four years to fund the annual Perth Fashion Festival.

Commerce

Office of the Nobel Laureates

A total of \$800,000 in 2011-12 has been committed as a contribution to the activities of the Office of the Nobel Laureates, which includes participation in advisory committees, promoting the work and impact of high level scientific research, and leveraging Commonwealth Government funding.

Australian Square Kilometre Array Project

A total of \$10.8 million has been committed for the provision of infrastructure via a fibre optic link from the Murchison Radio-astronomy Observatory to Geraldton, and the earthing and shielding of power and optic fibre connections between the project's antennas by the CSIRO.

Gravity Discovery Centre

A total of \$1.1 million will be spent over four years in accordance with the outcomes of a review undertaken by independent consultants for the continuation of the Gravity Discovery Centre's operations whilst it pursues self-sustainability through partnerships with industry.

Research Fellowship Program

A total of \$500,000 will be spent in 2011-12 on the Western Australian Research Fellowship program which seeks to attract quality researchers to Western Australia from interstate or overseas to conduct scientific research that is of specific benefit to the State.

Research and Innovation

A further \$10 million has been committed to the Research and Innovation Funding program in 2011-12 to support the development of, and innovation in, key industry sectors in Western Australia, as recommended by the Technology Industry Advisory Council.

***Royalties for Regions* – Pilbara Maritime Common Use Support Facility**

At a cost of \$5 million in 2011-12, *RfR* will fund full feasibility, planning design and engineering studies for the development of a maritime common use facility at potential site locations in the Pilbara region.

Kimberley Science and Conservation Strategy – Western Australian Marine Science Institute

The Government has committed \$12 million over six years (of which \$8 million will be spent by 2014-15) to the Western Australian Marine Science Institute to conduct marine research in the Kimberley region. This research will seek to address the challenge of managing investment and natural resource decisions.

Kimberley Science and Conservation Strategy – Integrated Marine Observation System

A total of \$2.2 million will be spent from 2011-12 to 2013-14 on the delivery of the Integrated Marine Observation System in the Kimberley region, which will capture data to improve the understanding of ocean currents, model the role of oceans in climate change, assist to predict seasonal climate change variations, and assist in the management of marine resources.

Non-Kimberley Western Australian Marine Science Institute

A total of \$1.5 million will be spent in 2011-12 on the development of a science plan including key performance indicators, for marine research to inform policy development and management of the State's marine environment in non-Kimberley regions including the Pilbara, Ningaloo and Shark Bay areas.

Non-Kimberley Integrated Marine Observation System

A total of \$3.8 million will be spent from 2011-12 to 2013-14 on the delivery of the non-Kimberley components of the Integrated Marine Observation System.

MINISTER FOR ENERGY; TRAINING AND WORKFORCE DEVELOPMENT; INDIGENOUS AFFAIRS

POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE 2010-11 MID-YEAR REVIEW

Table 11

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Office of Energy					
- State Underground Power Program	-	-	-	-	-5.0
Horizon Power ^(a)					
- Operating Subsidy	-	16.9	27.7	17.4	9.5
- Community Service Obligations	-	-2.4	-2.8	-2.4	-2.8
Synergy ^(a)					
- Operating Subsidy	131.0	349.6	346.5	194.6	101.9
- Community Service Obligations	2.7	-6.2	-7.3	-4.8	-1.4
- Feed-In-Tariff	-5.9	-6.5	-12.6	-24.1	30.3
Training and Workforce Development					
- Additional Training Places – Critical Skills Shortage	-	22.7	-	-	-
- Additional Training Places – Workforce Participation	-	10.7	-	-	-
- <i>Royalties for Regions</i> – Skills Training Initiatives	-	30.5	2.5	-	-
Indigenous Affairs					
- Aboriginal Community Patrols	0.8	1.3	-	-	-
- Clontarf Hostel Expansion	-	2.0	-	-	-
- <i>Royalties for Regions</i> – Aboriginal Community Emergency Response Fund	-	0.8	2.5	2.5	2.5
- <i>Royalties for Regions</i> – Governance and Leadership Development Program	-	1.6	0.7	-	-

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

Office of Energy

State Underground Power Program

Expenditure on the State Underground Power Program in 2014-15 will be reviewed pending the outcome of the Economic Regulation Authority's inquiry into the costs and benefits of the Program. Spending of \$29.3 million is currently funded from 2010-11 to 2013-14.

Horizon Power

Operating Subsidy

Additional expenditure of \$71.5 million over 2010-11 to 2014-15 has been approved to fund the operating costs of Horizon Power that are not covered by tariffs due to these continuing to remain below cost-reflective levels. Further details are provided in Appendix 9: *Tariffs, Fees and Charges*.

Community Service Obligations

Reduced expenditure of \$10.4 million over 2010-11 to 2014-15 is due to lower rates for rebates and concessions as a consequence of lower electricity tariff increases than previously assumed in the forward estimates.

Synergy

Operating Subsidy

Additional expenditure of \$1.12 billion over 2010-11 to 2014-15 has been approved to fund a revenue shortfall for Synergy due to electricity tariffs continuing to remain below cost-reflective levels. Further details are provided in Appendix 9: *Tariffs, Fees and Charges*. Without this subsidy from general government revenue, Synergy would experience an operating loss estimated at around \$287 million in 2011-12 (at the Earning Before Interest Tax level).

Community Service Obligations

Reduced expenditure of \$17 million over 2010-11 to 2014-15 is due to lower rates for rebates and concessions as a consequence of lower electricity tariff increases than previously forecast.

Feed-in-Tariff

To ensure the feed-in-tariff scheme remains sustainable in the long-term, the Government has reduced the feed-in-tariff rate from 40 cents to 20 cents per kilowatt hour. Combined with higher than previously forecast uptake of the scheme, this decision will reduce expenditure by a net \$18.8 million over the five years to 2014-15.

Training and Workforce Development

Additional Training Places – Critical Skills Shortage

An additional \$22.7 million will be spent in 2011-12 to provide 7,500 additional training places in areas of critical skills shortage. These places are targeted at critical occupations in demand as identified in the State priority occupation list, and annually produced list of jobs that are in high demand or considered industry-critical.

Additional Training Places – Workforce Participation

An additional \$10.7 million will be spent in 2011-12 to provide 4,546 additional training places to increase workforce participation, including \$1.9 million for 480 Indigenous workforce participation places. This training is expected to assist groups with low workforce participation rates enter or return to the workforce, including women with young children, older workers, Indigenous people, rural and remote residents and migrants from culturally and linguistically diverse background.

Collectively, these initiatives will result in an increase in the total number of training places from 134,000 in 2008 to 168,000 in 2011, providing the skills required to meet industry demand as the State's economy expands.

Royalties for Regions – Skills Training Initiative

A total of \$33 million will be spent over two years from 2011-12 to develop skills and training initiatives in regional Western Australia. This includes an allocation for the future development of Muresk and student accommodation in Kalgoorlie.

Indigenous Affairs

Aboriginal Community Patrols

An additional \$2.1 million will be spent from 2010-11 to 2011-12 to provide metropolitan community patrols and additional community patrols in several key regional areas. The patrols provide support to Aboriginal people by minimising and/or preventing conflicts.

Clontarf Hostel Expansion

A grant of \$2 million in 2011-12 has been provided to the Indigenous Land Corporation. This grant will increase the number of beds from 80 to 120 in the new facility under construction for the Clontarf Aboriginal Academy Hostel. This will allow more Indigenous students from across the State to continue their secondary education in a more conducive and constructive environment.

Royalties for Regions – Aboriginal Community Emergency Response Fund

An additional \$10 million will be set aside in 2011-12 to establish a fund, administered by the Aboriginal Affairs Coordinating Committee. Over the period to 2014-15, an amount of \$8.1 million will be spent to enable 'time critical' responses to emerging crises and critical infrastructure needs in regional and remote communities.

Royalties for Regions – Governance and Leadership Development Program

An additional \$2.3 million will be spent over two years from 2011-12 for the development of a program to improve corporate and community governance and leadership, including a review of regional governance models for the Kimberley and Pilbara.

MINISTER FOR TRANSPORT; HOUSING

Table 12

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Main Roads					
- CHOGM – Traffic Support	-	1.5	-	-	-
- Road Asset Improvements	6.0	-	-	-	-
- <i>Royalties for Regions</i> – Karratha Wickham Coast Road	-	2.5	-	-	-
- Mitchell Freeway Widening (Hepburn Avenue to Hodges Drive)	-	-	-	0.1	0.1
- Murdoch Drive Intersection Upgrade	-	-	-	-	0.1
- Road Maintenance	-	-	-	-	21.6
- Local Government Grants	-	-	-	-	8.0
- Road Trauma Trust Fund (RTTF)	-21.5	-8.8	-4.3	-1.7	-1.7
Transport					
- Transit Concept and Feasibility Studies	-0.3	3.6	2.3	-	-
- Perth Parking Fund – Central Area Transit (CAT) Services	1.0	1.2	1.6	2.1	2.1
- Transport Network Planning	0.6	0.8	-	-	-
- Infrastructure and Communications Technology – Delivery to Other Agencies	1.3	1.3	1.3	1.3	1.3
- Accommodation Leasing Costs	-	1.2	1.3	1.3	1.4
- <i>Royalties for Regions</i> – Country Aged Pension Fuel Card	-	2.6	-	-	-
- Portlinks Project – Planning	-	5.0	-	-	-
Public Transport Authority ^(a)					
- Additional Bus Service Kilometres	-	7.2	16.5	26.3	36.9
- Additional Bus Service Kilometres – Parameter Adjustment	-	-3.9	-8.6	-12.3	-15.7
- Bus Service to Austin Cove Baptist College	- ^(b)	0.2	0.2	0.2	0.2
- Transit Concept and Feasibility Studies	-	1.5	4.0	-	-
- Ellenbrook Public Transport Master Plan	-	-	-10.0	-	-
- Depreciation Associated with the Freight Network	-7.1	-12.4	-14.8	-14.8	-14.8
- Additional Depreciation	-0.2	4.0	5.2	11.5	15.0
- Seniors Card Entitlements	-	0.3	0.3	0.3	0.4
- CHOGM – Additional Services	-	0.3	-	-	-
Housing Authority ^(a)					
- Remote Area Essential Services Program	-	25.3	-	-	-
- Town Reserves Regularisation Program	-	6.0	-	-	-
- <i>Royalties for Regions</i> – Improving Water Quality in Remote Indigenous Communities	-	2.4	9.8	-	-

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

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

Main Roads

Commonwealth Heads of Government Meeting – Traffic Support

A total of \$1.5 million will be spent in 2011-12 on activities, such as traffic operations, required to support CHOGM.

Road Asset Improvements

An additional \$6 million will be spent in 2010-11 on road improvements and bridge improvement works funded from local government and private sector user third party contributions.

Royalties for Regions – Karratha Wickham Coast Road

A total of \$2.5 million will be spent in 2011-12 on planning works associated with the Karratha Wickham Coast Road.

Mitchell Freeway Widening (Hepburn Avenue to Hodges Drive)

Spending of \$100,000 in 2013-14 and \$125,000 in 2014-15 has been allocated for maintenance works associated with the recently approved widening of the northbound carriageway of the Mitchell Freeway between Hepburn Avenue and Hodges Drive.

Murdoch Drive Intersection Upgrade

Maintenance works costing \$100,000 will be undertaken in 2014-15, associated with the recently approved intersection upgrades at South Street and Murdoch Drive.

Road Maintenance

In 2014-15, \$21.6 million will be spent to address maintenance associated with road network expansions, and roads transferred from local government to State ownership, for which such expenditure had not been allocated previously.

Local Government Grants

In 2014-15, \$8 million will be spent on local government roads under the State Road Funds to Local Government Agreement.

Road Trauma Trust Fund

Estimated speed and red light camera infringement revenue has been revised down across the forward estimates. Consequently, the estimated funds automatically transferred to the Road Trauma Trust Fund (RTTF) will reduce, together with RTTF expenditure of \$21.5 million in 2010-11, \$8.8 million in 2011-12, \$4.3 million in 2012-13 and \$1.7 million per annum in 2013-14 and 2014-15.

Importantly however, the Government has decided to increase the proportion of speed and red light camera infringement revenue that is automatically allocated to the RTTF, from the current one-third proportion to two-thirds in 2011-12 and to 100% from 2012-13. This will significantly increase the funding for road safety programs, police traffic enforcement, road building and maintenance, community education programs, and school-based programs in coming years.

Transport

Transit Concept and Feasibility Studies

A total of \$5.5 million will be spent to undertake planning for public transit initiatives, including light rail options, bus priority in the North East corridor/Ellenbrook and in the Perth central business district. This will be carried out in conjunction with the Public Transport Authority (PTA).

Perth Parking Fund – CAT Services

An additional \$8 million will be spent from 2010-11 to 2014-15 to deliver CAT services in the Central Business District, funded from the Perth Parking Fund.

Transport Network Planning

A total of \$1.4 million will be spent in 2010-11 and 2011-12 to deliver the Regional Freight, Metropolitan Transport Network, and Metropolitan Freight and Intermodal Plans.

Infrastructure and Communications Technology – Delivery to Other Agencies

A total of \$1.3 million per annum will be spent from 2010-11 to 2014-15 to provide ICT services to the Department of Planning (\$898,000) and the Department of Regional Development and Lands (\$442,000).

Accommodation Leasing Costs

A total of \$5.2 million will be spent over four years to meet additional maintenance and facilities management costs of new premises as part of the implementation of the Department's move to 140 William Street.

Royalties for Regions – Country Aged Pension Fuel Card

An additional \$2.6 million will be spent in 2011-12 to provide benefits of the Country Aged Pension Fuel Card Scheme to a wider population due to an expansion in eligibility across demographic categories and post code boundaries.

Portlinks Project – Planning

A total of \$5 million will be spent in 2011-12 to investigate a proposal to augment transport corridors linking the Goldfields region to regional ports.

Public Transport Authority

Additional Bus Service Kilometres

An additional \$87 million will be spent over four years from 2011-12 on operating costs associated with providing additional bus services in the Perth metropolitan area (bringing total spending on this initiative by the PTA to \$133.6 million).

Additional Bus Service Kilometres – Parameter Adjustment

The PTA's appropriation will be reduced by \$40.5 million over four years from 2011-12 due to additional revenue from new and existing services, partially offset by interest and depreciation costs associated with the purchase of additional buses.

Bus Service to Austin Cove Baptist College

A total of \$868,000 will be spent from 2010-11 to 2014-15 on a dedicated school special bus service from Mandurah Station to Austin Cove Baptist College in South Yunderup.

Transit Concept and Feasibility Studies

A total of \$5.5 million will be spent over two years from 2011-12 to deliver the Northern Suburbs Railway and North East corridor/Ellenbrook railway reservation plans, in conjunction with the Department of Transport.

Ellenbrook Public Transport Master Plan

Expenditure of \$10 million allocated in 2012-13 for planning of the Ellenbrook Railway line will be reallocated to transit concept and feasibility studies associated with the Public Transport Master Plan.

Depreciation Associated with the Freight Network

The Authority's appropriation will be reduced by \$63.8 million from 2010-11 to 2014-15 as funding will no longer be provided for depreciation associated with the Freight Network leased by WestNet Rail. Under the network lease arrangements, the asset must be returned to the PTA in fit-for-purpose condition. Therefore, it is unlikely that this asset will need to be completely replaced. Accordingly, there is no need to provide the significant accrual appropriation that would otherwise fund the depreciation associated with this asset. On this basis, funding previously allocated for rail freight network depreciation has been withdrawn. The Department of Treasury is currently reviewing related depreciation Holding Account issues from a whole-of-government perspective.

Additional Depreciation

Additional appropriation totalling \$35.5 million over five years from 2010-11 will be provided to fund increases in depreciation for all non-Freight Network assets.

Seniors Card Entitlements

Due to the expanded eligibility for the Seniors Card, there will be a reduction in transport fare revenue. Additional appropriation of \$1.2 million over four years from 2011-12 will be provided to meet the revenue foregone.

Commonwealth Heads of Government Meeting – Additional Services

Additional appropriation of \$333,000 will be provided in 2011-12 for costs associated with providing additional public transport services during CHOGM, and to meet the cost of providing free public transport on 28 October 2011.

Housing Authority

Remote Area Essential Services Program

Additional expenditure of \$25.3 million in 2011-12 has been budgeted to continue the provision of power, water and wastewater services to 91 remote Indigenous communities under the Remote Area Essential Services Program.

Town Reserves Regularisation Program

An additional \$6 million will be spent in 2011-12 to continue the upgrade of essential services (power, water and wastewater) infrastructure to appropriate standards, including the provision of a level of essential services to approximately 54 town-serviced Indigenous communities, equivalent to that which would be applied to any other community of similar size and location.

***Royalties for Regions* – Improving Water Quality in Remote Indigenous Communities**

An additional \$12.2 million will be spent over two years from 2011-12 to upgrade and expand existing water infrastructure in up to 16 Indigenous communities.

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

POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE 2010-11 MID-YEAR REVIEW

Table 13

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Child Protection					
- Growth in Demand for Child Protection Services	-	12.2	12.6	12.9	13.3
- Hardship Utility Grant Scheme and Financial Counselling Services	-	6.1	-	-	-
- Indexation for Child Protection Non-Government Human Services Sector	1.9	2.4	2.9	5.4	8.0
- Acute Homeless Night Shelter	-	-	0.2	0.6	0.6
Communities					
- Seniors Cost of Living Rebates	-	9.1	9.7	10.3	10.9
- Seniors Card Eligibility	-	-	0.1	1.4	2.8
- Upgrades to Child Care, Family and Neighbourhood Centres	-	1.4	-	-	-
- <i>Royalties for Regions</i> – Continuation of Occasional Childcare Services	0.3	0.3	0.1	-	-

Child Protection

Growth in Demand for Child Protection Services

An additional \$51 million will be spent over four years to enable the Department to adequately address forecast increases in demand for child protection services in 2011-12 and beyond.

Hardship Utility Grants Scheme and Financial Counselling Services

An additional \$6.1 million will be spent in 2011-12 for the Hardship Utility Grant Scheme (HUGS) to continue to assist people in financial hardship to maintain connection to essential services, including electricity, water and gas. This brings total spending on the HUGS scheme in 2011-12 to \$10.1 million.

Indexation for Child Protection Non-Government Human Services Sector

An additional \$20.5 million will be spent from 2010-11 to 2014-15 to enable NFP organisations faced with rising costs to continue to deliver services to at-risk families and individuals.

Acute Homeless Night Shelter

An additional \$1.4 million will be spent from 2012-13 to 2014-15 on the operation of a new acute homeless night shelter, primarily for men in Perth. This initiative includes \$4 million in capital spending for the construction of the shelter (see Chapter 6: *Asset Investment*).

Communities

Seniors Cost of Living Rebates

In recognition of the difficulties faced by seniors on low or fixed incomes in dealing with the rising costs of living, the Seniors Cost of Living Rebate will be increased from \$104.80 to \$150 for singles and from \$157.22 to \$225 for couples (who both hold a Seniors Card) from 2011-12. This is estimated to cost \$40 million over four years.

Seniors Card Eligibility

An additional \$4.3 million will be spent from 2012-13 to 2014-15 to meet the cost of extending the Seniors card working hours criterion from an average of 20 hours per week to 25 hours per week. This will result in an estimated additional 4,500 seniors becoming eligible for the Seniors Card.

Upgrades to Child Care, Family and Neighbourhood Centres

An additional \$1.4 million will be spent in 2011-12 to address urgent maintenance requirements for the 71 childcare, family and neighbourhood centres and community houses managed by the Department.

***Royalties for Regions* – Continuation of Occasional Childcare Services**

An additional \$0.7 million will be spent from 2010-11 to 2012-13 to enable the continuation of support to the Occasional Childcare Program in regional Western Australia, which provides families with a child aged up to six years with access to flexible and inclusive early childhood education and childcare services.

MINISTER FOR LOCAL GOVERNMENT; HERITAGE; CITIZENSHIP AND MULTICULTURAL INTERESTS

Table 14

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Local Government					
- <i>Royalties for Regions</i> – Country Local Government Fund – Local Government Reform Voluntary Amalgamations	-	3.6	3.9	-	-
- Local Government Reform	-	1.5	1.5	-	-
- National Partnership to Support Local Government Reform	1.4	1.0	-	-	-
- Celebrate WA	-	0.4	0.4	0.4	0.4
- Grants to Enhance Multiculturalism Outcomes	-	0.1	0.1	0.1	0.1
Heritage Council of Western Australia					
- Information Technology	-	0.3	0.3	0.3	0.3

Local Government

***Royalties for Regions* – Country Local Government Fund – Local Government Reform Voluntary Amalgamations**

An additional \$7.5 million will be spent over two years from 2011-12 to provide financial assistance to a number of regional local government authorities who are participating in voluntary amalgamations.

Local Government Reform

An additional \$3 million will be spent over 2011-12 and 2012-13 to supplement the current implementation of the Local Government Reform program in the metropolitan area.

National Partnership to Support Local Government Reform

An additional \$2.4 million will be spent from 2010-11 to 2011-12 as part of the National Partnership to Support Local Government Reform to enhance the capacity of Local Government Authorities in areas such as asset management and strategic community planning.

Celebrate WA

An additional \$1.4 million will be spent over four years to enhance and increase the capacity of the Celebrate WA organisation to conduct more events that will contribute to building strong and inclusive communities in Western Australia.

Grants to Enhance Multiculturalism Outcomes

A total of \$400,000 will be spent over four years to support the peak multicultural bodies to act on behalf of multicultural communities in Western Australia on all aspects of multiculturalism and ethnic affairs.

Heritage Council of Western Australia

Information Technology

A total of \$1.1 million will be spent over four years on the recurrent costs associated with the replacement of the Heritage Council's core business system and essential information technology equipment.

MINISTER FOR AGRICULTURE AND FOOD; FORESTRY; CORRECTIVE SERVICES

Table 15

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Agriculture and Food					
- Carnarvon Growers Flood Recovery Scheme	1.5	1.5	-	-	-
- Farm Business Planning Program	-	8.0	-	-	-
- Improving Animal Welfare in Western Australia	-	0.9	0.9	0.9	0.9
Corrective Services					
- <i>Royalties for Regions</i> – Regional Work Camp Enhancement Program	-	1.4	4.4	4.4	-
- Eastern Goldfields Regional Prison	-	-	-	-23.3	-12.0

Agriculture and Food

Carnarvon Growers Flood Recovery Scheme

A total of \$3 million will be spent from 2010-11 to 2011-12 to assist Carnarvon farmers who were affected by the 2010 floods. The Scheme will assist farmers to access and spread soil on their plantations which were stripped of top soil as a result of the floods and to access funds to repair their main water tank used for irrigation.

Farm Business Planning Program

A total of \$8 million will be spent in 2011-12 to provide assistance to farmers to undertake an approved training course to develop or update a strategic plan for their farm business. The Program will extend the current State-funded Farm Planning component of the Commonwealth/Western Australian *Pilot for Drought Reform* National Partnership Agreement, which ends on 30 June 2011.

Improving Animal Welfare in Western Australia

An additional \$650,000 per annum will be spent over four years to provide for increased animal welfare services in the livestock industry sectors, with an additional \$250,000 per annum over four years being paid to the Royal Society for the Prevention of Cruelty to Animals, resulting in an increase to \$500,000 per annum of total funding.

Corrective Services

***Royalties for Regions* – Regional Work Camp Enhancement Program**

A total of \$10.2 million will be spent from 2011-12 to 2013-14 on the operation of new work camps at Roebourne and Gnowangerup to provide appropriate offender accommodation in the Pilbara and to provide opportunities for prisoners to undertake reparative activities in regional locations across the State.

Eastern Goldfields Regional Prison

The recurrent cashflows for the Custodial Infrastructure Program have been aligned with the decision to proceed with procuring the Eastern Goldfields Regional Prison as a Design, Build, Finance, and Maintain model of a Public Private Partnership.

MINISTER FOR ENVIRONMENT; WATER

POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE 2010-11 MID-YEAR REVIEW

Table 16

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Environment and Conservation					
- Kimberley Science and Conservation Strategy – Establishment and Management of Camden Sound and Eighty Mile Beach Marine Parks	-	1.2	1.5	1.5	1.5
- Kimberley Science and Conservation Strategy – Expanding Partnerships in the Kimberley	-	1.5	1.9	2.5	3.0
- <i>Royalties for Regions</i> – Establishment and Management of Capes and Dampier Marine Parks	-	2.6	3.1	3.3	2.0
- Threatened Species	-	0.3	0.3	0.3	0.3
- Turning the Tide with Phytophthora Dieback	-	0.3	0.3	0.3	0.3
Swan River Trust					
- Nutrient Intervention Systems	-	0.5	0.9	1.2	0.6
Water					
- Projects Funded from External Revenue	14.9	4.7	2.6	0.6	-
Water Corporation^(a)					
- West Pilbara Desalination Plant	-0.2	-4.4	-29.8	-47.0	-47.5
- Seniors Card	-	0.2	0.2	0.2	0.3

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

Environment and Conservation

Kimberley Science and Conservation Strategy – Establishment and Management of Camden Sound and Eighty Mile Beach Marine Parks

A total of \$5.7 million will be spent over four years to establish and manage new marine parks in the Kimberley at Camden Sound and Eighty Mile Beach. These marine parks aim to conserve Western Australia's key marine, coastal and intertidal environments in the Kimberley and provide opportunities for Indigenous training and employment in the region.

Kimberley Science and Conservation Strategy – Expanding Partnerships in the Kimberley

A total of \$9 million will be spent over four years to enable the Department to engage in on-land conservation activities, in partnership with local Indigenous communities, pastoralists and non-government organisations.

***Royalties for Regions* – Establishment and Management of Capes and Dampier Marine Parks**

A total of \$11 million will be spent over four years to establish and manage new marine parks at the Capes and Dampier sites. These marine parks aim to conserve Western Australia's key marine, coastal and intertidal environments and provide opportunities for Indigenous training and employment in the regions.

Threatened Species

An additional \$1 million will be spent over four years to continue and expand existing conservation programs for threatened flora and fauna in Western Australia.

Turning the Tide with Phytophthora Dieback

An additional \$1 million will be spent over four years to manage the impact and spread of Phytophthora Dieback in the South West region of Western Australia.

Swan River Trust

Nutrient Intervention Systems

A total of \$3.2 million will be spent over four years to implement nutrient intervention strategies, including establishing artificial wetlands at the Bayswater and Ellen Brook Catchments, to reduce the flow of nitrogen and phosphorous into the Swan-Canning river system.

Water

Projects Funded from External Revenue

An additional \$22.8 million will be spent from 2010-11 to 2013-14 relating to an agreed work plan in accordance with signed contracts with external parties such as the Bureau of Meteorology and other State Government agencies.

Water Corporation

West Pilbara Desalination Plant

Recent heavy rainfall in the region has provided the Government with the opportunity to defer the development of the West Pilbara Desalination Plant and consider alternative options for meeting future demand for water in the Pilbara, including provision by the private sector. Accordingly, the Government will not be providing the projected operating subsidy payment to the Water Corporation for the supply of desalinated water in the region.

Seniors Card

Western Australian Seniors Card holders are eligible for concessions on their fixed water supply charge and may be eligible for concessions on their water usage charges. Amendments to the Seniors Card eligibility criteria, which increase the working hours allowance from 20 hours to 25 hours per week, is estimated to broaden eligibility by a further 4,500 people. The increase in the number of customers eligible for a concession will lead to a reduction in the Water Corporation's revenue received from customers. A subsidy will be paid to the Water Corporation to reimburse it for the shortfall.

MINISTER FOR MENTAL HEALTH; DISABILITY SERVICES

Table 17

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Mental Health Commission					
- Community Living Support Services	-	2.7	7.4	7.5	7.5
- Joondalup/Rockingham Intermediate Care Units	-12.8	-	-	-	-
- Lifeline WA	-	0.5	-	-	-
- Youth Focus	-	0.3	0.3	0.3	0.3
Disability Services Commission					
- Growth Funding – Accommodation Support Services	-	-	6.0	6.2	6.5
- Growth Funding – Other Services	-	2.0	12.5	13.0	13.5
- Western Australian Motor Industry Foundation – Vehicles Fitted With Wheelchair Hoists	-	0.4	0.4	0.4	0.4
- Additional Indexation to the Disability Non-Government Human Services Sector	1.7	3.0	7.2	18.0	29.6

Mental Health Commission

Community Living Support Services

A total of \$25.2 million will be spent over four years to provide individualised support to 100 mental health clients transitioning from inpatient mental health facilities into community living. This initiative will facilitate the sustained recovery of people with a mental illness and is linked to the provision of 100 additional community-based homes for people with a mental illness.

Joondalup/Rockingham Intermediate Care Units

An amount of \$12.8 million will be reallocated from the Mental Health Commission's recurrent funding in 2010-11 to the Department of Housing in 2011-12 for the construction of intermediate care units in Joondalup and Rockingham. These units will assist the transition of mental health clients from inpatient facilities in public hospitals into community living.

Lifeline WA

A one-off grant of \$500,000 in 2011-12 will be provided to Lifeline WA to train an additional 60 telephone counsellors to expand the delivery of suicide telephone crisis support.

Youth Focus

A total of \$1.2 million will be spent over four years on Youth Focus to expand its team of psychologists and social workers and allow an additional 210 young people experiencing mental illness to be provided with early intervention and prevention services.

Disability Services Commission

Growth Funding – Accommodation Support Services

An additional \$18.7 million will be spent from 2012-13 to 2014-15 to provide accommodation support services for an increase in the number of high need disability services clients to be accommodated in social housing and other forms of supported living. These services will provide the care and support that is needed to achieve independent living and community and social inclusion, and supplement the provision of capital funding for the Housing Authority to provide an additional 169 dwellings for disability services clients.

Growth Funding – Other Services

An additional \$40.9 million will be spent over four years to meet the expected growth in demand for preventative and other disability services, and to ensure a continuation of the Neurodegenerative Conditions Coordinated Care Program. This expenditure will allow a further 1,297 people with a disability to receive an additional range of new and improved services, such as respite options, therapy, access to aids and equipment, and carer support services.

Western Australian Motor Industry Foundation – Vehicles Fitted With Wheelchair Hoists

An additional \$1.6 million will be spent over four years to fund the purchase and maintenance of 40 modified vehicles with wheelchair hoists by the Western Australian Motor Industry Foundation, for loaning to families with children with severe or profound disabilities.

Additional Indexation to the Disability Non-Government Human Services Sector

An additional \$59.5 million will be spent from 2010-11 to 2014-15 to disability NFP organisations to offset the impact of increases in wage and inflationary cost pressures. This expenditure will ensure the sustainability and capacity of disability NFP organisations engaged by the Disability Services Commission for the provision of essential disability services.

PROVISIONS

Table 18

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Provisions					
- Voluntary Separation Offers	-	25.4	-14.6	-14.6	-14.6
- Sustainable Funding and Contracting with the Not-For-Profit Sector	-	87.8	91.6	145.6	165.9
- General Government Savings Target	-	-	-50.0	-100.0	-150.0
- Government Trading Enterprises Efficiency Dividend	-	-18.8	-19.1	-20.9	-21.3

Voluntary Separation Offers

A total of \$40 million will be spent in 2011-12 to offer voluntary separations to government employees, with a target of 400 separations. The ongoing salaries savings from this initiative are estimated at \$29.2 million per year, of which 50% will be retained by participating agencies and the remainder (\$14.6 million) returned to the Consolidated Account.

Sustainable Funding and Contracting with the Not-For-Profit Sector

A total of \$491 million will be spent from 2011-12 to 2014-15 to provide an average 25% increase in funding for service agreements with not-for-profit (NFP) organisations by 2014-15. This will be spent on a 15% uniform price adjustment to service agreements with NFP organisations from 1 July 2011 totalling \$374 million over the forward estimates period. A second increase averaging 10% will apply from 1 July 2013 as individual service agreements are reviewed and will be linked to the roll-out of contracting reforms totalling \$117 million over the forward estimates period. The Government will build a more mature relationship between the public and NFP sectors through sustainable funding and contracting arrangements. This initiative will assist agencies to address historical funding shortfalls that have emerged in service agreements with NFP organisations.

General Government Savings Target

The Government is targeting savings of \$300 million over the period 2012-13 to 2014-15 from the general government sector, including the *RfR* program. These savings will not be achieved through an across-the-board efficiency dividend, but rather through a targeted review (to be led by Treasury) of specific programs and activities that are not directly aligned with the Government's objectives.

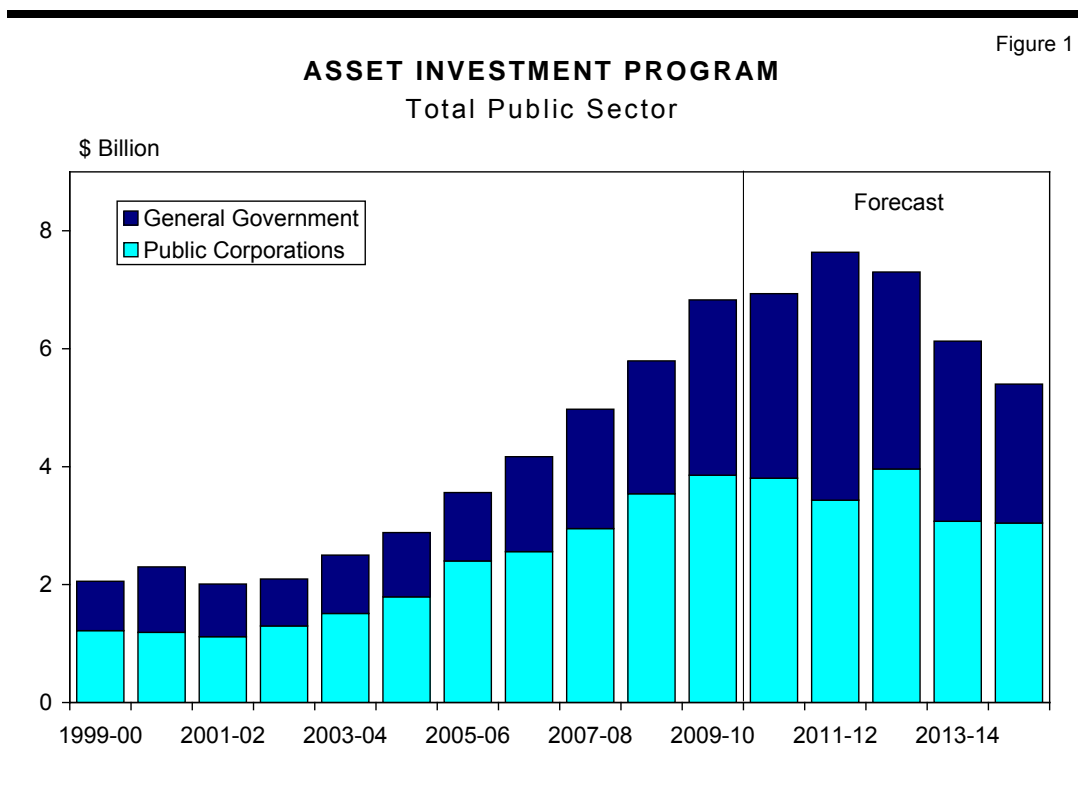
Government Trading Enterprises Efficiency Dividend

An annual 5% efficiency dividend applied to the discretionary operating expenditure of Government Trading Enterprises (GTEs) from 2011-12 is expected to reduce net debt by \$515 million by 30 June 2015. Where these corporations pay tax equivalents and dividends, the increase in profitability is expected to improve revenue flows to government. For those agencies that do not provide a return to government, namely the PTA and Housing Authority, there will be a reduction in subsidy appropriations equivalent to the savings. This is expected to reduce general government sector expenses by \$80.2 million over four years. A detailed overview of revenue from, and expenses to, individual public corporations can be found in Appendix 8: *Public Corporations – Impact on General Government Revenue and Expenses*.

Asset Investment

Overview

The State's Asset Investment Program (i.e. capital expenditure on fixed assets such as new hospitals, schools, roads and public transport infrastructure) is forecast to total \$26.5 billion over the next four years, including \$7.6 billion in 2011-12.



The Asset Investment Program balances the need to support the community through the delivery of social infrastructure with the provision of economic infrastructure necessary to sustain the State's growth.

Supporting our Community – Delivering Major Social Infrastructure for Future Generations

Perth Waterfront Project

Planning for the Perth Waterfront Project is well underway, with earthworks scheduled to commence in early 2012 and the project due to be completed in mid-2014. Net of land sales revenue, the State Government will invest \$270 million to deliver this project.

Perth City Link

Across the forward estimates period (2011-12 to 2014-15), the State Government will provide \$57 million towards the Perth City Link project, which will go towards accelerating the development of the City Square. This is in addition to State-funded spending of \$226 million for the sinking of the Perth to Fremantle railway line (between Perth Station and Milligan Street) and the construction of a new underground Wellington Street Bus Station.

Health

Across the budget projection period (2011-12 to 2014-15), the Department of Health will spend \$4.5 billion on health infrastructure. In 2011-12, \$1.6 billion will be spent, including:

- \$542 million for the Fiona Stanley Hospital project and \$107 million for the State Rehabilitation Service at the Fiona Stanley Hospital site. These projects are on time and on budget and due to open in 2014;
- \$92 million to commence construction on the New Children's Hospital at the Queen Elizabeth II Medical Centre (QEII MC) site;
- \$64 million for the continuation and expansion of the privately operated Joondalup Health Campus development;
- \$26 million to continue the planning for the construction of the new Midland Health Campus;
- the redevelopment of facilities at the QEII MC site, including \$161 million for the Central Plant project, \$28 million for the PathWest facility, \$21 million for the Sir Charles Gairdner Hospital (SCGH) Cancer Centre stage 2, \$14 million for the Western Australian Institute for Medical Research, and \$7 million for the SCGH inpatient Mental Health Unit; and

- the ongoing redevelopment and expansion of country hospitals and medical facilities, including \$94 million on the Albany Health Campus, \$34 million for the East Kimberley Development Package, \$20 million for the Kalgoorlie Health Campus, and \$9 million for the commencement of the Busselton Health Campus.

Education

Across the budget forecast period (2011-12 to 2014-15), the Department of Education will invest \$1.6 billion in schools infrastructure throughout the state with an amount of \$850 million to be spent in 2011-12. Overall, the Asset Investment Program will see:

- the commencement of construction of four new primary schools at East Dalyellup, Pearsall, Baynton West (Karratha) and West Byford at a total cost of \$69 million, with all to open in 2013;
- construction on Stage Two of Karratha Senior High School (\$46 million), the redevelopment of Dongara District High School (\$30 million), Bullsbrook District High School (\$20 million) and Exmouth District High School (\$15 million), additions and improvements to Harvey Agricultural College (\$25 million), and upgrades for student and staff accommodation at Narrogin, Cunderdin, Morawa and Denmark Agricultural Colleges (\$18 million); and
- \$52 million for the expansion of air-conditioning to schools that were previously outside the nominated air-cooling zones.

Law and Order

This budget includes a significant new investment in information and communications technology (ICT) for the Western Australia Police, including:

- \$48 million, from 2011-12 to 2014-15, on the replacement of core police ICT business systems; and
- \$42.5 million, over the period 2011-12 to 2013-14, on a program of ICT infrastructure replacement to mitigate operational risks and support the delivery of services by frontline police and operational staff.

A further \$10 million over three years (from 2011-12 to 2013-14) has been allocated for the replacement of old and increasingly unsupported technology to enable the courts to provide contemporary, high quality services to the community. This includes completion of the Integrated Courts Management System, which will underpin the efficient management of all court processes.

Housing

This budget allocates \$150.7 million over three years to provide an additional 284 homes across the State for people who are impaired significantly by a disability, living with mental illness, or with significant alcohol and drug-related difficulties. This includes expenditure in 2011-12 of:

- \$44 million for 83 dwellings to house 167 people with disabilities;
- \$46 million for construction of 100 dwellings for people with mental illness; and
- \$8 million to build 15 dwellings for high need clients of the Drug and Alcohol Office.

Sporting Infrastructure

This budget allocates \$13 million over two years for planning and design work for a new major stadium, and \$2 million for planning of a new purpose-built centre for the Western Australian Institute of Sport.

New Museum

In 2011-12, \$5 million will be spent to progress further planning for a new museum that defines its architectural requirements and integrates some of the Western Australian Museum's existing displays and heritage buildings, with a view to contributing to the revitalisation of the Perth Cultural Centre.

Building the State – Investing Now to Keep the Growth Going Into the Future

Energy

Investment in energy infrastructure will total \$4.2 billion over the next four years, including \$1.3 billion in 2011-12. Key initiatives include:

- over \$1 billion on transmission and distribution capacity within the Western Power and Horizon Power networks to support growth and improve reliability and safety. This includes the ongoing State and Pilbara Underground Power projects;
- continuation of construction of a new power station at Carnarvon, at a total cost of \$80 million, with completion scheduled for 2013-14. \$56 million will be spent on this project in 2011-12; and
- completion of construction at the Kwinana Power Station of two high efficiency gas turbines with total capacity of 200 MW at a cost of \$263 million, with \$22 million to be spent in 2011-12.

Water

Investment in water and wastewater infrastructure will total \$3.6 billion over the next four years, including \$860.7 million in 2011-12. Significant projects include:

- \$113 million in 2011-12 on completing construction of the Southern Seawater Desalination Plant at Binningup;
- \$140.6 million over two years to facilitate the provision of water and wastewater distribution infrastructure to meet Perth's rapidly growing land development requirements; and
- \$3.5 million on the East Rockingham Wastewater Treatment scheme in 2011-12, as part of a total investment of \$244.2 million over the next four years.

Public Transport

The major areas of investment in public transport in this budget include:

- the addition of 158 buses to the bus fleet between 2011-12 and 2017-18, at a cost of \$88 million;
- the acquisition of an additional 15 three-car train sets at a cost of \$164 million, with \$137 million to be outlaid over the forward estimates to 2014-15; and
- construction of the 7.5 km extension of the Joondalup line to Butler, at an estimated cost of \$240.7 million, including expenditure in 2011-12 of \$46.5 million.

Roads

The Main Roads Asset Investment Program (2011-12 to 2014-15) includes expenditure of \$2.2 billion on Western Australia's road system. An amount of \$646.3 million will be spent in 2011-12, including:

- \$82.9 million for the Great Eastern Highway (Kooyong Road to Tonkin Highway) for the construction of a dual carriageway due to be completed in 2014-15;
- \$60.9 million for the Great Eastern Highway interchange at Roe Highway due to be completed in 2012-13;
- \$52.6 million for Kwinana Freeway widening between Leach Highway and Roe Highway due to be completed in 2012-13;
- \$50 million to extend the dual carriageway on Dampier Highway from Karratha towards the Burrup Peninsula Road due to be completed in 2013-14;
- \$49.9 million for Great Northern Highway upgrade works in Port Hedland due to be completed in 2013-14;

- \$37.6 million for the Bunbury Port Access Project due to be completed in 2014-15;
- \$24.5 million for the Reid Highway, Mirrabooka Avenue interchange due to be completed in 2012-13; and
- \$6 million for widening the northbound carriageway of Mitchell Freeway from two to three lanes from Hepburn Avenue to Hodges Drive (the total cost of this project is estimated at \$30 million over 2011-12 and 2012-13) due to be completed in 2012-13.

Industrial Land

A total of \$84 million has been allocated over the next four years to secure land at the Shotts Industrial Park near Collie and upgrade vital water and road infrastructure. The industrial estate is a strategic project providing industrial land to the coal industry for downstream processing, and will become a major economic contributor to the region.

Major Infrastructure Spending Changes by Portfolio

Summary

The following tables provide details of major changes in total public sector infrastructure spending by agency since the 2010-11 Mid-year Review was released in December 2010. These include all policy decisions made between the cut-off date for the 2010-11 Mid-year Review (1 December 2010) and the cut-off date for this budget (20 April 2011), and other changes of a material nature affecting agency infrastructure spending over the forward estimates period (e.g. variations to Commonwealth-funded programs, revisions to costs for existing infrastructure, etc.).

The timing of cashflows for some previously announced projects may have also been revised but are not included in this chapter as they are broadly net debt neutral across the forward estimates period. Further details on individual projects are contained in Budget Paper No. 2: *Budget Statements*. Any material timing changes are discussed in Chapter 3: *Financial Projections and Fiscal Strategy*.

PREMIER; MINISTER FOR STATE DEVELOPMENT

Table 1

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Governor's Establishment					
- Royal Visit/CHOGM Preparation	-	0.3	-	-	-
- Elevator for Government House	-	0.4	-	-	-
- Drive and Forecourt Replacement	0.2	-	-	-	-

Governor's Establishment

Royal Visit/Commonwealth Heads of Government Meeting Preparation

A total of \$282,000 will be spent in 2011-12 on capital works required at Government House in preparation for the Royal Visit and Commonwealth Heads of Government Meeting (CHOGM) events. This includes a comprehensive accommodation upgrade of \$191,000 and the purchase of the necessary catering set-up and furnishings for the Royal Banquet.

Elevator for Government House

As the first floor of Government House is the location for all guest accommodation and the Governor's private suite, a total of \$445,000 will be spent in 2011-12 on the purchase and installation of an elevator. This will ensure that the accommodation provides sufficient disability access to users during the forthcoming Royal Visit and CHOGM events.

Drive and Forecourt Replacement

As the driveway of Government House is no longer serviceable, a total of \$201,000 will be spent in 2010-11 on a new driveway and forecourt, to be ready in time for the Royal Visit and CHOGM events.

DEPUTY PREMIER; MINISTER FOR HEALTH; TOURISM

Table 2

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
WA Health					
- Junior Doctors Training – Simulated Learning Environments	-	1.0	-	-	-
- National Partnership Agreement on Improving Public Hospital Services	3.9	19.7	34.2	16.7	-
- <i>Royalties for Regions</i> – Southern Inland Health Initiative	-	6.2	47.0	142.4	102.0
- Medical Equipment Replacement	-	-	40.0	-	-
- <i>Royalties for Regions</i> – Dual Purpose Alcohol and Drug Centre in Carnarvon	-	0.5	-	-	-

WA Health

Junior Doctors Training – Simulated Learning Environments

In 2011-12, an additional \$1 million will be invested for the fit-out and purchase of equipment to be located at the 14 simulated learning facilities and mobile simulation training units across Western Australia. These facilities are designed to improve the quality of medical training currently provided to junior doctors throughout the State.

National Partnership Agreement on Improving Public Hospital Services

As part of the \$351.6 million that the Commonwealth will provide through a new National Partnership Agreement on Improving Public Hospital Services, \$74.5 million will be invested in new capital projects over four years to reduce elective surgery waiting times, reduce emergency department waiting times and increase the availability of sub-acute beds.

***Royalties for Regions* – Southern Inland Health Initiative**

As part of the \$538 million *Royalties for Regions (RfR)* Southern Inland Health Initiative (to 2014-15), \$297.7 million is for infrastructure construction and redevelopment to be spent over the next four years on:

- the redevelopment of six integrated district health services;
- the upgrade of two, and the replacement of three, demonstration Community Primary Health Centres;

- refurbishment of 16 health facilities, two small hospital replacements, two nursing post replacements, and the purchase of land at Jurien Bay for a future health facility development; and
- expanding the capacity and availability of Telehealth technology to maximise the delivery of health services across the catchment area.

Medical Equipment Replacement

The medical equipment replacement program will be boosted with additional spending of \$40 million in 2012-13 taking the total spend for 2011-12 to 2012-13 to \$98.5 million.

***Royalties for Regions* – Dual Purpose Alcohol and Drug Centre in Carnarvon**

In 2011-12, an additional \$500,000 will be spent by the Drug and Alcohol Office to support the construction of a dual purpose counselling and sobering-up centre in Carnarvon that reduces harm related to alcohol use.

MINISTER FOR MINES AND PETROLEUM; FISHERIES; ELECTORAL AFFAIRS

Table 3

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Fisheries					
- Entitlements Management System	-	7.4	3.3	0.7	-
- Abrolhos Islands – Upgrade of Public Moorings and Jetties	0.3	-	1.5	-	-
- Kimberley Science and Conservation Strategy – Establishment and Management of Eighty Mile Beach Marine Park	-	0.3	-	-	-

Fisheries

Entitlements Management System

Expenditure totalling \$11.4 million will be incurred over three years, commencing in 2011-12, for the development of an Entitlements Management System (EMS) to provide an interactive web portal for the management of the State's commercial fisheries. The EMS will feature centralised data input and storage capacity, streamlined licensing services, and e-business and quota trading capability.

Abrolhos Islands – Upgrade of Public Moorings and Jetties

Additional expenditure of \$250,000 in 2010-11 will be incurred to construct fifteen public moorings at popular safe anchorage points in the Abrolhos Islands for use by recreational and charter vessels. A total of \$1.5 million will also be spent in 2012-13 to replace the Beacon Island public jetty.

Kimberley Science and Conservation Strategy – Establishment and Management of Eighty Mile Beach Marine Park

A total of \$300,000 will be spent in 2011-12 to procure an inshore patrol vessel to be used by the Department to conduct compliance patrols at the proposed Eighty Mile Beach Marine Park, south of Broome.

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

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

Table 4

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Regional Development and Lands					
- <i>Royalties for Regions</i> – Pilbara Cities Strategic Infrastructure	-	-	-	-50.0	-
- <i>Royalties for Regions</i> – Seasonal Staff Accommodation in Coral Bay	6.9	6.9	-	-	-
Western Australian Land Authority					
- Shotts Industrial Park Collie – Infrastructure Upgrades	1.1	11.6	1.4	0.4	0.2
- <i>Royalties for Regions</i> – Seasonal Staff Accommodation in Coral Bay	0.7	-	-	-	-
- Strategic Development Plan	-12.0	34.5	106.1	-23.5	-46.7
Western Australian Land Information Authority (Landgate)					
- Electronic Conveyancing Enterprise	2.8	2.4	-	-	-

Regional Development and Lands

Royalties for Regions – Pilbara Cities Strategic Infrastructure

A reduction in capital expenditure of \$50 million on this project has been approved, and reallocated to the recurrent component of the initiative to reflect the likelihood that some of the infrastructure provided under this program is to be built and owned by entities outside the State public sector.

Royalties for Regions – Seasonal Staff Accommodation in Coral Bay

In 2010-11 and 2011-12, \$13.9 million will be spent from *RfR* to deliver the second stage of this project, which will provide affordable and appropriate accommodation for seasonal staff workers at Coral Bay. The first stage, which related to the delivery of headworks for the site, was previously allocated \$2.1 million in the 2010-11 Budget.

Western Australian Land Authority

Shotts Industrial Park Collie – Infrastructure Upgrades

An additional \$14.7 million from 2010-11 to 2014-15 will be spent on the relocation of communications, road and water infrastructure that crosses the site area within the Shotts Industrial Park to be occupied by the proponent ‘Perdaman Chemicals and Fertilisers’. Also included is a component to meet rental shortfalls and estate holding costs during Perdaman’s pre-construction, construction and commissioning period.

***Royalties for Regions* – Seasonal Staff Accommodation in Coral Bay**

In 2010-11, \$705,000 will be spent to assist with the preliminary work required for the preparation and construction of the seasonal staff accommodation facility in Coral Bay in conjunction with the Baiyungu Aboriginal Corporation.

Strategic Development Plan

The Strategic Development Plan (SDP) reflects the Western Australian Land Authority’s strategic direction in terms of land sales, acquisitions and development expenditure. The 2011-12 to 2014-15 SDP reflects increased activity based on the response to new priority projects in the metropolitan region such as the Claremont North East Precinct and accelerated land delivery programs in areas such as Alkimos, Broome, Karratha and Kununurra.

Western Australian Land Information Authority (Landgate)

Electronic Conveyancing Enterprise

Expenditure of \$5.2 million over two years from 2010-11 has been approved for Western Australia’s equity share in the proposed Electronic Conveyancing Enterprise (ECE). The ECE is a partnership between the New South Wales, Queensland, Victorian and Western Australian Governments and the major four banks, which will build, implement and operate the Electronic Conveyancing System. The System will move the property conveyancing and land titling industry from paper based to electronic processes.

TREASURER; ATTORNEY GENERAL

Table 5

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Attorney General					
- e-Courts/Completion of Integrated Courts Management System	-	3.3	3.3	3.3	-
Treasury					
- ICT Separation of Building Management and Works	-	3.2	-	-	-
- ICT Equipment Replacement	-	2.2	2.1	-	-

Attorney General

e-Courts/Completion of Integrated Courts Management System

From 2011-12, the Government will invest \$10 million over three years to upgrade and replace core business systems, extend the Integrated Courts Management System to the criminal jurisdiction, and extend services across court jurisdictions.

Treasury

ICT Separation of Building Management and Works

In 2009, the Building Management and Works (BMW) business unit was transferred from the Department of Housing (DoH). A total of \$3.2 million will be spent in 2011-12 to allow the department to deliver a complete technical separation of all linked ICT services and data held between BMW and DoH.

ICT Equipment Replacement

An amount of \$4.4 million will be spent over 2011-12 and 2012-13 to replace existing ICT equipment that is reaching or exceeding its capacity. This equipment supports key whole-of-government systems, including Treasury's budget management system and the Revenue Collection Information System.

MINISTER FOR EDUCATION

Table 6

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Education					
- Investment in School Infrastructure	-	20.0	36.0	21.0	40.0
- Expansion of Air Conditioning Policy	-	11.0	11.0	15.0	15.0

Education

Investment in School Infrastructure

An additional \$77 million will be spent over four years from 2011-12 for the commencement of planning and construction of two new high schools (opening in 2017 and 2018), four new primary schools (opening in 2016), increased capacity at Dalyellup Secondary College. A further \$40 million will be spent over two years on preventative maintenance commencing in 2011-12.

Expansion of Air Conditioning Policy

The Government will spend \$52 million over four years from 2011-12 to expand the Government's School Air Conditioning policy to around 480 schools in Western Australia that were previously outside the nominated air-cooling zones.

MINISTER FOR FINANCE; COMMERCE; SMALL BUSINESS

Table 7

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Commerce					
- Information and Communications Technology	-	1.7	3.4	2.2	-
Finance					
- Office of the Premier and Cabinet Services Accommodation	2.7	22.8	-	-	-
- Government Office Accommodation Master Plan	-	55.2	-	-	43.4
- Shared Services Corporate Reform Project	-	8.0	12.0	5.5	-

Commerce

Information and Communications Technology

A total of \$7.3 million will be spent over three years for the continuation of the ICT program. The program consists of the ongoing replacement and development of operational hardware and software, addressing system stability risk and improving service delivery to internal and external stakeholders.

Finance

Office of the Premier and Cabinet Services Accommodation

To accommodate the relocation of the Office of the Premier and Cabinet Services, the Government will spend \$17 million from 2010-11 to 2011-12 on Hale House for construction and site costs and some fit-out costs, and up to \$8.5 million for planning and contingency fees and remaining fit-out costs.

Government Office Accommodation Master Plan

A total of \$42.7 million will be spent in 2011-12 to undertake the complete building refurbishment of Dumas House and Albert Facey House and to remediate the external façade of Dumas House.

In addition, \$12.5 million will be spent in 2011-12 to fit-out new premises for the Department of Indigenous Affairs and the Western Australia Police.

A further \$43.4 million will be spent in 2014-15 for the fit-out of the Old Treasury Building Redevelopment.

Shared Services Corporate Reform Project

An amount of \$25.5 million has been provisionally allocated, pending completion of the review by the Economic Regulation Authority of the Shared Services Corporate Reform project, to enable the retention of staff in the short and medium term. These costs are capitalised against the project.

MINISTER FOR POLICE; EMERGENCY SERVICES; ROAD SAFETY

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

Table 8

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Western Australia Police					
- ICT Core Business Systems Development	-	12.0	18.0	18.0	-
- ICT Infrastructure Replacement and Continuity	-	-	-	26.9	15.6
- Breath and Drug Buses	-	2.1	-	-	-
- Police Facilities Major Refurbishment Program	-	7.0	3.0	-	-
- Redirection of Project Savings	-	-17.0	-5.0	-	-
- Mundijong Police Station	-	-	1.9	1.5	4.6
Fire and Emergency Services Authority					
- Aerial Firefighting Appliances	-	-	-	1.5	1.5
- Strategic Land Acquisition	-	-	-	3.5	3.5
- Community Safety Network	-	1.6	-	-	-

Western Australia Police

ICT Core Business Systems Development

The Government will spend \$48 million over three years from 2011-12 to upgrade and replace ageing core ICT business systems (software) with fit-for-purpose core business systems that reflect modern policing practices.

ICT Infrastructure Replacement and Continuity

The Government will spend \$42.5 million over two years from 2013-14 to implement a program of ICT infrastructure replacement (servers, desktop and laptop personal computers, printers and other hardware) to mitigate operational risks and ensure the provision of efficient support to policing.

Breath and Drug Buses

In 2011-12, \$2.1 million will be spent to purchase two new Breath and Drug buses to significantly enhance the capacity to undertake large volume roadside drug and alcohol testing, and facilitate large scale alcohol and drug enforcement operations in regional Western Australia.

Police Facilities Major Refurbishment Program

A further \$10 million will be spent over two years from 2011-12 to enhance a program of progressively restoring and refurbishing ageing police facilities to a fit-for-purpose standard.

Redirection of Project Savings

Due to a better than expected tender result for the new Perth Police Complex, and a favourable exchange rate for the purchase of an additional helicopter, the Government has been able to redirect \$22 million over 2011-12 and 2012-13 to address other priorities:

- ICT Core Business Systems Development (\$10 million);
- Police Facilities Major Refurbishment Program (\$10 million); and
- Breath and Drug buses (\$2 million).

Mundijong Police Station

The Government has committed \$8 million over three years from 2012-13 to construct a police station in Mundijong to replace the current facility, which is more than 50 years old.

Fire and Emergency Services Authority

Aerial Firefighting Appliances

A total of \$3 million will be spent over 2013-14 and 2014-15 on the replacement of two aerial firefighting appliances to provide elevated rescue and water tower capability to meet emergency response requirements in the major metropolitan areas of Perth and Fremantle.

Strategic Land Acquisition

A total of \$7 million will be spent over 2013-14 and 2014-15 for strategic land acquisitions to facilitate the construction of new and replacement career and volunteer fire stations in the metropolitan and country regions.

Community Safety Network

An amount of \$1.6 million will be spent in 2011-12 on digital radio equipment in fire stations to provide a stable and secure communication network across the greater metropolitan area and major regional centres.

MINISTER FOR SPORT AND RECREATION; RACING AND GAMING

Table 9

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Racing, Gaming and Liquor					
- Implement Requirements of the Liquor Control Amendment Bill 2010	0.6	-	-	-	-
Sport and Recreation					
- New Major Stadium Planning	-	5.0	8.0	-	-
- Western Australian Institute of Sport – High Performance Service Centre Planning	-	2.0	-	-	-
Western Australian Sports Centre Trust					
- Arena Joondalup Facilities Upgrade	-	0.4	-	-	-

Racing, Gaming and Liquor

Implement Requirements of the Liquor Control Amendment Bill 2010

A total of \$615,000 will be spent in 2010-11 on capital expenditure required to implement the initiatives contained in the Liquor Control Amendment Bill 2010.

Sport and Recreation

New Major Stadium Planning

The Government has allocated \$13 million over 2011-12 and 2012-13 to identify a preferred site and undertake preliminary concept, design and cost estimation works for Perth's proposed new major stadium.

Western Australian Institute of Sport – High Performance Service Centre Planning

In 2011-12, \$2 million will be spent to review the business case and complete a project definition plan for the Western Australian Institute of Sport's High Performance Service Centre.

Western Australian Sports Centre Trust

Arena Joondalup Facilities Upgrade

An amount of \$400,000 will be spent in 2011-12 for the development of the West Perth Football Club facilities at Arena Joondalup.

MINISTER FOR PLANNING; CULTURE AND THE ARTS; SCIENCE AND INNOVATION

Table 10

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
East Perth Redevelopment Authority					
- Business Plan	-4.8	5.7	14.6	-7.6	7.9
- Perth City Link	-1.7	6.6	4.8	4.9	30.1
Culture and the Arts					
- State Theatre Centre	-	13.0	-	-	-
- New Museum – Planning	-	5.0	-	-	-
Western Australian Planning Commission					
- Perth Waterfront Project	0.4	48.0	162.2	135.9	22.3

East Perth Redevelopment Authority

Business Plan

The Business Plan for the Authority mainly reflects revised financial forecasts for all of its key projects, such as Riverside, the Perth Cultural Centre redevelopment, and the East Perth Power Station (excluding the Perth City Link). These revised forecasts reflect factors such as the acceleration of planned works within the Perth Cultural Centre to ensure the area is ready for CHOGM and revised costs, including those related to land acquisition.

Perth City Link

This represents the revised financial forecasts for the accelerated delivery of City Square to coincide with the completion of the sinking of the Perth to Fremantle railway line (between the Perth Station and Milligan Street) and the construction of a new underground Wellington Street Bus Station.

City Square will be a dynamic central destination featuring a public open place to house major events, alfresco dining, landscaping, water features, public art and street stalls, as well as a new landmark civic and cultural building. City Square will also house a portal to the new underground bus station and Perth Train Station.

The increases are predominantly for increased development costs for City Square, and higher costs for headworks such as water, sewerage and drainage services, remediation and linkage roads.

Culture and the Arts

State Theatre Centre

An amount of \$13 million will be provided in 2011-12 to meet the final contractual payments and settlement of contractual disputes related to the new State Theatre Centre that opened in January 2011. This brings the total cost of the project to \$104 million.

New Museum – Planning

The Government has allocated \$5 million in 2011-12 to continue planning works associated with a new Museum in the Perth Cultural Centre on the top of the \$5 million previously allocated.

Western Australian Planning Commission

Perth Waterfront Project

Expenditure of \$368.8 million over five years commencing in 2010-11 has been approved to commence the Perth Waterfront Project. Construction works including the new inlet, public realm, roads, services and infrastructure and the creation of development sites are scheduled to commence in early 2012, and be completed in mid-2014. Revenue from land sales will offset the above outlays, and spending beyond 2014-15, by \$169.1 million, with a total net cost of \$270 million.

MINISTER FOR ENERGY; TRAINING AND WORKFORCE DEVELOPMENT; INDIGENOUS AFFAIRS

Table 11

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Independent Market Operator					
- Market Evolution Program	4.1	3.8	-0.5	-	-
Horizon Power					
- Asset Management Plan	-	25.6	19.1	-	-
- IT Business Investment	-	9.7	4.5	2.4	2.4
Training and Workforce Development					
- <i>Royalties for Regions</i> – Skills Training Initiative	-	9.7	22.9	22.5	22.5
Western Power (including provisions)					
- Perth Waterfront Project	-	-	-	-	15.0
- Targeted Reliability Works	10.6	19.3	-	-	-
- Regulatory Compliance, Safety and Reliability	9.1	5.9	-	-	-
Verve Energy					
- Sustaining Capital Expenditure	-	13.0	13.0	-	-

Independent Market Operator

Market Evolution Program

Additional capital expenditure totalling \$7.4 million from 2010-11 to 2012-13 will be incurred in delivering the Market Evolution Program (MEP), an initiative being undertaken on behalf of industry to improve the Wholesale Electricity Market (WEM). The MEP initiative will enable the WEM to provide more up-to-date, real-time pricing outcomes for the operation of the short-term electricity market and targeted reserve capacity refunds.

Horizon Power

Asset Management Plan

An additional \$44.7 million will be spent over 2011-12 and 2012-13 to address risks that have been identified in the distribution and generation systems operated and maintained by Horizon Power.

IT Business Investment

Horizon Power will spend \$19.1 million on IT Business Investment from 2011-12 to 2014-15. This will ensure it successfully separates from the IT systems and supporting processes that are currently provided by Western Power. This program will avoid significant ongoing costs and business risks.

Training and Workforce Development

Royalties for Regions – Skills Training Initiative

The Government will spend \$77.6 million over four years from 2011-12 from *RfR* to develop skills and training facilities in regional Western Australia. Regional projects to commence from 2011-12 include a range of projects to improve access to trades training programs and other high demand programs to address critical skill shortages.

Western Power

Perth Waterfront Project

An allocation of \$15 million has been made in 2014-15 for substation works necessary to accommodate the increased power demands associated with the Perth Waterfront project.

Targeted Reliability Works

The Government will spend \$29.9 million over 2010-11 and 2011-12 to improve reliability on the main electricity grid (the South West Interconnected System), comprising \$29 million for targeted reliability and \$900,000 for Distribution Automation Communication Infrastructure. Of the total approved program, \$5.7 million is being held as a provision in the budget, with release subject to pre-New Facilities Investment Test approval of the business cases by the Economic Regulation Authority.

Regulatory Compliance, Safety and Reliability

A further \$15 million will be spent over 2010-11 and 2011-12 on various regulatory compliance, safety and reliability related issues, which will be prioritised by Western Power.

Verve Energy

Sustaining Capital Expenditure

Investment of a further \$26 million over 2011-12 and 2012-13 for maintenance works on the Muja Power Station and Pinjar and Mungarra Gas Turbines will be made to improve energy security and reliability of the main electricity grid.

MINISTER FOR TRANSPORT; HOUSING

Table 12

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Broome Port Authority					
- Land Development Activities	2.4	-	-	-	-
- Purchase of Crane	-	-	1.8	-	-
- Occupational Health and Safety Works	-	3.2	1.3	-	-
Main Roads					
- Shotts Industrial Park Collie – Bridge Improvements	-	3.9	-	-	-
- Coalfields Highway	-	-	10.6	-	-
- Great Eastern Highway	-	11.0	16.5	12.5	60.0
- Local Transport Initiative Fund	-	5.0	5.0	5.0	5.0
- Mitchell Freeway Widening (Hepburn Avenue to Hodges Drive)	-	6.0	24.0	-	-
- Murdoch Drive Intersection Upgrade	-	2.5	10.0	2.5	-
- Nation Building Program 1	-	6.5	50.8	66.7	-
- Great Northern Highway Enhancement Program	-	1.0	3.0	4.0	-
Dampier Port Authority					
- Truck Arrestor Bed	1.4	-	-	-	-
- Minor Works	-	3.0	3.0	2.0	2.0
Housing Authority					
- Special Needs Housing	-	98.5	37.8	14.4	-
- Land Acquisition	-	20.0	-	-	-
- Workers' Accommodation in Derby	-	33.2	-	-	-
- Joondalup/Rockingham Intermediate Care Units	-	12.8	-	-	-
- <i>Royalties for Regions</i> – Non-Government Organisation Housing	25.0	-	-	-	-
Public Transport Authority					
- Purchase of Additional Train Sets	-	16.0	42.0	49.0	30.0
- Bus Replacement Program	-	-11.5	-12.7	-12.4	-13.0
- Additional Bus Service Kilometres	-	9.0	9.6	10.4	11.1
Transport					
- Nation Building Program 2 – Joint Commonwealth/State Projects	-	-	-	-	458.0

Broome Port Authority

Land Development Activities

An amount of \$2.4 million will be spent in 2010-11 to undertake land development activities such as installing water mains and communication lines to meet conditions under an option agreement to lease land.

Purchase of Crane

An amount of \$1.8 million will be spent to purchase a 100 tonne crane in 2012-13 to meet increased loading volumes.

Occupational Health and Safety Works

An additional \$3.2 million in 2011-12 and \$1.3 million in 2012-13 will be spent to undertake occupational health and safety improvements works at the port.

Main Roads

Shotts Industrial Park Collie – Bridge Improvements

An amount of \$3.9 million will be spent in 2011-12 to undertake bridge improvement upgrade works. Along with the existing allocation of \$2.2 million, a total of \$6.1 million will be spent in 2011-12 to undertake improvement works on six bridges between the Bunbury Port and the Shotts Industrial Park at Collie.

Coalfields Highway

An additional \$10.6 million will be spent in 2012-13 to upgrade the Coalfields Highway. The proposed expenditure includes improvements to road safety and will complete a 1.7 km section from Wellington Dam turnoff west which contains a series of tight reverse curves.

Great Eastern Highway

An additional \$100 million will be spent between 2011-12 and 2014-15 to complete widening the Great Eastern Highway between Kooyong Road and Tonkin Highway.

Local Transport Initiative Fund

Additional expenditure of \$20 million has been allocated between 2011-12 and 2014-15 on low cost capital works to support road safety, road improvements and infrastructure for community access. It is also anticipated that the additional expenditure will enable projects unforeseen at the time of developing the annual program, and that become urgent and a priority, to be completed.

Mitchell Freeway Widening (Hepburn Avenue to Hodges Drive)

An additional \$30 million will be spent between 2011-12 and 2012-13 to widen the northbound carriageway of the Mitchell Freeway between Hepburn Avenue and Hodges Drive from two to three lanes.

Murdoch Drive Intersection Upgrade

An additional \$15 million will be spent between 2011-12 and 2013-14 to modify the intersection of South Street and Murdoch Drive to manage the expected increases in traffic volumes mainly associated with the Fiona Stanley Hospital.

Nation Building Program 1

State matching funding, totalling \$124 million, will be spent between 2011-12 and 2013-14 on Perth Urban and Freight Corridor Upgrade Initiatives, subject to Commonwealth agreement of proposed projects under the Nation Building Program 1, to complement Commonwealth contributions.

Great Northern Highway Enhancement Program

Project development works will commence for the proposed Great Northern Highway Enhancement Program with \$8 million to be spent between 2011-12 and 2013-14.

Dampier Port Authority

Truck Arrestor Bed

Expenditure of \$1.4 million in 2010-11 has been approved to construct a truck arrestor bed in order to improve the safety of port access for heavily laden vehicles.

Minor Works

An additional \$10 million will be spent over four years from 2011-12 on the Dampier Port Authority's minor capital works, including a range of safety upgrades on roads and port entry, maintenance to improve port operations and the safe movement of vessels, and replace outdated ICT equipment.

Housing Authority

Special Needs Housing

The Housing Authority will spend \$150.7 million over three years for the provision of 284 new dwellings for the high need clients of the Disability Services Commission, Mental Health Commission and Drug and Alcohol Office.

Land Acquisition

The Housing Authority will spend an additional \$20 million in 2011-12 for strategic purchases of development land in order to maintain the continuity of supply of affordable housing lots.

Workers' Accommodation in Derby

The Housing Authority will spend \$33.2 million in 2011-12 to provide 53 additional dwellings for Corrective Services employees in Derby resulting from the opening of the new prison.

Joondalup/Rockingham Intermediate Care Units

An amount of \$12.8 million will be reallocated in 2011-12 from the Mental Health Commission to the Housing Authority for the construction of intermediate care units in Joondalup and Rockingham. These units will assist the transition of mental health clients from inpatient facilities in public hospitals into community living.

***Royalties for Regions* – Non-Government Organisation Housing**

RfR is providing \$25 million to the Housing Authority in 2010-11 to build 39 houses in regional locations for use by non-government organisations.

Public Transport Authority

Purchase of Additional Train Sets

An additional \$137 million will be spent over four years from 2011-12 on the purchase of additional rolling stock. The total project will deliver 15 three-car train sets at a total cost of \$164 million, with ten of the trains to be delivered by the end of 2014-15.

Bus Replacement Program

Savings of \$49.6 million on the Bus Replacement Program will be achieved over four years from 2011-12, reflecting a decision to purchase Euro 5 'clean' diesel rather than compressed natural gas fuelled buses. These savings will be used to fund the purchase of additional buses required for the Additional Bus Service Kilometres project (see below).

Additional Bus Service Kilometres

An additional \$40.1 million will be spent over four years from 2011-12 on the purchase of 78 additional buses to provide new services and improvements to existing services. The total project will deliver an additional 158 buses over seven years at a total cost of \$88 million. The Additional Bus Service Kilometres program will see bus service kilometres increase by 3.3 million (or 6.3%) in 2011-12, and by 2015-16 onwards, bus service kilometres will have increased by 15.2 million (or 29.1%) per annum.

Transport

Nation Building Program 2 – Joint Commonwealth/State Projects

An estimated additional \$458 million is expected to be spent by agencies within the Transport portfolio on transport infrastructure in 2014-15. This spending is jointly funded by \$340 million from the Commonwealth Government's Nation Building Program 2, which is subject to Commonwealth approval, and \$118 million in State-matched funding.

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

Table 13

POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE 2010-11 MID-YEAR REVIEW

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Child Protection					
- Acute Homeless Night Shelter	-	2.0	2.0	-	-

Child Protection

Acute Homeless Night Shelter

A total of \$4 million will be spent over two years from 2011-12 for the construction of an overnight shelter primarily for acute homeless men in Perth.

MINISTER FOR LOCAL GOVERNMENT; HERITAGE; CITIZENSHIP AND MULTICULTURAL INTERESTS

Table 14

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Heritage Council					
- Information Technology	-	1.0	0.6	-	-

Heritage Council

Information Technology

Expenditure of \$1.6 million over two years from 2011-12 has been approved for the replacement of the Heritage Council's core business system and essential information technology equipment.

MINISTER FOR AGRICULTURE AND FOOD; FORESTRY; CORRECTIVE SERVICES

POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE 2010-11 MID-YEAR REVIEW

Table 15

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Corrective Services					
- Eastern Goldfields Regional Prison	-53.7	-76.7	-28.8	62.7	89.5
- <i>Royalties for Regions</i> – Regional Work Camp Enhancement Program	-	12.2	3.0	-	-
- Community Safety Network	-	4.5	-	-	-
- Perimeter Security Obsolescence	-	16.5	-	-	-
- Infrastructure Upgrade and Maintenance Program	-	8.6	-	-	-
Perth Market Authority					
- Central Trading Area Fire Risk Mitigation	-	5.6	4.7	-	-

Corrective Services

Eastern Goldfields Regional Prison

The forecast cashflows for the Eastern Goldfields Regional Prison have been adjusted to align with the Government's decision to proceed with the procurement of the prison as a design, build, finance, and maintain model of a Public Private Partnership.

Royalties for Regions – Regional Work Camp Enhancement Program

A total of \$15.2 million will be spent across two years from 2011-12 from *RfR* for the establishment of the Roebourne and Gnowangerup work camps and upgrades to other existing regional work camps.

Community Safety Network

A total of \$4.5 million will be spent in 2011-12 on capital costs for the Community Safety Network. The Network will provide the Department of Corrective Services access to the existing Western Australia Police communication network and a more stable and secure communication platform across the greater metropolitan area and major regional centres.

Perimeter Security Obsolescence

An additional \$16.5 million will be spent in 2011-12 on targeted security infrastructure upgrades designed to ensure the infrastructure continues to meet contemporary custodial standards, including upgrade/replacement projects at the Banksia Hill Detention Centre, Bandyup and Greenough prisons.

Infrastructure Upgrade and Maintenance Program

Additional expenditure of \$8.6 million will be undertaken in 2011-12 to upgrade, replace and maintain existing critical infrastructure at prisons and other sites across the State.

Perth Market Authority

Central Trading Area Fire Risk Mitigation

Expenditure of \$10.4 million over two years from 2011-12 will be incurred for the installation of fire sprinklers and fire mitigation infrastructure to comply with current *Building Code of Australia* standards in the Perth Market Authority's Central Trading Area.

MINISTER FOR ENVIRONMENT; WATER

Table 16

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2010-11 MID-YEAR REVIEW**

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Botanic Gardens and Parks Authority					
- CHOGM – Building Works	0.8	0.4	-	-	-
Busselton Water Board					
- Asset Investment Program Update	1.3	2.3	1.8	0.8	2.4
Environment and Conservation					
- Construction of Pathways in Perth's Regional Parks and Bush Forever Sites	-	0.5	0.5	-	-
- Enhanced Fire Management Effectiveness	-	5.0	-	-	-
- Kimberley Science and Conservation Strategy – Establishment and Management of Camden Sound and Eighty Mile Beach Marine Parks	-	0.3	0.4	0.4	-
- <i>Royalties for Regions</i> – Kimberley Science and Conservation Strategy, Tourism Infrastructure Initiatives	-	2.7	-	-	-
Water Corporation					
- Perdaman Urea Project	1.0	12.6	41.8	9.6	-
- Perth Waterfront Project	-	-	8.9	-	-
- Distribution Infrastructure	-	80.0	60.6	-	-
- West Pilbara Desalination Plant	-5.0	-135.0	-200.0	-30.0	-
- Regional Infill Sewerage	-	5.0	5.0	-	-
Zoological Parks Authority					
- Water Infrastructure Management Project	-	1.0	2.6	3.5	3.2

Botanic Gardens and Parks Authority

Commonwealth Heads of Government Meeting – Building Works

A further \$1.2 million will be spent over two years from 2010-11 to redevelop facilities at Kings Park for hosting the CHOGM Leaders' Retreat.

Busselton Water Board

Asset Investment Program Update

The Busselton Water Board will spend an additional \$8.6 million over five years from 2010-11. This brings total investment over this period to \$25 million. Significant programs include the chlorination project, Dunsborough bulk water supply project, the building of a new administration building, and upgrades to mains and treatment plants.

Environment and Conservation

Construction of Pathways in Perth's Regional Parks and Bush Forever Sites

An amount of \$1 million will be spent over two years from 2011-12 to enable the establishment of new pathways and visitor infrastructure to cater for increased demand for public access to regional parks and Bush Forever sites.

Enhanced Fire Management Effectiveness

In 2011-12, an additional \$5 million will be spent to enhance the operational capacity of the Department's fire management machinery fleet.

Kimberley Science and Conservation Strategy – Establishment and Management of Camden Sound and Eighty Mile Beach Marine Parks

The Government will spend \$1 million over three years from 2011-12 to develop visitor facilities, install signage and markers and establish new moorings in the new marine parks in the Kimberley at Camden Sound and Eighty Mile Beach.

***Royalties for Regions* – Kimberley Science and Conservation Strategy, Tourism Infrastructure Initiatives**

Expenditure of \$2.7 million in 2011-12 from *RfR* will enable the development of tourism corridors in the Kimberley through upgrading and developing camping facilities, interpretive signage and four wheel drive trails.

Water Corporation

Perdaman Urea Project

The Water Corporation will spend up to \$65 million from 2010-11 to 2013-14 to upgrade and refurbish an existing pipeline that will transport water from Wellington Dam to a take-off point seven km from the Shotts Industrial Park. A third party pipeline extension will be constructed to transfer the water from the take-off point to the industrial park. This will provide a reliable industrial water supply to tenants.

Perth Waterfront Project

During the construction of the Perth Waterfront Project, the Water Corporation will spend \$8.9 million in 2012-13 to replace and relocate an existing water main and install a second main to accommodate future city growth requirements.

Distribution Infrastructure

The Water Corporation will spend \$140.6 million from 2011-12 to 2012-13 to provide for the timely construction of water and wastewater infrastructure. This will support future urban residential land development in Perth, the South West, Mid West and Great Southern, with the majority being spent in Perth where the demand is highest.

West Pilbara Desalination Plant

Recent heavy rainfall in the Pilbara region has provided the Government with the opportunity to defer the development of the West Pilbara Desalination Plant. Accordingly, the Water Corporation's Asset Investment Plan has been reduced by \$370 million while the alternative water sources are re-evaluated for the West Pilbara Water Supply Scheme.

Regional Infill Sewerage

The Water Corporation will spend \$5 million in each of 2011-12 and 2012-13 to extend the infill sewerage program in regional areas.

Zoological Parks Authority

Water Infrastructure Management Project

The Government will spend \$11.9 million over six years from 2011-12 to replace the aged water infrastructure at the Perth Zoo with an effective and sustainable water management system.

Royalties for Regions

Overview

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.

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

The amount to be appropriated to the Fund in 2011-12 is \$1,199 million (i.e. 25% of forecast royalty revenue of \$4,794 million for 2011-12). Total spending from the Fund is expected to be \$1,493 million in 2011-12 (see Table 1 at the end of this chapter). The anticipated expenditure in 2011-12 includes a \$294 million withdrawal from the Fund's balance that has been accumulated as a result of money appropriated to the Fund in prior years but not spent.

The *Royalties for Regions (RfR)* program continues to provide a framework to support and maintain strong and vibrant regions through improved infrastructure, strategic regional and community services projects, and the provision of contestable grant funding.

Key Initiatives

A major component of the *RfR* program in 2011-12 is to deliver improved social infrastructure. This year's initiatives are in the key theme areas of investment in regional health, education, skills training, water and Natural Resource Management initiatives, Aboriginal initiatives and the Regional Centres Development Plan (SuperTowns). Another major component of the *RfR* program is the funding of the Mid West Investment Plan, and continued support of Pilbara Cities, the Gascoyne Revitalisation Plan and the Kimberley Revitalisation Plan.

Regional Health Investment

The *RfR* contribution to health for the period 2010-11 to 2014-15 is over \$1 billion, with a \$133.9 million investment planned in 2011-12.

The new Southern Inland Health Initiative (SIHI) package, totalling \$538 million over the forward estimates period, will provide health resources to areas of the State that have not yet received significant levels of investment through the *RfR* program. The initiative will dramatically improve all levels of clinical services across the Southern inland area of the WA Country Health Services. The SIHI includes \$48.5 million in 2011-12 and encompasses:

- District Medical Workforce Investment Program;
- District Hospital Investment Program;
- Primary Health Centres Demonstration Program;
- Small Hospital and Nursing Post Refurbishment Program;
- Telehealth Investment Program; and
- Regional Residential Aged and Dementia Care Investment Program.

The SIHI seeks to improve medical access and services in the Great Southern, Mid West, Goldfields, South West and Wheatbelt regions. It includes addressing the shortfall of general practitioners in regional Western Australia by providing incentives to retain and/or attract them into the regions. It also addresses the shortfall of primary health care staff in the relevant regions and will provide purpose-built demonstration Community Primary Health Centres by upgrading and replacing existing small hospitals.

The SIHI will also redevelop six integrated district hospitals, refurbish 16 small hospitals, replace two small hospitals, replace two nursing posts, and purchase land at Jurien Bay for a future health facility development. The capacity and availability of Telehealth technology will also be expanded to maximise the delivery of health services.

Also, an amount of \$41.4 million is provided in 2011-12 to continue funding for the development of Kalgoorlie, Albany, and Esperance Hospitals, and the Busselton Health Campus.

Funding for projects under the Gascoyne Revitalisation and Pilbara Cities initiatives, including the Carnarvon and Nickol Bay Hospitals, Exmouth Clinic and the new Karratha Health Campus, continues in 2011-12 with an allocation of \$12.8 million.

An amount of \$20.3 million is provided in 2011-12 to continue the delivery of improved services through the Patient Assisted Travel Scheme, the Royal Flying Doctor Service, St John Ambulance and the Rural Generalist Pathways program.

Regional Schools

A Regional Schools Plan, totalling \$100.5 million over four years, commenced in 2010-11 to provide new and upgraded buildings and facilities for schools in regional Western Australia. An amount of \$44.8 million has been allocated to this plan in 2011-12.

The Regional Schools Plan includes Esperance Primary, Derby and Denmark District High Schools, and Broome, Carnarvon, Hedland, Karratha, Pinjarra, Collie, Merredin, Northam, Narrogin and Katanning Senior High Schools.

A further \$51.9 million over four years from 2010-11 will provide for upgrades at regional residential colleges. Of this, \$19.4 million will be spent in 2011-12 to upgrade the Esperance and Merredin Residential Colleges.

Regional Skills and Training

A total of \$136.0 million has been allocated for this new initiative across four years to develop skills and training facilities in regional Western Australia, including \$53.8 million in 2011-12.

Of this, \$110.6 million will be spent on a range of initiatives including:

- the future development of the Muresk education precinct;
- student accommodation in Kalgoorlie;
- skills development for Indigenous trainees;
- trade workshops;
- improving access to trades training programs; and
- other high demand programs to address critical skills shortages.

The remaining \$25.4 million will be used to establish work camps, including one at Gnowangerup and the upgrade of existing regional work camps in other locations.

Water and Natural Resource Management Initiatives

A total of \$78.2 million across the forward estimates period is allocated for Water and Natural Resource Management initiatives, including \$22.8 million in 2011-12. This funding will contribute to improving outcomes in water supply and management that will assist industry and support economic development. The program of works will have a strategic focus to deliver greater access to information around water availability and supply options and to manage water supply for future developments. Another key focus will be the Gascoyne Food Bowl initiative, including funding towards a flood mitigation response.

Regional Centres Development Plan (SuperTowns)

This is a *RfR* initiative to encourage regional communities generally located in the southern half of Western Australia to plan and prepare for a predicted doubling of the State's population over the next 40 years, with \$85.5 million being allocated in 2011-12. This funding will be used to encourage regional communities to plan and implement projects that cater for and drive population expansion and stimulate economic growth.

Towns will be nominated for the program through Regional Development Commissions in conjunction with local government, and will be guided through a steering group and local community reference groups. Planning and implementation of the program will align with the Western Australian Planning Commission's State and regional planning frameworks.

Aboriginal Initiatives

The *RfR* program has allocated \$58.4 million in 2011-12 and a total of \$162.9 million over the period 2010-11 to 2014-15 to a range of initiatives for Indigenous people. Projects include:

- Regional Youth Justice Strategy – Kimberley and Pilbara Expansion;
- support for Clontarf Colleges to maximise school attendance and prospective employment and sporting opportunities;
- funding to support the transition of the Western Australian Indigenous Tourism Operators Committee to a new self-sustaining model;
- funding for the Aboriginal Justice Education Program to enhance Victims of Crime Services and Driver Training for remote Aboriginal communities;
- funding to establish a \$10 million Aboriginal Community Emergency Response Fund for crisis response;
- Northwest Drug and Alcohol Support Program – funding for additional staff and an alcohol and drug centre in Carnarvon;
- improving water quality in 16 remote Aboriginal communities;
- Governance and Leadership Development Program;
- funding to establish Indigenous Visitor Hostels in Kalgoorlie and Broome;
- provision of power and water services to the Jigalong community; and
- provision of six new Remote Indigenous Health Clinics.

Mid West

The Mid West Investment Plan is a new initiative delivering \$220 million of *RfR* funding over four years (2011-12 to 2014-15) to implement major infrastructure projects and initiatives in the Mid West region.

An amount of \$40 million is allocated in 2011-12 to commence projects across the Mid West identified through local government, community, stakeholder groups, the Mid West Development Commission and the Department of Regional Development and Lands. The program includes key infrastructure and housing initiatives, town enhancement/revitalisation and community development.

Pilbara Cities

The aim of the Pilbara Cities program is to help facilitate the transformation of communities across the Pilbara region and to encourage and underpin private sector investment that results in Karratha and Port Hedland reaching sustainable permanent populations of 50,000 residents.

The program is investing in land release innovation, affordable housing options and economic partnerships with traditional owner groups. A primary focus is to unlock land development opportunities for the private sector across the region. A total of \$146.9 million of *RfR* funding will be allocated to the region in 2011-12. By the end of 2014-15, more than \$1 billion would have been committed directly to the Pilbara Cities project.

Two new projects to commence in 2011-12 include funding of \$2.5 million to undertake investigations and planning work for the Karratha to Wickham Coast road, and \$5 million towards planning for a Pilbara Maritime Common Use Support Facility.

Gascoyne

Through *RfR*, the Government has committed \$174.9 million from 2010-11 to 2014-15 to initiatives under the Gascoyne Revitalisation Plan, of which \$67.9 million is allocated in 2011-12.

The Gascoyne Revitalisation Plan includes 20 flagship initiatives, including:

- Exmouth CBD and Foreshore Revitalisation;
- Gascoyne Junction Town Centre and Tourism Facilities;
- Shark Bay Community Sport and Recreation Centre;
- Carnarvon Fascine Redevelopment planning;
- Carnarvon Library and Art Centre;
- Carnarvon Police and Justice Complex;

- a new community and primary health care clinic at Exmouth;
- Tantabiddi Boat Ramp Upgrade;
- Carnarvon Hospital redevelopment;
- Carnarvon Boat Ramp Construction;
- Waterfront Development Planning;
- Coral Bay Seasonal Staff Accommodation; and
- Gascoyne Irrigation Pipeline.

Kimberley

The Ord-East Kimberley Expansion Project is a major State Government election commitment. Phase 1 of the project includes infrastructure consisting of 19 km of irrigation channel and 14 km of road to support up to 8,000 hectares of new irrigated farm land, which was brought to near completion during 2010-11.

The project commenced in 2008-09, funded by \$220 million from *RfR* and \$195 million from the Commonwealth Government. These contributions form the East Kimberley Development Package which supports education, housing, health and community services.

RfR funding for this project in 2011-12 amounts to \$121.5 million.

The *RfR* commitment to other key projects in the Kimberley continues with \$18.8 million being provided to the Broome Small Boat Facility in 2011-12 from a total allocation of \$35 million. Also, funding of \$8.2 million in 2011-12 is provided for the Kununurra Courthouse project out of a total commitment of \$43 million to 2013-14.

Country Local Government Fund

In 2011-12, *RfR* has allocated \$152.3 million to the Country Local Government Fund and has also extended the program for a further year to 2014-15. An amount of \$91.7 million has been allocated to individual country local governments towards the cost of implementing their forward capital works plans, and \$54 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.

An amount of \$2.4 million will be provided to the Department of Local Government to deliver complementary capacity building initiatives, with a particular focus on strategic and asset management planning, and \$3.6 million for assistance to those local governments who have elected to amalgamate.

Exploration Incentive Scheme

RfR is providing additional funding to the Exploration Incentive Scheme (EIS).

New funding totalling \$20.7 million has been allocated over three years (with \$3.6 million in 2011-12) to the EIS to allow for the expansion of the scheme to include a new project to encourage exploration and production of unconventional energy sources including shale gas, tight gas and geothermal energy.

This brings total *RfR* funding of the EIS over the period 2009-10 to 2013-14 to \$98.7 million.

Country Age Pension Fuel Card

RfR funding of the Country Age Pension Fuel Card continues in 2011-12 with an allocation of \$26 million. Following expansion of the eligibility categories in 2010-11, 43,000 fuel cards have now been issued to support country pensioners with travel costs and improve their quality of life.

Regional Events Program

RfR has allocated \$10 million in 2011-12, as part of a \$40 million allocation over the forward estimates period, to facilitate and raise the profile of regional events throughout the regions. The funding will assist regional communities to develop, attract and market major events.

Regional Workers Incentive

RfR has allocated \$137.9 million from 2010-11 to 2014-15 to this program, including an additional \$30.9 million provided in 2014-15.

This will provide increased district allowances for public sector workers in regional Western Australia as part of the process to attract and retain those workers who provide essential government services.

Kimberley Science and Conservation Strategy

RfR funding of \$6.9 million is being provided towards the implementation of the tourism initiatives identified in the Kimberley Science and Conservation Strategy. Specifically, the initiatives aim to:

- identify and develop nature based and cultural tourism;
- develop and promote tourism corridors; and
- expand and promote the Ibis aerial highway, secure international air routes to Broome, and develop and promote four wheel drive trails.

Marine Parks Management

An amount of \$16.1 million has been allocated over four years for the establishment of two new marine parks, one in the South West (Capes Marine Park) and the other in the Pilbara (Dampier Archipelago). The funding will be provided to the Department of Environment and Conservation (\$11 million) and the Department of Fisheries (\$5.1 million).

The funding will allow for:

- the establishment of the two new parks and a new management area and their associated management plans by the end of 2011-12;
- protection and conservation of high natural and cultural values, while providing opportunities for recreational and commercial uses; and
- establishment of visitor facilities and management arrangements to contribute to nature based recreation and tourism in the reserves, provide education and information to visitors, and opportunities for Indigenous engagement.

Living Lakes

The Living Lakes initiative will transform selected inland lake and degraded creek and river systems into permanent waterways for recreation, tourism and commercial purposes.

In 2010-11 an initial allocation of \$200,000 was made to identify suitable water bodies with potential to attract investment for the creation of eco-tourism and lifestyle developments and recreational pursuits. *RfR* will allocate a further \$1.4 million in 2011-12 to support the development of identified water bodies.

Table 1

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Total
	Actual \$m	Estimated Actual \$m	Budget Estimate \$m	Forward Estimate \$m	Forward Estimate \$m	Forward Estimate \$m	2009-10 to 2014-15 \$m
COUNTRY LOCAL GOVERNMENT FUND							
Local Government - Local Infrastructure							
Asset Renewal and New Assets	3.9	23.8	91.7	54.0	-	-	173.4
Administration of funds	0.1	0.7	0.6	0.6	0.6	0.6	3.0
Regional Groupings of Local Governments							
Governments	0.9	33.1	54.0	54.0	108.1	97.1	347.2
Capacity Building - Regional Governance							
Services and Asset Management Tools	1.0	10.6	6.0	6.3	2.4	2.4	28.7
TOTAL - COUNTRY LOCAL GOVERNMENT FUND	5.9	68.2	152.3	114.9	111.0	100.0	552.2
REGIONAL COMMUNITY SERVICES FUND							
Regional Community Programs and Schemes							
Country Age Pension Fuel Card	14.3	24.8	26.0	23.7	23.6	23.2	135.6
Regional Workers Incentives	-	25.7	26.0	27.3	27.9	30.9	137.9
Boarding Away From Home	1.7	1.9	2.0	2.5	2.5	2.6	13.1
Community Resource Centres	5.9	12.0	13.0	14.0	14.0	14.0	72.9
Wild Dogs Management Plan	-	1.0	5.9	1.2	0.7	-	8.8
Performing Arts Regional Tours Boost	-	-	0.5	0.3	0.3	0.3	1.3
Foodbank ^(a)	-	0.2	0.2	0.2	0.2	-	0.8
Better Beginnings - Early Literacy ^(a)	-	0.6	0.7	0.7	0.8	-	2.8
Responsible Parenting Support Services	-	2.8	6.5	9.3	9.3	10.2	38.1
Rangelands Reform Program	-	0.6	0.8	0.8	-	-	2.3
'Orange' school bus initiatives ^(a)	-	2.1	3.9	2.3	2.7	-	10.9
Exploration Incentive Scheme ^(a)	17.3	24.6	26.9	26.4	3.5	-	98.7
Public Sector Regional Leadership	-	-	0.7	0.7	1.0	-	2.4
Regional Buy Local Initiatives	-	-	1.0	-	-	-	1.0
Regional Events Program	-	-	10.0	10.0	10.0	10.0	40.0
Kimberley Science and Conservation							
Strategy (Asset Investment)	-	-	2.7	-	-	-	2.7
Kimberley Science and Conservation							
Strategy (Operating)	-	-	1.0	1.4	1.2	0.7	4.2
Marine Parks Management	-	-	3.9	4.4	4.6	3.3	16.1
Regional Community Programs and Schemes Subtotal	39.2	96.2	131.5	125.3	102.3	95.1	589.5
Regional Health Programs							
Patient Assisted Travel Scheme	8.7	9.0	8.9	9.3	9.7	10.1	55.7
Royal Flying Doctor Service	9.2	8.5	3.9	5.7	4.1	4.2	35.5
Rural Generalist Pathways	-	1.0	1.5	2.0	2.0	2.0	8.5
St John Ambulance Services in Country							
WA (Asset Investment)	-	0.9	0.5	0.3	0.2	-	1.9
St John Ambulance Services in Country							
WA (Operating)	-	4.4	5.6	6.6	7.6	6.2	30.4
Pilbara Cardiovascular Screen Program	-	-	0.6	0.3	0.3	-	1.2
Regional Men's Health	0.2	0.6	1.0	0.9	-	-	2.8
Regional Health Programs Subtotal	18.0	24.6	22.0	25.1	23.9	22.5	136.0

Table 1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Total
	Actual	Estimated	Budget	Forward	Forward	Forward	2009-10 to
	\$m	\$m	\$m	\$m	\$m	\$m	2014-15
REGIONAL COMMUNITY SERVICES							
FUND (continued)							
Aboriginal Initiatives							
Regional Youth Justice Strategy							
Kimberley and Pilbara Expansion							
(Asset Investment)	-	0.4	0.2	-	-	-	0.6
Regional Youth Justice Strategy							
Kimberley and Pilbara Expansion							
(Operating)	-	2.9	12.9	13.4	14.0	15.5	58.8
Clontarf Colleges ^(a)	-	1.6	1.7	1.7	-	-	5.0
WA Indigenous Tourism Operators							
Committee (WAITOC)	-	0.3	0.3	0.3	-	-	1.0
Aboriginal Justice Education Program	-	-	4.0	2.3	2.3	-	8.5
Aboriginal Community Emergency							
Response Fund	-	-	10.0	-	-	-	10.0
Northwest Drug and Alcohol Support							
Program (Asset Investment)	-	-	0.5	-	-	-	0.5
Northwest Drug and Alcohol Support							
Program (Operating)	-	-	2.8	5.2	5.3	5.5	18.8
Improving Water Quality in Remote							
Aboriginal Communities	-	-	2.4	9.8	-	-	12.2
Governance and Leadership							
Development Program	-	-	1.6	0.7	-	-	2.3
Indigenous Visitor Hostels	-	1.0	6.0	6.0	-	-	13.0
Jigalong Essential Services Pilot	-	1.0	9.0	-	-	-	10.0
Remote Indigenous Health Clinics	-	0.2	7.0	9.0	6.1	-	22.2
Aboriginal Initiatives Subtotal	-	7.4	58.4	48.4	27.6	21.0	162.9
Regional Strategic Projects	21.2	82.2	63.3	38.4	85.2	83.2	373.6
TOTAL - REGIONAL COMMUNITY							
SERVICES FUND	78.4	210.4	275.2	237.2	238.9	221.8	1,262.0

Table 1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Total
	Actual \$m	Estimated Actual \$m	Budget Estimate \$m	Forward Estimate \$m	Forward Estimate \$m	Forward Estimate \$m	2009-10 to 2014-15 \$m
REGIONAL INFRASTRUCTURE AND HEADWORKS FUND							
Pilbara Cities Initiative							
Nickol Bay Hospital Upgrade (Asset Investment)	2.3	3.4	2.2	-	-	-	8.0
Nickol Bay Hospital Upgrade (Operating)	-	1.0	1.0	-	-	-	2.0
Karratha Health Campus	-	0.2	1.5	15.0	45.0	68.3	130.0
Pilbara Health Partnership (Asset Investment)	1.5	1.6	-	-	-	-	3.2
Pilbara Health Partnership (Operating)	0.5	1.8	4.0	12.0	11.5	-	29.8
Pilbara Health Equipment Upgrade	2.4	0.1	-	-	-	-	2.5
Pilbara Cities Office	-	1.0	0.5	0.5	0.5	0.5	3.0
Pilbara Underground Power (Asset Investment)	7.9	49.3	42.8	-	-	-	100.0
Pilbara Underground Power (Operating)	0.3	0.6	0.6	0.6	-	-	2.0
Karratha Service Workers Accommodation	2.0	28.4	-	-	-	-	30.4
South Hedland Town Centre Revitalisation	2.6	20.6	-	-	-	-	23.2
Pilbara Water Opportunities	0.4	2.5	-	-	-	-	2.9
West Pilbara Water	-	4.5	-	-	-	-	4.5
NASH (Ngarluma Aboriginal Sustainable Housing) - Roebourne	0.2	4.8	-	-	-	-	5.0
Roebourne Housing Initiatives	-	5.0	-	-	-	-	5.0
Northern Towns Development Fund	-	8.5	10.8	8.5	10.3	1.9	40.0
Pilbara Cities Strategic Infrastructure (Asset Investment)	-	14.9	15.0	60.3	100.0	-	190.2
Pilbara Cities Strategic Infrastructure (Operating)	-	5.1	25.0	39.7	50.0	150.0	269.8
Pilbara Cities Community Projects (Asset Investment)	-	0.8	3.5	-	-	-	4.3
Pilbara Cities Community Projects (Operating)	5.0	69.7	32.4	10.0	40.0	40.0	197.1
Karratha-Wickham Coast Road	-	-	2.5	-	-	-	2.5
Pilbara Maritime Common Use Support Facility	-	-	5.0	-	-	-	5.0
Pilbara Cities Subtotal	25.2	223.8	146.9	146.6	257.3	260.7	1,060.3
Kimberley Revitalisation							
Ord-East Kimberley Expansion Project (Asset Investment)	15.1	45.0	117.5	31.4	-	-	208.9
Ord-East Kimberley Expansion Project (Operating)	1.4	4.6	4.0	-	-	-	10.0
Aboriginal Housing Kimberley	15.0	-	-	-	-	-	15.0
Broome Small Boat Facility Stage 1	-	1.3	18.8	15.0	-	-	35.0
Kununurra Courthouse	-	1.0	8.2	27.4	6.4	-	43.0
Broome Courthouse Site Selection	-	0.4	0.2	-	-	-	0.5
Kimberley Revitalisation Subtotal	31.4	52.2	148.6	73.8	6.4	-	312.4

Table 1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE							
INITIATIVE	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Total
	Actual	Estimated	Budget	Forward	Forward	Forward	2009-10 to
	\$m	\$m	\$m	\$m	\$m	\$m	2014-15
							\$m
REGIONAL INFRASTRUCTURE AND HEADWORKS FUND (continued)							
Gascoyne Revitalisation							
Gascoyne Development Plan	-	2.9	35.0	31.0	18.5	15.3	102.8
Carnarvon Fascine Redevelopment							
Planning	-	0.3	0.5	-	-	-	0.8
Carnarvon Library and Art Centre	-	0.7	1.2	-	-	-	1.9
Carnarvon Police and Justice Complex	-	1.5	8.0	-	-	-	9.5
Exmouth Clinic	-	-	3.6	4.5	-	-	8.1
Tantabiddi Boat Ramp Upgrade	-	-	2.2	-	-	-	2.2
Carnarvon Hospital	-	0.1	0.5	14.7	5.5	-	20.8
Carnarvon Boat Ramp Construction	-	1.9	1.1	-	-	-	3.0
Waterfront Development Planning	-	-	1.0	-	-	-	1.0
Coral Bay Seasonal Staff Accommodation (Asset Investment)	-	9.0	6.9	-	-	-	16.0
Coral Bay Seasonal Staff Accommodation (Operating)	-	-	1.4	-	-	-	1.4
Gascoyne Irrigation Pipeline	-	1.0	6.6	-	-	-	7.6
Gascoyne Revitalisation Subtotal	-	17.5	67.9	50.2	24.0	15.3	174.9
Mid West Revitalisation							
Mid West Investment Plan	-	-	40.0	40.0	70.0	70.0	220.0
Mid West Unit	-	-	0.8	0.8	0.8	0.8	3.0
Mid West Solar Farm - Midwest initiative	-	5.0	5.0	-	-	-	10.0
Mid West Revitalisation Subtotal	-	5.0	45.8	40.8	70.8	70.8	233.0
Southern Inland Health Initiative							
District Medical Workforce Investment Program	-	-	28.9	41.3	55.2	57.4	182.9
District Hospital Investment Program (Asset Investment)	-	-	0.6	12.9	49.3	57.9	120.8
District Hospital Investment Program (Operating)	-	-	6.2	6.4	6.7	6.9	26.1
Primary Health Centres Demonstration Program	-	-	1.3	14.1	17.5	10.4	43.4
Small Hospital and Nursing Post Refurbishment Program	-	-	0.5	12.3	63.6	31.7	108.1
Telehealth Investment Program (Asset Investment)	-	-	2.7	2.7	-	-	5.5
Telehealth Investment Program (Operating)	-	-	7.3	7.6	7.9	8.2	31.0
Residential Aged and Dementia Care Investment Program	-	-	1.0	5.0	12.0	2.0	20.0
Southern Inland Health Initiative Subtotal	-	-	48.5	102.3	212.2	174.6	537.7
Regional Skills and Training							
Skills Training Initiative (Asset Investment)	-	-	9.7	22.9	22.5	22.5	77.6
Skills Training Initiative (Operating)	-	-	30.5	2.5	-	-	33.0
Regional Work Camp Enhancement Program (Asset Investment)	-	-	12.2	3.0	-	-	15.2
Regional Work Camp Enhancement Program (Operating)	-	-	1.4	4.4	4.4	-	10.2
Regional Skills and Training Subtotal	-	-	53.8	32.8	26.9	22.5	136.0
Portlink Inland Freight Corridor							
Portlink Inland Freight Corridor Planning	-	-	5.0	-	-	-	5.0
Portlink Inland Freight Corridor Subtotal	-	-	5.0	-	-	-	5.0

Table 1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2009-10 Actual \$m	2010-11 Estimated Actual \$m	2011-12 Budget Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	Total 2009-10 to 2014-15 \$m
REGIONAL INFRASTRUCTURE AND HEADWORKS FUND (continued)							
Regional Health Infrastructure							
Kalgoorlie Hospital	-	6.7	9.1	-	-	-	15.8
Albany Hospital	-	20.3	20.3	20.3	-	-	60.9
Esperance Hospital	-	0.4	8.0	10.4	-	-	18.8
Busseton Health Campus	-	1.3	4.0	26.0	9.2	-	40.5
Regional Health Infrastructure Subtotal	-	28.7	41.4	56.7	9.2	-	136.0
Regional Development - Water and NRM Initiatives							
Regional Development Water and NRM Initiatives	-	-	22.8	17.7	16.5	21.2	78.2
Regional Development - Water and NRM Initiatives Subtotal	-	-	22.8	17.7	16.5	21.2	78.2
Regional Centres Development Plan (SuperTowns)							
SuperTowns Development Project Fund	-	-	80.0	-	-	-	80.0
SuperTowns Development Planning Fund	-	-	5.5	-	-	-	5.5
Regional Centres Development Plan (SuperTowns) Subtotal	-	-	85.5	-	-	-	85.5
Regional Infrastructure Projects							
Regional Mobile Communications Project	-	0.2	8.0	20.0	11.8	-	40.0
Community Emergency Communications	0.6	0.6	-	-	-	-	1.2
Community Safety Network (Asset Investment)	-	6.7	42.1	31.5	-	-	80.3
Community Safety Network (Operating)	-	0.2	2.4	3.2	3.9	4.5	14.2
Housing for Workers	103.0	76.0	127.4	100.0	100.0	55.5	562.0
Non-Government Organisation Housing	-	25.0	-	-	-	-	25.0
Headworks Rebate	-	7.3	-	-	-	-	7.3
Recreational Boating Facilities Scheme	-	1.7	8.3	5.0	5.0	-	20.0
Regional Airports Development Scheme	5.3	3.1	8.1	5.0	5.0	-	26.5
Conservation Parks Infrastructure and Roads	-	2.5	7.5	5.0	5.0	-	20.0
Bunbury to Albany Gas Pipeline	-	0.3	9.8	10.0	-	-	20.0
Pre-Feasibility Pilbara/Gascoyne	-	0.2	-	-	-	-	0.2
Rushton Park	-	0.1	-	-	-	-	0.1
Living Lakes	-	0.2	1.4	-	-	-	1.6
Regional Schools Plan - Esperance Primary School	-	-	7.0	3.0	-	-	10.0
Regional Schools Plan - Derby District High School	-	-	7.0	5.0	3.0	-	15.0
Regional Schools Plan - Broome Senior High School	-	-	5.0	3.0	2.0	-	10.0
Regional Schools Plan - Carnarvon Senior High School	-	-	-	2.0	5.0	-	7.0
Regional Schools Plan - Hedland Senior High School	-	-	6.0	-	-	-	6.0
Regional Schools Plan - Karratha Senior High School	-	-	9.5	-	-	-	9.5
Regional Schools Plan - Pinjarra Senior High School	-	-	3.0	4.0	-	-	7.0
Regional Schools Plan - Collie Senior High School	-	-	-	1.0	2.0	-	3.0
Regional Schools Plan - Merredin Senior High School	-	5.0	1.0	-	-	-	6.0

Table 1 (cont.)

INITIATIVE	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Total
	Actual	Estimated	Budget	Forward	Forward	Forward	2009-10 to
	\$m	\$m	\$m	\$m	\$m	\$m	2014-15
Regional Schools Plan - Northam Senior High School	-	-	1.0	1.0	8.0	-	10.0
Regional Schools Plan - Narrogin Senior High School	-	-	1.0	2.0	4.0	-	7.0
Regional Schools Plan - Katanning Senior High School	-	-	-	1.0	1.0	-	2.0
Regional Schools Plan - Denmark High School	-	-	4.0	3.0	-	-	7.0
Regional Schools Plan - Administration Cost	-	0.1	0.3	0.3	0.3	-	1.0
Regional Residential College Upgrades	-	2.5	19.4	20.0	10.0	-	51.9
Collie Water Plan	-	0.7	4.5	-	-	-	5.2
Regional Infrastructure Projects							
Subtotal	108.9	132.4	369.2	225.0	166.0	60.0	1,061.5
Regional Capital Works Initiative							
Regional Capital Works Initiative (Asset Investment)	-	-	20.0	55.8	45.3	40.0	161.0
Regional Capital Works Initiative (Operating)	-	9.4	-	-	-	-	9.4
Regional Capital Works Initiative Subtotal	-	9.4	20.0	55.8	45.3	40.0	170.4
TOTAL - REGIONAL HEADWORKS INFRASTRUCTURE FUND	165.5	469.0	969.9	801.6	834.5	665.1	3,905.6
NEW REGIONAL AND STATEWIDE INITIATIVES							
New Regional and Statewide Initiatives (Asset Investment)	-	0.1	27.9	3.1	8.3	-	39.4
New Regional and Statewide Initiatives (Operating)	-	2.3	53.7	35.9	37.7	5.6	135.2
TOTAL - NEW REGIONAL AND STATEWIDE INITIATIVES	-	2.4	81.6	39.0	46.0	5.6	174.6
Administering the Royalties for Regions Fund	4.8	10.5	14.2	14.7	15.3	15.8	75.1
TOTAL - ROYALTIES FOR REGIONS FUND	254.6	760.4	1,493.2	1,207.4	1,245.7	1,008.3	5,969.5

(a) Ongoing funding for the Exploration Incentive Scheme, Better Beginnings, 'Orange' school buses, Foodbank and Clontarf programs will be subject to review in 2012-13.

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

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*.

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Table 1.1

GENERAL GOVERNMENT
Operating Statement

	Note	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
<i>Results from Transactions</i>							
REVENUE							
Taxation		6,324	6,662	6,965	7,697	8,499	9,414
Current grants and subsidies		8,228	8,032	8,806	8,625	8,116	7,936
Capital grants		1,978	1,406	956	822	609	721
Sales of goods and services		1,635	1,718	1,815	1,905	2,000	2,101
Interest income		227	309	355	354	353	309
Revenue from public corporations							
Dividends from other sector entities		570	696	699	806	1,050	1,188
Tax equivalent income		350	359	450	620	721	781
Royalty income		2,324	4,159	4,794	4,998	5,447	5,336
Other		405	422	393	407	415	418
Total	3	22,039	23,764	25,233	26,232	27,209	28,202
EXPENSES							
Salaries		8,284	8,913	9,642	10,227	10,739	11,385
Superannuation							
Concurrent costs		793	851	917	971	1,017	1,075
Superannuation interest cost		338	400	412	413	422	431
Other employee costs		323	359	366	383	400	429
Depreciation and amortisation		848	906	936	1,041	1,180	1,175
Services and contracts		1,523	1,826	2,065	1,938	2,047	2,112
Other gross operating expenses		2,959	3,571	3,874	3,963	3,933	4,212
Other interest		187	334	421	549	603	640
Other property expenses		-	-	-	-	-	-
Current transfers	4	4,882	5,090	5,551	5,291	5,492	5,665
Capital transfers	4	1,071	729	607	687	588	608
Total	5	21,208	22,980	24,791	25,464	26,422	27,732
NET OPERATING BALANCE	6	831	784	442	768	787	471
<i>Other economic flows</i>							
Net gains on assets/liabilities		228	21	86	70	-2	-13
Net actuarial gains - superannuation		-169	57	-34	-185	-186	-187
Provision for doubtful debts		-32	-	-	-	-	-
All other		-	-	-	-	-	-
Total other economic flows		27	77	52	-115	-189	-201
OPERATING RESULT		858	861	493	654	598	270
<i>All other movements in equity</i>							
Revaluations		-2,055	1,567	1,622	2,091	2,098	2,216
Gains recognised directly in equity		-5	-1	-1	-1	-1	-1
Changes in accounting policy/correction of prior period errors		117	-225	-42	-24	-6	8
Change in net worth of the public corporations sectors		1,768	1,218	1,130	1,065	617	1,415
All other		-	-	-	-	-	-
Total all other movements in equity		-176	2,560	2,710	3,132	2,709	3,638
TOTAL CHANGE IN NET WORTH		682	3,421	3,203	3,785	3,307	3,908
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	831	784	442	768	787	471
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	5	2,974	3,131	4,206	3,343	3,054	2,357
Changes in inventories		-4	-2	-	-	-	-
Other movement in non-financial assets		-72	-10	-70	-147	-	-
<i>less:</i>							
Sales of non-financial assets		161	214	242	259	295	146
Depreciation		848	906	936	1,041	1,180	1,175
Total net acquisition of non-financial assets		1,889	1,999	2,958	1,896	1,579	1,036
NET LENDING/-BORROWING	6	-1,058	-1,215	-2,517	-1,127	-792	-565

Note: Columns may not add due to rounding.

Table 1.2

GENERAL GOVERNMENT
Balance Sheet at 30 June

	Note	2010	2011	2012	2013	2014	2015
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
ASSETS							
<i>Financial assets</i>							
Cash and deposits		586	569	545	422	349	339
Advances paid		708	694	673	653	634	615
Investments, loans and placements		5,174	3,719	3,607	3,321	3,908	4,119
Receivables		2,042	2,302	2,362	2,597	2,693	2,668
Investment property		8	8	8	8	8	8
Shares and other equity							
Investments in other public sector entities - equity method		42,474	43,692	44,821	45,886	46,503	47,918
Investments in other public sector entities - direct injections		4,075	4,744	5,462	5,888	6,129	6,266
Investments in other entities		-	-	-	-	-	-
Other financial assets		-	-	-	-	-	-
<i>Total financial assets</i>		55,067	55,728	57,478	58,776	60,224	61,933
<i>Non-financial assets</i>							
Land		37,890	38,149	38,568	39,387	40,150	41,117
Property, plant and equipment		31,056	34,489	38,696	41,890	44,825	47,149
Biological assets		2	2	2	2	2	2
Inventories							
Land inventories		102	101	99	97	95	93
Other inventories		68	66	66	66	66	66
Intangibles		408	408	420	425	417	393
Non-current assets held for sale		49	35	30	30	30	30
Other		155	138	147	154	155	133
<i>Total non-financial assets</i>		69,730	73,388	78,029	82,051	85,739	88,985
TOTAL ASSETS		124,797	129,116	135,507	140,827	145,963	150,918
LIABILITIES							
Deposits held		683	339	320	356	360	367
Advances received		482	468	454	439	424	409
Borrowings		4,315	5,348	8,268	9,355	10,738	11,386
Unfunded superannuation		7,249	7,184	7,211	7,364	7,513	7,660
Other employee benefits		2,296	2,404	2,524	2,629	2,727	2,834
Payables		675	664	653	659	661	661
Other liabilities		1,253	1,444	1,609	1,771	1,981	2,133
TOTAL LIABILITIES		16,953	17,851	21,039	22,574	24,403	25,450
NET ASSETS		107,844	111,265	114,468	118,253	121,560	125,468
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		9,367	4,975	5,468	6,121	6,719	6,988
Other reserves		98,478	106,290	109,000	112,132	114,841	118,480
NET WORTH	6	107,844	111,265	114,468	118,253	121,560	125,468
MEMORANDUM ITEMS							
<i>Net financial worth</i>		38,114	37,877	36,439	36,202	35,821	36,483
<i>Net financial liabilities</i>		8,435	10,559	13,844	15,571	16,811	17,701
<i>Net debt</i>							
Gross debt liabilities		5,480	6,155	9,041	10,150	11,522	12,162
less: liquid financial assets		6,468	4,982	4,825	4,397	4,891	5,073
less: convergence differences impacting net debt		88	88	88	88	88	88
<i>Net debt</i>		-1,076	1,086	4,129	5,665	6,543	7,001

Note: Columns may not add due to rounding.

Table 1.3

GENERAL GOVERNMENT
Cashflow Statement

	Note	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
CASHFLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		6,329	6,667	6,969	7,701	8,502	9,418
Grants and subsidies received		10,113	9,485	9,735	9,445	8,709	8,662
Receipts from sales of goods and services		1,767	1,762	1,845	1,933	2,018	2,132
Interest receipts		203	303	347	346	346	301
Dividends and tax equivalents		882	1,086	1,109	1,284	1,811	1,979
Other receipts		3,558	5,200	6,114	6,290	6,583	6,725
<i>Total cash received</i>		<i>22,853</i>	<i>24,503</i>	<i>26,119</i>	<i>26,998</i>	<i>27,969</i>	<i>29,218</i>
<i>Cash Paid</i>							
Wages, salaries and supplements, and superannuation		-9,221	-10,067	-10,858	-11,543	-12,122	-12,824
Payments for goods and services		-4,594	-5,964	-6,275	-6,250	-6,330	-6,716
Interest paid		-146	-323	-380	-538	-599	-642
Grants and subsidies paid		-5,364	-5,481	-5,721	-5,456	-5,681	-5,860
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-1,582	-1,215	-1,204	-1,214	-1,119	-1,228
<i>Total cash paid</i>		<i>-20,907</i>	<i>-23,049</i>	<i>-24,438</i>	<i>-25,000</i>	<i>-25,850</i>	<i>-27,270</i>
NET CASHFLOWS FROM OPERATING ACTIVITIES		1,946	1,454	1,681	1,999	2,118	1,947
CASHFLOWS FROM INVESTING ACTIVITIES							
<i>Cashflows from investments in non-financial assets</i>							
Purchase of non-financial assets		-2,974	-3,131	-4,206	-3,343	-3,054	-2,357
Sales of non-financial assets		161	214	242	259	295	146
<i>Total cashflows from investments in non-financial assets</i>		<i>-2,813</i>	<i>-2,917</i>	<i>-3,964</i>	<i>-3,084</i>	<i>-2,759</i>	<i>-2,211</i>
<i>Cashflows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		19	-	-	-	-	-
For liquidity purposes		83	-	-	-	-	-
<i>Cash paid</i>							
For policy purposes		-659	-811	-693	-416	-241	-142
For liquidity purposes		-2	-5	-8	-	-	-
<i>Total cashflows from investments in financial assets</i>		<i>-559</i>	<i>-816</i>	<i>-701</i>	<i>-416</i>	<i>-242</i>	<i>-142</i>
NET CASHFLOWS FROM INVESTING ACTIVITIES		-3,371	-3,732	-4,665	-3,500	-3,001	-2,353
CASHFLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		14	14	14	15	15	15
Borrowings		2,754	1,100	2,971	1,136	1,466	811
Deposits received		-	-	-	-	-	-
Other financing receipts		32	31	33	33	85	33
<i>Total cash receipts from financing activities</i>		<i>2,799</i>	<i>1,145</i>	<i>3,018</i>	<i>1,184</i>	<i>1,567</i>	<i>859</i>
<i>Cash paid</i>							
Advances paid		-14	-14	-14	-15	-15	-15
Borrowings repaid		-299	-48	-46	-47	-77	-157
Deposits paid		-	-	-	-	-	-
Other financing payments		-49	-82	-95	-84	-82	-82
<i>Total payments for financing activities</i>		<i>-362</i>	<i>-145</i>	<i>-155</i>	<i>-145</i>	<i>-174</i>	<i>-254</i>
NET CASHFLOWS FROM FINANCING ACTIVITIES		2,438	1,001	2,863	1,039	1,393	605
Net increase in cash and cash equivalents		1,012	-1,278	-122	-463	510	199
Cash and cash equivalents at the beginning of the year		4,334	5,346	4,068	3,947	3,484	3,994
Cash and cash equivalents at the end of the year		5,346	4,068	3,947	3,484	3,994	4,193
KEY FISCAL AGGREGATES							
Net cashflows from operating activities		1,946	1,454	1,681	1,999	2,118	1,947
Net cashflows from investing in non-financial assets		-2,813	-2,917	-3,964	-3,084	-2,759	-2,211
Cash surplus/-deficit	6	-867	-1,462	-2,283	-1,086	-641	-263

Note: Columns may not add due to rounding.

Table 1.4

PUBLIC NON-FINANCIAL CORPORATIONS
Operating Statement

	Note	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Current grants and subsidies		1,861	1,942	2,135	2,104	2,027	2,018
Capital grants		177	105	109	143	196	196
Sales of goods and services		13,057	13,814	14,727	16,148	17,691	19,660
Interest income		203	293	345	419	454	430
Other		421	515	459	447	487	490
<i>Total</i>		<i>15,720</i>	<i>16,668</i>	<i>17,774</i>	<i>19,261</i>	<i>20,855</i>	<i>22,795</i>
EXPENSES							
Salaries		883	998	1,050	1,082	1,120	1,155
Superannuation							
Concurrent costs		82	95	100	103	106	109
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		43	32	36	37	37	41
Depreciation and amortisation		1,430	1,580	1,651	1,699	1,767	1,831
Services and contracts		598	594	712	641	715	739
Other gross operating expenses		10,201	10,819	11,298	12,267	13,245	14,762
Other interest		790	1,053	1,226	1,369	1,455	1,487
Tax equivalents		306	349	429	589	685	743
Current transfers		779	691	742	790	840	884
Capital transfers		2	234	-	-	-	-
<i>Total</i>		<i>15,113</i>	<i>16,445</i>	<i>17,245</i>	<i>18,576</i>	<i>19,970</i>	<i>21,749</i>
NET OPERATING BALANCE	6	606	223	529	684	885	1,046
<i>Other economic flows</i>							
Net gains on assets/liabilities		173	186	171	422	390	360
Net actuarial gains - superannuation		-25	-	-	-	-	-
Provision for doubtful debts		-25	-9	-10	-11	-11	-12
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		<i>122</i>	<i>177</i>	<i>160</i>	<i>412</i>	<i>379</i>	<i>348</i>
OPERATING RESULT		728	399	689	1,096	1,264	1,394
<i>All other movements in non-owner equity</i>							
Revaluations		805	1,211	1,059	655	265	1,064
Gains recognised directly in equity		307	-43	-51	-47	-51	-56
Changes in accounting policy/correction of prior period errors		186	258	27	31	51	57
Capital injections from general government		-	-	-	-	-	-
All other		-	-	-	-	-	-
<i>Total all other movements in non-owner equity</i>		<i>1,298</i>	<i>1,425</i>	<i>1,035</i>	<i>639</i>	<i>265</i>	<i>1,065</i>
<i>Movements in owner equity</i>							
Dividends		-558	-693	-693	-801	-1,044	-1,181
Capital injections		665	669	718	426	241	137
<i>Total movements in owner equity</i>		<i>106</i>	<i>-24</i>	<i>25</i>	<i>-375</i>	<i>-802</i>	<i>-1,044</i>
TOTAL CHANGE IN NET WORTH		2,133	1,800	1,749	1,360	727	1,415
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	606	223	529	684	885	1,046
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		3,855	3,829	3,454	3,988	3,121	3,074
Changes in inventories		1,335	-27	5	7	-3	-7
Other movement in non-financial assets		85	-292	-40	-44	-52	-56
<i>less:</i>							
Sales of non-financial assets		637	629	820	1,122	1,121	1,037
Depreciation		1,430	1,580	1,651	1,699	1,767	1,831
<i>Total net acquisition of non-financial assets</i>		<i>3,207</i>	<i>1,302</i>	<i>947</i>	<i>1,131</i>	<i>178</i>	<i>143</i>
NET LENDING/-BORROWING	6	-2,601	-1,079	-419	-446	708	903

Note: Columns may not add due to rounding.

Table 1.5

PUBLIC NON-FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	Note	2010	2011	2012	2013	2014	2015
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		1,118	657	523	655	623	854
Advances paid		-	-	-	-	-	-
Investments, loans and placements		4,476	4,968	5,544	6,071	6,675	7,209
Receivables		1,016	985	1,087	1,162	1,212	1,252
Investment property		25	28	24	23	23	23
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		34	29	23	48	45	44
Other financial assets		741	903	1,023	1,161	1,315	1,488
<i>Total financial assets</i>		<i>7,410</i>	<i>7,571</i>	<i>8,223</i>	<i>9,120</i>	<i>9,892</i>	<i>10,869</i>
<i>Non-financial assets</i>							
Land		12,941	13,660	14,315	14,704	14,649	15,375
Property, plant and equipment		42,868	44,981	46,648	48,704	49,885	50,958
Biological assets		327	352	357	363	369	370
Inventories							
Land inventories		1,507	1,734	1,759	1,753	1,730	1,816
Other inventories		3,035	3,008	3,013	3,020	3,017	3,010
Intangibles		325	261	247	243	229	217
Non-current assets held for sale		15	15	15	15	15	15
Other		147	127	131	131	135	139
<i>Total non-financial assets</i>		<i>61,165</i>	<i>64,138</i>	<i>66,486</i>	<i>68,934</i>	<i>70,028</i>	<i>71,900</i>
TOTAL ASSETS		68,575	71,709	74,709	78,053	79,921	82,769
LIABILITIES							
Deposits held		5	-	-	-	-	-
Advances received		482	468	454	439	424	409
Borrowings		17,190	18,642	20,038	21,953	23,262	24,687
Unfunded superannuation		126	122	113	105	97	89
Other employee benefits		321	314	317	321	325	329
Payables		3,726	3,595	3,594	3,741	3,645	3,694
Other liabilities		1,484	1,526	1,402	1,343	1,289	1,269
TOTAL LIABILITIES		23,334	24,668	25,918	27,903	29,043	30,476
NET ASSETS		45,241	47,041	48,791	50,151	50,878	52,293
<i>Of which:</i>							
Contributed equity		4,075	4,744	5,462	5,888	6,129	6,266
Accumulated surplus		18,416	4,719	4,612	4,832	4,977	5,109
Other reserves		22,750	37,579	38,718	39,431	39,772	40,918
NET WORTH	6	45,241	47,041	48,791	50,151	50,878	52,293
MEMORANDUM ITEMS							
<i>Net financial worth</i>		<i>-61,165</i>	<i>-64,138</i>	<i>-66,486</i>	<i>-68,934</i>	<i>-70,028</i>	<i>-71,900</i>
<i>Net debt</i>							
Gross debt liabilities		17,677	19,111	20,491	22,392	23,686	25,095
less: liquid financial assets		5,594	5,626	6,066	6,726	7,298	8,063
less: convergence differences impacting net debt		-	-	-	-	-	-
<i>Net debt</i>		<i>12,083</i>	<i>13,485</i>	<i>14,425</i>	<i>15,666</i>	<i>16,388</i>	<i>17,033</i>

Note: Columns may not add due to rounding.

Table 1.6

PUBLIC NON-FINANCIAL CORPORATIONS
Cashflow Statement

	Note	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
CASHFLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Grants and subsidies received		1,884	1,880	2,073	2,071	2,035	2,005
Receipts from sales of goods and services		13,076	13,724	14,790	16,314	17,987	19,783
Interest receipts		183	294	345	419	454	431
Dividends and tax equivalents		-	53	39	37	46	50
Other receipts		1,108	329	853	925	970	989
<i>Total cash received</i>		16,252	16,281	18,100	19,766	21,492	23,257
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-992	-1,088	-1,163	-1,194	-1,237	-1,275
Payments for goods and services		-10,551	-9,970	-10,557	-11,218	-12,361	-13,701
Interest paid		-790	-1,003	-1,213	-1,367	-1,453	-1,472
Grants and subsidies paid		-615	-571	-617	-663	-713	-752
Tax equivalents		-354	-342	-408	-470	-732	-757
Other payments		-1,429	-1,779	-2,621	-2,799	-2,887	-2,868
<i>Total cash paid</i>		-14,731	-14,753	-16,579	-17,710	-19,384	-20,824
NET CASHFLOWS FROM OPERATING ACTIVITIES		1,521	1,528	1,521	2,055	2,109	2,433
CASHFLOWS FROM INVESTING ACTIVITIES							
<i>Cashflows from investments in non-financial assets</i>							
Purchase of non-financial assets		-3,855	-3,829	-3,454	-3,988	-3,121	-3,074
Sales of non-financial assets		637	629	820	1,122	1,121	1,037
<i>Total cashflows from investments in non-financial assets</i>		-3,217	-3,200	-2,634	-2,866	-2,000	-2,037
<i>Cashflows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		268	149	5	-	66	116
<i>Cash paid</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		-273	-143	-30	-37	-122	-114
<i>Total cashflows from investments in financial assets</i>		-5	6	-25	-36	-56	2
NET CASHFLOWS FROM INVESTING ACTIVITIES		-3,222	-3,194	-2,659	-2,903	-2,056	-2,035
CASHFLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		42,892	35,159	32,552	36,007	31,852	31,948
Deposits received		-	-	-	-	-	-
Other financing receipts		676	836	761	459	277	180
<i>Total cash received</i>		43,567	35,995	33,313	36,466	32,129	32,129
<i>Cash paid</i>							
Advances paid		-14	-14	-14	-15	-15	-15
Borrowings repaid		-40,942	-34,261	-31,596	-34,576	-31,038	-31,000
Deposits paid		-	-	-	-	-	-
Other financing payments		-46	-62	-64	-64	-66	-64
Dividends paid		-515	-737	-691	-799	-1,042	-1,180
<i>Total cash paid</i>		-41,517	-35,074	-32,366	-35,454	-32,161	-32,259
NET CASHFLOWS FROM FINANCING ACTIVITIES		2,050	921	947	1,012	-32	-131
Net increase in cash and cash equivalents		349	-745	-190	165	20	267
Cash and cash equivalents at the beginning of the year		1,081	1,430	684	494	659	679
Cash and cash equivalents at the end of the year		1,430	684	494	659	679	947
KEY FISCAL AGGREGATES							
Net cashflows from operating activities		1,521	1,528	1,521	2,055	2,109	2,433
Net cashflows from investing in non-financial assets		-3,217	-3,200	-2,634	-2,866	-2,000	-2,037
Dividends paid		-515	-737	-691	-799	-1,042	-1,180
Cash surplus/-deficit	6	-2,212	-2,410	-1,804	-1,610	-933	-784

Note: Columns may not add due to rounding.

Table 1.7

TOTAL NON-FINANCIAL PUBLIC SECTOR
Operating Statement

	Note	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
<i>Results from Transactions</i>							
REVENUE							
Taxation		6,029	6,378	6,671	7,394	8,189	9,099
Current grants and subsidies		8,228	8,032	8,806	8,625	8,116	7,936
Capital grants		1,978	1,406	956	822	609	721
Sales of goods and services		14,359	15,171	16,161	17,667	19,292	21,340
Interest income		389	561	658	733	773	707
Royalty income		2,324	4,159	4,794	4,998	5,447	5,336
Dividend and tax equivalents		53	61	61	69	84	90
Other		802	868	807	810	849	852
<i>Total</i>		34,161	36,636	38,915	41,117	43,358	46,080
EXPENSES							
Salaries		9,167	9,911	10,692	11,309	11,859	12,539
Superannuation							
Concurrent costs		875	946	1,017	1,073	1,123	1,184
Superannuation interest cost		338	400	412	413	422	431
Other employee costs		237	238	244	247	257	283
Depreciation and amortisation		2,278	2,485	2,587	2,740	2,947	3,006
Services and contracts		2,111	2,413	2,770	2,572	2,755	2,843
Other gross operating expenses		12,803	14,016	14,784	15,846	16,782	18,556
Other interest		936	1,346	1,606	1,878	2,024	2,095
Other property expenses		-	-	-	-	-	-
Current transfers		3,641	3,712	4,028	3,842	4,168	4,395
Capital transfers		897	855	498	544	391	412
<i>Total</i>		33,282	36,323	38,638	40,465	42,728	45,744
NET OPERATING BALANCE	6	879	313	278	652	629	336
<i>Other economic flows</i>							
Net gains on assets/liabilities		401	207	257	493	388	347
Net actuarial gains - superannuation		-195	57	-34	-185	-186	-187
Provision for doubtful debts		-57	-10	-11	-11	-12	-12
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		149	254	212	297	190	147
OPERATING RESULT		1,028	567	490	949	819	482
<i>All other movements in equity</i>							
Revaluations		-1,250	2,778	2,681	2,747	2,363	3,280
Gains recognised directly in equity		302	-44	-51	-48	-51	-57
Changes in accounting policy/correction of prior period errors		303	33	-15	7	45	65
Change in net worth of the PFC sector		299	86	98	130	132	137
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		-346	2,854	2,713	2,837	2,488	3,426
TOTAL CHANGE IN NET WORTH		682	3,421	3,203	3,785	3,307	3,908
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	879	313	278	652	629	336
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		6,819	6,928	7,627	7,299	6,125	5,398
Changes in inventories		1,331	-29	5	7	-3	-6
Other movement in non-financial assets		13	-302	-110	-191	-52	-56
<i>less:</i>							
Sales of non-financial assets		789	811	1,030	1,348	1,366	1,151
Depreciation		2,278	2,485	2,587	2,740	2,947	3,006
<i>Total net acquisition of non-financial assets</i>		5,096	3,301	3,905	3,027	1,757	1,179
NET LENDING/-BORROWING	6	-4,217	-2,987	-3,628	-2,375	-1,128	-844

Note: Columns may not add due to rounding.

Table 1.8

TOTAL NON-FINANCIAL PUBLIC SECTOR
Balance Sheet at 30 June

	Note	2010	2011	2012	2013	2014	2015
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
ASSETS							
<i>Financial assets</i>							
Cash and deposits		1,218	1,107	969	942	833	1,048
Advances paid		225	226	219	214	210	206
Investments, loans and placements		9,650	8,677	9,140	9,382	10,573	11,317
Receivables		2,866	3,180	3,293	3,451	3,633	3,647
Investment property		33	36	32	31	31	31
Shares and other equity							
Investments in other public sector entities - equity method		1,308	1,394	1,492	1,623	1,754	1,891
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		34	29	23	48	45	44
Other financial assets		-	-	-	-	-	-
<i>Total financial assets</i>		15,335	14,650	15,169	15,690	17,079	18,184
<i>Non-financial assets</i>							
Land		50,831	51,809	52,884	54,091	54,798	56,492
Property, plant and equipment		73,925	79,470	85,344	90,595	94,710	98,107
Biological assets		330	354	359	365	371	373
Inventories							
Land inventories		1,609	1,835	1,858	1,850	1,825	1,909
Other inventories		3,102	3,074	3,079	3,086	3,083	3,076
Intangibles		732	668	668	667	646	610
Non-current assets held for sale		64	51	45	45	45	45
Other		302	265	278	285	289	272
<i>Total non-financial assets</i>		130,895	137,527	144,515	150,984	155,768	160,884
TOTAL ASSETS		146,229	152,176	159,684	166,675	172,847	179,069
LIABILITIES							
Deposits held		201	211	211	211	211	211
Advances received		482	468	454	439	424	409
Borrowings		21,505	23,990	28,305	31,307	34,000	36,073
Unfunded superannuation		7,375	7,306	7,325	7,469	7,610	7,749
Other employee benefits		2,617	2,718	2,842	2,951	3,052	3,163
Payables		4,214	4,157	4,098	4,100	4,043	4,091
Other liabilities		1,990	2,061	1,981	1,945	1,947	1,906
TOTAL LIABILITIES		38,385	40,911	45,216	48,422	51,287	53,601
NET ASSETS		107,844	111,265	114,468	118,253	121,560	125,468
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		27,847	9,758	10,144	11,018	11,761	12,162
Other reserves		79,997	101,507	104,324	107,235	109,799	113,306
NET WORTH	6	107,844	111,265	114,468	118,253	121,560	125,468
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-23,050	-26,261	-30,047	-32,731	-34,208	-35,417
<i>Net financial liabilities</i>		24,393	27,685	31,562	34,402	36,007	37,352
<i>Net debt</i>							
Gross debt liabilities		22,189	24,669	28,970	31,957	34,635	36,692
less: liquid financial assets		11,094	10,010	10,328	10,538	11,616	12,571
less: convergence differences impacting net debt		88	88	88	88	88	88
<i>Net debt</i>		11,007	14,571	18,554	21,331	22,931	24,033

Note: Columns may not add due to rounding.

Table 1.9

TOTAL NON-FINANCIAL PUBLIC SECTOR
Cashflow Statement

	Note	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
CASHFLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		6,039	6,382	6,673	7,396	8,190	9,100
Grants and subsidies received		10,113	9,485	9,735	9,445	8,709	8,662
Receipts from sales of goods and services		14,540	15,117	16,256	17,862	19,609	21,508
Interest receipts		350	556	650	726	765	700
Dividends and tax equivalents		13	60	49	53	84	92
Other receipts		4,399	5,519	6,961	7,208	7,546	7,708
<i>Total cash received</i>		<i>35,453</i>	<i>37,120</i>	<i>40,324</i>	<i>42,689</i>	<i>44,903</i>	<i>47,769</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-10,213	-11,154	-12,022	-12,737	-13,359	-14,099
Payments for goods and services		-14,596	-15,565	-16,453	-17,083	-18,295	-20,010
Interest paid		-899	-1,285	-1,552	-1,866	-2,017	-2,081
Grants and subsidies paid		-4,078	-4,168	-4,265	-4,048	-4,359	-4,608
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-2,716	-2,703	-3,522	-3,700	-3,688	-3,771
<i>Total cash paid</i>		<i>-32,502</i>	<i>-34,875</i>	<i>-37,813</i>	<i>-39,434</i>	<i>-41,718</i>	<i>-44,569</i>
NET CASHFLOWS FROM OPERATING ACTIVITIES		2,952	2,245	2,511	3,255	3,185	3,200
CASHFLOWS FROM INVESTING ACTIVITIES							
<i>Cashflows from investments in non-financial assets</i>							
Purchase of non-financial assets		-6,819	-6,928	-7,627	-7,299	-6,125	-5,398
Sales of non-financial assets		789	811	1,030	1,348	1,366	1,151
<i>Total cashflows from investments in non-financial assets</i>		<i>-6,030</i>	<i>-6,117</i>	<i>-6,598</i>	<i>-5,950</i>	<i>-4,759</i>	<i>-4,247</i>
<i>Cashflows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		19	-	-	-	-	-
For liquidity purposes		351	150	5	-	66	116
<i>Cash paid</i>							
For policy purposes		-19	-	-	-	-	-
For liquidity purposes		-275	-148	-38	-37	-122	-114
<i>Total cashflows from investments in financial assets</i>		<i>76</i>	<i>2</i>	<i>-33</i>	<i>-37</i>	<i>-57</i>	<i>2</i>
NET CASHFLOWS FROM INVESTING ACTIVITIES		-5,954	-6,115	-6,630	-5,987	-4,816	-4,246
CASHFLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		45,645	36,260	35,522	37,143	33,318	32,759
Deposits received		-	-	-	-	-	-
Other financing receipts		68	55	53	40	88	37
<i>Total cash received</i>		<i>45,714</i>	<i>36,315</i>	<i>35,575</i>	<i>37,183</i>	<i>33,406</i>	<i>32,796</i>
<i>Cash paid</i>							
Advances paid		-14	-14	-14	-15	-15	-15
Borrowings repaid		-41,241	-34,309	-31,642	-34,623	-31,115	-31,156
Deposits paid		-	-	-	-	-	-
Other financing payments		-95	-145	-111	-112	-114	-111
<i>Total cash paid</i>		<i>-41,350</i>	<i>-34,467</i>	<i>-31,767</i>	<i>-34,749</i>	<i>-31,245</i>	<i>-31,283</i>
NET CASHFLOWS FROM FINANCING ACTIVITIES		4,364	1,847	3,808	2,434	2,161	1,513
Net increase in cash and cash equivalents		1,361	-2,023	-312	-298	531	467
Cash and cash equivalents at the beginning of the year		5,414	6,776	4,752	4,440	4,142	4,673
Cash and cash equivalents at the end of the year		6,776	4,752	4,440	4,142	4,673	5,140
KEY FISCAL AGGREGATES							
Net cashflows from operating activities		2,952	2,245	2,511	3,255	3,185	3,200
Net cashflows from investing in non-financial assets		-6,030	-6,117	-6,598	-5,950	-4,759	-4,247
Cash surplus/-deficit	6	-3,079	-3,872	-4,087	-2,695	-1,574	-1,048

Note: Columns may not add due to rounding.

Table 1.10

PUBLIC FINANCIAL CORPORATIONS
Operating Statement

	Note	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Current grants and subsidies		3	5	5	5	5	5
Capital grants		-	-	-	-	-	-
Sales of goods and services		774	764	821	919	984	1,016
Interest income		1,205	1,760	2,123	2,317	2,380	2,359
Other		1	2	-	-	-	-
<i>Total</i>		1,983	2,532	2,949	3,240	3,369	3,380
EXPENSES							
Salaries		36	39	41	43	45	47
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	13	12	12	15	13
Services and contracts		2	16	18	18	18	19
Other gross operating expenses		744	726	756	823	874	897
Other interest		1,142	1,605	1,961	2,141	2,198	2,169
Tax equivalents		44	10	21	31	36	39
Current transfers		4	3	4	4	3	4
Capital transfers		-	2	2	2	2	2
<i>Total</i>		1,991	2,421	2,822	3,080	3,198	3,196
NET OPERATING BALANCE	6	-8	111	127	160	171	184
<i>Other economic flows</i>							
Net gains on assets/liabilities		106	-	-	-	-	-
Net actuarial gains - superannuation		1	-	-	-	-	-
Provision for doubtful debts		-	-	-	-	-	-
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		107	-	-	-	-	-
OPERATING RESULT		99	111	127	160	171	184
<i>All other movements in non-owner equity</i>							
Revaluations		83	26	4	14	14	9
Gains recognised directly in equity		93	-	-	-	-	-
Changes in accounting policy/correction of prior period errors		36	6	12	-	-	-
Capital injections from general government		-	-	-	-	-	-
All other		-	-	-	-	-	-
<i>Total all other movements in non-owner equity</i>		212	32	16	14	14	9
<i>Movements in owner equity</i>							
Dividends		-12	-56	-45	-43	-53	-56
Capital injections		-	-	-	-	-	-
<i>Total movements in owner equity</i>		-12	-56	-45	-43	-53	-56
TOTAL CHANGE IN NET WORTH		299	86	98	130	132	137
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	-8	111	127	160	171	184
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		9	8	10	4	4	3
Changes in inventories		-	-	-	-	-	-
Other movement in non-financial assets		-	-	-	-	-	-
<i>less:</i>							
Sales of non-financial assets		-	-	-	-	-	-
Depreciation		14	13	12	12	15	13
<i>Total net acquisition of non-financial assets</i>		-5	-5	-2	-8	-11	-11
NET LENDING/-BORROWING	6	-2	116	129	168	182	195

Note: Columns may not add due to rounding.

Table 1.11

PUBLIC FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	Note	2010	2011	2012	2013	2014	2015
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
				\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		38	26	31	43	61	70
Advances paid		4,125	4,637	5,156	5,685	6,212	6,735
Investments, loans and placements		26,101	30,762	32,893	34,018	35,077	35,154
Receivables		956	966	963	961	958	954
Investment property		431	452	482	518	554	596
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		995	1,053	1,134	1,239	1,352	1,476
Other financial assets		36	36	36	36	36	36
Total financial assets		32,681	37,931	40,693	42,499	44,249	45,021
<i>Non-financial assets</i>							
Land		96	21	21	21	22	22
Property, plant and equipment		233	226	224	230	236	239
Biological assets		-	-	-	-	-	-
Inventories							
Land inventories		-	-	-	-	-	-
Other inventories		-	-	-	-	-	-
Intangibles		10	13	22	22	8	5
Non-current assets held for sale		-	-	-	-	-	-
Other		4	80	79	78	79	80
Total non-financial assets		344	340	346	352	345	345
TOTAL ASSETS		33,025	38,271	41,038	42,850	44,594	45,367
LIABILITIES							
Deposits held		-	-	-	-	-	-
Advances received		3	1	1	1	1	1
Borrowings		29,149	34,240	36,815	38,372	39,869	40,366
Unfunded superannuation		10	10	10	9	9	9
Other employee benefits		8	8	8	8	8	8
Payables		28	30	36	57	63	82
Other liabilities		2,518	2,588	2,676	2,779	2,890	3,009
TOTAL LIABILITIES		31,717	36,877	39,546	41,228	42,840	43,475
NET ASSETS		1,308	1,394	1,492	1,623	1,754	1,891
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		1,110	1,090	1,171	1,288	1,406	1,534
Other reserves		198	305	321	335	348	357
NET WORTH	6	1,308	1,394	1,492	1,623	1,754	1,891
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-344	-340	-346	-352	-345	-345
<i>Net debt</i>							
Gross debt liabilities		29,152	34,241	36,816	38,373	39,870	40,367
less: liquid financial assets		30,264	35,424	38,079	39,745	41,350	41,959
less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		-1,112	-1,183	-1,263	-1,372	-1,480	-1,592

Note: Columns may not add due to rounding.

Table 1.12

PUBLIC FINANCIAL CORPORATIONS
Cashflow Statement

	Note	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
CASHFLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Grants and subsidies received		3	5	5	5	5	5
Receipts from sales of goods and services		808	770	825	885	947	1,014
Interest receipts		1,181	1,770	2,123	2,317	2,380	2,359
Dividends and tax equivalents		-	-	-	-	-	-
Other receipts		108	107	114	121	128	134
<i>Total cash received</i>		<i>2,101</i>	<i>2,653</i>	<i>3,067</i>	<i>3,328</i>	<i>3,460</i>	<i>3,512</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-39	-43	-45	-48	-50	-52
Payments for goods and services		-670	-682	-702	-753	-798	-813
Interest paid		-962	-1,605	-1,962	-2,142	-2,199	-2,169
Grants and subsidies paid		-1	-	-	-	-	-
Tax equivalents		-1	-4	-4	-10	-31	-36
Other payments		-146	-145	-156	-168	-178	-188
<i>Total cash paid</i>		<i>-1,818</i>	<i>-2,480</i>	<i>-2,869</i>	<i>-3,120</i>	<i>-3,255</i>	<i>-3,258</i>
NET CASHFLOWS FROM OPERATING ACTIVITIES		283	173	198	208	204	254
CASHFLOWS FROM INVESTING ACTIVITIES							
<i>Cashflows from investments in non-financial assets</i>							
Purchase of non-financial assets		-9	-8	-10	-4	-4	-3
Sales of non-financial assets		-	-	-	-	-	-
<i>Total cashflows from investments in non-financial assets</i>		<i>-8</i>	<i>-8</i>	<i>-10</i>	<i>-4</i>	<i>-4</i>	<i>-3</i>
<i>Cashflows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		4,091	1,790	1,871	1,962	2,058	2,163
<i>Cash paid</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		-4,802	-2,430	-2,502	-2,600	-2,683	-2,838
<i>Total cashflows from investments in financial assets</i>		<i>-711</i>	<i>-640</i>	<i>-630</i>	<i>-638</i>	<i>-625</i>	<i>-675</i>
NET CASHFLOWS FROM INVESTING ACTIVITIES		-720	-647	-641	-642	-629	-678
CASHFLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		64,785	52,635	48,954	48,398	47,848	48,891
Deposits received		-	-	-	-	-	-
Other financing receipts		-	-	-	-	-	-
<i>Total cash received</i>		<i>64,785</i>	<i>52,635</i>	<i>48,954</i>	<i>48,398</i>	<i>47,848</i>	<i>48,891</i>
<i>Cash paid</i>							
Advances paid		-	-	-	-	-	-
Borrowings repaid		-63,573	-52,091	-48,455	-47,899	-47,344	-48,394
Deposits paid		-	-	-	-	-	-
Other financing payments		-	-	-	-	-	-
Dividends paid		-12	-56	-45	-43	-53	-56
<i>Total cash paid</i>		<i>-63,585</i>	<i>-52,147</i>	<i>-48,500</i>	<i>-47,941</i>	<i>-47,396</i>	<i>-48,450</i>
NET CASHFLOWS FROM FINANCING ACTIVITIES		1,200	488	454	456	452	441
Net increase in cash and cash equivalents		764	14	12	22	28	17
Cash and cash equivalents at the beginning of the year		1,573	2,336	2,350	2,362	2,383	2,411
Cash and cash equivalents at the end of the year		2,336	2,350	2,362	2,383	2,411	2,428
KEY FISCAL AGGREGATES							
Net cashflows from operating activities		283	173	198	208	204	254
Net cashflows from investing in non-financial assets		-8	-8	-10	-4	-4	-3
Dividends paid		-12	-56	-45	-43	-53	-56
Cash surplus/-deficit	6	263	109	143	161	148	195

Note: Columns may not add due to rounding.

Table 1.13

TOTAL PUBLIC SECTOR
Operating Statement

	Note	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
<i>Results from Transactions</i>							
REVENUE							
Taxation		6,026	6,375	6,669	7,391	8,186	9,096
Current grants and subsidies		8,228	8,032	8,806	8,625	8,116	7,936
Capital grants		1,978	1,406	956	822	609	721
Sales of goods and services		14,905	15,692	16,749	18,340	20,016	22,094
Interest income		633	890	970	890	811	682
Royalty income		2,324	4,159	4,794	4,998	5,447	5,336
Other		801	868	807	810	849	852
Total		34,895	37,423	39,751	41,875	44,032	46,716
EXPENSES							
Salaries		9,203	9,950	10,733	11,353	11,904	12,586
Superannuation							
Concurrent costs		878	949	1,021	1,077	1,127	1,189
Superannuation interest cost		338	400	412	413	422	431
Other employee costs		238	240	246	249	259	286
Depreciation and amortisation		2,292	2,498	2,600	2,753	2,961	3,019
Services and contracts		2,112	2,430	2,788	2,590	2,773	2,862
Other gross operating expenses		13,318	14,498	15,307	16,424	17,397	19,191
Other interest		1,116	1,521	1,757	1,860	1,880	1,880
Other property expenses		-	-	-	-	-	-
Current transfers		3,642	3,712	4,028	3,842	4,168	4,395
Capital transfers		897	858	501	546	394	414
Total		34,036	37,055	39,392	41,106	43,286	46,252
NET OPERATING BALANCE	6	859	368	359	769	747	464
<i>Other economic flows</i>							
Net gains on assets/liabilities		506	207	257	493	388	347
Net actuarial gains - superannuation		-193	57	-34	-185	-186	-187
Provision for doubtful debts		-57	-10	-11	-11	-12	-12
All other		-	-	-	-	-	-
Total other economic flows		256	254	212	297	190	147
OPERATING RESULT		1,115	621	571	1,065	937	610
<i>All other movements in equity</i>							
Revaluations		-1,168	2,804	2,685	2,760	2,376	3,289
Gains recognised directly in equity		396	-44	-51	-48	-51	-57
Changes in accounting policy/correction of prior period errors		339	39	-3	7	45	65
All other		-	-	-	-	-	-
Total all other movements in equity		-433	2,799	2,631	2,720	2,370	3,297
TOTAL CHANGE IN NET WORTH		682	3,421	3,203	3,785	3,307	3,908
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	859	368	359	769	747	464
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		6,828	6,936	7,638	7,303	6,129	5,401
Changes in inventories		1,331	-29	5	7	-3	-6
Other movement in non-financial assets		13	-302	-110	-191	-52	-56
<i>less:</i>							
Sales of non-financial assets		789	811	1,030	1,349	1,366	1,151
Depreciation		2,292	2,498	2,600	2,753	2,961	3,019
Total net acquisition of non-financial assets		5,091	3,296	3,903	3,018	1,746	1,168
NET LENDING/-BORROWING	6	-4,232	-2,928	-3,544	-2,249	-999	-705

Note: Columns may not add due to rounding.

Table 1.14

TOTAL PUBLIC SECTOR
Balance Sheet at 30 June

	Note	2010	2011	2012	2013	2014	2015
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		1,255	1,132	999	984	894	1,117
Advances paid		4,347	4,862	5,373	5,898	6,422	6,940
Investments, loans and placements		11,211	11,600	8,695	7,212	6,649	5,653
Receivables		3,469	3,764	3,832	3,978	4,160	4,172
Investment property		464	489	514	549	585	628
Equity - Investments in other entities		1,029	1,082	1,157	1,286	1,397	1,519
Other financial assets		36	36	36	36	36	36
<i>Total financial assets</i>		<i>21,811</i>	<i>22,964</i>	<i>20,606</i>	<i>19,942</i>	<i>20,142</i>	<i>20,066</i>
<i>Non-financial assets</i>							
Land		50,927	51,830	52,905	54,112	54,820	56,514
Property, plant and equipment		74,158	79,696	85,568	90,825	94,946	98,346
Biological assets		330	354	359	365	371	373
Inventories							
Land inventories		1,609	1,835	1,858	1,850	1,825	1,909
Other inventories		3,102	3,074	3,079	3,086	3,083	3,076
Intangibles		743	681	690	689	655	614
Non-current assets held for sale		64	51	45	45	45	45
Other		306	346	357	363	368	352
<i>Total non-financial assets</i>		<i>131,238</i>	<i>137,867</i>	<i>144,860</i>	<i>151,336</i>	<i>156,113</i>	<i>161,230</i>
TOTAL ASSETS		153,049	160,830	165,466	171,278	176,255	181,295
LIABILITIES							
Deposits held		201	210	210	210	210	211
Advances received		482	468	454	439	424	409
Borrowings		26,114	30,391	31,782	33,491	34,869	35,621
Unfunded superannuation		7,386	7,316	7,334	7,478	7,619	7,758
Other employee benefits		2,625	2,727	2,850	2,959	3,060	3,172
Payables		4,155	4,100	4,044	4,051	4,000	4,069
Other liabilities		4,241	4,354	4,323	4,397	4,512	4,589
TOTAL LIABILITIES		45,205	49,565	50,998	53,025	54,695	55,828
NET ASSETS		107,844	111,265	114,468	118,253	121,560	125,468
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		28,958	10,848	11,315	12,306	13,166	13,696
Other reserves		78,887	100,417	103,153	105,947	108,394	111,772
NET WORTH	6	107,844	111,265	114,468	118,253	121,560	125,468
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-23,394	-26,602	-30,392	-33,083	-34,553	-35,762
<i>Net financial liabilities</i>		24,423	27,684	31,550	34,370	35,950	37,281
<i>Net debt</i>							
Gross debt liabilities		26,797	31,069	32,446	34,140	35,503	36,240
less: liquid financial assets		16,814	17,594	15,067	14,093	13,965	13,711
less: convergence differences impacting net debt		88	88	88	88	88	88
<i>Net debt</i>		<i>9,896</i>	<i>13,387</i>	<i>17,291</i>	<i>19,959</i>	<i>21,451</i>	<i>22,441</i>

Note: Columns may not add due to rounding.

Table 1.15

TOTAL PUBLIC SECTOR
Cashflow Statement

	Note	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
CASHFLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		5,991	6,337	6,623	7,342	8,134	9,040
Grants and subsidies received		10,113	9,485	9,735	9,445	8,709	8,662
Receipts from sales of goods and services		15,134	15,661	16,846	18,498	20,291	22,240
Interest receipts		646	946	1,004	883	798	675
Dividends and tax equivalents		-	-	-	-	-	-
Other		4,499	5,622	7,070	7,324	7,668	7,836
<i>Total cash received</i>		36,382	38,051	41,278	43,492	45,599	48,452
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-10,251	-11,197	-12,067	-12,784	-13,409	-14,151
Payments for goods and services		-15,052	-16,020	-16,919	-17,587	-18,828	-20,541
Interest paid		-976	-1,510	-1,745	-1,848	-1,869	-1,867
Grants and subsidies paid		-4,076	-4,163	-4,260	-4,043	-4,354	-4,603
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-2,805	-2,800	-3,624	-3,809	-3,804	-3,893
<i>Total cash paid</i>		-33,160	-35,690	-38,614	-40,072	-42,263	-45,054
NET CASHFLOWS FROM OPERATING ACTIVITIES		3,223	2,361	2,664	3,420	3,337	3,398
CASHFLOWS FROM INVESTING ACTIVITIES							
<i>Cashflows from investments in non-financial assets</i>							
Purchase of non-financial assets		-6,828	-6,936	-7,638	-7,303	-6,129	-5,401
Sales of non-financial assets		789	811	1,030	1,349	1,366	1,151
<i>Total cashflows from investments in non-financial assets</i>		-6,038	-6,124	-6,608	-5,954	-4,762	-4,250
<i>Cashflows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		19	-	-	-	-	-
For liquidity purposes		4,430	1,940	1,876	1,962	2,124	2,279
<i>Cash paid</i>							
For policy purposes		-19	-	-	-	-	-
For liquidity purposes		-5,065	-2,578	-2,539	-2,637	-2,806	-2,952
<i>Total cashflows from investments in financial assets</i>		-635	-638	-663	-675	-682	-673
NET CASHFLOWS FROM INVESTING ACTIVITIES		-6,674	-6,762	-7,271	-6,629	-5,444	-4,923
CASHFLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		23,727	18,077	16,626	14,444	17,131	18,513
Deposits received		-	-	-	-	-	-
Other financing receipts		68	55	53	40	88	37
<i>Total cash received</i>		23,795	18,132	16,679	14,484	17,219	18,550
<i>Cash paid</i>							
Advances paid		-14	-14	-14	-15	-15	-15
Borrowings repaid		-18,111	-15,582	-12,247	-11,425	-14,424	-16,413
Deposits paid		-	-	-	-	-	-
Other financing payments		-95	-145	-111	-112	-114	-111
<i>Total cash paid</i>		-18,219	-15,741	-12,373	-11,551	-14,553	-16,540
NET CASHFLOWS FROM FINANCING ACTIVITIES		5,576	2,392	4,307	2,933	2,666	2,010
Net increase in cash and cash equivalents		2,125	-2,009	-300	-276	559	484
Cash and cash equivalents at the beginning of the year		6,987	9,112	7,102	6,802	6,526	7,084
Cash and cash equivalents at the end of the year		9,112	7,102	6,802	6,526	7,084	7,568
KEY FISCAL AGGREGATES							
Net cashflows from operating activities		3,223	2,361	2,664	3,420	3,337	3,398
Net cashflows from investing in non-financial assets		-6,038	-6,124	-6,608	-5,954	-4,762	-4,250
Cash surplus/-deficit	6	-2,816	-3,763	-3,944	-2,534	-1,425	-852

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*.

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 2009-10 *Annual Report on State Finances* (ARSF), which are described in detail in Note 3: *Summary of Significant Accounting Policies* in Appendix 1 of the 2009-10 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 out-turn to previous projected operating revenue for 2010-11 is shown at Appendix 3: *2010-11 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

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
<i>CURRENT TRANSFERS</i>						
Local Government	154	205	452	309	381	554
Local Government on-passing	136	137	156	163	170	181
Private and Not-for-profit sector	1,934	1,907	2,017	1,847	1,965	1,879
Private and Not-for-profit sector on-passing	769	770	770	848	928	1,012
Other sectors of Government	1,889	2,070	2,157	2,125	2,048	2,039
<i>Total Current Transfers</i>	<i>4,882</i>	<i>5,090</i>	<i>5,551</i>	<i>5,291</i>	<i>5,492</i>	<i>5,665</i>
<i>CAPITAL TRANSFERS</i>						
Local Government	64	113	185	220	111	122
Local Government on-passing	90	90	101	106	110	112
Private and Not-for-profit sector	422	141	173	194	144	147
Private and Not-for-profit sector on-passing	309	280	40	24	26	31
Other sectors of Government	186	105	109	143	196	196
<i>Total Capital Transfers</i>	<i>1,071</i>	<i>729</i>	<i>607</i>	<i>687</i>	<i>588</i>	<i>608</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)**

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
<i>Expenses</i>						
General public services	428	584	683	866	1,087	1,537
Public order and safety	2,459	2,647	2,739	2,799	24	62
Education	5,651	5,716	5,744	5,839	5,980	6,221
Health	5,028	5,593	6,073	6,508	6,843	7,092
Social security and welfare	1,263	1,465	1,649	1,727	1,869	1,962
Housing and community amenities	1,982	1,730	2,113	1,856	2,029	2,155
Recreation and culture	695	738	774	838	757	764
Fuel and energy	312	459	554	565	404	313
Agriculture, forestry, fishing and hunting	354	394	365	352	321	328
Mining and mineral resources other than fuels; manufacturing; and construction	161	193	211	210	192	188
Transport and communications	1,535	1,673	1,829	1,939	2,048	2,165
Other economic affairs	678	912	1,066	838	759	719
Other purposes	662	875	991	1,128	1,210	1,255
Total General Government Expenses	21,208	22,980	24,791	25,464	26,422	27,732
<i>Purchases of new non-financial assets</i>						
General public services	193	310	336	191	174	207
Public order and safety	209	358	401	317	271	177
Education	916	647	847	297	302	183
Health	471	885	1,497	1,103	1,036	730
Social security and welfare	55	76	78	53	47	33
Housing and community amenities	126	181	311	406	421	357
Recreation and culture	210	206	196	113	78	43
Fuel and energy	2	9	7	2	1	1
Agriculture, forestry, fishing and hunting	13	24	31	24	25	61
Mining and mineral resources other than fuels; manufacturing; and construction	1	1	1	1	1	1
Transport and communications	621	440	674	745	639	521
Other economic affairs	157	120	200	90	59	43
Other purposes	-	-125	-375	-	-	-
Total Purchases of Non-financial Assets	2,974	3,131	4,206	3,343	3,054	2,357

(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

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB1049 net operating balance	831	784	442	768	787	471
<i>Plus GFS revenue adjustments</i>						
Capital grants - prepaid AusLink road grants	3	-	-	-	-	-
Goods and services revenue - intersector equity/asset transfers recorded as revenue	-	-	-	-	-	-
Total GFS revenue adjustments	3	-	-	-	-	-
Total GFS adjustments to AASB 1049 net operating balance	3	-	-	-	-	-
GFS net operating balance	834	784	442	768	787	471
<u>Public non-financial corporations</u>						
AASB1049 net operating balance	606	223	529	684	885	1,046
<i>Less GFS expense adjustments</i>						
Capitalised interest	51	62	46	44	52	57
Dividends	558	693	693	801	1,044	1,181
Total GFS expense adjustments	609	756	739	845	1,096	1,238
Total GFS adjustments to AASB 1049 net operating balance	-609	-756	-739	-845	-1,096	-1,238
GFS net operating balance	-3	-533	-210	-160	-210	-192
<u>Total non-financial public sector</u>						
AASB1049 net operating balance	879	313	278	652	629	336
<i>Plus GFS revenue adjustments</i>						
Capital grants - prepaid AusLink road grants	3	-	-	-	-	-
Goods and services revenue - intersector equity/asset transfers recorded as revenue	-	-	-	-	-	-
Total GFS revenue adjustments	3	-	-	-	-	-
<i>Less GFS expense adjustments</i>						
Capitalised interest	51	62	46	44	52	57
Total GFS expense adjustments	51	62	46	44	52	57
Total GFS adjustments to AASB 1049 net operating balance	-48	-62	-46	-44	-52	-57
GFS net operating balance	830	251	232	608	577	279
<u>Public financial corporations</u>						
AASB1049 net operating balance	-8	111	127	160	171	184
<i>Less GFS expense adjustments</i>						
Dividends	12	56	45	43	53	56
Total GFS expense adjustments	12	56	45	43	53	56
Total GFS adjustments to AASB 1049 net operating balance	-12	-56	-45	-43	-53	-56
GFS net operating balance	-20	54	82	117	118	128
<u>Total public sector</u>						
AASB1049 net operating balance	859	368	359	769	747	464
<i>Plus GFS revenue adjustments</i>						
Capital grants - prepaid AusLink road grants	3	-	-	-	-	-
Goods and services revenue - intersector equity/asset transfers recorded as revenue	-	-	-	-	-	-
Total GFS revenue adjustments	3	-	-	-	-	-
<i>Less GFS expense adjustments</i>						
Capitalised interest	51	62	46	44	52	57
Total GFS expense adjustments	51	62	46	44	52	57
Total GFS adjustments to AASB 1049 net operating balance	-48	-62	-46	-44	-52	-57
GFS net operating balance	811	305	313	725	695	407

AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

Net Lending

	2009-10 Actual \$m	2010-11 Estimated Actual \$m	2011-12 Budget Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m
<u>General government</u>						
AASB1049 net lending/-borrowing	-1,058	-1,215	-2,517	-1,127	-792	-565
Plus Net operating balance convergence difference (noted above)	3	-	-	-	-	-
GFS net lending/-borrowing	-1,055	-1,215	-2,517	-1,127	-792	-565
<u>Public non-financial corporations</u>						
AASB1049 net lending/-borrowing	-2,601	-1,079	-419	-446	708	903
Plus Net operating balance convergence difference (noted above)	-609	-756	-739	-845	-1,096	-1,238
GFS net lending/-borrowing	-3,210	-1,835	-1,157	-1,291	-388	-335
<u>Total non-financial public sector</u>						
AASB1049 net lending/-borrowing	-4,217	-2,987	-3,628	-2,375	-1,128	-844
Plus Net operating balance convergence difference (noted above)	-48	-62	-46	-44	-52	-57
GFS net lending/-borrowing	-4,266	-3,050	-3,674	-2,418	-1,180	-900
<u>Public financial corporations</u>						
AASB1049 net lending/-borrowing	-2	116	129	168	182	195
Plus Net operating balance convergence difference (noted above)	-12	-56	-45	-43	-53	-56
GFS net lending/-borrowing	-14	59	84	125	129	139
<u>Total public sector</u>						
AASB1049 net lending/-borrowing	-4,232	-2,928	-3,544	-2,249	-999	-705
Plus Net operating balance convergence difference (noted above)	-48	-62	-46	-44	-52	-57
GFS net lending/-borrowing	-4,280	-2,990	-3,590	-2,293	-1,051	-761

AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

Net Worth at 30 June

	2010 Actual \$m	2011 Estimated Actual \$m	2012 Budget Estimate \$m	2013 Forward Estimate \$m	2014 Forward Estimate \$m	2015 Forward Estimate \$m
<u>General government</u>						
AASB1049 net worth	107,844	111,265	114,468	118,253	121,560	125,468
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	88
Provision for doubtful debts						
General government sector	179	179	179	179	179	179
Impact on public corporations net worth	44	8	8	9	9	9
Impact of AusLink Road grants prepayments	-	-	-	-	-	-
Total GFS net worth adjustments	311	276	276	276	276	276
GFS net worth	108,155	111,541	114,743	118,529	121,836	125,744
<u>Public non-financial corporations</u>						
AASB1049 net worth	45,241	47,041	48,791	50,151	50,878	52,293
<i>Plus</i>						
Impact of general government equity injections	-3,804	-4,758	-5,462	-5,888	-6,129	-6,266
Provision for doubtful debts	43	8	8	8	8	9
Total GFS net worth adjustments	-3,760	-4,750	-5,454	-5,879	-6,120	-6,258
GFS net worth	41,481	42,291	43,337	44,271	44,757	46,035
<u>Total non-financial public sector</u>						
AASB1049 net worth	107,844	111,265	114,468	118,253	121,560	125,468
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	88
Provision for doubtful debts						
Total non-financial public sector	223	187	187	188	188	188
Impact on public corporations net worth	-	-	-	-	-	-
Impact of AusLink Road grants prepayments	-	-	-	-	-	-
Total GFS net worth adjustments	311	276	276	276	276	276
GFS net worth	108,155	111,541	114,743	118,529	121,836	125,744
<u>Public financial corporations</u>						
AASB1049 net worth	1,308	1,394	1,492	1,623	1,754	1,891
<i>Plus</i>						
Provision for doubtful debts	-	-	-	-	-	-
Total GFS net worth adjustments	-	-	-	-	-	-
GFS net worth	1,308	1,395	1,493	1,623	1,754	1,892
<u>Total public sector</u>						
AASB1049 net worth	107,844	111,265	114,468	118,253	121,560	125,468
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	88
Provision for doubtful debts	223	188	188	188	188	188
Impact of AusLink Road grants prepayments	-	-	-	-	-	-
Total GFS net worth adjustments	311	276	276	276	276	276
GFS net worth	108,155	111,541	114,743	118,529	121,836	125,744

AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

Cash Surplus/-Deficit

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
<u>General government</u>						
AASB1049 cash surplus/-deficit	-867	-1,462	-2,283	-1,086	-641	-263
Less Acquisitions under finance leases and similar arrangements	8	-	1	-	-	-
GFS cash surplus/-deficit	-875	-1,462	-2,285	-1,086	-641	-263
<u>Public non-financial corporations</u>						
AASB1049 cash surplus/-deficit	-2,212	-2,410	-1,804	-1,610	-933	-784
Less Acquisitions under finance leases and similar arrangements	136	1	6	-	-	-
GFS cash surplus/-deficit	-2,347	-2,410	-1,810	-1,610	-933	-784
<u>Total non-financial public sector</u>						
AASB1049 cash surplus/-deficit	-3,079	-3,872	-4,087	-2,695	-1,574	-1,048
Less Acquisitions under finance leases and similar arrangements	144	1	8	-	-	-
GFS cash surplus/-deficit	-3,222	-3,873	-4,095	-2,695	-1,574	-1,048
<u>Public financial corporations</u>						
AASB1049 cash surplus/-deficit	263	109	143	161	148	195
Less Acquisitions under finance leases and similar arrangements	-	-	-	-	-	-
GFS cash surplus/-deficit	263	109	143	161	148	195
<u>Total public sector</u>						
AASB1049 cash surplus/-deficit	-2,816	-3,763	-3,944	-2,534	-1,425	-852
Less Acquisitions under finance leases and similar arrangements	144	1	8	-	-	-
GFS cash surplus/-deficit	-2,960	-3,764	-3,952	-2,535	-1,426	-853

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

	2010-11 Estimated Actual \$m	2011-12 Nomination \$m	2011-12 Budget Estimate \$m
General government cash surplus/deficit	1,462	1,126	2,283
Public non-financial Corporations sector cash surplus/deficit	2,410	1,834	1,804
<i>Total non-financial public sector cash surplus/deficit</i>	<i>3,872</i>	<i>2,959</i>	<i>4,087</i>
Acquisitions under finance leases and similar arrangements	1	8	8
<i>GFS cash surplus/deficit</i>	<i>3,873</i>	<i>2,967</i>	<i>4,095</i>
Less: Non-financial public sector net cash flows from investments in financial assets for policy purposes	-	-	-
Plus: Memorandum items ^(a)	59	76	56
Loan Council Allocation	3,932	3,043	4,151
<i>Tolerance Limit</i> ^(b)		802	

(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).

(b) The tolerance limit is defined as 2% total non-financial public sector receipts and reflects a band of variability above and below the original LCA nomination.

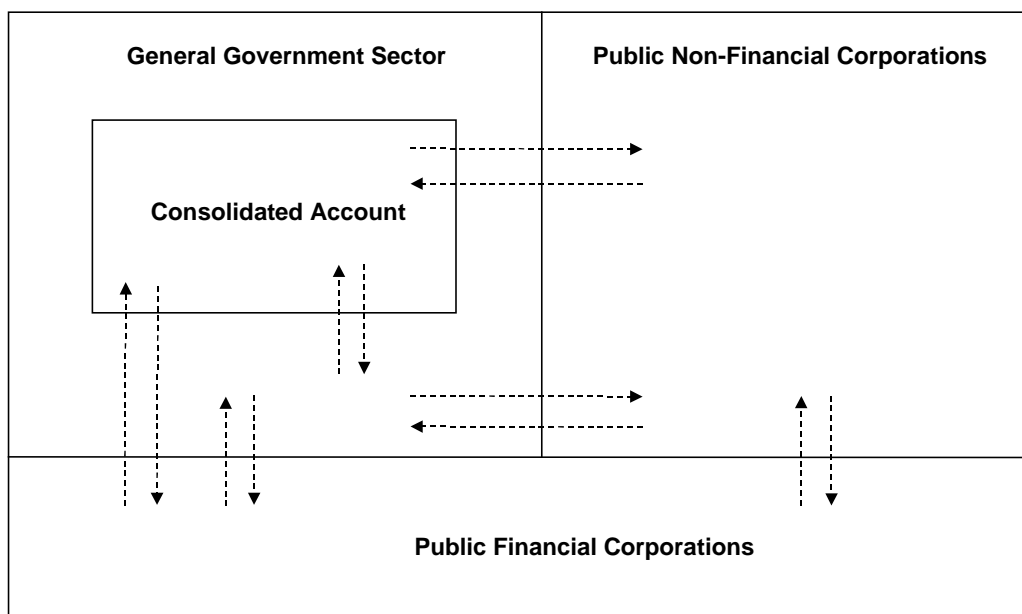
Note: Columns may not add due to rounding.

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	Great Southern Institute of Technology
Agricultural Produce Commission	Heritage Council of Western Australia
Botanic Gardens and Parks Authority	Independent Market Operator
Building and Construction Industry Training Board	Keep Australia Beautiful Council (W.A.)
Central Institute of Technology	Kimberley TAFE
Challenger Institute of Technology	Kimberley Development Commission
Chemistry Centre (W.A.)	Law Reform Commission of Western Australia
Commissioner for Children and Young People	Legal Aid Commission of Western Australia
Commissioner for Equal Opportunity	Legal Costs Committee
Commissioner for Public Sector Standards	Local Health Authorities Analytical Committee
Commissioner of Main Roads	Mental Health Commission ^(a)
Corruption and Crime Commission	Mid-West Development Commission
Country High School Hostels Authority	Minerals and Energy Research Institute of Western Australia
Curriculum Council	Office of Energy
C.Y. O'Connor Institute	Office of Health Review
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
Department of Agriculture and Food	Office of the Information Commissioner
Department of Commerce	Office of the Inspector of Custodial Services
Department of Corrective Services	Parliamentary Commissioner for Administrative Investigations
Department of Culture and the Arts	Parliamentary Inspector of the Corruption and Crime Commission
Department of Education	Parliamentary Services Department
Department of Education Services	Peel Development Commission
Department of Environment and Conservation	Perth Theatre Trust
Department of Finance ^(a)	Pilbara Development Commission
Department of Fisheries	Pilbara TAFE
Department of Housing	Polytechnic West ^(a)
Department of Indigenous Affairs	Professional Combat Sports Commission
Department of Local Government	Professional Standards Council
Department of Mines and Petroleum	Public Sector Commission
Department of Racing, Gaming and Liquor	Racing Penalties Appeal Tribunal of Western Australia
Department of Regional Development and Lands	Rural Business Development Corporation
Department of Sport and Recreation	Salaries and Allowances Tribunal
Department of State Development	Screen West (Inc.)
Department of Training and Workforce Development	Small Business Development Corporation
Department of Transport	South West Development Commission
Department of the Legislative Assembly	South West Institute of Technology
Department of the Legislative Council	State Supply Commission
Department of the Premier and Cabinet	Swan River Trust
Department of the Attorney General	The Aboriginal Affairs Planning Authority
Department of the Registrar, Western Australian Industrial Relations Commission	The Agriculture Protection Board of Western Australia
Department of Treasury ^(a)	The Anzac Day Trust
Department of Water	The Board of the Art Gallery of Western Australia
Disability Services Commission	The Burswood Park Board
Durack Institute of Technology	The Coal Miners' Welfare Board of Western Australia
Economic Regulation Authority	The Library Board of Western Australia
Fire and Emergency Services Authority of Western Australia	The National Trust of Australia (W.A.)
Gaming and Wagering Commission of Western Australia	The Queen Elizabeth II Medical Centre Trust
Gascoyne Development Commission	The Western Australian Museum
Goldfields-Esperance Development Commission	Trustees of the Public Education Endowment
Governor's Establishment	WA Health
Great Southern Development Commission	West Coast Institute of Training ^(a)

(a) Agency which has been either created, abolished, amalgamated or renamed since the 20 May 2010 presentation of the 2010-11 Budget.

General Government (cont.)

Western Australian Alcohol and Drug Authority
 Western Australian Building Management Authority
 Western Australian Electoral Commission
 Western Australian Energy Disputes Arbitrator
 Western Australian Greyhound Racing Association
 Western Australian Health Promotion Foundation
 Western Australian Institute of Sport
 Western Australian Land Information Authority ^(b)

Western Australian Meat Industry Authority
 Western Australian Planning Commission
 Western Australia Police
 Western Australian Sports Centre Trust
 Western Australian Tourism Commission
 Wheatbelt Development Commission
 WorkCover WA
 Zoological Parks Authority

Public Non-Financial Corporations

Albany Port Authority ^(b)
 Animal Resources Authority
 Armadale Redevelopment Authority
 Broome Port Authority ^(b)
 Bunbury Port Authority ^(b)
 Bunbury Water Board ^(b)
 Busselton Water Board ^(b)
 Dampier Port Authority ^(b)
 East Perth Redevelopment Authority
 Electricity Generation Corporation (Verve Energy) ^(b)
 Electricity Networks Corporation (Western Power) ^(b)
 Electricity Retail Corporation (Synergy) ^(b)
 Esperance Port Authority ^(b)
 Forest Products Commission ^(b)
 Fremantle Port Authority ^(b)
 Geraldton Port Authority ^(b)

Gold Corporation and its subsidiaries ^(b)
 Housing Authority ^(b)
 Lotteries Commission
 Metropolitan Cemeteries Board
 Midland Redevelopment Authority
 Perth Market Authority ^(b)
 Port Hedland Port Authority ^(b)
 Potato Marketing Corporation of Western Australia
 Public Transport Authority of Western Australia ^(b)
 Racing and Wagering Western Australia
 Regional Power Corporation (Horizon Power) ^(b)
 Rottnest Island Authority
 Subiaco Redevelopment Authority
 Water Corporation ^(b)
 Western Australian Coastal Shipping Commission
 Western Australian Land Authority ^(b)

Public Financial Corporations

Country Housing Authority
 Insurance Commission of Western Australia (and subsidiary State Government Insurance Corporation) ^(b)
 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 ^(b)

(a) Agency which has been either created, abolished, amalgamated or renamed since the 20 May 2010 presentation of the 2010-11 Budget.

(b) Also known as a Government Trading Enterprise for the purposes of the Government's 5% efficiency dividend.

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 ^(b)
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

(b) Also known as a Government Trading Enterprise for the purposes of the Government's 5% efficiency dividend.

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

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
Taxation						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	2,303	2,604	2,927	3,256	3,692	4,171
Property taxes						
<i>Land tax</i>	528	515	548	549	604	663
Transfer duty	1,552	1,167	1,345	1,618	1,782	2,014
Landholder duty	87	38	49	59	65	73
<i>Total duty on transfers</i>	1,639	1,205	1,394	1,677	1,847	2,087
Other stamp duties	-	-	-	-	-	-
Metropolitan Region Improvement Tax	78	77	84	84	92	101
Emergency Services Levy	169	201	216	229	246	255
Loan guarantee fees	28	25	28	29	30	30
<i>Total other property taxes</i>	275	304	327	342	368	386
Taxes on provision of goods and services						
Lotteries Commission	130	134	138	142	146	150
Video lottery terminals	-	1	1	1	1	1
Casino tax	92	92	115	117	120	122
Betting tax	32	33	34	36	38	40
Other	-	20	-	-	-	-
<i>Total taxes on gambling</i>	254	279	288	295	304	312
Insurance Duty	404	440	467	504	545	588
Other	24	26	21	22	22	22
<i>Total taxes on insurance</i>	428	466	488	526	567	610
Taxes on use of goods and performance of activities						
Vehicle licence duty	332	343	365	394	425	458
Permits - oversize vehicles and loads	5	5	5	5	6	6
Motor vehicle recording fee	43	45	47	48	50	51
Motor vehicle registrations	516	546	575	604	638	668
<i>Total motor vehicle taxes</i>	895	939	992	1,052	1,118	1,184
Other taxes on use of goods and performance of activities	-	350	-	-	-	-
Total Taxation	6,324	6,662	6,965	7,697	8,499	9,414

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

OPERATING REVENUE
General Government

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
Current Grants and Subsidies						
<i>General Purpose Grants</i>						
GST grants	3,590	3,165	3,617	3,233	2,497	1,997
North West Shelf grants	897	898	1,028	1,099	1,193	1,270
Compensation for Commonwealth crude oil excise arrangements	50	49	57	61	66	70
<i>Grants Through the State</i>						
Schools assistance – non-government schools	769	770	770	848	928	1,012
Local government financial assistance grants	136	137	156	163	170	181
Local government roads	90	90	101	106	110	112
First Home Owners' Boost	168	30	-	-	-	-
Other	-	-	25	25	25	25
<i>National Specific Purpose Payment Agreement Grants</i>						
National Healthcare	1,136	1,230	1,330	1,433	1,547	1,732
National Schools	329	353	379	410	449	491
National Agreement for Skills and Workforce Development	132	135	139	143	147	152
National Disability Services	78	95	113	124	137	151
National Affordable Housing	125	127	129	132	135	138
<i>Nation Building and Jobs Plan</i>						
Schools	70	-	-	-	-	-
Housing	20	-	-	-	-	-
Transport	5	-	-	-	-	-
<i>Other Grants/National Partnerships</i>						
Health	318	460	450	469	501	419
Housing	23	16	15	15	15	15
Transport	3	84	68	66	66	52
Other	290	394	429	300	130	120
Total Current Grants and Subsidies	8,228	8,032	8,806	8,625	8,116	7,936
Capital Grants						
<i>Grants Through the State</i>						
Schools assistance – non-government schools	309	280	40	24	26	31
<i>Nation Building and Jobs Plan</i>						
Schools	651	443	40	-	-	-
Housing	368	155	20	-	-	-
Transport	5	-	-	-	-	-
<i>Other Grants/National Partnerships</i>						
Housing	180	96	106	139	191	191
Transport ^(a)	239	156	346	488	270	400
Other ^(a)	226	275	403	171	122	99
Total Capital Grants	1,978	1,406	956	822	609	721

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

OPERATING REVENUE						
General Government						
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
Sales of Goods and Services						
Department of Transport	155	163	178	178	183	190
WA Health	350	368	388	407	424	443
Department of Education	188	161	156	158	163	163
Department of Training and Workforce Development	17	42	46	45	46	46
State Training Providers	113	116	121	124	128	130
Western Australian Land Information Authority	99	100	113	128	149	154
Department of the Attorney General	70	80	86	88	91	93
Department of Corrective Services	22	20	20	21	22	22
Department of Environment and Conservation	81	102	106	107	108	108
Department of Commerce	48	57	77	54	57	55
Department of Fisheries	25	28	30	30	30	31
Department of Culture and the Arts	25	30	31	34	36	30
Western Australia Police	33	36	36	37	37	37
All Other	409	416	428	494	526	597
Total Sale of Goods and Services	1,635	1,718	1,815	1,905	2,000	2,101
Interest Income	227	309	355	354	353	309
Revenue from Public Corporations						
Dividends	570	696	699	806	1,050	1,188
Tax Equivalent Regime	350	359	450	620	721	781
Total Revenue from Public Corporations	920	1,055	1,149	1,426	1,771	1,969
Royalty Income	2,324	4,159	4,794	4,998	5,447	5,336
Other						
Lease rentals	76	78	80	82	84	86
Fines	136	150	171	183	189	187
Revenue not elsewhere counted	193	194	142	142	142	144
Total Other	405	422	393	407	415	418
TOTAL REVENUE	22,039	23,764	25,233	26,232	27,209	28,202

(a) In the 2009-10 *Annual Report on State Finances*, the Other Grants/National Partnerships subheading including a category for Roads. This has been broadened to Transport. The 2009-10 actual for capital Other Grants/National Partnerships in this table has been adjusted for comparative purposes with \$7 million moving from the 'Other' category into 'Transport'.

Note: Columns may not add due to rounding.

APPENDIX 3

2010-11 General Government Operating Revenue

This appendix contains general government revenue estimates for the 2010-11 financial year comparing the original 2010-11 Budget estimates, mid-year review revisions and the current estimated outturn.

Table 3.1

2010-11 OPERATING REVENUE
General Government

	2010-11 Budget Estimate \$m	2010-11 Mid-Year Revision \$m	2010-11 Estimated Actual \$m
Taxation			
Taxes on employers' payroll and labour force			
<i>Payroll tax</i>	2,458	2,636	2,604
Property taxes			
<i>Land tax</i>	527	528	515
Transfer duty	1,602	1,254	1,167
Landholder duty	58	46	38
<i>Total duty on transfers</i>	1,660	1,300	1,205
Other stamp duties	-	-	-
Metropolitan Region Improvement Tax	79	79	77
Emergency Services Levy	204	201	201
Loan guarantee fees	28	25	25
<i>Total other property taxes</i>	312	306	304
Taxes on provision of goods and services			
Lotteries Commission	133	133	134
Video lottery terminals	1	1	1
Casino tax	92	112	92
Betting tax	36	33	33
Other	-	-	20
<i>Total taxes on gambling</i>	262	279	279
Insurance Duty	433	431	440
Other	22	22	26
<i>Total taxes on insurance</i>	455	453	466
Taxes on use of goods and performance of activities			
Vehicle licence duty	361	350	343
Permits - oversize vehicles and loads	4	5	5
Motor vehicle recording fee	45	45	45
Motor vehicle registrations	541	546	546
<i>Total motor vehicle taxes</i>	951	946	939
Other taxes on use of goods and performance of activities	-	-	350
Total Taxation	6,626	6,447	6,662

Note: Columns may not add due to rounding.

Table 3.1 (cont.)

2010-11 OPERATING REVENUE
General Government

	2010-11 Budget Estimate \$m	2010-11 Mid-Year Revision \$m	2010-11 Estimated Actual \$m
Current Grants and Subsidies			
<i>General Purpose Grants</i>			
GST grants	3,374	3,270	3,165
North West Shelf grants	928	869	898
Compensation for Commonwealth crude oil excise arrangements	57	48	49
<i>Grants Through the State</i>			
Schools assistance – non-government schools	861	712	770
Local government financial assistance grants	143	110	137
Local government roads	95	72	90
First Home Owners' Boost	-	26	30
Other	25	25	-
<i>National Specific Purpose Payment Agreement Grants</i>			
National Healthcare	1,228	1,230	1,230
National Schools	352	353	353
National Agreement for Skills and Workforce Development	135	135	135
National Disability Services	94	95	95
National Affordable Housing	127	127	127
<i>Nation Building and Jobs Plan</i>			
Schools	-	-	-
Housing	-	-	-
Transport	-	-	-
<i>Other Grants/National Partnerships</i>			
Health	325	368	460
Housing	16	16	16
Transport	50	66	84
Other	282	350	394
Total Current Grants and Subsidies	8,092	7,869	8,032
Capital Grants			
<i>Grants Through the State</i>			
Schools assistance – non-government schools	27	215	280
<i>Nation Building and Jobs Plan</i>			
Schools	479	443	443
Housing	155	155	155
Transport	-	-	-
<i>Other Grants/National Partnerships</i>			
Housing	85	96	96
Transport	195	201	156
Other	329	350	275
Total Capital Grants	1,269	1,460	1,406

Note: Columns may not add due to rounding.

Table 3.1 (cont.)

2010-11 OPERATING REVENUE
General Government

	2010-11 Budget Estimate \$m	2010-11 Mid-Year Revision \$m	2010-11 Estimated Actual \$m
Sales of Goods and Services			
Department of Transport	163	163	163
WA Health	358	368	368
Department of Education	159	161	161
Department of Training and Workforce Development	43	43	42
State Training Providers	116	114	116
Western Australian Land Information Authority	124	110	100
Department of the Attorney General	82	79	80
Department of Corrective Services	21	21	20
Department of Environment and Conservation	103	101	102
Department of Commerce	47	55	57
Department of Fisheries	28	28	28
Department of Culture and the Arts	27	29	30
Western Australia Police	26	28	36
All Other	359	457	416
Total Sale of Goods and Services	1,656	1,756	1,718
Interest Income	253	288	309
Revenue from Public Corporations			
Dividends	661	720	696
Tax Equivalent Regime	377	337	359
Total Revenue from Public Corporations	1,038	1,057	1,055
Royalty Income	3,271	4,045	4,159
Other			
Lease rentals	67	67	78
Fines	179	194	150
Revenue not elsewhere counted	139	187	194
Total Other	386	448	422
TOTAL REVENUE	22,591	23,373	23,764

Note: Columns may not add due to rounding.

APPENDIX 4

Policy Decisions Affecting Spending

This appendix outlines the agency impact of policy decisions on general government expenses and total public sector infrastructure spending since the 2010-11 Mid-year Review was released in December 2010.

Table 4.1

POLICY DECISIONS SINCE THE 2010-11 MID-YEAR REVIEW
General Government Expenses

	2010-11	2011-12	2012-13	2013-14	2014-15	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Premier and Cabinet	1.2	12.7	3.1	3.1	3.2	23.3
Public Sector Commission	-	5.9	6.5	5.1	4.9	22.3
Governor's Establishment	-	-(a)	-	-	-	-(a)
State Development	0.1	6.9	1.1	1.1	0.7	9.9
WA Health	3.5	64.2	76.3	98.4	101.2	343.6
Western Australian Tourism Commission	0.2	20.4	20.1	19.9	17.0	77.6
Rottne Island Authority (b)	-	1.0	2.0	3.0	3.0	9.0
Mines and Petroleum	1.0	7.8	19.0	8.5	1.5	37.8
Fisheries	2.4	6.9	7.1	2.4	2.2	20.9
Regional Development and Lands	7.7	162.8	70.1	99.3	104.3	444.2
Gascoyne Development Commission	2.0	1.9	-	-	-	3.9
Goldfields-Esperance Development Commission	-	1.1	-	-	-	1.1
Great Southern Development Commission	1.2	1.1	-	-	-	2.3
Kimberley Development Commission	0.3	1.3	-	-	-	1.6
Mid West Development Commission	-	1.1	-	-	-	1.1
Peel Development Commission	1.0	1.1	-	-	-	2.1
Pilbara Development Commission	-(a)	1.1	-	-	-	1.1
South West Development Commission	0.7	1.3	-	-	-	2.1
Wheatbelt Development Commission	-	1.1	-	-	-	1.1
Western Australian Land Authority (b)	1.1	11.6	1.4	0.4	0.2	14.7
Treasury	-	2.7	2.4	2.4	2.5	10.0
Economic Regulation Authority	2.1	2.5	-	-	-	4.7
Attorney General	7.2	8.4	5.9	6.0	3.9	31.4
Office of the Director of Public Prosecutions	-	1.2	1.2	-	-	2.4
Office of the Information Commissioner	-	0.3	0.3	0.3	0.3	1.1
Legal Aid Commission of Western Australia	-	2.8	2.9	3.0	3.0	11.6
Education Services	-	1.5	1.5	1.5	1.5	6.0
Finance	0.6	8.5	7.6	8.8	9.6	35.1
Commerce	0.9	40.2	12.2	12.5	10.8	76.6
Small Business Development Corporation	-	0.8	-	-	-	0.8
Western Australia Police	8.0	24.6	5.7	5.7	1.3	45.3
Fire and Emergency Services Authority	-	3.1	-	-	-	3.1
Sport and Recreation	-	6.0	15.0	5.0	5.0	31.0
Western Australian Sports Centre Trust	-	0.3	0.3	0.3	0.3	1.2
Racing, Gaming and Liquor	0.4	0.2	0.2	0.2	0.2	1.2
Planning	0.3	1.3	0.9	0.7	0.7	4.0
Western Australian Planning Commission	6.9	4.5	2.1	2.6	1.1	17.2
Culture and the Arts	0.8	9.5	9.9	8.7	3.2	32.2
Office of Energy	-	-	-	-	-5.0	-5.0
Synergy (b)	-5.9	-6.5	-12.6	-24.1	30.3	-18.8
Training and Workforce Development	-	63.9	2.5	-	-	66.4
Indigenous Affairs	-	4.3	3.2	2.5	2.5	12.4
Main Roads	-	4.0	-	0.1	0.2	4.3
Transport	0.3	9.4	2.3	0.1	0.1	12.1
Public Transport Authority (b)	-(a)	9.5	11.0	26.8	37.5	84.9
Housing Authority (b)	-	33.7	9.8	-	-	43.4
Child Protection	-	-	0.2	0.6	0.6	1.4
Communities	0.3	9.3	10.0	11.7	13.7	45.0
Local Government	-	5.6	5.8	0.5	0.5	12.3
Agriculture and Food	1.5	9.5	-	-	-	11.0
Corrective Services	-	1.4	4.4	-18.9	-12.0	-25.1
Environment and Conservation	-	5.8	7.0	7.9	7.0	27.7
Swan River Trust	-	0.5	0.9	1.2	0.6	3.2
Water Corporation (b)	-0.2	-4.1	-29.5	-46.8	-47.2	-127.8

Note: Columns may not add due to rounding.

Table 4.1 (cont.)

POLICY DECISIONS SINCE THE 2010-11 MID-YEAR REVIEW
General Government Expenses

	2010-11	2011-12	2012-13	2013-14	2014-15	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Mental Health Commission	-12.8	3.5	7.7	7.8	7.8	14.1
Disability Services Commission	-	0.4	6.4	6.6	6.9	20.3
Voluntary Severance Offers	-	25.4	-14.6	-14.6	-14.6	-18.4
General Government Savings Target	-	-	-50.0	-100.0	-150.0	-300.0
Sustainable Funding and Contracting with the Not-For-Profit Sector	-	87.8	91.6	145.6	165.9	490.9
Government Trading Enterprises Efficiency Dividend ^(b)	-	-18.8	-19.1	-20.9	-21.3	-80.2
TOTAL	32.8	674.5	311.4	284.9	304.8	1,608.4

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

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

Note: Columns may not add due to rounding.

Further details on the items above, together with other changes of a material nature, are available in Chapter 5: *General Government Expenses*. The following table summarises infrastructure spending policy decisions, discussed with other material Asset Investment Program changes in Chapter 6: *Asset Investment*.

Table 4.2

POLICY DECISIONS SINCE THE 2010-11 MID-YEAR REVIEW
Total Public Sector Infrastructure Spending

	2010-11	2011-12	2012-13	2013-14	2014-15	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Governor's Establishment	0.2	0.7	-	-	-	0.9
WA Health	-	7.7	47.0	142.4	102.0	299.2
Fisheries	-	7.7	3.3	0.7	-	11.7
Regional Development and Lands	6.9	6.9	-	-	-	13.9
Western Australian Land Authority	1.8	11.6	1.4	0.4	0.2	15.4
Attorney General	-	3.3	3.3	3.3	-	10.0
Education	-	31.0	47.0	36.0	55.0	169.0
Finance	2.7	78.0	-	-	43.4	124.1
Western Australia Police	-	21.1	22.9	46.5	20.2	110.6
Fire and Emergency Services Authority	-	1.6	-	-	-	1.6
Racing, Gaming and Liquor	0.6	-	-	-	-	0.6
Sport and Recreation	-	7.0	8.0	-	-	15.0
Western Australian Sports Centre Trust	-	0.4	-	-	-	0.4
Western Australian Planning Commission	0.4	48.0	162.2	135.9	22.3	368.8
Independent Market Operator	4.1	3.8	-0.5	-	-	7.4
Horizon Power	-	35.3	23.6	2.4	2.4	63.9
Training and Workforce Development	-	9.7	22.9	22.5	22.5	77.6
Western Power (including Provisions)	19.7	25.2	-	-	15.0	59.9
Verve Energy	-	13.0	13.0	-	-	26.0
Broome Port Authority	2.4	3.2	3.1	-	-	8.6
Main Roads	-	24.9	103.4	78.2	5.0	211.5
Dampier Port Authority	1.4	3.0	3.0	2.0	2.0	11.4
Housing Authority	25.0	164.5	37.8	14.4	-	241.7
Public Transport Authority	-	25.0	51.6	59.4	41.1	177.1
Child Protection	-	2.0	2.0	-	-	4.0
Corrective Services	-53.7	-60.0	-25.8	62.7	89.5	12.7
Perth Market Authority	-	5.6	4.7	-	-	10.4
Environment and Conservation	-	8.5	0.9	0.4	-	9.8
Water Corporation	-4.0	-37.4	-83.7	-20.4	-	-145.5
TOTAL	7.6	451.4	451.1	586.6	420.7	1,917.5

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 limit. The FMA authorised a limit of \$555.5 million on the Treasurer's Advance for 2010-11.

Table 5.1 shows the projected position of the Treasurer's Advance at 30 June 2011.

TREASURER'S ADVANCE AT 30 JUNE		
	2009-10 Actual ^(a) \$m	2010-11 Projection ^(b) \$m
AUTHORISED LIMIT	1,150.0	555.5
<i>Total Drawn Against Treasurer's Advance authorisation</i>	929.2	394.7
Comprising:		
Net recoverable advances as at 30 June	7.6	15.0
Overdrawn Special Purpose Account ^(c)	6.8	
Excesses and New Items		
- recurrent	820.4	373.2
- capital	94.4	6.5

(a) The final outcome for 2009-10 detailed in the 2009-10 *Annual Report on State Finances* was amended for updated information for the Department of Training and Workforce Development after the report was finalised. This amendment adds \$1.1 million to the actual reported at the time.

(b) Detailed disclosure of the final audited outcome for 2010-11 will be available in the 2010-11 *Annual Report on State Finances*, to be released by 28 September 2011.

(c) The Treasurer gave approval to the Department of Mines and Petroleum to overdraw a Special Purpose Account (SPA). Any overdrawn SPA is taken to be an advance to be charged in the relevant financial year to the Treasurer's Advance Account.

Note: Columns may not add due to rounding.

Transfers, Excesses and New Items

A number of appropriations that were originally allocated in the 2010-11 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 2010-11, appropriation transfers include:

- \$7.5 million from the Department of Transport to the Department of Planning for the transfer of corporate services;
- \$5 million from the Department of the Attorney General to the Department of the Premier and Cabinet for the transfer of Office of Native Title functions;
- \$5 million from the Public Transport Authority to the Department of Transport for the transfer of the multi-modal planning of public transport function;
- \$2.6 million from the Office of the Public Sector Standards Commissioner to the Public Sector Commission for the transfer of all functions and operations of the Office;
- \$2.2 million transferred from the Disability Services Commission to WA Health to meet the operational cost of rehabilitation and support services provided by the Brightwater Care Group;
- \$2.1 million from the Department of the Premier and Cabinet to the Department for Communities for the Social Innovation Grants Program;
- \$0.5 million of Western Australia Police funding to the Department of Indigenous Affairs for the transfer of the Aboriginal Wardens Scheme;
- \$0.4 million from the Department of Planning to the Department of Transport for office refurbishment and sustainability initiatives;
- \$0.4 million transferred from the Department for Communities to the Department for Child Protection for the Ngala overnight stay service;
- \$0.3 million from the then Department of Treasury and Finance to the Department of Education for the transfer of the i-procurement function;
- \$0.1 million from the Legislative Council to the Parliamentary Services Department for the transfer of responsibility for the Electronic Document Records Management System Project Manager function;
- \$0.1 million from the Department for Child Protection to the Department of the Attorney General for the Burial of Unclaimed Bodies Under the Bereavement Assistance Program; and
- \$0.1 million from the Department of the Premier and Cabinet to the Department of the Attorney General for the transfer of the non-government legislative drafting services function.

The 2010-11 Budget included a general allocation of \$11.6 million for district allowance payments. This allocation together with additional funding from *Royalties for Regions* will provide for enhanced district allowance payments. The methodology for determining district allowances has been updated to ensure it provides for fair and reasonable compensation for current cost of living differentials experienced by regional public sector employees. These payments have since been transferred to agencies under section 25 of the FMA. Table 5.2 below details district allowance transfers by agency for 2010-11.

2010-11 DISTRICT ALLOWANCES		Table 5.2
Agency		Amount \$m
Commissioner of Main Roads		0.2
Country High School Hostels Authority		- ^(a)
Department for Child Protection		0.7
Department of Agriculture and Food		0.2
Department of Corrective Services		0.9
Department of Education		1.9
Department of Environment and Conservation		0.4
Department of Fisheries		0.1
Department of Indigenous Affairs		0.1
Department of Mines and Petroleum		- ^(a)
Department of the Attorney General		0.2
Department of Training and Workforce Development		1.0
Department of Transport		0.1
Department of Treasury and Finance		- ^(a)
Department of Water		- ^(a)
Disability Services Commission		- ^(a)
Fire and Emergency Services Authority		0.1
Kimberley Development Commission		- ^(a)
Pilbara Development Commission		- ^(a)
WA Health		4.4
Western Australia Police		1.2
TOTAL		11.6

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

Note: Columns may not add due to rounding.

Table 5.3 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 2011. It should be noted that the projections shown in the table are subject to timing and other movements in agencies' appropriations throughout the remainder of the financial year. Major spending decisions in 2010-11 that impact the Treasurer's Advance are detailed in Chapter 5 and 6 and in the 2010-11 Mid-year Review.

Table 5.3

TRANSFERS, EXCESSES AND NEW ITEMS

Item	Appropriation	Treasurer's Advance			Draw on Treasurer's Advance to date ^(b)
		Transfers ^(a) \$m	New Items \$m	Excesses \$m	
Recurrent Appropriations					
<i>Parliament</i>					
1	Delivery of Services – Legislative Council	-0.1	-	0.2	-
3	Delivery of Services – Parliamentary Services	0.1	-	-	-
<i>Parliamentary Commissioner for Administrative Investigations</i>					
4	Delivery of Services	-	-	0.9	-
<i>Department of the Premier and Cabinet</i>					
5	Delivery of Services	2.9	-	0.3	-
<i>Public Sector Commission</i>					
6	Delivery of Services	2.6	-	-	-
<i>Office of the Public Sector Standards Commissioner</i>					
8	Delivery of Services	-2.6	-	-	-
<i>Department of Treasury and Finance</i>					
11	Delivery of Services	-0.2	-	27.4	-
12	Electricity Retail Corporation (Synergy)	-	-	136.8	-
23	Pay-roll Tax Rebate	-	-	2.0	-
24	Pensioners Concessions – Emergency Services Levy	-	-	0.5	-
25	Pensioners Concessions – Local Government and Water Rates	-	-	2.9	-
26	Provision for District Allowances	-11.6	-	-	-
29	Refund of Past Years Revenue Collections – All Other	-	-	15.1	-
32	State Property – Emergency Services Levy	-	-	0.7	-
34	All Other Grants, Subsidies and Transfer Payments	-	-	7.8	4.1
<i>WA Health</i>					
39	Delivery of Services	2.2	-	-	-
40	Contribution to Hospital Fund	4.4	-	25.7	-
<i>Department of Indigenous Affairs</i>					
41	Delivery of Services	0.6	-	0.8	-
<i>Department of Mines and Petroleum</i>					
42	Delivery of Services	-(c)	-	-	-
<i>Department of Fisheries</i>					
44	Delivery of Services	0.1	-	2.0	-
<i>Western Australian Electoral Commission</i>					
45	Delivery of Services	-	-	1.6	0.3
<i>Kimberley Development Commission</i>					
50	Delivery of Services	-(c)	-	0.3	-
<i>Pilbara Development Commission</i>					
53	Delivery of Services	-(c)	-	-	-
<i>Western Australian Land Information Authority</i>					
56	Delivery of Services	-	-	7.7	-
<i>Department of Education</i>					
57	Delivery of Services	2.2	-	79.0	-
<i>Department of Education Services</i>					
58	Delivery of Services	-	-	0.4	-
59	Administered Grants, Subsidies and Other Transfer Payments	-	-	0.3	-

Note: Columns may not add due to rounding.

TRANSFERS, EXCESSES AND NEW ITEMS

Table 5.3 (cont.)

Item	Appropriation	Transfers ^(a) \$m	Treasurer's Advance		Draw on Treasurer's Advance to date ^(b) \$m
			New Items \$m	Excesses \$m	
<i>Country High School Hostels Authority</i>					
61	Delivery of Services	- ^(c)	-	-	-
<i>Department of Transport</i>					
63	Delivery of Services	-2.4	-	1.0	-
<i>Commissioner of Main Roads</i>					
65	Delivery of Services	0.2	-	-	-
<i>Public Transport Authority of Western Australia</i>					
66	Delivery of Services	-5.0	-	-	-
<i>Disability Services Commission</i>					
67	Delivery of Services	-2.2	-	0.4	-
<i>Western Australia Police</i>					
68	Delivery of Services	0.7	-	1.2	-
<i>Fire and Emergency Services Authority of Western Australia</i>					
69	Delivery of Services	0.1	-	-	-
<i>Department of Sport and Recreation</i>					
70	Delivery of Services	-	-	4.0	-
<i>Department of Racing, Gaming and Liquor</i>					
73	Delivery of services	-	-	0.5	-
74	Administered Grants, Subsidies and Other Transfer Payments	-	-	20.2	-
<i>Department of Planning</i>					
75	Delivery of Services	7.5	-	-	-
<i>Department of Culture and the Arts</i>					
78	Art Gallery of Western Australia	-	-	0.8	- ^(c)
80	Perth Theatre Trust	-	-	1.9	-
81	Western Australian Museum	-	-	3.0	-
<i>Department of Training and Workforce Development</i>					
83	Delivery of Services	1.0	-	-	-
<i>Department of the Attorney General</i>					
84	Delivery of Services	-4.7	-	13.4	-
<i>Equal Opportunity Commission</i>					
86	Delivery of Services	-	-	0.2	-
<i>Department of Corrective Services</i>					
91	Delivery of Services	1.0	-	8.8	-
<i>Department for Child Protection</i>					
93	Delivery of Services	1.0	-	0.4	-
<i>Department for Communities</i>					
94	Delivery of Services	1.6	-	-	-
<i>Department of Water</i>					
96	Delivery of Services	- ^(c)	-	-	-
97	Administered Grants, Subsidies and Other Transfer Payments	-	-	- ^(c)	-
<i>Department of Agriculture and Food</i>					
103	Delivery of Services	0.2	-	-	-
<i>Rural Business Development Corporation</i>					
105	Delivery of Services	-	-	4.5	4.5
<i>Department of Environment and Conservation</i>					
106	Delivery of Services	0.4	-	-	-

Note: Columns may not add due to rounding.

Table 5.3 (cont.)

		Treasurer's Advance			Draw on Treasurer's Advance to date ^(b)
		Transfers ^(a) \$m	New Items \$m	Excesses \$m	
Item	Appropriation				
<i>Office of the Environmental Protection Authority</i>					
108	Delivery of Services	-	-	0.3	-
Total Recurrent		-	-	373.2	8.9
Capital Appropriations					
<i>Department of Treasury and Finance</i>					
118	Capital Contribution	-	-	2.7	-
123	Forest Products Commission	-	-	2.9	-
<i>Department of Transport</i>					
138	Capital Contribution	0.4	-	-	-
<i>Department of Planning</i>					
145	Capital Contribution	-0.4	-	-	-
<i>The National Trust of Australia (W.A.)</i>					
158	Capital Contribution	-	-	1.0	0.6
Total Capital		-	-	6.5	0.6
TOTAL		-	-	379.7	9.4

(a) Authorised under section 25 of the FMA.

(b) Budget cut-off date, 20 April 2011.

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

Note: Columns may not add due to rounding.

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 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, or other cards issued by the State Government. A synopsis of these cards is provided below.

The information in this Statement is mainly compiled from survey forms (developed with the assistance of the Australian Bureau of Statistics) that have been returned to the Department of Treasury by 31 agencies that provide social concessions. It should be noted that the following information is not a definitive guide to all available concessions provided by State agencies, nor their associated eligibility criteria.

In 2009-10, the State provided social concessions with an estimated value of \$610.4 million across a range of service areas, up from \$549.3 million in 2008-09. The cost of concessions to the State in 2009-10 was partly offset by a \$20.2 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

The Commonwealth issues a Pensioner Concession Card (PCC) to Australian residents receiving pensions, carer payments, parenting payments (single), 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

The Commonwealth issues the Health Care Card (HCC) to Australian residents receiving certain qualifying payments such as the Family Tax Benefit Part A (maximum rate), Newstart Allowance or Mobility Allowance. The HCC may also be issued to those who care for foster children or receive Carer Allowances (for the child in care).

Eligibility for the HCC is generally subject to a means test, based on the recipient's income and the value of their assets.

Commonwealth Seniors Health Card

The Commonwealth issues the Commonwealth Seniors Health Card (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

The State government issues the WA Seniors Card (WASC) to permanent residents who are over 60 years of age and work less than 20 hours per week. From 1 July 2011, seniors who work up to 25 hours per week (averaged over a 12 month period) and seniors on retirement visas will also be eligible to apply. Other than these criteria, no further conditions of eligibility apply.

State Concession Card

The Department for Child Protection issues the State Concession Card (SCC) to specific Veterans' Affairs pensioners who are not eligible for a Commonwealth PCC.

Table 6.1

SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS
Western Australia

Class of Concession	2008-09 Estimated Total Value \$m	2008-09 Estimated No. of Recipients	2009-10 Estimated Total Value \$m	2009-10 Estimated No. of Recipients
ENERGY				
Supply charge rebate ^(a)	20.5	238,965	24.6	274,880
Dependent child rebate ^{(a) (b)}	8.6	49,310	7.3	21,264
Other ^(a)	1.0	n.a.	1.3	n.a.
WATER, SEWERAGE AND DRAINAGE				
Rates rebate for pensioners	35.6	116,201	37.6	113,940
Consumption concession for pensioners	6.8	298,187	7.8	297,400
Rates rebate for seniors	11.0	49,461	12.0	51,692
Other	- ^(c)	194	- ^(c)	179
HOUSING AND LAND				
Homeswest rental subsidy	115.6	27,617	107.8	27,431
Homeswest amenities fee waiver	0.7	9,263	0.7	9,686
Other	0.5	n.a.	0.7	12,663
LOCAL GOVERNMENT				
Rates rebate for pensioners	64.3	358,750	70.6	375,777
Other	0.7	1,847	1.0	n.a.
TRANSPORT				
Contract school bus services	84.8	25,215	94.5	26,209
Transperth fares concession	64.9	n.a.	65.5	n.a.
Free travel on Transperth services for pensioners	2.8	n.a.	15.0	n.a.
Motor vehicle licence fee concession for pensioners	23.8	178,482	25.6	179,532
Drivers licence fee concession for pensioners	8.8	299,403	9.4	309,587
Pensioners' annual free trip ^(d)	3.2	69,707	3.2	68,203
Taxi user subsidy	6.7	n.a.	8.9	n.a.
TransWA fares concession	2.6	150,571	2.8	162,051
Subsidised student travel	1.1	523	1.0	449
Other	6.6	n.a.	6.3	n.a.
HEALTH				
Subsidised dental care	12.7	55,015	13.8	59,316
Spectacle subsidy scheme	2.7	54,281	2.6	53,085
Patient Assisted Travel Scheme ^(e)	n.a.	n.a.	24.6	n.a.
Ambulance service for seniors ^(e)	n.a.	n.a.	16.2	57,345
Other	7.2	n.a.	3.7	n.a.
EDUCATION				
Secondary assistance scheme for school charges	3.8	22,784	4.2	20,478
Secondary assistance scheme for clothing	2.6	22,917	2.4	20,928
Department of Training and Workforce Development tuition fees	6.0	n.a.	8.7	n.a.
Boarding away from home allowance	2.7	2,302	4.3	2,155
Other	- ^(c)	51	0.1	275
LEGAL SERVICES				
Legal assistance	15.6	n.a.	15.6	n.a.
Other	2.0	n.a.	2.4	n.a.

Table 6.1 (cont.)

SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS
Western Australia

Class of Concession	2008-09 Estimated Total Value \$m	2008-09 Estimated No. of Recipients	2009-10 Estimated Total Value \$m	2009-10 Estimated No. of Recipients
CULTURE, LEISURE AND RECREATION				
Children's Zoo discount	1.0	n.a.	1.0	n.a.
Children under four years of age – free Zoo entry	1.3	n.a.	1.5	n.a.
Other	2.6	n.a.	3.5	n.a.
SENIORS				
Seniors cost of living rebate	18.4	214,091	1.5 ^(f)	17,387
Safety and security rebate	n.a.	n.a.	0.8	4,195
TOTAL	549.3	n.a.	610.4	n.a.

(a) Data is for Synergy only in 2008-09.

(b) Decline in recipients in 2009-10 reflects errors in the rebate processing system. These payments will be made up in 2010-11.

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

(d) Reflects total occasions concession accessed.

(e) Not reported in 2008-09.

(f) In 2010, the timing of the rebate was changed from March to July.

Note: Columns may not add due to rounding.

Benefits Provided in 2009-10

Energy

Supply charge rebate (\$24.6 million)

Domestic customers of Synergy and Horizon who are in possession of a PCC, HCC, CSHC or WASC receive a full rebate of the fixed (daily) supply charge. The average value of the rebate per recipient is approximately \$90 per year.

Dependent child rebate (\$7.3 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. The rebate increases as the number of children increase. The average value of the rebate per family is approximately \$344 per year.

Other (\$1.3 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 (\$37.6 million)

Home owners in possession of a PCC or 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 \$330 per year.

Consumption concession for pensioners (\$7.8 million)

Holders of a PCC or 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 for the full period). The average value of the rebate per recipient is approximately \$26 per year.

Rates rebate for seniors (\$12 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 \$233 per year.

Other (\$30,500)

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, lifestyle villages, park homes or caravan parks.

Housing and Land

Homeswest rental subsidy (\$107.8 million)

Low income individuals and families with accommodation needs can receive a rental subsidy from Homeswest. Eligibility for the subsidy is based on the applicant's capacity to pay rent (as determined by an income and assets test). The average value of the subsidy per recipient is approximately \$3,929 per year.

Homeswest amenities fee waiver (\$0.7 million)

Homeswest's senior tenants over 55 years of age are exempt from the amenities fee for room heating. Partial waivers are available to low income earners. The average value of the waiver is \$73 per year.

Other (\$0.7 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 (\$70.6 million)

The Office of State Revenue pays local governments 50% of rates for persons who own and occupy their own home and hold a PCC, HCC, SCC, or a CSHC in conjunction with a WASC, and 25% of rates for seniors who occupy their own home and hold a WASC only. Local governments pass this benefit on to pensioners and seniors by discounting their rates. The average value of the concession per household is \$371 per year.

Other (\$1 million)

Other concessions provided by the Office of State Revenue include the Land Tax Concession, the Thermoregulatory Dysfunction Energy Subsidy, and the Life Support Equipment Energy Subsidy.

Transport

Contract school bus services (\$94.5 million)

Students residing more than 4.5 km from the closest school (and living outside of a public transport area) and students with special needs travel free of charge on contract school bus services. Eligibility is determined through the Transport Assistance Eligibility Framework. The Public Transport Authority funds these services. The average value of the concession per student is estimated to be \$9.25 per journey or about \$3,607 per year.

Transperth fares concession (\$65.5 million)

Children, students and holders of a WASC, PCC, HCC or a SCC receive discounts on Transperth fares (between 58-63%), or free travel. The average value of the concession per recipient is \$1.97 per journey.

Free travel on Transperth services for pensioners (\$15 million)

Seniors, aged and disability pensioners can travel free on Transperth services between 9.00am and 3.30pm on weekdays, all day on weekends and public holidays. Seniors and aged pensioners also have free travel during Seniors Week. This concession includes regional town bus services. The value of the concession is \$2.78 per journey.

Motor vehicle licence fee concession for pensioners (\$25.6 million)

Invalid or disability pensioners receive a 100% concession on their annual motor vehicle licence fee. Holders of a PCC or a WASC and a CSHC receive a 50% concession. The weighted average value of the concession per pensioner is approximately \$158 per year.

Drivers licence fee concession for pensioners (\$9.4 million)

Pensioners holding both a WASC and a CSHC receive a 100% concession on their annual drivers licence fee. Holders of a PCC, WASC or a CSHC 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 \$221 per recipient.

Taxi user subsidy (\$8.9 million)

People with a severe disability that prevents them from using public transport receive a 50% to 75% subsidy on taxi fares, funded by the Department of Transport. The average value of the subsidy is \$15.09 per trip.

TransWA fares concession (\$2.8 million)

Children under 15 years of age, students, Western Australian residents holding a WASC, PCC, HCC, CSHC or a SCC receive a 50% discount on fares for TransWA services. The average value of the concession is \$17.26 per journey.

Subsidised student travel (\$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 the 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 \$2,249 per recipient.

Other (\$6.3 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 Australian Council for Rehabilitation of Disabled (ACROD) Parking Bays are no longer classified as a social concession for the purposes of this statement.

Health

Subsidised dental care (\$13.8 million)

Most holders of a PCC, HCC or SCC 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 \$171 per treatment based on 80,693 treatments during 2009-10.

Spectacle subsidy scheme (\$2.6 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 \$49.50.

Patient Assisted Travel Scheme (\$24.6 million)

Permanent country residents in the WA Country Health Service region that need to travel more than 100 km to access the nearest eligible medical specialist service (including Telehealth) can apply for a subsidy to assist with the cost of travel and accommodation. The average value of the concession is \$389 per journey based on a total of 63,159 subsidised journeys in 2009-10.

Ambulance Service for Seniors (\$16.2 million)

Aged pensioners receive primary ambulance services free of charge and all seniors over the age of 65 receive a 50% rebate on the cost of both emergency and non-urgent ambulance transport. The average value of the concession is \$283 based on 57,345 applications.

Other (\$3.7 million)

Other health concessions include the country patients' dental subsidy scheme, the metropolitan patients' dental subsidy scheme, and home haemodialysis.

Education

Secondary assistance scheme for school charges (\$4.2 million)

The Department of Education provides assistance to low income families with secondary school children to meet school charges, which average \$206 per recipient. Recipients must hold a family PCC or HCC or be a sole parent or carer.

Secondary assistance scheme for clothing (\$2.4 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 PCC or HCC.

Department of Training and Workforce Development tuition fees (\$8.7 million)

Holders of a PCC, HCC or persons who receive AUSTUDY, ABSTUDY or Youth Allowance subsidies, prisoners and persons between 15 and 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 various colleges. The average value of the concession is \$0.81 per hour of tuition for VET courses. Holders of a PCC or WASC receive concessions of 25% of the tuition fees for non-VET courses. The average value of the concession is \$42.31 per recipient for non-VET.

Boarding away from home allowance (\$4.3 million)

Families with geographically isolated students received up to \$2,000 as an annual concession from the Department of Education to help meet costs associated with boarding away from home.

Other (\$89,000)

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 (\$2.4 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 interests 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 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 \$10 per child for each visit.

Children under four years of age – free Zoo entry (\$1.5 million)

Children under four years of age receive free entry to the Perth Zoo. The value of the discount is \$20 per child for each visit.

Other (\$3.5 million)

Concessional fees apply to students and various rebate card holders in a range of culture, leisure and recreation areas, including admission to National Parks, exhibitions at the Art Gallery and Western Australian Maritime Museum, performances arranged by the Perth Theatre Trust, and activities administered by the Rottnest Island Authority.

Seniors

Seniors cost of living rebate (\$1.5 million)

Holders of the WASC are eligible to apply for this concession. In 2009-10, single WASC holders were eligible for a rebate of \$104.80 and couples (where both hold a WASC) for a rebate of \$157.22. These amounts are being increased to \$150 and \$225 respectively from 1 July 2011. In 2010, the timing of the payment of the rebate was changed from March to July. As a result, payments made in 2009-10 reflect back payments to Seniors relating to the previous financial year. The rebate is indexed annually by the Perth Consumer Price Index.

Safety and Security Rebate (\$0.8 million)

Holders of the WASC can claim up to \$200 per household towards buying and/or installing eligible security devices whether in their own or a rental home. A further \$200 per household is available for the purchase and installation of electrical and fire safety items. The scheme started on 1 July 2009 and ends on 30 June 2012.

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					
	2010-11 Estimated Actual \$m	2011-12 Budget Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m
PARLIAMENT					
Legislative Assembly	_(a)	-	-	-	-
Parliamentary Services	3.3	0.5	0.5	0.5	0.5
Parliamentary Commissioner for Administrative Investigations	0.3	0.1	0.2	0.2	0.2
PREMIER; MINISTER FOR STATE DEVELOPMENT					
Premier and Cabinet	2.6	1.3	1.6	-	-
Public Sector Commission	0.2	0.1	0.1	0.2	0.2
Gold Corporation	9.3	7.5	7.5	7.5	7.5
Governor's Establishment	0.4	0.8	0.1	0.1	-
Lotteries Commission	5.8	0.6	0.8	0.3	1.4
Salaries and Allowances Tribunal	0.1	-	-	-	-
State Development	45.0	117.8	20.8	_(a)	-
Oakajee Port Project	-	-	339.0	-	-
DEPUTY PREMIER; MINISTER FOR HEALTH; TOURISM					
WA Health	921.5	1,558.1	1,149.4	1,077.9	759.9
Western Australia Health Promotion Foundation	0.1	0.1	0.1	0.1	0.1
Animal Resources Authority	0.2	0.5	0.5	0.5	0.5
Western Australian Tourism Commission	0.5	0.8	0.6	0.6	0.6
Rottnest Island Authority	3.7	3.7	3.7	3.7	3.7
MINISTER FOR MINES AND PETROLEUM; FISHERIES; ELECTORAL AFFAIRS					
Mines and Petroleum	1.2	1.4	1.3	0.9	0.9
Fisheries	13.1	13.6	8.1	4.0	3.3
Western Australian Electoral Commission	0.1	0.1	0.3	0.1	0.1

ASSET INVESTMENT PROGRAM

Table 7.1 (cont.)

	2010-11 Estimated Actual \$m	2011-12 Budget Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m
MINISTER FOR REGIONAL DEVELOPMENT; LANDS; MINISTER ASSISTING THE MINISTER FOR STATE DEVELOPMENT					
Regional Development and Lands	28.1	60.7	126.1	145.3	40.0
<i>Royalties for Regions</i> - Regional and State-wide Initiatives	0.1	27.9	3.1	8.3	-
Great Southern Development Commission	-	0.1	-	-	-
Kimberley Development Commission	_(a)	-	-	-	-
Mid West Development Commission	_(a)	0.7	_(a)	_(a)	_(a)
Peel Development Commission	_(a)	-	-	-	-
Pilbara Development Commission	_(a)	_(a)	_(a)	_(a)	_(a)
South West Development Commission	_(a)	_(a)	0.1	_(a)	_(a)
Wheatbelt Development Commission	0.1	_(a)	_(a)	_(a)	_(a)
Western Australian Land Authority	361.6	369.2	375.1	378.9	359.4
Western Australian Land Information Authority	14.0	15.4	14.1	15.6	19.0
TREASURER; ATTORNEY GENERAL					
Treasury	4.8	7.5	2.7	0.5	0.7
Economic Regulation Authority	0.1	0.1	-	-	-
Insurance Commission of Western Australia	6.0	8.0	3.1	2.7	1.9
Office of the Auditor General	0.7	0.5	0.5	0.6	0.6
Western Australian Treasury Corporation	0.7	1.7	0.5	0.5	0.6
Attorney General	22.4	60.0	71.6	26.9	6.3
Corruption and Crime Commission	4.9	2.8	2.7	10.0	3.0
Commissioner for Equal Opportunity	_(a)	0.1	0.1	0.1	0.1
Office of the Director of Public Prosecutions	0.3	0.1	0.1	0.1	0.1
Parliamentary Inspector of the Corruption and Crime Commission	_(a)	_(a)	-	-	-
Legal Aid Commission of Western Australia	2.9	1.2	1.1	1.1	1.1

Table 7.1 (cont.)

ASSET INVESTMENT PROGRAM					
	2010-11 Estimated Actual \$m	2011-12 Budget Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m
MINISTER FOR EDUCATION					
Education	659.1	849.8	271.0	299.9	188.8
Education Services	0.2	_(a)	_(a)	_(a)	_(a)
Curriculum Council	0.2	0.2	0.2	0.2	0.2
Country High School Hostels Authority	8.0	20.2	20.5	10.5	0.5
MINISTER FOR FINANCE; COMMERCE; SMALL BUSINESS					
Finance	278.4	309.3	177.0	164.1	197.7
Commerce	4.6	6.7	4.6	6.1	1.6
Small Business Development Corporation	0.2	0.2	0.2	0.2	0.2
Registrar, Western Australian Industrial Relations Commission	0.4	0.2	0.2	0.2	0.2
WorkCover WA	1.9	0.8	0.4	0.1	0.1
MINISTER FOR POLICE; EMERGENCY SERVICES; ROAD SAFETY					
Western Australia Police	127.7	137.5	112.1	74.7	43.7
Fire and Emergency Services Authority of Western Australia	43.8	48.3	9.0	16.7	14.2
MINISTER FOR SPORT AND RECREATION; RACING AND GAMING					
Sport and Recreation	4.9	28.3	68.5	32.4	0.6
Western Australian Sports Centre Trust	105.2	96.3	3.7	3.7	3.7
Western Australian Institute of Sport	0.6	0.3	0.4	0.3	0.3
Racing, Gaming and Liquor	0.6	0.1	0.2	0.1	0.3
Racing and Wagering Western Australia	8.4	7.4	12.6	11.5	15.3
Western Australian Greyhound Racing Authority	0.2	0.6	0.6	-	0.1
Burswood Park Board	0.7	0.7	0.8	1.1	1.6
MINISTER FOR PLANNING; CULTURE AND THE ARTS; SCIENCE AND INNOVATION					
Planning	25.9	47.6	6.9	7.5	7.3
Armadale Redevelopment Authority	13.6	26.6	19.5	15.6	15.5
East Perth Redevelopment Authority	21.5	43.0	41.2	22.2	58.0
Midland Redevelopment Authority	14.1	12.3	11.4	9.8	-
Subiaco Redevelopment Authority	20.0	3.3	-	-	-
Western Australian Planning Commission	76.2	118.4	233.1	222.9	108.5
Culture and the Arts	63.5	22.4	11.4	14.9	15.2
Chemistry Centre (W.A.)	2.2	0.6	0.6	0.6	0.6

ASSET INVESTMENT PROGRAM

Table 7.1 (cont.)

	2010-11 Estimated Actual \$m	2011-12 Budget Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m
MINISTER FOR ENERGY; TRAINING AND WORKFORCE DEVELOPMENT; INDIGENOUS AFFAIRS					
Office of Energy	0.3	0.3	0.2	0.2	0.3
Independent Market Operator	6.5	6.6	1.1	0.2	0.4
Horizon Power	150.9	210.1	75.8	29.8	24.2
Synergy	11.6	8.6	7.3	5.5	5.5
Verve Energy	242.2	126.5	48.8	47.4	54.1
Western Power	741.3	838.3	752.3	742.5	776.7
Western Power Provisions ^(b)	-	153.3	235.3	53.4	3.7
Training and Workforce Development	46.2	43.8	53.7	41.3	33.6
State Training Providers	16.0	17.8	20.6	9.9	6.0
Indigenous Affairs	0.4	0.5	0.4	0.5	0.4
MINISTER FOR TRANSPORT; HOUSING					
Transport	28.4	42.6	21.6	10.4	474.7
Commissioner of Main Roads	421.9	646.3	730.7	632.3	217.4
Public Transport Authority of Western Australia	200.9	345.9	488.3	301.0	266.7
Albany Port Authority	5.8	2.8	1.0	1.0	1.0
Broome Port Authority	3.0	3.8	3.7	0.7	1.6
Bunbury Port Authority	5.2	1.5	1.6	2.4	2.4
Dampier Port Authority	5.0	4.4	5.0	5.0	5.0
Esperance Port Authority	9.0	3.0	3.0	3.0	3.0
Fremantle Port Authority	111.0	106.6	53.2	99.3	137.9
Geraldton Port Authority	6.7	4.6	5.4	6.3	2.5
Port Hedland Port Authority	71.9	7.0	7.0	7.0	7.0
Housing Authority	949.6	653.9	496.1	458.1	416.8
Keystart Housing Scheme Trust	1.2	0.7	0.5	0.5	0.5
MINISTER FOR CHILD PROTECTION; COMMUNITY SERVICES; SENIORS AND VOLUNTEERING; WOMEN'S INTERESTS; YOUTH					
Child Protection	35.7	11.8	5.0	1.6	-
Communities	-	1.7	-	-	-

Table 7.1 (cont.)

ASSET INVESTMENT PROGRAM					
	2010-11 Estimated Actual \$m	2011-12 Budget Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m
MINISTER FOR LOCAL GOVERNMENT; HERITAGE; CITIZENSHIP AND MULTICULTURAL INTERESTS					
Local Government	0.1	0.1	0.1	0.1	0.1
Metropolitan Cemeteries Board	7.7	7.6	4.7	7.2	10.5
Heritage Council of Western Australia	-	1.0	0.6	_(a)	_(a)
The National Trust of Australia (W.A.)	1.7	2.2	0.7	0.7	0.7
MINISTER FOR AGRICULTURE AND FOOD; FORESTRY; CORRECTIVE SERVICES					
Agriculture and Food	12.2	18.2	16.3	19.0	56.2
Rural Business Development Corporation	-	-	-	-	-
Western Australian Meat Industry Authority	-	-	-	-	-
Perth Market Authority	1.1	8.2	7.4	0.7	0.7
Forest Products Commission	0.6	0.6	0.6	0.6	0.6
Corrective Services	159.1	154.4	120.4	141.9	108.4
Office of the Inspector of Custodial Services	0.1	0.1	_(a)	_(a)	_(a)
MINISTER FOR ENVIRONMENT; WATER					
Environment and Conservation	25.0	35.1	24.0	23.3	18.4
Botanic Gardens and Parks Authority	3.9	12.0	1.0	1.0	1.0
Office of the Environmental Protection Authority	0.4	0.1	0.1	0.1	0.1
Swan River Trust	0.4	0.1	0.2	0.3	0.1
Zoological Parks Authority	2.8	3.3	5.8	5.8	5.5
Water	21.2	20.1	11.0	13.3	8.7
Water Corporation	958.6	860.7	967.6	892.3	888.8
Bunbury Water Board	6.2	2.4	5.0	4.7	1.5
Busselton Water Board	7.2	5.0	7.7	2.7	2.4

ASSET INVESTMENT PROGRAM

Table 7.1 (cont.)

	2010-11 Estimated Actual \$m	2011-12 Budget Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m
MINISTER FOR MENTAL HEALTH; DISABILITY SERVICES					
Disability Services Commission	2.5	2.9	2.9	2.9	2.8
Provision for Underspend	-250.0	-750.0	-	-	-
Inter-agency Purchases	-32.1	-32.1	-32.1	-49.7	-32.1
TOTAL	6,935.6	7,637.8	7,303.0	6,128.6	5,401.2
<i>Funded by:</i>					
APPROPRIATIONS					
Capital Appropriation	1,877.3	2,352.6	1,344.1	967.9	578.7
OTHER FUNDING					
Holding Account	152.3	214.0	192.0	211.9	193.4
Agency Borrowings	1,465.7	1,546.3	1,930.9	1,217.3	1,255.4
<i>Royalties for Regions</i>	345.5	587.0	553.2	531.1	288.3
Commonwealth Grants	444.1	737.7	644.3	546.2	690.3
Land and Property Sales	369.2	424.4	509.4	601.9	510.8
Internal Funds and Balances	1,556.2	1,017.4	1,550.8	1,399.6	1,423.0
Special Purpose Accounts ^(c)	430.9	633.1	482.2	502.8	397.8
Other	294.3	125.3	96.1	150.0	63.4
TOTAL	6,935.6	7,637.8	7,303.0	6,128.6	5,401.2

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

(b) A provision relates to a number of Western Power Projects and Programs of Work including Customer Access Works, Mid West Energy Project, Replacement of Overhead Customer Service Connections, Distribution Carriers and Bush-fire Mitigation Works, Targeted Reliability Works and Wood Pole Replacement and Reinforcement and Pole Top Replacement with the release of funding subject to Western Power meeting specified criteria.

(c) Funding held at Department of Treasury for Fiona Stanley and New Children's Hospitals.

Note: Columns may not add due to rounding.

Public Corporations – Impact on General Government Revenue and Expenses

The major Government Trading Enterprises (GTEs) or 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.

From 2011-12, the Government will require GTEs to implement an efficiency dividend that will reduce their operating expenditure by 5% each year from 2011-12 to 2014-15.

The flow-through impact of the reduction in operating expenditure is expected to increase the efficiency and profitability of corporations. This increased profitability translates to higher dividend and tax equivalent payments to the general government sector, as well as a reduction in some subsidy payments. As the efficiency savings are still to be implemented at the individual entity level, the estimated impacts have been incorporated into the budget forward estimates at a global level.

Following implementation by the respective Boards of the entities and a report back to the Government, a detailed breakdown of the savings and adjustments to individual corporation financial parameters will be included in the 2011-12 Mid-year Review.

Revenue from public corporations in 2011-12 is estimated to be \$1.1 billion, an increase of \$93 million (or 8.9%) from 2010-11. It comprises \$437 million in income tax equivalent payments, \$13 million in local government rate equivalent payments, and \$699 million in dividend payments, and includes the impact of the efficiency dividend to be implemented in 2011-12.

The increase in revenue in 2011-12 is largely a result of projected increases in payments from Verve Energy, Western Power, the Western Australian Treasury Corporation, the Insurance Commission of Western Australia and the Fremantle Port Authority, partially offset by a projected decrease in payments from Synergy, the Water Corporation, and the Western Australian Land Authority (LandCorp).

In this regard:

- the forecast increase in payments to Government from Verve Energy are due to increased prices under contracts for sale of electricity, lower production costs due to new coal supply arrangements, and lower interest costs as a result of repayment of debt. Verve Energy is also forecasting income tax equivalent payments from 2011-12 as it expects to utilise its accumulated deferred tax losses in this year;
- the forecast increase in payments to Government from Western Power is a result of lower operating expenses compared to network tariff revenue set by the Economic Regulation Authority (ERA) under the second Access Arrangement;
- the projected increase in the Western Australian Treasury Corporation's dividend for 2011-12 (from \$3.1 million to \$5.9 million) reflects revised profitability, driven mainly by lower funding costs and higher levels of borrowings by clients;
- the increase in income tax equivalent revenue in 2011-12 from the Insurance Commission of Western Australia is due to deferred tax losses being extinguished and a forecast improvement in profitability;
- the increase in income tax equivalent revenue from the Fremantle Port Authority in 2011-12 is mainly due to tax associated with customer contributions for upgrades to bulk business facilities;
- Synergy's payments to Government are forecast to reduce between 2010-11 and 2011-12 due to lower margins in its electricity and gas business, and higher operating costs in relation to customer service demands;
- the decrease in the Water Corporation's income tax equivalent and dividend revenue in 2011-12 is attributable to higher operating expenditure and reduced growth forecasts for the year; and
- the decrease in income tax equivalent revenue in 2011-12 from LandCorp is mainly due to lower margins associated with a higher percentage of overall land sales being based on regional projects.

A detailed listing of revenue received from individual public corporations and information on dividend payout ratios are provided later in the appendix (see Table 8.4 and 8.5).

There are also significant payments from the general government sector to public corporations. Such payments include operating subsidies for non-commercial services provided by public corporations on behalf of the 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 8.6.

Electricity Tariffs

Budget Planning Assumptions

The Government has approved the following increases to electricity tariffs from 1 July 2011:

- residential tariffs – 5%;
- small business tariffs – 5%; and
- other business tariffs – 9% to 30%, depending on the tariff.

Despite these increases, the majority of electricity tariffs are still below the cost of production and supply. In this regard, even after these increases, the Government is expecting to provide an operating subsidy to Synergy and Horizon Power (to compensate these corporations for below-cost reflective tariffs) of \$366.4 million in 2011-12, with a further subsidy estimated at \$697.6 million over the outyears, assuming the tariff increases outlined in Table 8.1.

The following tables detail the assumed electricity tariff paths reflected in the 2011-12 Budget and forward estimates. They are based on assumptions around the cost of producing and supplying electricity. Risks around the future costs of electricity production include:

- the Commonwealth Government's proposed carbon tax, which has not been included in the assumptions;
- network costs for 2012-13 onwards are still to be determined by the ERA and therefore are subject to change; and
- fuel costs are likely to change as current long-term contracts expire.

In addition, the Government has not explicitly taken decisions on electricity tariff increases beyond 2011-12. 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 2012-13 onwards represent budget planning assumptions only.

Table 8.1

ASSUMED NON-CONTESTABLE TARIFF GLIDE PATH

Tariff	2011-12	2012-13	2013-14	2014-15
Residential (A1/A2)	5.0%	5.0%	12.0%	12.0%
Residential Hot Water (B1)	5.0%	5.0%	12.0%	7.8%
Community and Charitable Organisations (C1/C2)	5.0%	5.0%	12.0%	12.0%
Charitable Organisation providing Residential Accommodation (D1/D2)	5.0%	5.0%	12.0%	12.0%
Combined Residential/Business (K1/K2)	5.0%	5.0%	12.0%	12.0%
Small Business (L1/L2)	5.0%	5.0%	12.0%	12.0%
Small Business Time of Use (R1)	5.0%	5.0%	12.0%	12.0%

ASSUMED CONTESTABLE TARIFF GLIDE PATH

Tariff	2011-12	2012-13	2013-14	2014-15
Medium Business (L3/L4)	29.8%	6.7%	1.9%	6.8%
Medium Business Time of Use (R3)	19.7%	2.9%	1.2%	5.6%
Large Business (M1/M2)	19.6%	3.2%	4.7%	6.2%
Large Business Low Voltage (S1)	12.5%	3.9%	1.0%	5.6%
Large Business High Voltage (T1)	13.9%	5.1%	0.7%	5.5%
Traffic Lighting (W1/W2)	9.3%	9.1%	2.5%	5.1%
Street Lighting (Z)	29.8%	-4.7%	7.9%	7.4%

Efficiency Dividend

From 2011-12, GTEs will be required to implement an efficiency dividend that will reduce their operating expenditure by 5% each year from 2011-12 to 2014-15. Where efficiency dividends already apply (such as the Water Corporation), the reduction in expenditure will be adjusted to total a net 5%.

The focus of savings will be on discretionary operating expenditure, including salary and wages, advertising and promotions, consultants, administration, and other consumables.

In order to ensure genuine efficiency improvements, the Government will require that expenditure reductions do not result in a reduction in the quality or quantity of services provided.

The flow-through impact of the reduction in operating expenditure is expected to increase the efficiency and profitability of the corporations. This increased profitability translates to higher dividend and tax equivalent payments to the general government sector, as well as a reduction in subsidy payments (such as payments to the Public Transport Authority to cover operating losses). Table 8.2 shows the estimated impact of the efficiency dividend on the general government net operating balance.

Table 8.2

EFFICIENCY DIVIDEND – ESTIMATED IMPACT ON GENERAL GOVERNMENT NET OPERATING BALANCE

	2011-12 Budget Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
Income tax expense	30,545	32,253	34,002	33,696
Dividends	-	46,205	48,635	51,208
Reduction in subsidies	18,804	19,105	20,903	21,342
Total	49,349	97,563	103,540	106,246

In addition to the above impacts, the efficiency dividend is anticipated to result in reduced borrowings and/or higher cash balances among public corporations. This will result in an estimated reduction in total public sector net debt of \$515.1 million over the forward estimates period. Table 8.3 below details the estimated reduction in net debt by each corporation.

Table 8.3

**EFFICIENCY DIVIDEND – ESTIMATED IMPACT ON TOTAL PUBLIC
SECTOR NET DEBT**

	2011-12	2012-13	2013-14	2014-15	Net debt saving by 30 June 2015
	\$m	\$m	\$m	\$m	\$m
Albany Port Authority	0.3	0.3	0.3	0.3	1.1
Broome Port Authority	0.6	0.6	0.6	0.7	2.5
Bunbury Port Authority	0.4	0.4	0.5	0.5	1.7
Bunbury Water Board	0.2	0.2	0.2	0.2	0.8
Busselton Water Board	0.2	0.2	0.2	0.2	0.5
Dampier Port Authority	1.0	1.0	1.1	0.9	4.0
Esperance Port Authority	1.3	1.4	1.5	1.5	5.6
Forest Products Commission	1.3	1.1	1.1	0.9	4.4
Fremantle Port Authority	4.5	5.1	5.5	5.5	20.6
Geraldton Port Authority	2.0	1.9	1.9	1.9	7.6
Gold Corporation	3.6	3.7	3.9	4.0	15.1
Government Employees Superannuation Board (GESB) ^(a)	-	-	-	-	-
Horizon Power	6.2	7.0	7.3	7.5	28.0
Housing Authority ^(b)	12.4	12.2	13.8	14.1	52.5
Insurance Commission of Western Australia	5.1	5.7	6.2	6.0	22.9
Western Australian Land Authority	2.1	2.2	2.3	2.4	9.0
Western Australian Land Information Authority ^(b)	2.3	2.2	2.3	2.4	9.2
Perth Market Authority	0.2	0.2	0.2	0.2	0.9
Port Hedland Port Authority	4.4	4.8	5.2	5.7	20.0
Public Transport Authority ^(b)	6.4	6.9	7.1	7.3	27.7
Synergy	4.5	4.4	4.6	4.6	18.2
Verve Energy	14.4	15.2	18.2	15.2	63.0
Water Corporation ^(c)	20.8	21.9	22.9	23.5	89.1
Western Australian Treasury Corporation	0.9	0.9	1.0	1.0	3.8
Western Power	25.6	26.8	26.5	27.3	106.3
Total	120.6	126.6	134.2	133.7	515.1

(a) The efficiency dividend on GESB is estimated at approximately \$2.9 million per annum. However, as GESB does not form part of the State's consolidated public sector, this will not be reflected in lower public sector net debt outcomes.

(b) An incremental efficiency dividend applies to these agencies to bring the total rate to 5%, in recognition of application of the Government's previous 3% efficiency dividend.

(c) An incremental efficiency dividend applies to the Water Corporation in recognition that it already adopts a yearly 2% efficiency dividend via the Economic Regulation Authority's review of tariffs and associated price path.

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

Table 8.4

REVENUE TO GOVERNMENT FROM PUBLIC CORPORATIONS

Details of Payment	2010-11 Estimated Actual \$'000	2011-12 Budget Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
Horizon Power					
Income tax expense	19,837	26,141	19,788	18,399	18,186
Local Government Rates expense	123	130	141	156	177
Dividends	-	20,399	49,887	43,044	44,430
<i>Subtotal</i>	<i>19,960</i>	<i>46,670</i>	<i>69,816</i>	<i>61,599</i>	<i>62,793</i>
Synergy					
Income tax expense	23,749	18,646	22,114	27,890	22,495
Dividends	73,291	41,560	32,630	38,699	48,807
<i>Subtotal</i>	<i>97,040</i>	<i>60,206</i>	<i>54,744</i>	<i>66,589</i>	<i>71,302</i>
Verve Energy					
Income tax expense	-	20,200	88,900	97,900	101,300
Local Government Rates expense	501	501	501	501	501
Dividends	63,398	102,602	56,824	115,452	128,246
<i>Subtotal</i>	<i>63,899</i>	<i>123,303</i>	<i>146,225</i>	<i>213,853</i>	<i>230,047</i>
Western Power					
Income tax expense	6,143	40,681	84,347	113,387	140,707
Local Government Rates expense	1,105	1,133	1,161	1,190	1,220
Dividends	63,236	79,956	114,402	180,692	225,774
<i>Subtotal</i>	<i>70,484</i>	<i>121,770</i>	<i>199,910</i>	<i>295,269</i>	<i>367,701</i>
Water Corporation					
Income tax expense	207,279	205,255	230,100	274,505	310,297
Local Government Rates expense	4,049	4,701	4,854	5,012	5,174
Dividends	415,156	371,252	413,794	489,605	569,002
<i>Subtotal</i>	<i>626,484</i>	<i>581,208</i>	<i>648,748</i>	<i>769,122</i>	<i>884,473</i>
Bunbury Water Board					
Income tax expense	327	551	663	606	652
<i>Subtotal</i>	<i>327</i>	<i>551</i>	<i>663</i>	<i>606</i>	<i>652</i>
Busselton Water Board					
Income tax expense	1,065	1,073	1,129	1,123	1,216
<i>Subtotal</i>	<i>1,065</i>	<i>1,073</i>	<i>1,129</i>	<i>1,123</i>	<i>1,216</i>
Western Australian Land Authority (LandCorp)					
Income tax expense	45,946	31,624	49,533	52,993	42,332
Local Government Rates expense	3,578	4,524	4,839	4,874	4,350
Dividends	31,096	31,096	31,096	49,440	30,540
<i>Subtotal</i>	<i>80,620</i>	<i>67,244</i>	<i>85,468</i>	<i>107,307</i>	<i>77,222</i>

Table 8.4 (cont.)

REVENUE TO GOVERNMENT FROM PUBLIC CORPORATIONS

Details of Payment	2010-11 Estimated Actual \$'000	2011-12 Budget Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
Albany Port Authority					
Income tax expense	1,938	2,038	2,202	1,836	1,836
Local Government Rates expense	104	108	120	120	120
Dividends	1,988	2,331	2,452	2,652	2,652
<i>Subtotal</i>	<i>4,030</i>	<i>4,477</i>	<i>4,774</i>	<i>4,608</i>	<i>4,608</i>
Broome Port Authority					
Income tax expense	337	169	444	421	503
Local Government Rates expense	34	35	37	38	39
Dividends	692	140	656	699	665
<i>Subtotal</i>	<i>1,063</i>	<i>344</i>	<i>1,137</i>	<i>1,158</i>	<i>1,207</i>
Bunbury Port Authority					
Income tax expense	2,420	2,418	2,413	2,872	2,872
Local Government Rates expense	220	220	220	220	220
Dividends	3,670	3,667	3,660	4,355	4,355
<i>Subtotal</i>	<i>6,310</i>	<i>6,305</i>	<i>6,293</i>	<i>7,447</i>	<i>7,447</i>
Dampier Port Authority					
Income tax expense	3,185	3,490	4,070	4,167	4,004
Local Government Rates expense	110	110	110	110	110
Dividends	3,716	4,072	4,748	4,861	4,672
<i>Subtotal</i>	<i>7,011</i>	<i>7,672</i>	<i>8,928</i>	<i>9,138</i>	<i>8,786</i>
Esperance Port Authority					
Income tax expense	484	-	96	785	785
Local Government Rates expense	330	335	335	340	340
Dividends	96	429	96	96	96
<i>Subtotal</i>	<i>910</i>	<i>764</i>	<i>527</i>	<i>1,221</i>	<i>1,221</i>
Fremantle Port Authority					
Income tax expense	3,481	12,976	4,722	4,947	5,677
Local Government Rates expense	354	372	390	410	430
Dividends	9,532	4,591	4,602	6,498	6,845
<i>Subtotal</i>	<i>13,367</i>	<i>17,939</i>	<i>9,714</i>	<i>11,855</i>	<i>12,952</i>
Geraldton Port Authority					
Income tax expense	9,190	9,190	9,190	9,190	9,190
Local Government Rates expense	160	160	160	160	160
Dividends	17,603	17,493	18,960	18,960	18,960
<i>Subtotal</i>	<i>26,953</i>	<i>26,843</i>	<i>28,310</i>	<i>28,310</i>	<i>28,310</i>
Port Hedland Port Authority					
Income tax expense	6,646	3,601	15,538	18,442	24,985
Local Government Rates expense	243	220	231	243	255
Dividends	-	1,117	5,462	23,566	27,971
<i>Subtotal</i>	<i>6,889</i>	<i>4,938</i>	<i>21,231</i>	<i>42,251</i>	<i>53,211</i>

Table 8.4 (cont.)

REVENUE TO GOVERNMENT FROM PUBLIC CORPORATIONS

Details of Payment	2010-11 Estimated Actual \$'000	2011-12 Budget Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
Gold Corporation					
Income tax expense	6,006	7,666	8,143	8,497	8,766
Local Government Rates expense	110	115	120	125	130
Dividends	9,772	10,511	13,416	14,251	14,869
<i>Subtotal</i>	<u>15,888</u>	<u>18,292</u>	<u>21,679</u>	<u>22,873</u>	<u>23,765</u>
Western Australian Treasury Corporation					
Income tax expense	3,918	3,617	4,168	4,241	4,117
Dividends	3,080	5,943	5,485	6,322	6,432
<i>Subtotal</i>	<u>6,998</u>	<u>9,560</u>	<u>9,653</u>	<u>10,563</u>	<u>10,549</u>
Insurance Commission of Western Australia					
Income tax expense	5,953	17,543	26,627	31,486	34,619
<i>Subtotal</i>	<u>5,953</u>	<u>17,543</u>	<u>26,627</u>	<u>31,486</u>	<u>34,619</u>
Forest Products Commission					
Dividends	-	1,500	2,000	2,000	2,000
<i>Subtotal</i>	<u>-</u>	<u>1,500</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
Subtotal Amounts					
Income tax expense	347,904	406,879	574,187	673,687	734,539
Local Government Rates expense	11,021	12,664	13,219	13,499	13,226
Dividends	696,326	698,659	760,170	1,001,192	1,136,316
<i>Subtotal</i>	<u>1,055,251</u>	<u>1,118,202</u>	<u>1,347,576</u>	<u>1,688,378</u>	<u>1,884,081</u>
Efficiency Dividend Estimated Impact ^(a)					
Income tax expense	-	30,545	32,253	34,002	33,696
Dividends	-	-	46,205	48,635	51,208
<i>Subtotal</i>	<u>-</u>	<u>30,545</u>	<u>78,458</u>	<u>82,637</u>	<u>84,904</u>
Total	<u>1,055,251</u>	<u>1,148,747</u>	<u>1,426,034</u>	<u>1,771,015</u>	<u>1,968,985</u>

(a) Excludes reductions in operating subsidies.

Note: Columns may not add due to rounding.

The following table summarises the dividend payout ratios for the public corporations.

Table 8.5

REVENUE FROM PUBLIC CORPORATIONS
Dividend Payout Ratios

	2010-11	2011-12	2012-13	2013-14	2014-15
	%	%	%	%	%
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 ^(a)	85	85	85	85	85
Western Australian Land Authority (LandCorp) ^(b)	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 ^(c)	65	65	65	65	65

(a) The after-tax value of handover assets from developers is excluded from the calculation of the Water Corporation's dividend payments.

(b) Adjusted for the need to maintain adequate land stocks.

(c) Adjusted for native forest (natural resource asset) revaluations.

Table 8.6

EXPENSES FROM GOVERNMENT TO PUBLIC CORPORATIONS

Details of Payment	Funding Department	2010-11 Estimated Actual \$'000	2011-12 Budget Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
Horizon Power						
<i>Operating Subsidies</i>						
Aboriginal and Remote Communities Project – Stage 1	Treasury	9,900	9,739	9,827	10,151	10,547
Aboriginal and Remote Communities Project – Stage 2	Treasury	1,724	5,313	5,133	5,247	5,260
Air Conditioning Allowance (North of 26 th Parallel)	Treasury	366	384	403	452	506
Coral Bay Electricity Supply	Treasury	2,310	2,246	2,267	2,414	2,591
Dependent Child Rebate	Treasury	329	346	363	406	455
Energy Rebate	Treasury	565	594	623	697	781
Feed-In-Tariff	Treasury	36	38	40	41	43
Tariff Adjustment Payment – Operating Subsidy	Treasury	11,218	16,928	27,706	17,375	9,529
Tariff Migration – Movement to L2 and A2 Tariff	Treasury	6,666	3,283	2,425	2,227	1,187
<i>Subtotal</i>		<u>33,114</u>	<u>38,871</u>	<u>48,787</u>	<u>39,010</u>	<u>30,899</u>
Synergy						
<i>Operating Subsidies</i>						
Air Conditioning Allowance (North of 26 th Parallel)	Treasury	88	95	105	122	143
Charitable Organisation Rebate	Treasury	1,216	1,488	1,572	1,667	1,761
Dependent Child Rebate	Treasury	11,640	12,584	13,606	15,669	18,050
Energy Rebate	Treasury	36,396	39,956	43,106	49,464	56,791
Feed-In-Tariff	Treasury	13,000	24,000	29,800	30,300	30,300
Tariff Adjustment Payment – Operating Subsidy	Treasury	282,883	349,633	346,460	194,593	101,941
<i>Other subsidies</i>						
Hardship Package – Energy Efficiency Scheme	OoE ^(a)	4,340	11,410	13,575	11,235	13,835
<i>Subtotal</i>		<u>349,563</u>	<u>439,166</u>	<u>448,224</u>	<u>303,050</u>	<u>222,821</u>
Western Power						
<i>Other subsidies</i>						
State Underground Power Program	OoE ^(a)	4,820	9,820	9,820	4,820	-
<i>Subtotal</i>		<u>4,820</u>	<u>9,820</u>	<u>9,820</u>	<u>4,820</u>	<u>-</u>

Table 8.6 (cont.)

EXPENSES FROM GOVERNMENT TO PUBLIC CORPORATIONS						
Details of Payment	Funding Department	2010-11 Estimated Actual \$'000	2011-12 Budget Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
Water Corporation						
<i>Operating Subsidies</i>						
Country Water, Sewerage and Drainage Operations	Treasury	324,971	299,596	288,255	289,208	306,461
Infill Sewerage Program	Treasury	42,899	39,835	40,962	43,202	45,428
Pensioner and Senior Concessions	Treasury	111,776	112,811	120,668	131,384	140,607
Rural Irrigation Schemes	Treasury	12,665	11,748	11,804	11,981	12,157
<i>Other subsidies</i>						
Burrup Water Supply System	DSD ^(b)	8,482	8,694	8,694	8,694	8,694
Port Hedland Waste Water Treatment Plant – <i>Royalties for Regions</i>	Treasury	-	5,000	18,000	19,000	-
Reimbursement of Land Sales	Treasury	200	200	200	200	200
Statewide Water Efficiency Measures	Water	262	262	262	262	262
<i>Subtotal</i>		<u>501,255</u>	<u>478,146</u>	<u>488,845</u>	<u>503,931</u>	<u>513,809</u>
Western Australian Land Authority (LandCorp)						
<i>Operating Subsidies</i>						
Australian Marine Complex – Rate of Return Stage 1 and 2	Treasury	18,985	18,985	18,985	18,985	18,985
Australian Marine Complex Technology Precinct	Treasury	324	334	344	355	366
Bunbury Timber Jetty – Rate of Return	Treasury	-	329	329	-	-
Collie – Shotts Industrial Park	Treasury	-	4,600	-	-	-
Collie – Shotts Industrial Park – Infrastructure Upgrades	Treasury	1,108	11,642	1,352	363	188
Forrestdale – Rate of Return (Armadale Redevelopment Authority)	Treasury	200	-	-	-	-
Halls Creek Residential Land Requirements	Treasury	2,900	4,400	-	-	-
Hope Valley/Wattleup Redevelopment – Land Acquisition	Treasury	6,610	6,625	6,640	6,655	6,670
Kalgoorlie North West Sector	Treasury	-	3,500	-	-	-
Karratha/Burrup Service Corridor	Treasury	2,316	2,316	2,316	2,316	2,316
Kemerton Core – Land Acquisition	Treasury	-	1,977	-	-	-
Kwinana Land – Holding Costs	Treasury	1,159	1,194	1,229	1,266	1,304
Strategic Asset Management	Treasury	1,000	1,000	1,000	1,000	1,000
Townsite Development Program	Treasury	4,000	4,000	4,000	4,000	4,000
<i>Other subsidies</i>						
Carnarvon Waterfront Development Planning Project – <i>Royalties for Regions</i>	Treasury	-	1,000	-	-	-
Karratha Service Workers Accommodation – <i>Royalties for Regions</i>	Treasury	28,400	-	-	-	-
North West Planning Program	RDL ^(c)	1,000	500	-	-	-
Perth Waterfront Project – Planning	WA PC ^(d)	600	-	-	-	-
Project Ready Heavy Use Industrial Land	DSD ^(b)	865	250	1,250	-	-
Rockingham Kwinana Development Office	Planning	-	200	200	-	-
South Hedland Town Centre Revitalisation – <i>Royalties for Regions</i>	Treasury	15,495	-	-	-	-
<i>Subtotal</i>		<u>84,962</u>	<u>62,852</u>	<u>37,645</u>	<u>34,940</u>	<u>34,829</u>

EXPENSES FROM GOVERNMENT TO PUBLIC CORPORATIONS

Table 8.6 (cont.)

Details of Payment	Funding Department	2010-11 Estimated Actual \$'000	2011-12 Budget Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
Armadale Redevelopment Authority						
<i>Operating subsidies</i>						
Administration and Operating Costs	Treasury	1,250	1,250	-	-	-
Wungong Developer Contribution Scheme – Management Costs	Treasury	560	580	-	-	-
<i>Other subsidies</i>						
Champion Lakes – Development Officer and Program Costs	DSR ^(e)	50	-	-	-	-
<i>Subtotal</i>		<u>1,860</u>	<u>1,830</u>	<u>-</u>	<u>-</u>	<u>-</u>
Broome Port Authority						
<i>Other subsidies</i>						
Jetty Extension – Subsidy	Treasury	360	342	324	-	-
<i>Subtotal</i>		<u>360</u>	<u>342</u>	<u>324</u>	<u>-</u>	<u>-</u>
Bunbury Port Authority						
<i>Other subsidies</i>						
Casting Basin Loan – Interest Costs	DSD ^(b)	95	95	95	95	95
<i>Subtotal</i>		<u>95</u>	<u>95</u>	<u>95</u>	<u>95</u>	<u>95</u>
Dampier Port Authority						
<i>Other subsidies</i>						
Burrup Port Infrastructure – Subsidy	DSD ^(b)	7,708	9,113	9,113	9,113	9,113
<i>Subtotal</i>		<u>7,708</u>	<u>9,113</u>	<u>9,113</u>	<u>9,113</u>	<u>9,113</u>
Public Transport Authority						
<i>Other subsidies</i>						
“Orange” School Bus Initiative – <i>Royalties for Regions</i>	Treasury	3,296	2,619	2,273	2,692	-
Total Appropriations Provided to Deliver Services	Treasury	733,859	811,130	871,219	940,089	1,013,851
<i>Subtotal</i>		<u>737,155</u>	<u>813,749</u>	<u>873,492</u>	<u>942,781</u>	<u>1,013,851</u>
Forest Products Commission						
<i>Operating Subsidies</i>						
Debt Servicing Costs	Treasury	2,004	-	-	-	-
<i>Subtotal</i>		<u>2,004</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Subtotal Agencies</i>		<u>1,722,896</u>	<u>1,853,984</u>	<u>1,916,345</u>	<u>1,837,740</u>	<u>1,825,417</u>

Table 8.6 (cont.)

EXPENSES FROM GOVERNMENT TO PUBLIC CORPORATIONS

Details of Payment	Funding Department	2010-11 Estimated Actual \$'000	2011-12 Budget Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000
Efficiency Dividend						
<i>Operating Subsidies</i>						
Estimated impact on general government net operating balance	Treasury	-	-18,804	-19,105	-20,903	-21,342
<i>Subtotal</i>		-	-18,804	-19,105	-20,903	-21,342
Total		1,722,896	1,835,180	1,897,240	1,816,837	1,804,075

- (a) Office of Energy
- (b) Department of State Development
- (c) Department of Regional Development and Lands
- (d) Western Australian Planning Commission
- (e) Department of Sport and Recreation

Note: Columns may not add due to rounding.

Tariffs, Fees and Charges

For a number of years, the Department of Treasury has produced 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 ‘representative’ household model is not used 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 (ESL).

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 2011-12.

Table 9.1

**ESTIMATED IMPACT ON THE STANDARD 'REPRESENTATIVE'
HOUSEHOLD**

	2010-11 \$ level	% change	\$ change	2011-12 \$ level
Motor Vehicles				
Motor vehicle licence fee ^(a)	\$213.92	2.88%	\$6.16	\$220.08
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>\$545.18</i>	<i>1.13%</i>	<i>\$6.16</i>	<i>\$551.34</i>
Utility Charges ^(c)				
Electricity	\$1,442.90	5.00%	\$72.14	\$1,515.05
Water, Sewerage and Drainage	\$1,156.74	8.50%	\$97.86	\$1,254.60
<i>Total</i>	<i>\$2,599.64</i>	<i>6.54%</i>	<i>\$170.00</i>	<i>\$2,769.65</i>
Public Transport				
Student fares	\$260.00	0.00%	\$0.00	\$260.00
Full fares (2 zones)	\$721.50	2.70%	\$19.50	\$741.00
<i>Total</i>	<i>\$981.50</i>	<i>1.99%</i>	<i>\$19.50</i>	<i>\$1,001.00</i>
Emergency Services Levy ^(d)	<i>\$179.00</i>	<i>5.59%</i>	<i>\$10.00</i>	<i>\$189.00</i>
Stamp Duty				
Stamp duty on general insurance	\$138.27	0.00%	\$0.00	\$138.27
Stamp duty on CTP insurance	\$24.50	0.00%	\$0.00	\$24.50
<i>Total</i>	<i>\$162.77</i>	<i>0.00%</i>	<i>\$0.00</i>	<i>\$162.77</i>
Total Expenditure (Nominal)	\$4,468.10	4.60%	\$205.66	\$4,673.76

(a) The effective increase in motor vehicle licence expenditure for the 'representative' household is 2.88% taking into account the \$67 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 (ESL) on household charges is to be confirmed by the Fire and Emergency Services Authority in June 2011, after property valuation data is finalised. A shift in the ESL impact may eventuate as a result of movements in the Perth property market and the triennial revaluation of the metropolitan area by Landgate which will take effect on 1 July 2011.

Note: Columns may not add due to rounding.

On the basis of the assumptions below and the 2011-12 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 \$4,673.76. This represents an increase of \$205.66 (or 4.60%) on 2010-11 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:
 - 6,259 kW hours of electricity per annum, based on the 2009-10 average level of consumption for a household provided by Synergy; and

- 270 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 10 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 1,600 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 ESL 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 2009 to September 2010). For the 2011-12 Budget, the reference rate of inflation is 3.0%.

Discussion

Residential electricity tariffs will increase by 5.0% from 1 July 2011. Based on the 2009-10 average level of consumption of 6,259 kW hours of electricity, it is estimated that household electricity charges will total \$1,515.05 in 2011-12. This is a \$72.14 (or 5.0%) increase on 2010-11.

For budget planning purposes, residential electricity tariffs are assumed to increase by a further 5% in 2012-13 and by 12% in each of 2013-14 and 2014-15. The Government will make decisions on the actual level of tariffs to apply from 2012-13 onwards in subsequent budgets.

For the full range of services provided by the Water Corporation to the 'representative' household, charges will increase by 8.5% in 2011-12. This comprises an increase in water charges of \$67.26 (or 13.9%), sewerage charges of \$28.00 (or 4.8%), and drainage charges of \$2.60 (or 2.9%). With respect to water pricing, the Government has endorsed an approach that is broadly consistent with the Economic Regulation Authority's recommendations, with slight changes to residential water tariffs and the annual service charge.

Transperth standard fares will increase by the reference rate of inflation, rounded to the nearest 10 cents, and concession fares will remain at 40% of the full adult fare.

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 \$65.00 to \$67.00).

It is estimated that the average metropolitan residential ESL will increase by \$10.00 (or 5.6%), with the actual impact to be confirmed in June 2011 after property valuation data is finalised. A shift in the ESL impacts may eventuate as a result of movements in the Perth property market and the triennial revaluation of the metropolitan area by Landgate which will take effect on 1 July 2011.

Fees and charges that remain unchanged in 2011-12 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 (3.0%).

Department of Education Services

Various accreditation, registration and re-registration fees for education courses in both the Higher Education and International Education sectors will increase by between 5.2% to 5.6%. For accreditation of higher education courses, increases will range between \$230.00 and \$365.00 per course while authorisations of higher education courses will increase by between \$190.00 and \$400.00.

Department of Environment and Conservation

Existing fees associated with parks and other land uses will rise by between \$1.00 and \$3.00 for concession and family entry respectively.

In addition Perth observatory star viewing and day guided tour fees will increase by between \$1.50 and \$3.00, for individual entry while star adoption will increase by \$15.00 or (5.6%).

Department of Fisheries

Various transaction-based licence, application, annual, authorisation and transfer fees will increase by between 5.0% and 6.1%.

¹ This section provides commentary on several key changes but does not cover all tariffs, fees and charges increases.

Department of Health

Existing hospital service fees will increase by 6.7% to maintain consistency with the Health Cost Index for Western Australian Hospital Patients Fees and Charges, with the exception that compensable ventilated dependant and ineligible patient rates are not fully recovered.

Department of Mines and Petroleum

Mine Safety and Inspection fees will increase from \$0.125 to \$0.180 per hour worked, to maintain cost recovery.

Department of Racing, Gaming and Liquor

A new fee of \$140.00 per application will be introduced for the background checks that the Department of Racing, Gaming and Liquor seeks from the Western Australia Police for each party to the application for a protection order under the *Liquor Control Act 1988*.

Department of Sport and Recreation

New recreational camp fees will be introduced to allow the private sector to conduct industry training and service delivery at the camps on a fee for service basis. In addition, various existing fees will rise to ensure camps are competitively neutral vis a vis private operators.

Rottnest Island Authority

Two new fees will be introduced to meet the administrative cost of providing services:

- a boat mooring licence transfer fee at \$250.00 per transfer; and
- a lost mooring sticker replacement fee at \$20.00 per replacement.

In addition, the existing aerodrome usage fees 'per landing' are to increase by \$16.50 and the 'annual fee' by \$13.00, to reflect the inclusion of the Rottnest Island Admission Fee into air visitors' Island entry charge.

Western Australian Land Information Authority

To maintain current service levels and recover costs the following fees will increase:

- document registration: \$135.00 to \$160.00;
- search activity: \$19.00 to \$24.00;
- production fee: \$67.50 to \$80.00;
- plan lodgement – general fee: \$213.00 to \$227.00; and
- plan lodgement – lot fee: \$58.00 to \$62.00.

Western Australian Planning Commission

Various land development application and development fees will rise by between \$3.00 and \$104.10 (10%) to move towards cost recovery.

Western Australian Sports Centre Trust

New sports and recreation equipment and facility hire fees will be introduced on 1 July 2011. In addition, a new \$2.00 per person entry fee for Water Polo spectators will be introduced from 1 July 2011.

Western Australia Police

Various existing Police service and administration fees will increase by between 3.4% and 8.0% to maintain or move towards cost recovery.

Zoological Parks Authority

Entry fees to Perth Zoo will increase by 5.0% in 2011-12 to keep pace with increasing costs. The entry fee for an adult will rise from \$21.00 to \$22.00 from 1 July 2011.

