



2012-13

# Budget

**Economic and  
Fiscal Outlook**

Budget Paper No. 3

Presented to the Legislative Assembly on 17 May 2012





# **2012-13 BUDGET**

## **ECONOMIC AND FISCAL OUTLOOK**

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ON 17 MAY 2012**

**2012-13 Economic and Fiscal Outlook**

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For further information please contact:

Department of Treasury  
Locked Bag 11 Cloisters Square WA 6850  
Telephone: +61 8 6551 2777  
Facsimile: +61 8 6551 2500  
Email: [info@treasury.wa.gov.au](mailto:info@treasury.wa.gov.au)  
Website: <http://ourstatebudget.wa.gov.au>

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## 2012-13 BUDGET

### ECONOMIC AND FISCAL OUTLOOK

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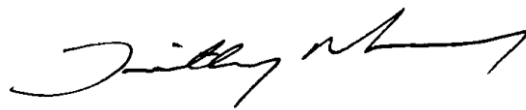




# Under Treasurer's Certification

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 7 May 2012 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 7 May 2012.



Timothy Marney  
UNDER TREASURER

17 May 2012



# Overview

## HIGHLIGHTS

- The Western Australian economy is the strongest in the nation and supporting growth of the nation as a whole.
- Revenue growth is subdued. While the economy is growing well above average, revenue growth is just over half the average of the past decade.
- Western Australia's share of the national GST pool has fallen dramatically and highlights a system in desperate need of reform.
- This budget reprioritises expenditure to the Government's key priority areas and new initiatives.
- The budget is in surplus and net debt is lower than previously estimated at mid-year review and now forecast to peak in 2014-15.
- The State's financial settings remain sound and in line with a triple-A credit rating.

Western Australia's economic performance is the strongest in the nation. Economic growth in the current financial year is now estimated to be 6%, and growth of 4.75% is forecast for 2012-13. Unfortunately however, while economic growth is expected to remain above average, revenue growth is expected to average just 4.8% over the period 2011-12 to 2015-16, which is just over half the average of 8.4% over the past decade.

Business investment is expected to make a major contribution to growth in domestic demand over 2011-12 and 2012-13, resulting in strong labour demand and population growth. Higher export volumes are then expected to drive growth during 2012-13 and over the forward estimates.

Despite the robust economic outlook, the State's revenue outlook is relatively subdued. This reflects the fact that a significant amount of the investment that is driving economic growth is concentrated in areas not covered directly by the State's revenue base. In particular, Western Australia receives limited revenue benefits during the construction of major resource projects and, once operational, the revenue from massive LNG projects such as Pluto, Gorgon and Wheatstone will be collected by the Commonwealth Government under its Petroleum Resource Rent Tax regime.

In addition, Western Australia's share of GST payments is forecast to decline substantially over coming years, and weak household consumption in other States has contributed to lower national GST collections. The State will receive only 55% of its population share of GST revenue in 2012-13. Relative to 2011-12, GST grants are expected to be \$662 million (or 19.2%) lower in 2012-13.

Western Australia's share of GST revenue is expected to decline further to only 25% of its population share by 2015-16. As a result, over the five years to 2015-16, Western Australia's GST grants are expected to be a total of \$15.3 billion less than if the State received its full population share. This outcome is not sustainable, and the Government is continuing to vigorously pursue the implementation of a more equitable GST share.

The 2012-13 Budget therefore contains a new round of savings measures that will provide flexibility for the Government to reprioritise services and implement new initiatives. This will enable the Government to deliver on key financial targets at the same time as meeting the increased demand for State government services and infrastructure to support a rapidly growing economy and population.

Against this background, the 2012-13 Budget:

- provides leadership and strong financial management to ensure sustainable financial outcomes for the State;
- supports the community to improve the lives of Western Australians now and into the future; and
- invests in infrastructure that is critical to build the State and to deliver the Government's vision.

An operating surplus for the general government sector of \$484 million is estimated for 2011-12, with a smaller surplus of \$196 million forecast for 2012-13. This budget also forecasts surpluses in each of the outyears, ranging from \$345 million in 2013-14 to around \$1.4 billion in 2015-16.

The Government's infrastructure program is projected to be \$7.6 billion in 2012-13 and \$26.4 billion across the forward estimates period. This investment will be funded by a combination of the operating surplus, other internal funds and new borrowing. Therefore, net debt across the total public sector is forecast to increase from \$12.0 billion at 30 June 2011 to a projected peak of \$23.2 billion by 30 June 2015, before decreasing slightly to \$22.9 billion by 30 June 2016. This is slightly lower than the projected level of net debt in the 2011-12 mid-year review.

Although net debt is increasing, it remains at affordable and sustainable levels across the forward estimates period, with spending growth contained by a new range of savings measures totalling \$4.9 billion. At the same time, the Government is balancing the need for new borrowings now and into the future with the establishment of a Western Australian Future Fund to spread the benefits of finite royalty revenue across future generations. The Future Fund is expected to hold around \$4.7 billion by 30 June 2032.

These outcomes are consistent with the Government's commitment to ensuring that the State retains its current triple-A credit rating.

## Economic and Revenue Outlook

Following significant uncertainty throughout 2011, the overall outlook for the global economy appears to have stabilised. Sovereign debt concerns and austerity programs in advanced economies are still expected to weigh on global growth and confidence for the foreseeable future. However, average growth for Western Australia's main trading partners is expected to be significantly stronger than for the rest of the world.

The demand for Western Australia's resource exports in recent years has resulted in a large pipeline of committed LNG and iron ore projects, which will underpin high levels of investment over coming years. Business investment is expected to be a key driver of growth in domestic demand over 2011-12 and 2012-13, though the impact on the economy will be offset to some extent by associated higher imports of capital machinery and equipment.

The exceptionally strong outlook for resource investment is expected to support above-average population growth, underpinning continued strong growth in household consumption and a recovery in housing demand. Exports are likely to be boosted over the forward estimates period by the completion of the Pluto and Gorgon LNG projects, as well as new iron ore projects and major producers' iron ore expansions.

Overall, GSP growth is projected at 6% in 2011-12 and 4.75% in 2012-13 (compared with long-run average growth of 4.3%).

Table 1

**KEY ECONOMIC FORECASTS**  
Western Australia, Annual Growth (%)

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
Gross State Product (GSP)	3.5	6.0	4.75	4.75	4.25	4.25
Gross State Income (GSI)	20.0	6.25	2.5	3.5	1.5	2.25
Employment	3.2	2.5	2.75	2.5	2.25	2.0
Unemployment rate <sup>(a)</sup>	4.4	4.25	4.25	4.25	4.0	4.0
Consumer Price Index (CPI)	2.8	2.5	3.5	3.25	3.25	3.25
Wage Price Index (WPI)	3.9	4.25	4.5	4.5	4.5	4.5
Population	2.3	2.5	2.3	2.3	2.2	2.2

(a) Average level over the year.

Strong demand for Australia's resource commodities and subdued economic conditions in the US and euro area<sup>1</sup> as well as expansionary Federal fiscal policy have underpinned a persistently high Australian dollar. At the same time, increasing global supply is expected to cause iron ore prices to moderate, with US dollar prices already 20% lower than their recent peak in 2011. These factors have constrained Western Australia's royalty revenue, although volumes of production have been revised up over the forecast horizon leading to an increase in forecast royalty revenue in 2012-13 of \$224 million (relative to the 2011-12 mid-year review). A continued high exchange rate could accelerate the pace of structural change within the economy, and the high levels of resource investment are likely to exacerbate capacity pressures for Western Australia's infrastructure and services.

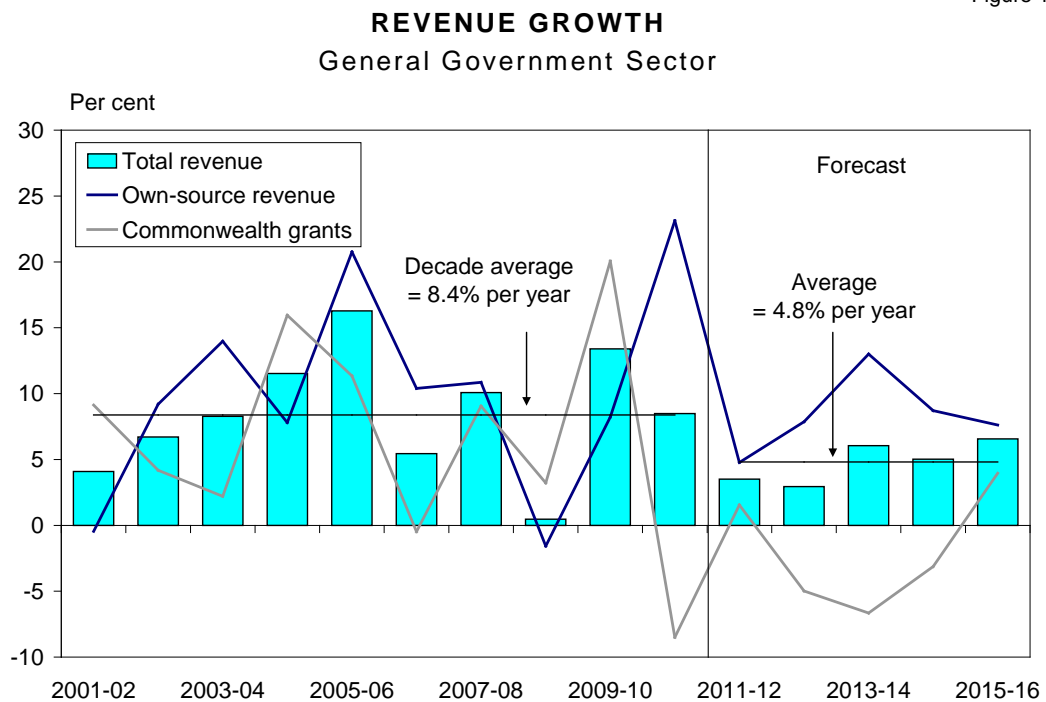
Housing transfer duty has suffered from weak established housing transaction volumes and house prices in recent years, with average monthly transactions since 2008-09 around 35% lower than the previous four years. However, transfer duty is expected to improve over coming years in line with a forecast recovery in housing demand.

In contrast to strong consumption growth in Western Australia (e.g. retail trade grew by 8.2% over the year to February 2012), weak household consumption in other States has resulted in a lower national GST pool. Compounding this, Western Australia's share of GST payments will decline substantially over coming years, based on the relativities determined by the Commonwealth Grants Commission. Western Australia's share of national GST collections will fall from 72% of its population share in 2011-12 to just 55% in 2012-13. This reduces Western Australia's GST revenue in 2012-13 by \$662 million (relative to 2011-12). By 2015-16, the State's share of national GST collections is expected to be just 25% of its population share with this trend costing Western Australia an aggregate \$15.3 billion over the period 2011-12 to 2015-16, relative to a full population share.

<sup>1</sup> The European Union's official term for the 17 European Union member countries that have adopted the euro as their common currency.

Despite forecasts for above average economic growth underpinned by the resource sector, Western Australia faces a challenging revenue and fiscal outlook. This reflects increasing demands for State government services and infrastructure at the same time that total revenue growth is expected to average just 4.8% over the period 2011-12 to 2015-16 (compared to the average of 8.4% over the last decade).

Figure 1



## Fiscal Outlook

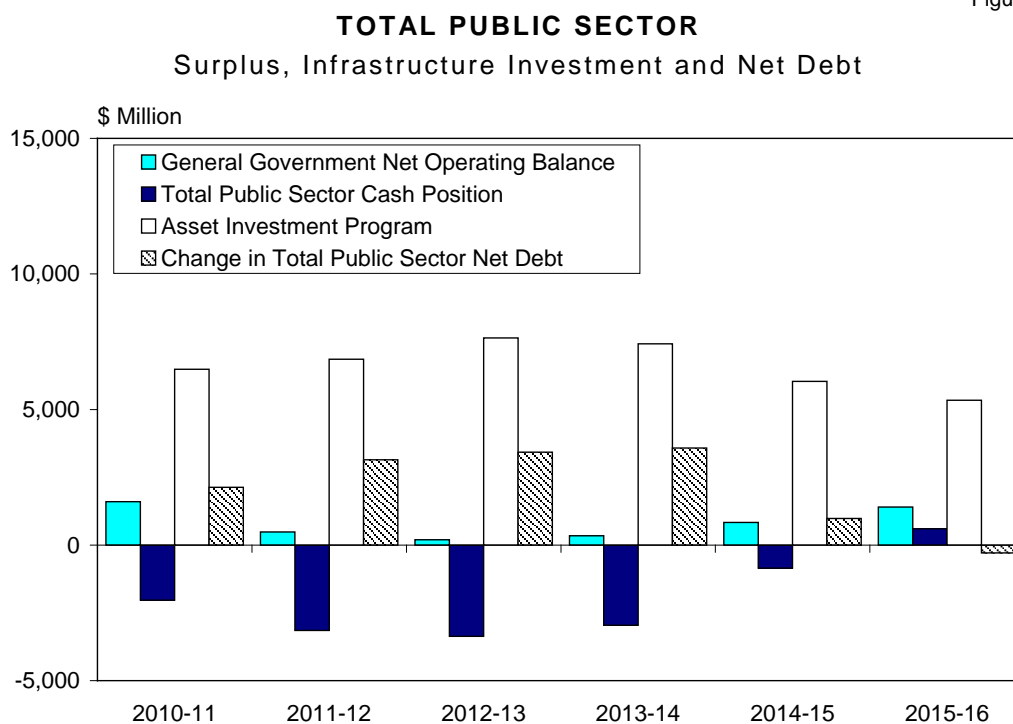
The budget reflects Government decisions necessary to ensure that the challenges in the State's fiscal outlook are addressed sustainably. It delivers general government operating surpluses in 2012-13 and each of the outyears, with net debt remaining at affordable levels. Net debt is projected to peak at an estimated \$23.2 billion by 30 June 2015 (\$747 million lower than at mid-year review).

An operating surplus of \$484 million is estimated for 2011-12, which is \$275 million higher than that estimated at the time of the mid-year review (\$209 million). A smaller surplus of \$196 million is forecast for 2012-13. Surpluses are also expected in each of the outyears, ranging from \$345 million in 2013-14 to around \$1.4 billion in 2015-16.

Despite the projected operating surpluses, a cash shortfall is forecast for the total public sector in each year of the forward estimates, up to and including 2014-15. That is, revenue is projected to be insufficient to cover both recurrent and capital spending, reflecting significant expenditure on the Asset Investment Program that more than offsets the operating surplus. A total public sector cash surplus of \$598 million is forecast for 2015-16.

Increased borrowings will be necessary to offset the projected cash shortfalls, which will result in net debt increasing to a forecast peak of \$23.2 billion by 30 June 2015, before decreasing to \$22.9 billion by 30 June 2016. Projected levels of net debt are affordable, with total non-financial public sector net interest costs to reach a maximum of 2.9% of revenue in 2014-15 (and again in 2015-16), which is considerably lower than the Government’s 4.5% target limit.

Figure 2



The 2012-13 Budget accommodates a new round of savings measures to maintain sustainable public sector finances and facilitate new spending on priority areas. These include the application of efficiency dividends to both appropriation-funded general government sector agencies and Government Trading Enterprises (GTEs), a cap on Full Time Equivalent (FTE) staff growth in the general government sector in 2012-13 and 2013-14, as well as a formal limit on FTE staff growth from 2014-15, a strategic review of the Asset Investment Program and an increase in the Loan Guarantee Fee charged by the Western Australian Treasury Corporation for Government guaranteed lending to GTEs. These measures are discussed further in the next section.

These new measures build on the savings already achieved by the Government through the previous 3% efficiency dividend on the general government sector starting in 2008-09, the 5% efficiency dividend on the discretionary operating expenditure of GTEs in 2011-12, changes recommended as part of the 2009-10 Economic Audit and the \$300 million targeted general government sector savings initiatives built into the 2011-12 Budget.



Implementation of the new suite of corrective measures, along with the previous savings initiatives, will ensure that growth in general government sector expenses will decline over the forward estimates period, from an estimated 8.8% in 2011-12 to a forecast 4.7% in 2015-16. Salaries growth, which peaked at 12.4% in 2008-09, is set to be less than half that level (6.1%) in the budget year and the outyears, through the tighter control of FTE employee numbers.

The 2012-13 Budget represents a major reprioritisation of service delivery, with a range of new Government initiatives being introduced and funded through savings measures.

Table 2

**KEY BUDGET AGGREGATES**  
Western Australia

	2010-11 Actual	2011-12 Estimated Actual	2012-13 Budget Estimate	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
<b>GENERAL GOVERNMENT SECTOR</b>						
<b>Net Operating Balance (\$m)</b>	<b>1,604</b>	<b>484</b>	<b>196</b>	<b>345</b>	<b>836</b>	<b>1,404</b>
Revenue (\$m)	23,909	24,749	25,477	27,019	28,376	30,238
Revenue Growth (%)	8.5	3.5	2.9	6.1	5.0	6.6
Expenses (\$m)	22,306	24,266	25,281	26,674	27,540	28,833
Expense Growth (%)	5.2	8.8	4.2	5.5	3.2	4.7
<b>TOTAL PUBLIC SECTOR</b>						
Net Debt at 30 June (\$m)	12,026	15,169	18,594	22,176	23,156	22,866
Asset Investment Program (\$m)	6,482	6,852	7,639	7,422	6,038	5,344
Cash Position (\$m)	-2,029	-3,150	-3,364	-2,959	-853	598
<b>KEY FINANCIAL RATIOS <sup>(a)</sup></b>						
Net Interest Cost to Revenue (%)	1.8	2.1	2.4	2.8	2.9	2.9
Net Financial Liabilities <sup>(b)</sup> to Revenue (%)	58.1	66.8	72.0	75.9	73.9	68.3

(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

### Leadership

The 2012-13 Budget promotes initiatives to grow a secure and stable economy. The budget includes:

- the creation of a Western Australian Future Fund for the purpose of redistributing revenue from the finite mineral resources of the State to future generations. Over the forward estimates period, the Future Fund will receive seed capital of over \$1 billion, comprising \$223 million from savings in the Royalties for Regions (RfR) Fund and an estimated \$820 million in royalty revenue accrued through the 2011-12 Budget decision to remove the royalty rate discount on iron ore ‘fines’ production. From 2016-17, the Future Fund will be credited with at least 1% of total royalty revenue per annum and retain and reinvest all interest earnings. It is estimated that after 20 years, the Future Fund will have an indicative balance of around \$4.7 billion, and is expected to earn annual interest of approximately \$230 million per annum from 2031-32. Interest earned on the Fund balance after 2031-32 will help finance, on an ongoing basis, the economic and social infrastructure needs of the State, appropriately split across regional and metropolitan areas.;
- application of a 2% efficiency dividend to the general government sector in 2012-13, based on cash service appropriations, which will apply to most general government sector appropriation agencies and the Public Transport Authority, but excluding the Department of Education (which will be subject to a 1% efficiency dividend in 2012-13). The dividend will be cumulative, increasing by 1 percentage point in each of 2013-14, 2014-15 and 2015-16, and is expected to deliver total savings of around \$1.9 billion over the forward estimates period;
- application of a cumulative efficiency dividend to the discretionary expenditure of GTEs, commencing in 2012-13 (excluding the Housing Authority). This dividend will commence at a rate of 2.5%, increasing to 4.0% in 2013-14, 5.5% in 2014-15 and 6.0% in 2015-16. Port authorities will be subject to a 1.5% efficiency dividend in 2012-13, increasing by a further 1.5 percentage points per year until 2015-16. This measure will strengthen the profitability of the GTEs and increase the return to the community through higher dividends and tax equivalent revenue to the general government sector, in turn reducing pressure to increase net debt. The total savings generated by this measure are estimated to be \$384 million over the forward estimates period, with a portion of the savings returned to the general government sector as higher tax equivalent and dividend revenue (\$245 million);
- a provision for higher rates of return for port authorities through increased charges, commencing in 2013-14, to be achieved through a review of port operations to be conducted later this year. This measure is expected to generate additional revenue of around \$145 million between 2013-14 and 2015-16 (with \$85 million of these savings to flow to the general government sector);

- an increase from 0.2% to 0.7% in the Loan Guarantee Fee charged by the Western Australian Treasury Corporation for Government guaranteed lending to selected agencies. This measure will be net debt neutral, but will improve the general government operating balance by an estimated \$88 million over the four years to 2015-16;
- a range of adjustments to the Asset Investment Program, saving \$1.8 billion across the forward estimates period;
- a cap on FTEs in 2013-14 (saving an estimated \$230 million) and a formal policy of limiting general government sector FTE growth to 1.5% per annum from 2014-15 (saving \$182 million in employee costs)<sup>2</sup>; and
- an analysis of royalties in consultation with industry to be completed by 1 July 2015. The analysis, which will involve a three year period of consultation with potentially affected industries, is not designed to, nor does it intend to, pursue any thorough going change of all relevant royalty rates to actual royalty rates which would produce revenue to meet the prevailing target of an amount broadly equivalent to one tenth of the total ‘mine head’ value<sup>3</sup>. This is because the Government’s present best estimates are that the actual royalty rates needed to produce that result are presently unlikely to be achievable. Rather, the analysis is designed over time to achieve a marginally improved revenue return to the Western Australian community from the sale of the mineral products that the community owns. The 2012-13 Budget includes a provision for estimated maximum additional royalty revenue of \$180 million in 2015-16 to reflect the financial impact of the outcomes of the process.

The following table summarises the financial impact of the new correctives measures reflected in this budget.

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<sup>2</sup> The cap to apply in 2013-14 extends a similar arrangement to apply in 2012-13, as part of the implementation of the 2011-12 Budget general government sector savings measure. The cap will not apply to the Western Australian Electoral Commission in 2012-13, operational staff in the Departments of Health and Education, the Western Australia Police or existing measures with implications for FTE numbers.

<sup>3</sup> The mine head or well head value relates to the value of the resource when it is first extracted, not including the value added due to transportation and processing.

Table 3

<b>CORRECTIVE MEASURES</b>						
	2011-12	2012-13	2013-14	2014-15	2015-16	Total
	\$m	\$m	\$m	\$m	\$m	\$m
<b>General Government Net Operating Balance</b>						
General government efficiency dividend	-	244	394	553	709	1,899
Defer RfR spending	-	140	63	-270	82	15
GTE efficiency dividend	-	24	53	76	92	245
Provision for higher rate of return on ports	-	-	13	34	38	85
Increasing the Loan Guarantee Fee to 0.7%	-	36	16	18	18	88
FTE cap in 2013-14	-	-	72	77	81	230
Assumed outyear FTE growth of 1.5%	-	-	-	58	124	182
Lower debt servicing costs	-	- <sup>(a)</sup>	28	73	115	216
<b>Total General Government Net Operating Balance Impact</b>	<b>-</b>	<b>444</b>	<b>639</b>	<b>619</b>	<b>1,259</b>	<b>2,960</b>
Capital Works Review	-7	-493	-298	-312	-694	-1,805
<b>Total Public Sector Net Debt at 30 June</b>	<b>-7</b>	<b>-933</b>	<b>-1,914</b>	<b>-2,884</b>	<b>-4,876</b>	<b>-4,876</b>

(a) Amount less than \$0.5 million.

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

## Supporting Our Community

Key community focused initiatives in this budget include:

- a new Cost of Living Assistance (CoLA) payment for around one-third of all Western Australian households to replace the existing Supply Charge Rebate (SCR). The CoLA payment will initially be set at \$200 (paid in regular instalments per electricity bill), and will be indexed each year in line with tariff increases to an estimated \$254 by 2015-16. This compares to the existing SCR of \$147. In total, State government consumer subsidies are expected to be around \$900 million in 2011-12 and to approach \$1 billion in value in 2012-13 (see feature box);
- a one-off payroll tax rebate for small employers based on wages paid in 2012-13 at an estimated cost of \$128 million in 2013-14. A full rebate (of payroll tax payable in Western Australia) will apply to employers with a nation-wide grouped payroll of up to \$1.5 million in 2012-13 (worth up to \$41,250), with a partial rebate for employers with payrolls between \$1.5 million and \$3 million;
- a \$130 million funding injection into the Housing Authority over the two years from 2012-13 to 2013-14 to support the construction of 433 homes and to help those in vulnerable households who cannot secure housing in the private market. This forms part of a broader \$2.5 billion spend in 2012-13 for the provision of social and affordable housing infrastructure, services and programs;
- an additional \$59 million over the four years to 2015-16 for 100 child health nurses to implement a significant expansion of community health services across Western Australia through the not-for-profit sector;

- \$29 million over the four years to 2015-16 to establish 10 Child and Parent Centres at selected government schools in vulnerable communities. These centres will form a one-stop-shop for families to access support services to improve the developmental, health and learning outcomes of young children;
- \$41 million in growth funding over four years from 2012-13 to disability sector organisations, including to assist adults to live in their own homes in the local community;
- additional spending of \$15 million in 2012-13 and \$63 million over the four years to 2015-16 to address increasing demand for child protection services, including:
  - \$18 million for children and young people in State care;
  - \$8 million to provide 45 additional out-of-home care placements with the community sector; and
  - \$2 million to expand intensive family support services, including to regional areas;
- \$341 million over four years from 2012-13 to facilitate the relocation of Year 7 students into secondary schools. Planning has commenced with construction of new facilities to be completed by the beginning of 2015 in readiness for the first intake of Year 7 students into secondary settings;
- \$70 million over three years from 2013-14 to commence construction of the new \$428 million Museum in the Perth Cultural Centre, with completion expected in 2019-20;
- \$375 million from 2013-14 to 2015-16 to begin construction of the Perth Major Stadium, which is expected to be completed in 2018; and
- \$6 million over four years to 2015-16 to enhance community safety by monitoring sex offenders using Global Positioning Systems.

### **Cost of Living Assistance Payment**

The 2012-13 Budget introduces a new energy subsidy payment, which will reduce electricity bills for a large number of needy households in Western Australia. A total of \$286 million will be devoted to this new electricity payment; the Cost of Living Assistance (CoLA) payment.

The CoLA payment will replace and increase the existing base concession that currently exists in the form of the Supply Charge Rebate (SCR).

The way in which relevant subsidies are presently provided to households for electricity costs is as follows.

The base subsidy is presently the SCR. Western Australian households that hold any one of the following concession cards are entitled to the SCR:

- Western Australian Seniors Card;
- Department of Veterans Affairs Gold Card;
- Pensioner Concession Card;
- Health Care Card; or
- Commonwealth Seniors Health Card.

For these households the SCR is presently a yearly rebate of \$147 which is deducted off the year's total electricity bills for each eligible household.

Those households that hold a Health Care Card, Pensioner Concession Card or a Department of Veterans Affairs Gold Card (and are thereby entitled to the SCR) are also entitled to a further rebate if they have dependent children. A household that has one of the above concession cards and has one or more children in the household is additionally entitled to a Dependent Child Rebate (DCR) which operates on a sliding scale determined by the number of dependent children in the household.

By way of example, an eligible family with two dependent children will presently receive the base rebate being the SCR (a rebate of \$147) and receive a DCR (a rebate of \$297).

The new CoLA payment will replace the SCR and see the base yearly rebate to eligible recipients increase over 35% from \$147 to \$200 per annum.

The new CoLA payment will be indexed to take account of any future price increases.

On top of the CoLA payment, all eligible families that also have dependent children will still continue to receive the DCR (in addition to the new CoLA).

By way of example of the operation of the new system:

- an eligible family with no dependent children would previously receive the SCR of \$147 per year; they will now receive the new CoLA payment of \$200 per year – an increase of over 35% in the rebates received on the cost of electricity;
- an eligible family with two dependent children would previously receive the base SCR of \$147 per year – they will now receive the new CoLA payment of \$200 per year and then receive the DCR payment (for two children) of \$307. Taking the total annual rebate payments to \$507. This means that for an eligible family with two children they will now receive a yearly rebate equalling approximately one third of the average household's spending on electricity per annum;

- an eligible family with three dependent children will receive the new CoLA payment of \$200 per year plus the DCR payment (for three children) of \$371 per year, taking the total annual rebate payments to \$571. This means that for an eligible family with three dependent children they will now receive a yearly rebate equalling over one third of the average household's spending on electricity per annum; and
- an eligible family with four dependent children will receive the new CoLA payment of \$200 per year plus the DCR payment (for four children) of \$434 per year, taking the total annual rebate payments to \$634. This means that for an eligible family with four dependent children they will now receive a yearly rebate equalling over 40% of the average household's spending on electricity per annum.

The funding for the CoLA payment sees existing funding for the SCR and DCR supplemented by new funding of \$24.7 million and the addition of \$52.5 million in funding redirected from the Hardship Efficiency Program (HEP). The Government will end the HEP having concluded that the HEP scheme had been largely unsuccessful in substantially mitigating against the effects of electricity price increases through the provision of home energy audits and giving energy advice and that the HEP funding could be better spent assisting directly in reducing families' electricity bills than on conducting home energy audits or providing energy advice.

The final result is a further \$77.1 million in additional money going directly to reducing the electricity bills of those most in need.

The Government expects that once rolled out in October 2012, the CoLA payment will reach over 340,000 Western Australian households.

In total, State government social concessions are now expected to be around \$900 million in 2011-12 and to approach \$1 billion in value in 2012-13 (see Appendix 5: *State Government Social Concessions Expenditure Statement*).

Existing recipients of the SCR will automatically be transferred to the CoLA payment from 1 October 2012. New applicants must register their details with their electricity retailer (Synergy or Horizon Power) as they would have been required to do under the previous system.

## Building the State

The following initiatives in the 2012-13 Budget focus on investing in services and infrastructure that will build the State's economic and service delivery capacity:

- \$260 million in 2012-13 to ensure the expansion of the Southern Seawater Desalination Plant near Binningup is commissioned in time to be supplying water for the 2012-13 summer;
- \$176 million on the Mid West Energy Project in 2012-13 to enable the continued development of the Mid West region;

- \$174 million in 2012-13 on significant civil, infrastructure and building works for sinking the Perth to Fremantle railway line west of Perth Station as part of the \$609 million public transport component of the Perth City Link project;
- \$167 million in 2012-13 to continue development of the inlet and public domain for the Perth Waterfront project (total net cost of \$270 million);
- \$92 million in 2012-13 as part of the \$1 billion Gateway WA project (with a total \$318 million of this to be funded by the State), which will complement the planned consolidation of the Perth Airport, manage road congestion in the area, and enhance and protect the performance of the road freight network in the Kewdale and Forreestfield areas;
- \$32 million over the three years from 2012-13 to 2014-15 for the construction of a Western Australian Institute of Sport (WAIS) High Performance Service Centre. The new Centre will enable WAIS to provide modern training facilities and recovery areas that meet contemporary training needs, and to provide universal access for disabled athletes;
- \$48 million over four years to 2015-16 to manage inner city congestion, including additional CAT buses in the Perth central business district, a new Green CAT service from Leederville to the city centre, and new priority bus lanes;
- \$20 million over the two years from 2012-13 for new spending on the Western Australian Bicycle Network Plan, to improve the principal shared path network within a 15 kilometre radius from the Perth central business district and to provide new bike lanes;
- \$33 million in recurrent and capital funding over four years from 2012-13 to improve the Department of Environment and Conservation's fire fighting preparedness and capacity, taking in the recommendations of two reviews into recent major fires in Western Australia by the former Australian Federal Police Commissioner Mick Keelty AO APM; and
- \$236 million over four years from 2012-13 (with \$108 million provided by the State) to ensure that training delivery continues to meet the needs of the Western Australian economy. This includes \$38 million to meet a shortfall in Commonwealth funding under the new National Partnership Agreement on Skills Reform which would otherwise reduce training places by 12,500 over the 18 months to 31 December 2013.



# The Western Australian Economy

## HIGHLIGHTS

- Western Australia's economy is expected to remain the powerhouse of national growth.
- Exceptional levels of business investment are forecast to propel growth in the next few years, with exports also growing strongly as a result.
- Population growth is forecast to remain above average, fuelled by continued strong employment growth.
- A modest recovery is expected in the housing market in 2012-13.

## Overview

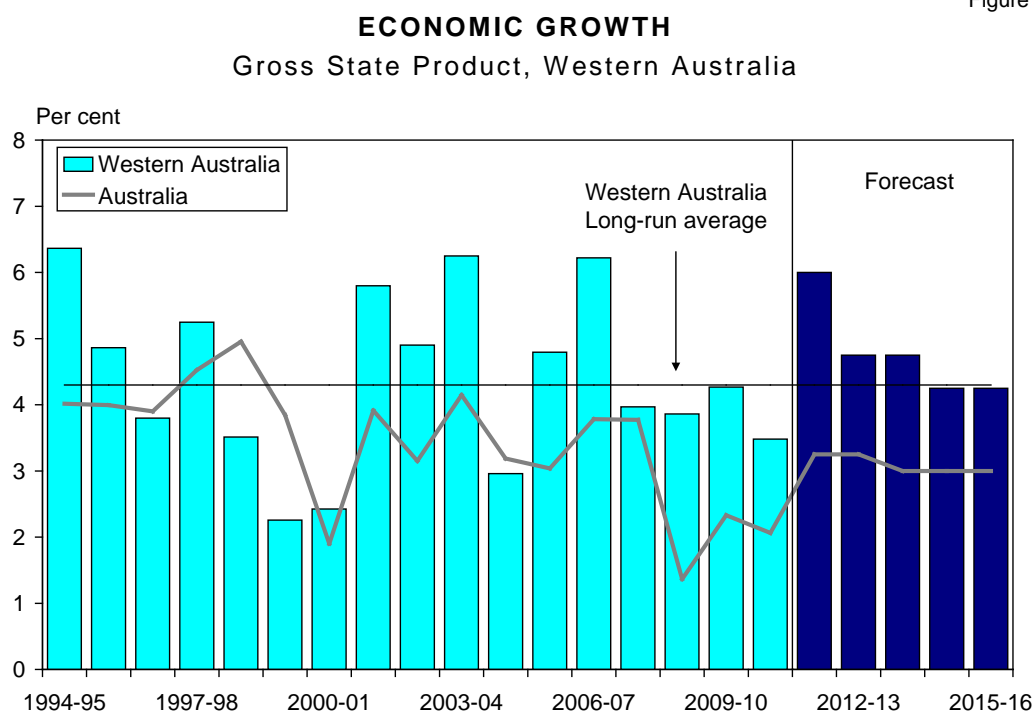
The Western Australian economy continues to outperform the rest of Australia, reflecting strong global demand for the State's resource exports. Business investment and exports are dominant influences on the State's economic growth, resulting in strong labour demand and wage growth, and above-average population growth.

The demand for Western Australia's resource commodities has led to a large pipeline of major LNG and iron ore projects currently under construction, as firms seek to develop and expand capacity. The Deloitte Access Economics March quarter 2012 *Investment Monitor* estimates a total of \$270 billion worth of current and potential projects in Western Australia. Reflecting this, business investment is expected to be a key driver of growth in the domestic economy over 2011-12 and 2012-13, with forecast increases of 23.5% and 11.25% respectively. The level of business investment is expected to remain high in the outyears.

Household spending in Western Australia has increased at a faster pace than the rest of Australia, supported by low unemployment, higher incomes due to strengthening real wages, and a high Australian dollar. By contrast, housing demand has been soft over the past year, reflecting the large balance of household debt, heightened levels of household caution, and tight lending conditions. However, a strong recovery in dwelling investment is forecast for 2012-13 as underlying demand improves, supported by strong population growth.

Consequently, Gross State Product (GSP) is forecast to increase by a robust 4.75% in 2012-13, following an estimated increase of 6.0% in 2011-12 (see Figure 1). Increases in business investment over this period are likely to be offset to some extent by higher imports of capital machinery and equipment imports. Merchandise export volumes are expected to pick up in the outyears, as major iron ore and LNG projects commence production.

Figure 1



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

Strong demand for labour, particularly from the resource sector, is reflected in employment growth of 3.2% in 2010-11, an average participation rate of 68.4% and an average unemployment rate of 4.4%. Western Australia recorded the highest participation rate (higher than the national rate of 65.7%) and the lowest unemployment rate of all the States (and lower than the national rate of 5.1%) over the same period. Western Australia's unemployment rate is expected to improve further, reaching 4.25% in 2011-12, and to remain at that rate before falling to 4.0% by 2014-15. Tight labour supply is expected to constrain employment growth over the forward estimates period, with wage growth also likely to be relatively strong.

Commodity prices are expected to moderate over the forward estimates period partly in response to increases in global supply of iron ore and LNG, including from projects in Western Australia. Iron ore spot prices are already 20% lower than their recent peak in 2011 due to slower global growth and financial market instability associated with sovereign debt concerns in the euro area. Lower export prices are forecast to result in slower growth in Gross State Income (GSI) in 2012-13, an income measure which incorporates the welfare effects of changes in the terms of trade (the ratio of export prices to import prices).

### **Exchange Rate and Iron Ore Forecasting Assumptions**

The annual average \$US/\$A exchange rate and iron ore price estimated for each year in this budget are derived using modelling techniques that best balance the objectives of forecasting accuracy and model simplicity, and account for the constraints of available data and information.

Consistent with the findings of the 2009 *Exchange Rate – Forecasting Review* paper prepared by the Department of Treasury, these estimates are not pure forecasts but rather projections of parameters using the long-run average method, which assumes that parameters revert to their average values over the forward estimates period. These projections are generally subject to an inherent offsetting bias. As the \$US iron ore price rises, the \$US/\$A exchange rate also tends to rise resulting in a reduction in \$A royalties (and vice versa).

#### **\$US/\$A exchange rate**

On the day set as budget cut-off, the average of the daily \$US/\$A exchange rate is calculated for the previous six weeks (30 days). It is assumed that the exchange rate follows a linear trend from the average for the six weeks to the historical long-run average rate (US 75 cents) by June 2016. In this budget a US 1 cent change in the exchange rate correlates to a \$60 million change to royalty income and North West Shelf grants in 2012-13.

#### **Iron ore**

The precise pricing arrangements for domestic sales of iron ore are unknown due to the commercial-in-confidence nature of the agreements between domestic iron ore producers and buyers. For the purpose of forecasting iron ore royalties, iron ore prices paid to domestic producers are assumed to be set on a quarterly basis, at the level of the average spot price in the previous quarter (but lagged by a month) and adjusted for grade, moisture and freight rates to estimate a quarterly ‘effective’ price. This price is assumed to follow a linear trend to an estimate of an ‘effective’ iron ore price of \$US85/per tonne in June 2016, which is estimated by taking into account the views of other analysts reported by Consensus Economics.

In this budget a \$US1 per tonne movement in the iron ore price correlates with a \$33 million change in iron ore royalties in 2012-13.

Table 1

**ECONOMIC FORECASTS**  
Western Australia, Annual Growth (%)

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
<b>Demand and Output <sup>(a)</sup></b>						
Household Consumption	4.4	5.25	4.5	4.5	4.25	4.25
Dwelling Investment	6.6	-7.0	7.5	4.5	4.25	4.25
Business Investment	10.3	23.5	11.25	5.0	-1.25	1.0
Government Consumption	2.4	6.5	4.0	3.25	3.25	3.5
Government Investment	11.4	-3.5	-0.25	3.5	0.25	-0.25
State Final Demand (SFD)	5.8	9.0	6.75	4.25	2.0	3.25
Merchandise Exports	1.2	7.5	4.5	6.5	6.5	6.0
Merchandise Imports	-9.9	30.0	12.5	3.0	-1.5	1.5
Net Exports <sup>(b)</sup>	5.8	-3.25	-1.5	7.0	11.75	7.0
Gross State Product (GSP) <sup>(c)</sup>	3.5	6.0	4.75	4.75	4.25	4.25
GSP per capita	1.3	3.4	2.4	2.5	1.9	1.9
Nominal GSP	19.8	10.75	5.25	4.5	3.75	7.0
<b>Income <sup>(a)</sup></b>						
Terms of trade	28.6	5.0	-5.25	-2.75	-4.75	-3.5
Gross State Income (GSI)	20.0	6.25	2.5	3.5	1.5	2.25
<b>Labour market</b>						
Population	2.3	2.5	2.3	2.3	2.2	2.2
Working Age Population (15-64)	2.2	2.1	2.0	1.9	1.9	1.8
Employment	3.2	2.5	2.75	2.5	2.25	2.0
Unemployment rate <sup>(d)</sup>	4.4	4.25	4.25	4.25	4.0	4.0
Participation rate (15-64) <sup>(d) (e)</sup>	80.6	80.75	81.25	81.75	82.0	81.75
<b>Prices</b>						
Consumer Price Index (CPI) <sup>(f)</sup>	2.8	2.5	3.5	3.25	3.25	3.25
Wage Price Index (WPI)	3.9	4.25	4.5	4.5	4.5	4.5
SFD deflator	1.5	1.0	1.75	1.75	1.75	1.75
GSP deflator	15.7	4.5	0.25	-0.25	-0.5	2.5
Established house price index	-1.2	-2.5	6.7	5.9	5.5	5.6
<b>Other key parameters <sup>(d)</sup></b>						
Exchange Rate \$US/\$A (cents)	99.1	103.8	99.0	92.0	84.9	77.9
Iron ore price (\$US/t) (FOB) <sup>(g)</sup>	143.3	146.3	127.3	115.2	102.9	90.6
Crude oil price (\$US/barrel)	89.2	97.5	104.5	101.3	96.7	93.3

(a) Based on 2010-11 State Accounts annual data, released on 23 November 2011, updated with the latest quarterly State Final Demand data (for the December quarter 2011, released on 7 March 2012).

(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.

(e) Participation rate for workers aged between 15 and 64 years is derived by the Department of Treasury as a proxy for working age participation rate. This is a different measure to the participation rate series published by the ABS, which applies to civilian population aged 15 years and over. This rate was 68.4% for Western Australia in 2010-11, the highest rate of all States.

(f) Includes 0.7 percentage points in 2012-13 and 0.2 percentage points in 2015-16, to reflect the price level effects of the Commonwealth Government's carbon tax.

(g) The spot price, adjusted for factors such as purity, moisture and freight.

## Global Outlook

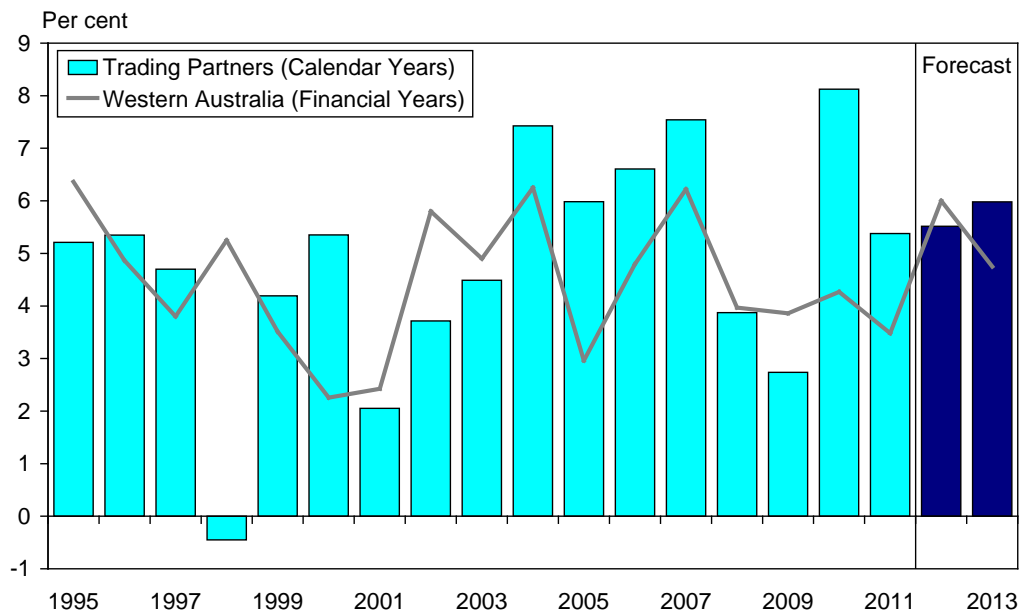
The overall outlook for the global economy appeared to stabilise in the first quarter of 2012 following significant uncertainty throughout 2011, though sovereign debt concerns persist for the euro area.

In its April 2012 *World Economic Outlook*, the International Monetary Fund (IMF) revised up its global growth projections to 3.5% in 2012 (from 3.3%), with emerging economies expected to grow by 5.7% and advanced economies by 1.4%. Growth in advanced economies is likely to be constrained by high sovereign debt and the limitations on fiscal and monetary policy to respond, given the need for austerity and already low interest rates.

Growth in Western Australia’s major export markets is expected to remain robust, and stronger than the rest of the world. Nonetheless, the weak demand from advanced economies is likely to weigh on growth in emerging economies, with growth in China expected to soften slightly this year. The *Risks to the Outlook* section discusses in detail the risks of a sharper downturn in China, the State’s major export market, and of a worsening of the sovereign debt problems in the euro area.

**WESTERN AUSTRALIA’S MAJOR EXPORT MARKETS** <sup>(a)</sup>  
Annual Growth

Figure 2



(a) Includes China, Japan, South Korea, India and nine other countries. Together, these account for around 90% of the State’s exports.

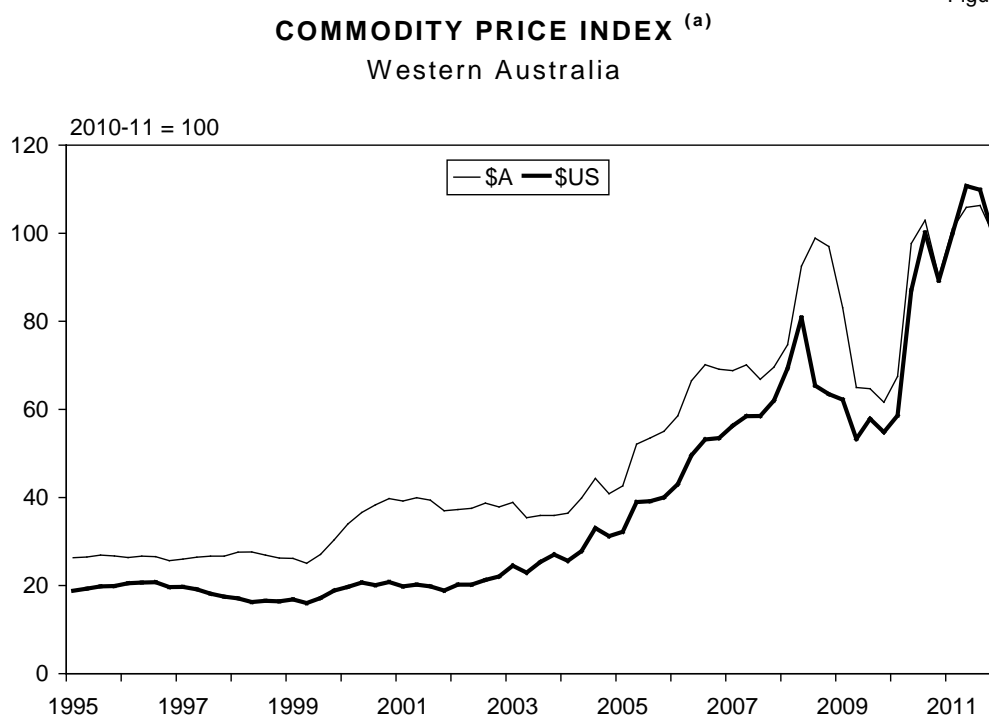
Source: IMF and Department of Treasury.

## Global Commodity Markets

Uncertainty caused by sovereign debt problems in the euro area has contributed to significant falls in commodity prices over the past year. In addition, iron ore spot prices have declined by 20% since their recent peak in 2011 due to concerns regarding softer than expected demand from China.

Nonetheless, prices for Western Australia’s commodity exports remain high by historical standards (see Figure 3). Oil prices have risen steadily as a result of geopolitical tension in the Middle East and elsewhere. Gold prices are strong despite tapering off from their peaks, with gold still viewed as a ‘safe haven’ investment amidst concerns regarding the sovereign debt issues in the euro area and the US.

Figure 3



(a) A weighted index of prices for iron ore, gold, oil, LNG, copper, nickel, zinc and alumina.

Source: Department of Treasury.

The high commodity prices in recent years represent a significant incentive for resource firms to invest in new projects and capacity expansions, to increase output. Prices for the State’s commodity exports are forecast to soften over coming years in response to the increases in global supply, including from iron ore and LNG projects in Western Australia.

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

## Household Sector

### Household Spending

Household spending grew at a robust pace in the second half of 2011, underpinned by strong increases in discretionary components of spending such as ‘hotels, cafes and restaurants’, ‘recreation and culture’ and ‘furnishings and household equipment’. Over this period, household consumption in Western Australia was 5.7% higher than the previous year, compared with 3.5% for Australia.

The strength in household spending is consistent with Western Australia’s low unemployment rate, higher incomes due to strengthening real wages, and a high Australian dollar. It has occurred despite Australia’s persistently high household saving ratio, modest returns from equity markets and weak established house prices in the State.

Based on recent outcomes and the expectation that strong spending growth will continue, household consumption is forecast to grow by 5.25% in 2011-12. The tight labour market and relatively strong wage growth are expected to underpin household consumption growth of 4.5% in 2012-13 and 2013-14. Growth is expected to moderate to 4.25% in the remaining years (similar to long-run trend growth), supported by high household income and strong population growth. However, relatively high household debt will continue to act as a constraint on spending.

### Housing Demand

The large outstanding stock of household debt carried over from prior to the global financial crisis has contributed to soft housing demand in recent years, reflected by subdued dwelling prices and weak transaction volumes. In particular, established house prices<sup>1</sup> in Perth were 5.5% lower in the March quarter 2012 relative to the peak in the March quarter 2010, following the end of the First Home Owner Boost stimulus in December 2009. Households remain cautious due to uncertainty in financial markets, and tight lending conditions have constrained demand, despite a recent easing in loan-to-value requirements.

The soft demand has flowed through to lower levels of investment in new dwellings (see Figure 4), and alterations and additions to existing dwellings so far in 2011-12. Therefore, dwelling investment<sup>2</sup> is forecast to contract by 7.0% over the full year, with house prices declining by 2.5%.

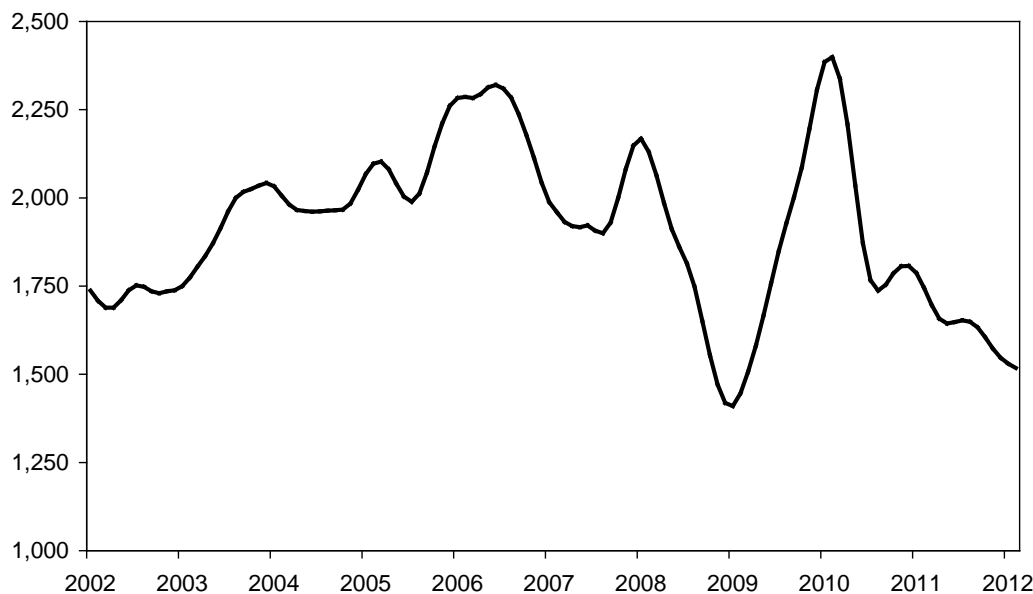
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<sup>1</sup> Source: ABS Catalogue No.: 6416.0.

<sup>2</sup> 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

### BUILDING APPROVALS Western Australia, Trend



Source: ABS Catalogue 8731.0.

Underlying demand for housing appears to have improved in the first half of 2012. Demand for rental properties has surged, which has reduced the rental vacancy rate. There is early evidence of renewed interest from prospective home buyers and an increase in activity by first home buyers. Competition among mortgage providers also appears to have improved slightly.

A strong recovery in dwelling investment (7.5%) is forecast for 2012-13, reflecting the recent improvement in underlying demand and continued strong population growth. Dwelling investment is forecast to grow close to its long-run average of around 4.3% in the outyears. House prices are forecast to increase by 6.7% in 2012-13, and broadly in line with expected growth in household incomes in the outyears.

## Business Investment

The outlook for business investment is underpinned by the large pipeline of major resource projects under construction as companies seek to expand production. The Deloitte Access Economics March quarter 2012 *Investment Monitor* estimates that projects totalling \$118.9 billion are currently under construction in Western Australia, with mining projects accounting for 85% of the total value<sup>3</sup>.

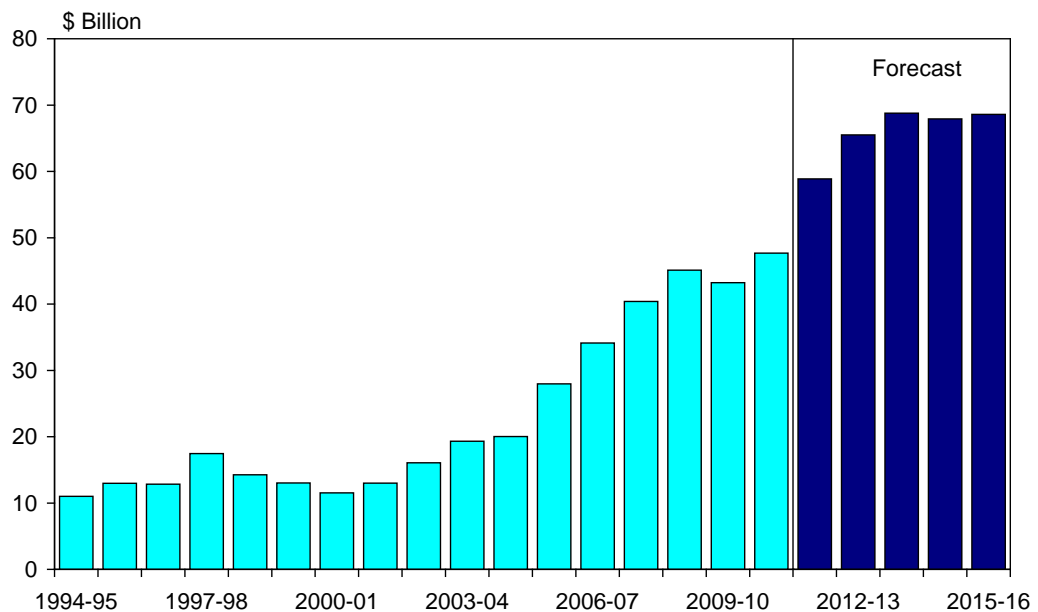
<sup>3</sup> These estimates do not include spending for the \$31 billion Ichthys LNG project, which has been allocated to the Northern Territory.



Business investment in the second half of 2011 was 39% higher than the same period of the previous year, nearly double the national increase of 22%, and levels of engineering construction work yet to be done are very high. Consequently, business investment is expected to be the main driver of growth in Western Australia over 2011-12 and 2012-13, with forecast increases of 23.5% and 11.25% respectively (see Figure 5).

Figure 5

**BUSINESS INVESTMENT**  
Western Australia, Chain Volume



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.

The increases reflect the \$43 billion Gorgon LNG project reaching peak construction and the ramp-up of construction for Chevron’s \$29 billion Wheatstone LNG project. Construction will commence for a number of other large LNG projects,<sup>4</sup> including INPEX’s \$31 billion Ichthys LNG project<sup>5</sup>, Shell’s \$8.9 billion Prelude floating LNG project and the North West Shelf Venture’s \$2.5 billion Greater Western Flank (Phase 1) project<sup>6</sup>. These are in addition to multi-billion dollar expansions by the major iron ore producers.

<sup>4</sup> The Commonwealth Government will collect all of the royalties generated by these LNG projects during their production phase, under its Petroleum Resource Rent Tax regime.

<sup>5</sup> While the Ichthys project will have its onshore facilities located in the Northern Territory, the gas reserves are located off the Western Australian coast. At the time of publication, the ABS has advised that all upstream (or gas extraction) components of the Ichthys project, in addition to the construction of the gas pipeline to the downstream facilities in the Northern Territory, will be allocated to Western Australia.

<sup>6</sup> Source: Project values from Access Economics’ *Investment Monitor*, March quarter 2012, and other various sources.

Business investment is expected to remain at historically high levels over the outyears. Planned expansions by the major iron ore producers are expected to add to business investment towards the end of the forward estimates period and beyond. However, growth is forecast to slow as construction spending peaks for a number of large projects, and spending on the Gorgon project winds down, detracting from the headline figure.

## Government Sector

### Government Consumption

Public consumption expenditure, which includes spending by Commonwealth, State and local governments, is expected to grow by 6.5% in 2011-12, following growth of 2.4% in 2010-11.

Growth in public consumption is expected to average 3.3% across 2012-13 and the outyears, consistent with the long-run average rate. The expected moderation in growth relative to 2011-12 is consistent with the expense growth projections in Chapter 3: *Financial Projections and Fiscal Strategy*.

### Government Investment

Investment by Commonwealth, State and local governments is expected to contract by 3.5% in 2011-12 and 0.25% in 2012-13, reflecting the cessation of stimulus measures (in response to the global financial crisis) that boosted public investment growth to 11.4% in 2010-11.

State Government investment in major projects and infrastructure is expected to support an increase in public investment spending of 3.5% in 2013-14. Public investment is projected to remain flat at relatively high levels in 2014-15 and 2015-16.

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

Merchandise exports are forecast to increase by 7.5% in 2011-12, reflecting strong demand for Western Australia's iron ore exports and a significant pick-up in agricultural exports resulting from improved weather conditions over 2011. Western Australia now accounts for around 45% of Australia's merchandise (i.e. goods) exports.

Stronger iron ore and LNG exports are expected to support an increase of 4.5% in exports in 2012-13. Iron ore projects anticipated to be completed and come on-stream over 2012-13 include CITIC Pacific's Sino Iron project and Gindalbie Metals' Karara project in the Mid West region. Growth in LNG exports will reflect higher production from the North West Shelf LNG project, and a ramp-up in production from Woodside's recently completed Pluto LNG project.

Export growth is expected to strengthen in 2013-14 and beyond (6.5% in 2013-14 and 2014-15, and 6.0% in 2015-16). Exports over this period are likely to be supported by additional capacity from committed and proposed iron ore expansions and a ramp-up of LNG production from newly completed projects (including first production from Gorgon, starting in 2014-15).

## **Imports**

Merchandise imports are forecast to grow by 30.0% in 2011-12 and by 12.5% in 2012-13. This growth reflects the high levels of business investment, with the construction of major resource projects underpinning higher capital machinery and equipment imports. INPEX's \$31 billion Ichthys project, Chevron's \$29 billion Wheatstone project and Shell's \$8.9 billion Prelude project are likely to be key contributors to import growth. The forecast growth in imports also reflects stronger household consumption and the historically high Australian dollar, which is forecast to stay close to parity with the US dollar in both years.

Reflecting the shifts in business investment in the forward estimates, import growth is forecast to moderate to 3.0% in 2013-14, and decline by 1.5% in 2014-15. Imports are forecast to grow by 1.5% in 2015-16.

## **Labour Market**

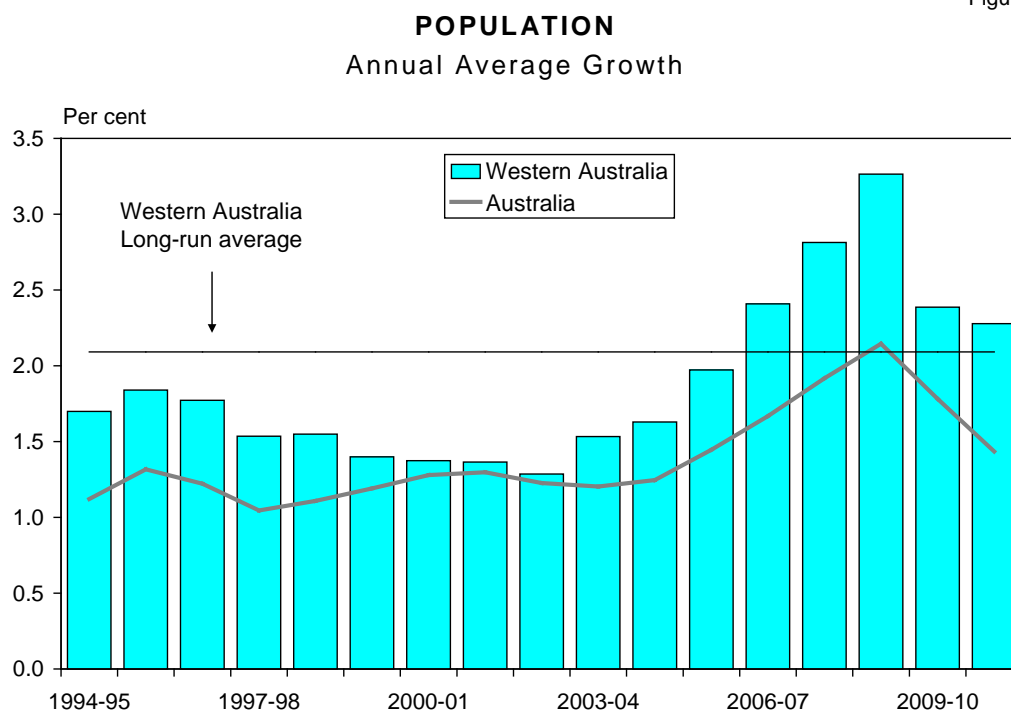
### **Employment**

Western Australia's employment growth softened in the second half of 2011, following a sharp pick-up in 2010-11. However, growth strengthened to 2.2% in the March quarter 2012, compared with 0.2% at the national level, and partial indicators suggest an improvement in labour demand in the State. Employment is forecast to grow by 2.5% in 2011-12, supported by above-average population growth (see Figure 6).

Demand for labour is expected to strengthen further in 2012-13, reflecting demand from the resource sector, as well as solid growth in the broader State economy. Consequently, employment is expected to increase by 2.75% in 2012-13.

Employment growth is expected to moderate slightly in each of the outyears, as construction peaks for a number of major resource projects and growth in the State's working age population moderates.

Figure 6



Source: ABS Catalogue 3101.0 and Department of Treasury.

## Unemployment and Participation

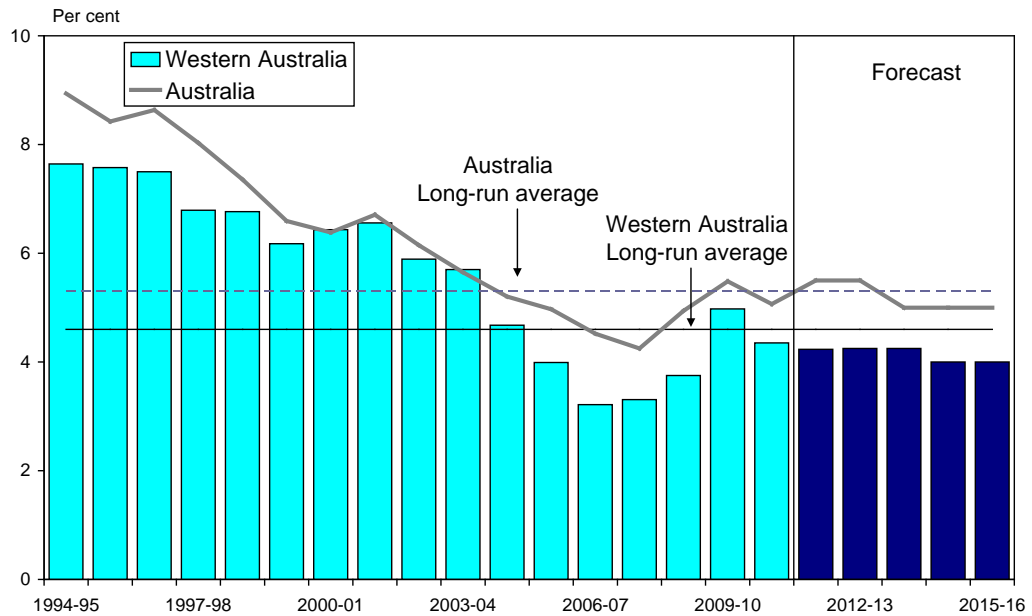
Western Australia’s unemployment rate is expected to average 4.25% in 2011-12, below the average unemployment rate over the past ten years (4.6%) (see Figure 7), and the national rate of 5.2% in the year to date.

Strong demand for labour is expected to keep the State’s unemployment rate low over the forward estimates. The unemployment rate is forecast to remain steady at 4.25% in 2012-13 and 2013-14, before falling to 4.0% in 2014-15 and 2015-16 as the labour market tightens further.

Consistent with expectations of a strengthening labour market and above-average wage growth, the State’s participation rate (for workers aged between 15 and 64) is expected to rise gradually from 80.75% in 2011-12 to 82.0% in 2014-15. It is then expected to decline slightly to 81.75% in 2015-16 in line with the projected moderation in employment growth.

Figure 7

**UNEMPLOYMENT RATE**  
Western Australia



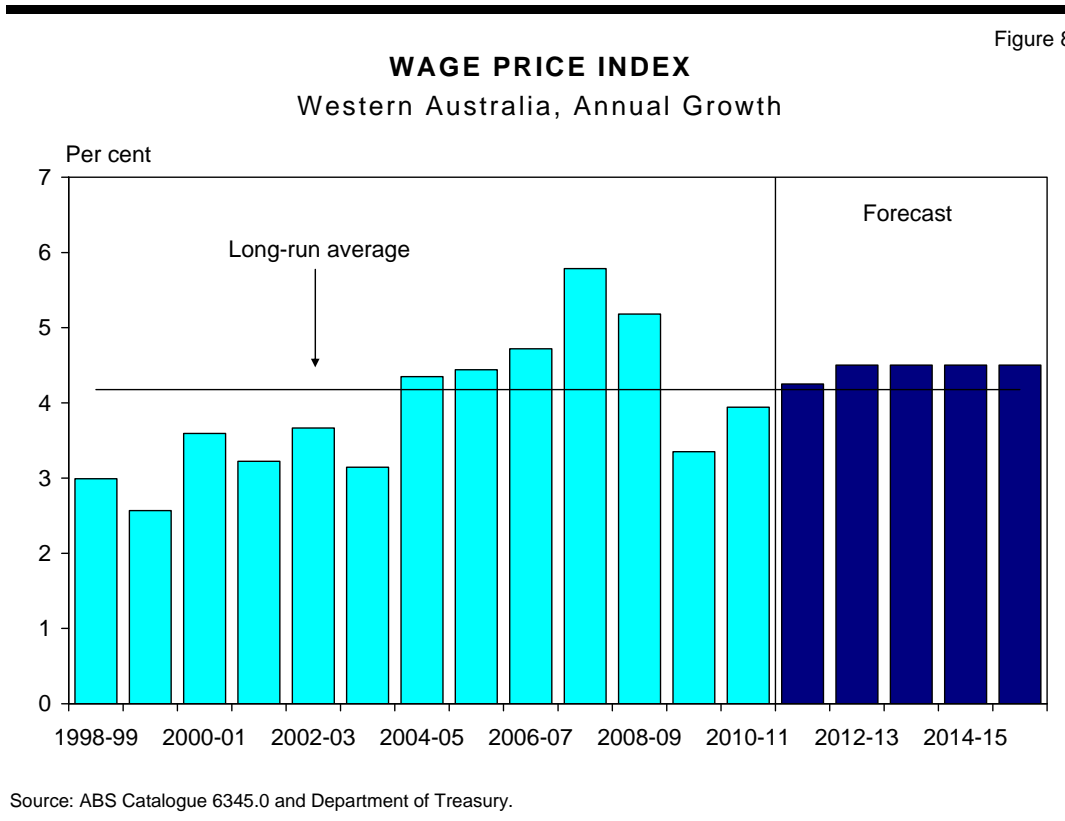
Note: Forecasts for Australia's unemployment rate are for the June quarter.  
Source: ABS Catalogue 6202.0 and Department of Treasury.

**Wages**

Wage growth in Western Australia was relatively high in the second half of 2011, reflecting the tight labour market. The State's Wage Price Index (WPI) grew by 0.9% in the December quarter 2011, following a large increase of 1.4% in the previous quarter. Consequently, wages are forecast to grow by 4.25% in 2011-12 (higher than the expected CPI increase of 2.5%).

The State's WPI is expected to increase by 4.5% in 2012-13 (compared with forecast CPI growth of 3.5%), as the demand for labour intensifies and supply tightens. Growth in the WPI of 4.5% is expected in each of the outyears, consistent with a low unemployment rate. This is slightly above the long-run average of 4.2%, but lower than the growth observed in the period preceding the global financial crisis (see Figure 8).

Figure 8



## Prices

### Consumer Price Index

Perth’s inflation was relatively subdued in the second half of 2011, with the local Consumer Price Index (CPI) growing by 0.2% in the September and December quarters. Inflation over this period was largely contained by a steep decline in the price of food (particularly fruit), as supply recovered following natural disasters in early 2011.

Lower food prices and the historically high Australian dollar are expected to contain inflation in the short-run, with Perth’s CPI forecast to grow by 2.5% in 2011-12.

Consumer prices are expected to grow by 3.5% in 2012-13, and by 3.25% in each of the remaining outyears as consumer demand and wages continue to strengthen. These estimates incorporate the introduction of the carbon tax in July 2012, which is estimated to contribute 0.7 percentage points in 2012-13, and the transition to an emissions trading scheme, which is expected to contribute 0.2 percentage points in 2015-16.<sup>7</sup>

These forecasts are broadly consistent with national CPI projections by the Reserve Bank of Australia for 2011-12, but higher than the forecasts for 2012-13 and beyond.

<sup>7</sup> Source: Commonwealth Treasury, *Strong Growth, Low Pollution: Modelling a Carbon Price – Update*, September 2011.

## Risks to the Outlook

### Global Risks

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

Overall, growth in advanced economies is likely to be constrained by sovereign debt concerns, while average growth in Western Australia's main trading partners is expected to be stronger than for the rest of the world (see *Global Outlook* section). However, there are a number of risks to this outlook that could affect Western Australia's economy. These include a sharp downturn in China's economic growth, sovereign debt concerns affecting trading partner growth, and volatility in global energy markets.

### China's Economic Growth

Economic growth in China appears to have slowed due to a tightening in monetary and fiscal policy to achieve more sustainable growth rates. China downgraded its growth target for 2012 to 7.5%, though its economy typically exceeded its growth target of 8% in previous years. China also recorded a large trade deficit in February, partly reflecting weak demand from Europe. The World Bank has indicated that China's current economic growth is unsustainable in the longer run unless it embraces reforms to reduce the power of state-owned companies, break-up monopolies, privatise state enterprises and promote free markets.

Although China's industrialisation is likely to support growth in the long-run, these developments raise the risk of a sharp downturn or increased volatility in growth in the near term. Such a downturn would inevitably lead to weaker demand for Western Australia's commodity exports, particularly for iron ore. A significant proportion of this adjustment would likely occur through lower commodity prices, and hence weaker terms of trade, but export volumes could also be affected.

The immediate risk to domestic demand in Western Australia is offset to some extent by the large pipeline of major resource projects already under construction, which are difficult to wind back once commenced. Furthermore, exports from the major LNG projects currently under construction are typically fixed under long-term sales contracts. Prospects for LNG are less-susceptible to short-run fluctuations in China's economic growth, and rather reflect the longer run outlook for energy demand and supply.

### Sovereign Debt

The immediate risk of euro area financial market instability spreading to other parts of the global economy appears to have receded somewhat following actions by the European Central Bank and euro area Governments. The European Central Bank provided substantial additional liquidity to the euro area banking system, and euro area finance Ministers agreed to a second bail-out for Greece.

Greece subsequently restructured its debt, by securing agreement from bondholders to swap existing Greek debt for longer-dated securities at a lower interest rate, reducing its public debt burden by €100 billion. The initial response of financial markets to Spain's announcement that it would not reach its budget deficit target for 2012 was muted, and the outlook for Italy has also improved.

Nonetheless, recent evidence of renewed concerns by euro area bond investors (e.g. higher bond yields for Spain and Italy) highlights that significant downside risks remain. The sovereign debt concerns and austerity programs in advanced economies are also likely to weigh on global growth for the foreseeable future. Forecasts for the euro area continue to point to a contraction in economic activity over 2012, and economic growth in the United Kingdom remains weak. The US economy is currently supported by significant monetary and fiscal stimulus, and the Government is still to develop a credible path for deficit reduction.

### **Energy Demand and Supply**

Oil prices were elevated over the past year, reflecting actual and potential supply disruptions in the Middle East in particular, including recent sanctions for Iran. These supply side factors have exacerbated the effect of strong Asian demand on prices, though demand in advanced economies is more subdued. The tight balance between supply and demand suggests that oil prices are particularly vulnerable to future supply shocks. This poses risks to the global economic outlook, with oil price shocks historically having significant impacts on economic activity, as well as to domestic prices.

Strong Asian demand for energy has also provided a significant incentive for investment in LNG projects in Western Australia, with a number of major projects currently under construction. By contrast, US natural gas prices are at very low levels due to an excess of domestic supply, partly reflecting the exploitation of shale gas reserves. The potential for North American gas exports to Asia represents a risk to the commercial incentives for investment in future projects, though committed projects are unlikely to be affected.

## **Domestic Risks**

Key domestic risks to the economic outlook, include delay in the recovery of housing demand, the historically high Australian dollar, demand for labour, and population growth.

### **Housing Demand**

The *Dwelling Investment* section incorporates an expected recovery in dwelling investment in 2012-13 following a period of subdued house prices and weak transaction volumes. Although there is some evidence of a recent pick-up in underlying housing demand, turning points are notoriously difficult to predict in advance. Consequently, there is some risk that a recovery in dwelling investment takes longer than currently anticipated, with affordability remaining a key consideration for many first home buyers.



## **Australian Dollar**

The high \$US/\$A exchange rate continues to weigh on activity in a number of sectors, including manufacturing, tourism and education. This is mainly due to factors such as strong demand for resources, a relatively weak US dollar, and interest rate differentials between Australia and other countries. A persistently strong Australian dollar poses further downside risk to the State's revenue forecasts as most commodity contracts are priced in US dollars.

A potential upside risk of a stronger Australian dollar is that it increases the purchasing power of consumers, and assists with curbing inflation. It also lowers the price of imports and encourages investment.

## **Labour Demand and Population Growth**

Recent data from the Australian Bureau of Statistics suggest that Western Australia's population is growing at a faster pace than the national level, with growth supported by strong levels of net overseas migration. The strong population growth is consistent with robust labour demand, particularly given high levels of resource-related investment.

With robust labour demand in the State expected to continue, population growth is likely to remain strong over the forecast period. This presents some upside risk to growth, with strong population growth potentially boosting household consumption and inflation, and flowing through to housing demand and higher house prices. Strong population growth also increases demand for services and infrastructure provided by the Western Australian public sector.



# Financial Projections and Fiscal Strategy

## HIGHLIGHTS

- Strong population growth and community expectations are driving increased demand for service delivery.
- The State's economic performance is also fuelling demand for infrastructure.
- Against this backdrop, the State's revenue growth is relatively weak.
- These factors combined have been addressed through reprioritisation of spending.
- The 2012-13 Budget is forecast to yield a surplus of \$196 million, with gradually rising surpluses for the remainder of the forward estimates. Net debt is projected to peak in 2014-15 before declining by 30 June 2016.
- The State's fiscal outlook is very sound and consistent with maintenance of the triple-A credit rating.
- The budget allocates more than \$1 billion over the forward estimates to establish a Western Australian Future Fund which will accumulate to around \$4.7 billion over 20 years to ensure future generations benefit from the use of the State's finite mineral and energy resources.

## Overview

As detailed in Chapter 2, the Western Australian economy continues to outperform the rest of Australia, underpinned by robust levels of business investment and exports. Strong resource sector investment is supporting above average population growth, which in turn is generating increased demand for State government services and infrastructure.

Growth in the State's main taxes, transfer duty<sup>1</sup> and payroll tax, as well as iron ore royalties is expected to be relatively strong over the medium term. However, this will be offset by substantial declines in Western Australia's share of GST revenue. Relative to its population share of the national GST pool, Western Australia is expected to be a total of \$15.3 billion worse-off over the five years to 2015-16 as a result of the Commonwealth Grants Commission's current process for distributing GST grants to the States.

Despite the subdued outlook for growth in total revenue, the budget includes spending on a range of new initiatives including a new Cost of Living Assistance payment targeting households in greatest need, a payroll tax relief package, increases in education and health spending and higher subsidies to consumers.

To accommodate the new spending initiatives, this budget contains a new suite of savings measures totalling \$4.9 billion. This includes new efficiency dividends for both general government sector agencies and Government Trading Enterprises (GTEs), as well as a Capital Works Review. These measures aim to contain general government expense growth and deliver operating surpluses and affordable levels of net debt.

Growth in general government sector expenses are projected to decline over the forward estimates period, from an estimated 8.8% in 2011-12, to a forecast 4.7% in 2015-16. Salaries growth, which peaked at 12.4% in 2008-09, is set to be less than half that level in the budget year (6.1%) and across the outyears, through lower growth in Full Time Equivalent (FTE) employee levels.

### KEY BUDGET AGGREGATES Western Australia

Table 1

	2010-11 Actual	2011-12 Estimated Actual	2012-13 Budget Estimate	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
<b>GENERAL GOVERNMENT SECTOR</b>						
<b>Net Operating Balance (\$m)</b>	<b>1,604</b>	<b>484</b>	<b>196</b>	<b>345</b>	<b>836</b>	<b>1,404</b>
Revenue (\$m)	23,909	24,749	25,477	27,019	28,376	30,238
Revenue Growth (%)	8.5	3.5	2.9	6.1	5.0	6.6
Expenses (\$m)	22,306	24,266	25,281	26,674	27,540	28,833
Expense Growth (%)	5.2	8.8	4.2	5.5	3.2	4.7
<b>TOTAL PUBLIC SECTOR</b>						
Net Debt at 30 June (\$m)	12,026	15,169	18,594	22,176	23,156	22,866
Asset Investment Program (\$m)	6,482	6,852	7,639	7,422	6,038	5,344
Cash Position (\$m)	-2,029	-3,150	-3,364	-2,959	-853	598
<b>KEY FINANCIAL RATIOS <sup>(a)</sup></b>						
Net Interest Cost to Revenue (%)	1.8	2.1	2.4	2.8	2.9	2.9
Net Financial Liabilities <sup>(b)</sup> to Revenue (%)	58.1	66.8	72.0	75.9	73.9	68.3

(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.

<sup>1</sup> References to transfer duty represent a combination of transfer duty and landholder duty.

A general government operating surplus of \$196 million is budgeted for 2012-13, following an expected operating surplus outcome of \$484 million in 2011-12. The general government operating balance is also projected to be in surplus from 2013-14 onwards, reaching an estimated \$1.4 billion in 2015-16.

Despite the operating surpluses, a total public sector cash shortfall of \$3.4 billion is estimated for 2012-13 as a result of record expenditure on the Asset Investment Program. Spending on infrastructure is estimated at \$26.4 billion between 2012-13 and 2015-16, which more than offsets the surpluses projected from day-to-day operating activities. As a result, cash shortfalls are also forecast in 2013-14 and 2014-15, while a cash surplus of \$598 million is forecast for 2015-16.

New borrowings will be required to fund the projected shortfall in cash, resulting in an increase in net debt to an estimated \$18.6 billion by 30 June 2013. Net debt is forecast to increase until a peak at around \$23.2 billion by 30 June 2015. Importantly, this is \$747 million lower than the \$23.9 billion forecast at 30 June 2015 in the 2011-12 mid-year review. Net debt is then expected to decline to around \$22.9 billion by 30 June 2016, in response to growing general government operating surpluses in the outyears.

The forecast levels of net debt across the forward estimates are sustainable, affordable and consistent with the State's triple-A credit rating. A key indicator for credit rating purposes is the ratio of net financial liabilities to revenue, with credit rating agency Standard & Poor's setting its 'trigger ratio' at 90% (i.e. the ratio at which the triple-A credit rating would be subject to a review by Standard & Poor's).

Western Australia's ratio of net financial liabilities to revenue is projected to be 72.0% in 2012-13, decreasing over the forward estimates period to around 68.3% by 2015-16. Net interest costs as a share of revenue are estimated to be 2.4% in 2012-13, and are expected to be relatively stable across the outyears, increasing to 2.9% in 2014-15 and 2015-16. These levels are well below the Government's target limit of 4.5% and reflect the projected pattern of growth in net debt across the forward estimates period.

The budget also accommodates the Government's decision to establish a Western Australian Future Fund to spread the benefits of finite royalty revenue across future generations (see feature box).

### **Planning for the State's Future Infrastructure Requirements**

In addition to the State's existing Asset Investment Program – forecast to total around \$26.4 billion over the next four years – Western Australia's future strategic infrastructure needs will be partially met through funding provisions in the current Budget.

The 2012-13 Budget reflects decisions to create the Western Australian Future Fund and the Oakajee Port Special Purpose Account. These Special Purpose Accounts (SPAs) are in addition to those already created or announced for the Perth Major Stadium, the New Children's Hospital and the Fiona Stanley Hospital.

The balance of these new accounts by the end of 2015-16 is estimated to total \$1.5 billion. These SPAs reduce the pressure on future budgets by providing a dedicated funding source for key infrastructure projects.

### **Western Australian Future Fund**

Future generations of Western Australians will benefit from a redistribution of royalty revenue from the State's finite mineral resources through the creation of the Future Fund.

Between 2012-13 and 2015-16, over \$1 billion in 'seed capital' will be transferred from the Royalties for Regions (RfR) Fund into the new Future Fund. This funding comprises the 3% efficiency dividend and other savings in the RfR Fund (\$223 million) and the additional RfR revenue received as a result of the 2011-12 Budget decision to remove the royalty concession applying to iron ore 'fines' (\$820 million). From 2016-17 onwards, a minimum of 1% of the State's annual royalty revenue will be paid into the Future Fund (indicatively estimated at between \$65 million to \$70 million per annum).

Through legislation, the annual balance of the Future Fund and its interest earnings will be quarantined from spending for a period of 20 years (i.e. until 2031-32). It is estimated that after 20 years, the Future Fund will have an indicative balance of around \$4.7 billion (further information available at Appendix 9).

By directing a portion of royalty revenue to the Future Fund, future generations of Western Australians will share in the benefits of the State's finite resources and future Governments will be able to respond to emerging infrastructure requirements.

The Future Fund is expected to earn annual interest of approximately \$230 million per annum from 2031-32. This annual interest earned on the Future Fund balance will help provide the economic and social infrastructure needs of the State, appropriately split across regional and metropolitan areas.

The Future Fund will be managed by the Department of Treasury and the Western Australian Treasury Corporation, and will form part of the State's Public Bank Account. This is a more cost-effective approach relative to models in place in other jurisdictions.

### **Oakajee Port SPA**

The Government has decided to establish an SPA to hold a \$339 million equity injection for the Oakajee Port Development. The Government remains committed to the project and the creation of this SPA will provide the Government with the flexibility to provide funding to the project when a final decision is made. Originally this \$339 million was allocated as part of the 2009-10 mid-year review but due to project delays by the proponent this expenditure has been deferred and will be held in the SPA until needed.

### **Existing SPAs**

In September 2011 and October 2010 respectively, SPAs for construction of the Perth Major Stadium and the New Children's Hospital were established. These accounts have been established to hold financial contributions set aside for construction costs of these projects.

The Perth Major Stadium Construction Account has been credited with \$100 million from the larger than expected 2010-11 operating surplus and is expected to be drawn down across the forward estimates period.

Construction on the new \$1.2 billion Children's Hospital commenced in January 2012, with funding provided from 'windfall' revenue received over 2009-10 to 2010-11 being credited to the New Children's Hospital Account. An amount of \$505 million was credited in 2011-12 and a further \$70 million is to be credited in 2012-13.

The Fiona Stanley Hospital Construction Account was established and credited with \$1.1 billion in October 2007. A further \$221 million was credited to the account in July 2008 and \$125 million will be credited in 2012-13 (reflecting the effect of an accelerated build and lower interest rates on the account balance). Together with interest income, these contributions to the account will fully fund the construction of the \$2.0 billion hospital, which will deliver 643 tertiary hospital beds and is expected to open in April 2014.

## Summary of Financial Projections

### General Government Sector

#### Summary

A \$196 million operating surplus is forecast for 2012-13, with operating surpluses also in prospect across the forward estimates period.

Table 2

<b>GENERAL GOVERNMENT</b>						
Summary Financial Statements						
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
<b>OPERATING STATEMENT</b>						
Revenue	23,909	24,749	25,477	27,019	28,376	30,238
Change	1,870	840	728	1,542	1,357	1,862
Growth (%)	8.5	3.5	2.9	6.1	5.0	6.6
Expenses	22,306	24,266	25,281	26,674	27,540	28,833
Change	1,098	1,960	1,015	1,393	865	1,294
Growth (%)	5.2	8.8	4.2	5.5	3.2	4.7
<b>Net Operating Balance</b>	<b>1,604</b>	<b>484</b>	<b>196</b>	<b>345</b>	<b>836</b>	<b>1,404</b>
<b>BALANCE SHEET</b>						
Assets	130,594	136,185	140,996	147,338	152,003	157,674
Liabilities	18,391	22,231	24,452	27,098	28,067	28,494
<b>Net Worth</b>	<b>112,203</b>	<b>113,955</b>	<b>116,544</b>	<b>120,239</b>	<b>123,935</b>	<b>129,180</b>
<b>STATEMENT OF CASHFLOWS</b>						
Net Cash Flows from Operating Activities	2,316	1,558	1,007	1,568	2,133	2,629
<b>Cash Position</b>	<b>-397</b>	<b>-1,847</b>	<b>-2,074</b>	<b>-1,674</b>	<b>-472</b>	<b>553</b>
<i>Memorandum Item: Net Debt</i>	236	2,699	5,552	8,053	8,715	8,535

Note: Columns may not add due to rounding.

Continuing the trend from 2011-12, modest growth in revenue of 2.9% is forecast for 2012-13. Average annual revenue growth across the five year period 2011-12 to 2015-16 is estimated at 4.8%, a stronger outlook than was included in the 2011-12 Budget, but well below the average 8.4% experienced over the past decade. The revenue forecasts in this budget reflect:

- forecast growth in taxation revenue of an estimated 11.3% in 2012-13, which represents an increase of \$783 million relative to 2011-12. This growth is underpinned by continued strength in payroll tax and higher transfer duty collections due to an expected improvement in the established housing market;
- higher royalty revenue, which is forecast to increase by \$378 million (or 8.4%), largely driven by a projected increase in iron ore royalties; and



- an expected decrease in GST revenue grants of \$662 million (or 19.2%) in 2012-13, despite growth in the national GST pool. This outcome reflects a cut in the State's share of national GST revenue grants from 7.5% in 2011-12 to 5.8% in 2012-13 by the Commonwealth Grants Commission.

Beyond 2012-13, total revenue is forecast to grow by an average of 5.9% per annum over the period 2013-14 to 2015-16. Growth over this period is forecast to be driven by the State's own source revenue. This includes a \$180 million royalty revenue provision in 2015-16 for the expected revenue benefit from an analysis of existing royalty rates (discussed later in this chapter and in Chapter 4: *General Government Revenue*). A projected decline in Western Australia's share of GST revenue to 2.8% in 2015-16 is a significant detractor from growth in total revenue.

Nevertheless, the 2012-13 Budget has been framed to enable the Government to prioritise spending on a range of new initiatives and to meet the increased demand for State government services and infrastructure to support a growing economy and population.

To accommodate spending on these new initiatives and to meet key financial targets, the budget incorporates a suite of savings measures, valued at around \$4.9 billion across the forward estimates period. The new measures include:

- a general government sector efficiency dividend – a 2% efficiency dividend will be applied to general government sector appropriation agencies and the Public Transport Authority (PTA)<sup>2</sup> in 2012-13, based on cash service appropriations. Recognising the current implementation of reforms in education (such as the relocation of Year 7 students to secondary settings), the Department of Education will be subject to a 1% efficiency dividend in 2012-13. The dividend across all agencies will be cumulative, increasing by 1 percentage point in each of 2013-14, 2014-15 and 2015-16, and is expected to deliver total savings of around \$1.9 billion over the forward estimates period;
- a GTE efficiency dividend – a cumulative efficiency dividend will be applied to the discretionary expenditure of GTEs from 2012-13 (excluding the Housing Authority, in recognition of its non-commercial social service focus). This measure will limit growth in expenses and salaries in these agencies. The dividend will commence at a rate of 2.5%, increasing to 4.0% in 2013-14, 5.5% in 2014-15 and 6.0% in 2015-16. Port authorities will be subject to a 1.5% efficiency dividend in 2012-13, increasing by a further 1.5 percentage points per year until 2015-16. The total savings generated by this measure are estimated to be \$384 million over the forward estimates period, with a portion of the savings returned to the general government sector as higher tax equivalent and dividend revenue (\$245 million);

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<sup>2</sup> The PTA is supported by a significant annual operating subsidy paid for by general government sector.

- an increased rate of return for port authorities – the Minister for Transport is to conduct a review of State port authorities later this year which is expected to deliver higher returns on the State’s investment in ports over time. A provision for higher rates of return has been included in the 2012-13 Budget, commencing from 2013-14. This measure is expected to generate around \$85 million in benefit to the general government sector operating balance across the forward estimates period;
- an increase in loan guarantee fee – the Western Australian Treasury Corporation collects loan guarantee fees in exchange for an explicit Government guarantee on liabilities incurred in raising loan funds for agencies, local governments and universities (in accordance with the *Western Australian Treasury Corporation Act 1986*). The loan guarantee fee charged by the Corporation on lending to GTEs will be increased from 0.2% to 0.7% from 2012-13 (promoting a level playing field for agencies which benefit from the Government guarantee), generating an estimated \$88 million general government sector operating benefit across the forward estimates period;
- savings from a Capital Works Review – a range of adjustments totalling \$1.8 billion across the forward estimates period have been made to agency infrastructure spending plans. These adjustments relate mainly to the deferral of large projects and programs of works, such as:
  - deferral of the start date for the redevelopment of the Department of Agriculture and Food’s headquarters from 2012-13 to 2014-15, which will generate a \$135 million reduction in net debt over the forward estimates period;
  - reducing the Western Australian Planning Commission’s land acquisition program by 50% over the forward estimates period, which will reduce net debt by an estimated \$105 million;
  - reducing the Water Corporations’ infrastructure program by \$92 million in 2015-16; and
  - deferring the planned \$339 million capital contribution supporting construction of common use infrastructure as part of the Oakajee Port from 2012-13 to 2016-17, due to delays by the project proponent;
- reallocating *Royalties for Regions (RfR)* funding – approximately \$300 million of *RfR* budgeted recurrent expenditure is to be reallocated across the forward estimates period, with \$270 million of this expenditure proposed to now be spent in 2014-15. This will not significantly reduce the overall *RfR* program, but will deliver a net debt saving of around \$15 million by 30 June 2016; and
- managing FTE staff growth – as part of the Government’s response to its 2011-12 Budget initiative to achieve general government savings of \$300 million, an FTE cap will be implemented in 2012-13 that is equivalent to the approved FTE ceiling levels for 2011-12, with assumed growth only for operational staff in Health, Education and Police, and adjustment for 2012-13 Budget approvals impacting staffing levels.

The new savings measures in this budget extend this staff management initiative to also apply in 2013-14, resulting in an estimated \$230 million net debt benefit over the forward estimates period. Further restrictions on FTE growth in 2014-15 and 2015-16 will also be implemented to generate savings through lower salary and related employee costs. By limiting FTE growth for the general government sector to 1.5% per annum from 2014-15, it is expected that savings of around \$182 million can be achieved over the forward estimates period, while still accommodating increases approved as 2012-13 Budget initiatives.

Collectively, the above measures are expected to provide a benefit to the general government sector operating surplus in 2012-13 and each year of the forward estimates period, as shown in the following table.

Table 3

**OPERATING IMPACT OF 2012-13 BUDGET CORRECTIVE MEASURES**

	2011-12	2012-13	2013-14	2014-15	2015-16	Total
	\$m	\$m	\$m	\$m	\$m	\$m
<b>General Government Net Operating Balance</b>						
General government efficiency dividend	-	244	394	553	709	1,899
Defer RfR spending	-	140	63	-270	82	15
GTE efficiency dividend	-	24	53	76	92	245
Provision for higher rate of return on ports	-	-	13	34	38	85
Increasing the Loan Guarantee Fee to 0.7%	-	36	16	18	18	88
FTE cap in 2013-14	-	-	72	77	81	230
Assumed outyear FTE growth of 1.5%	-	-	-	58	124	182
Lower debt servicing costs	-	-(a)	28	73	115	216
<b>Total General Government Net Operating Balance Impact</b>	<b>-</b>	<b>444</b>	<b>639</b>	<b>619</b>	<b>1,259</b>	<b>2,960</b>
Capital Works Review	-7	-493	-298	-312	-694	-1,805
<b>Total Public Sector Net Debt at 30 June</b>	<b>-7</b>	<b>-933</b>	<b>-1,914</b>	<b>-2,884</b>	<b>-4,876</b>	<b>-4,876</b>

(a) Amount less than \$0.5 million.  
Note: Columns/rows may not add due to rounding.

The budget measures build on previous savings initiatives to improve the efficiency of the public sector that have been implemented by the Government since 2008, including:

- a 3% efficiency dividend on the general government sector starting in 2009-10, which saved an estimated \$1.46 billion over four years;
- the 5% efficiency dividend on GTEs discretionary spending announced in 2011-12 Budget, saving \$524 million over the four years to 2014-15;
- the targeted savings initiatives built into the 2011-12 Budget, initially expected to save \$300 million but now expected to deliver \$324 million to 2014-15, and \$447 million over the four years to 2015-16;
- recommendations from stage one of the economic audit implemented in the 2009-10 Budget, saving \$979 million (including targeted reductions in grants spending that saved \$145 million over four years and a reduction in agency procurement expenditure of \$239 million over four years);

- voluntary separation offers, saving an estimated \$216 million between 2012-13 and 2015-16; and
- \$3 billion saved through the Capital Works Audit conducted at the time of the Global Financial Crisis.

## Operating Statement

An operating surplus of \$196 million is forecast in 2012-13. Operating surpluses are in prospect across the forward estimates period. The table below shows the financial impact of policy decisions and parameter changes<sup>3</sup> that have affected the estimates of general government revenue and expenses since the mid-year review.

Table 4

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE  
VARIATIONS SINCE THE 2011-12 MID-YEAR REVIEW**

	2011-12	2012-13	2013-14	2014-15	2015-16	Total
	\$m	\$m	\$m	\$m	\$m	\$m
<b>2011-12 MID-YEAR REVIEW - NET OPERATING BALANCE</b>	<b>209</b>	<b>305</b>	<b>594</b>	<b>129</b>		
<b>Revenue</b>						
<i>Revenue impact of 2012-13 corrective measures</i>	-	67.9	91.3	137.5	158.3	455.0
<i>Policy decisions</i>						
Provision for royalty rate analysis	-	-	-	-	180.0	180.0
Payroll tax relief measures <sup>(a)</sup>	-	-0.7	-1.4	-1.5	-1.6	-5.0
Other <sup>(b)</sup>	1.1	4.4	3.6	4.2	4.6	17.9
<i>Total policy</i>	<i>1.1</i>	<i>3.7</i>	<i>2.2</i>	<i>2.7</i>	<i>183.1</i>	<i>192.9</i>
<i>Parameter</i>						
Taxation	-20.0	28.4	30.7	1.6		40.7
- Payroll tax	0.1	10.9	17.9	26.6		55.4
- Land tax	-7.6	-8.5	-9.0	-10.0		-35.1
- Total duty on transfers	-13.6	5.1	-5.6	-46.4		-60.5
- Motor vehicles taxes	2.8	19.9	21.0	21.9		65.6
- Other taxes	-1.7	1.0	6.4	9.5		15.3
Commonwealth grants	-205.6	-470.1	-552.6	-595.6		-1,823.9
- GST grants	-119.2	-396.9	-388.7	-471.4		-1,376.2
- North West Shelf/Condensate compensation	-71.7	-74.8	-126.6	-132.4		-405.5
- Other Commonwealth grants	-14.7	1.6	-37.3	8.2		-42.2
Royalty income	-86.0	224.2	722.4	1,052.0		1,912.6
- Iron ore	-50.3	245.5	707.6	1,018.8		1,921.6
- Other royalties	-35.7	-21.3	14.8	33.2		-9.0
Revenue from public corporations	-31.7	-175.1	-278.1	-149.1		-633.9
Interest income	-10.2	-26.4	-38.7	-16.2		-91.5
Other	-10.2	-5.6	19.7	20.3		24.2
<i>Total parameter</i>	<i>-363.7</i>	<i>-424.5</i>	<i>-96.6</i>	<i>312.9</i>		<i>-571.9</i>
<b>TOTAL REVENUE</b>	<b>-362.6</b>	<b>-352.9</b>	<b>-3.1</b>	<b>453.1</b>		<b>-265.4</b>

<sup>3</sup> 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.

Table 4 (cont.)

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE  
VARIATIONS SINCE THE 2011-12 MID-YEAR REVIEW**

	2011-12	2012-13	2013-14	2014-15	2015-16	Total
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Expenses</b>						
<i>Expense impact of 2012-13 corrective measures</i>	-	-375.7	-547.6	-481.7	-1,100.6	-2,505.5
<i>Policy decisions</i>						
Revised funding arrangements for the Public						
Transport Authority	-	-170.2	-180.2	-195.8	-212.8	-759.0
Principal shared paths cycling projects	-	10.0	10.0	-	-	20.0
Additional Scitech funding	-	-	8.3	8.3	8.3	24.9
Fire preparedness	-	5.8	6.7	6.9	7.1	26.6
Cost of Living Assistance Payment	-	15.1	17.0	17.9	27.1	77.1
Exploration Incentive Scheme Phase 2	-	-	-	18.0	19.5	37.5
Response to the 2011 bushfires	-	10.0	10.0	10.0	10.0	40.0
Relocate Year 7 students to secondary schools	-	1.3	8.1	18.7	14.1	42.1
Community child health	-	9.1	14.9	16.9	17.6	58.5
Remote Area Essential Services Program	-	30.0	30.0	30.0	30.0	120.0
Payroll tax relief measures <sup>(a)</sup>	-	1.4	127.9	0.2	0.3	129.8
Decommissioning of Office of Shared Services	70.3	97.8	66.8	-40.1	-38.9	155.9
Other	11.9	101.7	61.8	53.9	59.5	288.8
<i>Total policy</i>	<i>82.4</i>	<i>113.3</i>	<i>185.6</i>	<i>-52.1</i>	<i>-55.0</i>	<i>274.2</i>
<i>Parameter <sup>(c)</sup></i>						
\$300m savings target						
- Reverse 2011-12 Budget provision	-	50.0	100.0	150.0		300.0
- Savings identified <sup>(d)</sup>	-5.3	-91.0	-103.8	-117.6		-317.7
Commonwealth Superannuation Guarantee						
Contribution rate changes <sup>(e)</sup>	-	-	23.0	49.0		72.0
<i>Royalties for Regions - timing changes</i>	<i>-202.1</i>	<i>5.1</i>	<i>67.7</i>	<i>-96.3</i>		<i>-225.5</i>
Health - cost and activity increase	-	17.8	38.7	41.0		97.5
Education - growth in student numbers and cost pressure funding	-	92.2	54.2	85.4		231.8
Operating subsidy - electricity tariffs	-	-3.5	128.5	193.1		318.2
Other	-512.7	-52.4	299.8	-25.3		-290.6
<i>Total parameter</i>	<i>-720.1</i>	<i>18.2</i>	<i>608.2</i>	<i>279.4</i>		<i>185.7</i>
<b>TOTAL EXPENSES</b>	<b>-637.7</b>	<b>-244.2</b>	<b>246.2</b>	<b>-254.4</b>	<b>-</b>	<b>-890.1</b>
<b>TOTAL VARIANCE</b>	<b>275.1</b>	<b>-108.7</b>	<b>-249.3</b>	<b>707.5</b>	<b>-</b>	<b>624.6</b>
<b>2012-13 BUDGET - NET OPERATING BALANCE</b>	<b>484</b>	<b>196</b>	<b>345</b>	<b>836</b>	<b>1,404</b>	

(a) Payroll tax relief measures include rebates for small business and new Indigenous employees, and exemptions for new employees with a disability.

(b) Includes an administration fee to offset credit card merchant fees on land tax bills, and other fees on industry.

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

(d) Further details are provided in Appendix 10.

(e) Consequence of Commonwealth legislation changes related to the Minerals Resource Rent Tax.

Note: Columns may not add due to rounding.

### ***2011-12 Estimated Actual***

A general government operating surplus of \$484 million is expected for 2011-12, representing an increase of \$275 million on the surplus projected in the December 2011 mid-year review (\$209 million).

Revenue in 2011-12 is expected to total \$24.7 billion, which is \$363 million (or 1.4%) less than that estimated at the time of the 2011-12 mid-year review. This mainly reflects:

- lower GST revenue (down \$119 million), reflecting downward revisions to the national GST pool due to lower collections;
- a downward revision to royalty revenue (down \$86 million), due mainly to a slight reduction in the effective iron ore price since the mid-year review and a loss of revenue due to a higher \$US/\$A exchange rate, both of which more than offset the impact of a rise in iron ore production;
- lower North West Shelf/Condensate Compensation grants (down \$72 million), due to lower than expected levels of production;
- lower tax equivalent and dividend revenue from public corporations (down a total \$32 million); and
- a downward revision to transfer duty (down \$14 million), reflecting continued weak conditions in Western Australia's established housing market.

At the same time, general government expenses have been revised down by \$638 million (or 2.6%) since the mid-year review. This includes downward revisions to grant programs (down by a total \$419 million on mid-year review forecasts), while running costs for the sector (including lower costs for salaries, services and contracts, depreciation and other gross operating expenses) are down by \$219 million.

### ***2012-13 and Beyond***

A general government operating surplus of \$196 million is budgeted for 2012-13. This is \$287 million lower than the \$484 million surplus outcome in prospect for 2011-12. This largely reflects the State's weaker revenue outlook. The general government operating balance is projected to be in surplus in each of the outyears, ranging from \$345 million in 2013-14 to \$1.4 billion in 2015-16.

#### *Revenue*

General government revenue is forecast to grow by \$728 million to \$25.5 billion in 2012-13, an increase of 2.9% on 2011-12. The low rate of revenue growth is primarily due to a substantial cut in forecast GST revenue (down \$662 million, or 19.2%) which partially offsets growth in taxation revenue (up \$783 million, or 11.3%) and royalty income (up \$378 million, or 8.4%).

The 19.2% reduction in GST grants reflects a cut in the State's share of national GST revenue grants from 7.5% in 2011-12 to just 5.8% in 2012-13 (which compares to Western Australia's 10.5% share of the national population).

Beyond 2012-13, total revenue is forecast to grow by an average of 5.9% per annum. Strong growth in the State's own source revenue over this period is forecast to be partly offset by substantial declines in GST revenue. The State's GST grant share is forecast to fall from 4.2% in 2013-14 to 2.7% by 2015-16.

Over the outyears, own source revenue growth is primarily driven by growth in taxation revenue (around 9% per annum), consistent with expectations of strong conditions in the State's labour market and a recovery in the State's established house market, and royalty income (10.4% per annum) with a moderation in commodity prices to be offset by increased production and higher royalty rates for iron ore 'fines'.

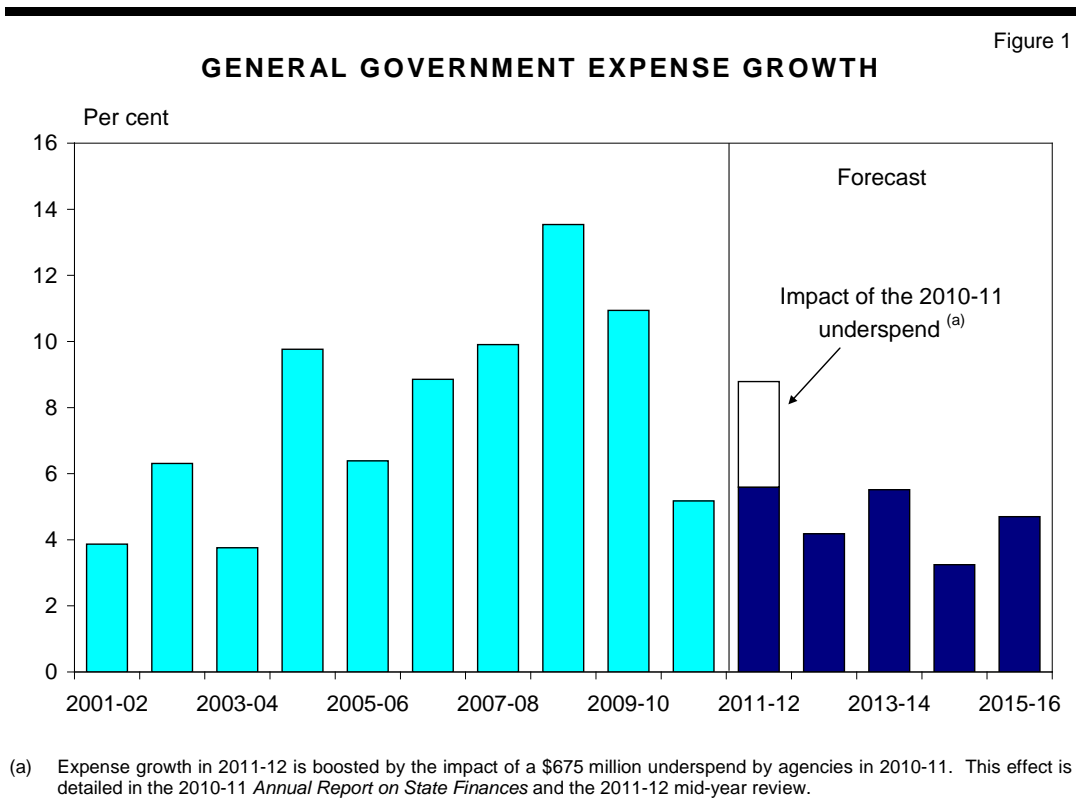
Of note, the Government has implemented a number of measures that will increase the State's revenue base. These include:

- a \$180 million provision for the expected revenue benefit from an analysis of existing royalty rates that is expected to take effect from 2015-16 (discussed in Chapter 4: *General Government Revenue*);
- the impact on revenue from public corporations of the implementation of the GTE efficiency dividend, which will increase general government sector revenue by an estimated \$245 million over the four years to 2015-16;
- an increase of 0.5 percentage points for the loan guarantee fee charged by the Western Australian Treasury Corporation to selected agencies, which will generate an estimated \$88 million operating benefit (over the four years to 2015-16, including both revenue and expense impacts); and
- a provision for increased rates of return for port authorities, with higher dividends and tax equivalent payments from the ports to generate higher revenue for the general government sector of \$85 million over the three years to 2015-16.

### *Expenses*

The relatively low rate of total revenue growth and the growing demand for services to support strong economic and population growth has required the Government to carefully manage its spending priorities. The Government has implemented a range of measures to control expense growth in successive budgets, such as through a 3% efficiency dividend, targeted savings measures and voluntary separations.

Expenses in 2012-13 are projected to total \$25.3 billion, up \$1.0 billion (or 4.2%) on 2011-12 (but \$244 million lower than the 2012-13 projection at the time of the mid-year review). Expenses in 2011-12 are now forecast to grow at 8.8% (down from an 11.6% projection in the mid-year review). This includes 3.2 percentage points of growth attributable to the \$675 million recurrent underspend in 2010-11. The following chart shows that growth in general government expenses has consistently fallen since 2008-09, reflecting the Government's focus on reining in spending.



In addition to the significant corrective measures package outlined earlier (that reduces general government expenses by an estimated \$2.5 billion), this budget also provides a number of new policy expense decisions, including:

- a \$0.7 billion increase in operating subsidies to energy providers to reflect ongoing support for below-cost electricity tariffs;
- a new Cost of Living Assistance payment to support around one-third of all Western Australian households (costing \$77 million across the forward estimates period);
- additional spending on health, including:
  - \$474 million from 2012-13 to 2015-16 to meet the higher costs of delivering services, and the projected increased hospital activity in 2015-16;



- \$59 million over four years to expand community health services as part of a whole-of-government strategy to integrate early childhood services through 10 Child and Parent Centres; and
- an additional \$60 million over four years to 2015-16 to facilitate the significant reconfiguration and transition of clinical services ahead of the commissioning of the Fiona Stanley Hospital and the New Children’s Hospital;
- additional funding of \$384 million from 2012-13 to 2015-16 to provide for projected growth in student enrolments of 7.3% and to meet increasing school operating and employee-related costs. This is on top of a significant \$440 million injection in the 2011-12 Budget (for the period 2010-11 to 2014-15) to restructure the Department of Education’s budget and meet growth in student numbers;
- \$42 million over four years from 2012-13 to locate Year 7 students in secondary schools from 2015 (including \$22 million to retrain primary school teachers);
- \$236 million over four years from 2012-13 to ensure that training delivery meets the needs of the Western Australian economy (including maintaining training places being withdrawn by Commonwealth funding reductions);
- spending on the roll-out of corporate services in agencies, following the December 2011 decision to decommission the Office of Shared Services (\$156 million over five years);
- payroll tax relief through rebates for small business and businesses that hire new Indigenous employees at a total cost of \$130 million;
- \$120 million over four years from 2012-13 to continue to provide power, water and wastewater maintenance services to communities under the Remote Area Essential Services Program;
- a range of initiatives across the Transport portfolio to manage congestion in central Perth (\$48 million over four years); and
- grants to the City of Swan to extend Lloyd Street and develop an underpass at the rail freight crossing near the new Midland Health Campus.

Further detail on general government recurrent spending initiatives is available in Chapter 5: *General Government Expenses*.

## Capital Investment

The general government sector is forecast to invest \$3.3 billion in infrastructure in 2012-13, and a total \$11.9 billion over the period 2012-13 to 2015-16. The 2012-13 forecast continues to be dominated by spending on health infrastructure, which accounts for around \$1.2 billion (or 36% of the projected 2012-13 spend). Spending on key hospital projects in 2012-13 includes:

- \$281 million on the Fiona Stanley Hospital;
- \$228 million on the New Children's Hospital;
- \$98 million for the first stage of the development of the Midland Health Campus;
- \$60 million on information and communication technology infrastructure across various hospitals;
- \$46 million on Albany Health Campus; and
- \$42 million on the Busselton Health Campus.

Substantial investment in education and roads will also be undertaken, with budgeted expenditure of \$518 million and \$777 million respectively in 2012-13.

Relative to the mid-year review projections for 2011-12 to 2014-15, the general government sector Asset Investment Program (AIP) includes the following material movements:

- an additional \$202 million on health infrastructure, with significant increases to information and communication technology spending for systems linked to the Fiona Stanley Hospital and Albany Health Campus (up \$151 million) and medical equipment replacement (up \$40 million);
- higher spending by the Department of Education (up \$468 million) including:
  - \$265 million for the capital cost of relocating Year 7 students to secondary schools;
  - \$132 million for investment in school infrastructure, including the provision of Year 11 and 12 classrooms and facilities at five secondary schools, new primary schools, and upgrades to design, technology and science facilities, and various district high schools; and
  - \$29 million for Stage 1 of the replacement of Willetton Senior High School;
- an additional \$132 million for roads, including:
  - an additional \$58 million for Gateway WA, which will address the future transport needs of the Kewdale and Forrestfield industrial and freight transport areas and improve access to the Perth airport; and

- \$56 million to add a third lane in both directions of the Graham Farmer Freeway Tunnel and to construct an additional lane on the Mitchell Freeway northbound from the Graham Farmer Freeway merge-point to Hutton Street; and
- lower spending by the Western Australian Planning Commission (down \$349 million), largely relating to the transfer of the Perth Waterfront Project to the Metropolitan Redevelopment Authority (a public non-financial corporation).

The budget also includes, as part of the suite of corrective measures discussed earlier in this chapter, a review of infrastructure spending. By deferrals and timing changes being applied across the AIP, savings of \$1.8 billion are to be achieved over the period 2011-12 to 2015-16 (total public sector infrastructure spending will still remain at a high \$26.4 billion across the four year budget period). Almost half of these savings are to be made by the general government sector (\$814 million), mainly through lower spending by the following agencies:

- Health (\$229 million) mainly due to the two year deferral of the Karratha Health Campus (down \$89 million), the reconfiguration of Stage 1 of the Osborne Park Hospital (\$44 million) and a number of smaller reductions across a range of projects;
- Agriculture and Food (\$135 million), with the commencement of construction of the Department's new headquarters deferred for two years;
- Western Australian Planning Commission (\$105 million), to be achieved through a reduction in the agency's land acquisition program over the period 2012-13 to 2014-15; and
- Main Roads (\$101 million), with deferral of a number of projects including planning for the Fremantle Traffic Bridge Replacement, South Western Highway (from Donnybrook to Greenbushes) and Marble Bar Road.

Consistent 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 \$625 million in 2011-12 (representing around 15% of the total program).

The budget also includes a provision which redistributes aggregate spending from 2012-13 to the outyears. This reflects slippage due to unforeseen delays and rescheduling that typically arises across the overall infrastructure program but cannot be identified in individual projects at this point.

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

## **Balance Sheet**

The net worth of the general government sector is forecast to be \$129.2 billion by 30 June 2016, an increase of \$17.0 billion since 30 June 2011.

Table 5

<b>GENERAL GOVERNMENT</b>						
Balance Sheet at 30 June						
	2011	2012	2013	2014	2015	2016
	\$m	\$m	\$m	\$m	\$m	\$m
<b>2012-13 BUDGET</b>						
Assets	130,594	136,185	140,996	147,338	152,003	157,674
Liabilities	18,391	22,231	24,452	27,098	28,067	28,494
<i>Net Worth</i>	<i>112,203</i>	<i>113,955</i>	<i>116,544</i>	<i>120,239</i>	<i>123,935</i>	<i>129,180</i>
<b>Net Debt</b>	<b>236</b>	<b>2,699</b>	<b>5,552</b>	<b>8,053</b>	<b>8,715</b>	<b>8,535</b>
<b>2011-12 MID-YEAR REVIEW</b>						
Assets	130,594	136,282	142,270	148,068	152,105	na
Liabilities	18,391	22,151	24,410	26,185	27,324	na
<i>Net Worth</i>	<i>112,203</i>	<i>114,131</i>	<i>117,859</i>	<i>121,883</i>	<i>124,781</i>	<i>na</i>
<b>Net Debt</b>	<b>236</b>	<b>3,539</b>	<b>6,082</b>	<b>7,612</b>	<b>8,601</b>	<b>na</b>
<b>VARIANCE</b>						
Assets	-	-97	-1,274	-730	-103	na
Liabilities	-	80	41	913	744	na
<i>Net Worth</i>	-	-177	-1,315	-1,643	-846	na
<b>Net Debt</b>	-	<b>-840</b>	<b>-530</b>	<b>441</b>	<b>114</b>	<b>na</b>

Note: Columns may not add due to rounding.

Between 30 June 2011 and the end of the forward estimates period on 30 June 2016, general government assets are projected to increase by \$27.1 billion. This mainly reflects:

- a significant \$19.1 billion increase in fixed assets, including the impact of the sector's projected infrastructure spending and growth in the value of land holdings;
- a forecast \$6.5 billion increase in the value of public corporations (mainly for projected operating surpluses and the effect of capital contributions by the general government sector); and
- a \$0.9 billion increase in cash and other liquid investments.

General government liabilities are forecast to increase by \$10.1 billion between 30 June 2011 and 30 June 2016. This increase is mainly attributable to increases in borrowings supporting the sector's infrastructure program.

Unfunded superannuation liabilities are expected to be almost \$7.8 billion at 30 June 2016, up around \$0.5 billion on 30 June 2011. The State's largely unfunded defined benefit 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 since 2000-01. This means that unfunded superannuation liabilities will gradually decline as these entitlements are paid out over the next two to three decades. The increase in the unfunded superannuation liabilities over the forward estimates period largely reflects the impact of a persistently low bond rate in the face of financial market conditions<sup>4</sup>.

### **Cashflow Statement**

A cash shortfall is projected for the general government sector for the years 2011-12 to 2014-15. That is, revenue is projected to be insufficient to meet the requirements of both recurrent and capital spending, with the resulting cash shortfall giving rise to an increased borrowing requirement. This reflects the combined impact of the operating and infrastructure spending outlook described earlier in this chapter.

Cash shortfalls give rise to increases in net debt in support of infrastructure spending.

Reflecting a stronger operating surplus and a smaller AIP, a cash surplus of \$553 million is projected for 2015-16.

Net debt is discussed later in this chapter.

## **Total Public Sector<sup>5</sup>**

### **Summary**

An operating surplus of \$63 million is forecast for the total public sector in 2012-13, and surplus outcomes are projected across the outyears. Net debt is forecast to increase, from \$12.0 billion at 30 June 2011 to an estimated \$22.9 billion by 30 June 2016, reflecting the significant infrastructure spending. Importantly, net debt levels are forecast to peak in 2014-15 and begin to decline as measures introduced in this budget and the impact of the Government's commitment to analyse existing royalty rates gain momentum and boost the general government operating surplus. At the same time, net debt levels at 30 June 2015 are forecast to be \$23.2 billion, \$0.7 billion lower than the mid-year review projection for the same period.

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<sup>4</sup> Long-term government bond rates are used by the actuary in year-end valuations of unfunded superannuation liabilities. Bond rates have declined during the 2011-12 financial year, compared with a budget assumption that the bond rate would gradually trend back toward the long-term average (around 6%) over the forward estimates period. A decrease in bond rate means that unfunded liabilities increase in value (and vice versa). The budget impact of these changes is estimated by the Department of Treasury.

<sup>5</sup> 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).

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

Table 6

**TOTAL PUBLIC SECTOR**  
Summary Financial Statements

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
<b>OPERATING STATEMENT</b>						
Revenue	37,472	39,699	41,327	43,700	45,943	48,970
Expenses	36,238	39,416	41,264	43,322	45,126	47,511
<b>Net Operating Balance</b>	<b>1,234</b>	<b>283</b>	<b>63</b>	<b>377</b>	<b>817</b>	<b>1,459</b>
<b>BALANCE SHEET</b>						
Assets	161,138	167,270	173,694	181,477	187,162	193,550
Liabilities	48,934	53,316	57,150	61,238	63,227	64,370
<b>Net Worth</b>	<b>112,203</b>	<b>113,955</b>	<b>116,544</b>	<b>120,239</b>	<b>123,935</b>	<b>129,180</b>
<b>STATEMENT OF CASHFLOWS</b>						
Net Cash Flows from Operating Activities	3,808	2,544	2,635	3,088	3,849	4,489
<b>Cash Position</b>	<b>-2,029</b>	<b>-3,150</b>	<b>-3,364</b>	<b>-2,959</b>	<b>-853</b>	<b>598</b>
<i>Memorandum Item: Net Debt</i>	12,026	15,169	18,594	22,176	23,156	22,866

Note: Columns may not add due to rounding.

### Operating Statement

An operating surplus of \$63 million is forecast for 2012-13, with operating surpluses of increasing magnitude in each of the outyears.

These outcomes are largely a reflection of the general government sector discussed earlier in this chapter, with the lower surplus outlook in 2012-13 relative to 2011-12 largely reflecting the tighter revenue outlook, particularly for GST grants. Both of the public corporations sectors (discussed below) are also expected to be in surplus in 2012-13 and in each year of the forward estimates period.

### Public Non-Financial Corporations

An operating surplus of \$481 million is forecast for the public non-financial corporations (PNFC) sector in 2012-13. The operating surpluses are projected to increase steadily over the forward estimates period, reaching \$1.3 billion by 2015-16, driven primarily by efficiency savings implemented in this budget and in the 2011-12 Budget.

The savings in this budget include a further efficiency dividend on the discretionary operating expenditure of GTEs (excluding the Housing Authority), which is to apply from 1 July 2012. The majority of the State's GTEs<sup>6</sup> are part of the PNFC sector.

<sup>6</sup> GTEs include corporatised agencies that are subject to dividend and tax equivalent arrangements with the general government sector. Not all public corporations are GTEs.

The new efficiency dividend will start at a rate of 2.5% in 2012-13, and increase cumulatively by 1.5% per annum, to 6.0% in 2015-16. In lieu of a review of port authority operations to be conducted later this calendar year, the State's ports will be subject to a 1.5% efficiency dividend in 2012-13, increasing by a further 1.5 percentage points per annum until 2015-16. This measure is anticipated to reduce expenses for the sector by \$384 million over the period 2012-13 to 2015-16.

The budget also includes a provision for higher rates of return for port authorities through increased charges, commencing in 2013-14, to be achieved as part of a review of port operations to be conducted later this year. This measure is expected to generate additional PNFC revenue of around \$145 million between 2013-14 and 2015-16.

These measures are expected to increase profitability of the sector (increasing GTE returns to general government) and build on the 5% efficiency dividend implemented in the 2011-12 Budget (which is on track to deliver \$524 million in savings over the period 2011-12 to 2014-15).

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

- large reductions to both revenue and expenses for the Gold Corporation, reflecting movements in volumes of precious metals processed by the Corporation;
- higher expenses by the Housing Authority, mainly for (non-cash) transfers of housing stock to the non-government community housing sector as part of the Government's Community Housing Growth Strategy (worth \$247 million in 2011-12 and a further \$81 million in 2012-13);
- lower subsidy payments to the Public Transport Authority reflecting the cessation of funding to the Authority (from 2012-13) for its depreciation expenses (discussed in more detail in Chapter 5: *General Government Expenses*); and
- a \$697 million increase in electricity price subsidies over the four years to 2015-16, in line with the residential electricity price assumptions approved for this budget<sup>7</sup>.

### ***Public Financial Corporations***

An operating surplus of \$190 million is forecast for the public financial corporation sector in 2012-13. This surplus outcome is projected to increase to \$195 million in 2013-14, before declining slightly over the remaining outyears.

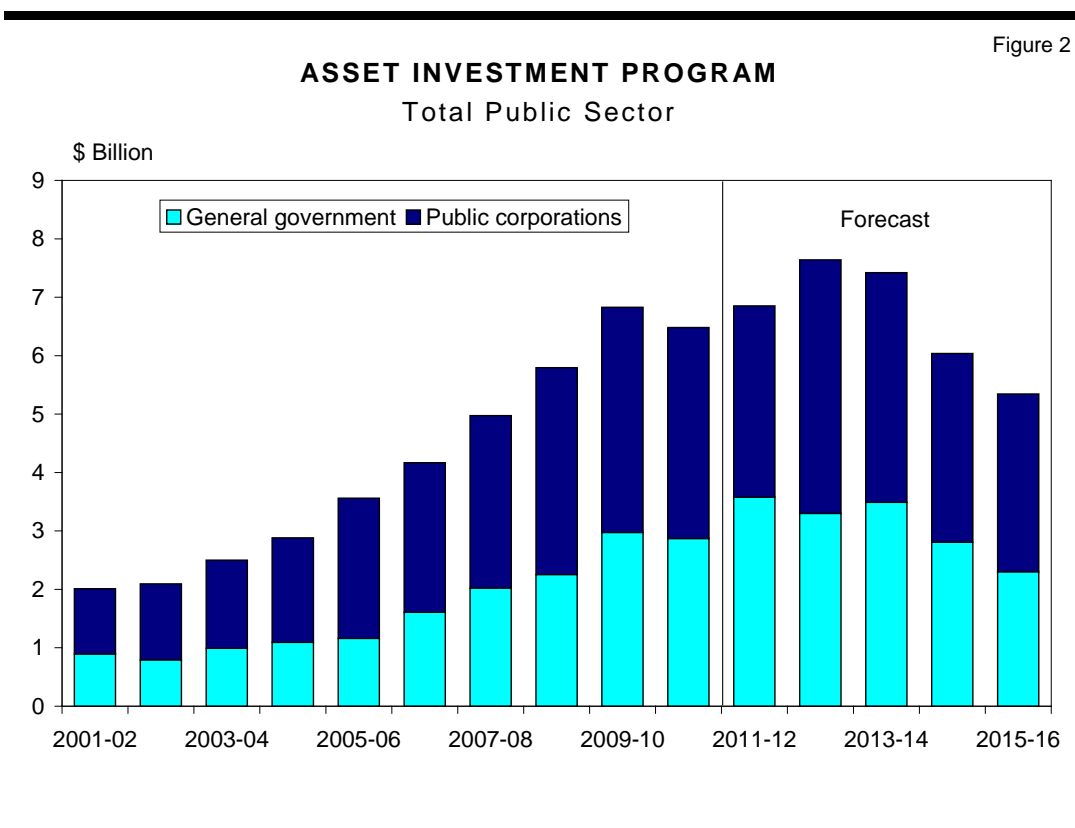
The forecast outcomes for 2012-13 and 2013-14 are largely in line with the outcomes included in the 2011-12 mid-year review (\$179 million and \$188 million respectively) and are dominated by investment returns for the Insurance Commission of Western Australia and net interest costs for the Western Australia Treasury Corporation (the State's central borrowing authority).

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<sup>7</sup> State Government approved changes to electricity prices are forecast to increase by 3.5% and 5% in 2012-13 and 2013-14 respectively, and 10% in both 2014-15 and 2015-16.

## Capital Investment

The 2012-13 Budget includes a \$7.6 billion Asset Investment Program (AIP), which is an increase of \$787 million on estimated expenditure for 2011-12. Infrastructure spending across the four years 2012-13 to 2015-16 is forecast to be \$26.4 billion.



The PNFC sector accounts for almost 60% of the AIP in 2012-13, and includes significant investment in electricity, water, port and public transport infrastructure.

Key expenditure increases since the mid-year review include:

- higher spending by the Housing Authority (up \$913 million), including:
  - the implementation of the SharedStart shared equity program (up \$650 million) with up to 2,000 new properties to be built for low to moderate income earners, including regional workers; and
  - \$130 million over two years for the construction of 433 new social houses from 2012-13 to 2013-14 to assist people in critical need on the priority waitlist; and
- higher spending on electricity infrastructure (up \$454 million), including:
  - \$183 million on wood pole replacement and reinforcement;



- an additional \$107 million on the Mid West Energy Project, mainly for the purchase of the Eneabba to Three Springs transmission line from Karara Mining Ltd; and
- \$65 million to address safety and regulatory compliance issues that have been identified in the electricity systems operated and maintained by Horizon Power.

Reductions to PNFC AIP spending as part of the corrective measures discussed earlier in this chapter make up \$991 million of the total \$1.8 billion in Capital Works Review savings (over the five years to 2015-16). Key reductions as part of the capital review include:

- the deferral of the planned \$339 million injection to the Oakajee Port Development beyond 2015-16 (with these funds to be held in a Special Purpose Account);
- the deferral of \$157 million of spending by the Fremantle Port Authority to beyond the forward estimates, including the Outer Harbour Land Acquisition at Kwinana Port, the Outer Harbour Second Channel project, and the Kwinana Bulk Jetty Export Import Infrastructure project;
- a \$131 million reduction to infrastructure spending by the Western Australian Land Authority in 2015-16 for the Authority's Metropolitan, Regional and Industry and Infrastructure Land Acquisition and Development programs; and
- lower spending by the Housing Authority (\$126 million) reflecting the deferral beyond the forward estimates of land acquisition and development spending (\$80 million) and a reduction in the *RfR* funded Housing for Workers program in 2015-16 (\$45 million).

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. This provision is worth \$625 million in 2011-12. The budget also includes a provision which redistributes aggregate spending from 2012-13 to the outyears, reflecting unforeseen delays and rescheduling that typically arises across the overall infrastructure program.

Further detail on the AIP is available in Chapter 6: *Asset Investment*.

## **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, 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 \$3.4 billion is projected for the total public sector in 2012-13. Shortfalls are also expected in 2013-14 and 2014-15, before a turnaround to a cash surplus of \$598 million in 2015-16. The turnaround to a cash surplus in 2015-16 largely reflects the impact of budget savings measures.

Cash shortfalls will drive increases in net debt in support of the State's AIP, with the cash surplus for 2015-16 driving an expected easing in net debt levels by 30 June 2016 (relative to the previous year).

Net debt is discussed in more detail below.

## Net Debt<sup>8</sup> and Net Financial Liabilities<sup>9</sup>

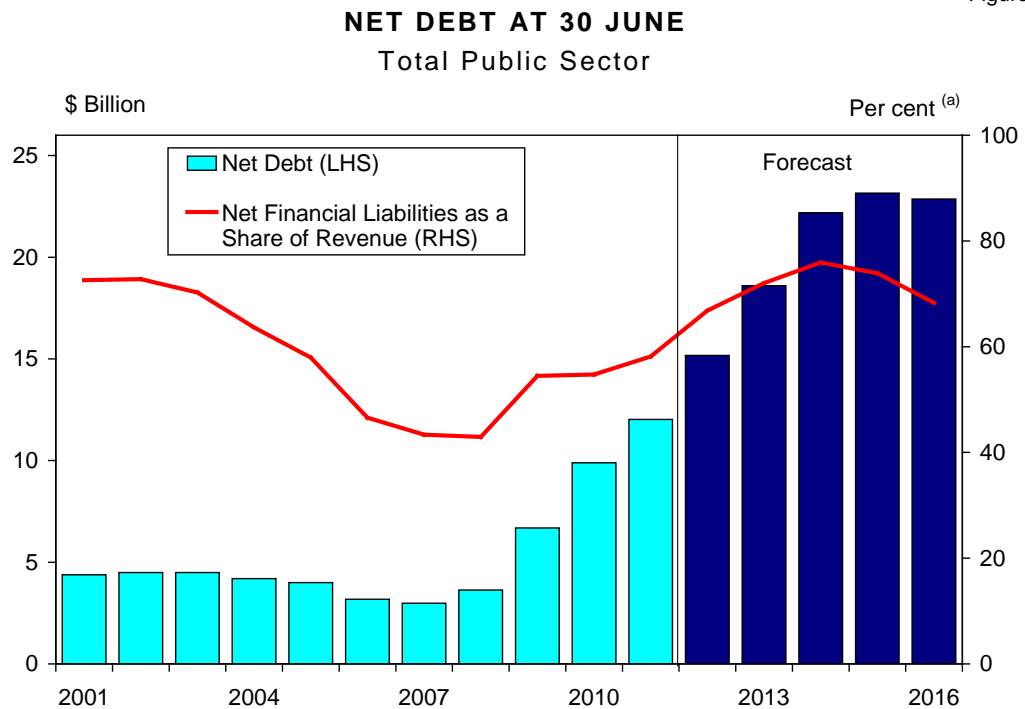
Total public sector net debt is forecast to be \$18.6 billion at 30 June 2013, increasing to an estimated peak of \$23.2 billion by 30 June 2015. By 30 June 2016, net debt levels are expected to decline as the projected general government operating surplus rises significantly in 2015-16. Projected levels of net debt are \$747 million lower than the \$23.9 billion forecast for 30 June 2015 at the time of the mid-year review.

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<sup>8</sup> 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).

<sup>9</sup> 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 1 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).

Figure 3



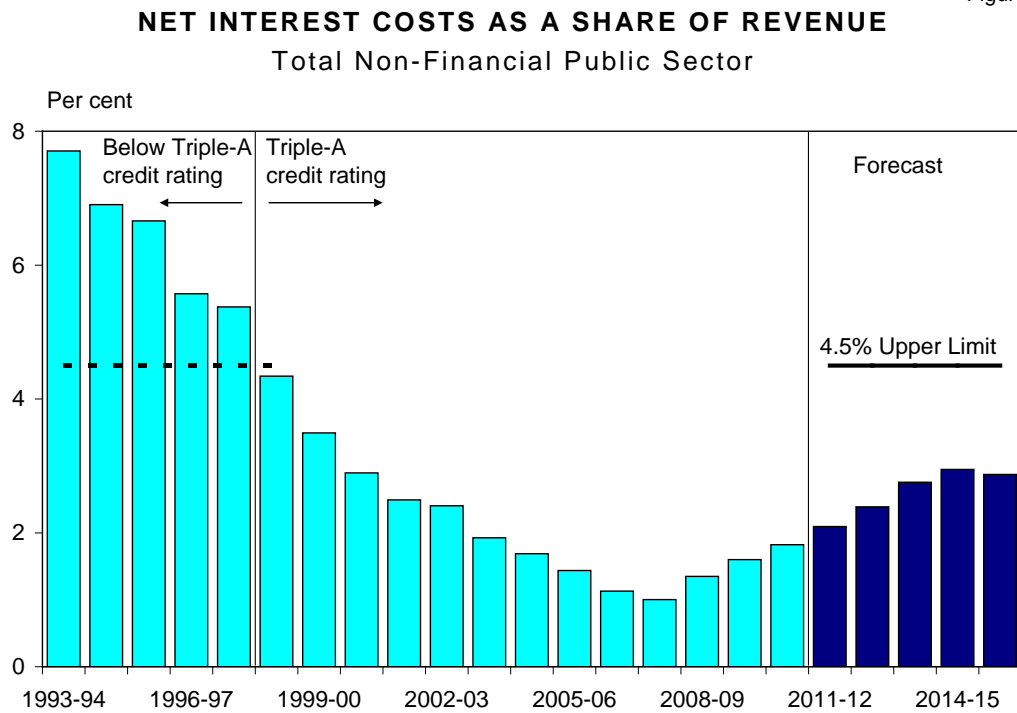
(a) For the total non-financial public sector (i.e. total public sector excluding public financial corporations).

The net ratio of total non-financial public sector (TNPS) financial liabilities to revenue (a key ratio used by Standard & Poor’s to assess the State’s credit rating) is forecast to increase to a peak of 75.9% in 2013-14 before declining to around 68.3% in 2015-16. These levels are well below the 90% ‘trigger’ threshold set by Standard & Poor’s<sup>10</sup>.

Net interest costs as a share of revenue for the TNPS sector are projected to be 2.4% in 2012-13, rising to be 2.9% in 2014-15 and 2015-16. These levels are comfortably below the Government’s financial target limit of 4.5% (see chart below).

<sup>10</sup> A TNPS net financial liabilities to revenue in excess of the 90% level would trigger a credit rating review by Standard & Poor’s.

Figure 4



The following table shows the changes in the forecast level of total public sector net debt relative to the 2011-12 mid-year review.

Table 7

## NET DEBT OF THE TOTAL PUBLIC SECTOR AT 30 JUNE

	2012	2013	2014	2015	2016
	\$m	\$m	\$m	\$m	\$m
<b>2011-12 MID-YEAR REVIEW - TOTAL PUBLIC SECTOR NET DEBT</b>	<b>16,582</b>	<b>20,495</b>	<b>22,454</b>	<b>23,903</b>	
<i>Less change in net cashflows from operating activities and dividends paid</i>					
- general government	181.2	-425.9	-327.6	478.5	
- public non-financial corporations	27.2	73.4	163.1	241.9	
- public financial corporations	20.1	54.5	45.3	20.8	
<i>Total public sector</i>	<i>228.5</i>	<i>-298.0</i>	<i>-119.2</i>	<i>741.2</i>	
<i>Plus purchases of non-financial assets</i>					
<i>Policy decisions</i>					
- Capital Works Review	-7.2	-493.2	-298.0	-312.2	-694.3
- Year 7s In High Schools (School costs)	-	16.3	133.5	115.3	-
- Health Information Communications and Technology	30.7	60.0	60.0	-	-
- Social Housing Boost	-	65.0	65.0	-	-
- Horizon Infrastructure	7.1	40.1	42.4	26.0	-
- Gateway WA - Additional State Funding	-	-	-	37.0	48.0
- New Museum	-	-	10.2	16.9	43.4
- Graham Farmer Freeway Tunnel third lane and Michell Freeway Widening	-	35.0	21.0	-	-
- Willetton Senior High School Replacement	-	5.0	14.5	9.3	3.7
- Western Australian Institute of Sport High Performance Centre	-	2.4	16.5	12.8	-
- Year 7s In High Schools (Public Transport Costs)	-	-	-	24.3	-
- Other	2.0	70.5	53.6	28.5	37.2
<i>Total policy decisions</i>	<i>32.5</i>	<i>-198.9</i>	<i>118.7</i>	<i>-42.1</i>	<i>-562.0</i>
<i>Parameter movements</i>					
- Increase in Underspend Provision (2011-12 Program)	-500.0	-	-	-	-
- AIP Smoothing Provision (2012-13 Program)	-	-1,000.0	333.3	333.3	-
- Education	-45.6	136.3	62.3	9.8	-
- Housing Authority	310.1	421.2	30.6	9.6	-
- Gateway WA	-	-5.8	118.7	-92.3	-
- Water Corporation	-167.7	-80.0	234.5	-22.6	-
- Health	-93.4	-33.5	193.7	-11.1	-
- Electricity Entities	-285.5	145.3	363.5	115.2	-
- Other	-274.6	214.9	8.1	96.1	-
<i>Total parameter movements</i>	<i>-1,056.7</i>	<i>-201.6</i>	<i>1,344.8</i>	<i>438.0</i>	
<i>Total purchase of non-financial assets</i>	<i>-1,024.2</i>	<i>-400.5</i>	<i>1,463.6</i>	<i>396.0</i>	
<i>Less proceeds from sale of non-financial assets</i>	<i>145.1</i>	<i>309.2</i>	<i>25.1</i>	<i>160.5</i>	
<i>Plus all other financing <sup>(a)</sup></i>	<i>-15.0</i>	<i>-75.8</i>	<i>64.3</i>	<i>36.5</i>	
<i>Cumulative impact on net debt at 30 June</i>	<i>-1,412.7</i>	<i>-1,900.1</i>	<i>-278.2</i>	<i>-747.4</i>	
<b>2012-13 BUDGET - TOTAL PUBLIC SECTOR NET DEBT</b>	<b>15,169</b>	<b>18,594</b>	<b>22,176</b>	<b>23,156</b>	<b>22,866</b>

(a) Includes revaluations of investment assets, net acquisition of financial assets for liquidity purposes, and net acquisition under finance leases and similar arrangements etc.

Note: Columns may not add due to rounding.

## Fiscal Strategy

The Government is committed to delivering strong financial leadership and the responsible management of Western Australia's public sector finances to ensure they are sustainable and consistent with a triple-A credit rating. Strong financial leadership creates an attractive business environment in which to invest and a secure place in which to live and work.

### Financial Targets

The Government's financial targets are consistent with those in the 2010-11 and 2011-12 Budgets. 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 expenses do not increase; and
- provide a fair and efficient taxation system that is competitive with other Australian States.

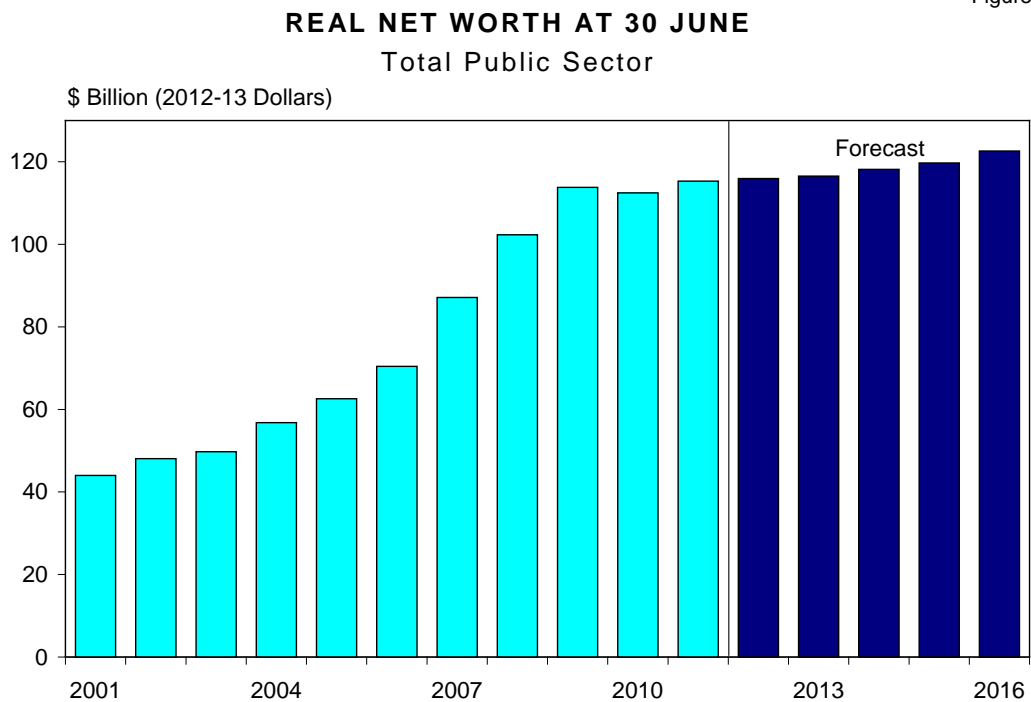
### Maintain or Increase Real Net Worth of the Total Public Sector

This target is forecast to be met in the current year and across the forecast period.

This target is the broadest balance sheet measure available. It represents the combined net value of the total public sector and measures the strength of the State’s financial position (expressed as the value of total assets less total liabilities). Net worth in real terms is the difference between total assets and total liabilities, adjusted to remove the impact of inflation.

In nominal terms, net worth is forecast to increase by almost \$17.0 billion over the period to 30 June 2016, rising from \$112.2 billion at 30 June 2011 to an estimated \$129.2 billion. This reflects projected operating surplus outcomes across all sectors of government in each year of the forward estimates period.

Figure 5



### Achieve an Operating Surplus for the General Government Sector

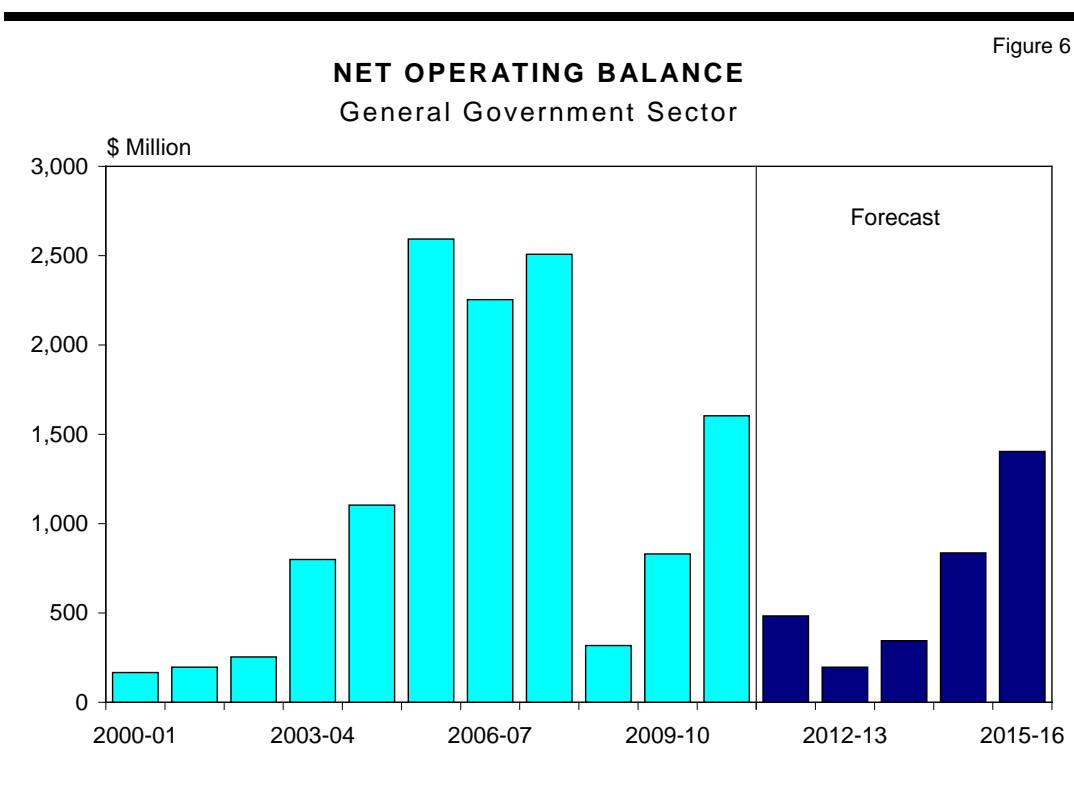
This target is expected to be met with a general government sector operating surplus forecast in the budget year and in each year of the forward estimates period. Operating surpluses range from \$196 million in 2012-13 to around \$1.4 billion in 2015-16.

The general government sector comprises key service delivery and regulatory agencies, but excludes GTEs and other public corporations. 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 across the sector.

For 2012-13 and 2013-14, the general government operating sector outlook has weakened since the 2011-12 mid-year review, reflecting lower GST grants from the Commonwealth and the impact of lower projected public corporation profitability on dividend and tax equivalent forecast. The impact of savings measures and the Government’s commitment to analyse existing royalty rates drive stronger surplus projections in 2014-15 and 2015-16.

A detailed discussion of the general government sector operating outlook is available at the beginning of this chapter.

Figure 6





**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 the current year and each of the outyears.

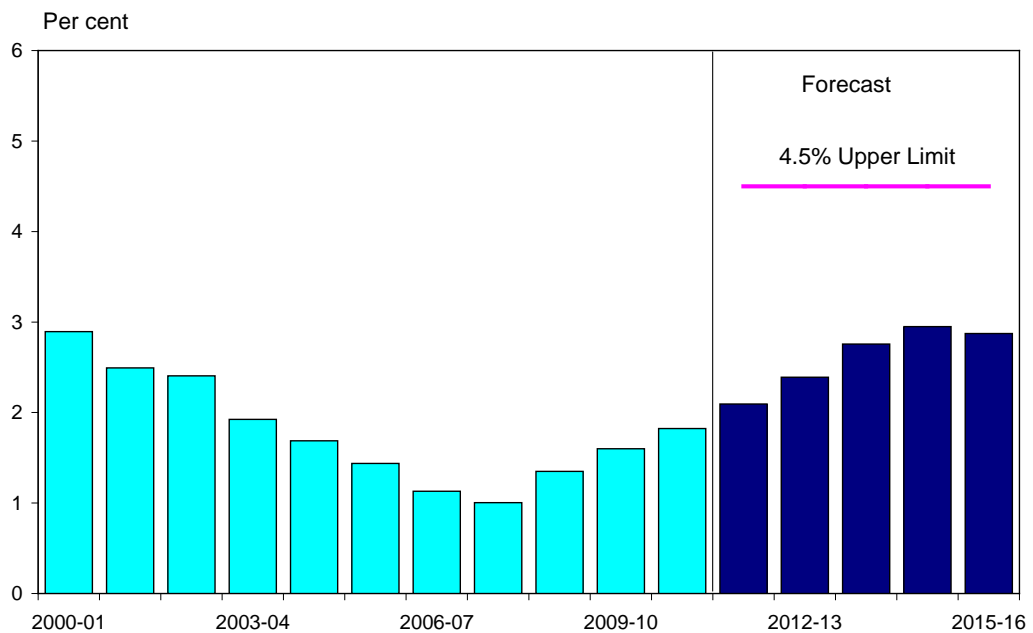
Net interest costs are the value of interest costs on gross debt liabilities less the value of interest earnings on financial assets. This target is based on the total non-financial public sector, which includes all State agencies involved in the delivery of centrally funded services (i.e. general government agencies) and public non-financial corporations.

Net interest costs as a share of revenue are forecast to increase from 2.1% in 2011-12 to be 2.9% in 2014-15 and 2015-16. These levels are well below the Government’s 4.5% upper target limit.

The projected 2.9% ratio in 2015-16 is consistent with sustainable and affordable increases in net debt over the medium term. Importantly, the budget projections show a peak in net debt in 2014-15. Net debt at 30 June 2015 is forecast to be \$23.2 billion (\$747 million lower than the \$23.9 billion forecast at the time of the 2011-12 mid-year review). Total public sector net debt is then expected to ease to around \$22.9 billion by 30 June 2016 as general government operating surplus outcomes respond to the effects of the new corrective measures detailed earlier in this chapter.

Figure 7

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



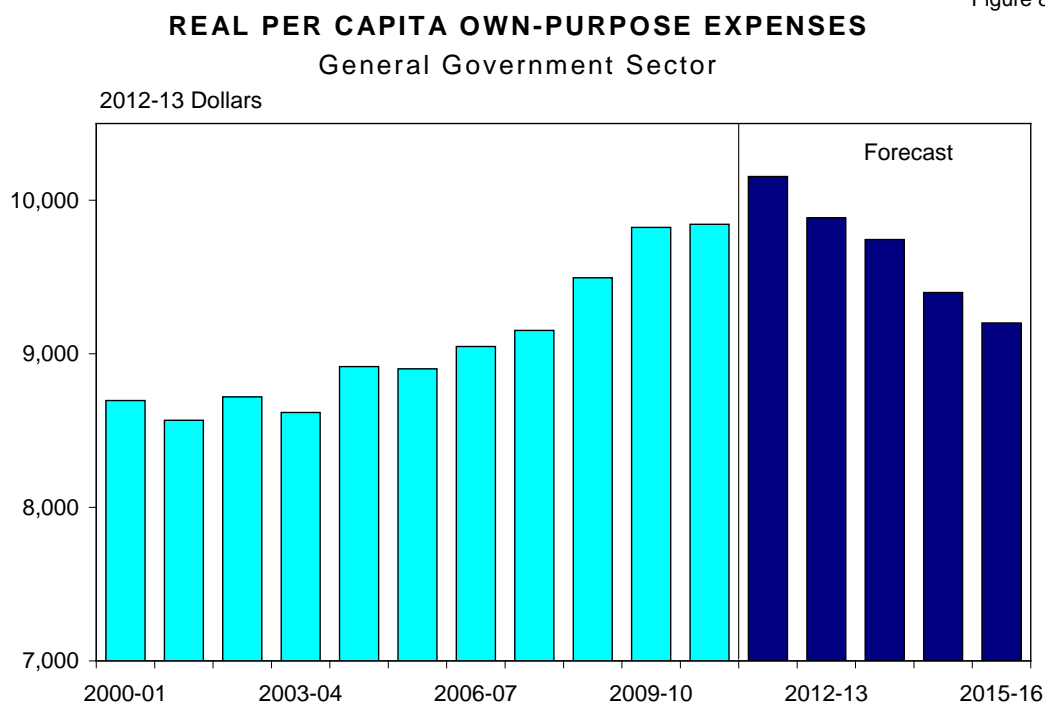
### Ensure that Real Per Capita Own-Purpose Expenses for the General Government Sector do not Increase

This target is expected to be met in 2012-13 and in each year of the forward estimates period. As noted at the time of the 2011-12 Budget and the subsequent mid-year review, the target is not expected to be met in 2011-12.

This target measures growth in recurrent spending that is under the more direct control of the Government. The target allows for general government expense growth up to the combined growth in population and wages (as measured by the Wage Price Index), and excludes Commonwealth grants that are passed through the State.

Above-target growth in 2011-12 reflects increases in spending as part of the 2011-12 Budget on the Redress WA scheme, *RfR* grant programs, subsidies for electricity consumers, and new funding for the not-for-profit sector.

Figure 8



The forecasts for 2012-13 and beyond reflect the Government’s decision to implement a suite of corrective measures as part of the 2012-13 Budget. These corrective measures will create financial capacity across the forward estimates period and ensure that drivers of expense growth, such as employee costs, are controlled. These measures build on the savings measures implemented in the previous three budgets, including recommendations from the Economic Audit Committee, implementation of both the 3% efficiency dividend for general government sector agencies and the 5% efficiency dividend for GTEs. The new measures and other movements in general government expenses are detailed elsewhere in this chapter and in Chapter 5: *General Government Expenses*.

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

The State Government seeks 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 whether 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 Commonwealth Grants Commission (CGC).

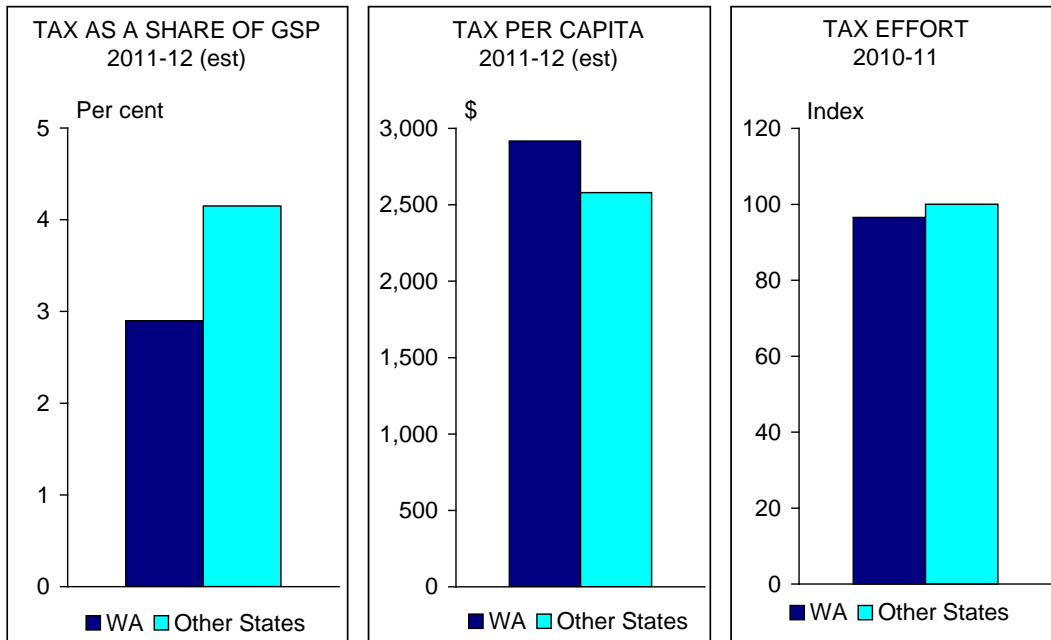
Tax as a proportion of the economy (i.e. GSP) is an internationally recognised measure of tax competitiveness, which, unlike tax per capita, accounts for the impact of differences in the size and composition of each State's economy on tax revenue. Western Australia's tax to GSP ratio is forecast to be 2.9% in 2011-12. This is the lowest of all States and compares to an average of 4.1% in the rest of Australia.

On a per capita basis, Western Australia's tax settings are higher than those of other States. This mainly reflects Western Australia's higher per capita economic base, rather than higher average tax rates. Under the current 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 (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 3.4% lower than the national average in 2010-11 (the latest available year). Tax effort was lower in Queensland and Tasmania, but higher in New South Wales, Victoria and South Australia.

Figure 9

**TAX COMPETITIVENESS**  
Various Measures



Source: Department of Treasury and the CGC.

## Statement of Risks

### Estimating Assumptions

Key economic and revenue parameters underlying the 2012-13 Budget are detailed in the following table.

Table 8

<b>KEY ECONOMIC AND REVENUE PARAMETERS</b>						
Annual Growth (%)						
	2010-11 Actual	2011-12 Estimated Actual	2012-13 Budget Estimate	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
Gross State Product (GSP)	3.5	6.0	4.75	4.75	4.25	4.25
Gross State Income (GSI)	20.0	6.25	2.5	3.5	1.5	2.25
Population	2.3	2.5	2.3	2.3	2.2	2.2
Employment	3.2	2.5	2.75	2.5	2.25	2.0
Unemployment rate <sup>(a)</sup>	4.4	4.25	4.25	4.25	4.0	4.0
Consumer Price Index (CPI)	2.8	2.5	3.5	3.25	3.25	3.25
Wage Price Index (WPI)	3.9	4.25	4.5	4.5	4.5	4.5
\$US/\$A exchange rate (cents) <sup>(a)</sup>	99.1	103.9	99.0	92.0	84.9	77.9
Iron ore price (\$US per tonne) <sup>(a)</sup>	143.3	146.3	127.3	115.2	102.9	90.6
Crude oil price (\$US per barrel) <sup>(a)</sup>	89.2	97.5	104.5	101.3	96.7	93.3

(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*. To the extent that there are material variations from the economic assumptions detailed in Chapter 2, the State's finances may vary accordingly.

## Revenue Estimates

Revenue estimates are sensitive to changes in key economic parameters, including the \$US/\$A exchange rate, commodity prices (especially iron ore), employment and wage growth. Approximate annual impacts of changes in these variables are outlined in Table 9.

Table 9

### APPROXIMATE PARAMETER SENSITIVITY OF REVENUE ESTIMATES 2012-13

	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	±33	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	±34	For each one per cent increase/decrease in taxable wages or employment growth (i.e. the total wages bill)
Transfer duty	±19	For each one per cent increase/decrease in average property prices
GST grants	±89	For a \$100 million increase in iron ore royalty revenue (due to increased value of production) in 2012-13 (all else being equal), Western Australia will lose an estimated \$89 million of GST grants in net present value terms (the loss will occur in later years due to the time lags in the Grants Commission process)

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

#### State Taxes (\$7,739 million in 2012-13)

##### *Transfer Duty*

Property transactions are highly susceptible to fluctuations in market sentiment and are therefore highly volatile and difficult to forecast. The current transfer duty forecasts are balanced against the risk of continued weakness in the housing market and the risk that market sentiment could quickly change and cause a faster than expected recovery in transaction volumes.

##### *Payroll tax*

The payroll tax forecasts are based on expectations of growth in the State's labour market. If activity in the labour market is stronger than expected, there is a risk that actual payroll tax revenue could be higher than anticipated. Higher than expected payroll tax collections for 2011-12 and additional compliance effort would also flow through into increased payroll tax revenue in the forward estimates period.

## **Commonwealth Grants (\$9,011 million in 2012-13)**

### ***General Purpose Grants***

General purpose grants include GST revenue grants and North West Shelf and Condensate Compensation grants.

Growth in Western Australia's GST revenue grants fundamentally depends firstly on growth in the Commonwealth's national GST collections, exposing Western Australia directly to national economic conditions, and secondly, on the distribution of GST collections among States and Territories according to the recommendations of the Commonwealth Grants Commission (CGC).

An example of Western Australia's exposure to national economic conditions is its GST grants being revised down by \$854 million over the period 2011-12 to 2014-15 since the time of the December 2011 mid-year review, reflecting lower estimates of growth in total GST collections.

With regard to the second risk factor, 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 and Territories. Given the complex methodology and numerous variables taken into consideration, significant difficulties are attached to predicting Western Australia's future share of GST revenue. For example, the CGC recommendation to reduce Western Australia's population share of the GST to 55% in 2012-13 led to GST grants revenue being revised down by \$917 million from 2012-13 to 2014-15 since the time of the December 2011 mid-year review. Further uncertainty has been introduced by the review of the arrangements for distributing GST revenue grants among the States and Territories announced by the Commonwealth Government in March 2011. The review could significantly alter Western Australia's GST grant share from 2014-15 onwards.

The recently released interim report of the GST distribution review has flagged potential reforms to the CGC's methodology, including the possibility of discounting the impact of differences in States' mining revenue capacity. Therefore, an argument exists to include an estimate of the additional revenue from the reform of the GST distribution system in the forward estimates for this budget. However, the final recommendations of the review and the Commonwealth Government's response are still far from certain.

In the meantime, the State Government will continue to argue for a more equitable share of GST revenue for the State.

The following table shows the impact on Western Australia's forward estimates should a 75% 'floor' under the share any State or Territory receives from national GST collections relative to its population-based share be implemented. Such an outcome would add an estimated \$2.6 billion to Western Australia's GST grants in 2014-15 and a further \$3.0 billion in 2015-16<sup>11</sup>.

Other factors being equal, a change in GST grants of this magnitude would result in a substantially lower profile for the State's net debt. This would enable increased investment in both economic and social infrastructure that, in turn, would create capacity for economic growth for the nation as a whole.

Table 10

**KEY BUDGET AGGREGATES**  
**ADJUSTED FOR 75% GST RELATIVITY <sup>(a)</sup> 'FLOOR'**  
Western Australia

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Scenario Estimate	Scenario Estimate
Increase in GST grants	-	-	-	-	2,583	2,966
<b>GENERAL GOVERNMENT SECTOR</b>						
<b>Net operating balance (\$m)</b>	<b>1,604</b>	<b>484</b>	<b>196</b>	<b>345</b>	<b>3,419</b>	<b>4,504</b>
Revenue (\$m)	23,909	24,749	25,477	27,019	30,959	33,204
Growth (%)	8.5	3.5	2.9	6.1	14.6	7.3
Expenses (\$m)	22,306	24,266	25,281	26,674	27,540	28,700
Growth (%)	5.2	8.8	4.2	5.5	3.2	4.2
<b>TOTAL PUBLIC SECTOR</b>						
<b>Net debt at 30 June (\$m)</b>	<b>12,026</b>	<b>15,169</b>	<b>18,594</b>	<b>22,176</b>	<b>20,573</b>	<b>17,183</b>
Asset Investment Program (\$m)	6,482	6,852	7,639	7,422	6,038	5,344
Cash surplus/deficit (\$m)	-2,029	-3,150	-3,364	-2,959	1,731	3,698
<b>KEY FINANCIAL RATIOS</b>						
Net Interest Cost as a share of revenue (%)	1.8	2.1	2.4	2.8	2.8	2.4
Net Financial Liabilities as a share of revenue (%)	58.1	66.8	72.0	75.9	64.5	53.2

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

Risks associated with North West Shelf and Condensate Compensation 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 and greater intrusion by the Commonwealth into the delivery of State services;

<sup>11</sup> Alternatively, a 50% discount to the assessments of States' mining revenue capacity (including the effect of discounting North West Shelf grants paid to the State by the Commonwealth) would add an estimated \$2.4 billion to Western Australia's GST grants in 2014-15 and a further \$2.7 billion in 2015-16.



- 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).

Furthermore, a range of National Partnership agreements expire during the forward estimates, and are the main reason for a decline in the forecasts of these grants, from \$1,899 million in 2011-12 to \$1,273 million in 2015-16. There is significant uncertainty surrounding the Commonwealth's ongoing funding intentions where the agreements were not clearly for one-off purposes. Ongoing funding may be required where the agreement supports increased State service delivery.

A paper on the future of expiring agreements was submitted to the Commonwealth in October 2011 by the New South Wales Treasurer, on behalf of all States, which recommends the extension of funding for 11 expiring agreements. At the cut-off date for this budget, the Commonwealth had not formally responded to the submission.

As continued Commonwealth funding for these expiring agreements has generally not been included in the forward estimates, this poses an upside risk for the State.

### ***Commonwealth Funding for Infrastructure***

At the time of the 2007 election, the now Commonwealth Government committed to establish a Western Australia Infrastructure Fund from Gorgon/Pluto Petroleum Resource Rent Tax revenue. The Commonwealth's commitment equates to an estimated \$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 (7 May 2012).

The Commonwealth has committed to Western Australia receiving at least \$2 billion over 10 years from the Regional Infrastructure Fund (out of a total of \$6 billion), which is to be financed primarily from a portion of the Commonwealth Minerals Resource Rent Tax. This poses an upside risk, as only limited provision for this funding has been made in the State's forward estimates at this stage.

## **Royalty Income (\$4,871 million in 2012-13)**

The royalty income estimates (and also the estimates for the North West Shelf and Condensate Compensation grants) are particularly sensitive to the \$US/\$A exchange rate and \$US commodity price assumptions noted earlier. In addition, the royalty estimates in 2015-16 will be subject to the outcomes of the review of royalty rates announced in this budget.

### ***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 US75 cents) by the end of the forward estimates period<sup>12</sup>.

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. The Australian dollar's close link to commodity prices has historically provided Australian exporters with a 'natural hedge', with the Australian dollar tending to weaken when commodity prices fall and vice versa.

However, the historical relationship between commodity prices and the Australian dollar over the past year appears to have weakened, with the Australian dollar remaining high in spite of easing in some commodity prices.

### ***Iron Ore Prices***

Iron ore prices are assumed to return to a value of \$US85 per tonne by the end of the forward estimates period<sup>13</sup>. This is broadly consistent with the views of other analysts, 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. If global economic conditions were to deteriorate, this could result in a contraction in iron ore prices.

## **Spending Risks**

### **Corrective Measures**

The 2012-13 Budget contains a suite of corrective measures focused on containing spending growth, and promoting cost efficient service delivery. The total suite of measures (worth \$4.9 billion in net debt terms over the period to 30 June 2016) assumes that agencies will achieve the targeted savings measures.

If agencies are unable to fully achieve these savings, there is a risk that both the spending estimates and projected growth in net debt contained in this budget are understated.

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<sup>12</sup> This equates to an average exchange rate of US77.9 cents in 2015-16.

<sup>13</sup> This equates to an average iron ore price of \$US90.6 per tonne in 2015-16.

## **National Disability Insurance Scheme**

Western Australia is prepared to participate in the development of options for a National Disability Insurance Scheme (NDIS) for consideration by the Council of Australian Governments (COAG).

While supportive of the NDIS in principle, the Government does not have clarity from the Commonwealth on the critical issues of eligibility, structure and funding for an NDIS. It therefore remains unclear as to the exact number of people the Commonwealth intends for the policy to apply to, how much the reform will cost or the source of funding for it. Statements from Commonwealth Ministers have varied from 410,000 to 2 million eligible people and the recent Commonwealth Budget did not provide any more detail on how the Commonwealth proposes to fund the potential additional costs of \$8.1 billion per annum for the scheme (noting the States and the Commonwealth collectively spend \$7.0 billion per annum on disability services).

The State Government currently funds 83% of disability services in Western Australia, amounting to \$2.5 billion over the next four years. Recognising the relatively limited financial capacity of States, the Productivity Commission recommended that all of the additional cost of the NDIS be funded by the Commonwealth.

With the funding arrangements for the NDIS yet to be determined, including the extent to which the Commonwealth intends to diverge from the Productivity Commission's recommendations on funding and seek further financial contributions from the States, significant financial risk is associated with the implementation of the policy.

## **Funding for Schools and Relocation of Year 7 Students to Government Secondary Schools**

In February 2012, the Commonwealth Government released the final report of the *Review of Funding for Schooling* (also known as the 'Gonski review'). As the Commonwealth has not yet responded in detail to the review's recommendations, the future impact on both government and non-government primary and secondary school funding cannot be quantified. Therefore, it is not possible to accurately forecast the full financial impact of the transition of Year 7 students to secondary settings in Western Australian government schools in 2015. Some recurrent expenditure that is required prior to 2015, such as retraining of primary school teachers, has been approved in the 2012-13 Budget process, but other recurrent expenses, such as teacher costs, have been deferred to the 2014-15 Budget process when greater certainty about the funding model will be available. The 2012-13 Budget includes total funding (both recurrent and capital) of \$341 million to progress implementation.

## **Health Information and Communications Technology**

WA Health's AIP includes an allocation of \$120 million over the next two years to undertake the procurement and implementation of ICT systems and infrastructure focused on the requirements for the Albany Health Campus and the Fiona Stanley Hospital. The timely delivery of the program for ICT assets, networks and applications remains a risk to the readiness of the hospitals for the scheduled openings.

Beyond the delivery of this \$120 million investment, WA Health will be required to identify and prioritise future ICT requirements including procurement, implementation and roll-out of existing and new systems and infrastructure. This future investment requirement on health system-wide is likely to be substantial.

### **Carbon Tax**

The spending profile for this budget incorporates the Commonwealth Treasury's expected impact on price growth from introduction of a carbon tax of 0.7 percentage points in 2012-13 and 0.2 percentage points in 2015-16. The Perth CPI growth rates of 3.5% in 2012-13 and 3.25% in 2015-16 assumed in this budget incorporate these impacts. Following the commencement of the carbon tax on 1 July 2012, actual price rises may be different to those modelled by the Commonwealth, which will flow through to State spending.

### **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 AIP 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.

### **Population Growth**

Western Australia's population is growing at a faster pace than the national level, supported by strong levels of net overseas migration. The strong population growth is consistent with robust labour demand, particularly given high levels of resource-related investment.

With robust labour demand in the State expected to continue, population growth is likely to remain strong over the forecast period, increasing demand for services and infrastructure provided by the Western Australian public sector.

### **Wages Growth**

Salaries costs represent around 40% of general government sector recurrent spending. The forward estimates are consistent with projected growth in staffing levels and Government wages policy (which seeks to limit wage growth to be in the range of the Consumer Price Index and the Wage Price Index).

Should future salaries growth exceed the budget assumptions, it will in turn introduce pressure on the financial outcomes projected in the 2012-13 Budget.

## **Electricity Utilities**

The Economic Regulation Authority is yet to finalise Western Power's Third Access Arrangement (AA3) and its Inquiry into the efficiency of Synergy's costs and electricity tariffs. As such, there remains a significant risk that once these reviews are finalised there will be an additional impact on the State's finances. There is also a significant risk that as a result of these reviews there may be a change to the cost-reflective line for electricity tariffs and Western Power's AIP. Depending on the outcomes of these reviews, these risks are both of an upside and downside nature.

## **Contingent Assets and 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.

### ***Native Title Claims***

#### *Perth and South West*

In February 2012, the Government announced a significant cash and land offer to be made to Native Title claimants in Perth and the South West for descendents of the Noongar people. If accepted, the deal is to provide security of ownership for home owners, Kings Park, the Swan River and State forests.

Negotiations still need to be progressed to finalise the offer, which may include a large cash component over a 10 year period, as well as negotiation around large tracts of Crown land.

In addition to the uncertainties associated with the quantum and timing of the expected cash outlays associated with this offer, if the State does not settle Native Title claims in the South West, it may:

- be required to litigate each and every individual Native Title claim, which can be costly and time consuming;
- be exposed to potential compensation claims; and
- continue to be bound by Native Title compliance requirements into the future, including the 'Future Acts' regime of Commonwealth and State Native Title legislation.

#### *Anketell Port*

The State will enter into consultation and negotiation with Native Title holders in relation to the site for the Anketell Port and Strategic Industrial Area. It is expected that the cost of any Native Title settlement will ultimately be paid by, or recouped from, the successful port participants.

***Other Contingent Assets and Liabilities***

Details of the quantified contingent assets and liabilities of the State at 30 June 2011 are provided in the *2010-11 Annual Report on State Finances*. At that time, quantified contingent assets totalled \$65 million and contingent liabilities totalled \$2.0 billion. No material change to that disclosure has been noted to date.

# General Government Revenue

## HIGHLIGHTS

- The outlook for the State's total revenue growth, at 4.8% over the five years from 2011-12 to 2015-16, is substantially below the long-run growth of 8.4%, which translates to a difference of \$17.4 billion over the same period.
- GST grants and other Commonwealth grants are forecast to decline dramatically in 2012-13.
- In contrast, the State's own-source revenue is forecast to grow quite strongly.
- This budget incorporates revenue measures that:
  - provide payroll tax relief for small/medium sized employers;
  - provide ongoing incentives for the employment of Indigenous people and people with a disability; and
  - commence a consultation process for a review of the State's royalties.

## Overview

The 2012-13 Budget forecast for total revenue is \$25.5 billion, up by \$728 million (or 2.9%) on the estimated out-turn for 2011-12.

The general government revenue outlook comprises relatively strong growth in own-source revenue (predominantly State taxes and mining royalties), and a declining contribution to total revenue from Commonwealth grants, which account for 35% of total revenue in 2012-13, down from 38% in 2011-12.

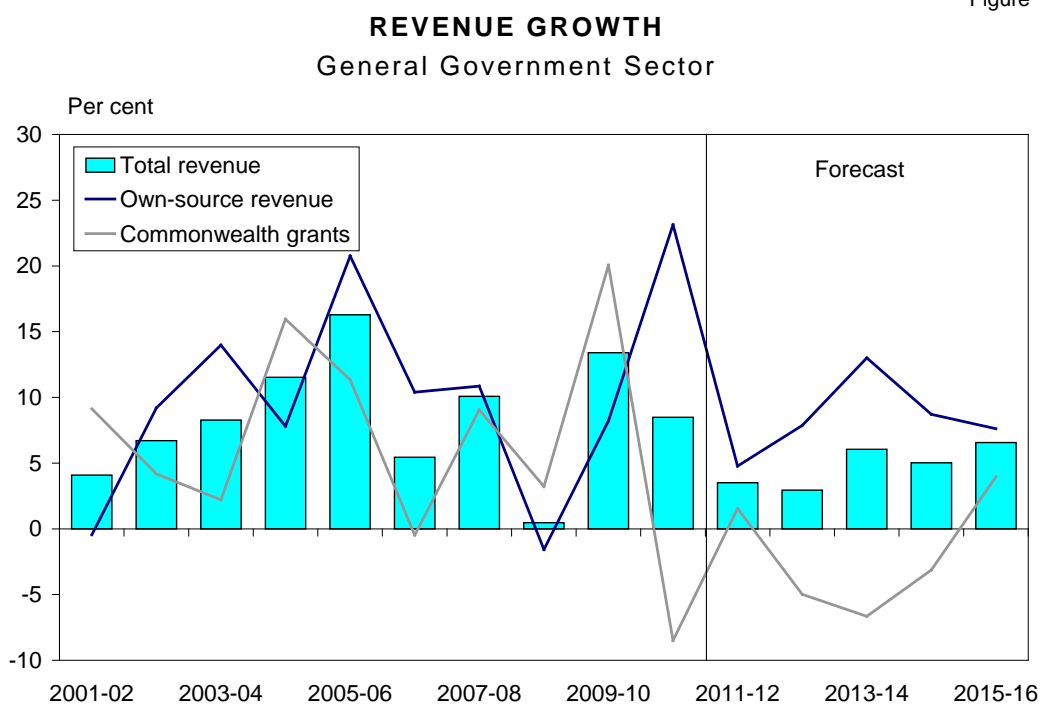
General government revenue is projected to grow at an annual average rate of 4.8% over the period 2011-12 to 2015-16, compared with average growth of 8.4% per annum over the past decade. The lower rate of projected growth in total revenue is largely due to a substantial decline in Western Australia’s share of national GST revenue grants, as well as limited growth in other Commonwealth grants.

Growth in own-source revenue has moderated to 4.8% in 2011-12 (from 23.1% in 2010-11). This largely reflects a levelling off in iron ore prices and a higher \$US/\$A exchange rate contributing to a more moderate rate of growth in royalty revenue (6.6% in 2011-12, compared to 81.3% growth in 2010-11).

Own-source revenue growth is expected to average 9.3% per annum over the budget period (2012-13 to 2015-16). This growth is underpinned by an expected improvement in the housing market flowing through to a recovery in transfer duty collections, the impact of demand for labour on payroll tax collections, and solid growth in royalty revenue from higher production volumes for most commodities and the removal of the discounted royalty rate on iron ore ‘fines’.

In contrast, revenue from Commonwealth grants is expected to decline at an annual average rate of 2.8% over the budget period (2012-13 to 2015-16). Western Australia’s GST revenue grants are projected to fall dramatically, from \$2.8 billion in 2012-13 to just \$1.5 billion in 2015-16 – a decline of 46%. In addition, Commonwealth payments to the State for specific purposes (including health, education and training, disability services and housing) are expected to decline in real terms, with an average nominal increase of only 0.9% over the budget period. This partly reflects the expiry of a number of national partnership agreements that are not being renewed.

Figure 1





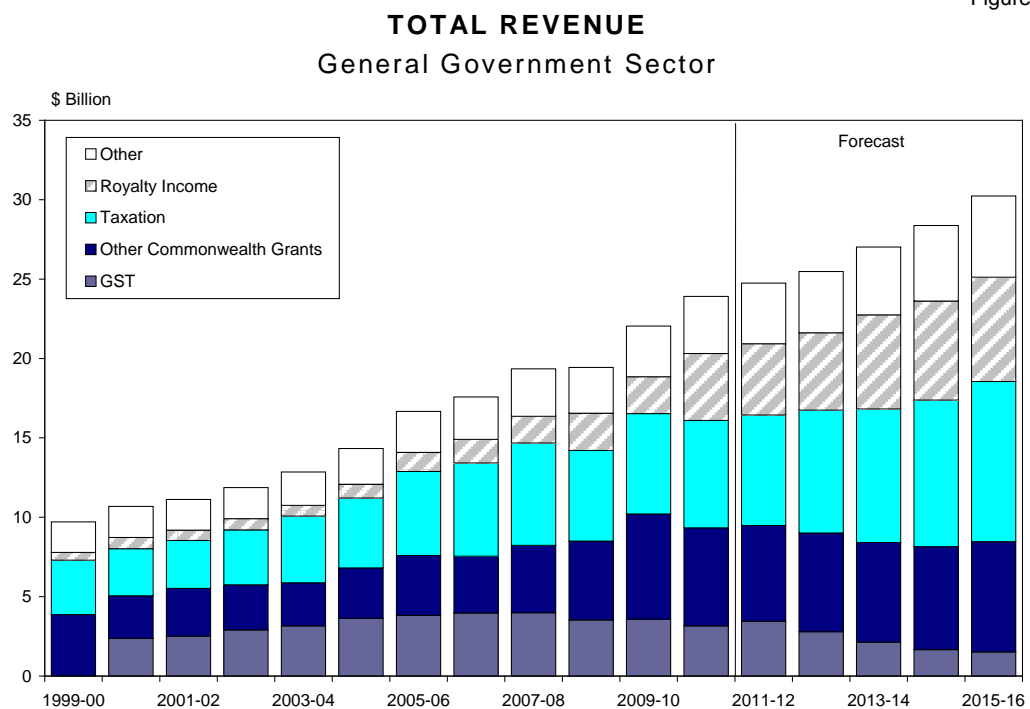
## 2011-12 Estimated Actual

The estimated actual for total revenue in 2011-12 is \$24.7 billion, which is \$840 million (or 3.5%) higher than 2010-11.

More than a third of the expected increase in total revenue in 2011-12 is attributable to higher royalty income (up \$280 million, or 6.6%, relative to 2010-11), mainly due to higher production levels and the increase in the iron ore ‘fines’ royalty rate to 5.625%.

In underlying terms<sup>1</sup>, taxation revenue is expected to grow by 8.5% in 2011-12. Payroll tax is expected to increase by \$405 million (or 15.4%) in 2011-12, due to strong employment and wage growth. However, continued weak conditions in Western Australia’s housing market are expected to result in modest growth in total transfer duty (0.3%) in 2011-12.

Figure 2



## 2012-13 and Beyond

Total revenue is forecast to grow by \$728 million (or 2.9%) to \$25.5 billion in 2012-13.

<sup>1</sup> That is, abstracting from the one-off payment of \$350 million in 2010-11 by major iron ore producers, which is classified as a ‘tax’ in 2010-11 for government financial reporting purposes. If the one-off payment of \$350 million in 2010-11 is included, taxation revenue growth in 2011-12 is expected to increase by 2.9%.

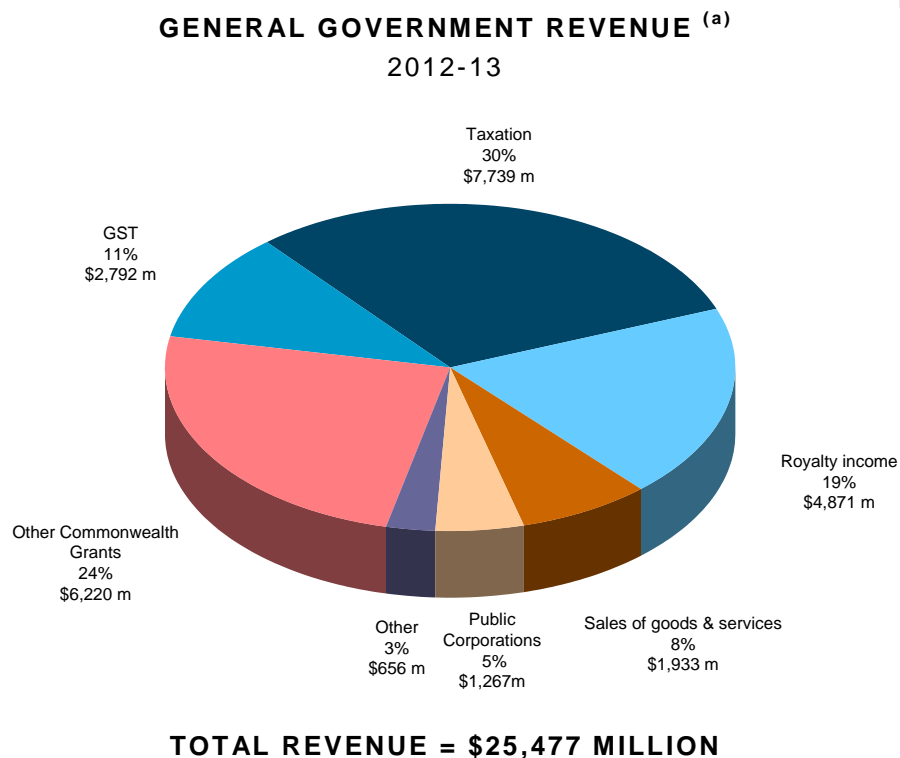
Taxation revenue is forecast to increase by \$783 million (or 11.3%) relative to 2011-12, reaching \$7.7 billion in 2012-13. The forecast increase is underpinned by continued strength in payroll tax, and higher transfer duty collections as conditions in the housing market improve. Similarly total royalties are forecast to increase by \$378 million (or 8.4%), largely driven by a projected increase in iron ore royalties.

In contrast, GST revenue grants are expected to decrease by 19.2% or \$662 million in 2012-13. This reflects a substantial cut in the State’s share of national GST revenue grants from 7.5% in 2011-12 to just 5.8% in 2012-13.

As shown in the following chart, the State’s four largest sources of revenue in 2012-13 are taxation (30%), other Commonwealth grants (24%), royalties (19%) and GST revenue grants (11%). The remaining 16% of revenue comprises sales of goods and services, revenue from public corporations and other sources of revenue (such as interest).

The composition of State revenue has changed significantly in recent years. For example, the share of total revenue attributable to royalty income, at 19%, is up from 9% in 2007-08 and 6% a decade ago. Conversely, Commonwealth grants are shrinking rapidly as a proportion of total State revenue. After reaching a peak of almost 50% in 2001-02, Commonwealth grants are expected to account for around 35% of total revenue in 2012-13, and then fall to approximately 28% by 2015-16.

Figure 3



(a) Numbers may not add due to the rounding.

Beyond 2012-13, total revenue is forecast to grow by an average of 5.9% per annum over the period 2013-14 to 2015-16. Growth in the State's own-source revenue over this period is forecast to be partly offset by declines in GST revenue. The State's GST grant share is forecast to fall from 4.2% in 2013-14 to 2.7% by 2015-16 as recent growth in Western Australia's revenue raising capacity (including reforms to iron ore royalties) is progressively reflected in the data used by the Commonwealth Grants Commission (CGC) (a rolling three-year average).

**GENERAL GOVERNMENT**  
Operating Revenue

Table 1

	2010-11 Actual \$m	2011-12 Estimated Actual \$m	2012-13 Budget Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
Taxation	6,763	6,956	7,739	8,408	9,232	10,085
<i>Growth (%)</i>	6.9	2.9	11.3	8.6	9.8	9.2
GST revenue grants	3,158	3,454	2,792	2,139	1,663	1,520
<i>Growth (%)</i>	-12.0	9.3	-19.2	-23.4	-22.2	-8.6
SPPs 'through' the State <sup>(a)</sup>	1,281	1,090	1,163	1,257	1,358	1,461
<i>Growth (%)</i>	-13.0	-14.9	6.7	8.1	8.0	7.6
Other Commonwealth grants <sup>(b)</sup>	4,900	4,940	5,057	5,016	5,127	5,488
<i>Growth (%)</i>	-4.7	0.8	2.4	-0.8	2.2	7.1
Sales of goods and services	1,754	1,841	1,933	2,030	2,131	2,238
<i>Growth (%)</i>	7.3	5.0	5.0	5.0	5.0	5.0
Interest income	321	302	268	308	326	349
<i>Growth (%)</i>	41.7	-5.9	-11.3	14.7	5.9	7.1
Revenue from public corporations	1,066	1,134	1,267	1,527	1,894	2,125
<i>Growth (%)</i>	15.8	6.4	11.7	20.5	24.0	12.2
Royalty income <sup>(c)</sup>	4,213	4,493	4,871	5,933	6,239	6,563
<i>Growth (%)</i>	81.3	6.6	8.4	21.8	5.1	5.2
Other	454	539	388	403	407	408
<i>Growth (%)</i>	12.2	18.8	-28.1	3.9	1.0	0.2
<b>Total</b>	<b>23,909</b>	<b>24,749</b>	<b>25,477</b>	<b>27,019</b>	<b>28,376</b>	<b>30,238</b>
<b><i>Growth (%)</i></b>	<b>8.5</b>	<b>3.5</b>	<b>2.9</b>	<b>6.1</b>	<b>5.0</b>	<b>6.6</b>

(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.

(c) Includes a provisional amount of \$180 million in 2015-16 from a Government commitment to undertake an analysis of existing royalty rates.

Note: Columns may not add due to rounding.

Royalty income is projected to grow by an average rate of 10.4% per annum over the outyears, with the highest growth occurring in 2013-14. This projection assumes that a moderation in commodity prices will be offset by increased production and higher royalty rates for iron ore 'fines'. The royalty income estimate in 2015-16 also incorporates a provision for additional royalty income of \$180 million from a Government commitment to undertake an analysis of existing royalty rates (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 2015-16 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

### Payroll Tax

Tax relief measures in the 2012-13 Budget include a one-off payroll tax rebate for small businesses, an ongoing payroll tax exemption for wages paid to new employees with a disability in their first two years of employment, and an ongoing 100% payroll tax rebate for wages paid to new Indigenous employees in their first two years of employment.

The estimated total budget impact of these measures over four years is \$135 million, as set out in Table 2. Together with tax relief measures announced in previous budgets, including the 2009-10 small business payroll tax rebate, the 2012-13 Budget tax relief package will deliver the State Government's \$250 million tax cut election commitment.

Table 2

**SUMMARY OF TAX RELIEF MEASURES IN THE 2012-13 BUDGET**

	2012-13 Budget Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m	Total <sup>(a)</sup> \$m
<b>Payroll Tax</b>					
One-off small business rebate (payable in 2013-14 based on 2012-13 payroll tax liabilities) <sup>(b)</sup>	-0.5	-127.6	-	-	-128.1
Exemption for two years of wages paid to new employees with a disability	-1.0	-1.3	-1.4	-1.5	-5.3
Rebate for two years of wages paid to new Indigenous employees of small to medium employers <sup>(b)</sup>	-0.5	-0.2	-0.2	-0.3	-1.3
<b>TOTAL</b>	<b>-2.0</b>	<b>-129.2</b>	<b>-1.7</b>	<b>-1.9</b>	<b>-134.8</b>

(a) Estimates include Office of State Revenue system costs reported in Chapter 5 and Budget Paper No.2.

(b) The payroll tax rebates will be treated as expenditure items under the AASB reporting standards that are used in the Uniform Presentation Framework. Accordingly, these costs have not been deducted from the forecasts of payroll tax revenue. Chapter 5 provides details of the relevant expense for the Department of Finance.

Note: Columns may not add due to rounding.

### **Rebate for Employers with Payrolls between \$1.5 Million and \$3 Million**

A one-off rebate will be provided for the 2012-13 payroll tax year to support small businesses in Western Australia.

A full rebate, with a maximum value of \$41,250, will be paid in 2013-14 to employers with Australia-wide group payrolls in 2012-13 of up to \$1.5 million, to offset their 2012-13 payroll tax liabilities. The rebate will be phased down for employers with payrolls between \$1.5 million and \$3 million.

It is estimated that almost half of payroll tax paying employers will be eligible for a rebate, with around 3,100 employers eligible for a full rebate of their Western Australian payroll tax, and a further 3,600 employers eligible for a partial rebate. The benefits for employers of different sizes are set out in Table 3.

The Commissioner of State Revenue will calculate and pay the rebate to eligible employers in the first half of the 2013-14 financial year, after employers have completed the annual payroll reconciliation process. This will ensure that the rebate is based on the employer's final payroll tax liability in 2012-13, rather than any periodic (monthly or quarterly) payments during the course of the year (the sum of which will usually vary from the employer's final full-year liability for a range of reasons).

This approach is consistent with the operation of the existing payroll tax exemption threshold and the small business rebate for 2009-10 payroll tax liabilities.

The estimated cost of the small business rebate is \$128 million.

Table 3

**2012-13 PAYROLL TAX REBATE**

<b>Annual Payroll</b>	<b>Current Tax</b>	<b>Rebate</b>	<b>Tax Less Rebate</b>	<b>Rebate as a % of Tax Payable</b>
<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
750,000	-	-	-	-
800,000	2,750	2,750	-	100
900,000	8,250	8,250	-	100
1,000,000	13,750	13,750	-	100
1,100,000	19,250	19,250	-	100
1,200,000	24,750	24,750	-	100
1,300,000	30,250	30,250	-	100
1,400,000	35,750	35,750	-	100
1,500,000	41,250	41,250	-	100
1,600,000	46,750	38,500	8,250	82
1,700,000	52,250	35,750	16,500	68
1,800,000	57,750	33,000	24,750	57
1,900,000	63,250	30,250	33,000	48
2,000,000	68,750	27,500	41,250	40
2,100,000	74,250	24,750	49,500	33
2,200,000	79,750	22,000	57,750	28
2,300,000	85,250	19,250	66,000	23
2,400,000	90,750	16,500	74,250	18
2,500,000	96,250	13,750	82,500	14
2,600,000	101,750	11,000	90,750	11
2,700,000	107,250	8,250	99,000	8
2,800,000	112,750	5,500	107,250	5
2,900,000	118,250	2,750	115,500	2
3,000,000	123,750	-	123,750	-

Note: Numbers are rounded to nearest dollar amount. Rebate is payable after the end of the 2012-13 year.

### **Exemption for Wages Paid to New Employees with a Disability**

From 1 July 2012, a payroll tax exemption will be available for wages paid to eligible new employees with a disability in their first two years of employment, to make it more attractive for businesses to employ people with a disability.

Employers will be eligible for the payroll tax exemption with respect to new employees for whom they receive a Commonwealth Disability Employment Services (DES) wage subsidy. Linking eligibility for the State's payroll tax exemption to the Commonwealth scheme will help reduce the red-tape burden for employers, including by ensuring they can use a common definition of a person with a disability.

An employee is considered to be 'new' if they commence employment on or after 1 July 2012 and have not previously been employed by the employer (or group of employers).

The DES wage subsidy is payable in full within the first six months of the person's employment, but as noted, the payroll tax exemption will apply to wages paid to the new employee for two years after they are employed.

In recognition that a small number of employees with a disability may accept employment other than through a DES provider, or may work less than eight hours per week (a minimum requirement for a DES wage subsidy), the payroll tax exemption will also be available for wages paid to new employees who are eligible for any form of Western Australian Disability Services Commission support.

This measure is estimated to cost \$5 million over the four year budget period and to save taxable employers around \$1,350 for each of the eligible two years for each new employee, with respect to a total of around 2,100 new employees with a disability.

### **Rebate for Wages Paid to New Indigenous Employees of Businesses with Annual Payrolls up to \$15 Million**

Also from 1 July 2012, employers with Australia-wide group annual payrolls up to \$15 million will be eligible for a 100% payroll tax rebate for wages paid to new Indigenous employees in their first two years of employment. This will help advance opportunities for Indigenous people for ongoing employment.

Eligibility for the payroll tax rebate, including the definition of a new Indigenous employee, will be linked to the Commonwealth's Indigenous Wage Subsidy (IWS) scheme. Under this scheme a new employee is one who has previously been unemployed or participating in Community Development Employment Projects. Again, this linking will reduce the red-tape burden for employers.

The \$15 million employer payroll cap (which will be exclusive of wages paid to eligible new Indigenous employees) represents 20 times the current \$750,000 payroll tax exemption threshold in Western Australia. Entities with a payroll of this size could employ around 266 employees on the average Western Australian wage.

Eligible employers will receive the rebate after the end of the financial year (when it can be determined with certainty if the employer falls under the \$15 million payroll threshold), providing they have supplied details of wages paid to new Indigenous employees as part of the annual reconciliation process.

The calculation of the one-off small business rebate for 2012-13 will also take into account the extent to which an employer has also claimed a payroll tax rebate for wages paid to their new Indigenous employees for that year.

The estimated cost of the Indigenous rebate is \$1 million over the four years to 2015-16. It is estimated to save eligible employers around \$1,900 for each of the eligible two years for each new Indigenous employee.

As in the case of the exemption scheme for wages paid to new employees with a disability, the rebate scheme for new Indigenous employees is ongoing, notwithstanding that the payroll tax relief is capped at the tax payable on wages paid to each new employee in their first two years of employment.

## Royalty Rate Analysis

In the 2012-13 Budget, the Government commits to undertake an analysis of existing royalty rates in Western Australia in consultation with potentially affected industries. The budget includes a provision for net additional royalty revenue of \$180 million in 2015-16 (see 'Royalty Rate Analysis' feature box).

### Royalty Rate Analysis

Since coming to office, the State Government has negotiated with industry to remove decades-old concessions on iron ore royalties which applied under relevant State agreements pertaining to hematite iron ore and which were no longer justified in today's market.

In last year's budget, the Government announced the further staged removal over the period 2012-13 and 2013-14 of royalty rate concessions that were existent under relevant State agreements and the *Mining Act 1978* pertaining to hematite iron ore. That policy was effected by legislation passed in 2011, which amended the relevant State agreements.

This policy of a staged removal of the royalty discount will result in increased royalty revenue to the State of: \$399 million in 2012-13; \$939 million in 2013-14; \$966 million in 2014-15; and \$975 million in 2015-16.

Since the introduction of Western Australia's three tier royalty rate system in 1981, the State has had a standing policy position that the revenue actually returned from the royalties applied to any mineral resource was to be an amount broadly equivalent to one tenth of the total 'mine head' value<sup>2</sup> of the mineral resource in question.

In considering this long standing policy it must be understood that:

- one tenth of the total mine head value of a mineral resource does not mean and is not achieved by a 10% rate of royalty. For instance, for some mineral categories an actual royalty rate of 4% may achieve an amount equivalent to one tenth of the total mine head value of the mineral resource in question;
- this is because the total mine head value of a mineral resource is a theoretical measure of the value of the mineral at the first mine stockpile – prior to any costs associated with further processing, transport or handling before sale. The total mine head value is determined by estimating the average price or sales value of a mineral and deducting from this the post mine costs applying to the mineral (including processing, transport and handling costs); and

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<sup>2</sup> The mine head or well head value relates to the value of the resource when it is first extracted, not including the value added due to transportation and processing.



- the total mine head value will be different across commodity sectors and even for a single commodity sector average total mine head values will change over time. This is because total mine head value is determined by estimating the average price prevailing at a certain time and deducting post mine costs prevailing at a certain time. As a result, the total mine head value changes over time as does the figure representing one tenth of the total mine head value.

Allowing for the fact that the total mine head value changes over time (and so therefore does the figure representing one tenth of the total mine head value), the 1981 policy position still in place today anticipated that royalty rates would be changed from time to time. This was envisaged to be achieved by progressive renegotiations of State agreements, or changes to the *Mining Act 1978*, and for other negotiations to occur after periodic recalculations of prevailing price and cost conditions. The aim of the long standing policy position was to ensure actual royalty rates were adjusted to achieve revenue broadly equivalent to one tenth of the total mine head value of the mineral resource in question.

A central reason for the long standing policy position was that the structure of the royalty regime is such that, in the absence of any adjustments over time and assuming some constancy in cost structures, the gap between the royalty revenue actually returned to the community and the target of one tenth of mine head value generally gets larger when international prices for commodities are higher so that returns to the community would often decrease when prices for commodities increased.

By way of example, with the removal of the discounted royalties applying to ‘fines’ iron ore the 7.5% rate of royalty that will consistently prevail by 2013-14 across the hematite iron ore sector will represent a future revenue return to the Western Australian community of an amount very close to one tenth of the best recent estimates of the total mine head value for hematite iron ore.

In this budget the Government commits to undertake an analysis of existing royalty rates in Western Australia, which analysis is intended to:

- examine the ongoing efficacy and appropriateness of the still prevailing 1981 policy position that the revenue actually returned from the royalties applied to any mineral resource is to be an amount broadly equivalent to one tenth of the total mine head value of the mineral resource in question; and
- examine the extent to which present actual rates of royalties produce revenue amounts which differ from the present target amount of one tenth of the total mine head value of mineral resources and identify appropriate instances where, in consultation with the industry, royalty rates may be adjusted so that future actual royalty rates will produce revenue amounts more closely correlated to the present target amount of one tenth of the total mine head value of the mineral resource in question.

The analysis described above will involve a three year period of consultation with potentially affected industries to end before 1 July 2015.

It is not expected that eventual revenue gains from the process described above will be substantial in budgetary terms and it will not be the case that eventual increased revenue will be comparable to the quantum achieved by the recent removal of the discounted royalties applied to ‘fines’ iron ore (which in 2015-16 is estimated to generate additional royalty revenue of \$975 million). Rather the analysis is designed over time and in consultation with industry to achieve a marginally improved return of revenue to the Western Australian community from the sale of the mineral products that the community owns. Importantly it must be noted that, as described above, the already prevailing target of a tenth of the total mine head value of a mineral resource does not mean and is not achieved by a 10% rate of royalty. And further, the Government does not intend to pursue any thorough going change of all relevant royalty rates to actual royalty rates which would produce revenue to meet the prevailing target of an amount broadly equivalent to one tenth of the total mine head value. This is because the Government’s present best estimates are that the actual royalty rates needed to produce revenue equivalent to the prevailing target of an amount equivalent to one tenth of the total mine head value of a mineral resource are presently unlikely to be achievable. The Government at all times must have regard to the changing economic viability of commodity sectors.

The Budget Papers contain one figure, representing an estimate of revenue resultant from changes that may be made after the analysis and consultation described above; being an amount of revenue in the fiscal year 2015-16 of \$180 million. It should be noted that:

- the amount of \$180 million represents a maximum figure of expected revenue, which, based on best present estimates, is less than one quarter of the estimated additional royalty revenue that would be required to meet the still prevailing 1981 policy of a target rate of return broadly equivalent to one tenth of the mine head value of all minerals; and
- the estimated amount of \$180 million thereby acknowledges that any changes to royalty rates made after the analysis and consultation described above would be unlikely, based on a maximum estimated amount of revenue of \$180 million, to be significantly greater than 0.5% of present actual royalty rates applying in any sector and in some instances may be less. It also anticipates the necessity to allow for a range of potential exemptions for either entire mineral classes or specific projects, from any decisions which changed actual royalty rates in a way designed to achieve greater correlation between royalty revenue actually returned and the prevailing target amount of one tenth of the total mine head value.

The *Royalties for Regions (RfR)* component of this additional royalty revenue will be quarantined from spending out of the RfR Fund.

Consideration of potential royalty rates for magnetite iron ore is not part of this process.

## Iron Ore Royalties

Revenue projections in this budget incorporate the State Government's previously announced 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 2010<sup>3</sup>. The State Government will also 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 1978* 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 1978*. This change 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 \$399 million in 2012-13 and by over \$900 million per year over the period 2013-14 to 2015-16 (see Table 4). However, this will be accompanied by an ongoing reduction in the State's GST revenue. The net impact of these changes is an additional \$2.9 billion in revenue over the budget period.

<b>IRON ORE ROYALTY RATE CHANGES</b>						
Western Australia						
	2011-12	2012-13	2013-14	2014-15	2015-16	Total
Royalty rate – iron ore 'fines'	5.625%	6.5%	7.5%	7.5%	7.5%	
Royalty income (\$m)	-	399	939	966	975	<b>3,280</b>
GST impact (\$m) <sup>(a)</sup>	-	-	-	-86	-298	<b>-384</b>
<b>Net revenue impact (\$m)</b>	<b>-</b>	<b>399</b>	<b>939</b>	<b>880</b>	<b>677</b>	<b>2,896</b>

(a) The GST impacts will continue to grow significantly in 2016-17 and 2017-18 due to the time lags in the Commonwealth Grants Commission process.

### The Commonwealth's Mining Tax

The Commonwealth's mining tax legislation passed the Commonwealth Parliament on 19 March 2012 and will commence on 1 July 2012.

The mining tax legislation introduces a Minerals Resource Rent Tax (MRRT) on iron ore, coal and some gases at an effective rate of 22.5%, and expands the Commonwealth's existing 40% Petroleum Resource Rent Tax (PRRT) to include onshore petroleum projects and the North West Shelf project.

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

The Department of Treasury estimates that about 60% of the Commonwealth's MRRT revenue will come from Western Australian projects, reflecting the State's dominance of national iron ore production. This will increase the redistribution of wealth from Western Australia to other States (which is already around \$15 billion per annum) by an estimated average of \$2 billion per annum.

Combined with its carbon tax, there is a risk that the Commonwealth's mining tax will affect the level of investment in the State's resource sector, flowing on to employment and incomes. The Commonwealth Government has failed to provide any robust analysis of the economic impacts of its new tax, at either the national or regional level.

To the extent the MRRT results in a reduction in iron ore production or future resource investments, there would be an impact on State royalty revenue. Treasury estimates the State Government will collect \$20.6 billion in iron ore royalty revenue over the next four years (2012-13 to 2015-16), representing around 27% of the State's own-source revenue.

Largely reflecting that State royalties paid by mining companies will be creditable against their MRRT liabilities and therefore reduce the Commonwealth's mining tax revenue, the Commonwealth has sought to prevent the States from exercising their constitutional right to increase royalty rates (or to reduce royalty concessions). In particular, the Commonwealth has threatened to penalise States that raise relevant royalties after 1 July 2011 by reducing infrastructure or GST grants to that State.

The Commonwealth's mining tax undermines States' sovereignty and weakens States' already limited revenue raising capacity, thereby constraining their ability to meet growing demands for infrastructure and services, and forcing reliance on potentially unsustainable increases in borrowings.

# Taxation Revenue

## Summary

Taxation revenue is estimated to increase by \$193 million (or 2.9%) in 2011-12, to \$7 billion. In underlying terms<sup>4</sup>, taxation revenue growth is estimated to be 8.5% in 2011-12. Growth in taxation revenue is expected to strengthen to 11.3% in 2012-13. Consistent with average annual growth over the past decade, taxation growth is projected to average 9.2% per annum over the period 2013-14 to 2015-16, reflecting a recovery in the State's housing market and strong employment conditions.

Table 5

<b>TAXATION REVENUE</b>						
Western Australia						
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
<b>TAXES ON EMPLOYERS' PAYROLL</b>						
Payroll tax	2,628	3,032	3,368	3,739	4,164	4,610
<i>Growth (%)</i>	14.1	15.4	11.1	11.0	11.4	10.7
<b>TAXES ON PROPERTY</b>						
Land tax	521	542	541	595	655	720
Metropolitan Region Improvement Tax	78	84	83	92	101	111
Transfer duty	1,226	1,232	1,450	1,541	1,730	1,910
Landholder duty	47	45	53	56	63	69
Other	228	244	338	362	377	392
<i>Total</i>	2,101	2,146	2,464	2,645	2,926	3,202
<i>Growth (%)</i>	-14.0	2.2	14.8	7.3	10.6	9.4
<b>TAXES ON GAMBLING</b>						
Lotteries Commission	126	134	141	147	153	159
Casino tax	90	115	117	120	122	123
Betting tax	34	36	37	38	40	42
Other	20	1	1	1	1	1
<i>Total</i>	270	286	295	306	316	324
<i>Growth (%)</i>	6.4	5.7	3.3	3.6	3.2	2.8
<b>TAXES ON INSURANCE</b>						
Insurance duty	442	472	512	551	593	640
Other	26	21	22	24	25	25
<i>Total</i>	468	494	534	575	618	665
<i>Growth (%)</i>	9.4	5.4	8.1	7.7	7.5	7.7
<b>MOTOR VEHICLE TAXES</b>						
Vehicle licence duty	338	357	388	417	449	483
Motor vehicle registrations	557	589	636	671	704	742
Other	51	52	53	54	56	59
<i>Total</i>	946	998	1,077	1,143	1,209	1,284
<i>Growth (%)</i>	5.6	5.5	8.0	6.1	5.8	6.2
<b>OTHER TAXES</b>						
	350	-	-	-	-	-
<b>TOTAL TAXES</b>	<b>6,763</b>	<b>6,956</b>	<b>7,739</b>	<b>8,408</b>	<b>9,232</b>	<b>10,085</b>
<i>Growth (%)</i>	<b>6.9</b>	<b>2.9</b>	<b>11.3</b>	<b>8.6</b>	<b>9.8</b>	<b>9.2</b>
<i>Underlying Growth (%)<sup>(a)</sup></i>	<b>1.4</b>	<b>8.5</b>	<b>11.3</b>	<b>8.6</b>	<b>9.8</b>	<b>9.2</b>

(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.

<sup>4</sup> Excluding the one-off payment of \$350 million in 2010-11 from BHP Billiton and Rio Tinto in relation to changes to State Agreement Acts.

## Detail

### Payroll Tax

Payroll tax revenue is forecast to grow by 15.4% (or \$405 million) in 2011-12, reflecting improved conditions in the State's labour market.

Labour demand in Western Australia is expected to strengthen further in 2012-13 and to remain strong over the outyears, as detailed in Chapter 2: *The Western Australian Economy*. Consequently, payroll tax is projected to grow by 11.1% (or \$336 million) in 2012-13 and at an average of 11.0% in the outyears. This incorporates the introduction of payroll tax harmonisation measures (with an estimated revenue cost of \$64 million in 2012-13), the State Government's payroll tax exemption for new employees with a disability, and the rebate for wages paid to new Indigenous employees (see the *Revenue Measures* section).

### 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*<sup>5</sup>

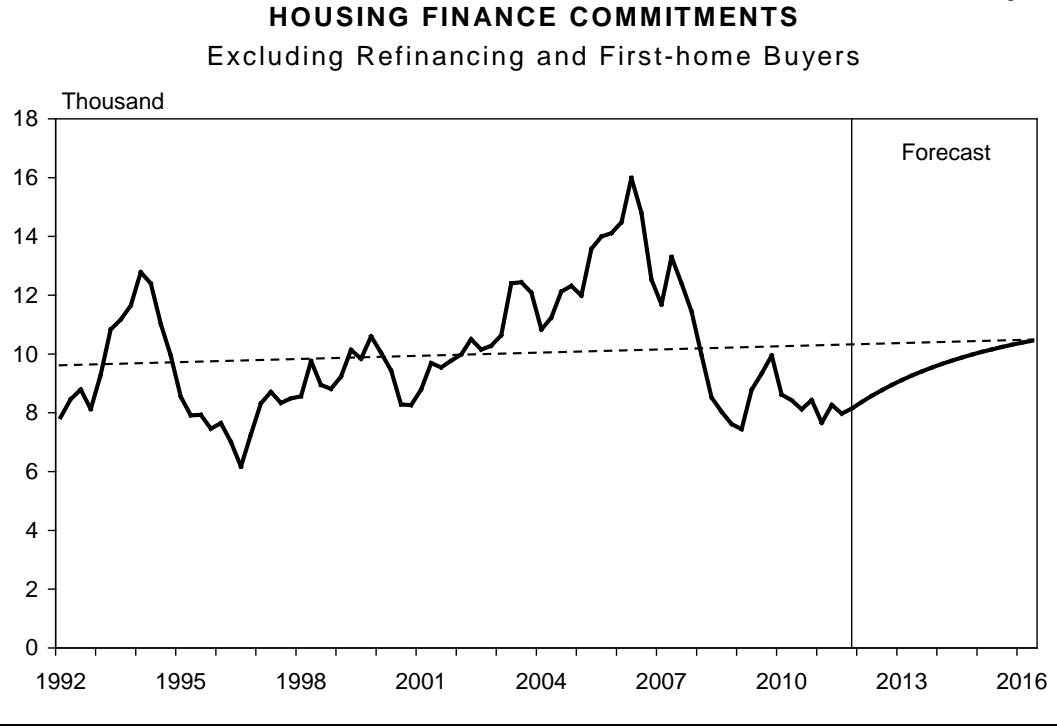
Transfer duty collections are expected to amount to \$1,277 million in 2011-12, which is largely the same level as in 2010-11 (\$1,273 million). This is primarily due to weakness in the State's housing market, reflecting subdued dwelling prices and weak transaction volumes (see Chapter 2: *The Western Australian Economy*).

The transfer duty projections for 2012-13 and beyond are based on an assumed recovery in Western Australia's housing market. Transaction volumes are expected to move toward a long-run trend over the forecast period, while residential property prices are forecast to increase at a modest rate broadly in line with the expected growth in incomes (of around 5-6% per annum).

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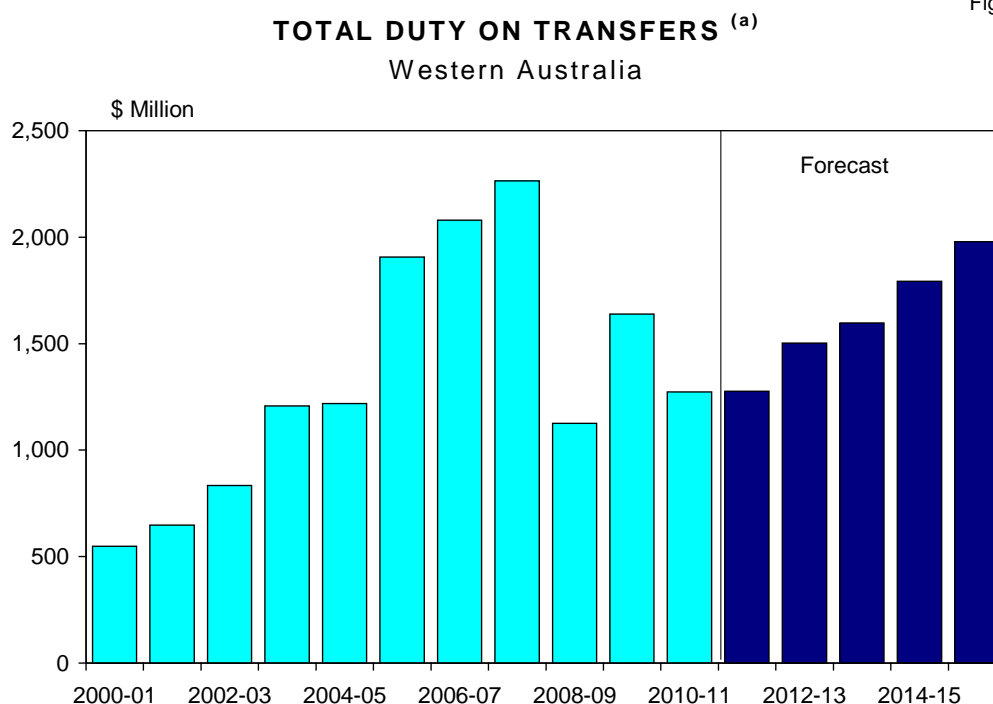
<sup>5</sup> This section discusses total duty on transfers, which is the sum of transfer duty and landholder duty.

Figure 4



The assumed recovery is expected to have a larger impact on the transfer duty growth in 2012-13, with forecast growth of 17.6%. Transfer duty is forecast to increase at an average rate of 9.6% per annum over the outyears. Despite projections of further growth, the transfer duty estimate for 2015-16 is still lower than the duty raised in 2006-07 and 2007-08 (see following chart). These estimates incorporate the revenue impact of the abolition of duty on non-real business transfers from 1 July 2013.

Figure 5



(a) The sum of transfer duty and landholder duty.

***Land Tax***

Land tax is estimated to rise by \$20 million (or 3.9%) to \$542 million in 2011-12. This is based on advice from the Valuer General regarding unimproved land values between August 2009 and August 2010.

Reflecting the decline in property prices in 2010 and 2011, land tax is expected to decrease by 0.2% in 2012-13. However, growth in land tax is assumed to return to its long-run average of 10% per annum in 2013-14 and 2015-16, as the housing market improves.

***Other (Loan Guarantee Fees)***

The Western Australian Treasury Corporation (WATC) collects a Loan Guarantee Fee (LGF) from selected agencies in exchange for a Government guarantee on financial liabilities incurred or assumed by the WATC. The LGF is designed to expose GTEs to some of the risk-related cost of debt they would face if they were required to borrow at the market interest rate, and reduce the competitive advantage these agencies can access through a Government guarantee.

From 1 July 2012, the LGF will increase from 20 basis points to 70 basis points for existing and new borrowings of selected agencies. This increase is expected to generate additional revenue of \$76 million in 2012-13 and \$329 million over the four years to 2015-16.



## **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 account for a much smaller share of total taxes than in other jurisdictions.

Gambling taxes are forecast to grow by 3.3% in 2012-13 to \$295 million, following estimated growth of 5.7% in 2011-12. Growth in gambling taxes is projected to average 3.2% per annum over the outyears.

## **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 2012-13, insurance duty is forecast to increase by 8.1% to \$534 million, following expected growth of 5.4% in 2011-12. Insurance duty is forecast to grow by an average of 7.6% per annum in the outyears.

## **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 (estimated to account for 36% of total motor vehicle taxes in 2012-13) is forecast to grow by 8.8% in 2012-13, following an expected rise of 5.6% in 2011-12, and by an average of 7.5% per annum over the outyears.

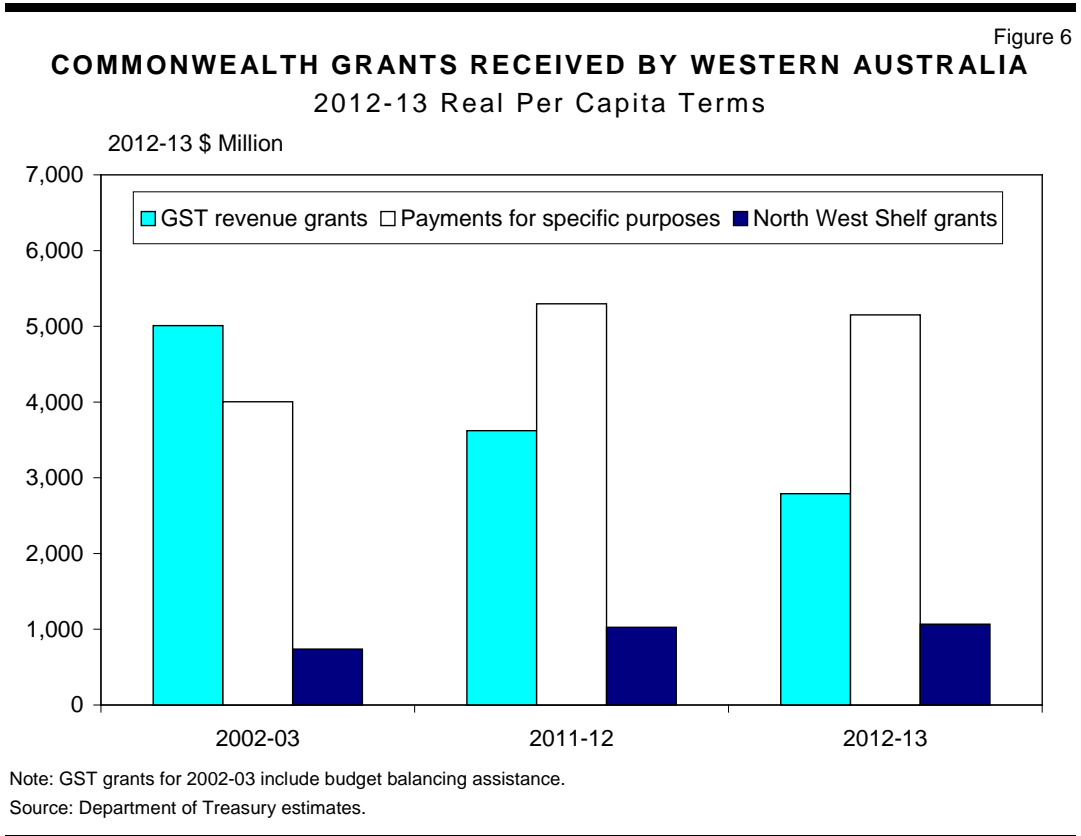
Total motor vehicle taxes are forecast to grow by 8.0% in 2012-13 and by an average of 6.0% per annum in the outyears.

## **Commonwealth Grants**

Commonwealth grants are expected to total \$9.0 billion in 2012-13, substantially less than the \$9.5 billion received in 2011-12, and to account for 35% of the State's revenue (down from 38% in 2011-12). These grants take three forms:

- GST revenue grants – which carry no restrictions on how the money can be spent, and comprise around 31% (\$2.8 billion) of forecast total Commonwealth grants to Western Australia in 2012-13 (a much smaller proportion than in other States);
- North West Shelf grants – which also carry no spending restrictions, and comprise around 12% (\$1.1 billion) of forecast total Commonwealth grants to Western Australia in 2012-13; and
- payments for specific purposes (PSPs) – which must be spent on specific activities (e.g. health, education, roads and social housing). These comprise around 57% (\$5.2 billion) of forecast total Commonwealth grants to Western Australia in 2012-13.

The following chart compares Commonwealth grants expected in 2012-13 with a decade earlier.



Commonwealth grants will fall further in the outyears, due both to Western Australia’s dramatically declining share of GST revenue grants (discussed in the next section) and limited growth in GST and other grants nationally.

After peaking in 2009-10 following the global financial crisis, Commonwealth grants to all States as a proportion of GDP are expected to be lower in 2012-13 than in any year since the GST was introduced.

Table 6

**COMMONWEALTH GRANTS TO WESTERN AUSTRALIA**

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
<b>General Purpose Grants</b>						
GST revenue	3,158	3,454	2,792	2,139	1,663	1,520
<i>Growth (%)</i>	-12.0	9.3	-19.2	-23.4	-22.2	-8.6
North West Shelf grants <sup>(a)</sup>	994	978	1,068	1,114	1,178	1,384
<i>Growth (%)</i> <sup>(b)</sup>	5.0	-1.7	9.2	4.3	5.8	17.5
<b>Total general purpose grants</b>	<b>4,153</b>	<b>4,431</b>	<b>3,860</b>	<b>3,252</b>	<b>2,841</b>	<b>2,904</b>
<b>Payments for Specific Purposes</b>						
PSPs 'to' the State <sup>(c)</sup>	3,905	3,962	3,989	3,902	3,949	4,105
<i>Growth (%)</i>	-7.0	1.5	0.7	-2.2	1.2	3.9
PSPs 'through' the State	1,281	1,090	1,163	1,257	1,358	1,461
<i>Growth (%)</i>	-13.0	-14.9	6.7	8.1	8.0	7.6
<b>Total PSPs</b>	<b>5,186</b>	<b>5,052</b>	<b>5,152</b>	<b>5,159</b>	<b>5,307</b>	<b>5,566</b>
<b>TOTAL COMMONWEALTH GRANTS</b>	<b>9,339</b>	<b>9,484</b>	<b>9,011</b>	<b>8,411</b>	<b>8,148</b>	<b>8,470</b>
<i>Growth (%)</i>	<b>-8.5</b>	<b>1.6</b>	<b>-5.0</b>	<b>-6.7</b>	<b>-3.1</b>	<b>4.0</b>

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

(b) Growth in 2015-16 reflects Woodside's announcement that the North West Shelf Project participants have approved development of the first phase of the Greater Western Flank Project, with project start-up expected in early 2016.

(c) Payments in areas of State responsibility. Does not include payments on-passed through the State (e.g. to local government and private schools).

Note: Columns may not add due to rounding.

## GST Revenue

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

GST revenue grants to Western Australia are expected to decline by \$662 million (or 19.2%) in 2012-13<sup>6</sup>. Growth in the national pool of GST revenue will be more than offset by a decrease in Western Australia's share of GST collections, from 7.5% in 2011-12 to 5.8% in 2012-13 (compared to the State's population share of 10.5%).

GST grants are also forecast to decline significantly in each of the outyears (by an average of 18.3% per annum). This mainly reflects further large projected declines in Western Australia's share of GST grants, to only 2.7% by 2015-16. Western Australia's GST grants are forecast to be 46% (or \$1.3 billion) lower in 2015-16 than in 2012-13, despite ongoing growth in the national GST pool.

The Commonwealth Government has announced a review of the GST distribution arrangements by an independent review panel. Subject to the timing of the Commonwealth Government's response to this review, there could be a significant impact on States' GST grant shares from 2014-15 onwards.

<sup>6</sup> Calculated after including in 2011-12 grants an amount of \$34 million that was underpaid in 2010-11 and carried over.

### **GST Grant Shares in 2012-13**

Each year, the CGC recommends States' relative per capita GST grant shares, known as GST 'relativities' (which are ratios of each State's GST grant share to its population share), by applying a 'fiscal equalisation' principle 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).

In addition to annual updates, the CGC usually undertakes a major review of the methods used to implement fiscal equalisation (i.e. of the methods used to measure differences in States revenue bases and costs of delivering services) every five or six years.

The CGC reported on its latest annual update (the '2012 Update') in February 2012. Its recommendations have been accepted by the Federal Treasurer and therefore determine States' GST relativities in 2012-13.

The 2012 Update includes a cut in Western Australia's GST share from 72% of its population share to 55% of its population share. This reduces Western Australia's GST grants in 2012-13 by \$843 million<sup>7</sup> (i.e. compared to if there had been no change in the State's relativity).

Most of this decline is due to Western Australia's revenue capacity growing faster than that of the other States, particularly in the area of mining royalties. It is consistent with the long 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. The CGC process comprehensively redistributes any above average fiscal capacity of a State to the other States – it can be characterised as a 100% tax on any above average fiscal capacity.

GST revenue grants are also affected by growth in the national pool of GST revenue, changes in each State's share of the national population and adjustments for under or over payments in the previous year. Western Australia's forecast GST revenue grant for 2012-13 includes a \$187 million increase on account of growth in the GST pool and a \$27 million increase on account of the State's increasing population share. In addition, Western Australia's GST revenue grant in 2011-12 was increased due to \$34 million underpayment in 2010-11<sup>8</sup>.

After allowing for growth in the GST pool and the decline in its population share, Western Australia's GST revenue in 2012-13 is expected to be \$662 million less than in 2011-12. All other States will receive a significant increase.

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<sup>7</sup> This is based on the latest estimates of the 2012-13 GST grant pool and States' populations. The CGC reported Western Australia's loss as \$820 million, based on estimates of the 2011-12 GST grant pool and population shares from the Commonwealth's 2010-11 *Mid-Year Economic and Fiscal Outlook*.

<sup>8</sup> GST 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 7

**ESTIMATED CHANGE IN WESTERN AUSTRALIA'S GST GRANT**  
2011-12 to 2012-13

	\$m
<b>Estimated 2011-12 GST grant</b>	<b>3,454</b>
Take off increase in 2011-12 for underpayment in 2010-11	-34
Increase in the national GST pool	187
Increase in population share	27
Decrease in GST relativity	-843
<b>Total Change</b>	<b>-662</b>
<b>Estimated 2012-13 GST grant</b>	<b>2,792</b>

### 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 being conducted by the Hon Nick Greiner, the Hon John Brumby and Mr Bruce Carter, with assistance from the Commonwealth Treasury. Under the terms of reference, a report is to be provided to the Federal Treasurer, who will present the results to the Council of Australian Governments (COAG) for consideration, before a final decision is made on new arrangements by the end of 2013.

In its main submission to the review, the Western Australian Government argues reform is critical because the current form of horizontal fiscal equalisation (HFE):

- is too extreme, being an unfair and demotivating 100% tax on any above average fiscal capacity – which is now reflected in extreme results;
- penalises successful State efforts to develop their economies and, conversely, rewards poor performance – thereby reducing economic, fiscal and social outcomes for all;
- does not reflect many of the costs of economic development, such as for infrastructure to facilitate future economic growth (thereby also reducing capacity for national structural adjustment);
- does not produce results that can be accepted with any confidence, due to its complexity and the extensive judgements that are applied; and
- encourages consumption rather than investment of the proceeds of the sale of finite mineral assets (i.e. mining royalties), at the expense of future generations.

The Western Australian Government's submission makes a number of recommendations to address these flaws, including:

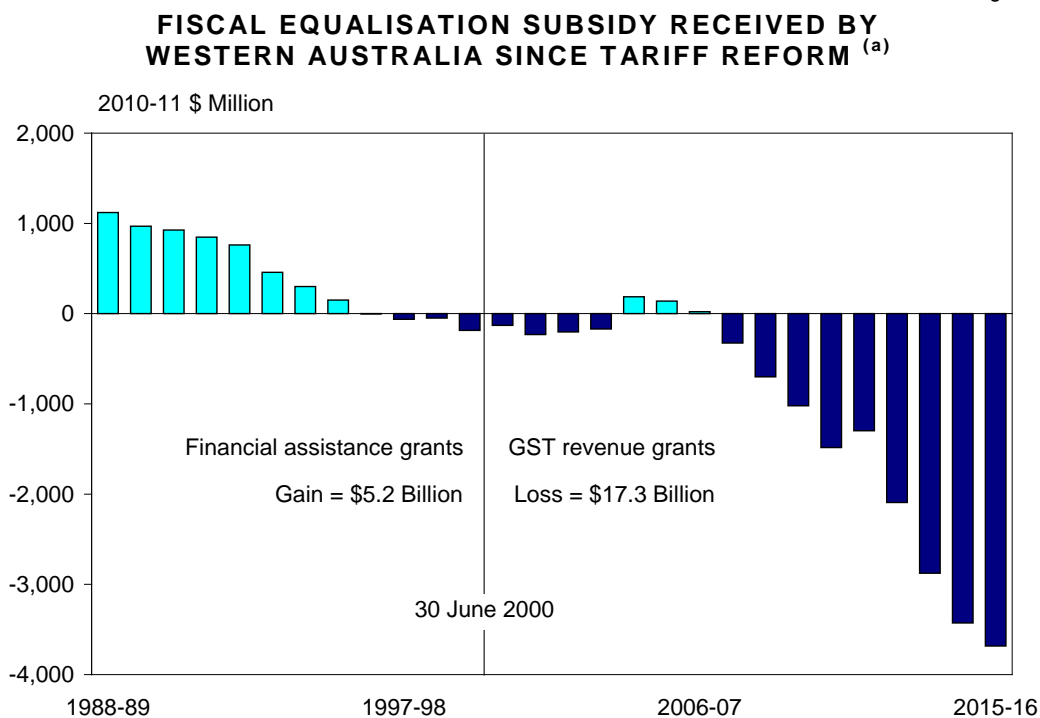
- the introduction of a GST-share 'floor' of 75% of a State's population share of the GST pool;
- discounting (by 50%) the extent to which mining revenue is included in the fiscal equalisation process (as occurs in Canada); and

- limiting the extent to which a State’s GST share can fall in any one year.

Parties opposed to reforming fiscal equalisation have suggested that Western Australia has historically been a beneficiary. However, a major reason for introducing equalisation in the 1930s was to compensate Western Australia for the effect of high Commonwealth tariffs, that protected eastern States manufacturing industries at the expense of the Western Australian economy (thereby also reducing Western Australia’s fiscal capacity).

As shown in the following chart, Western Australia has been an overall net contributor to fiscal equalisation since the beginning of major tariff reforms in 1988-89. This is even more the case when the analysis is broadened to the origin and destination of all Commonwealth revenue (rather than just the GST) and outlays (rather than just grants) respectively, as demonstrated later in this Chapter.

Figure 7



(a) Difference from equal per capita share of GST/financial assistance grants, budget balancing assistance and special revenue assistance, in net present value terms.

Source: Department of Treasury estimates.

The Review Panel’s interim report was released on 23 April 2012. Encouragingly, the report acknowledges the need for reform and some of the Review Panel’s interim views are consistent with Western Australia’s submission, including:

- not all mining related public infrastructure and other economic development costs are being appropriately recognised under current arrangements;
- discounting the mining revenue assessment could potentially address concerns relating to inadequate recognition of infrastructure needs, while also addressing efficiency concerns;

- there is a case for limiting the decline in a State's grant share in any one year, by ensuring grants are at least maintained in nominal terms (i.e. a payment floor); and
- new arrangements could be introduced for the donor States, with support still being provided to the recipient States.

However, the Review Panel's interim view that there is no compelling case for adopting a relativity floor at present is disappointing. The Western Australian Government will continue to push the case for a 75% 'floor' as part of its drive for a fairer share of the GST for the State.

It is also disappointing that the Review Panel appears largely dismissive of an equal per capita GST distribution, particularly on the basis that it would require additional Commonwealth funding to compensate the recipient States (which it suggests is not available).

The Federal Treasurer issued additional terms of reference for the Review of the GST distribution on 17 November 2011. These focus on the potential use of the GST distribution to discourage States from increasing mining royalties, including on the basis that this could reduce the Commonwealth's revenue from its Minerals Resource Rent Tax (which the Review panel is asked to accept is more efficient than State royalties).

The Western Australian Government has lodged a supplementary submission, incorporating its view that the additional terms of reference are unacceptable, including on the grounds that:

- GST penalties/incentives should not be used to coerce States/Territories to comply with flawed Commonwealth Government policy objectives;
- any move by the Commonwealth Government to penalise a State for the proper exercise of its constitutional rights (i.e. to price its minerals more appropriately) is manifestly contrary to Australian federalism and the national interest; and
- the independence of the Review process is compromised.

As noted above, this review has the potential to significantly alter Western Australia's GST grant share from 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.

The impact on Western Australia's budget forward estimates of two potential reforms sought by the State in its initial submission to the review is as follows:

- a 75% 'floor' would add an estimated \$2.6 billion to Western Australia's GST grants in 2014-15 and a further \$3.0 billion in 2015-16; and

- a 50% discount to the assessments of State's mining revenue capacity would add an estimated \$2.4 billion to Western Australia's GST grants in 2014-15 and a further \$2.7 billion in 2015-16<sup>9</sup>.

### Forecasts of Future GST Shares

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

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

In line with the CGC's process, the GST relativity projections for each of the outyears (2013-14 to 2015-16) are based on a rolling average of assessments of Western Australia's revenue capacity and expenditure requirements (relative to other States) for three preceding years.

For example, the relativity projections for 2015-16 are based on projected assessments of States' revenue capacities and expenditure requirements for the years 2011-12 to 2013-14.

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 projected to drop from an already low 7.5% in 2011-12 (Western Australia's GST relativities over the last two years have been the lowest on record for any State) to just 2.7% by 2015-16.

Table 8

#### PROJECTED GST RELATIVITY AND SHARE

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
WA population share %	10.3	10.4	10.5	10.6	10.7	10.7
WA 'relativity' <sup>(a), (b)</sup>	0.68	0.72	0.55	0.40	0.29	0.25
WA GST share % <sup>(c)</sup>	7.0	7.5	5.8	4.2	3.1	2.7

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

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

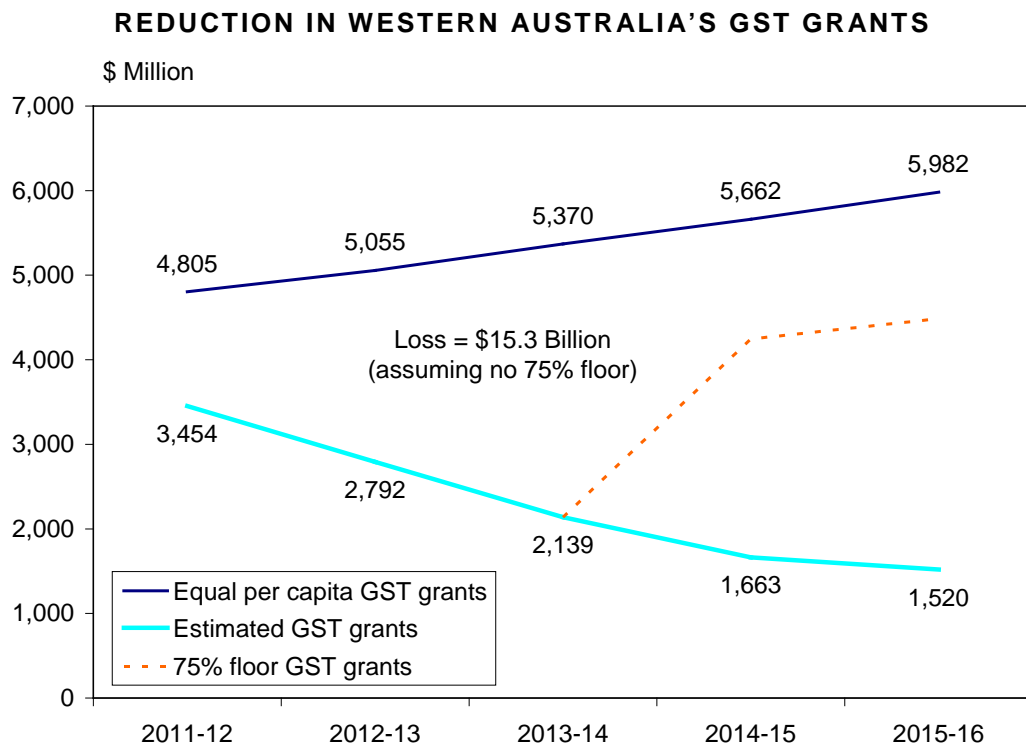
(c) Western Australia's GST share equals Western Australia's population share multiplied by its relativity.

Over the period from 2011-12 to 2015-16, Treasury estimates Western Australia will lose \$15.3 billion compared to if it received an equal per capita share of GST revenue (see following chart).

<sup>9</sup> These estimates include discounting the North West Shelf grants from the Commonwealth to Western Australia.



Figure 8



Source: Department of Treasury estimates.

Western Australia's declining GST share will further increase the State's overall annual net contribution to the Federation, which now stands at \$14.9 billion according to the Department of Treasury's latest (2010-11) estimates (see feature box on *Redistribution of Resources Across States by the Commonwealth*).

### Redistribution of Resources across States by the Commonwealth

In 2012-13, Western Australia will contribute around \$2.3 billion to other States through the GST fiscal equalisation process (rising to an estimated \$4.5 billion in 2015-16). This reflects that Western Australia will receive only 55% of its population share of national GST revenue in 2012-13, falling to just 25% in 2015-16.

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

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 health and social security benefits.

Each year, the Department of Treasury estimates the net impact of this broader redistribution by the Commonwealth on each State. Results using the latest available data (for 2010-11) are shown in the following table (a positive figure for a State indicates that it makes a net contribution to the Commonwealth).

Table 9

**NET REDISTRIBUTION OF RESOURCES** <sup>(a)</sup>

2010-11

	GST only <sup>(b)</sup>		Total Resources	
	\$m	\$ per capita	\$m	\$ per capita
New South Wales	1,043	144	2,190	301
Victoria	1,085	194	1,314	235
Queensland	99	22	-6,019	-1,325
<b>Western Australia</b>	<b>1,692</b>	<b>730</b>	<b>14,939</b>	<b>6,447</b>
South Australia	-1,244	-754	-5,095	-3,087
Tasmania	-776	-1,524	-3,414	-6,706
Northern Territory	-1,898	-8,272	-3,915	-17,058
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

(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: The Western Australian 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 and Victoria, the other two contributors.

The table below shows the estimated breakdown of Western Australia's net contribution in 2010-11, 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. Large net contributions come from 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 to 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 2010-11 it is estimated that the Commonwealth derived \$41.9 billion in revenue from Western Australia, while expenditure for the benefit of the State (including the State's share of the Commonwealth deficit) totalled only \$27.0 billion, yielding a net contribution to the federation from Western Australia of \$14.9 billion.

Table 10

**COMPONENTS OF WESTERN AUSTRALIA'S NET CONTRIBUTION  
TO THE COMMONWEALTH**

Relative to Western Australia's Population Share

	2010-11 (preliminary) \$m
Personal Income Tax	3,505
Company Tax	4,945
Fuel Excise (net of rebates)	-45
Taxes and Royalties on Petroleum Extraction <sup>(a)</sup>	1,527
Commonwealth Services <sup>(b)</sup>	1,490
Personal Benefit Payments	1,310
Net impact of GST	1,692
<i>GST Collections</i>	205
<i>GST Grants</i>	1,486
Other Grants to State and Local Governments <sup>(c)</sup>	324
Other	190
<b>Total</b>	<b>14,939</b>

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

(b) Departmental expenditures, including defence.

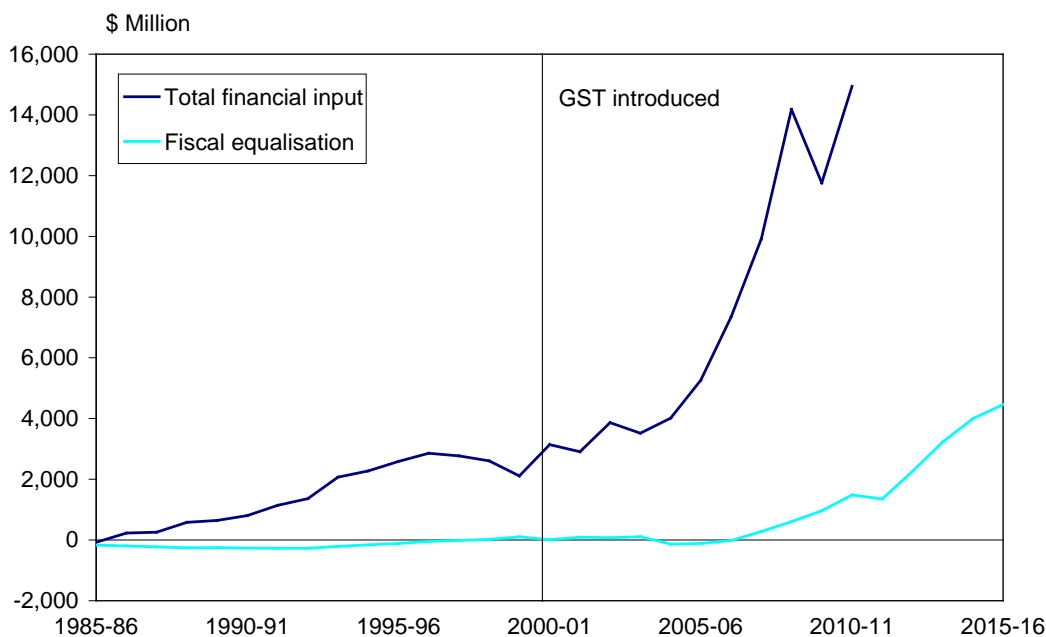
(c) Includes grants to universities. Excludes North West Shelf royalties paid as grants to Western Australia.

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 has provided an overall contribution to the Federation since the mid-1980s, which far exceeds fiscal equalisation subsidies, as shown by the following chart.

Figure 9

**WESTERN AUSTRALIA'S NET CONTRIBUTION TO THE FEDERATION <sup>(a)</sup>**



(a) Data to calculate Western Australia's total contribution are currently only available to 2010-11. Fiscal equalisation subsidies (i.e. grant shortfalls relative to the State's population share) are available to 2011-12. Later fiscal equalisation subsidies are State Budget estimates. The reduced total contribution in 2009-10 primarily reflects the impact of the global financial crisis on Commonwealth revenue collections (which are disproportionately raised from Western Australia).

Source: Department of Treasury estimates.

## Payments for Specific Purposes

PSPs are grants from the Commonwealth to the States for specific activities. Under major reforms agreed by COAG since 2008, they comprise National Specific Purpose Payments (NSPPs), National Health Reform Payments (NHRPs), National Partnership (NP) payments, and certain other payments.

There are four NSPPs, including for school education (the largest), vocational education and training, disability services, and housing. These payments are ongoing, and sum to an estimated \$0.8 billion for Western Australia in 2012-13. They grow in line with agreed indexation arrangements. No conditions are attached other than the requirement to spend the payments in the relevant sector.

NHRPs (comprising over one quarter of PSPs paid to Western Australia) are ongoing payments which must be spent in accordance with the National Health Reform Agreement endorsed by COAG on 2 August 2011. They will see the Commonwealth and States share equally the 'efficient' cost of growth in hospital service costs. Their first year of payment is 2012-13 (replacing the previous Health NSPP).

There are many NP payments, ostensibly for one-off reforms and projects. Together with some minor Commonwealth own-purpose outlays, they sum to an estimated \$1.8 billion to the State in 2012-13. NPs are generally time-limited and funding to States is usually contingent on the achievement of milestones or targets.

Like NSPPs, NPs are subject to the Intergovernmental Agreement on Federal Financial Relations (IGA), which took effect from 1 January 2009. The IGA seeks to reduce Commonwealth prescriptions in favour of increased flexibility for States to allocate funding so as to achieve the best overall community outcomes, with increased public accountability for the outcomes achieved.

However, deviation of NPs from the IGA principles in practice is a source of ongoing concern and reform effort. Among other things, the time-limited nature of NPs creates significant budget risks for the States, particularly where the NPs inappropriately fund core ongoing service delivery. Accordingly, Western Australia now requires Cabinet's Economic and Expenditure Reform Committee to approve Western Australia's participation in all new NP proposals and related agreements.

In 2012-13, Western Australia expects to receive around \$4 billion in PSPs 'to' the State, an increase of 0.7% compared with 2011-12. Over the outyears, PSPs 'to' the State are projected to increase by an average of 1.0% per annum (pulled down by negative growth in 2013-14). The low rates of growth reflect the expiry of a range of NP agreements.

PSPs that pass 'through' the State's accounts (e.g. funding for local governments and private schools) are expected to grow by 6.7% in 2012-13 (following a 14.9% decline in 2011-12) and by an average of 7.9% per annum over the outyears.

Table 11

**PAYMENTS FOR SPECIFIC PURPOSES**  
Western Australia

	2012-13 Budget Estimate	Share of total PSPs
	\$m	%
<b>Payments 'To' the State</b>		
<i><b>National Specific Purpose Payments</b></i>		
Schools	405	8
Skills and Workforce Development	143	3
Disability Services	123	2
Affordable Housing	132	3
<i><b>Health Reform Funding</b></i>		
Health Reform Payments	1,402	27
<i><b>Other Payments 'To' the State</b></i>		
Health	467	9
Housing	153	3
Transport	675	13
Other <sup>(a)</sup>	490	10
<i><b>Payments 'Through' the State</b></i>		
Non-government Schools Assistance	872	17
Local Government Financial Assistance Grants	161	3
Local Government Roads	105	2
Other	25	0
<b>Total Payments for Specific Purposes</b>	<b>5,152</b>	<b>100</b>

(a) Comprises a large number of National Partnership payments and other payments.  
Note: Columns may not add due to rounding.

## Royalty Income

### Summary

Total royalty income is forecast to grow by \$280 million (or 6.6%) to \$4.5 billion in 2011-12, predominately due to an increase in iron ore royalties.

Iron ore royalties remain the largest source of royalty income for Western Australia and are forecast to increase by \$260 million (or 7.1%) during 2011-12, due to higher production volumes, which more than offset the impact of a higher exchange rate (relative to 2010-11).

Royalty growth from most other commodities is expected to be modest in 2011-12, with the exception of gold and alumina. Global economic uncertainty, largely related to the sovereign debt problems in the euro area, elevated the gold price in 2011-12. Gold royalties in 2011-12 are forecast to increase by \$31 million (or 15.4%) to \$229 million. Conversely, increased alumina production during 2011-12, is expected to lift alumina royalties by \$10 million (or 14.8%) to \$76 million during the year, in spite of a reduction in the alumina price.

In 2012-13, royalty income is forecast to rise by \$378 million (or 8.4%) to \$4.9 billion. Iron ore is again expected to be the main driver of growth during the year (up \$357 million), reflecting a gradual rise in production. Modest royalty growth is also expected for other commodities, including some base metals and alumina, largely due to higher production. The phased removal of royalty rate concessions for iron ore will increase the 'fines' iron ore royalty rate from 5.625% to 6.5% from 1 July 2012, and will add \$399 million to royalty income.

Royalty income is expected to increase by \$1.1 billion (or 21.8%) to \$5.9 billion in 2013-14, mainly due to a rise in iron ore volumes from the commencement of production of BHP Billiton's Jimblebar development and other existing mine sites.

In addition to the strong rise in iron ore production, the final phase of the removal of the royalty concession for iron ore 'fines' will occur in 2013-14 with the royalty rate for 'fines' set to increase to 7.5% from 1 July 2013 (equivalent to the rate for 'lump' ore and other 'crushed and screened' ores under the *Mining Act 1978*). This royalty rate change is expected to contribute \$939 million to the forecast \$5.9 billion in royalty income in 2013-14. Royalties for most other commodities are expected to rise slightly, particularly for gold and alumina.

Royalty income is expected to increase by \$306 million (or 5.1%) in 2014-15, a result of slower growth in iron ore production relative to 2013-14 and lower iron ore prices (which are assumed to fall by around 10.7% as global supply increases). Of the \$6.2 billion royalties forecast for the year, \$966 million is expected to result from the removal of the concession for iron ore 'fines'.

By 2015-16, royalties are expected to increase by \$325 million (or by 5.2%) to \$6.6 billion.

In 2015-16, the outcome of the royalty rates analysis will be implemented. This is expected to result in additional royalties of \$180 million (see the *Revenue Measures* section).

It should be noted that the current CGC treatment of royalties in the GST grant distribution has the potential to distort State decisions about royalty rates. For example, if Western Australia were to reduce its royalty rate on 'lump' iron ore from 7.5% to just under 5%, the gain in GST grants could more than offset the loss in royalty revenue, leaving the State better off in net terms.

Table 12

**ROYALTY INCOME**  
Western Australia

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
Iron Ore	3,647	3,908	4,265	5,257	5,508	5,624
Petroleum	20	20	13	13	16	18
Alumina	67	76	80	93	106	119
Diamonds	14	16	15	22	31	38
Mineral Sands	18	18	24	21	23	21
Nickel	107	107	97	104	108	116
Gold	198	229	218	232	244	252
Other	142	119	159	192	203	196
Royalty rate analysis	-	-	-	-	-	180
<b>Total Royalty Income</b>	<b>4,213</b>	<b>4,493</b>	<b>4,871</b>	<b>5,933</b>	<b>6,239</b>	<b>6,563</b>

Note: Columns may not add due to rounding

## Assumptions

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

Table 13

**KEY ASSUMPTIONS**  
Royalty Income Estimates

	2011-12	2012-13	2013-14	2014-15	2015-16
\$US/\$A Exchange Rate (cents) <sup>(a)</sup>	103.8	99.0	92.0	84.9	77.9
Iron Ore Price (\$US per tonne) <sup>(b)</sup>	146.3	127.3	115.2	102.9	90.6
Crude Oil Price (\$US per barrel) <sup>(c)</sup>	97.5	104.5	101.3	96.7	93.3

(a) The \$US/\$A exchange rate is assumed to return its long run average of approximately US75 cents by June 2016.

(b) The iron ore price is assumed to return to a value of \$US85 per tonne by June 2016, but average \$US90.60 over the 2015-16 financial year.

(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).



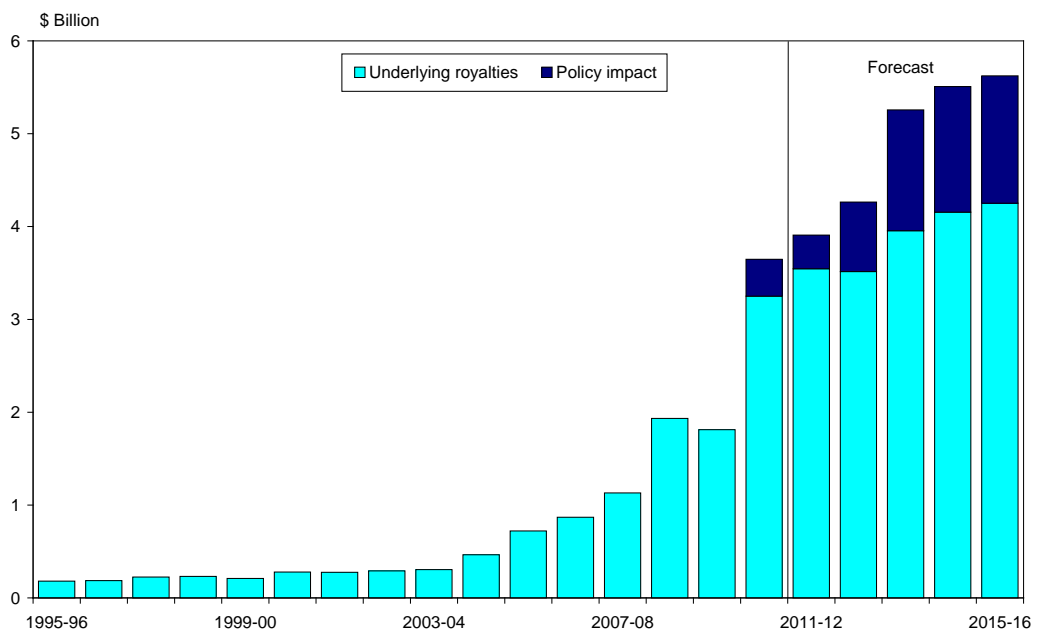
## Detail

### Iron ore

Iron ore royalties are forecast to grow by \$260 million (or 7.1%) in 2011-12, reflecting increased production and the removal of the royalty rate concession for iron ore ‘fines’ of 3.75%, which came into effect on 1 July 2010. Total iron ore royalties are expected to reach \$3.9 billion in 2011-12. The following chart highlights that much of the forecast growth in iron ore royalties is attributable to reform of the royalty rate for iron ore ‘fines’.

Figure 10

**IRON ORE ROYALTIES**  
Western Australia



(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. The policy impact in 2015-16 is exclusive of the impact of the royalty rate analysis.

Iron ore spot prices averaged \$US169 per tonne in 2010-11 (resulting in an estimated ‘effective’ price of US\$143.3 per tonne)<sup>10</sup>, but fell sharply in September 2011 to around \$US135 per tonne as Chinese steel mills ran down stockpiles and conditions in the Chinese steel industry weakened. Spot prices have risen gradually since November 2011, trading in a range of around \$US140-\$US150 per tonne to May 2012.

The iron ore spot price is expected to moderate over the outyears, with the ‘effective’ price of iron ore ‘fines’ projected to fall from \$US146.3 per tonne in 2011-12 to an average of \$US90.6 per tonne by 2015-16 (which is consistent with projections by other analysts). Iron ore production in Western Australia is assumed to grow by 32% over the budget period, from 499 Mt in 2012-13 to 659 Mt in 2015-16.

<sup>10</sup> The spot price, adjusted for factors such as purity, moisture and freight.

Overall, iron ore royalties are expected to grow by \$357 million (or 9.1%) in 2012-13, largely due to the first stage removal of the iron ore 'fines' concessional royalty rate. Iron ore royalties are then expected to increase sharply in 2013-14, mainly due to growth in iron ore production and the full removal of the concession for iron ore 'fines'. Growth in royalties is projected to moderate in 2014-15 and 2015-16, as growth in iron ore production slows, following high production expected from new mines in 2013-14, and as the iron ore price falls further.

Although growth in iron ore royalties has provided a 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 Western Australia's total royalties will be redistributed to other States and Territories (in the form of reduced GST grants). The CGC process and the GST forecasts are discussed earlier in this chapter in the section titled *Commonwealth Grants*.

### **Petroleum**

Petroleum royalties are forecast to fall by \$7 million (or 36.1%) to \$13 million in 2012-13, primarily reflecting declining output from existing on-shore oil and gas fields. Petroleum royalties are projected to increase gradually over the outyears, due to forecasts of continued high prices.

### **Alumina**

Alumina royalties are forecast to grow by \$4 million (or 4.7%) to \$80 million in 2012-13, supported by an expected increase in production. Royalties are projected to grow over the outyears as production steadily increases, reaching \$119 million in 2015-16.

### **Diamonds**

Diamond royalties are expected to total \$15 million in 2012-13, a slight decrease on the estimated actual for 2011-12. Growth in diamond royalties is expected to accelerate over the outyears as the underground expansion of the Argyle diamond mine reaches completion and as production increases. Diamond royalties are projected to reach \$38 million by 2015-16.

### **Mineral Sands**

Royalties from mineral sands are expected to rise by \$6 million (or 32.8%) in 2012-13 to \$24 million, partly reflecting an increase in production, particularly for leucoxene and zircon. Mineral sands royalties are forecast to remain relatively steady over the outyears, and total \$21 million in 2015-16.

### **Nickel**

Nickel royalties are forecast to fall by \$10 million (or 9.4%) to \$97 million in 2012-13, reflecting a fall in the nickel price. Nickel royalties are projected to increase over the outyears, reaching \$116 million by 2015-16. This mainly reflects production from First Quantum's Ravensthorpe nickel project ramping up to capacity.

## **Gold**

The gold price has been trading at relatively high levels, mainly reflecting global economic uncertainty related to sovereign debt problems in the euro area. However, gold royalties are expected to fall by \$11 million (or 4.6%) to \$218 million in 2012-13, a result of an expected moderation in gold production during the year.

Gold production is expected to moderate further over the outyears due to a decline in output from existing operations. However, forecast increases in the gold price are expected to lift gold royalties to \$252 million by 2015-16.

## **Other Revenue**

### **Sales of Goods and Services**

Sales of goods and services are forecast to increase by \$92 million (or 5.0%) in 2012-13. Across the outyears, goods and services revenue is forecast to grow by an average 5.0% per annum. This reflects the effect of population and economic growth on demand for State government goods and services.

As part of the budget, the Government has approved new charges worth a total \$4 million in 2012-13 and \$12 million across the three outyears. These charges include an administration fee to offset credit card merchant fees on land tax bills of up to \$5,000, and other fees on industry.

### **Interest Income**

Revenue from interest earning investments, including cash and other liquid financial assets, is projected to be \$268 million in 2012-13. This represents a \$34 million (or 11.3%) reduction on the expected actual for 2011-12, and reflects lower cash balances held in the Public Bank Account as well as the effect of lower interest rates on investment returns.

Interest revenue across the outyears is forecast to increase steadily reflecting higher interest rates and anticipated movements in interest earnings on investment balances.

### **Revenue from Public Corporations**

The State's major public corporations are liable for income tax equivalent and dividend payments to the general government sector. A number of these public corporations are also liable for local government rate equivalent payments<sup>11</sup>.

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<sup>11</sup> Tax and local government rate equivalents are levied by the State to ensure competitive neutrality between significant government business activities and private sector businesses.

Revenue from public corporations in 2012-13 is estimated to be \$1.3 billion, comprising \$764 million in dividends, \$490 million in income tax equivalent payments and \$14 million in local government rate equivalent payments. This is an increase of \$133 million (or 11.7%) from the estimated actual for these items for 2011-12. Across the outyears, revenue from public corporations is forecast to grow at an average rate of 18.8% per annum.

These rates of growth largely reflect improved profitability of public corporations across the outyears, including the impact of two rounds of GTE efficiency dividends and a provision for higher returns from ports, in conjunction with the effect of increases in utility prices.

A detailed overview of revenue from (and payments to) individual public corporations can be found in Appendix 7: *Public Corporations – Impact on General Government Revenue and Expenses*.

Table 14

<b>REVENUE FROM PUBLIC CORPORATIONS</b>						
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
Dividends	687	723	764	929	1,166	1,326
Income Tax Equivalent	368	398	490	584	713	784
Local Government Rate Equivalent	11	13	14	14	14	15
<b>TOTAL</b>	<b>1,066</b>	<b>1,134</b>	<b>1,267</b>	<b>1,527</b>	<b>1,894</b>	<b>2,125</b>

Note: Columns may not add due to rounding.

## Other Revenue

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

At \$388 million, other revenue is forecast to contract by \$151 million in 2012-13 relative to the \$539 million estimated out-turn for 2011-12. This primarily reflects the transfer of assets (totalling \$139 million) from the Real Estate and Business Agents Supervisory Board and the Settlement Agents Supervisory Board to the Department of Commerce<sup>12</sup> in 2011-12.

Other revenue is anticipated to remain steady across the outyears.

<sup>12</sup> As noted in the 2011-12 mid-year review, these external Boards were wound up with the Department of Commerce assuming these roles from 1 July 2011 as part of the State Government's commitment to reduce the number of statutory boards and committees. Abolition of the boards results in a more streamlined operating structure with a single regulator across a number of operational areas, and better integration with generalist laws such as the Australian Consumer Law. The assets transferred to the general government sector include money held in trust and funds supporting the regulation of the real estate and settlement agent industries in Western Australia.

## **TAX AND ROYALTY EXPENDITURE STATEMENT**

### **What is a tax or royalty expenditure?**

Tax and royalty expenditures include revenue forgone by government, and financial benefits to taxpayers (or mineral producers), 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 or royalty treatment of components of the benchmark tax or royalty base (e.g. a concession or exemption for a particular industry, activity or class of taxpayer).

Identification of benchmark revenue bases and rates requires a degree of judgement. Furthermore, data limitations mean that the tax and royalty expenditures identified in this statement are only approximations (data sources and methods used for estimating these expenditures are also subject to review each year).

This statement has been expanded this year to include some previously unreported expenditures, such as tax exemptions provided to charities and religious organisations and payroll tax exemptions for government agencies.

Estimates for the expenditures have been derived from a range of sources, including unpublished data from relevant government departments, Productivity Commission reports, Public Sector Commission State of the Sector statistical bulletins, and Australian Prudential Regulation Authority bulletins. However, the statement is not exhaustive. For example, some exemptions and concessions have not been included due to data limitations. Very small exemptions or concessions are also excluded.

This year's statement includes actual outcomes for 2010-11 and estimates for 2011-12.

<b>Table 15</b>		
<b>SUMMARY OF MAJOR TAX AND ROYALTY EXPENDITURE</b>		
Western Australia		
	2010-11	2011-12
	Actual	Estimated
		Actual
	\$m	\$m
<b>PAYROLL TAX</b>		
Tax-free threshold <sup>(a)</sup>	1,265.2	1,131.2
Schools/colleges exemption (public and private) <sup>(b)</sup>	169.5	180.7
Public hospitals exemption <sup>(b)</sup>	168.9	179.2
Other State Government departments exemption <sup>(b) (c)</sup>	181.6	196.0
Local government exemption	48.2	50.3
Apprentices and trainees exemption	31.4	31.6
Charitable body exemption	23.2	24.4
<b>LAND TAX AND MRIT</b>		
Principal place of residence exemption	220.2	239.4
Primary production exemption/concession	74.5	71.3
Developers' concession <sup>(d)</sup>	7.8	12.3
Land value growth cap	8.3	6.3
Religious bodies exemption	19.6	20.6
Education institutions exemption <sup>(b)</sup>	16.8	18.3
Public charitable or benevolent institution exemption	8.4	8.8
Public or religious hospitals exemption <sup>(b)</sup>	1.5	1.5
Caravan parks exemption	2.2	2.2
Club or sporting association exemption/concession	5.4	5.7
Aged care facilities exemption	1.8	1.9
Retirement villages exemption	6.5	6.8
<b>TRANSFER DUTY AND LANDHOLDER DUTY</b>		
Connected entities restructure exemption <sup>(e)</sup>	162.5	209.1
First home owners' exemption/concession	122.8	132.1
Concessional scale for residential property	72.2	72.2
Family farm exemption	10.6	12.6
<b>INSURANCE DUTY</b>		
Health insurance policies exemption	149.3	160.8
Life insurance exemption	96.9	103.2
Workers' compensation insurance exemption	94.0	100.4
Marine hulls exemption	5.3	5.7
Reinsurance exemption	3.4	3.6

<b>Table 15 (cont.)</b>		
<b>SUMMARY OF MAJOR TAX AND ROYALTY EXPENDITURE</b>		
Western Australia		
	2010-11	2011-12
	Actual	Estimated Actual
	\$m	\$m
<b>VEHICLE LICENCE FEES</b>		
Family vehicle concession	76.0	78.3
Pensioner and Seniors vehicle concession	26.7	27.5
Primary producer vehicle concession	8.9	9.2
<b>VEHICLE LICENCE DUTY</b>		
Heavy vehicle concession	45.6	48.2
Caravan and camper trailer exemption	16.0	16.1
<b>MINING ROYALTIES</b>		
Iron Ore State Agreement Acts concessions <sup>(f)</sup>	-	-
Gold royalty-free threshold	3.8	3.8
Salt State Agreement Acts concession	3.9	3.9
<b>TOTAL</b>	<b>3,158.8</b>	<b>3,175.1</b>
<p>(a) Estimates have been calculated after taking into account all other reported payroll tax expenditures.</p> <p>(b) While any removal of these concessions could lead to an increase in relevant budget appropriations, these tax expenditures have been reported to provide an indication of the total support provided by the State Government and illustrate where tax concessions could change the 'relative price' faced by government departments and create incentives to (for example) employ labour over capital.</p> <p>(c) Excludes the value of separately reported tax expenditures for public hospitals and public schools.</p> <p>(d) Estimates of this tax expenditure are likely to be inflated by a difficult to quantify behavioural response by developers to this concession.</p> <p>(e) These estimates are likely to be inflated by a difficult to quantify behavioural responses to the exemption.</p> <p>(f) Calculated relative to the Mining Regulations 1981 rate of 5.625% for iron ore 'fines'. However, relative to the general Mining Regulations rate of 7.5% for 'crushed and screened' ores, these concessions are valued at \$772 million in 2010-11 and \$842 million in 2011-12. Recent amendments to the Mining Regulations will see the iron ore 'fines' rate increase to 6.5% in 2012-13 and 7.5% in 2013-14.</p>		

## **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. In addition, employers that are liable for payroll tax benefit from not paying tax on the first \$750,000 of annual wages.

#### ***Schools/colleges exemption***

A school or college (other than a vocational education and training college), that is carried on by a non-profit organisation and provides education at or below, but not above, the secondary level of education is exempt from payroll tax.

#### ***Public hospitals exemption***

The wages of public hospital staff doing work of a kind ordinarily performed in public hospitals are exempt from payroll tax.

#### ***Other State Government departments exemption***

The wages paid by all State Government departments listed on *Pay-roll Assessment Regulations 2003 – Schedule 1* are exempt from payroll tax. This item excludes public hospitals and public schools, which are reported separately.

#### ***Local government exemption***

Local governments, regional local governments and the Western Australian Local Government Association are exempt from payroll tax.

#### ***Apprentices and trainees exemption***

The wages of all apprentices, and trainees employed under a training contract registered with the Department of Training and Workforce Development, are exempt from payroll tax.

#### ***Charitable bodies exemption***

A charitable body or organisation performing relevant charitable work may apply to the Commissioner of State Revenue for a payroll tax exemption.

### **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/concession***

Land used in carrying out certain rural businesses on a commercial basis is exempt from land tax and MRIT (where applicable) if all relevant conditions are met. Where the land is not exempt because the income test is not met, a 50% concession applies to rural business land.

***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.

***Land value growth cap***

A 50% cap on growth in land values applies for the purpose of assessing land tax and MRIT to help reduce the volatility and unpredictability in growth in individual land tax and MRIT liabilities.

***Religious bodies exemption***

Land owned by or held in trust for a religious body is exempt from land tax and MRIT provided that the land is used for religious, public worship or educational purposes or for the residence of a minister of the religious body.

***Educational institutions exemption***

Land owned by or held in trust for a university or educational institution in Western Australia is exempt from land tax and MRIT provided that it is used solely for the purposes of the institution.

***Public charitable or benevolent institutions exemption***

Land owned by or held in trust for a public charitable or benevolent institution is exempt from land tax and MRIT if it is used solely for the public charitable or benevolent purposes for which the institution was established.

***Public or religious hospitals exemption***

Land used solely for the purposes of a public hospital or a hospital conducted by or on behalf of a religious body is exempt from land tax and MRIT.

***Caravan parks exemption***

Land used as caravan parks, park home sites or camping grounds is exempt from land tax and MRIT.

***Club or sporting association exemption/concession***

Land owned by sporting or other not-for-profit associations used to provide facilities necessary for or conducive to meeting the objects of the association is exempt from land tax and MRIT. Not-for-profit facilities that are commercially available to the public may be eligible for a 50% concession if at least half of the land is being used to meet the objects of the association.

***Aged care facilities exemption***

Land used for the purposes of providing a residential care service that is certified under the Commonwealth *Aged Care Act 1997* is exempt from land tax and MRIT.

***Retirement villages exemption***

Land used for a retirement village within the meaning of the *Retirement Villages Act 1992* is exempt from land tax and MRIT.

**Transfer Duty (including Landholder Duty)**

***Connected entities restructure exemption***

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

***First home owners' exemption/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 the 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.

***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.

**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.

***Life insurance exemption***

Life insurance 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.

***Reinsurance exemption***

The indemnification of one party by another against a liability or payment arising under an insurance or reinsurance contract is exempt from insurance duty.

**Vehicle Licence Fees**

***Family vehicle concession***

A licence fee discount (\$65 in 2010-11 and \$67 in 2011-12) 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 and Seniors 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 trailer exemption***

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

## **Mining Royalties**

### ***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.

### ***Gold royalty-free threshold***

The first 2,500 ounces of gold metal produced each year is exempt from mineral royalties.

### ***Salt State Agreement Acts concessions***

The effective average rate paid by salt projects covered by the various salt Agreement Acts is around 30 cents per tonne, compared to the average salt royalty rate prescribed under the *Mining Regulations 1981* of 62 cents per tonne.

## **Notable changes in tax and royalty expenditure**

Notable movements in the value of specific tax and royalty expenditures between 2010-11 (actual) and 2011-12 (estimated) include:

- a decrease of 10.6% (or \$134 million) in the payroll tax revenue foregone due to the \$750,000 tax-free threshold, which can be attributed to fewer employers falling below the threshold in 2011-12 (after a period of higher than average wages growth);
- an increase of 57.7% (or \$4.5 million) in the ‘headline’ value of the developers’ land tax and MRIT concession, largely due to an increase in the number of concession applicants and lots, notwithstanding a fall in the average dutiable value of lots in 2011-12;
- a decrease of 23.9% (or \$2 million) in the value of the 50% land value growth cap for land tax and MRIT purposes, which reflects that there has been an overall reduction in unimproved land values (for tax purposes) across the State over the last year;
- an increase of 28.7% (or \$47 million) in the value of the connected entities restructure transfer duty exemption, attributable to the impact of one transaction in 2011-12 with a very high dutiable value; and

- an increase of 19.0% (or \$2 million) in the value of the family farm transfer duty exemption, attributable to an increased number of transactions in 2011-12 with a higher than average value.



# General Government Expenses

## HIGHLIGHTS

- Overall, growth in recurrent government expenditure is being contained to 4.2%, only marginally above the forecast general rate of inflation of 3.5% in 2012-13.
- Additional expenditures are focused on areas of priority for the Government, such as health, education, and law and order, along with initiatives to address the cost of living such as:
  - paying operating subsidies to the State's corporations of \$1,640 million in 2012-13;
  - introducing a new Cost of Living Assistance payment; and
  - \$12 million for the Hardship Utilities Grants Scheme.
- These priorities and new initiatives are not funded by deficits or borrowings but through the widespread reprioritisation of funding and discipline to achieve efficiencies.

## Overview

In 2012-13, general government expenses are budgeted to increase by \$1.0 billion or 4.2%, to \$25.3 billion. Spending increases in the key service delivery areas of health, education, and law and order account for \$678 million or 66.8% of the total increase in general government expenses in 2012-13.

The Government continues to pay close attention to growth in general government expenses. This budget builds on previous savings measures implemented by this Government, including the 3% efficiency dividend, a ceiling on the number of Full Time Equivalent public servants, a very clear and fair public sector wages policy, and voluntary separation offers which will save \$216 million between 2012-13 and 2015-16.

As part of the 2012-13 Budget, the Government has approved a range of targeted savings measures that collectively achieve the 2011-12 Budget commitment to reduce general government operating expenditure by \$300 million over the period to 2014-15. Details of the specific savings measures are outlined in Appendix 10: *Implementation of the Government's \$300 Million Global Savings Target*. The specific measures reduce net debt by \$324 million by 2014-15, and \$447 million by 2015-16.

The 2012-13 Budget also contains a new package of savings measures that total \$4.9 billion over the budget period. This includes a general government sector efficiency dividend that saves \$244 million in 2012-13 and \$1.9 billion over the budget period.

After increasing by an estimated 8.8% in 2011-12, growth in general government sector expenses is expected to decline significantly to 4.2% in 2012-13 and to an average of 4.5% per annum over the outyears.

## Leadership

The 2012-13 Budget maintains a focus on disciplined financial management in order to ensure Western Australia continues to lead the nation and remains a prosperous place to live and work.

A 2% efficiency dividend will apply to general government sector appropriation-funded agencies and the Public Transport Authority in 2012-13, but excluding the Department of Education (which will be subject to an initial 1% efficiency dividend in 2012-13). The dividend will be cumulative and increase by 1 percentage point in each of 2013-14, 2014-15 and 2015-16.

Similarly, a cumulative efficiency dividend on the discretionary expenditure of GTEs, commencing in 2012-13 (excluding the Housing Authority) will be implemented. This dividend will commence at a rate of 2.5%, increasing to 4.0% in 2013-14, 5.5% in 2014-15 and 6.0% in 2015-16, and result in higher dividends and taxes paid to the general government sector due to the associated increase in GTE profitability. Port authorities will be subject to a 1.5% efficiency dividend in 2012-13, increasing by a further 1.5 percentage points per annum until 2015-16.

Details on the GTE efficiency dividend are provided in Appendix 7: *Public Corporations – Impact on General Government Revenue Expenses*.



## Supporting Our Community

This budget continues to deliver targeted spending for the delivery of quality services.

### Health

A total of \$6.8 billion has been allocated for health services in 2012-13, representing a 7.3% increase from 2011-12. Key initiatives in this budget include:

- additional spending of \$474 million from 2012-13 to 2015-16 to cater for the increased costs of delivering services to a growing population, meet increased hospital activity and provide sustainability of health budget settings;
- an additional \$59 million over the four years to 2015-16 for 100 child health nurses to implement a significant expansion of community health services across Western Australia through the not-for-profit sector. This investment forms part of a whole-of-government strategy to integrate early childhood services through the establishment of 10 Child and Parent Centres; and
- an additional \$60 million over four years to 2015-16 to facilitate the significant reconfiguration and transition of clinical services ahead of the commissioning of the Fiona Stanley Hospital and the New Children's Hospital.

At the same time, the 2012-13 Budget efficiency dividend will provide the stimulus required to assist our public hospitals to improve their efficiency by accelerating the adoption of clinical best practice in service delivery and through the streamlining of hospital operations, without compromising the delivery of frontline health services. This measure will provide our public hospitals with the best opportunity to successfully transition to new Commonwealth funding arrangements to be in place from 1 July 2014, established under the National Health Reform Agreement.

The new funding arrangements will restrict Commonwealth funding for hospital services to a proportion of the price of delivering hospital services 'efficiently' - the 'national efficient price'. The national efficient price, to be determined by a new Commonwealth agency - the Independent Hospital Pricing Authority (IHPA), will not accommodate our services at existing cost levels given that the national efficient price will be lower than the Western Australian health system costs.

## **Mental Health**

The Mental Health Commission was established in March 2010 and the Drug and Alcohol Office was disaggregated from WA Health on 1 January 2012 and transferred to the Mental Health Commission. The combined budget of these two agencies is \$655 million in 2012-13, increasing to over \$731 million by 2015-16. Key mental health initiatives in this budget include:

- an allocation of \$17 million over four years to 2015-16 to fund new and innovative programs that are expected to be implemented under the new *Mental Health Act*, together with associated quality assurance programs. This will result in better protection for the rights of people receiving treatment and support for mental illness, particularly those being treated involuntarily. A total of \$4 million will also be transferred from the Department of the Attorney General for the Mental Health Review Board;
- an additional \$7 million from 2012-13 to 2015-16 will be allocated to provide individualised community living support to 18 mental health clients and 25 clients with drug and alcohol problems;
- an allocation of \$5 million over the two years from 2012-13 to the Mental Health Commission and Department of the Attorney General to trial an adult court diversion and support program for people with mental health problems who come before the metropolitan magistrates' courts;
- an allocation of \$2 million over the two years from 2012-13 for a mental health assessment and early intervention pilot program in the Children's Court; and
- additional funding of nearly \$9 million over three years from 2012-13 to 2014-15 to the Mental Health Commission through the Housing Authority to provide an additional 16 homes for Mental Health Commission clients who are unable to secure appropriate housing in the private market.

## **Education**

Spending by the Department of Education will total \$4.1 billion in 2012-13, up by \$122 million or 3.1% on 2011-12. The key initiatives funded as part of this budget include:

- an additional \$18 million from 2012-13 to 2015-16 to facilitate the establishment of 10 Child and Parent Centres on selected school sites (as part of an overall \$29 million funding package). The Centres will provide high quality, accessible and integrated early childhood services to local families, and provide programs and services to benefit young children in disadvantaged areas. A further 75 primary schools will be eligible to apply for an early years service grant of up to \$10,000;
- expenditure of \$384 million from 2012-13 to 2015-16 to provide for projected growth in student enrolments of 7.3% over the four year period, and to assist with increased operating and employee-related costs; and

- \$42 million over four years from 2012-13 on the relocation of Year 7 students to secondary schools from 2015 (as part of an overall \$341 million funding package). Of this, \$22 million will be allocated to train primary teachers to undertake secondary teaching roles, and to provide for dedicated project implementation resources and increased depreciation arising from the associated infrastructure enhancement program.

### **Child Protection**

Total spending by the Department for Child Protection will be \$536 million in 2012-13, an increase of \$18 million or 3.5% compared to 2011-12. An additional \$15 million in 2012-13 and \$63 million over the four years to 2015-16 has been allocated to address increasing demand for child protection services. This additional funding will ensure the safety of children and young people by responding to an increase in demand for statutory child protection services, improving the outcomes for children and young people in care and increasing prevention and early intervention programs for at-risk individuals and families.

Over the forward estimates to 2015-16, the Department for Child Protection's total expenditure is budgeted to increase by 6.5% after incorporating the efficiency dividend, which will take State Government spending on child protection services to over \$550 million in 2015-16.

### **Law and Order**

Spending by Western Australia Police and the Departments of Corrective Services and the Attorney General will increase by \$47 million (or 2%) to \$2.5 billion in 2012-13. This includes:

- Road Trauma Trust Account funding of \$18 million over the four years to 2015-16 for increased breath and drug testing;
- \$6 million over the four years to 2015-16 to monitor dangerous sex offenders in the community through the use of Global Positioning System tracking; and
- \$1 million from 2012-13 to 2013-14 to establish a Mental Health Diversion Program in the Perth Magistrates Court.

### **Utility Subsidies and Cost of Living Assistance**

Due to the increasing cost of living being experienced by many, the Government will continue to minimise the increases in electricity tariffs and instead cover this cost directly through operating subsidies to energy providers. In 2012-13, this subsidy will be approximately \$371 million, while over four years this amount will total \$1.4 billion. This subsidy is effectively indirectly funded by taxpayers through general revenue rather than directly through tariffs on utility consumption.

In addition, a new Cost of Living Assistance (CoLA) payment will support low income Western Australian households in paying their energy bills. It is estimated that around one-third of all Western Australian households, or 348,000 households, will be eligible for the CoLA payment. From 1 October 2012, the CoLA payment replaces the existing Supply Charge Rebate (SCR), and will initially be set at \$200 (paid in instalments per bill), compared to the existing SCR of \$147. The CoLA payment will be indexed each year, to an estimated \$254 by 2015-16. The CoLA payment is expected to cost \$286 million across the forward estimates period – \$77 million more than previously budgeted for the existing SCR.

The total value of social concessions provided by the State Government is expected to be about \$900 million in 2011-12, and to approach \$1 billion in value in 2012-13.

### **Payroll Tax Rebate for Small Business**

An estimated \$128 million will be spent in 2013-14 on a one-off payroll tax rebate for small employers based on wages paid in 2012-13. A full rebate (of payroll tax payable in Western Australia) will apply to employers with a nation-wide grouped payroll of up to \$1.5 million in 2012-13, with the rebate phasing out for employers with payrolls between \$1.5 million and \$3 million.

## **Building the State**

The 2012-13 Budget contains a range of initiatives that focus on investing in services and infrastructure that will support economic growth and build Western Australia's capacity into the future.

### **Main Roads**

Maintaining and expanding the State's road network is vital to many parts of the economy, including minimising congestion and the associated loss in productivity. Over \$5.7 billion will be spent over four years on the road system of which \$4.0 billion is operational expenditure. The operational expenditure in 2012-13 is \$979 million. Key initiatives funded as part of this budget include:

- an additional \$95 million over the five year period from 2011-12 on road maintenance, mainly associated with network expansions and roads transferred from local government to State ownership;
- Road Trauma Trust Account funding of \$14 million in 2012-13 to be spent on improvements to metropolitan intersections, including roundabouts, bridges and right turn traffic signals in line with the Towards Zero Strategy; and
- Road Trauma Trust Account funding of \$13 million in 2012-13 to be spent on improving regional roads, including creating sealed shoulders, audible edge lines and wire rope barriers to reduce run off road crashes in regional areas.

## **Transport**

A total of \$361 million will be spent by the Department of Transport in 2012-13 in order to meet the transportation needs of Western Australia. This expenditure will total \$1.4 billion cumulatively to 2015-16. This budget provides for:

- a range of initiatives across the Transport portfolio totalling \$48 million over four years to manage congestion in central Perth, due to its rapid development and changing street network;
- a total of \$40 million being spent between 2011-12 and 2014-15 on grants to the City of Swan for the extension of Lloyd Street and the development of an underpass at the rail freight crossing to provide uninterrupted access to the new Midland Health Campus, which is scheduled to open in 2015;
- an additional \$20 million over two years from 2012-13 to be spent on the completion of key links in the principal shared path bicycle network within a 15 kilometre radius of the Perth Central Business District; and
- the Public Transport Authority to increase bus service kilometres by about 2.9 million in 2012-13, which reflects the Government's decision in the 2011-12 Budget to increase bus kilometres by a total of 15.2 million per annum by 2015-16, and the purchase of 15 three-car train sets with a total capacity to carry an additional 8,400 passengers each trip.

## **Training and Workforce Development**

To ensure that training delivery continues to meet the needs of the Western Australian economy, an additional \$236 million will be spent over four years from 2012-13. This expenditure is expected to support approximately 79,000 training places over the corresponding period. Of this amount, \$108 million is provided by the State to ensure delivery outcomes continue to meet the needs of the Western Australian economy. This includes \$38 million to meet a shortfall in Commonwealth funding under the new National Partnership Agreement on Skills Reform, agreed to at the 13 April 2012 Council of Australian Governments meeting.

## **Housing**

The Housing Authority has budgeted to transfer additional dwelling units to the value of \$220 million to community housing organisations over two years from 2011-12, taking the total value of assets transferred for this period to \$328 million for 1,181 dwellings.

In addition to this, \$120 million over four years from 2012-13 (\$30 million per annum) will be spent to continue the provision of power, water and wastewater maintenance services to 91 remote communities under the Remote Area Essential Services Program.

A further \$12 million over four years from 2012-13 (\$3 million per annum) will be spent on supporting the implementation of the Disruptive Behaviour Management Policy targeting unacceptable behaviour by public housing tenants, including managing and investigating complaints from the public.

## Major Expense Changes by Portfolio

### Summary

The following tables provide details of major changes in general government expenses by agency since the 2011-12 mid-year review was released in December 2011. This includes policy decisions made between the cut-off date for the mid-year review (1 December 2011) and the cut-off date for this budget (7 May 2012), 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 and depreciation).

The tables also include a total amount of \$4 million across some agencies to re-establish their Human Resource functions by 30 June 2012. Further funding will be allocated on a case-by-case basis to Office of Shared Services client agencies from a global provision to fully re-establish their corporate service functions between 2012-13 and 2013-14.

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*.

## PARLIAMENT

Table 1

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Legislative Council</b>					
- Commonwealth Parliamentary Association	-	-	0.1	0.1	0.1
<b>Parliamentary Services Department</b>					
- Efficiency Dividend	-	-	-0.4	-0.5	-0.7
<b>Parliamentary Commissioner for Administrative Investigations</b>					
- Family and Domestic Violence Fatality Reviews	0.2	0.3	0.3	0.3	0.3
- Criminal Penalties Infringement Notices	-	0.7	0.9	0.2	-

### Legislative Council

#### Commonwealth Parliamentary Association

\$279,000 will be spent from 2013-14 to 2015-16 to provide grant funding to the Western Australian branch of the Commonwealth Parliamentary Association (CPA). The CPA facilitates and fosters regular consultation, cooperation and understanding between Members of the Commonwealth Parliaments.

### Parliamentary Commissioner for Administrative Investigations

#### Family and Domestic Violence Fatality Reviews

A total of \$1 million will be spent from 2011-12 to 2015-16 to deliver a new function to review family and domestic violence fatalities, identify patterns and trends arising from these reviews and make recommendations to reduce or prevent family and domestic violence fatalities. This is an outcome of the *Report of the Family and Domestic Violence Fatality Review Working Group*.

#### Criminal Penalties Infringement Notices

A total of \$2 million will be spent from 2012-13 to 2014-15 to facilitate the independent scrutiny of the Criminal Penalty Infringement Notices scheme and prepare a report to the Minister for Police and the Commissioner of Police. Under the *Criminal Code Amendment (Infringement Notices) Act 2011*, the scheme is intended to allow police officers to deal with minor matters through the issue of an infringement notice for certain crimes.

## PREMIER; MINISTER FOR STATE DEVELOPMENT

Table 2

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Premier and Cabinet</b>					
- Relocation of Duyfken Replica to Western Australia	0.3	0.1	0.1	0.1	0.1
- Decommissioning of Office of Shared Services	-	0.1	0.1	0.1	-
- Efficiency Dividend	-	-4.0	-4.6	-6.3	-7.8
<b>Public Sector Commission</b>					
- Efficiency Dividend	-	-0.6	-0.7	-1.0	-1.3
<b>Salaries and Allowances Tribunal</b>					
- Local Government Amendment Bill 2011 Introduction	-	0.2	0.2	0.2	0.2
<b>State Development</b>					
- Browse LNG Precinct – Kimberley Land Council	7.2	0.8	-	-	-
- Onslow Social and Critical Infrastructure Package – Contributions from Chevron	7.8	36.4	25.9	27.0	75.0
- Operating Subsidy to Dampier Port Authority – Bulk Liquids Berth – Alignment to Strategic Development Plan	-2.4	-2.1	-1.8	3.6	-1.1
- <i>Royalties for Regions</i> – Onslow Social Infrastructure	0.2	2.8	3.5	1.8	1.8
- <i>Royalties for Regions</i> – Ord-East Kimberley Expansion Project – Transfer of Assets	-	-	55.5	-	-
- Efficiency Dividend	-	-1.0	-1.1	-1.3	-1.7

### Premier and Cabinet

#### Relocation of Duyfken Replica to Western Australia

A total of \$1 million will be spent from 2011-12 to 2015-16 to return the Duyfken replica to Western Australia and operate it as a tourist attraction and educational experience.

### Salaries and Allowances Tribunal

#### Local Government Amendment Bill 2011 Introduction

An additional \$1 million will be spent from 2012-13 to 2015-16 to expand the Tribunal's role in strengthening the governance in determining elected members' fees and allowances and the remuneration of local government Chief Executive Officers.



## **State Development**

### **Browse LNG Precinct – Kimberley Land Council**

An additional \$8 million will be spent between 2011-12 and 2012-13 to allow the continuation of the work of the Kimberley Land Council, which facilitates Indigenous participation in the development of the Browse LNG project.

### **Onslow Social and Critical Infrastructure Package – Contributions from Chevron**

An additional \$172 million will be spent between 2011-12 and 2015-16 through contributions received from Chevron to provide government and non-government entities with funding to build social and critical infrastructure that will meet population demands related to the construction and operation of the Wheatstone project.

### **Operating Subsidy to Dampier Port Authority – Bulk Liquids Berth – Alignment to Strategic Development Plan**

A total reduction in expenses of \$4 million will occur between 2011-12 and 2015-16 in the Department's Administered statements to align the value of the subsidy to that outlined in the Strategic Development Plan of the Dampier Port Authority.

### ***Royalties for Regions* – Onslow Social Infrastructure**

An additional \$10 million will be spent between 2011-12 and 2015-16 to contribute to a social infrastructure fund for the Onslow townsite, with projects to be developed in consultation with local government and private stakeholders.

### ***Royalties for Regions* – Ord-East Kimberley Expansion Project – Transfer of Assets**

Additional expenditure of \$56 million will be incurred by the Department in 2013-14, due to the transfer of road and secondary irrigation assets to external parties (such as local governments) and cost escalation on assets under construction.

## DEPUTY PREMIER; MINISTER FOR HEALTH; TOURISM

Table 3

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>WA Health</b>					
- Community Child Health	-	9.1	14.9	16.9	17.6
- Depreciation	-	25.7	-50.7	8.2	85.0
- Cost and Activity Increases	-	17.8	38.7	41.0	376.7
- Road Trauma Trust Account – Road Trauma Support Service	-	0.8	-	-	-
- Service Reconfiguration and Transition of the Fiona Stanley Hospital and the New Children's Hospital	-	6.6	44.4	2.6	6.4
- Efficiency Dividend	-	-94.2	-148.6	-209.6	-264.0
<b>Health and Disability Services Complaints Office</b>					
- Community Outreach Initiatives	-	_(a)	_(a)	_(a)	_(a)
<b>Western Australian Tourism Commission</b>					
- Australian Surf Life Saving Championships ( <i>Aussies</i> ) 2014	-	-	2.2	-	-
- Aviation and Market Development	-	0.6	0.6	-	-
- Domestic Marketing	-	1.3	1.3	1.4	1.4
- Perth Convention Bureau	-	2.5	2.6	2.7	2.8
- Western Australian Visitor Centre	-	1.1	1.1	1.1	1.2
- Decommissioning of Office of Shared Services	0.1	-	-	-	-
- Efficiency Dividend	-	-1.1	-1.7	-2.3	-2.4
<b>Rottnest Island Authority<sup>(b)</sup></b>					
- Rottnest Island Marine Facilities - Feasibility Study	-	0.6	-	-	-

(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

#### Community Child Health

A total of \$59 million will be spent from 2012-13 to 2015-16 for 100 additional child and school health nurses to deliver child health checks in partnership with the not-for-profit sector. This investment forms part of a whole-of-government strategy to integrate early childhood services through the establishment of 10 Child and Parent Centres.

#### Depreciation

Depreciation expense adjustments reflect the revaluation of assets and revised timing of completion of a number of capital projects.

### **Cost and Activity Increases**

Additional spending of \$474 million from 2012-13 to 2015-16 to cater for the increased costs of delivering services to a growing population, meet increased hospital activity and provide sustainability of health budget settings.

### **Road Trauma Trust Account – Road Trauma Support Service**

\$800,000 will be spent in 2012-13 to establish a road trauma counselling service for victims of road accidents and their families.

### **Service Reconfiguration and Transition of the Fiona Stanley Hospital and the New Children's Hospital**

A total of \$60 million will be spent over four years to provide workforce planning and recruitment, clinical planning and service transition, and staff training and induction in readiness for the opening of the Fiona Stanley Hospital in April 2014 and the New Children's Hospital in November 2015.

## **Health and Disability Services Complaints Office**

### **Community Outreach Initiatives**

Additional spending of \$176,000 over four years to deliver a range of community outreach services that communicate educational and promotional materials, including a DVD, to improve the understanding of complaint handling processes and empower stakeholders to raise or handle complaints.

## **Western Australian Tourism Commission**

### **Australian Surf Life Saving Championships (*Aussies*) 2014**

An amount of \$2 million will be provided to secure the Australian Surf Life Saving Championships to be held at Scarborough Beach in 2014.

### **Aviation and Market Development**

An amount of \$1 million will be spent over two years from 2012-13 to support aviation and market development to encourage visitation and increase Western Australia's share of the Asian visitor market.

### **Domestic Marketing**

An additional \$5 million will be spent over four years from 2012-13 on domestic marketing to promote and attract visitation to Western Australia.

### **Perth Convention Bureau**

An additional \$10 million will be spent from 2012-13 to 2015-16 to enable the Perth Convention Bureau to continue to attract business events to Western Australia.

### **Western Australian Visitor Centre**

An amount of \$5 million will be spent over four years to operate the Western Australian Visitor Centre in Perth.

## **Rottnest Island Authority**

### **Rottnest Island Marine Facilities – Feasibility Study**

An amount of \$600,000 will be spent in 2012-13 to meet the cost of a study of the marine facilities on Rottnest Island and the feasibility of developing a commercial vessel marina.

## MINISTER FOR MINES AND PETROLEUM; FISHERIES; ELECTORAL AFFAIRS

Table 4

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Mines and Petroleum</b>					
- Dangerous Goods Safety Regulations Reform	1.1	1.4	1.8	2.2	2.6
- Exploration Incentive Scheme Phase 2	-	-	-	18.0	19.5
- Minerals Research Institute	-	-	2.0	2.5	3.0
- Petroleum Safety Reform	0.4	0.6	0.6	0.7	0.7
- Redevelopment of the Mount Magnet Office	-	-	0.2	0.2	0.2
- Safety Regulation of Offshore Waters	0.6	1.3	1.3	1.3	1.3
- Efficiency Dividend	-	-1.5	-2.4	-3.1	-4.0
<b>Fisheries</b>					
- Beacon Island – Act of Grace Payments	0.3	-	-	-	-
- Enhancing Service Delivery	4.5	2.3	4.5	4.5	4.5
- Northern Fisheries Protection	-	0.5	0.7	2.1	2.3
- Third Party Certification of Western Australia's Commercial Fisheries	-	1.8	4.7	4.1	4.0
- Decommissioning of Office of Shared Services	0.2	-	-	-	-
- Efficiency Dividend	-	-0.8	-1.0	-1.3	-1.7
<b>Western Australian Electoral Commission</b>					
- Decommissioning of Office of Shared Services	0.1	-	-	-	-

### Mines and Petroleum

#### Dangerous Goods Safety Regulations Reform

An additional \$9 million will be spent over five years from 2011-12 on the implementation of the dangerous goods safety regulations reform which mainly focuses on the alignment of the dangerous goods fee structure, and simplification and consolidation of the existing regulations, with the cost of the additional regulation to be recovered from industry.

#### Exploration Incentive Scheme Phase 2

An additional \$38 million will be spent over two years from 2014-15 on the Exploration Incentive Scheme Phase 2 to encourage exploration in Western Australia.

#### Minerals Research Institute

An additional \$8 million will be spent over three years from 2013-14 on the Minerals Research Institute to promote development of new technologies that foster improved exploration techniques and promote new processing methods.

### **Petroleum Safety Reform**

An additional \$3 million will be spent over five years from 2011-12 to manage the transfer of petroleum regulatory functions between the State and the Commonwealth following the establishment of the National Offshore Petroleum Titles Administrator, and implement further safety reforms.

### **Redevelopment of the Mount Magnet Office**

An additional \$1 million will be spent over three years from 2013-14 on maintenance of the Department's new office in Mount Magnet to appropriate standards.

### **Safety Regulation of Offshore Waters**

An additional \$6 million will be spent from 2011-12 to employ additional safety inspectors due to the State assuming responsibility for safety regulation in State offshore waters from the Commonwealth after revoking the functions and powers of the former National Offshore Petroleum Safety Authority.

## **Fisheries**

### **Beacon Island – Act of Grace Payments**

An additional \$308,000 will be spent in 2011-12 to provide Act of Grace payments to relocate three fishery holders from Beacon Island, which is designated as a maritime archaeological site.

### **Enhancing Service Delivery**

An additional \$20 million will be spent from 2011-12 to 2015-16 to provide a more financially sustainable expenditure base for the Department to achieve its service delivery objectives, including monitoring, compliance and research functions associated with managing the fisheries of the State.

### **Northern Fisheries Protection**

An additional \$6 million will be spent from 2012-13 to 2015-16 to increase compliance monitoring and provide education programs to the public, with the objective of enhancing the protection of fisheries in the Gascoyne, Pilbara and Mid West regions.

### **Third Party Certification of Western Australia's Commercial Fisheries**

An additional \$15 million will be spent from 2012-13 to 2015-16 on management and research activities to assist commercial fisheries to obtain third party certification of their sustainability. This certification will provide independent confirmation of the sustainable practices undertaken by commercial fisheries in the State, and will allow for produce to be sold in a wider range of markets.

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

Table 5

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Regional Development and Lands</b>					
- Decommissioning of Office of Shared Services	-	0.2	-	-	-
- Efficiency Dividend	-	-0.7	-0.8	-1.0	-1.3
<b>Gascoyne Development Commission</b>					
- <i>Royalties for Regions</i> – Regional Grants Scheme 2012-13 to 2013-14	-	1.0	1.0	-	-
- Decommissioning of Office of Shared Services	-(a)	-	-	-	-
<b>Goldfields-Esperance Development Commission</b>					
- <i>Royalties for Regions</i> – Regional Grants Scheme 2012-13 to 2013-14	-	1.0	1.0	-	-
- Decommissioning of Office of Shared Services	-(a)	-	-	-	-
<b>Great Southern Development Commission</b>					
- <i>Royalties for Regions</i> – Regional Grants Scheme 2012-13 to 2013-14	-	1.0	1.0	-	-
- Decommissioning of Office of Shared Services	-(a)	-	-	-	-
<b>Kimberley Development Commission</b>					
- <i>Royalties for Regions</i> – Regional Grants Scheme 2012-13 to 2013-14	-	1.0	1.0	-	-
- Decommissioning of Office of Shared Services	-(a)	-	-	-	-
<b>Mid West Development Commission</b>					
- <i>Royalties for Regions</i> – Regional Grants Scheme 2012-13 to 2013-14	-	1.0	1.0	-	-
- Decommissioning of Office of Shared Services	-(a)	-	-	-	-
<b>Peel Development Commission</b>					
- <i>Royalties for Regions</i> – Regional Grants Scheme 2012-13 to 2013-14	-	1.0	1.0	-	-
- Decommissioning of Office of Shared Services	-(a)	-	-	-	-
<b>Pilbara Development Commission</b>					
- <i>Royalties for Regions</i> – Regional Grants Scheme 2012-13 to 2013-14	-	1.0	1.0	-	-
- Decommissioning of Office of Shared Services	-(a)	-	-	-	-

Table 5 (cont.)

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>South West Development Commission</b>					
- <i>Royalties for Regions</i> – Regional Grants Scheme 2012-13 to 2013-14	-	1.0	1.0	-	-
- Decommissioning of Office of Shared Services	0.1	-	-	-	-
<b>Wheatbelt Development Commission</b>					
- <i>Royalties for Regions</i> – Regional Grants Scheme 2012-13 to 2013-14	-	1.0	1.0	-	-
- Decommissioning of Office of Shared Services	- <sup>(a)</sup>	-	-	-	-
<b>Western Australian Land Authority<sup>(b)</sup></b>					
- Browse LNG Precinct – Native Title Agreements	-	4.4	4.5	0.6	-
- <i>Royalties for Regions</i> - Pilbara Cities – Allocation of Funding to Priority Areas – South Hedland	25.0	25.9	3.0	-	-
<b>Western Australian Land Information Authority (Landgate)</b>					
- Location Information Strategy	0.3	0.6	1.6	2.5	2.5
- Strategic Development Plan	-9.0	-8.4	-9.1	-11.1	-7.0

(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.

## Development Commissions – All

### *Royalties for Regions* – Regional Grants Scheme 2012-13 to 2013-14

An additional \$1 million per annum will be spent by each of the Regional Development Commissions in 2012-13 and 2013-14 on the Regional Grants Scheme, which will be open to eligible individuals and organisations to improve economic and community infrastructure and services in the regions.

## Western Australian Land Authority

### Browse LNG Precinct – Native Title Agreements

An amount of \$10 million will be spent over the forward estimates period to develop land, and house and land packages in the Broome North area. These assets will be transferred to the Goolarabooloo Jabirr Jabirr Native Title claimants in accordance with the Browse LNG Precinct Native Title Agreements.



***Royalties for Regions – Pilbara Cities - Allocation of Funding to Priority Project Areas – South Hedland***

An additional \$54 million will be spent from 2011-12 to 2013-14 to implement Phase 2 of the South Hedland Town Centre Revitalisation. Funding for the South Hedland CBD project will assist residential and commercial land availability to the market and continue growth within Port Hedland.

**Western Australian Land Information Authority (Landgate)**

**Location Information Strategy**

An amount of \$7.5 million will be spent over the forward estimates period mainly for depreciation associated with the Location Information Strategy (LIS) Stage 1. The LIS provides a framework and strategic direction for Western Australia for the collection, use and management of location information.

**Strategic Development Plan**

As part of Landgate's Strategic Development Plan, a reduction in planned expenditure of \$45 million has been approved, due to continued economic uncertainty impacting heavily on the level of property market transactions. Activity levels are anticipated to increase over the forward estimates period but at a slower rate than previously forecast, and will remain below the long-term average trend, resulting in lower revenues and expenditure.

## TREASURER; ATTORNEY GENERAL

Table 6

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Treasury</b>					
- Margaret River Financial Assistance Scheme	-	5.0	-	-	-
- State Superannuation Reforms	2.4	4.0	-	-	-
- Decommissioning of Office of Shared Services	0.2	-	-	-	-
- Efficiency Dividend	-	-0.7	-1.1	-1.5	-2.0
<b>Attorney General</b>					
- Appointment of an Acting Judge of the Family Court of Western Australia	0.1	-	-	-	-
- Appointment of an Acting Judge of the Supreme Court	0.3	0.6	-	-	-
- Ex-gratia Payments	0.5	-	-	-	-
- Increase in Commercial Law Resources	-	-	1.2	1.2	1.3
- Mental Health Diversion Program	-	0.4	0.6	-	-
- Efficiency Dividend	-	-4.6	-7.0	-9.6	-12.3
<b>Corruption and Crime Commission</b>					
- Efficiency Dividend	-	-0.6	-1.0	-1.3	-1.7
<b>Commissioner for Equal Opportunity</b>					
- Decommissioning of Office of Shared Services	0.1	-	-	-	-
<b>Office of the Director of Public Prosecutions</b>					
- Prosecution Costs for a High Profile Trial	0.8	1.0	-	-	-
- Decommissioning of Office of Shared Services	-	- <sup>(a)</sup>	-	-	-
- Efficiency Dividend	-	-0.6	-0.9	-1.2	-1.5
<b>Commissioner for Children and Young People</b>					
- Decommissioning of Office of Shared Services	- <sup>(a)</sup>	-	-	-	-
<b>Legal Aid Commission of Western Australia</b>					
- Mental Health Diversion Program	-	0.1	0.2	-	-

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

### Treasury

#### Margaret River Financial Assistance Scheme

In response to the Margaret River Special Inquiry, \$5 million has been allocated in 2012-13 to a financial assistance scheme for those directly affected by the Margaret River fire. The scheme will entitle property owners whose houses, outbuildings or property were destroyed or damaged in the fire to claim uninsured losses up to \$190,000.

## **State Superannuation Reforms**

Additional spending of \$6 million has been approved over 2011-12 and 2012-13 to meet implementation costs (incurred by Treasury and the Government Employees Superannuation Board) associated with reforms to the State's public sector superannuation arrangements, including:

- the introduction (from 30 March 2012) of Choice of Superannuation Fund arrangements for Western Australian public sector employees;
- the preparation of Treasurer's Guidelines for both investments and Government Employees Superannuation Fund reserves;
- the consolidation of small account balances; and
- an expression of interest for the provision of State Government superannuation administration services.

## **Attorney General**

### **Appointment of an Acting Judge of the Family Court of Western Australia**

An additional \$133,000 has been spent in 2011-12 to appoint an acting judge of the Family Court of Western Australia from 18 January to 16 March 2012, due to illness of other judges.

### **Appointment of an Acting Judge of the Supreme Court**

An additional \$874,000 will be spent in 2011-12 and 2012-13 to cover costs associated with the appointment of an acting judge of the Supreme Court and support staff for the purpose of conducting a specific high profile trial.

### **Ex-gratia Payments**

The Government has approved ex-gratia payments of \$113,000, \$229,000 and \$118,000 in 2011-12.

### **Increase in Commercial Law Resources**

A total of \$4 million will be spent over three years from 2013-14 to increase the capacity of the State Solicitor's Office Commercial section in order to deal with the legal issues associated with some of the State's major capital infrastructure projects.

### **Mental Health Diversion Program**

A total of \$1 million will be spent over 2012-13 and 2013-14 to establish a Mental Health Diversion Program in the Perth Magistrates Court. This new program delivered in conjunction with the Mental Health Commission and Legal Aid Commission of Western Australia is targeting people with moderate to severe mental illness who are charged with criminal offences. Individuals who consent to participate and who are deemed eligible by the magistrate will be referred into the program. This program will provide individualised support, treatment and ongoing judicial monitoring to address both the mental health needs of offenders and public safety concerns of the community. A review of the judicial requirements for the new program will be undertaken by the Department at the end of 2013-14.

### **Office of the Director of Public Prosecutions**

#### **Prosecution Costs for a High Profile Trial**

A total of \$2 million will be spent over two years from 2011-12 to meet the costs of the transfer of the criminal prosecution for a high profile case to the Director of Public Prosecutions, New South Wales.

### **Legal Aid Commission of Western Australia**

#### **Mental Health Diversion Program**

A total of \$274,000 will be spent over two years from 2012-13 to provide duty lawyer services as part of the Mental Health Diversion Program. This program will provide individualised support, treatment and ongoing judicial monitoring to address both the mental health needs of offenders and public safety concerns of the community.

## MINISTER FOR EDUCATION

Table 7

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Education</b>					
- Growth in Student Numbers and Cost Pressure Funding	-	92.2	54.2	85.4	152.7
- Relocation of Year 7 Students to Secondary Schools	-	1.3	8.1	18.7	14.1
- Child and Parent Centres	-	3.0	4.8	5.1	5.1
- Commonwealth Grants	6.9	5.5	-	-	-
- Efficiency Dividend	-	-30.4	-62.0	-95.0	-129.3
<b>Education Services</b>					
- Low Interest Loan Scheme	-	-4.2	-4.0	-3.5	-3.1
- Per Capita Grants for Non-Government Schools (Administered)	-	-4.0	-10.7	-18.7	-18.7
- Per Capita Grants for Non-Government Schools: Salary Increases	3.0	7.4	-	-	-
- Relocation of Year 7 Students to Secondary Schools	-	-	-	0.1	1.1
- Efficiency Dividend	-	-0.4	-0.7	-1.0	-1.2
<b>School Curriculum and Standards Authority</b>					
- Compulsory Year 12 Examinations	-	2.3	2.4	2.8	3.9
- Remuneration for Board and Committee Members	-	0.3	0.3	0.3	0.3
- Efficiency Dividend	-	-0.5	-0.7	-0.9	-1.2

### Education

#### Growth in Student Numbers and Cost Pressure Funding

A total of \$384 million will be spent from 2012-13 to 2015-16 to provide for projected growth in student enrolments of 7.3% over the four year period, and to assist with increased operating and employee-related costs.

#### Relocation of Year 7 Students to Secondary Schools

In addition to asset investment funding for capital works at 29 secondary schools, the Government will spend \$42 million over four years from 2012-13 on the relocation of Year 7 students to secondary schools from 2015. Of this, \$22 million will be allocated to train primary teachers to undertake secondary teaching roles, and to provide for dedicated project implementation resources and increased depreciation arising from the associated infrastructure enhancement program.

### **Child and Parent Centres**

An additional \$18 million will be spent from 2012-13 to 2015-16 to facilitate the establishment of 10 Child and Parent Centres on selected school sites. The Centres will provide high quality, accessible and integrated early childhood services to local families, and provide programs and services to benefit young children in disadvantaged areas. A further 75 primary schools will be eligible to apply for an early years service grant of up to \$10,000.

### **Commonwealth Grants**

As a result of a Commonwealth Government review of its recurrent grants, an additional \$12 million will be spent in 2011-12 and 2012-13 by the State on a number of programs, including National Schools Specific Purpose Payments and the National Solar Schools Program.

## **Education Services**

### **Low Interest Loan Scheme**

Lower interest rates have decreased the estimates of interest subsidies payable under the Low Interest Loan Scheme by \$15 million from 2012-13 to 2015-16. The scheme provides subsidised loans to non-government schools. The value of loans provided to non-government schools will be maintained at the current level of \$25 million per annum.

### **Per Capita Grants for Non-Government Schools (Administered)**

Following a review of the forecasting assumptions underpinning the per capita grants to non-government schools, the projected funding requirements have been realigned by \$52 million over the period 2012-13 to 2015-16, to more accurately reflect anticipated changes in costs. This change reflects updated forecasting assumptions only, rather than any change in Government policy.

### **Per Capita Grants for Non-Government Schools: Salary Increases**

An amount of \$10 million will be spent from 2011-12 to 2012-13 to provide low and mid-fee non-government schools with additional per capita grants to reflect the flow-on impact of the 2011 Teachers and Administrators Enterprise Bargaining Agreement.

### **Relocation of Year 7 Students to Secondary Schools**

An amount of \$1 million will be spent from 2014-15 to 2015-16 to provide additional grants to non-government schools to reflect the flow-on impact of Year 7 students relocating from primary to secondary school settings in 2015.

## **School Curriculum and Standards Authority**

### **Compulsory Year 12 Examinations**

An additional \$11 million will be spent over four years to develop and conduct compulsory Year 12 examinations in Western Australia due to a projected increase in the number of students taking examinations and associated administration costs.

### **Remuneration for Board and Committee Members**

An amount of \$1 million will be spent over four years for the remuneration of members appointed to the School Curriculum and Standards Authority's Board, and sitting fees for the members of two statutory Committees.

## MINISTER FOR FINANCE; COMMERCE; SMALL BUSINESS

Table 8

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Finance</b>					
- Administration Fee to Offset Credit Card Merchant Fees	-	1.2	1.3	1.5	1.6
- Decommissioning of Office of Shared Services – Re-establishment of Agencies' Corporate Services Functions	66.9	97.2	66.7	-40.2	-38.9
- Hardship Efficiency Program	-	-13.6	-11.2	-13.8	-13.8
- Payroll Tax Grouping Exclusion	0.4	1.4	1.3	1.3	1.3
- Payroll Tax Relief Systems Changes	-	1.4	0.3	-	-
- Payroll Tax Rebate – Small Business (2012-13 Wages Only)	-	-	127.5	-	-
- Payroll Tax Rebate New Indigenous Employees	-	-	0.1	0.2	0.3
- State Taxation Administration	-	1.8	2.5	2.5	2.6
- Decommissioning of Office of Shared Services <sup>(a)</sup>	0.7	-	-	-	-
- Efficiency Dividend <sup>(a)</sup>	-	-4.6	-5.7	-6.4	-7.9
<b>Commerce</b>					
- Building Commission Funding	6.3	-	-	-	-
- Decommissioning of Office of Shared Services	0.4	-	-	-	-
- Efficiency Dividend	-	-2.4	-3.5	-4.5	-5.5
<b>Small Business Development Corporation</b>					
- Alternative Dispute Resolution Service	-	0.9	1.2	1.3	1.3
- Decommissioning of Office of Shared Services	0.1	-	-	-	-
- Efficiency Dividend	-	-	-0.3	-0.4	-0.6

(a) Includes the Office of Energy.

### Finance

#### Administration Fee to Offset Credit Card Merchant Fees

An additional \$6 million will be spent from 2012-13 to 2015-16 by the Office of State Revenue to meet the cost of merchant fees associated with credit card payments to meet certain liabilities and grant repayment obligations. Although the Office will charge an administration fee to offset this cost, an increase in the Office's expense limit is required to meet the cost to them of the associated merchant fees.



### **Decommissioning of Office of Shared Services – Re-establishment of Agencies’ Corporate Services Functions**

Following the decision to decommission the Office of Shared Services, \$231 million from 2011-12 to 2013-14 will be spent to assist agencies re-establish their corporate service functions. Funds will be allocated to agencies by the Department of Finance upon approval of business cases outlining system and service delivery requirements. As the decommissioning of Shared Services is scheduled to be completed by March 2014, existing operational funding for the Office of Shared Services in 2014-15 and 2015-16 will no longer be required.

### **Hardship Efficiency Program**

The Government has decided to cease the Hardship Efficiency Program (HEP) and reallocate its funding to the new Cost of Living Assistance payment (see *Utility Subsidies and Cost of Living Assistance* earlier in this chapter). The decision to redirect the HEP budget allocation – \$53 million across the forward estimates period – reflects the low take-up rate of the HEP, and the Government’s view that direct and tangible cost of living assistance to households in need is a more efficient use of taxpayers’ funds than the HEP’s energy advice, whitegoods replacement and insulation installation

### **Payroll Tax Grouping Exclusion**

An additional \$6 million will be spent from 2011-12 to 2015-16 to administer amendments to the *Pay-roll Tax Assessment Act 2002*, which provides for certain commonly controlled businesses (that have been previously grouped for payroll tax purposes) to apply for a grouping exclusion from 1 July 2012.

### **Payroll Tax Relief Systems Changes**

The Office of State Revenue will spend \$2 million over 2012-13 and 2013-14 on systems changes to administer payroll tax relief measures announced in this budget, including a one-off payroll tax rebate for small businesses, an ongoing 100% payroll tax rebate for wages paid to new Indigenous employees in the first two years of employment, and a payroll tax exemption for up to two years for wages paid to new employees with a disability.

### **Payroll Tax Rebate for Small Business (2012-13 Wages Only)**

An estimated \$128 million will be spent in 2013-14 on a one-off payroll tax rebate for small employers based on wages paid in 2012-13. A full rebate (of payroll tax payable in Western Australia) will apply to employers with a nation-wide grouped payroll of up to \$1.5 million in 2012-13, with the rebate phasing out for employers with payrolls between \$1.5 million and \$3 million. Further details are available in Chapter 4: *General Government Revenue*.

### **Payroll Tax Rebate for New Indigenous Employees**

An estimated \$1 million will be spent over three years from 2013-14 on a payroll tax rebate for wages paid to new Indigenous employees, for up to two years, who are employed by small to medium businesses with nation-wide grouped payrolls up to \$15 million. Further details are available in Chapter 4: *General Government Revenue*.

### **State Taxation Administration**

An additional \$9 million from 2012-13 to 2015-16 will be spent on measures to address revenue, including to improve and increase compliance coverage, improve taxpayer education, reduce outstanding debt levels and write-offs and increase the ability to meet statutory requirements for determining objection and appeal matters.

## **Commerce**

### **Building Commission Funding**

A total of \$6 million will be spent in 2011-12 to fund the Building Commission for the loss of revenue resulting from delays in the introduction of the Building Services Levy.

## **Small Business Development Corporation**

### **Alternative Dispute Resolution Service**

An additional \$5 million has been allocated over four years to 2015-16 to continue the Alternative Dispute Resolution service which provide a low-cost, non-litigious means of resolving disputes among small businesses.

## MINISTER FOR POLICE; ROAD SAFETY

Table 9

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Western Australia Police</b>					
- Road Trauma Trust Account – Expansion of Drug Testing Capabilities	-	0.9	0.6	0.6	0.6
- Road Trauma Trust Account – Increased Breath and Drug Testing	-	4.0	4.5	4.7	4.9
- Road Trauma Trust Account – Advanced Traffic Management Vehicle Project	-	0.2	0.2	0.3	0.3
- Summer Crime Reduction Strategy	3.0	-	-	-	-
- Efficiency Dividend	-	-21.2	-33.5	-46.4	-59.6
<b>Main Roads</b>					
- Road Trauma Trust Account – Metropolitan Intersection Crashes	-	14.3	-	-	-
- Road Trauma Trust Account – Regional and Remote Road Improvements	-	13.3	-	-	-

### Western Australia Police

#### Road Trauma Trust Account – Expansion of Drug Testing Capabilities

An amount of \$3 million will be spent over four years from 2012-13 to expand the Western Australia Police's drug testing capabilities, including increased research and officer training as well as the purchase of new and additional testing machines.

#### Road Trauma Trust Account – Increased Breath and Drug Testing

A total of \$18 million will be spent over the forward estimates period to enable the Western Australia Police to increase the number of breath and drug tests carried out each year.

#### Road Trauma Trust Account – Advanced Traffic Management Vehicle Project

Western Australia Police will spend \$1 million over the period 2012-13 to 2015-16 to provide maintenance and data communications support for police vehicles fitted with the technology to read vehicle number plates, targeting drivers with a history of drink and drug driving as well as unlicensed drivers and vehicles.

#### Summer Crime Reduction Strategy

An additional \$3 million was spent to implement the Summer Crime Reduction Strategy in 2011-12 to enable the delivery of an extra 36,000 policing hours to target crime and anti-social behaviour across the State over the summer period.

## **Main Roads**

### **Road Trauma Trust Account – Metropolitan Intersection Crashes**

Main Roads will spend \$14 million in 2012-13 on improvements to metropolitan intersections. This initiative will treat intersections on a priority basis by various options such as, creating roundabouts, bridges and right turn traffic signals in line with the Towards Zero Strategy. A further \$7 million of capital expenditure will occur in 2012-13 on this initiative. Further details are available in Chapter 6: *Asset Investment*.

### **Road Trauma Trust Account – Regional and Remote Road Improvements**

An amount of \$13 million will be spent by Main Roads in 2012-13 on improving regional and remote roads. This initiative will treat roads by various options such as creating sealed shoulders, audible edge line and wire rope barriers to reduce run off road crashes in regional and remote areas. A further \$7 million of capital expenditure will occur in 2012-13 on this initiative. Further details are available in Chapter 6: *Asset Investment*.

## MINISTER FOR SPORT AND RECREATION; RACING AND GAMING

Table 10

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Sport and Recreation</b>					
- Clifton Road Sports Complex Grant	-	0.5	0.5	-	-
- Combat Sports Commission	-	0.7	-	-	-
- Community Sporting and Recreation Facilities Fund	-	-	3.6	-	-
- Mount Helena Oval Upgrade Grant	-	0.2	-	-	-
- State Netball Centre	6.6	-	-	-	-
- Western Australian Institute of Sport - High Performance Service Centre Operating Costs	-	-	-	1.3	2.6
- Efficiency Dividend	-	-1.1	-1.5	-1.9	-1.8
<b>Western Australian Sports Centre Trust</b>					
- Information and Communication Technology Strategic Plan	-	0.3	0.3	0.3	0.4
- Perth Arena – Operational and Facilities Management Contract	-	1.2	0.9	0.9	0.9
<b>Racing, Gaming and Liquor</b>					
- Decommissioning of Office of Shared Services	0.2	-	-	-	-
- Unified Regulatory System	-	0.3	0.3	0.3	0.3

### Sport and Recreation

#### Clifton Road Sports Complex Grant

A grant of \$1 million will be provided over two years from 2012-13 to improve facilities at the Clifton Road Sports Complex in Canning Vale.

#### Combat Sports Commission

An amount of \$703,000 has been provided in 2012-13 to meet the operating costs associated with the expanded role of the Combat Sports Commission.

#### Community Sporting and Recreation Facilities Fund

An additional amount of \$4 million will be spent in 2013-14 on financial assistance to community groups and local government authorities to develop basic infrastructure for sport and recreation.

#### Mount Helena Oval Upgrade Grant

A grant of \$150,000 will be provided in 2012-13 to upgrade facilities at the Mount Helena oval.

### **State Netball Centre**

A grant of \$7 million will be provided to the Town of Cambridge for the delivery of a replacement Perth Netball Association building, court configuration and associated works at the Matthews netball facility as part of the State Netball Centre project.

### **Western Australian Institute of Sport – High Performance Service Centre Operating Costs**

An amount of \$4 million will be spent over two years from 2014-15 to meet the depreciation and operating costs associated with the new High Performance Service Centre to be constructed for the Western Australian Institute of Sport.

## **Western Australian Sports Centre Trust**

### **Information and Communication Technology Strategic Plan**

A total of \$1 million will be spent over four years to improve the Trust's Information and Communication Technology, business systems and infrastructure as part of its ongoing growth in service delivery.

### **Perth Arena – Operational and Facilities Management Contract**

An amount of \$4 million will be spent over four years for contract management and administrative costs associated with the Perth Arena.

## **Racing, Gaming and Liquor**

### **Unified Regulatory System**

A total of \$1 million will be spent from 2012-13 to 2015-16 to support the development and implementation of a Unified Regulatory System. These upgrades will support the Department's strategic goals of e-government and citizen-centric services, by providing online licensing services to the community.

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

Table 11

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Planning</b>					
- Decommissioning of Office of Shared Services	-	0.2	-	-	-
- Efficiency Dividend	-	-0.7	-1.1	-1.5	-2.0
<b>Western Australian Planning Commission</b>					
- Decommissioning of Office of Shared Services	- (a)	-	-	-	-
<b>Culture and the Arts</b>					
- BOCS Ticketing and Marketing	0.4	2.6	-	-	-
- Portfolio Agencies	-	3.0	8.0	8.2	8.4
- Maintenance	-	5.2	2.0	2.0	2.0
- Museum of Modern Art Exhibition Insurance Cover	2.4	-	-	-	-
- Efficiency Dividend	-	-1.7	-2.4	-3.3	-4.2
<b>Commerce</b>					
- Additional Scitech Funding	-	-	8.3	8.3	8.3
- Research and Innovation Grants	-	1.3	1.3	1.3	1.3
<b>Chemistry Centre (WA)</b>					
- <i>Review of the Chemistry Centre (WA) Act 2007</i>	-	0.1	-	-	-

(a) Amount less than \$50,000

### Culture and the Arts

#### BOCS Ticketing and Marketing

An amount of \$3 million will be spent from 2011-12 to 2012-13 for costs associated with the tendering of the ticketing services for Perth Theatre Trust venues and to decommission BOCS ticketing and marketing services. This includes the provision for voluntary separations in 2012-13.

#### Portfolio Agencies

An additional \$28 million will be spent between 2012-13 and 2015-16 to meet increased operating costs within the Department and its portfolio agencies.

#### Maintenance

A total of \$11 million will be spent between 2012-13 and 2015-16 to address high priority maintenance issues such as lift failure and air conditioning breakdowns, including building compliance, upgrades and/or replacement of essential infrastructure and technology.

### **Museum of Modern Art Exhibition Insurance Cover**

An amount of \$2 million will be spent in 2011-12 by the Art Gallery to meet the cost of insurance cover for the forthcoming Museum of Modern Art exhibition.

## **Commerce**

### **Additional Scitech Funding**

An additional \$25 million will be spent over three years from 2013-14 to continue the State Government grant to the Scitech Discovery Centre.

### **Research and Innovation Grants**

An additional \$5 million will be spent from 2012-13 to 2015-16 to continue the Western Australian Research Fellowships program and the Nobel Laureates Western Australian Ambassador program.

## **Chemistry Centre (WA)**

### **Review of the *Chemistry Centre (WA) Act 2007***

A total of \$100,000 will be spent in 2012-13 on the review of the *Chemistry Centre (WA) Act 2007* (the Act). The review, to be undertaken by independent consultants appointed by the Minister for Science and Innovation, is required at five yearly intervals, and must be tabled in Parliament by 1 August 2013. The review will consider possible amendments to the Act and Regulations, and any other matters that appear relevant to the Chemistry Centre's operation and effectiveness.



## MINISTER FOR ENERGY; TRAINING AND WORKFORCE DEVELOPMENT; INDIGENOUS AFFAIRS

### POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE 2011-12 MID-YEAR REVIEW

Table 12

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Horizon Power</b> <sup>(a)</sup>					
- Operating Subsidy for Electricity Tariffs	-	8.9	19.0	26.7	47.1
- Cost of Living Assistance Payment	-	0.2	0.2	0.3	0.4
<b>Synergy</b> <sup>(a)</sup>					
- Operating Subsidy for Electricity Tariffs	-	-12.4	109.5	166.4	331.4
- Operating Subsidy for Feed-in Tariff	-	-15.2	-15.2	-15.2	-15.2
- Cost of Living Assistance Payment	-	14.9	16.8	17.6	26.8
<b>Training and Workforce Development</b>					
- Training Delivery – Commonwealth Funded	-	24.9	24.9	39.4	39.4
- Training Delivery – State Funded	-8.8	71.6	36.2	-	-
- Remedial Works 2012-13 Program	-	6.0	-	-	-
- Efficiency Dividend	-	-8.8	-12.8	-17.5	-21.8
<b>Indigenous Affairs</b>					
- Aboriginal Community Patrols	-	1.2	-	-	-
- Stolen Wages Reparation Scheme WA	0.8	1.3	-	-	-
- Voluntary Separation Offers	0.5	-0.1	-0.1	-0.1	-0.1
- Decommissioning of Office of Shared Services	0.1	-	-	-	-
- Efficiency Dividend	-	-0.7	-0.9	-1.2	-1.5

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

## Energy Corporations

### Cost of Living Assistance Payment

The new Cost of Living Assistance (CoLA) payment will support low income Western Australian households in paying their electricity bills. It is estimated that around one-third of all Western Australian households, or 348,000 households, will be eligible for the CoLA payment. From 1 October 2012, the CoLA payment replaces the existing Supply Charge Rebate (SCR), and will initially be set at \$200 (paid in instalments per bill), compared to the existing SCR of \$147. The CoLA payment will be indexed each year, rising to an estimated \$254 by 2015-16. The CoLA payment is expected to cost \$286 million across the forward estimates period – \$77 million over and above the existing SCR.

## **Horizon Power**

### **Operating Subsidy for Electricity Tariffs**

An additional operating subsidy of \$102 million over 2012-13 to 2015-16 has been approved for the difference between the cost of electricity provision and the prices that are paid by consumers.

## **Synergy**

### **Operating Subsidy for Electricity Tariffs**

An additional operating subsidy of \$595 million over 2012-13 to 2015-16 has been approved for the difference between the cost of electricity provision and the prices that are paid by consumers. This gap will be funded indirectly by taxpayers through general taxation revenue.

### **Operating Subsidy for Feed-in Tariff**

In the 2011-12 mid-year review, an amount of \$46 million was provided to Synergy as additional operating subsidy for the period 2012-13 to 2014-15 to cover the cost of the scheme. In addition, Synergy was required to meet the additional cost in 2011-12 of \$20 million within their approved operating subsidy.

In the 2012-13 Budget, Synergy will now absorb \$61 million of the feed-in tariff cost over the period 2012-13 to 2015-16 (being \$46 million previously provided in the mid-year review to 2014-15 plus \$15 million provided for in the year 2015-16). This represents additional costs of the feed-in tariff scheme related to higher than anticipated uptake at the 40 cent feed-in tariff rate combined with applications exceeding the 150MW threshold.

## **Training and Workforce Development**

### **Training Delivery**

To ensure that training delivery continues to meet the needs of the Western Australian economy, an additional \$236 million will be spent over four years from 2012-13. Of this amount, \$129 million is funded by the Commonwealth under a new National Partnership Agreement (NPA) on Skills Reform agreed to at the 13 April 2012 Council of Australian Governments meeting. The balance of \$108 million is funded by the State over two years from 2012-13, which includes \$38 million to provide approximately 12,500 training places as a result of a shortfall in Commonwealth funding under the new NPA on Skills Reform and \$9 million of planned expenditure in 2011-12 that has been deferred to 2012-13.

### **Remedial Works 2012-13 Program**

An additional \$6 million will be spent in 2012-13 to undertake remedial works at metropolitan State Training Provider campuses.

## **Indigenous Affairs**

### **Aboriginal Community Patrols**

The Government has approved an additional \$1 million to be spent in 2012-13 to continue community patrols, which will include employment of additional patrollers, replacing ageing buses, purchasing safety equipment and providing training for patrollers.

### **Stolen Wages Reparation Scheme WA**

The Government has allocated an additional \$2 million over 2011-12 and 2012-13 to administer the 'Stolen Wages Reparation Scheme WA'. The program provides ex-gratia payments of up to \$2,000 for eligible Aboriginal and Torres Strait Islander persons born prior to 1958 who, from the age of 14 years or older, were residents of a Government Native Welfare Settlement in Western Australia and who experienced direct government control over their income.

## MINISTER FOR TRANSPORT; HOUSING; EMERGENCY SERVICES

Table 13

### POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE 2011-12 MID-YEAR REVIEW

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Main Roads</b>					
- Additional Traffic Capacity – Graham Farmer Freeway Tunnel and Mitchell Freeway	-	-	1.6	2.9	2.9
- Inner City Congestion – Active Traffic Management	-	3.3	4.3	4.3	2.3
- Local Government Grants	-	4.3	4.5	4.7	14.6
- Road Maintenance	19.3	12.9	15.4	16.6	44.4
- Efficiency Dividend	-	-0.8	-1.8	-1.1	-1.4
<b>Transport</b>					
- Grain Freight Network – Transitional Assistance Package	-	4.7	-	-	-
- Inner City Congestion	-	2.1	1.6	1.8	4.3
- Lloyd Street Southern Extension and Underpass	1.0	5.0	29.2	5.0	-
- Port Geographe Development	-	1.5	-	-	-
- Planning and Design for Light Rail	-	2.2	1.3	-	-
- Principal Shared Paths Cycling Projects	-	10.0	10.0	-	-
- Decommissioning of Office of Shared Services	0.3	-	-	-	-
- Efficiency Dividend	-	-2.2	-4.2	-4.9	-6.0
<b>Public Transport Authority <sup>(a)</sup></b>					
- Public Transport Services for Year 7 Students in Secondary School Setting	-	-	-	1.2	2.5
- Fare Revenue Review	-12.1	-18.0	-19.4	-25.6	-36.2
- Change in Funding Model	-	-170.2	-180.2	-195.8	-212.8
- Efficiency Dividend	-	-13.6	-22.0	-31.3	-41.3
<b>Housing Authority <sup>(a)</sup></b>					
- Bindi Bindi Decontamination Ponds	-	1.0	-	-	-
- Disruptive Behaviour Program	-	3.0	3.0	3.0	3.0
- Remote Area Essential Services Program	-	30.0	30.0	30.0	30.0
- Remote Swimming Pools Maintenance	-	1.5	1.5	1.5	1.5
- Asset Transfers to the Community Housing Sector <sup>(b)</sup>	139.0	81.2	-	-	-
<b>Fire and Emergency Services Authority</b>					
- Crisis Incident Management System	-	1.8	0.5	0.5	0.5
- Response to the 2011 Roleystone-Kelmscott Bushfire	-	5.0	5.0	5.0	5.0
- Response to the 2011 Margaret River Bushfire	-	5.0	5.0	5.0	5.0
- Surf Life Saving Western Australia	-	0.6	0.6	0.6	0.6
- Efficiency Dividend	-	-0.4	-0.6	-0.8	-1.0

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

(b) The Housing Authority is classified as a public non-financial corporation. These asset transfers represent a transfer from the public non-financial corporations sector to the community sector, and do not have an impact on general government sector expenses.

## **Main Roads**

### **Additional Traffic Capacity – Graham Farmer Freeway Tunnel and Mitchell Freeway**

Additional expenditure of \$2 million in 2013-14, \$3 million in 2014-15 and \$3 million in 2015-16 will be incurred on maintenance works and depreciation associated with the recently approved works on the Graham Farmer Freeway tunnel and Mitchell Freeway.

### **Inner City Congestion – Active Traffic Management**

A range of initiatives across the Transport portfolio totalling \$48 million over four years are being implemented to manage congestion in central Perth, due to its rapid development and changing street network. Main Roads will spend \$14 million over four years from 2012-13 on active traffic management to monitor and provide incident response crews, provide information to road users through various media and to proactively modify traffic signal timings to maximise traffic flow, particularly during peak periods.

### **Local Government Grants**

Spending on local government roads will increase by \$28 million over four years in line with the State Road Funds to Local Government Agreement.

### **Road Maintenance**

An amount of \$95 million will be spent by Main Roads over the five year period from 2011-12 on road maintenance mainly associated with network expansions, and roads transferred from local government to State ownership, for which such expenditure has not been allocated previously. Due to the current exchange rate and oil price assumptions, a further \$14 million will be spent over five years from 2011-12 on increased costs for road maintenance.

## **Transport**

### **Grain Freight Network – Transitional Assistance Package**

An additional \$5 million will be spent in 2012-13 on the Transitional Assistance Package, which provides subsidies to the handler in transporting grain from bin to port to compensate for the differential cost between transporting grain by rail instead of road. The closure date for tier 3 rail lines on the grain freight network was extended by 12 months due to the larger than normal harvest in 2011 while road upgrades are being undertaken.

### **Inner City Congestion**

A range of initiatives across the Transport portfolio totalling \$48 million over four years are being implemented to manage congestion in central Perth, due to its rapid development and changing street network. The Department's recurrent component totalling \$10 million between 2012-13 and 2015-16 is predominantly for grants to the Public Transport Authority to expand the Central Area Transit bus services. Refer to Main Roads within this chapter, and Main Roads, Department of Transport and the Public Transport Authority in Chapter 6: *Asset Investment* for details of the other components of the \$48 million package.

### **Lloyd Street Southern Extension and Underpass**

A total of \$40 million will be spent between 2011-12 and 2014-15 on grants to the City of Swan for the extension of Lloyd Street and the development of an underpass at the rail freight crossing to provide uninterrupted access to the new Midland Health Campus, which is scheduled to open in 2015.

### **Port Geographe Development**

An amount of \$2 million will be spent in 2012-13 to continue maintenance works at Port Geographe while a long-term solution is developed to address the sand and seagrass problems in the area.

### **Planning and Design for Light Rail**

A further \$4 million will be spent between 2012-13 and 2013-14 on planning for the concept of a city light rail system in relation to systems infrastructure, rolling stock strategy and transport options.

### **Principal Shared Paths Cycling Projects**

An additional \$20 million will be spent over two years from 2012-13 on the completion of key links in the principal shared path bicycle network within a 15 km radius of the Perth Central Business District.

## **Public Transport Authority**

### **Public Transport Services for Year 7 Students in Secondary School Setting**

An amount of \$4 million will be spent between 2014-15 and 2015-16 on additional operating costs associated with the purchase of 46 additional buses to improve existing services in the 2015 school year when Year 7 students will move into the secondary school setting.

## **Fare Revenue Review**

The Public Transport Authority has reviewed its fare revenue projections based on consumer price index fare increases, together with expected patronage increases across the forward estimates. This review identified an additional \$111 million in anticipated fare revenue between 2011-12 and 2015-16. This additional fare revenue has been recognised in the Authority's financial statements, and in the calculation of the operating subsidy (from general taxation revenue) which will be \$662 million in 2012-13 and \$2.9 billion over four years.

## **Change in Funding Model**

To ensure consistency with other public corporations and with the approach adopted in other State jurisdictions, the Government will cease funding the Public Transport Authority (PTA) for its accrual depreciation expense with effect from 2012-13. Importantly, this will have no impact on the level of cash funding provided to the PTA. At the same time, and to ensure consistency with the State's other public corporations like Synergy and the Water Corporation, the PTA's operating funding model will change from an appropriation-based model to an operating subsidy model administered by the Department of Treasury. Taken together, these decisions will make more transparent the true cash cost of the State Government's subsidy to the public transport system.

## **Housing Authority<sup>1</sup>**

### **Bindi Bindi Decontamination Ponds**

An amount of \$1 million will be spent in 2012-13 on critical decontamination and remediation of the Bindi Bindi community sewer ponds in Onslow.

### **Disruptive Behaviour Program**

A total of \$12 million over four years from 2012-13 (\$3 million per annum) will be spent to support the implementation of the Disruptive Behaviour Management Policy, targeting unacceptable behaviour by public housing tenants, including managing and investigating complaints from the public. This funding will assist the Authority to manage approximately 1,000 complaints per month under the Disruptive Behaviour Reporting System.

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<sup>1</sup> In addition to the general government-funded initiatives outlined in this chapter, the Housing Authority, a public non-financial corporation, has budgeted to transfer additional dwelling units to the value of \$220 million to community housing organisations over two years from 2011-12, taking the total value of assets transferred for this period to \$328 million for 1,181 dwellings. This is in addition to the 1,041 dwellings already transferred during 2010-11, taking the total public housing transferred to 2,222 dwelling units valued at \$600 million. This is expected to enable the recipient community housing organisations to fund and procure an additional 298 dwellings over the forward estimates. In total, an amount of \$1.6 billion will be spent by the Housing Authority in 2012-13 on the provision of social and affordable housing services and programs for the Western Australian community.

### **Remote Area Essential Services Program**

An additional \$120 million over four years from 2012-13 (\$30 million per annum) will be spent to continue the provision of power, water and wastewater maintenance services to 91 remote communities under the Remote Area Essential Services Program. Maintenance costs under the Remote Area Essential Services Program have been exacerbated by the decline in Commonwealth funding for capital replacement and infrastructure upgrades, resulting in an increase in the demand for unplanned maintenance in addition to the normal maintenance program.

### **Remote Swimming Pools Maintenance**

An additional \$6 million over four years from 2012-13 will be spent on operating and maintaining swimming pools in Fitzroy Crossing, Bidadanga, Burringurra, Jigalong, Warmun and Yandeyarra. Providing public swimming pools in these communities leads to improved health, education and other social outcomes for local residents.

## **Fire and Emergency Services Authority**

### **Crisis Incident Management System**

As part of the Government's response to the 2011 Perth Hills Bushfire Review, a total of \$3 million will be spent over the next four years to develop and implement a web-based crisis incident management system.

### **Response to the 2011 Roleystone-Kelmscott Bushfire**

The Government has committed a total of \$20 million from 2012-13 to 2015-16 to implement various initiatives in response to the recommendations contained within the Perth Hills Bushfire Review following the 2011 Roleystone-Kelmscott bushfire. These initiatives include:

- enhanced bushfire community education and awareness in high risk areas;
- improved field intelligence capability;
- improved change management and governance through the continued development of the Fire and Emergency Services Authority's recently established Project Management Office; and
- implementation of structural reform.

### **Response to the 2011 Margaret River Bushfire**

The Government has committed \$20 million from 2012-13 to 2015-16 in response to the 2011 Margaret River bushfire. The response measures include:

- the establishment of the Office of Bushfire Risk Management to oversee and authorise prescribed burns;



- expanded service delivery in the South West Cape region;
- increased training and support for volunteers and staff to enhance operational preparedness; and
- increased support for the State Emergency Management Committee to assist in its assessment of the State's preparedness for all emergencies.

### **Surf Life Saving Western Australia**

The Government has committed a further \$2 million from 2012-13 to 2015-16 to ensure that volunteer surf lifesavers have access to modern fit-for-purpose rescue equipment. The additional funding will provide for the annual replacement of 10 inflatable rescue boats, 10 all-terrain vehicles and three jet skis.

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

Table 14

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE 2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Child Protection</b>					
- Additional Indexation to the Non-Government Human Services Sector	-	-	-	-	4.6
- Continuation of Emergency Management Services	2.5	2.6	2.7	2.8	2.9
- Growth in Demand for Child Protection Services	-	15.0	15.5	16.0	16.6
- Hardship Utility Grant Scheme	-	7.6	-	-	-
- Sustainable Funding and Contracting with the Not-for-Profit Sector – Homelessness	4.1	4.2	-	-	-
- Efficiency Dividend	-	-7.6	-11.8	-16.2	-20.7
<b>Communities</b>					
- Early Childhood Education and Care – Child Care Regulatory Unit	-	1.5	1.6	-	-
- River Rangers Junior Cadets	-	0.3	0.4	0.5	0.5
- Seniors Cost of Living Rebate	-	2.4	2.6	0.7	-
- Seniors Safety and Security Rebate	-	2.8	-	-	-
- Upgrades to Child Care, Family and Neighbourhood Centres	-	1.0	1.0	1.0	1.0
- Efficiency Dividend	-	-0.8	-1.2	-1.4	-1.8

### Child Protection

#### Additional Indexation to the Non-Government Human Services Sector

A further \$5 million has been allocated in 2015-16 to assist non-government human services organisations with rising costs in the provision of services to at-risk families and individuals.

#### Continuation of Emergency Management Services

An additional \$13 million will be spent over five years from 2011-12 to 2015-16 to enable the Department to continue to meet its responsibilities in the provision of emergency welfare support services in Western Australia. This spending will allow the Department to fulfil its obligations under State emergency management plans, provide external agency support, train staff and coordinate emergency management responses.

## **Growth in Demand for Child Protection Services**

Demonstrating the Government's commitment to child protection services, an additional \$63 million from 2012-13 to 2015-16 will be spent to enable the Department to respond to increases in demand for child protection services and to provide key support services to vulnerable families and individuals at risk.

## **Hardship Utility Grant Scheme**

A total of \$12 million has been allocated in 2012-13 to assist households in financial hardship pay their utilities' bills – an increase of \$8 million over the previous 2012-13 allocation to the program. Under the Hardship Utilities Grants Scheme (HUGS), the State Government can pay up to 85% of an eligible household's gas, electricity or water bill, where the individual is assessed as being in financial hardship and meets the HUGS criteria. In addition to the increased funding allocated to HUGS, the Government will seek to cap the portion of the program's budget being spent on financial counselling services to 20%, thereby ensuring that at least 80% of total program funding is paid in grants to households in financial hardship. Together with the new Cost of Living Assistance payment, the increased allocation to HUGS reflects the Government's commitment to assisting disadvantaged and vulnerable households with their cost of living expenses.

## **Sustainable Funding and Contracting with the Not-for-Profit Sector – Homelessness**

An additional \$8 million will be spent over two years from 2011-12 to 2012-13 providing a 15% price adjustment to the State component of joint Commonwealth and State Homelessness contracts. This additional spending is commensurate with the price adjustment provided to eligible contracts under the Component 1 – Sustainable Funding and Contracting with the not-for-profit sector initiative. The additional spending is provided until 2012-13 at which time these contracts are to be renegotiated with the Commonwealth.

## **Communities**

### **Early Childhood Education and Care – Child Care Regulatory Unit**

An additional \$3 million over two years from 2012-13 will be spent to expand the existing Child Care Licensing and Standards Unit to implement the National Quality Framework for Early Childhood Education and Care. The new Child Care Regulatory Unit will be responsible for assessment, rating and monitoring of child care providers in accordance with the National Quality Framework. In total, \$5 million will be spent in 2012-13 to ensure Western Australian children receive high quality child care.

### **River Rangers Junior Cadets**

Following a successful pilot in six primary schools, \$2 million will be spent from 2012-13 to 2015-16 to introduce the River Rangers Junior Cadets program for eight to 12-year olds. River Rangers provides an opportunity for participants to develop confidence, team work and leadership skills. Up to 10 River Ranger units will be established in primary schools, catering for up to 500 children.

### **Seniors Cost of Living Rebate**

An additional \$6 million will be spent from 2012-13 to 2014-15 on the Seniors Cost of Living Rebate as a result of more seniors applying for the Seniors Card and accessing the Rebate. Since it was introduced in 2009, \$76 million has been paid and it is expected that 290,000 Seniors Card Holders will receive the Cost of Living Rebate in July 2012.

### **Seniors Safety and Security Rebate**

An additional \$3 million will be spent on the Seniors Safety and Security Rebate. The Seniors Safety and Security Rebate provides Seniors Cardholders with a rebate of up to \$400 per household for the purchase and/or installation of home security and safety devices.

### **Upgrades to Child Care, Family and Neighbourhood Centres**

An additional \$1 million per annum will be spent from 2012-13 to 2015-16 to carry out maintenance in the 71 childcare, family and neighbourhood centres and community houses managed by the Department.

## MINISTER FOR LOCAL GOVERNMENT; HERITAGE; CITIZENSHIP AND MULTICULTURAL INTERESTS

Table 15

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Local Government</b>					
- <i>Cat Act 2011</i> Implementation	-	2.8	0.5	-	-
- Office of Multicultural Interests – Community Grants Program	-	0.3	0.3	0.3	0.3
- Decommissioning of Office of Shared Services	0.1	-	-	-	-
- Efficiency Dividend	-	-0.4	-0.5	-0.7	-0.9
<b>Heritage Council of Western Australia</b>					
- Heritage Grants and Incentives Program	-	0.3	0.3	0.3	0.3
- Decommissioning of Office of Shared Services	0.1	-	-	-	-

### Local Government

#### Cat Act 2011 Implementation

The *Cat Act 2011* aims to reduce the number of unwanted and stray cats throughout the community and encourage responsible ownership and care of cats. This budget includes \$3 million to be spent from 2012-13 to 2013-14 to provide assistance to local governments with set-up costs, and to low income earners in meeting new legislative requirements for cat ownership.

#### Office of Multicultural Interests – Community Grants Program

An additional \$1 million from 2012-13 to 2015-16 has been allocated to the Community Grants Program (CGP), increasing available funding from \$250,000 to \$500,000 per annum. The CGP supports building the capacity of culturally and linguistically diverse communities through projects and programs such as employment support and life skills training that increase participation, equity and promote the benefits of cultural diversity in Western Australia.

### Heritage Council of Western Australia

#### Heritage Grants and Incentives Program

An additional \$1 million from 2012-13 to 2015-16 has been allocated to the Heritage Grants and Incentives Program to assist private owners with the conservation of properties listed on the State Heritage Register, for the benefit of present and future generations.

## MINISTER FOR AGRICULTURE AND FOOD; FORESTRY; CORRECTIVE SERVICES

Table 16

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Agriculture and Food</b>					
- Enhanced Adverse Weather Monitoring Network	-	0.3	-	-	-
- Year of the Farmer Initiatives	-	2.0	-	-	-
- Efficiency Dividend	-	-2.8	-4.2	-5.8	-7.4
<b>Corrective Services</b>					
- GPS Tracking of Dangerous Sex Offenders	-	1.5	1.4	1.5	1.5
- Live Works Program and the Refurbishment of Riverbank	-	1.9	1.9	1.9	2.0
- Efficiency Dividend	-	-12.7	-19.5	-26.9	-34.7
<b>Office of the Inspector of Custodial Services</b>					
- Decommissioning of Office of Shared Services	- (a)	-	-	-	-

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

### Agriculture and Food

#### Enhanced Adverse Weather Monitoring Network

A total of \$300,000 will be spent in 2012-13 to install 30 additional automatic weather stations across the South West of Western Australia, which will be used to provide information to the Bureau of Meteorology to improve observations and consequently forecasting.

#### Year of the Farmer Initiatives

An additional \$2 million will be spent in the latter part of 2012 on initiatives to celebrate the Australian Year of the Farmer.

## **Corrective Services**

### **GPS Tracking of Dangerous Sex Offenders**

A total of \$6 million will be spent from 2012-13 to 2015-16 to monitor Dangerous Sex Offenders in the community through the use of Global Positioning System (GPS) tracking. To implement the GPS tracking new technical equipment, particularly Information Technology systems, will be purchased which will allow the movement of the offender to be monitored. The remainder of the funding will be for a new team that will be responsible for the monitoring of each tracking device. The introduction of GPS tracking will provide a reliable, accurate and flexible tool for case management of high risk offenders and contribute to public protection in Western Australia.

### **Live Works Program and the Refurbishment of Riverbank**

A total of \$8 million will be spent from 2012-13 to 2015-16 to deliver the Outcare Live Works program and for minor upgrades to the Department's facility at the Riverbank site in Caversham. The Live Works program is a training and rehabilitation program which engages young Indigenous men by diverting them from imprisonment to alternative community based sentences. The Live Works program also aims to reduce the over-representation of Indigenous people in the justice system.

## MINISTER FOR ENVIRONMENT; WATER

Table 17

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Environment and Conservation</b>					
- Bushfire Suppression	8.0	-	-	-	-
- Fire Preparedness	-	5.8	6.7	6.9	7.1
- Saving the Western Ground Parrot	-	0.3	-	-	-
- Efficiency Dividend	-	-3.8	-5.5	-7.3	-9.2
<b>Botanic Gardens and Parks Authority</b>					
- Efficiency Dividend	-	-	-0.4	-0.5	-0.7
<b>Office of the Environmental Protection Authority</b>					
- Efficiency Dividend	-	-	-0.4	-0.6	-0.7
<b>Swan River Trust</b>					
- Swan and Canning Rivers Oxygenation Programs	-	1.4	1.0	-	-
- Efficiency Dividend	-	-	-0.4	-0.5	-0.6
<b>Water</b>					
- Projects Funded from External Revenue	11.7	1.7	2.3	1.4	0.7
- <i>Royalties for Regions</i> – Water and Natural Resource Management	0.9	4.2	3.2	3.5	1.2
- Decommissioning of Office of Shared Services	0.2	0.1	0.1	-	-
- Efficiency Dividend	-	-1.4	-1.9	-2.6	-3.4

### Environment and Conservation

#### Bushfire Suppression

An additional \$8 million will be spent in 2011-12 to meet higher costs that have been incurred due to significant bushfires, including in the Margaret River and Carnarvon regions.

#### Fire Preparedness

An additional \$27 million will be spent over four years from 2012-13 to improve the Department's fire preparedness including through employing up to 28 additional specialised full-time fire management staff, extending contracts for seasonal fire crews, purchasing fire weather forecasting services and a program to inspect bridges that are essential in the management of bushfires.

#### Saving the Western Ground Parrot

An amount of \$250,000 will be spent in 2012-13 on a recovery program to save the critically endangered Western Ground Parrot, which currently has an approximate population of only 140 birds.



## **Swan River Trust**

### **Swan and Canning Rivers Oxygenation Programs**

A further \$1 million will be spent in 2012-13 to upgrade two existing oxygenation plants on the Canning River and \$1 million will be spent in 2013-14 to build a new oxygenation plant on the Swan-Canning Riverpark to continue efforts to maintain the health of the Swan and Canning Rivers.

## **Water**

### **Projects Funded from External Revenue**

An additional \$18 million will be spent from 2011-12 to 2015-16 to deliver services associated with urban water management, regulation, water and land use and waterways management.

### ***Royalties for Regions* – Water and Natural Resource Management**

An additional \$13 million will be spent from 2011-12 to 2015-16 on supporting priority regional development areas in the State by increasing the availability of water to support agriculture, mining and other water resource dependent industries. This funding will support groundwater investigation, demand modelling and improving information on new water sources.

## MINISTER FOR MENTAL HEALTH; DISABILITY SERVICES

Table 18

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Mental Health Commission</b>					
- Australian Medical Procedures Research Foundation – Fresh Start Recovery Program	-	1.0	1.0	-	-
- Community Living Support Services	-	0.9	1.6	2.4	2.5
- Mental Health Diversion and Support Program in Adult and Juvenile Courts	-	2.4	3.0	-	-
- New Mental Health Bill	-	3.9	4.9	4.8	6.5
- Regional Sub-Acute Services	-	-	-	1.2	1.3
- Efficiency Dividend	-	-10.4	-16.0	-22.4	-28.0
<b>Disability Services Commission</b>					
- Additional Indexation to the Disability Non-Government Human Services Sector	-	-	-	-	19.5
- Growth – Other Disability Services	-	7.2	7.5	7.8	8.1
- Growth – Accommodation Support Services	-	2.4	2.5	2.5	2.7
- Association for the Blind – Accessible Information Services	-	0.7	0.7	0.7	-
- Declared Places Program – Disability Justice Centres	-	0.1	0.2	2.5	5.0
- Declared Places Program – In-Reach	-	1.0	1.0	1.0	1.0
- School Holiday Respite	-	1.1	-	-	-
- Efficiency Dividend	-	-3.8	-6.7	-9.8	-12.5

### Mental Health Commission

#### **Australian Medical Procedures Research Foundation – Fresh Start Recovery Program**

An additional \$2 million will be spent from 2012-13 to 2013-14 to allow the Australian Medical Procedures Research Foundation's Fresh Start Recovery Program to continue to provide treatment for alcohol, opiate and other drug addiction using naltrexone implants.

#### **Community Living Support Services**

The Mental Health Commission will spend an additional \$5 million from 2012-13 to 2015-16 to provide individualised community living support to 18 mental health clients.

The Drug and Alcohol Office will spend an additional \$3 million from 2012-13 to 2015-16 to support the long-term recovery outcomes for 25 individuals exiting alcohol and other drug treatment programs and to assist them in re-establishing themselves in the community.

### **Mental Health Diversion and Support Program in Adult and Juvenile Courts**

An additional \$5 million will be spent from 2012-13 to 2013-14 to establish a mental health court diversion and support program for adults in the Perth Magistrates Court and pilot the establishment of a mental health specialist team within the Perth Children's Court. The diversion and support program will provide access to assessments and interventions, such as counselling, that address the psychosocial needs of the defendants. This proposal recognises that the treatment of mentally ill accused within a community setting may lead to improved clinical outcomes and reduce further offending behaviour.

### **New Mental Health Bill**

A total of \$20 million will be spent from 2012-13 to 2015-16 to meet the anticipated costs associated with the introduction of a new Mental Health Bill. It is expected that the new legislation will improve quality management and standards monitoring of mental health services, enhance complaints management processes and expand advocacy support services.

### **Regional Sub-Acute Services**

An additional \$3 million will be spent from 2014-15 to 2015-16 to enhance transitional mental health services in the Goldfields-Esperance region. As part of this measure, the Government will be considering options for the specific location of a community-based treatment centre in the region.

## **Disability Services Commission**

### **Additional Indexation to the Disability Non-Government Human Services Sector**

A further \$20 million has been allocated in 2015-16 to assist disability non-government human services organisations in meeting the rising costs in the provision of essential disability services.

### **Growth – Other Disability Services**

A further \$31 million will be spent over four years to meet expected growth in demand for preventative and other disability services, which comprise respite options, access to aides and equipment, intensive family support and carer services. This expenditure will allow a further 764 individuals with high need disability support requirements to access a breadth of services including respite options, therapy, access to equipment and aids, and care support services.

### **Growth – Accommodation Support Services**

An additional \$10 million will be spent from 2012-13 to 2015-16 to provide accommodation support services for high need disability service clients. This spending will provide 21 additional accommodation support packages.

### **Association for the Blind – Accessible Information Services**

An additional \$2 million will be spent from 2012-13 to 2014-15 to secure the long-term operation of Accessible Information Services by the Association for the Blind of Western Australia. This community information service allows individuals to access information via a range of digital and audio formats.

### **Declared Places Program – Disability Justice Centres**

A total of \$8 million will be spent from 2012-13 to 2015-16 to operate two facilities that are to be built for people with an intellectual or cognitive disability and who are accused of a crime, but deemed unable to plead as a result of their disability. These two facilities will provide placements for up to 20 individuals as a secure accommodation alternative to incarceration.

### **Declared Places Program – In-Reach**

An additional \$4 million will be spent from 2012-13 to 2015-16 to provide in-reach prison services to approximately 22 eligible individuals that are mentally impaired to improve their ability to transition and integrate into the community when they are released from prison.

### **School Holiday Respite**

A further \$1 million will be spent to extend the School Holiday Respite program to 2012-13 to allow approximately 1,200 children with a disability, their siblings and young carers to have access to meaningful activities to achieve independence and increased community participation.

# Asset Investment

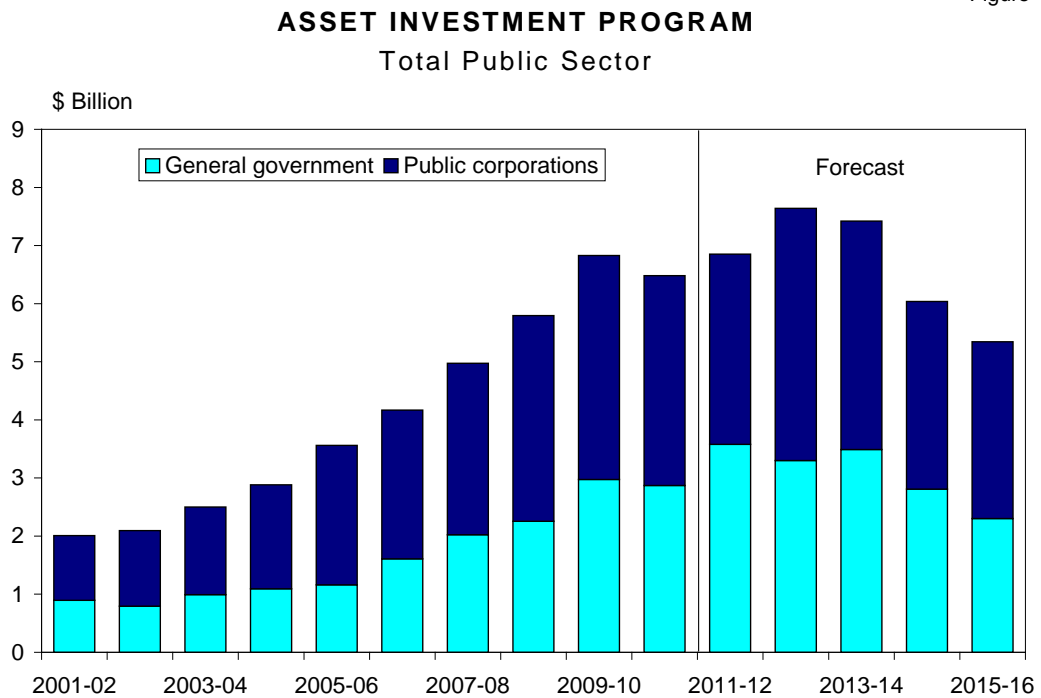
## HIGHLIGHTS

- Key projects added to the Asset Investment Program as part of this budget include:
  - \$265 million to upgrade 29 schools to accommodate Year 7 students in a secondary setting, as part of the overall \$341 million funding package;
  - \$130 million for the construction of 433 priority social housing dwellings;
  - \$70 million out of a total \$428 million to progress construction of the new Perth Museum;
  - \$57 million to expand the Graham Farmer Freeway and related road infrastructure;
  - \$32 million to establish a new Western Australian Institute of Sport High Performance Service Centre; and
  - \$32 million for the staged replacement of Willetton Senior High School.
- Significant works continue on the hospital program, and for electricity, water and public transport infrastructure as part of a \$26.4 billion four-year Asset Investment Program.
- The subdued revenue outlook, due to GST and other Commonwealth grants, has necessitated the delay of a number of lower priority projects.

## 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 \$26.4 billion over the next four years, including \$7.6 billion in 2012-13.

Figure 1



The Asset Investment Program continues to sustain both social and economic needs through strong investment in the delivery of social infrastructure to support the community and essential economic infrastructure necessary to sustain the State’s growth.

However, as outlined in earlier chapters, the uncertain economic conditions and the deterioration in the State’s revenue sources have necessitated Government decisions to limit the growth in State net debt. A review was undertaken of the State’s Asset Investment Program, which resulted in deferral of \$1.8 billion of capital expenditure. Even with the review, the State’s Asset Investment Program will total \$26.4 billion over four years as noted above.

Commentary about the specific projects that will deliver individual agency savings is provided separately in the *Major Infrastructure Spending Changes by Portfolio* section.

## **Supporting Our Community – Delivering Major Social Infrastructure for Future Generations**

### **Perth Waterfront Project**

In 2012-13, \$167 million will be spent on the ongoing construction of the inlet and public domain as part of the State's \$439 million commitment to the Perth Waterfront project. The project will reconnect the city with the Swan River to provide an integrated and dynamic waterfront precinct to be enjoyed by residents and visitors alike.

### **Perth City Link**

During 2012-13, \$183 million will be spent on significant civil, infrastructure and building works as part of sinking the Perth to Fremantle railway line west of the Perth train station, due for completion in 2013-14, and on preparation for development of the land in the area.

### **Health**

Across the forward estimates period (2012-13 to 2015-16), WA Health will spend \$3.2 billion on health assets and infrastructure. In 2012-13, \$1.2 billion will be spent, including:

- \$281 million on the Fiona Stanley Hospital (FSH) project and \$47 million on the State Rehabilitation Service at the FSH site;
- \$228 million to continue construction of the New Children's Hospital incorporating the Integrated Research and Education facilities, which includes the Telethon Institute of Child Health Research, at the Queen Elizabeth II Medical Centre (QEII MC) site;
- \$98 million to commence construction of the new Midland Health Campus;
- \$27 million for the continued expansion of the privately operated Joondalup Health Campus;
- the redevelopment of facilities at the QEII MC site, including \$36 million to complete the Central Plant project, \$25 million for the Western Australian Institute for Medical Research, \$11 million for the Cancer Centre Stage 2, \$10 million for the inpatient Mental Health Unit and \$7 million for the PathWest facility;
- the ongoing redevelopment and expansion of country hospitals and medical facilities. In particular, \$46 million on the Albany Health Campus (AHC), \$42 million for the Busselton Health Campus, \$23 million to continue the Southern Inland Health initiatives, \$17 million for the East Kimberley Development program and \$16 million for the Kalgoorlie Health Campus; and
- continued asset investment to support service delivery with \$60 million for Information Communications and Technology systems development focused on FSH and AHC and \$42 million for medical equipment replacement.

## **Education**

Across the budget forecast period (2012-13 to 2015-16), the Department of Education will invest \$1.6 billion in schools infrastructure throughout the State with an amount of \$518 million to be spent in 2012-13. Overall, the Asset Investment Program will see:

- an allocation of \$265 million over three years from 2012-13 to build new facilities at 29 secondary schools to accommodate Year 7 students as part of an overall \$341 million funding package. Planning has commenced for the provision of facilities to be completed by the beginning of 2015 in readiness for the first intake of Year 7 students into the secondary setting;
- construction commence on five new primary schools at Hammond Park, North Butler, North Yanchep, Treendale and Wandina (Years K-3) at a total cost of \$78 million, with all scheduled to open in 2014;
- completion of construction of the new Baldivis Senior High School (\$44 million) and the new Butler Senior High School (\$51 million), and the rebuild of Governor Stirling Senior High School (\$63 million) for the start of 2013;
- continued construction of Stage 2 of Karratha Senior High School (\$46 million), due for completion in 2013, commencing construction of Stage 1 of the new Byford Senior High School (\$30 million), to open in 2014, and Stage 2 of Dalyellup College (\$30 million), which is due for completion in 2014; and
- \$32 million being spent over the budget and forward estimates period to commence construction of a staged replacement of Willetton SHS. The three-year Stage 1 will commence in 2012-13 and will provide new facilities for Science, Languages, and Society and Environment. Stage 2 is scheduled to commence in 2015-16.

## **Law and Order and Community Safety**

This budget includes:

- \$5 million in 2012-13 to construct a new Career Rescue and Fire Service fire station in Butler;
- a total of \$2 million to be spent in 2012-13 on upgrades to existing prison facilities at Albany, Casuarina and Hakea;
- \$19 million over three years from 2012-13 to 2014-15 for the establishment of a new policing service delivery model Police Hub at Cockburn Central; and
- \$63 million invested over three years from 2012-13 to 2014-15 on various Western Australia Police Information and Communications Technology (ICT) projects to mitigate business and operational risks and support the delivery of services by frontline police and operational staff.



## **Housing**

The State Government is investing \$971 million in 2012-13 for the provision of social and affordable housing in Western Australia. This includes spending of \$450 million under the Affordable Housing Expression of Interest Program including for the 'SharedStart' shared equity program to secure a range of affordable, entry-level property across the State.

The Housing Authority is budgeted to invest \$176 million in 2012-13 on residential land acquisition and development to enable the Authority to produce 3,130 affordable housing lots for sale and to enable the continued delivery of social and affordable housing.

The Housing Authority investment includes capital funding of \$139 million over three years for the construction of 449 dwellings which will comprise:

- \$130 million from 2012-13 to 2013-14 for 433 dwellings for people with high needs on the priority social housing waitlist; and
- \$9 million from 2012-13 to 2014-15 for 16 dwellings for individuals with mental health illnesses who are high need clients of the Mental Health Commission.

## **Sporting Infrastructure**

This budget allocates \$32 million over three years from 2012-13 to construct a new Western Australian Institute of Sport (WAIS) High Performance Service Centre in the Challenge Stadium precinct. It will provide modern training facilities, recovery areas and office accommodation.

The 2012-13 Budget provides an additional \$200 million towards the new Perth Major Stadium, taking the total funding to \$375 million. This is made up of \$273 million allocated to the Perth Major Stadium itself and \$102 million towards related transport infrastructure (road, rail and pedestrian facilities). These amounts have been allocated in advance of the finalisation of the planning and procurement phase, but in acknowledgement of commencement of construction of the stadium in 2013-14. Construction of transport infrastructure is expected to follow shortly after and be underway by 2014-15. The initial allocations reflect commencement of construction of the stadium in 2013-14, with completion scheduled for 2018.

## **New Museum**

The budget provides \$70 million over the three years from 2013-14 to enable commencement of construction of the New Museum in the Perth Cultural Centre. With an estimated total project cost of \$428 million, the new Museum is expected to be completed in 2019-20.

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

### **Energy**

Investment in energy infrastructure will total \$4.6 billion over the next four years, including \$1.4 billion in 2012-13. Key initiatives include:

- total network expenditure of \$4 billion by Western Power, including:
  - over \$402 million of expenditure on the \$443 million Mid West Energy Project that will enable the continued development of the Mid West region, including new mining projects; and
  - significant expenditure of \$1.2 billion on upgrading the network to maintain and improve the level of network safety. Expenditure on wood pole replacement is forecast to be \$863 million and will achieve replacement of 77,000 poles and reinforcement of 213,040 poles;
- investment in the generation portfolio by Verve Energy of approximately \$250 million;
- an investment of \$386 million in regional generation and networks through Horizon Power; and
- an investment in ICT projects of \$27 million by Synergy to maintain business operations.

### **Water**

Investment in water and wastewater infrastructure will total \$3.6 billion over the next four years, including \$1.1 billion in 2012-13. Significant projects include:

- \$260 million on the expansion of the Southern Seawater Desalination Plant near Binningup, to be completed in 2012-13;
- \$270 million over the next four years to construct the East Rockingham Wastewater Treatment Plant, with \$4 million to be spent in 2012-13; and
- \$80 million over the next four years to progress the State's infill sewerage program, with \$25 million allocated in 2012-13. This will provide sewer services to an additional 4,600 metropolitan lots and 330 country lots over the forward estimates period.

### **Public Transport**

The major areas of investment in public transport in this budget include:

- \$93 million being spent in 2012-13 on the extension of the Joondalup railway line to Butler;

- \$81 million being spent in 2012-13 as part of the \$171 million Grain Freight Stage 1 Re-sleeping program;
- \$5 million being spent in 2012-13 to 2013-14 on the purchase of seven new Central Area Transit (CAT) buses to improve this service and to provide for a new 'Green' CAT service commencing in July 2013 and running from the Leederville train station through West Perth to the Esplanade bus station;
- \$10 million to be spent in 2012-13 on acquiring a further 20 buses as part of the seven-year \$88 million bus acquisition program which will deliver about 6.2 million additional bus service kilometres to 2012-13, incrementally increasing to 15.2 million per annum from 2015-16 onwards, and \$26 million in 2012-13 on the replacement of another 60 buses; and
- \$42 million being spent in 2012-13 as part of the acquisition of an additional 15 three-car train sets at a cost of \$164 million, with \$106 million to be outlaid over the forward estimates to 2015-16. The additional 15 three-car train sets will have a total capacity to carry an additional 8,400 passengers each trip.

## Roads

The Main Roads Asset Investment Program (2012-13 to 2015-16) includes capital expenditure of \$1.7 billion on Western Australia's road system. An amount of \$777 million will be spent in 2012-13, including:

- \$39 million on the Gateway WA project with the focus of this expenditure being on improvements along the stretch of Tonkin Highway between Great Eastern Highway and Roe Highway, as well as Leach Highway from Orrong Road to the Perth Airport (a further \$53 million is held in a provision);
  - the \$1 billion Gateway WA project, jointly funded by the Commonwealth and the State, will deliver a safe, efficient and welcoming road and bridge network to the new Perth Airport precinct, the surrounding businesses, residential areas and the State of Western Australia; and
  - this new infrastructure will complement the planned consolidation of the Perth Airport and manage road congestion in the area, particularly at Horrie Miller Drive. The work will also enhance and protect the performance of the road freight network in the Kewdale and Forrestfield areas and improve the operational efficiency of freight vehicles within that precinct;
- an additional \$35 million in 2012-13 (total of \$57 million) will be spent to add a third lane in both directions of the Graham Farmer Freeway Tunnel and to construct an additional lane on the Mitchell Freeway northbound from the Graham Farmer Freeway merge-point to Hutton Street.

Other major road works in the metropolitan area that are either commencing or continuing and have significant funding allocated in the 2012-13 Budget year include:

- \$83 million for Great Eastern Highway, Kooyong Road to Tonkin Highway. This includes ongoing works for the construction of a dual carriageway with three lanes in each direction. The works, which are scheduled for completion in 2013, are being jointly funded by the Commonwealth and the State;
- \$21 million for works to complete the construction of the Great Eastern Highway/Roe Highway interchange;
- \$29 million on construction of an additional northbound lane on Mitchell Freeway from Hepburn Avenue to Hodges Drive; and
- \$10 million for improvements at the South Street/Murdoch Drive intersection due for completion in 2013-14.

In country Western Australia, major road projects in 2012-13 include:

- \$11 million for further upgrade works on the Coalfields Highway from the Wellington Dam turnoff to Collie. The total cost of these upgrade works is \$25 million;
- \$94 million for the Esperance Port Access Corridor project. This project is being jointly funded by the Commonwealth and the State;
- \$31 million for the ongoing upgrading of Dampier Highway westwards from Karratha to the Burrup Peninsula Road in Dampier to a dual carriageway. The works are being jointly funded by the Commonwealth and the State;
- \$24 million to upgrade various State roads comprising the Grain Freight network as a result of some rail freight lines being decommissioned;
- \$141 million for construction of the Great Northern Highway realignment at Port Hedland. The works, which are scheduled to be completed in 2014, are being jointly funded by the Commonwealth and the State; and
- \$44 million for construction of the Perth to Bunbury Highway, the Bunbury Outer Ring Road (BORR) Stage 1 from Boyanup Picton Road to South Western Highway, and \$23 million for the Bunbury Port Access Road, Stage 2 between South Western Highway and the BORR Stage 1. The combined project is scheduled to be completed in 2014 and is jointly funded by the State and Commonwealth Governments.

## 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 2011-12 mid-year review was released in December 2011. These include policy decisions made between the cut-off date for the 2011-12 mid-year review (1 December 2011) and the cut-off date for this budget (7 May 2012), 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  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Gold Corporation</b>					
- Plant and Equipment Program	6.2	1.9	4.9	10.6	2.6
<b>Premier and Cabinet</b>					
- Information and Communications Technology Equipment	-	-0.2	1.0	1.1	2.3
- State Law Publisher Copying Machine	-	-	-	1.4	-
- Decommissioning of Shared Services	0.2	-	-	-	-

### Gold Corporation

#### Plant and Equipment Program

The Corporation's asset investment program is an ongoing rolling program to update plant and equipment that support the delivery of its services. Additional investment of \$26 million will be undertaken during the period 2011-12 to 2015-16. Major items included in the forward estimates include the acquisition of a new vault (\$8 million), new factory for the manufacture of silver coin blanks (\$15 million), and an upgrade to the Perth Mint's exhibition area (\$4 million).

### Premier and Cabinet

#### Information and Communications Technology Equipment

A total of \$4 million will be spent over the next four years, primarily on ICT equipment, for the Department of the Premier and Cabinet and the electorate offices it supports. The additional funding includes provision for an upgrade and replacement of the Department's data centre and telephony equipment in 2015-16 following its relocation to the Government Building Campus Network.

#### State Law Publisher Copying Machine

An amount of \$1.4 million will be spent in 2014-15 for the replacement of the State Law Publisher's high speed colour copying machine. The replacement of the copier will keep up with technological advancements and facilitate productivity improvements.

## DEPUTY PREMIER; MINISTER FOR HEALTH; TOURISM

Table 2

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>WA Health</b>					
- Information and Communication Technology	30.7	60.0	60.0	-	-
- Medical Equipment Replacement	-	-	40.0	-	-
- Royal Perth Hospital – Redevelopment Stage 1	-0.4	-7.5	-1.1	5.0	17.0
<b>Capital Works Review</b>					
- Armadale Kelmscott Hospital – Development	-	-4.7	3.6	1.2	-
- Bentley Hospital – Development	-	-0.5	-4.8	-4.5	- <sup>(a)</sup>
- Eastern Wheatbelt District (including Merredin) – Stage 1	-	-4.2	-3.3	4.0	2.5
- Fremantle Hospital – Holding	-	-0.5	0.1	0.4	-
- Fremantle Hospital – Reconfiguration Stage 1	-	-1.4	-8.5	-2.4	0.1
- Graylands Hospital – Development Stage 1	-	-2.6	-8.7	-4.5	0.2
- Kalamunda Hospital – Redevelopment Stage 2	-	-0.3	-2.8	-5.7	-0.7
- Karratha Health Campus	-	-15.0	-45.0	-53.5	25.0
- King Edward Memorial Hospital – Holding	-	0.1	-	-	-
- Osborne Park Hospital – Reconfiguration Stage 1	-	-2.7	-16.8	-22.5	-1.5
- Princess Margaret Hospital – Interim Holding Works at Existing PMH Site	-	0.7	-10.0	-	-
- Queen Elizabeth II Medical Centre New PathWest Centre	-	-1.7	-1.0	-	-
- Sir Charles Gairdner Hospital Cancer Centre Stage 2	-	-0.7	-2.8	-	-
- Sir Charles Gairdner Hospital – Redevelopment Stage 1	-	-2.4	-8.3	-14.5	-6.4
- Upper Great Southern District (including Narrogin) Stage 1	-	-4.4	-3.6	4.2	2.8
- Western Australian Country Health Service Holding	-	-1.2	0.9	1.6	-
- Southern Inland Health Initiative – Integrated District Health Campuses	-	-3.2	9.5	13.3	-21.2
- Southern Inland Health Initiative – Primary Health Centres	-	-11.0	1.5	7.6	2.2
- Southern Inland Health Initiative – Residential Aged and Dementia Care	-	-4.8	-11.2	7.2	9.0
- Southern Inland Health Initiative – Small Hospitals and Nursing Posts	-	-4.9	-40.8	22.4	23.4
- Southern Inland Health Initiative – Telehealth	-	- <sup>(a)</sup>	-2.0	-	-
<b>Total Capital Works Review</b>	-	-65.5	-153.8	-45.5	35.5

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

## **WA Health**

### **Information and Communication Technology**

As part of the Health ICT Strategy 2010-2020, an additional \$151 million will be spent from 2011-12 to 2013-14 to implement priority ICT projects linked to the FSH and Albany Health Campus.

### **Medical Equipment Replacement**

An additional \$40 million will be spent in 2013-14 for replacement of medical equipment across the State as part of the annual program.

### **Royal Perth Hospital – Redevelopment Stage 1**

An amount of \$22 million has been allocated to redevelop the Royal Perth Hospital (RPH) after the opening of the FSH and to assist in transforming RPH from a 662 to 410 bed tertiary hospital.

### **Capital Works Review**

A total of \$229 million has been deferred or removed from the forward estimates for various capital works projects as a result of the Capital Works Review. Of these deferred works, the QEIIIMC New PathWest Centre and Sir Charles Gairdner Hospital Cancer Centre Stage 2 also have reduced estimated total costs amounting to \$6 million due to better than expected tender outcomes.

The Karratha Health Campus project has also been deferred by two years which reduces expenditure by \$89 million over the forward estimates period. At the same time, an additional \$57 million has been allocated to better cater for increased population and resource sector activity around Karratha, resulting in an estimated total project cost of \$207 million.



## MINISTER FOR MINES AND PETROLEUM; FISHERIES; ELECTORAL AFFAIRS

Table 3

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Fisheries</b>					
- Beacon Island – Operational Base	0.1	-	-	-	-
- Northern Fisheries Protection	-	2.9	-	-	-
<b>Mines and Petroleum</b>					
- Redevelopment of the Mount Magnet Office	-	1.3	-	-	-
<b>Western Australian Electoral Commission</b>					
- Decommissioning of Shared Services	- (a)	-	-	-	-

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

### Fisheries

#### Beacon Island – Operational Base

An amount of \$80,000 will be spent in 2011-12 to allow the Department to relocate its operational base from Beacon Island, which is designated as a maritime archaeological site.

#### Northern Fisheries Protection

An amount of \$3 million will be spent in 2012-13 to upgrade the Department's storage facilities in Broome and Karratha, and upgrade the office in Karratha. This will allow for additional compliance monitoring operations to take place, with the objective of enhancing protection of fisheries in the north of the State.

### Mines and Petroleum

#### Redevelopment of the Mount Magnet Office

Additional expenditure of \$1 million in 2012-13 will be incurred to redevelop the Department's office in Mount Magnet as the existing building is operationally inadequate.

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

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

Table 4

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Regional Development and Lands</b>					
- Capital Works Review – Regional Capital Works Initiative	-	-14.6	-17.2	-8.0	-20.0
<b>Western Australian Land Authority</b>					
- Browse LNG Native Title Agreements	-	4.4	4.5	0.6	-
- Capital Works Review – Revised Asset Investment Program	-	-	-	-	-131.0
- <i>Royalties for Regions</i> – Carnarvon Waterfront Development Planning	-1.0	-	-	-	-
- Strategic Development Plan	-9.1	-11.5	-110.1	-84.6	-109.7
<b>Western Australian Land Information Authority (Landgate)</b>					
- Location Information Strategy	6.8	8.8	1.9	-	-

## Regional Development and Lands

### Capital Works Review – Regional Capital Works Initiative

A reduction of \$60 million will be realised through a deferral in the *Royalties for Regions* – Regional Capital Works program over four years from 2012–13.

## Western Australian Land Authority (LandCorp)

### Browse LNG Precinct Native Title Agreements

An amount of \$10 million will be spent over the forward estimates period to develop land, and house and land packages, in the Broome North area. This development will be transferred to the Goolarabooloo Jabirr Jabirr Native Title claimants in accordance with the Browse LNG Precinct Native Title Agreements.

### Capital Works Review – Revised Asset Investment Program

As part of the Capital Works Review and in light of the current economic climate, a revision of LandCorp’s Metropolitan, Regional, and Industry and Infrastructure Land Acquisition and Development programs has resulted in a reduction in these programs of \$131 million in 2015-16.

### ***Royalties for Regions* – Carnarvon Waterfront Development Planning**

An amount of \$1 million previously allocated to the Carnarvon Waterfront Development Planning project has been reallocated to other projects under consideration in the Gascoyne area.

### **Strategic Development Plan**

The 2012-13 to 2015-16 Strategic Development Plan (SDP) reflects the Western Australian Land Authority's strategic direction in terms of land sales, acquisitions and development expenditure. The SDP encompasses a range of measures such as deferring development expenditure and acquisitions on a number of projects in order to remain within existing debt levels.

## **Western Australian Land Information Authority (Landgate)**

### **Location Information Strategy**

A total of \$18 million will be spent over three years (including \$8 million from *RfR*) from 2011-12 on the implementation of Stage 1 of the Location Information Strategy (LIS). The LIS provides a framework and strategic direction for Western Australia for the collection, use and management of location information. The LIS will deliver a more comprehensive, better coordinated approach to capturing location information across Western Australia, reducing costly duplication and improving service delivery.

## TREASURER; ATTORNEY GENERAL

Table 5

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Attorney General</b>					
- <i>Royalties for Regions</i> – Replacement of Fitzroy Crossing Courthouse	0.3	2.5	1.1	-	-
<b>Commissioner for Children and Young People</b>					
- Decommissioning of Shared Services	0.1	-	-	-	-

### Attorney General

#### *Royalties for Regions* - Replacement of Fitzroy Crossing Courthouse

The Government has committed \$4 million over three years from 2011-12 to construct a new courthouse in Fitzroy Crossing co-located with the police station. The new courthouse is expected to be completed in 2014.

## MINISTER FOR EDUCATION

Table 6

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Education</b>					
- Child and Parent Centres	-	5.4	5.5	-	-
- Investment in School Infrastructure	-	34.2	48.7	49.5	133.0
- Relocation of Year 7 Students to Secondary Schools	-	16.3	133.5	115.3	-
- Willetton Senior High School – Replacement	-	5.0	14.5	9.3	3.7
- Capital Works Review – Various	-	-10.0	-12.0	-14.5	-47.0
<b>Education Services</b>					
- New Accommodation	-	1.6	-	-	-
<b>School Curriculum and Standards Authority</b>					
- New Accommodation	-	2.3	-	-	-

## Education

### Child and Parent Centres

The Government will spend \$11 million over two years from 2012-13 to establish ten Child and Parent Centres to be located at selected public school sites (as part of an overall \$29 million funding package). The Centres will provide high quality, accessible and integrated early childhood services to local families and provide programs and services to benefit young children in disadvantaged areas.

### Investment in School Infrastructure

The Government will invest an additional \$265 million over four years from 2012-13 on school infrastructure, including:

- the provision of Year 11 and 12 classrooms and facilities at five secondary schools, to open progressively from 2015 to 2018;
- global provisions for 12 new primary schools opening over three years from 2015; and
- a four-year program commencing in 2012-13 to upgrade design, technology, and science facilities at various district high schools.

### **Relocation of Year 7 Students to Secondary Schools**

A total of \$265 million will be spent over three years from 2012-13 (including \$43 million provided from the *Royalties for Regions*: Regional Infrastructure Fund) to provide additional classrooms and facilities at secondary schools identified as requiring additional infrastructure to cater for the first intake of Year 7 students in 2015.

### **Willetton Senior High School – Replacement**

The Government will spend \$32 million over the forward estimates period to commence construction of a staged replacement of Willetton Senior High School. The three-year Stage 1 will commence in 2012-13 and will provide new facilities for Science, English, Languages Other Than English, and Society and Environment. Stage 2 is scheduled to commence in 2015-16.

### **Capital Works Review – Various**

Capital works projects with a total value of \$83 million have either been deferred or removed from the forward estimates period as a result of the Capital Works Review, leaving a total investment of \$2 billion over four years, including \$518 million in 2012-13.

## **Education Services**

### **New Accommodation**

\$2 million will be spent by the Department of Education Services on the fit-out of new office accommodation as part of co-locating on a single site in 2013-14 with the School Curriculum and Standards Authority and the Teacher Registration Board.

## **School Curriculum and Standards Authority**

### **New Accommodation**

\$2 million will be spent by the School Curriculum and Standards Authority on the fit-out of new office accommodation as part of co-locating on a single site in 2013-14 with the Department of Education Services and the Teacher Registration Board.

## MINISTER FOR FINANCE; COMMERCE; SMALL BUSINESS

Table 7

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Commerce</b>					
- Information and Communications Technology Projects	-	-	-	2.8	2.8
- Decommissioning of Shared Services	1.0	-	-	-	-
<b>Finance</b>					
- Decommissioning of Shared Services – Capital Savings	-12.4	-12.0	-0.8	-	-
- Decommissioning of Shared Services – Re-establishment of Agencies' Corporate Services Function	1.1	11.7	9.4	6.9	7.4
- Capital Works Review – Government Office Accommodation Master Planning Strategy	-	-	-	-	-5.0
- Capital Works Review – St Georges Cathedral Heritage Precinct Redevelopment – Office Fit-out	-	-	-	-40.0	33.3

### Commerce

#### Information and Communications Technology Projects

A total of \$6 million will be spent over two years from 2014-15 for the continuation of the department's ICT program. The program consists of transitioning multiple services online, the upgrade of legacy systems, including FuelWatch and a range of licensing services, and the continuing replacement and maintenance of operational assets.

### Finance

#### Decommissioning of Shared Services – Capital Savings

Following the decision to decommission the Office of Shared Services, capital savings of \$25 million have been recognised from 2011-12 to 2013-14 on the basis that expenditure on system implementation and other capital expenditure by Shared Services for the scheduled roll-in of agencies will not occur.

#### Decommissioning of Shared Services – Re-establishment of Agencies' Corporate Services Functions

Additional funding of \$36 million from 2011-12 to 2015-16 will be provided to assist agencies to re-establish their corporate service functions. Funds will be allocated to agencies upon approval of business cases outlining system and service delivery requirements.

### **Capital Works Review**

As part of the Asset Investment Program savings measures, expenditure on the Government Office Accommodation Master Planning Strategy and various office fit-outs in the St Georges Cathedral Heritage Precinct project has been deferred.



## MINISTER FOR POLICE; ROAD SAFETY

Table 8

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Western Australia Police</b>					
- Police Facilities Major Refurbishment Program	-	1.1	1.5	0.9	-
- Road Trauma Trust Account – Advanced Traffic Management – Concept Car	-	3.3	-	-	-
- Road Trauma Trust Account – Advanced Traffic Management – Motorcycle	-	0.1	-	-	-
- Capital Works Review – Western Suburbs Hub	-	-5.4	-8.9	-2.1	5.4
<b>Main Roads</b>					
- Road Trauma Trust Account – Metropolitan Intersection Crashes	-	7.3	-	-	-
- Road Trauma Trust Account – Regional and Remote Road Improvements	-	6.8	-	-	-
- Road Trauma Trust Account – Electronic School Zone Sign Project	-	2.5	2.5	2.5	-

### Western Australia Police

#### Police Facilities Major Refurbishment Program

\$3.5 million will be spent over three years from 2012-13 to enable the Western Australia Police to undertake a comprehensive building asset survey, and commence restorations and refurbishments of high-priority assets.

#### Road Trauma Trust Account – Advanced Traffic Management – Concept Car

Western Australia Police will invest \$3 million in 2012-13 to upgrade 48 vehicles with advanced technology, including video for enhanced evidence, integrated radar and Automatic Number Plate Recognition cameras. This will assist in targeting drivers with a history of drink and drug driving, as well as identifying unlicensed drivers and vehicles.

#### Road Trauma Trust Account – Advanced Traffic Management – Motorcycle

\$80,000 will be invested by the Western Australia Police to trial the advanced traffic management technology that is currently being applied to cars, to a motorcycle.

#### Capital Works Review – Western Suburbs Hub

As part of the Capital Works Review, commencement of the Western Suburbs Hub has been deferred two years.

## **Main Roads**

### **Road Trauma Trust Account – Metropolitan Intersection Crashes**

\$7 million will be spent on improving road safety at metropolitan intersections. This initiative will treat intersections identified on a priority basis by various options including creating roundabouts, bridges and right turn traffic signals and is one of the cornerstones of the *Towards Zero* Strategy. A further \$14 million in operational expenditure will occur on this initiative in 2012-13 (further details are available in Chapter 5: *General Government Expenses*).

### **Road Trauma Trust Account – Regional and Remote Road Improvements**

\$7 million will be spent on improving regional roads identified on a priority basis. This initiative will treat roads by various options including creating sealed shoulders, audible edge lines and wire rope barriers to reduce run-off road crashes in regional areas. A further \$13 million in operational expenditure will occur on this initiative in 2012-13 (further details are available in Chapter 5: *General Government Expenses*).

### **Road Trauma Trust Account – Electronic School Zone Sign Project**

\$8 million will be spent over three years from 2012-13 to install electronic school zone signs in a number of locations.

## MINISTER FOR SPORT AND RECREATION; RACING AND GAMING

Table 9

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Racing and Wagering Western Australia</b>					
- Business Development Activities	8.0	4.9	3.3	-2.1	12.9
<b>Sport and Recreation</b>					
- Western Australian Institute of Sport – High Performance Service Centre	-	2.4	16.5	12.8	-
<b>Racing, Gaming and Liquor</b>					
- Unified Regulatory System – Information Technology Infrastructure	-	2.5	1.8	-	-
<b>Western Australian Sports Centre Trust</b>					
- Information and Communication Technology Strategic Plan	-	0.6	0.4	0.1	-
- Capital Upgrades and Maintenance	-	1.3	1.3	1.3	1.3
- Perth Arena	-	-	1.8	4.2	5.4

### Racing and Wagering Western Australia

#### Business Development Activities

Additional asset investment approved since the mid-year review focuses on the upgrading of selected outlets in the retail wagering network (\$7 million), and ongoing hardware and software replacement for various production systems (\$20 million).

### Sport and Recreation

#### Western Australian Institute of Sport – High Performance Service Centre

The Government will spend \$32 million over three years from 2012-13 to construct a new High Performance Service Centre in the Challenge Stadium precinct for the Western Australian Institute of Sport (WAIS). The new centre will provide recovery areas and modern training facilities and will enable disabled athletes access to the full range of WAIS services.

### Racing, Gaming and Liquor

#### Unified Regulatory System – Information Technology Infrastructure

An amount of \$4 million will be spent over two years from 2012-13 on the development and implementation of a Unified Regulatory System to replace existing licensing systems, and to improve the delivery of licensing services to clients in the gambling and liquor industries.

## **Western Australian Sports Centre Trust**

### **Information and Communication Technology Strategic Plan**

An additional \$1 million will be spent from 2012-13 to 2014-15 to improve the Trust's ICT, business systems and infrastructure as part of its ongoing growth in service delivery.

### **Capital Upgrades and Maintenance**

An additional \$1 million per annum will be spent from 2012-13 to increase the Trust's base level of funding for urgent maintenance. This will increase the annual base allocation to \$5 million.

### **Perth Arena**

A total of \$11 million will be spent over the three years commencing in 2013-14 for the ongoing maintenance requirements of the new Perth Arena. This expenditure will be funded through the retention of revenues generated from the operations of the facility.

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

### POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE 2011-12 MID-YEAR REVIEW

Table 10

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Culture and the Arts</b>					
- New Museum	-	-	10.2	16.9	43.4
<b>Metropolitan Redevelopment Authority</b>					
- Revised Asset Investment Program	-1.5	0.7	2.9	-21.6	-5.5
<b>Western Australian Planning Commission</b>					
- Regional Land Acquisition Program	7.0	3.0	-	-	-
- Capital Works Review	-	-25.3	-39.4	-40.2	-

### Culture and the Arts

#### New Museum

A total of \$70.5 million will be spent over three years from 2013-14 to commence construction of the new Museum in the Perth Cultural Centre. At an estimated total project cost of \$428 million, the new Museum is expected to be completed in 2019-20.

### Metropolitan Redevelopment Authority

#### Revised Asset Investment Program

The revised Asset Investment Program for the Authority reflects updated financial forecasts for all its key projects. Key factors impacting on the Authority's Asset Investment Program include:

- Riverside – current market conditions have resulted in delayed timeframes for private sector development;
- Perth Cultural Centre – forecast lease revenues have not materialised resulting in a delay to the development program. A long-term Master Plan and commercial strategy are being prepared currently, with development works and leasing opportunities to be considered as part of this plan; and
- East Perth Power Station – the redevelopment of this site has been deferred beyond the forward estimates period.

## **Western Australian Planning Commission**

### **Regional Land Acquisition Program**

The Western Australian Planning Commission will spend an additional \$7 million in 2011-12 and \$3 million in 2012-13 on the Regional Land Acquisition program, due to higher than expected compensation claims and hardship cases.

### **Capital Works Review**

The Western Australian Planning Commission Capital Works Review savings are \$105 million over the forward estimates period. The savings will be achieved by a reduction of the land acquisition program over the period 2012-13 to 2014-15.

## MINISTER FOR ENERGY; TRAINING AND WORKFORCE DEVELOPMENT; INDIGENOUS AFFAIRS

### POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE 2011-12 MID-YEAR REVIEW

Table 11

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Independent Market Operator</b>					
- Wholesale Electricity Market System	0.8	2.4	0.5	0.5	0.5
<b>Horizon Power</b>					
- Asset Management Plan	-	-	38.7	26.0	-
- Karratha Temporary Generation Project	7.1	36.4	-	-	-
- Onslow Network Connection	-	3.7	3.7	-	-
- Additional Customer-driven Work	25.0	9.9	-	-	-
- Capital Works Review	-	-	-	0.8	-33.6
<b>Training and Workforce Development</b>					
- Remedial Works Program	-	4.0	-	-	-
- Capital Works Review	-7.2	-8.0	13.6	1.7	-37.5
<b>Western Power</b>					
- Mid West Energy Project	- 32.0	-31.1	172.1	-2.1	-
- Pole Management	-	-	44.0	139.0	-
- Capital Works Review	-	-	-	-	-52.5
<b>Verve Energy</b>					
- Sustaining Capital Expenditure	-	33.1	11.2	-	-
- Capital Works Review	-	-	-	-	-34.1

## Independent Market Operator

### Wholesale Electricity Market System

Additional capital expenditure totalling \$4 million will be incurred between 2012-13 and 2015-16. This will include delivering the Market Evolution Program (MEP), an initiative being undertaken on behalf of industry to improve the Wholesale Electricity Market (WEM), and regular capital purchases, replacement and upgrade requirements. 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 \$65 million will be spent over 2013-14 and 2014-15 to address safety and regulatory compliance issues that have been identified in the electricity systems operated and maintained by Horizon Power.

### **Karratha Temporary Generation Project**

Horizon Power will spend \$43 million on the Karratha Temporary Generation Project to purchase and connect a containerised 20MW gas turbine generation unit to the North West Interconnected System in order to meet electricity generation requirements in the Pilbara from 1 January 2013.

### **Onslow Network Connection**

\$7 million will be spent on a network connection for the new Onslow power station being constructed by Chevron in relation to the Wheatstone project.

### **Additional Customer-driven Work**

An additional \$35 million will be spent on customer-driven work that is funded by customer contributions.

### **Capital Works Review**

The Government has made a decision not to proceed with \$33 million of asset investment within Horizon Power's budget in 2014-15 and 2015-16. This will reduce the expenditure under the Asset Management Plan.

## **Training and Workforce Development**

### **Remedial Works Program**

An additional \$4 million will be spent in 2012-13 to undertake remedial works at metropolitan State Training Provider campuses, including upgrades to electrical, mechanical and hydraulic services.

### **Capital Works Review**

As part of the Capital Works Review, expenditure on the Skills Training Initiative has been reallocated over the period 2011-12 to 2014-15.

## **Western Power**

### **Mid West Energy Project**

Additional expenditure of \$107 million (of the total \$443 million cost) from 2011-12 to 2014-15 (including capitalised interest) has been approved for the Mid West Energy Project, mainly for the purchase of the Eneabba to Three Springs transmission line from Karara Mining Ltd.

### **Pole Management**

Western Power will be spending an additional \$183 million over 2013-14 and 2014-15 on pole management, funded through savings in other expenditure, bringing expenditure on pole management to \$863 million over four years.



### **Capital Works Review**

The Government has made a decision not to fund \$53 million of asset investment within Western Power's budget in 2015-16. This will reduce asset investment in lower priority areas.

## **Verve Energy**

### **Sustaining Capital Expenditure**

An additional \$44 million has been allocated over 2012-13 and 2013-14 to address energy safety, security and reliability issues across Verve Energy's generation portfolio.

### **Capital Works Review**

The Government has made a decision not to fund \$34 million of asset investment within Verve Energy's budget in 2015-16. This will reduce asset investment in low priority areas.

## MINISTER FOR TRANSPORT; HOUSING; EMERGENCY SERVICES

Table 12

### POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE 2011-12 MID-YEAR REVIEW

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Bunbury Port Authority</b>					
- Land Acquisition	2.0	1.6	-	-	-
<b>Main Roads</b>					
- Additional Traffic Capacity on Graham Farmer Freeway Tunnel and Mitchell Freeway	-	35.0	21.0	-	-
- Inner City Congestion – Active Traffic Management	-	2.0	-	-	-
- Capital Works Review	-	-13.9	-23.4	-22.0	-41.9
- Decommissioning of Shared Services	0.8	-	-	-	-
<b>Fremantle Port Authority</b>					
- Capital Works Review – Outer Harbour Land Acquisition Kwinana Port	-	-	-	-10.0	-35.0
- Capital Works Review – Outer Harbour Second Channel	-	-	-	-44.0	-44.0
- Capital Works Review – Kwinana Bulk Jetty Export Import Infrastructure	-	-	-11.5	-11.2	-1.2
<b>Fire and Emergency Services Authority</b>					
- Career Fire and Rescue Service Butler Fire Station	-	4.8	-	-	-
- Strategic Land Acquisition Program	-	1.5	-	-	-
- Urgent Minor Works	-	4.0	-	-	-
- Crisis Incident Management System	-	0.7	-	-	-
<b>Geraldton Port Authority</b>					
- Information Technology Software Upgrade	-	1.0	1.5	-	-
- Miscellaneous Works	-	2.5	2.5	2.5	2.5
- Pilot Boats	-	2.5	-	-	-
<b>Housing Authority</b>					
- Social Housing Boost	-	65.0	65.0	-	-
- High Needs Housing – Mental Health	-	1.5	3.8	3.4	-
- Land Acquisition Onslow	-	-	3.0	-	-
- Affordable Housing Program including 'SharedStart' Scheme	200.0	450.0	-	-	-
- Capital Works Review	-	-0.6	-30.4	-31.3	-63.4
<b>Public Transport Authority</b>					
- Inner City Congestion – Central Area Transit Improvements	-	2.6	2.6	-	7.6
- Public Transport Services for Year 7 Students in Secondary School Setting	-	-	-	24.3	-
- Substation and Stow Roads to Support New Railcars	-	11.0	15.9	-	-
- Fremantle Swan River Rail Bridge – Pier Protection	-	2.1	5.5	1.2	-
- Capital Works Review – Network and Infrastructure Upgrade Program	-	-	-	-	-26.1
<b>Transport</b>					
- Inner City Congestion	-	2.4	3.2	3.6	-
- Decommissioning of Shared Services	1.4	-	-	-	-

## **Bunbury Port Authority**

### **Land Acquisition**

A total of \$4 million will be spent over two years on the purchase of four blocks of land at Glen Iris, completing the strategic land acquisition program for the future phased expansion of the port.

## **Main Roads**

### **Additional Traffic Capacity on Graham Farmer Freeway Tunnel and Mitchell Freeway**

An additional \$56 million will be spent to add a third lane in both directions of the Graham Farmer Freeway Tunnel and to construct an additional lane on the Mitchell Freeway northbound from the Graham Farmer Freeway merge-point to Hutton Street.

### **Inner City Congestion – Active Traffic Management**

Main Roads will spend \$2 million in 2012-13 to install CCTV cameras and to upgrade the existing Private Automated Branch Exchange System in order to monitor road traffic in the Perth Central Business District. This is part of a range of initiatives across the Transport portfolio, totalling \$48 million over four years, that are being implemented to manage congestion in central Perth, due to its rapid development and changing street network.

### **Capital Works Review**

The Government has made a decision to defer capital works totalling \$101 million over four years from 2012-13 across the following projects:

- Fremantle Traffic Bridge Replacement;
- South Western Highway (from Donnybrook to Greenbushes);
- Marble Bar Road (Coongan Gorge area); and
- minor works.

## **Fremantle Port Authority**

### **Capital Works Review**

As part of the Capital Works Review, a total of \$157 million of asset investment by the Fremantle Port Authority will be deferred beyond the forward estimates period. This includes Outer Harbour Land Acquisition at Kwinana Port, the Outer Harbour Second Channel project, and the Kwinana Bulk Jetty Export Import Infrastructure project.

## **Fire and Emergency Services Authority**

### **Career Fire and Rescue Service Butler Fire Station**

The Government has committed \$5 million in 2012-13 to construct a new Career Fire and Rescue Service fire station in Butler. The new fire station will replace the temporary facility at Nowergup, which consists of two demountable buildings, and will enable FESA to meet appropriate incident response times in the rapidly expanding area of Perth's North West corridor.

### **Strategic Land Acquisition Program**

An amount of \$1.5 million will be spent in 2012-13 for strategic land acquisition in Bunbury to facilitate the future construction of a new co-located career/volunteer fire station in this region.

### **Urgent Minor Works**

An amount of \$4 million will be spent in 2012-13 to respond to urgent capital works of an unforeseen and unplanned nature. The expenditure includes minor works, above and beyond normal maintenance, on buildings that are up to 40 years old located in areas of extreme weather, emergency equipment and generators, asbestos removal and maintenance, and modifications to appliances.

### **Crisis Incident Management System**

As part of the Government's response to the 2011 Perth Hills Bushfire Review, an amount of \$1 million will be spent in 2012-13 to develop and implement a web-based crisis incident management system.

## **Geraldton Port Authority**

A total of \$15 million will be spent to upgrade the information technology software to facilitate ship navigation in the harbour and to purchase an additional Pilot Boat and an increase in minor works to upgrade the Port's services and civil infrastructure, security, environmental systems and equipment replacement to meet the demand of expected increased ship arrivals due to expected increase in throughput.

## **Housing Authority**

The Housing Authority will spend a total of \$971 million in 2012-13 on social and affordable housing. The key capital works initiatives funded as part of this budget are detailed below.

### **Social Housing Boost**

The Housing Authority will spend \$130 million over two years for the construction of 433 new social houses from 2012-13 to 2013-14 to assist people in critical need on the priority waitlist.

### **High Needs Housing – Mental Health**

The Housing Authority will spend \$9 million over three years from 2012-13 for the construction of 16 new dwellings for the high need clients of the Mental Health Commission.

### **Land Acquisition Onslow**

The Housing Authority will spend \$3 million in 2013-14 for the purchase of development land in Onslow to meet demand for government regional officer housing as a result of the Wheatstone Project.

### **Affordable Housing Program including ‘SharedStart’ Scheme**

Spending of \$450 million has been allocated in 2012-13, in addition to \$200 million allocated in 2011-12, for the SharedStart shared equity loan program to secure up to 2,000 affordable, entry-level properties across the State for low to moderate income earners, including key regional workers.

### **Capital Works Review**

Land acquisition and development spending with a value of \$81 million has been deferred from the forward estimates period for the Housing Authority as a result of the Capital Works Review. The cashflow of the *Royalties for Regions*-funded Housing for Workers program in 2015-16 has been reduced to better align to the earlier years of the program.

## **Public Transport Authority**

### **Inner City Congestion – Central Area Transit Improvements**

The Public Transport Authority (PTA) will spend \$5 million between 2012-13 and 2013-14 to purchase seven buses for the new ‘Green’ CAT service, and a further \$8 million in 2015-16 to commence a program to replace the old CAT buses. This is part of a range of initiatives across the Transport portfolio, totalling \$48 million over four years, that is being implemented to manage congestion in central Perth, due to its rapid development and changing street network.

### **Public Transport Services for Year 7 Students in Secondary School Setting**

\$24 million will be spent in 2014-15 to purchase 46 additional buses to improve existing services in the 2015 school year when Year 7 students move into the secondary school setting.

### **Substation and Stow Roads to Support New Railcars**

\$27 million will be spent between 2012-13 and 2013-14 to upgrade the traction power capacity of the PTA’s urban passenger network and to provide additional stowage lines at the PTA’s Claisebrook Depot.

### **Fremantle Swan River Rail Bridge – Pier Protection**

\$9 million will be spent between 2012-13 and 2014-15 on the construction of pier protection on the Fremantle rail bridge.

### **Capital Works Review – Network and Infrastructure Upgrade Program**

As part of the Capital Works Review, \$26 million in spending on the 2015-16 Network and Infrastructure Upgrade program will be deferred.

## **Transport**

### **Inner City Congestion**

The Department of Transport's investment in this initiative totals \$9 million between 2012-13 and 2014-15 and mainly relates to principal shared bicycle paths and priority bus lanes. This is part of a range of initiatives across the Transport portfolio, totalling \$48 million over four years, that is being implemented to manage congestion in central Perth, due to its rapid development and changing street network.

## MINISTER FOR LOCAL GOVERNMENT; HERITAGE; CITIZENSHIP AND MULTICULTURAL INTERESTS

Table 13

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>National Trust of Australia (W.A.)</b>					
- Conservation and Interpretation Works	-	4.7	-	-	-

### National Trust of Australia (W.A.)

#### Conservation and Interpretation Works

An amount of \$4.7 million will be spent in 2012-13 on the conservation and interpretation of the heritage-listed building at 57 Murray Street, Perth, which previously housed government offices and is located in close proximity to Royal Perth Hospital.

The property holds significant historical value to both the Western Australian community and to the development of State Government functions in the early 1900s.

## MINISTER FOR AGRICULTURE AND FOOD; FORESTRY; CORRECTIVE SERVICES

Table 14

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Agriculture and Food</b>					
- Capital Works Review	-	-6.0	-10.0	-41.0	-78.0
<b>Corrective Services</b>					
- Refurbishment of Albany, Casuarina and Hakea Prisons	-	2.0	-	-	-
- Global Position System Tracking of Dangerous Sex Offenders		0.3			
- Refurbishment of Riverbank Site; Live Works Program		0.9			
- Capital Works Review	-	-	-	-	-21.0
<b>Perth Market Authority</b>					
- New Cold Chain Warehouse and Power Generators	3.0	7.5	-	-	-

### Agriculture and Food

#### Capital Works Review

As part of the Capital Works Review, commencement of construction of the Department's new headquarters has been deferred for two years.

### Corrective Services

#### Refurbishment of Albany, Casuarina and Hakea Prisons

A total of \$2 million will be spent in 2012-13 on an upgrade of existing facilities at Albany, Casuarina and Hakea. A staged process of closing down old units to refurbish them will be implemented following the opening of 640 beds across Hakea Prison, Casuarina Prison and Albany Regional Prison. The refurbishment will be carried out by prisoners to reinforce their skills set and their opportunities within the prison system.

#### Global Position System Tracking of Dangerous Sex Offenders

A total of \$275,000 will be spent in 2012-13 for a new system to monitor Dangerous Sex Offenders in the community through the use of Global Positioning System (GPS) tracking. The introduction of GPS tracking will provide a reliable, accurate and flexible tool for case management of high risk offenders.



### **Refurbishment of Riverbank Site; Live Works Program**

A total of \$920,000 will be spent in 2012-13 on the refurbishment and upgrade of the Department's Riverbank site in Caversham. This is an opportunity to use an existing government asset to provide greater community work options and also be the base for the administration of the Live Works program. The Live Works program, delivered by Outcare, is a training and rehabilitation program which engages young indigenous men by diverting them from imprisonment to alternative community-based sentences.

### **Capital Works Review**

Savings associated with better than expected tender results related to the West Kimberley Regional Prison (which is due to open later this year) have been quarantined and reflowed to 2016-17 pending the approval of business cases including the upgrade of fire and emergency services and ligature minimisation programs for all prisons.

## **Perth Market Authority**

### **New Cold Chain Warehouse and Power Generators**

The Perth Market Authority will spend \$10.5 million over two years from 2011-12 on the construction of a new cold chain warehouse and the installation of standby electrical generators to provide additional warehouse capacity and to ensure continuous power supply for the market site.

## MINISTER FOR ENVIRONMENT; WATER

Table 15

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Environment and Conservation</b>					
- Fire Preparedness	-	1.5	1.5	1.6	1.6
- Capital Works Review	-	-4.8	-4.9	-5.0	-4.8
<b>Water</b>					
- Platform for Contemporary Water Management	-	2.9	4.0	3.4	3.3
<b>Water Corporation</b>					
- Capital Cost Escalation	-	-7.5	-18.2	-27.6	-45.3
- Capital Works Review	-	-	-	-	-92.3
<b>Zoological Parks Authority</b>					
- Family Facilities – Visitor Amenities	-	1.5	-	-	-
- Western Swamp Tortoise Breeding Facilities	-	0.3	0.3	0.3	0.3

### Environment and Conservation

#### Fire Preparedness

\$6 million will be spent over four years from 2012-13 to enhance the Department's fire preparedness by improving infrastructure (such as roads and bridges) that is essential in the management of bushfires.

#### Capital Works Review

Spending under the Park Improvement program and the Tourist Road Improvement program will be reduced, resulting in savings of \$19 million over four years from 2012-13.

### Water

#### Platform for Contemporary Water Management

An additional \$14 million will be spent from 2012-13 to 2015-16 on an integrated water management system to replace and upgrade current systems within the Department of Water.

### Water Corporation

#### Capital Cost Escalation

Lower than forecast capital cost escalation has led to a reduction in the value of the Water Corporation's capital program across the forward estimates period.

## **Capital Works Review**

Savings of \$92 million in 2015–16 were applied to the Water Corporation’s capital program which will require the reprioritisation of future projects.

## **Zoological Parks Authority**

### **Family Facilities – Visitor Amenities**

An amount of \$1.5 million will be provided in 2012-13 to upgrade visitor services infrastructure at Perth Zoo. The playground and surrounding areas will be upgraded with particular consideration for the requirements of children with special needs. The aged ablution block and parenting facility will be replaced with new updated facilities, and the Zoo’s entrance upgraded to more efficiently manage the initial queuing experience for visitors to the Zoo.

### **Western Swamp Tortoise Breeding Facilities**

An amount of \$1 million will be spent from 2012-13 to 2015-16 to upgrade the breeding facilities for the endangered Western Swamp Tortoise. The improved facilities will enable Perth Zoo to continue to produce the required numbers of tortoises for release into the wild each year and maintain an insurance population for this critically endangered species.

## MINISTER FOR MENTAL HEALTH; DISABILITY SERVICES

Table 16

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Disability Services Commission</b>					
- Declared Places Program: Disability Justice Centres	-	1.5	4.4	-	-

### Disability Services Commission

#### Declared Places Program: Disability Justice Centres

A total of \$6 million will be spent acquiring land and constructing two Disability Justice Centres for people with intellectual or cognitive disability who are accused of a crime, but unable to plead due to their disability. In 2012-13, \$1.5 million will be spent securing land in the metropolitan area for the two facilities, with a further \$4.4 million to be spent in 2013-14 constructing the facilities. These two facilities will provide up to 20 placements for these individuals as a secure accommodation alternative to the prison system.

## PROVISIONS

Table 17

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE  
2011-12 MID-YEAR REVIEW**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Provisions</b>					
- Gateway WA	-	-	-	57.6	237.6
- Capital Works Review – Oakajee Port Common Use Facilities	-	-339.0	-	-	-

### Gateway WA

The Gateway WA project will address the future transport needs of the Kewdale and Forrestfield industrial and freight transport areas and improve access to the Perth Airport. The estimated total cost of this program is approximately \$1 billion, comprising \$317 million of State and \$686 million of Commonwealth funding. \$404 million of this amount is held within the Main Roads asset investment program. The balance of funds (\$600 million to 2016-17) for the project is held in this provision.

### Capital Works Review – Oakajee Port Common Use Facilities

The Government has decided to establish a Special Purpose Account (SPA) to hold a \$339 million equity injection for the Oakajee Port Development. The Government remains committed to the project and the creation of this SPA will provide the Government with the flexibility to provide funding to the project when a final decision is made. Originally this \$339 million was allocated as part of the 2009-10 mid-year review, but due to project delays by the proponent this expenditure has been deferred and will be held in the SPA until needed.



# Royalties for Regions

## Overview

The *Royalties for Regions* program was launched in December 2008 and underpins the State Government's long-term focus on regional development throughout Western Australia through investment in projects, infrastructure and community services.

Through the *Royalties for Regions Act 2009*, the equivalent of 25% of the State's mining and onshore petroleum royalties are credited to the Royalties for Regions Fund.

The annual appropriation to the fund is legislated as 25% of the forecast royalty income for the budget year.

The rapid expansion of mining activity in Western Australia is also causing an increased demand for services in regional areas, part of which is being funded through the Royalties for Regions Fund. This is particularly evident in the areas of housing, health and education.

In 2012-13 an amount of \$1.2 billion will be appropriated into the Fund with total spending expected to be \$1.1 billion. A further \$4.7 billion is estimated to be added to the Fund over the remainder of the forward estimates. Table 1 at the end of this chapter outlines estimated expenditure in 2012-13 and the outyears.

*Royalties for Regions* focuses on delivering benefits to regional areas:

- building capacity in regional communities;
- retaining benefits in regional communities;
- improving services to regional communities;
- attaining sustainability;
- expanding opportunity; and

- growing prosperity.

## Key Initiatives

A major component of the *Royalties for Regions* program in 2012-13 is to deliver improved social infrastructure. This year's initiatives are in the key areas of investment in regional health, education, skills training, water and Natural Resource Management, and Aboriginal participation initiatives. Another major component of the *Royalties for Regions* program is the funding of the Mid West Investment Plan, and continued support of Pilbara Cities, the Gascoyne Revitalisation Plan, the Kimberley Revitalisation Plan and the Regional Centres Development Plan (SuperTowns).

## Regional Health Investment

The *Royalties for Regions* investment in health from 2012-13 to 2015-16 is \$941 million with investment of \$181 million in 2012-13 to fund priority projects in regional Western Australia.

### Southern Inland Health Initiative

The Southern Inland Health Initiative (SIHI) will be delivered by an allocation of \$49 million in 2012-13, with a further \$498 million over the remainder of the forward estimates, through the following programs:

- 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
- 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 southern regional Western Australia by providing incentives to retain and/or attract them into the regions. It also provides additional funding to construct or refurbish purpose built primary health care facilities at small hospital sites.

The SIHI will also:

- redevelop six integrated district hospitals;
- refurbish/replacement a number of small hospitals and nursing posts;
- purchase land at Jurien Bay for a future health facility development; and



- expand the capacity and availability of Telehealth technology.

### **Regional Health Infrastructure Initiatives**

- Under the Gascoyne Development Plan the Carnarvon Hospital upgrade will be funded \$15 million in 2012-13 with a total cost of \$21 million for the hospital, and funding of \$3 million in 2012-13 will be provided for the Exmouth Clinic as part of a total commitment of \$8 million.
- Albany Hospital will be funded \$20 million in 2012-13 from a total commitment of \$61 million.
- Funding of \$6 million in 2012-13 will be provided to Esperance Hospital from a total contribution of \$19 million. This includes a new CT Scanner, an upgrade to the maternity unit, provision of a new contemporary ambulatory care facility, and a general upgrade of mechanical and engineering services.
- Busselton Health Campus will receive \$26 million in 2012-13 from a total commitment of \$41 million.
- A commitment of \$60 million across the forward estimates has been made to develop a new Karratha Health Campus as part of the Karratha City Centre Redevelopment. This will support the development of the central business district of Karratha as well as meet the growing needs for health services in the region. The total *Royalties for Regions* contribution to this project is estimated to be \$207 million.

### **Regional Health Programs**

- In 2012-13, \$9 million in *Royalties for Regions* funding will be allocated to the Patient Assisted Travel Scheme which provides permanent country residents in a WA Country Health Service region with financial assistance when travelling more than 100 km to access the nearest eligible medical specialist service.
- An amount of \$14 million from 2012-13 to 2014-15 has been allocated to the Royal Flying Doctor Service of which \$6 million is provided in 2012-13.
- *Royalties for Regions* will provide \$6 million over the forward estimates, including \$2 million in 2012-13, for the Rural Generalist Practice Pathways program to support the training of junior doctors in regional areas.
- An amount of \$32 million has been allocated from 2012-13 to 2015-16, with \$8 million in 2012-13 to support the development of St John Ambulance Services in regional locations.

### **Remote Indigenous Health Clinics**

- A contribution of \$20 million across the forward estimates, with \$6 million in 2012-13, has been provided towards redeveloping six remote Aboriginal health clinics across the Kimberley and Pilbara. The funding will provide for the replacement of sub-standard clinic infrastructure and eliminate the forced closure of clinics due to health and safety concerns. The upgrade is necessary to ensure the continued availability and access to primary health care for some of the most disadvantaged Indigenous Western Australians.

### **North West Drug and Alcohol Support Program**

- A total provision of \$24 million has been provided over the forward estimates towards the North West Drug and Alcohol Support Program of which \$5 million is allocated in 2012-13. The program addresses alcohol and other drug related harm in the Kimberley and Pilbara regions and the establishment of a dual purpose alcohol and drug centre in Carnarvon.

### **Regional Schools**

- Investment in education is a key priority to attract and retain families in the regions. An amount of \$52 million has been allocated in 2012-13 with a further \$45 million over the forward estimates for the Regional Schools Plan to assist with the development of schools in regional areas. In addition, seven regional secondary schools have been allocated \$43 million over three years, with \$2 million committed in 2012-13. This funding is required to accommodate the relocation of Year 7 students from primary to secondary schools from the commencement of the 2015 school year.
- *Royalties for Regions* is providing \$10 million between 2012-13 and 2015-16 towards the Boarding Away from Home Allowance. In 2012-13, \$2 million will be allocated which provides funding to assist with boarding expenses to families who live in remote locations with children who have to leave home to attend secondary school.
- An amount of \$22 million will be spent in 2012-13, to continue the upgrade of residential colleges and increase existing capacity to meet the growing demand for boarding places for regional students. The total contribution towards this project is \$52 million.
- Better Beginnings will receive \$1.5 million between 2012-13 and 2013-14. This funding will improve literacy levels in young children through fostering a love of books and language, leading to improved education and employment outcomes.

### **Regional Skills and Training**

- An amount of \$106 million has been allocated across the forward estimates, including \$32 million in 2012-13 to develop skills and training facilities and initiatives in regional Western Australia.

- This 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;
  - other high demand programs to address critical skills shortages; and
  - establishment of a town based work camps in Roebourne and the upgrade of existing camps.

### **Water and Natural Resource Management Initiatives**

- A total of \$53 million across the forward estimates has been allocated for Water and Natural Resource Management Initiatives of which \$17 million has been provided in 2012-13. This will deliver greater access to information around water availability and supply options, and manage water supply for future developments. It will achieve outcomes in water for industry and economic development, and regional economic development opportunities.
- An amount of \$5 million will be expended in 2012-13 to continue to develop an integrated water management strategy for the Collie region.

### **Regional Centres Development Plan (SuperTowns)**

SuperTowns is a long term program established to assist towns in the southern half of regional Western Australia to plan and prepare for a projected doubling of the State's population. Nine strategically located regional towns with potential to grow were selected, including Boddington, Collie, Esperance, Jurien Bay, Katanning, Manjimup, Margaret River, Morawa and Northam.

Future funding, beyond the \$86 million previously allocated to prepare SuperTowns Growth Plans as a basis for aligning government activity and investment and to initiate priority projects, will be available from core *Royalties for Regions* schemes such as the Country Local Government Fund and through the Regional Development Council (Regional Strategic Projects).

## Aboriginal Initiatives

The *Royalties for Regions* program continues to provide funding for programs to support Aboriginal economic participation in the workforce. This includes the following initiatives:

- the continued expansion of Kimberley and Pilbara Youth Justice Services has been provided with \$61 million across the forward estimates including \$9 million in 2012-13. This project aims to help tackle youth offending in the early stages and provide an extended hours support service for at-risk youth and their families;
- \$5 million in 2012-13 has been allocated to continue to upgrade and extend existing water infrastructure to deliver quality water in 16 remote Aboriginal communities in the Kimberley, Pilbara and Goldfields-Esperance regions at a total cost of \$12 million;
- an amount of \$10 million in 2012-13 will be expended to provide Indigenous people visiting Kalgoorlie-Boulder and Derby regions access to safe and secure living arrangements and social services. The total cost of this project is \$13 million;
- \$6 million in 2012-13 and \$14 million in 2013-14 has been allocated towards redeveloping remote Aboriginal health clinics across the Kimberley and Pilbara. The total cost of this project is \$22 million;
- support of \$2 million in 2012-13 has been allowed for Clontarf Colleges to continue to maximise school attendance, prospective employment and sporting opportunities;
- an amount of \$3 million over the forward estimates, with \$500,000 in 2012-13, was provided for the Aboriginal Justice Education Program to enhance Victims of Crime Services. In addition \$6 million, of which \$800,000 is committed in 2012-13 to assist Aboriginal people in the justice system to obtain a suitable drivers licence;
- funding of \$24 million across the forward estimates, with \$5 million in 2012-13 has been made to the Northwest Drug and Alcohol Support Program to fund additional staff and an alcohol and drug centre in Carnarvon; and
- an amount of \$6 million in 2012-13, has been provided to finish the project to provide power and water services to the Jigalong community at a total cost of \$10 million.

## Mid West Revitalisation

Across the forward estimates \$210 million has been committed, with \$28 million in 2012-13, to the Mid West Investment Plan (MWIP), as part of a total commitment of \$220 million. The MWIP is to implement major infrastructure projects and initiatives in the Mid West Region, enabling a more sustainable social and economic base to be achieved for the region.

The Mid West Development Commission is working with local government and the Department of Regional Development and Lands to identify and develop projects under the following categories to underpin the economic and social base: infrastructure and services, community development and town centre revitalisation, tourism, industry, housing and land development, utilities, health, education, energy, and maritime and environment

## **Pilbara Cities**

The Pilbara Cities vision aims to transform Karratha and Port Hedland into regional cities along with the development of a network of sustainable, attractive and affordable towns within the region. The program is investing in land release innovation, affordable housing options and economic partnerships with traditional owner groups. *Royalties for Regions* has committed \$136 million in 2012-13, and a further \$467 million across the forward estimates.

- Since 2008-09, *Royalties for Regions* has directly committed over \$1.1 billion to the Pilbara Cities initiatives for infrastructure and services needed to deliver the State's vision for the region.
- To implement the Pilbara Cities vision, initial focus was placed on addressing factors that would encourage people to live permanently in the region, including cost of living, in particular housing and rental costs; education options; health facilities and services; and community facilities. Substantial *Royalties for Regions* funding was allocated to immediate priorities in these areas and many of these initial projects are now well advanced with new facilities and services evident in towns across the Pilbara.
- With the Pilbara Cities project now maturing, focus is on the key delivery areas of land and housing, infrastructure coordination, community projects and engagement and economic diversification.

## **Karratha Health Campus**

- The regional health investment of \$60 million across the forward estimates to develop a new Karratha Health Campus, at a total cost of \$207 million is also part of the Pilbara Cities development program with construction being undertaken from 2014-15 to 2016-17.

## **Pilbara Housing and Town Revitalisation**

- An amount of \$28 million is allocated for 2012-13, as part of a total commitment of \$132 million to partner with Mirvac to develop the Karratha City of the North Project. The project includes the development of multiple city centre sites, as well as more than 1500 dwellings at the new coastal suburb of Mulataga. The project represents a \$1.5 billion investment partnership between the State Government through Pilbara Cities/*Royalties for Regions*, LandCorp and Mirvac with State funds leveraging private sector investment to support the new housing required to build Karratha into a city. The *Royalties for Regions* funding will contribute towards development of new roads, infrastructure upgrades, public amenities and additional service worker accommodation in the Karratha city centre.
- In 2012-13, \$26 million has been provided to continue the South Hedland Town Centre Revitalisation which is being undertaken at a total cost of \$77 million. Phase 1 (\$23 million) commenced in 2008-09 and was completed in 2011-12. Phase 2 (\$54 million) is to be completed by the end of 2013-14 and is funded from the Pilbara Cities Strategic Infrastructure initiative.
- *Royalties for Regions* has allocated \$6 million across the forward estimates for the Karratha Temporary Waste Water Treatment Plant, managed by the Water Corporation, to support immediate capacity expansion to facilitate land development on Nickol and Madigan Road of up to 1,250 lots.
- An allocation of \$114 million across the forward estimates has been made to continue to undertake projects that enhance community development in the Pilbara with \$16 million allocated in 2012-13.
- \$5 million has been allocated over two years with \$3 million in 2012-13 to continue a detailed feasibility study for establishing a Pilbara Maritime Common Use Facility. A Pilbara Maritime Common Use Facility can support heavy engineering work in the Pilbara for major resource projects supporting economic diversification in the region.

## **Gascoyne Revitalisation**

*Royalties for Regions* has committed \$98 million across the forward estimates to continue initiatives under the Gascoyne Revitalisation Plan, with \$39 million allocated in 2012-13.

The Gascoyne Revitalisation includes the funding of the Exmouth CBD and foreshore revitalisation, Gascoyne Junction town centre and tourism facilities, Carnarvon Fascine redevelopment planning, Carnarvon Library and Art Centre, Carnarvon Police and Justice Complex, Exmouth Clinic, Tantabiddi boat ramp upgrade, Carnarvon Hospital, Carnarvon boat ramp construction, Coral Bay Seasonal Staff Accommodation and Gascoyne Irrigation Pipeline.

## **Kimberley Revitalisation**

The Ord-East Kimberley Expansion Project, a significant component of the Kimberley Revitalisation initiative, has been boosted with a further \$91 million to allow commencement of Phase 2 development in 2012-13. The project is now a \$518 million investment (\$311 million *Royalties for Regions* since 2008-09, with \$115 million allocated for 2012-13 and \$52 million in 2013-14) to stimulate the East Kimberley economy through a national partnership between the Commonwealth and Western Australian Governments.

The project comprises \$220 million in *Royalties for Regions* funding for Phase 1 since 2008-09; \$91 million for Phase 2, \$12 million from the Consolidated Account and \$195 million in the Commonwealth Government contribution for the East Kimberley Development Package.

The project is a major State Government election commitment with Phase 1 infrastructure consisting of the construction of 19 km of irrigation channel and 14 km of road to support the 8,000 hectares of new irrigated farm land.

## **Country Local Government Fund**

In 2012-13, \$90 million has been allocated to the Country Local Government Fund.

An amount of \$51 million in 2012-13 has been allocated to individual country local governments towards the cost of implementing their forward capital works plans, and \$27 million will be made available to groups of country local governments to invest in regionally significant infrastructure projects, developed with the support of Regional Development Commissions. These figures include commitments from previous years.

\$2 million in 2012-13 has been provided to the Department of Local Government for volunteer amalgamation support and \$5 million for SuperTowns planning.

## **Exploration Incentive Scheme**

An amount of \$13 million has been provided in 2012-13 and \$24 million in 2013-14 to continue the highly successful Exploration Incentive Scheme.

## **Country Age Pension Fuel Card**

Funding of \$25 million has been committed in 2012-13 to continue the Country Age Pension Fuel Card Scheme. The scheme provides transport support of \$500 per year towards the cost of fuel and/or taxi travel to eligible pensioners living in regional Western Australia who do not have access to extensive public transport and are reliant on private vehicles to access social services. The scheme has benefited more than 45,000 pensioners since its launch in 2009.

## **Regional Events Program**

*Royalties for Regions* has provided \$40 million across the forward estimates to continue this program with \$10 million allocated in 2012-13. This will continue to facilitate and raise the profile of regional events throughout the regions. The funding assists regional communities to hold small events as well as develop, attract and market larger events that generate State-wide, national and international attention to regional Western Australia.

## **Regional Workers Incentive**

*Royalties for Regions* has committed \$208 million across the forward estimates, with \$49 million in 2012-13, to continue funding this incentive, which has 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.

The district allowance is based on a biennial review of the cost of living through a Regional Price Index study.

## **Kimberley Science and Conservation Strategy**

An amount of \$2 million in 2012-13 has been provided as part of this initiative for the implementation of tourism initiatives identified in the Kimberley Science and Conservation Strategy, specifically to assist with:

- identification and development of nature based and cultural tourism;
- development and promotion of tourism corridors; and
- expansion and promotion of the Kimberley aerial highway and self-drive expedition routes.

## **Marine Parks Management**

An amount of \$15 million of *Royalties for Regions* funding has been allocated over the forward estimates, with \$4 million in 2012-13 to progress the establishment of two new marine parks in the South West (Capes Marine Park) and Pilbara (Dampier Archipelago).

The funding will allow for:

- protection and conservation of areas of high natural and cultural values, while providing opportunities for recreational and commercial uses; and
- the 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

An amount of \$1 million of *Royalties for Regions* funding is allocated in 2012-13 to continue the program for the enhancement of inland lakes and water bodies to create economic opportunities for recreation, tourism and regional development. The Living Lakes initiative will transform selected inland lakes and degraded creek and river systems into permanent waterways for recreation, tourism and commercial purposes.

## Regional Development Fund

The overall *Royalties for Regions* program is currently comprised of three specific purpose funds:

- the Regional Infrastructure and Headworks Fund;
- the Country Local Government Fund; and
- the Regional Community Services Fund.

A fourth fund, the Regional Development Fund has been created to fund major strategic initiatives and to implement significant infrastructure projects. This includes funding proposals that are currently in the planning stage.

From 2012-13, funds that are yet to be allocated to projects or initiatives will be held in the Regional Development Fund. Contributions to this Fund will amount to \$38 million in 2012-13, \$50 million in 2013-14, \$303 million in 2014-15 and \$640 million in 2015-16.

## Western Australian Future Fund

In line with the State Government's decision to establish the Western Australian Future Fund, more than \$1 billion over the forward estimates will be transferred from the Royalties for Regions Fund. These funds comprise:

- royalty revenue payable to the Royalties for Regions Fund from 2012-13 onwards accumulated by virtue of the 2011-12 Budget measure to remove the concessional royalty rate on iron ore 'fines' (totalling an estimated \$820 million to 2015-16); and
- the previous 3% efficiency dividend and other savings applied to the Royalties for Regions Fund between 2009-10 and 2013-14 (totalling \$223 million).

The Future Fund will benefit future generations of Western Australians, by distributing to them a portion of the State's existing finite royalty revenue. The above allocations represent a regional component to the Fund, ensuring the future infrastructure requirements of regional Western Australia are supported through the Fund. See Appendix 9: *Western Australian Future Fund* for further information on the Future Fund.

Table 1

## ROYALTIES FOR REGIONS EXPENDITURE

Initiative	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Total Five Year \$m
	Actual \$m	Estimated Actual \$m	Budget Estimate \$m	Forward Estimate \$m	Forward Estimate \$m	Forward Estimate \$m	
<b>COUNTRY LOCAL GOVERNMENT FUND</b>							
Local Government - Local Infrastructure Asset Renewal and New Assets	22.9	50.0	50.7	49.6	45.1	19.4	214.7
Administration of Funds	0.4	0.8	8.1	8.1	5.6	5.6	28.0
Regional Groupings of Local Governments	7.1	34.0	27.4	28.1	42.8	63.7	196.0
Support to Regional Groupings of Local Governments	0.4	1.9	1.9	1.9	1.9	1.9	9.5
Local Government Facilitation	-	1.4	-	-	-	-	1.4
Capacity Building - Regional Governance Services and Asset Management Tools	8.6	8.0	2.0	2.4	4.7	4.4	21.4
<b>TOTAL - COUNTRY LOCAL GOVERNMENT FUND</b>	<b>39.5</b>	<b>96.1</b>	<b>90.0</b>	<b>90.0</b>	<b>100.0</b>	<b>95.0</b>	<b>471.1</b>
<b>REGIONAL COMMUNITY SERVICES FUND</b>							
<b>Regional Community Programs and Schemes</b>							
Country Age Pension Fuel Card	23.9	26.0	24.8	24.5	23.2	24.4	122.9
Regional Workers Incentives	19.1	45.2	49.2	50.7	52.6	55.2	252.9
Boarding Away From Home	1.6	2.0	2.2	2.5	2.6	2.9	12.2
Community Resource Centres	12.9	12.1	12.0	12.0	16.0	16.7	68.8
Wild Dogs Management Plan (Asset Investment)	-	1.3	1.5	2.4	-	-	5.2
Wild Dogs Management Plan (Operating)	0.6	0.2	1.2	1.7	-	-	3.1
Performing Arts Regional Tours Boost	-	0.3	0.3	0.3	0.3	0.2	1.3
Foodbank	0.2	0.2	0.2	0.2	-	-	0.6
Better Beginnings - Early Literacy	0.5	0.8	0.7	0.8	-	-	2.3
Responsible Parenting Support Services	0.7	7.6	9.6	9.9	10.2	-	37.4
Rangelands Reform Program	0.2	0.5	0.8	0.4	0.3	-	2.0
Orange School Bus Initiatives	1.8	3.1	2.3	2.7	1.0	-	9.0
Exploration Incentive Scheme	17.4	26.9	13.1	24.0	-	-	64.0
Public Sector Regional Leadership	-	0.2	1.2	1.0	-	-	2.4
Regional Buy Local Initiatives	-	-	1.0	-	-	-	1.0
Regional Events Program	-	6.6	10.0	10.0	10.0	10.4	47.0
Kimberley Science and Conservation Strategy (Asset Investment)	-	0.4	1.3	1.4	-	-	3.1
Kimberley Science and Conservation Strategy (Operating)	-	0.8	0.9	1.3	0.8	-	3.8
Marine Parks Management (Asset Investment)	-	0.2	0.7	0.5	0.5	-	1.9
Marine Parks Management (Operating)	-	1.2	2.8	3.1	5.6	1.6	14.3
<b>Regional Community Programs and Schemes Subtotal</b>	<b>79.0</b>	<b>135.7</b>	<b>135.8</b>	<b>149.3</b>	<b>123.0</b>	<b>111.3</b>	<b>655.1</b>
<b>Regional Health Programs</b>							
Patient Assisted Travel Scheme	9.0	8.9	9.4	9.7	10.1	10.6	48.7
Royal Flying Doctor Service	7.8	4.6	5.7	4.1	4.0	-	18.4
Rural Generalist (Practice) Pathways	0.2	2.3	2.0	2.0	2.0	-	8.3
St John Ambulance Services in Country WA (Asset Investment)	-	1.3	0.5	0.2	-	-	1.9
St John Ambulance Services in Country WA (Operating)	-	5.4	7.1	6.7	7.0	10.7	36.9
Pilbara Cardiovascular Screen Program	-	0.6	0.3	0.3	-	-	1.2
Regional Men's Health	0.5	1.0	1.0	0.8	0.8	0.9	4.6
<b>Regional Health Programs Subtotal</b>	<b>17.5</b>	<b>24.1</b>	<b>26.0</b>	<b>23.8</b>	<b>23.9</b>	<b>22.2</b>	<b>119.9</b>

Table 1 (cont.)

## ROYALTIES FOR REGIONS EXPENDITURE

Initiative	2010-11 Actual \$m	2011-12 Estimated Actual \$m	2012-13 Budget Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m	Total Five Year \$m
<b>Aboriginal Initiatives</b>							
Regional Youth Justice Strategy Kimberley and Pilbara Expansion (Asset Investment)	0.3	-	0.3	-	-	-	0.3
Regional Youth Justice Strategy Kimberley and Pilbara Expansion (Operating)	3.1	8.7	9.0	10.0	15.0	27.1	69.7
Clontarf Colleges	0.5	1.4	2.3	0.8	-	-	4.5
WA Indigenous Tourism Operators Committee	0.3	0.3	0.3	-	-	-	0.7
Aboriginal Justice Program - Enhanced Driver Training and Education for Regional and Remote Communities	-	-	0.8	1.0	2.0	1.8	5.5
Aboriginal Justice Program - Enhanced Services for Victims of Crime within Regional and Remote Communities	-	-	0.5	1.0	1.5	-	3.0
Aboriginal Community Emergency Response Fund	-	0.8	2.5	2.5	2.5	1.9	10.0
Northwest Drug and Alcohol Support Program (Asset Investment)	-	-	2.3	0.1	-	-	2.4
Northwest Drug and Alcohol Support Program (Operating)	-	1.4	2.7	3.3	7.5	7.8	22.7
Improving Water Quality in Remote Aboriginal Communities	-	5.7	4.9	1.6	-	-	12.2
Governance and Leadership Development Program	-	1.6	0.7	-	-	-	2.3
Indigenous Visitor Hostels	-	2.2	10.4	0.4	-	-	13.0
Jigalong Essential Services Pilot	-	4.0	6.0	-	-	-	10.0
Remote Indigenous Health Clinics	-	2.0	6.0	14.2	-	-	22.2
<b>Aboriginal Initiatives Subtotal</b>	<b>4.2</b>	<b>28.1</b>	<b>48.6</b>	<b>34.9</b>	<b>28.4</b>	<b>38.5</b>	<b>178.4</b>
<b>Regional Strategic Projects</b>							
Regional Strategic Projects	43.6	58.1	51.0	138.9	113.5	170.3	531.9
<b>Regional Strategic Projects Subtotal</b>	<b>43.6</b>	<b>58.1</b>	<b>51.0</b>	<b>138.9</b>	<b>113.5</b>	<b>170.3</b>	<b>531.9</b>
<b>TOTAL - REGIONAL COMMUNITY SERVICES FUND</b>	<b>144.2</b>	<b>245.9</b>	<b>261.4</b>	<b>346.8</b>	<b>288.9</b>	<b>342.3</b>	<b>1,485.3</b>
<b>REGIONAL INFRASTRUCTURE AND HEADWORKS FUND</b>							
<b>Regional Capital Works Initiative</b>							
Regional Capital Works Initiative (Asset Investment)	-	6.3	23.8	28.1	32.0	10.0	100.2
Regional Capital Works Initiative (Operating)	10.0	-	-	-	-	-	-
<b>Regional Capital Works Initiative Subtotal</b>	<b>10.0</b>	<b>6.3</b>	<b>23.8</b>	<b>28.1</b>	<b>32.0</b>	<b>10.0</b>	<b>100.2</b>
<b>Pilbara Cities Initiative</b>							
Nickol Bay Hospital Upgrade (Asset Investment)	0.1	5.5	-	-	-	-	5.5
Nickol Bay Hospital Upgrade (Operating)	1.0	1.0	-	-	-	-	1.0
Karratha Health Campus	-	5.8	-	-	15.0	45.0	65.8
Pilbara Health Partnership (Asset Investment)	1.0	2.9	2.3	-	-	-	5.2
Pilbara Health Partnership (Operating)	3.1	4.1	4.9	5.6	7.0	-	21.7
Pilbara Health Equipment Upgrade	0.1	-	-	-	-	-	-
Pilbara Revitalisation Unit	1.0	0.8	0.8	0.9	0.9	2.9	6.3
Pilbara Underground Power (Asset Investment)	35.6	56.1	0.3	-	-	-	56.4
Pilbara Underground Power (Operating)	0.3	0.7	0.8	-	-	-	1.5
Karratha Service Workers Accommodation	23.9	3.0	0.7	-	-	-	3.6
South Hedland Town Centre Revitalisation	13.3	7.3	-	-	-	-	7.3
Pilbara Water Opportunities	1.4	0.5	0.5	-	-	-	1.1
West Pilbara Water	1.7	0.2	-	-	-	-	0.2
NASH (Ngarluma Aboriginal Sustainable Housing) - Roebourne	4.6	0.2	-	-	-	-	0.2
Roebourne Housing Initiatives	5.0	-	-	-	-	-	-
Northern Towns Development Fund	2.7	13.7	10.4	10.3	1.9	1.0	37.3
Pilbara Cities Strategic Infrastructure (Asset Investment)	11.8	22.9	33.7	31.2	12.0	-	99.9
Pilbara Cities Strategic Infrastructure (Operating)	2.0	50.8	61.9	66.4	43.3	123.4	345.8
Pilbara Cities Community Projects (Asset Investment)	0.5	3.5	-	2.5	-	-	6.0
Pilbara Cities Community Projects (Operating)	38.2	32.4	16.3	9.8	55.6	30.0	144.0
Karratha-Wickham Coast Road	-	0.5	-	-	-	-	0.5
Pilbara Maritime Common Use Support Facility	-	-	3.0	2.0	-	-	5.0
<b>Pilbara Cities Initiative Subtotal</b>	<b>147.3</b>	<b>212.0</b>	<b>135.7</b>	<b>128.7</b>	<b>135.6</b>	<b>202.3</b>	<b>814.3</b>
<b>Regional Housing</b>							
Housing for Workers (Asset Investment)	59.5	130.9	99.4	48.1	55.5	51.9	385.7
Housing for Workers (Operating)	-	3.1	0.6	-	-	-	3.7
Non-Government Organisation Housing	-	35.0	-	-	-	-	35.0
<b>Regional Housing Subtotal</b>	<b>59.5</b>	<b>169.0</b>	<b>100.0</b>	<b>48.1</b>	<b>55.5</b>	<b>51.9</b>	<b>424.5</b>

Table 1 (cont.)

## ROYALTIES FOR REGIONS EXPENDITURE

Initiative	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Total Five Year \$m
	Actual \$m	Estimated Actual \$m	Budget Estimate \$m	Forward Estimate \$m	Forward Estimate \$m	Forward Estimate \$m	
<b>Kimberley Revitalisation</b>							
Ord-East Kimberley Expansion Project (Asset Investment)	51.1	70.8	72.0	-	-	-	142.8
Ord-East Kimberley Expansion Project (Operating)	0.8	4.0	3.8	-	-	-	7.8
Ord-East Kimberley Expansion Project - Phase 2 (Asset Investment)	-	-	39.1	51.9	-	-	91.0
Broome Small Boat Facility Stage 1	0.9	1.5	2.0	0.4	25.0	5.2	34.1
Kununurra Courthouse	1.9	5.0	11.7	24.5	-	-	41.1
Broome Courthouse Site Selection	0.2	0.2	-	-	-	-	0.2
Fitzroy Crossing Courthouse	-	0.3	2.5	1.1	-	-	3.9
<b>Kimberley Revitalisation Subtotal</b>	<b>54.9</b>	<b>81.8</b>	<b>131.0</b>	<b>77.9</b>	<b>25.0</b>	<b>5.2</b>	<b>320.9</b>
<b>Gascoyne Revitalisation</b>							
Gascoyne Development Plan (Operating)	1.3	38.1	16.0	18.5	15.8	14.0	102.4
Camaron Fascine Redevelopment Planning	0.3	0.5	-	-	-	-	0.5
Camaron Library and Art Centre	0.7	1.2	-	-	-	-	1.2
Camaron Police and Justice Complex	0.4	4.1	5.1	-	-	-	9.1
Exmouth Clinic	-	0.1	3.0	5.0	-	-	8.1
Tantabiddi Boat Ramp Upgrade	-	2.2	-	-	-	-	2.2
Camaron Hospital	-	0.5	14.7	5.6	-	-	20.8
Camaron Boat Ramp Construction	1.8	1.2	-	-	-	-	1.2
Coral Bay Seasonal Staff Accommodation (Asset Investment)	-	15.3	-	-	-	-	15.3
Coral Bay Seasonal Staff Accommodation (Operating)	0.2	1.3	0.2	0.2	0.2	-	1.9
Gascoyne Irrigation Pipeline	0.1	7.4	0.1	-	-	-	7.5
<b>Gascoyne Revitalisation Subtotal</b>	<b>4.8</b>	<b>71.8</b>	<b>39.0</b>	<b>29.3</b>	<b>16.0</b>	<b>14.0</b>	<b>170.2</b>
<b>Mid West Investment</b>							
Midwest Investment Plan (Asset Investment)	-	2.5	7.5	-	-	-	10.0
Midwest Investment Plan (Operating)	-	7.5	20.0	30.0	82.5	70.0	210.0
Midwest Unit	-	0.8	0.8	0.8	0.8	-	3.0
Midwest Solar Farm - Midwest Initiative	5.0	2.5	2.5	-	-	-	5.0
<b>Mid West Investment Subtotal</b>	<b>5.0</b>	<b>13.2</b>	<b>30.8</b>	<b>30.8</b>	<b>83.3</b>	<b>70.0</b>	<b>228.0</b>
<b>Regional Health Infrastructure</b>							
Kalgoorlie Hospital	4.3	11.5	-	-	-	-	11.5
Albany Hospital	20.3	20.3	20.3	-	-	-	40.6
Esperance Hospital	-	0.4	5.5	12.9	-	-	18.8
Busselton Health Campus	-	5.3	26.0	9.2	-	-	40.5
<b>Regional Health Infrastructure Subtotal</b>	<b>24.6</b>	<b>37.5</b>	<b>51.8</b>	<b>22.1</b>	<b>-</b>	<b>-</b>	<b>111.4</b>
<b>Southern Inland Health Initiative</b>							
District Medical Workforce Investment Program	-	9.8	19.1	23.0	69.7	61.3	182.9
District Hospital Investment Program (Asset Investment)	-	2.0	9.7	59.4	71.2	5.5	147.7
District Hospital Investment Program (Operating)	-	3.2	4.0	4.3	9.3	5.4	26.1
Primary Health Centres Demonstration Program	-	-	3.1	19.0	19.0	2.2	43.4
Small Hospital and Nursing Post Refurbishment Program	-	-	7.3	22.8	54.5	24.1	108.8
Telehealth Investment Program (Asset Investment)	-	2.8	2.7	-	-	-	5.5
Telehealth Investment Program (Operating)	-	0.7	3.0	3.0	12.2	12.2	31.0
Residential Aged and Dementia Care Investment Program	-	-	0.2	0.8	10.0	9.0	20.0
<b>Southern Inland Health Initiative Subtotal</b>	<b>-</b>	<b>18.4</b>	<b>49.1</b>	<b>132.3</b>	<b>246.0</b>	<b>119.7</b>	<b>565.3</b>

Table 1 (cont.)

## ROYALTIES FOR REGIONS EXPENDITURE

Initiative	2010-11 Actual \$m	2011-12 Estimated Actual \$m	2012-13 Budget Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m	Total Five Year \$m
<b>Regional Skills and Training</b>							
Skills Training Initiative (Asset Investment)							
- Broome West Kimberley Trade Training Centre	-	0.1	2.1	4.5	3.3	-	10.0
- Derby Extension and Workshop Facilities	-	0.1	0.7	4.0	1.5	-	6.2
- Kimberley Training Institute - Halls Creek Campus Upgrade	-	0.1	2.1	0.7	-	-	2.8
- Pilbara Institute - Upgrade and Expansion of South Hedland and Karratha campus	-	0.1	1.9	7.0	6.5	-	15.5
- Durack Institute of Technology - Centre for Health Industries Training and Workforce Development	-	-	2.0	9.0	4.0	-	15.0
- Durack Institute of Technology - Centre for Resource Sector Workforce Training	-	-	1.0	4.0	4.0	-	9.0
- Great Southern Institute of Technology - Community Services and Health Science Block	-	0.1	1.0	2.8	1.8	-	5.8
- Busselton Sustainability	-	-	-	0.5	-	-	0.5
- Challenger Institute of Technology - Peel Health and Community Training Centre	-	-	0.8	2.6	2.6	-	6.0
- Polytechnic West - Pinjarra Apprentice Training Facility	-	-	0.4	-	-	-	0.4
- Project Management	-	-	-	0.5	0.5	-	1.0
- STP Critical ICT Capital Infrastructure (Regional)	-	2.0	2.9	0.5	-	-	5.4
Skills Training Initiative (Operating)							
- Future Development of Muresk	-	2.5	2.0	5.5	-	-	10.0
- Agricola Residential College	-	20.0	-	-	-	-	20.0
- Aboriginal Workforce Development Pilot	-	2.0	-	-	-	-	2.0
- Project Management - Planning	-	0.5	0.5	-	-	-	1.0
Regional Work Camp Enhancement Program (Asset Investment)	-	3.0	12.2	-	-	-	15.2
Regional Work Camp Enhancement Program (Operating)	-	-	2.4	2.4	5.4	-	10.2
<b>Regional Skills and Training Subtotal</b>	<b>-</b>	<b>30.5</b>	<b>32.0</b>	<b>44.0</b>	<b>29.6</b>	<b>-</b>	<b>136.0</b>
<b>Regional Schools</b>							
Regional Schools Plan - Esperance Primary School	-	3.2	6.8	-	-	-	10.0
Regional Schools Plan - Derby District High School	-	1.0	11.0	3.0	-	-	15.0
Regional Schools Plan - Broome Senior High School	-	0.8	7.2	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	-	3.0	6.5	-	-	-	9.5
Regional Schools Plan - Pinjarra Senior High School	-	0.5	6.5	-	-	-	7.0
Regional Schools Plan - Collie Senior High School	-	0.3	0.7	2.0	-	-	3.0
Regional Schools Plan - Merredin Senior High School	5.0	1.0	-	-	-	-	1.0
Regional Schools Plan - Northam Senior High School	-	0.7	1.3	8.0	-	-	10.0
Regional Schools Plan - Narrogin Senior High School	-	0.5	2.5	4.0	-	-	7.0
Regional Schools Plan - Katanning Senior High School	-	0.2	0.8	1.0	-	-	2.0
Regional Schools Plan - Denmark Senior High School	-	0.5	6.5	-	-	-	7.0
Regional Schools Plan - Administration Cost	-	0.4	0.3	0.3	-	-	1.0
Regional Schools - Future Expansion	-	-	-	-	-	20.0	20.0
Regional Schools Plan - Year 7 Relocation	-	-	2.5	24.7	15.5	-	42.6
Regional Residential College Upgrades	1.9	18.2	21.8	10.0	-	-	50.0
<b>Regional Schools Subtotal</b>	<b>6.9</b>	<b>36.3</b>	<b>76.4</b>	<b>60.0</b>	<b>15.5</b>	<b>20.0</b>	<b>208.2</b>
<b>Portlink Inland Freight Corridor</b>							
Portlink Inland Freight Corridor Planning	-	0.8	2.3	2.0	-	-	5.0
<b>Portlink Inland Freight Corridor Subtotal</b>	<b>-</b>	<b>0.8</b>	<b>2.3</b>	<b>2.0</b>	<b>-</b>	<b>-</b>	<b>5.0</b>
<b>Regional Development - Water and NRM Initiatives</b>							
Regional Development Water and NRM Initiatives	-	25.3	13.5	17.7	14.9	1.8	73.2
Regional Natural Resource Management	-	0.4	3.5	1.1	-	-	5.0
<b>Regional Development - Water and NRM Initiatives Subtotal</b>	<b>-</b>	<b>25.7</b>	<b>17.0</b>	<b>18.8</b>	<b>14.9</b>	<b>1.8</b>	<b>78.2</b>
<b>Regional Centres Development Plan (SuperTowns)</b>							
SuperTowns Development Project Fund	-	77.5	-	-	-	-	77.5
SuperTowns Development Planning Fund	-	8.0	-	-	-	-	8.0
<b>Regional Centres Development Plan (SuperTowns) Subtotal</b>	<b>-</b>	<b>85.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85.5</b>

Table 1 (cont.)

**ROYALTIES FOR REGIONS EXPENDITURE**

Initiative	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Total Five Year \$m
	Actual \$m	Actual \$m	Budget Estimate \$m	Forward Estimate \$m	Forward Estimate \$m	Forward Estimate \$m	
<b>Regional Infrastructure Projects</b>							
Regional Mobile Communications Project	- <sup>(b)</sup>	8.0	18.1	13.9	-	-	40.0
Community Emergency Communications	- <sup>(b)</sup>	0.6	0.0	-	-	-	0.6
Community Safety Network (Asset Investment)	6.7	33.1	20.0	9.8	8.2	2.5	73.6
Community Safety Network (Operating)	-	1.6	3.2	3.9	5.5	-	14.2
Headworks Rebate	6.1	-	-	-	-	-	-
Recreational Boating Facilities Scheme (Asset Investment)	-	1.5	0.3	-	-	-	1.8
Recreational Boating Facilities Scheme (Operating)	1.7	0.8	5.0	5.0	5.0	0.7	16.5
Regional Airports Development Scheme	2.7	6.8	5.0	2.8	3.9	-	18.6
Conservation Parks Infrastructure and Roads	2.3	5.0	7.7	5.0	-	-	17.7
Bunbury to Albany Gas Pipeline	- <sup>(b)</sup>	2.0	0.5	16.5	1.1	-	20.0
Pre-Feasibility Pilbara/Gascoyne	0.2	-	-	-	-	-	-
Rushton Park	0.1	-	-	-	-	-	-
Living Lakes	- <sup>(b)</sup>	0.5	1.2	-	-	-	1.7
Collie Water Plan (Asset Investment)	-	-	4.7	-	-	-	4.7
Collie Water Plan (Operating)	-	0.5	-	-	-	-	0.5
Burt Street Heritage Precinct project	-	1.4	-	-	-	-	1.4
<b>Regional Infrastructure Projects Subtotal</b>	<b>19.9</b>	<b>61.7</b>	<b>65.7</b>	<b>56.9</b>	<b>23.7</b>	<b>3.2</b>	<b>211.2</b>
<b>TOTAL - REGIONAL INFRASTRUCTURE AND HEADWORKS FUND</b>	<b>332.8</b>	<b>850.4</b>	<b>754.5</b>	<b>678.8</b>	<b>677.1</b>	<b>498.1</b>	<b>3,458.8</b>
<b>NEW REGIONAL AND STATEWIDE INITIATIVES</b>							
New Regional and Statewide Initiatives (Asset Investment) <sup>(a)</sup>	- <sup>(b)</sup>	-	-	22.4	-	-	22.4
New Regional and Statewide Initiatives (Operating) <sup>(a)</sup>	-	2.0	4.2	57.1	-	-	63.3
<b>TOTAL - NEW REGIONAL AND STATEWIDE INITIATIVES</b>	<b>-<sup>(b)</sup></b>	<b>2.0</b>	<b>4.2</b>	<b>79.4</b>	<b>-</b>	<b>-</b>	<b>85.6</b>
Administering the Royalties for Regions Fund	7.2	10.7	11.6	12.9	13.4	14.1	62.6
<b>TOTAL - ROYALTIES FOR REGIONS FUND</b>	<b>523.8</b>	<b>1,205.1</b>	<b>1,121.7</b>	<b>1,207.9</b>	<b>1,079.4</b>	<b>949.5</b>	<b>5,563.5</b>

(a) From 2012-13, funds that are yet to be allocated to projects/initiatives will be quarantined in a fourth fund titled Regional Development Fund within the Royalties for Regions Fund. Contributions to the Regional Development Fund will amount to \$38.2 million in 2012-13, \$50.5 million in 2013-14, \$302.9 million in 2014-15, and \$640.4 million in 2015-16.

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

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

# Detailed Financial Projections

This appendix contains detailed financial projections for the various sectors of the total public sector defined by the Government Finance Statistics (GFS) framework. The tables in this section also satisfy Uniform Presentation Framework (UPF) requirements and are also consistent with Australian Accounting Standards, in particular, AASB 1049: *Whole of Government and General Government Sector Financial Reporting*.

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Table 1.1

**GENERAL GOVERNMENT**  
Operating Statement

	Note	2010-11 Actual \$m	2011-12 Estimated Actual \$m	2012-13 Budget Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Taxation		6,763	6,956	7,739	8,408	9,232	10,085
Current grants and subsidies		8,003	8,600	8,083	7,688	7,424	7,753
Capital grants		1,336	884	929	724	724	717
Sales of goods and services		1,754	1,841	1,933	2,030	2,131	2,238
Interest income		321	302	268	308	326	349
Revenue from public corporations							
Dividends from other sector entities		687	723	764	929	1,166	1,326
Tax equivalent income		379	411	504	598	728	799
Royalty income		4,213	4,493	4,871	5,933	6,239	6,563
Other		454	539	388	403	407	408
<b>Total</b>	3	<b>23,909</b>	<b>24,749</b>	<b>25,477</b>	<b>27,019</b>	<b>28,376</b>	<b>30,238</b>
<b>EXPENSES</b>							
Salaries		8,829	9,437	10,013	10,598	11,233	11,907
Superannuation							
Concurrent costs		841	897	949	1,025	1,109	1,226
Superannuation interest cost		317	250	343	372	401	431
Other employee costs		367	410	406	414	412	436
Depreciation and amortisation		896	1,011	1,101	1,201	1,255	1,325
Services and contracts		1,501	1,721	1,916	2,016	2,090	2,149
Other gross operating expenses		3,723	4,540	4,611	4,441	4,428	4,467
Other interest		297	354	424	565	689	721
Current transfers	4	4,928	5,111	4,902	5,270	5,253	5,519
Capital transfers	4	606	534	616	773	669	652
<b>Total</b>	5	<b>22,306</b>	<b>24,266</b>	<b>25,281</b>	<b>26,674</b>	<b>27,540</b>	<b>28,833</b>
<b>NET OPERATING BALANCE</b>	6	<b>1,604</b>	<b>484</b>	<b>196</b>	<b>345</b>	<b>836</b>	<b>1,404</b>
<i>Other economic flows</i>							
Net gains on assets/liabilities		18	31	2	4	14	41
Net actuarial gains - superannuation		-112	-1,571	234	219	208	198
Provision for doubtful debts		-25	-3	-2	-	-	-
All other		-	-	-	-	-	-
<b>Total other economic flows</b>		<b>-119</b>	<b>-1,543</b>	<b>233</b>	<b>223</b>	<b>221</b>	<b>239</b>
<b>OPERATING RESULT</b>		<b>1,485</b>	<b>-1,060</b>	<b>430</b>	<b>568</b>	<b>1,057</b>	<b>1,644</b>
<i>All other movements in equity</i>							
Revaluations		2,499	2,542	1,656	2,124	2,220	2,214
Gains recognised directly in equity		-4	-1	-1	-1	-1	-1
Changes in accounting policy/correction of prior period errors		-28	-804	-92	27	8	-169
Change in net worth of the public corporations sectors		408	1,074	596	977	412	1,556
All other		-	-	-	-	-	-
<b>Total all other movements in equity</b>		<b>2,874</b>	<b>2,811</b>	<b>2,160</b>	<b>3,128</b>	<b>2,638</b>	<b>3,601</b>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>4,359</b>	<b>1,751</b>	<b>2,589</b>	<b>3,695</b>	<b>3,696</b>	<b>5,245</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	6	<b>1,604</b>	<b>484</b>	<b>196</b>	<b>345</b>	<b>836</b>	<b>1,404</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	5	2,870	3,578	3,301	3,491	2,809	2,303
Changes in inventories		-4	5	-1	-	-	-
Other movement in non-financial assets		55	134	-47	264	-66	4
<i>less:</i>							
Sales of non-financial assets		158	173	220	249	204	227
Depreciation		896	1,011	1,101	1,201	1,255	1,325
<b>Total net acquisition of non-financial assets</b>		<b>1,867</b>	<b>2,534</b>	<b>1,931</b>	<b>2,305</b>	<b>1,284</b>	<b>755</b>
<b>NET LENDING/-BORROWING</b>	6	<b>-264</b>	<b>-2,051</b>	<b>-1,735</b>	<b>-1,960</b>	<b>-447</b>	<b>650</b>

Note: Columns may not add due to rounding.

Table 1.2

**GENERAL GOVERNMENT**  
Balance Sheet at 30 June

	Note	2011	2012	2013	2014	2015	2016
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
				\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		698	734	668	625	618	619
Advances paid		694	684	666	647	629	612
Investments, loans and placements		4,713	4,375	4,020	4,404	4,798	5,780
Receivables		2,413	2,185	2,581	2,809	2,937	3,024
Investment property		9	9	9	9	9	9
Shares and other equity							
Investments in other public sector entities - equity method		42,882	43,955	44,551	45,528	45,940	47,496
Investments in other public sector entities - direct injections		4,899	5,372	6,077	6,411	6,620	6,783
Investments in other entities		-	-	-	-	-	-
Other financial assets		-	-	-	-	-	-
<b>Total financial assets</b>		<b>56,307</b>	<b>57,315</b>	<b>58,573</b>	<b>60,435</b>	<b>61,552</b>	<b>64,324</b>
<i>Non-financial assets</i>							
Land		39,038	40,023	40,384	41,207	42,120	43,082
Property, plant and equipment		34,366	38,073	41,287	45,014	47,671	49,633
Biological assets		2	2	2	2	2	2
Inventories							
Land inventories		102	100	98	96	94	93
Other inventories		64	69	68	68	68	68
Intangibles		447	401	377	319	297	271
Non-current assets held for sale		52	36	33	33	32	32
Other		218	166	173	164	166	169
<b>Total non-financial assets</b>		<b>74,288</b>	<b>78,871</b>	<b>82,423</b>	<b>86,903</b>	<b>90,451</b>	<b>93,350</b>
<b>TOTAL ASSETS</b>		<b>130,594</b>	<b>136,185</b>	<b>140,996</b>	<b>147,338</b>	<b>152,003</b>	<b>157,674</b>
<b>LIABILITIES</b>							
Deposits held		384	249	290	286	375	392
Advances received		468	454	440	426	412	399
Borrowings		5,577	7,877	10,264	13,106	14,060	14,755
Unfunded superannuation		7,306	8,733	8,420	8,160	7,957	7,824
Other employee benefits		2,512	2,635	2,749	2,858	2,968	2,866
Payables		575	603	609	610	610	613
Other liabilities		1,569	1,679	1,680	1,653	1,684	1,645
<b>TOTAL LIABILITIES</b>		<b>18,391</b>	<b>22,231</b>	<b>24,452</b>	<b>27,098</b>	<b>28,067</b>	<b>28,494</b>
<b>NET ASSETS</b>		<b>112,203</b>	<b>113,955</b>	<b>116,544</b>	<b>120,239</b>	<b>123,935</b>	<b>129,180</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		10,833	10,123	10,550	11,117	12,174	13,817
Other reserves		101,371	103,832	105,994	109,122	111,761	115,363
<b>NET WORTH</b>	6	<b>112,203</b>	<b>113,955</b>	<b>116,544</b>	<b>120,239</b>	<b>123,935</b>	<b>129,180</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		37,916	35,084	34,121	33,336	33,484	35,830
<i>Net financial liabilities</i>		9,865	14,244	16,507	18,603	19,075	18,449
<i>Net debt</i>							
Gross debt liabilities		6,429	8,580	10,994	13,818	14,848	15,546
less: liquid financial assets		6,105	5,793	5,354	5,677	6,045	7,011
less: convergence differences impacting net debt		88	88	88	88	88	-
<b>Net debt</b>		<b>236</b>	<b>2,699</b>	<b>5,552</b>	<b>8,053</b>	<b>8,715</b>	<b>8,535</b>

Note: Columns may not add due to rounding.

Table 1.3

**GENERAL GOVERNMENT**  
**Cashflow Statement**

	Note	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Taxes received		6,662	6,965	7,749	8,418	9,242	10,099
Grants and subsidies received		9,372	9,418	8,993	8,408	8,138	8,437
Receipts from sales of goods and services		1,808	1,901	1,971	2,089	2,201	2,290
Interest receipts		316	295	262	302	320	344
Dividends and tax equivalents		1,067	1,163	1,164	1,570	1,829	2,128
Other receipts		5,638	5,984	5,997	6,937	7,535	7,896
<i>Total cash received</i>		<b>24,863</b>	<b>25,726</b>	<b>26,135</b>	<b>27,723</b>	<b>29,266</b>	<b>31,194</b>
<i>Cash Paid</i>							
Wages, salaries and supplements, and superannuation		-9,853	-10,595	-11,255	-11,911	-12,614	-13,597
Payments for goods and services		-5,793	-6,709	-6,858	-6,798	-6,857	-6,960
Interest paid		-302	-330	-414	-539	-687	-725
Grants and subsidies paid		-5,219	-5,265	-5,289	-5,697	-5,655	-5,955
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-1,381	-1,270	-1,312	-1,211	-1,320	-1,329
<i>Total cash paid</i>		<b>-22,547</b>	<b>-24,168</b>	<b>-25,128</b>	<b>-26,155</b>	<b>-27,133</b>	<b>-28,565</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>2,316</b>	<b>1,558</b>	<b>1,007</b>	<b>1,568</b>	<b>2,133</b>	<b>2,629</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-2,870	-3,578	-3,301	-3,491	-2,809	-2,303
Sales of non-financial assets		158	173	220	249	204	227
<i>Total cash flows from investments in non-financial assets</i>		<b>-2,712</b>	<b>-3,405</b>	<b>-3,080</b>	<b>-3,242</b>	<b>-2,605</b>	<b>-2,076</b>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		14	-	-	-	-	-
For liquidity purposes		85	-	-	-	-	-
<i>Cash paid</i>							
For policy purposes		-780	-685	-751	-334	-209	-163
For liquidity purposes		-5	-7	-	-	-	-
<i>Total cash flows from investments in financial assets</i>		<b>-687</b>	<b>-692</b>	<b>-752</b>	<b>-334</b>	<b>-209</b>	<b>-164</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-3,399</b>	<b>-4,097</b>	<b>-3,832</b>	<b>-3,577</b>	<b>-2,814</b>	<b>-2,239</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		14	14	14	14	14	13
Borrowings		1,298	2,428	2,523	2,602	1,154	1,252
Deposits received		-	-	-	-	-	-
Other financing receipts		32	32	34	37	90	38
<i>Total cash receipts from financing activities</i>		<b>1,344</b>	<b>2,475</b>	<b>2,571</b>	<b>2,653</b>	<b>1,258</b>	<b>1,303</b>
<i>Cash paid</i>							
Advances paid		-14	-14	-14	-14	-14	-13
Borrowings repaid		-93	-148	-127	-170	-139	-495
Deposits paid		-	-	-	-	-	-
Other financing payments		-81	-98	-72	-112	-130	-144
<i>Total payments for financing activities</i>		<b>-188</b>	<b>-260</b>	<b>-214</b>	<b>-296</b>	<b>-283</b>	<b>-652</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>1,155</b>	<b>2,214</b>	<b>2,357</b>	<b>2,357</b>	<b>975</b>	<b>651</b>
<b>Net increase in cash and cash equivalents</b>		<b>72</b>	<b>-325</b>	<b>-469</b>	<b>348</b>	<b>294</b>	<b>1,041</b>
Cash and cash equivalents at the beginning of the year		5,346	5,418	5,094	4,625	4,973	5,267
Cash and cash equivalents at the end of the year		5,418	5,094	4,625	4,973	5,267	6,307
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		2,316	1,558	1,007	1,568	2,133	2,629
Net cash flows from investing in non-financial assets		-2,712	-3,405	-3,080	-3,242	-2,605	-2,076
<b>Cash surplus/-deficit</b>	<b>6</b>	<b>-397</b>	<b>-1,847</b>	<b>-2,074</b>	<b>-1,674</b>	<b>-472</b>	<b>553</b>

Note: Columns may not add due to rounding.

Table 1.4

**PUBLIC NON-FINANCIAL CORPORATIONS**  
Operating Statement

	Note	2010-11 Actual \$m	2011-12 Estimated Actual \$m	2012-13 Budget Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Current grants and subsidies		1,947	2,224	1,989	2,061	2,079	2,205
Capital grants		96	123	159	207	176	171
Sales of goods and services		13,614	14,987	16,186	17,321	18,645	20,085
Interest income		281	272	316	326	332	344
Other		518	500	439	461	492	499
<i>Total</i>		<i>16,456</i>	<i>18,105</i>	<i>19,089</i>	<i>20,375</i>	<i>21,724</i>	<i>23,304</i>
<b>EXPENSES</b>							
Salaries		973	1,045	1,103	1,140	1,183	1,229
Superannuation							
Concurrent costs		93	99	104	110	117	127
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		48	39	39	40	41	44
Depreciation and amortisation		1,524	1,551	1,607	1,692	1,763	1,838
Services and contracts		735	705	732	789	735	807
Other gross operating expenses		10,381	11,797	12,462	13,029	13,833	14,779
Other interest		972	1,029	1,123	1,247	1,297	1,353
Tax equivalents		367	386	469	561	694	772
Current transfers		707	763	887	942	996	1,049
Capital transfers		273	247	81	3	4	4
<i>Total</i>		<i>16,074</i>	<i>17,662</i>	<i>18,608</i>	<i>19,552</i>	<i>20,663</i>	<i>22,002</i>
<b>NET OPERATING BALANCE</b>	6	<b>382</b>	<b>444</b>	<b>481</b>	<b>823</b>	<b>1,061</b>	<b>1,302</b>
<i>Other economic flows</i>							
Net gains on assets/liabilities		112	122	106	227	300	425
Net actuarial gains - superannuation		-23	-	-	-	-	-
Provision for doubtful debts		-26	-16	-16	-16	-17	-19
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		<i>63</i>	<i>105</i>	<i>90</i>	<i>211</i>	<i>283</i>	<i>406</i>
<b>OPERATING RESULT</b>		<b>445</b>	<b>549</b>	<b>571</b>	<b>1,034</b>	<b>1,344</b>	<b>1,708</b>
<i>Other non-owner movements in equity</i>							
Revaluations		-11	774	688	725	145	1,047
Gains recognised directly in equity		304	-45	-51	-53	-59	-64
Changes in accounting policy/correction of prior period errors		211	459	-6	54	60	111
All other		-	-	-	-	-	-
<i>Total non-owner movements in equity</i>		<i>504</i>	<i>1,187</i>	<i>631</i>	<i>726</i>	<i>146</i>	<i>1,093</i>
<i>Movements in owner equity</i>							
Dividends		-684	-716	-758	-923	-1,159	-1,319
Capital injections		824	473	705	334	209	163
<i>Total movements in owner equity</i>		<i>140</i>	<i>-243</i>	<i>-53</i>	<i>-588</i>	<i>-950</i>	<i>-1,156</i>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>1,089</b>	<b>1,493</b>	<b>1,149</b>	<b>1,172</b>	<b>539</b>	<b>1,645</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	6	<b>382</b>	<b>444</b>	<b>481</b>	<b>823</b>	<b>1,061</b>	<b>1,302</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		3,643	3,296	4,364	3,975	3,257	3,044
Changes in inventories		352	343	113	25	-5	-1
Other movement in non-financial assets		-326	-220	-123	214	-58	-57
<i>less:</i>							
Sales of non-financial assets		528	1,017	1,452	1,176	1,165	1,232
Depreciation		1,524	1,551	1,607	1,692	1,763	1,838
<i>Total net acquisition of non-financial assets</i>		<i>1,617</i>	<i>851</i>	<i>1,295</i>	<i>1,345</i>	<i>266</i>	<i>-85</i>
<b>NET LENDING/-BORROWING</b>	6	<b>-1,235</b>	<b>-407</b>	<b>-814</b>	<b>-522</b>	<b>795</b>	<b>1,387</b>

Note: Columns may not add due to rounding.

Table 1.5

**PUBLIC NON-FINANCIAL CORPORATIONS**  
Balance Sheet at 30 June

	Note	2011	2012	2013	2014	2015	2016
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		786	812	903	904	1,161	1,283
Advances paid		-	-	-	-	-	-
Investments, loans and placements		4,362	4,955	5,469	5,527	5,649	5,918
Receivables		1,155	1,143	1,201	1,233	1,355	1,419
Investment property		26	49	21	21	21	21
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		41	33	28	22	21	19
Other financial assets		903	1,028	1,003	947	912	866
<i>Total financial assets</i>		<i>7,273</i>	<i>8,019</i>	<i>8,625</i>	<i>8,654</i>	<i>9,118</i>	<i>9,526</i>
<i>Non-financial assets</i>							
Land		13,966	14,307	14,822	15,314	15,188	15,947
Property, plant and equipment		43,820	45,106	46,609	48,374	49,450	50,424
Biological assets		333	335	341	346	351	356
Inventories							
Land inventories		1,627	1,921	1,933	1,944	1,997	1,975
Other inventories		3,387	3,730	3,843	3,868	3,863	3,862
Intangibles		370	274	264	262	250	223
Non-current assets held for sale		29	28	28	28	28	28
Other		168	140	117	111	108	119
<i>Total non-financial assets</i>		<i>63,699</i>	<i>65,841</i>	<i>67,957</i>	<i>70,247</i>	<i>71,234</i>	<i>72,935</i>
<b>TOTAL ASSETS</b>		<b>70,973</b>	<b>73,860</b>	<b>76,582</b>	<b>78,901</b>	<b>80,352</b>	<b>82,461</b>
<b>LIABILITIES</b>							
Deposits held		5	-	-	-	-	-
Advances received		468	454	440	426	412	399
Borrowings		17,938	19,273	20,598	21,872	22,679	23,082
Unfunded superannuation		126	106	82	57	32	-
Other employee benefits		355	366	369	367	369	369
Payables		4,166	4,352	4,610	4,590	4,740	4,827
Other liabilities		1,583	1,485	1,510	1,445	1,436	1,456
<b>TOTAL LIABILITIES</b>		<b>24,642</b>	<b>26,037</b>	<b>27,610</b>	<b>28,757</b>	<b>29,669</b>	<b>30,132</b>
<b>NET ASSETS</b>		<b>46,330</b>	<b>47,824</b>	<b>48,972</b>	<b>50,144</b>	<b>50,683</b>	<b>52,329</b>
<i>Of which:</i>							
Contributed equity		4,899	5,372	6,077	6,411	6,620	6,783
Accumulated surplus		18,625	19,033	18,749	18,741	18,802	19,027
Other reserves		22,806	23,419	24,146	24,991	25,261	26,518
<b>NET WORTH</b>	6	<b>46,330</b>	<b>47,824</b>	<b>48,972</b>	<b>50,144</b>	<b>50,683</b>	<b>52,329</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		-63,699	-65,841	-67,957	-70,247	-71,234	-72,935
<i>Net debt</i>							
Gross debt liabilities		18,411	19,727	21,038	22,298	23,091	23,481
less: liquid financial assets		5,148	5,766	6,372	6,431	6,810	7,201
less: convergence differences impacting net debt		-	-	-	-	-	-
<i>Net debt</i>		<i>13,264</i>	<i>13,961</i>	<i>14,666</i>	<i>15,867</i>	<i>16,281</i>	<i>16,280</i>

Note: Columns may not add due to rounding.

Table 1.6

**PUBLIC NON-FINANCIAL CORPORATIONS**  
**Cashflow Statement**

	Note	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Grants and subsidies received		1,859	2,188	2,151	2,271	2,259	2,382
Receipts from sales of goods and services		13,775	15,141	16,183	17,390	18,590	20,051
Interest receipts		267	290	316	326	329	345
Dividends and tax equivalents		25	67	41	56	84	87
Other receipts		1,312	815	948	970	996	1,161
<i>Total cash received</i>		<i>17,239</i>	<i>18,502</i>	<i>19,638</i>	<i>21,011</i>	<i>22,258</i>	<i>24,026</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-1,069	-1,188	-1,241	-1,292	-1,338	-1,402
Payments for goods and services		-10,515	-11,098	-11,640	-12,526	-13,250	-13,793
Interest paid		-943	-1,015	-1,027	-1,155	-1,194	-1,251
Grants and subsidies paid		-569	-616	-664	-711	-752	-791
Tax equivalents		-324	-440	-397	-614	-627	-770
Other payments		-1,884	-2,585	-2,519	-2,483	-2,425	-3,048
<i>Total cash paid</i>		<i>-15,303</i>	<i>-16,942</i>	<i>-17,487</i>	<i>-18,781</i>	<i>-19,585</i>	<i>-21,055</i>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>1,935</b>	<b>1,560</b>	<b>2,151</b>	<b>2,230</b>	<b>2,673</b>	<b>2,971</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-3,643	-3,296	-4,364	-3,975	-3,257	-3,044
Sales of non-financial assets		528	1,017	1,452	1,176	1,165	1,232
<i>Total cash flows from investments in non-financial assets</i>		<i>-3,115</i>	<i>-2,279</i>	<i>-2,912</i>	<i>-2,800</i>	<i>-2,092</i>	<i>-1,811</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		421	106	5	10	43	173
<i>Cash paid</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		-416	-138	-4	7	-76	-294
<i>Total cash flows from investments in financial assets</i>		<i>6</i>	<i>-32</i>	<i>1</i>	<i>17</i>	<i>-33</i>	<i>-121</i>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-3,109</b>	<b>-2,311</b>	<b>-2,911</b>	<b>-2,782</b>	<b>-2,125</b>	<b>-1,933</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		5	-	-	-	-	-
Borrowings		19,857	12,307	16,071	12,271	12,154	10,676
Deposits received		-	-	-	-	-	-
Other financing receipts		806	749	827	660	247	218
<i>Total cash received</i>		<i>20,668</i>	<i>13,056</i>	<i>16,898</i>	<i>12,931</i>	<i>12,401</i>	<i>10,894</i>
<i>Cash paid</i>							
Advances paid		-19	-14	-14	-14	-14	-13
Borrowings repaid		-18,989	-11,681	-15,189	-11,300	-11,370	-10,239
Deposits paid		-	-	-	-	-	-
Other financing payments		-64	-64	-64	-71	-75	-34
Dividends paid		-728	-712	-757	-917	-1,159	-1,317
<i>Total cash paid</i>		<i>-19,800</i>	<i>-12,471</i>	<i>-16,024</i>	<i>-12,302</i>	<i>-12,617</i>	<i>-11,603</i>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>868</b>	<b>585</b>	<b>874</b>	<b>629</b>	<b>-216</b>	<b>-709</b>
<b>Net increase in cash and cash equivalents</b>		<b>-305</b>	<b>-166</b>	<b>114</b>	<b>77</b>	<b>332</b>	<b>329</b>
Cash and cash equivalents at the beginning of the year		1,430	1,124	958	1,072	1,149	1,481
Cash and cash equivalents at the end of the year		1,124	958	1,072	1,149	1,481	1,810
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		1,935	1,560	2,151	2,230	2,673	2,971
Net cash flows from investing in non-financial assets		-3,115	-2,279	-2,912	-2,800	-2,092	-1,811
Dividends paid		-728	-712	-757	-917	-1,159	-1,317
<b>Cash surplus/-deficit</b>	<b>6</b>	<b>-1,907</b>	<b>-1,431</b>	<b>-1,518</b>	<b>-1,486</b>	<b>-578</b>	<b>-158</b>

Note: Columns may not add due to rounding.

Table 1.7

**TOTAL NON-FINANCIAL PUBLIC SECTOR**  
Operating Statement

	Note	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Taxation		6,466	6,641	7,338	7,992	8,800	9,631
Current grants and subsidies		8,003	8,600	8,083	7,688	7,424	7,753
Capital grants		1,336	884	929	724	724	717
Sales of goods and services		15,008	16,423	17,698	18,925	20,340	21,884
Interest income		562	534	547	594	617	653
Royalty income		4,213	4,493	4,871	5,933	6,239	6,563
Dividend and tax equivalents		63	71	82	100	125	121
Other		892	973	758	777	783	788
<i>Total</i>		<b>36,543</b>	<b>38,620</b>	<b>40,306</b>	<b>42,732</b>	<b>45,052</b>	<b>48,110</b>
<b>EXPENSES</b>							
Salaries		9,802	10,482	11,116	11,737	12,416	13,136
Superannuation							
Concurrent costs		934	996	1,053	1,135	1,226	1,353
Superannuation interest cost		317	250	343	372	401	431
Other employee costs		268	268	260	264	256	277
Depreciation and amortisation		2,420	2,562	2,708	2,893	3,018	3,163
Services and contracts		2,232	2,419	2,641	2,798	2,818	2,949
Other gross operating expenses		13,733	15,948	16,665	17,054	17,833	18,814
Other interest		1,229	1,343	1,510	1,772	1,945	2,035
Current transfers		3,524	3,483	3,553	3,896	3,907	4,085
Capital transfers		783	658	538	566	492	481
<i>Total</i>		<b>35,241</b>	<b>38,409</b>	<b>40,387</b>	<b>42,487</b>	<b>44,314</b>	<b>46,722</b>
<b>NET OPERATING BALANCE</b>	<b>6</b>	<b>1,302</b>	<b>211</b>	<b>-81</b>	<b>245</b>	<b>738</b>	<b>1,387</b>
<i>Other economic flows</i>							
Net gains on assets/liabilities		130	152	107	231	314	466
Net actuarial gains - superannuation		-135	-1,571	234	219	208	198
Provision for doubtful debts		-51	-20	-18	-16	-17	-20
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		<b>-56</b>	<b>-1,438</b>	<b>323</b>	<b>434</b>	<b>504</b>	<b>645</b>
<b>OPERATING RESULT</b>		<b>1,246</b>	<b>-1,227</b>	<b>243</b>	<b>679</b>	<b>1,242</b>	<b>2,032</b>
<i>All other movements in equity</i>							
Revaluations		2,488	3,315	2,344	2,849	2,364	3,261
Gains recognised directly in equity		300	-46	-51	-53	-60	-64
Changes in accounting policy/correction of prior period errors		183	-345	-99	81	68	-58
Change in net worth of the PFC sector		142	54	152	139	81	74
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		<b>3,113</b>	<b>2,978</b>	<b>2,347</b>	<b>3,016</b>	<b>2,453</b>	<b>3,213</b>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>4,359</b>	<b>1,751</b>	<b>2,589</b>	<b>3,695</b>	<b>3,696</b>	<b>5,245</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	<b>6</b>	<b>1,302</b>	<b>211</b>	<b>-81</b>	<b>245</b>	<b>738</b>	<b>1,387</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		6,473	6,842	7,633	7,416	6,034	5,339
Changes in inventories		348	348	112	25	-5	-1
Other movement in non-financial assets		-271	-86	-170	477	-124	-53
<i>less:</i>							
Sales of non-financial assets		645	1,157	1,640	1,374	1,337	1,453
Depreciation		2,420	2,562	2,708	2,893	3,018	3,163
<i>Total net acquisition of non-financial assets</i>		<b>3,485</b>	<b>3,385</b>	<b>3,227</b>	<b>3,650</b>	<b>1,549</b>	<b>670</b>
<b>NET LENDING/-BORROWING</b>	<b>6</b>	<b>-2,183</b>	<b>-3,174</b>	<b>-3,307</b>	<b>-3,405</b>	<b>-811</b>	<b>717</b>

Note: Columns may not add due to rounding.

Table 1.8

**TOTAL NON-FINANCIAL PUBLIC SECTOR**  
Balance Sheet at 30 June

	Note	2011	2012	2013	2014	2015	2016
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		1,324	1,374	1,359	1,320	1,481	1,588
Advances paid		226	230	226	221	216	213
Investments, loans and placements		9,074	9,320	9,479	9,921	10,436	11,688
Receivables		3,353	3,176	3,522	3,822	3,998	4,107
Investment property		35	57	30	30	31	31
Shares and other equity							
Investments in other public sector entities - equity method		1,450	1,504	1,656	1,795	1,876	1,951
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		41	33	28	22	21	19
Other financial assets		-	-	-	-	-	-
<i>Total financial assets</i>		15,504	15,695	16,300	17,133	18,060	19,595
<i>Non-financial assets</i>							
Land		53,004	54,330	55,206	56,521	57,308	59,029
Property, plant and equipment		78,186	83,180	87,897	93,388	97,121	100,058
Biological assets		335	337	343	349	354	359
Inventories							
Land inventories		1,728	2,020	2,031	2,040	2,091	2,068
Other inventories		3,451	3,799	3,911	3,936	3,931	3,930
Intangibles		818	676	640	581	547	494
Non-current assets held for sale		81	64	61	61	60	60
Other		351	307	290	275	274	288
<i>Total non-financial assets</i>		137,952	144,712	150,380	157,150	161,685	166,285
<b>TOTAL ASSETS</b>		<b>153,456</b>	<b>160,407</b>	<b>166,680</b>	<b>174,283</b>	<b>179,745</b>	<b>185,880</b>
<b>LIABILITIES</b>							
Deposits held		229	68	67	67	67	67
Advances received		468	454	440	426	412	399
Borrowings		23,515	27,150	30,862	34,978	36,739	37,837
Unfunded superannuation		7,432	8,839	8,503	8,217	7,990	7,824
Other employee benefits		2,868	3,001	3,117	3,225	3,337	3,235
Payables		4,530	4,809	4,965	4,986	5,063	5,109
Other liabilities		2,210	2,131	2,181	2,145	2,201	2,229
<b>TOTAL LIABILITIES</b>		<b>41,253</b>	<b>46,452</b>	<b>50,136</b>	<b>54,043</b>	<b>55,810</b>	<b>56,700</b>
<b>NET ASSETS</b>		<b>112,203</b>	<b>113,955</b>	<b>116,544</b>	<b>120,239</b>	<b>123,935</b>	<b>129,180</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		29,523	29,220	29,364	29,923	31,041	32,909
Other reserves		82,681	84,735	87,180	90,316	92,894	96,271
<b>NET WORTH</b>	6	<b>112,203</b>	<b>113,955</b>	<b>116,544</b>	<b>120,239</b>	<b>123,935</b>	<b>129,180</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		-25,749	-30,757	-33,836	-36,911	-37,750	-37,105
<i>Net financial liabilities</i>		27,240	32,294	35,520	38,728	39,647	39,075
<i>Net debt</i>							
Gross debt liabilities		24,213	27,672	31,370	35,471	37,218	38,303
less: liquid financial assets		10,625	10,924	11,063	11,463	12,134	13,489
less: convergence differences impacting net debt		88	88	88	88	88	-
<i>Net debt</i>		13,500	16,660	20,218	23,920	24,996	24,814

Note: Columns may not add due to rounding.



Table 1.9

**TOTAL NON-FINANCIAL PUBLIC SECTOR**  
**Cashflow Statement**

	Note	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Taxes received		6,360	6,644	7,342	7,996	8,804	9,644
Grants and subsidies received		9,372	9,418	8,993	8,408	8,138	8,437
Receipts from sales of goods and services		15,222	16,639	17,738	19,057	20,358	21,907
Interest receipts		542	546	540	587	607	647
Dividends and tax equivalents		40	79	51	94	128	128
Other receipts		6,576	6,773	6,919	7,880	8,504	9,030
<i>Total cash received</i>		<b>38,114</b>	<b>40,100</b>	<b>41,583</b>	<b>44,022</b>	<b>46,539</b>	<b>49,793</b>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-10,922	-11,783	-12,496	-13,203	-13,952	-14,998
Payments for goods and services		-15,598	-17,403	-18,083	-18,902	-19,673	-20,320
Interest paid		-1,204	-1,305	-1,404	-1,653	-1,839	-1,934
Grants and subsidies paid		-3,910	-3,673	-3,781	-4,117	-4,127	-4,344
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-2,956	-3,528	-3,418	-3,265	-3,301	-3,915
<i>Total cash paid</i>		<b>-34,590</b>	<b>-37,694</b>	<b>-39,182</b>	<b>-41,140</b>	<b>-42,892</b>	<b>-45,511</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>3,523</b>	<b>2,406</b>	<b>2,401</b>	<b>2,881</b>	<b>3,647</b>	<b>4,282</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-6,473	-6,842	-7,633	-7,416	-6,034	-5,339
Sales of non-financial assets		645	1,157	1,640	1,374	1,337	1,453
<i>Total cash flows from investments in non-financial assets</i>		<b>-5,827</b>	<b>-5,685</b>	<b>-5,993</b>	<b>-6,042</b>	<b>-4,697</b>	<b>-3,887</b>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		9	-	-	-	-	-
For liquidity purposes		507	106	5	10	43	173
<i>Cash paid</i>							
For policy purposes		-8	-	-	-	-	-
For liquidity purposes		-421	-146	-4	7	-76	-294
<i>Total cash flows from investments in financial assets</i>		<b>86</b>	<b>-39</b>	<b>1</b>	<b>17</b>	<b>-34</b>	<b>-122</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-5,741</b>	<b>-5,724</b>	<b>-5,992</b>	<b>-6,025</b>	<b>-4,730</b>	<b>-4,008</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		21,155	14,736	18,594	14,873	13,308	11,928
Deposits received		-	-	-	-	-	-
Other financing receipts		70	57	84	304	89	42
<i>Total cash received</i>		<b>21,225</b>	<b>14,792</b>	<b>18,678</b>	<b>15,176</b>	<b>13,397</b>	<b>11,970</b>
<i>Cash paid</i>							
Advances paid		-14	-14	-14	-14	-14	-13
Borrowings repaid		-19,082	-11,829	-15,316	-11,470	-11,509	-10,734
Deposits paid		-	-	-	-	-	-
Other financing payments		-144	-122	-111	-124	-166	-127
<i>Total cash paid</i>		<b>-19,240</b>	<b>-11,965</b>	<b>-15,442</b>	<b>-11,608</b>	<b>-11,689</b>	<b>-10,874</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>1,985</b>	<b>2,827</b>	<b>3,236</b>	<b>3,568</b>	<b>1,709</b>	<b>1,096</b>
<b>Net increase in cash and cash equivalents</b>		<b>-233</b>	<b>-491</b>	<b>-355</b>	<b>425</b>	<b>625</b>	<b>1,370</b>
Cash and cash equivalents at the beginning of the year		6,776	6,542	6,052	5,697	6,122	6,747
Cash and cash equivalents at the end of the year		6,542	6,052	5,697	6,122	6,747	8,117
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		3,523	2,406	2,401	2,881	3,647	4,282
Net cash flows from investing in non-financial assets		-5,827	-5,685	-5,993	-6,042	-4,697	-3,887
<b>Cash surplus/-deficit</b>	6	<b>-2,304</b>	<b>-3,278</b>	<b>-3,592</b>	<b>-3,161</b>	<b>-1,049</b>	<b>395</b>

Note: Columns may not add due to rounding.

Table 1.10

**PUBLIC FINANCIAL CORPORATIONS**  
**Operating Statement**

	Note	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Current grants and subsidies		5	-	-	-	-	-
Capital grants		-	-	-	-	-	-
Sales of goods and services		831	852	956	1,029	1,063	1,116
Interest income		1,708	2,047	2,260	2,407	2,506	2,534
Other		4	2	-	-	-	-
<i>Total</i>		<i>2,548</i>	<i>2,901</i>	<i>3,216</i>	<i>3,436</i>	<i>3,569</i>	<i>3,650</i>
<b>EXPENSES</b>							
Salaries		39	43	44	47	49	51
Superannuation							
Concurrent costs		4	4	4	5	5	5
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		2	2	2	2	2	2
Depreciation and amortisation		14	15	18	18	18	18
Services and contracts		2	13	13	14	14	15
Other gross operating expenses		902	801	831	900	967	1,044
Other interest		1,582	1,875	2,071	2,211	2,303	2,314
Tax equivalents		12	25	35	37	34	27
Current transfers		3	3	4	4	4	4
Capital transfers		-	1	4	4	4	4
<i>Total</i>		<i>2,559</i>	<i>2,783</i>	<i>3,026</i>	<i>3,241</i>	<i>3,400</i>	<i>3,484</i>
<b>NET OPERATING BALANCE</b>	6	<b>-11</b>	<b>118</b>	<b>190</b>	<b>195</b>	<b>169</b>	<b>166</b>
<i>Other economic flows</i>							
Net gains on assets/liabilities		122	-	-	-	-	-
Net actuarial gains - superannuation		1	-	-	-	-	-
Provision for doubtful debts		-	-	-	-	-	-
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		<i>122</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>OPERATING RESULT</b>		<b>111</b>	<b>118</b>	<b>190</b>	<b>195</b>	<b>169</b>	<b>166</b>
<i>Other non-owner movements in equity</i>							
Revaluations		22	21	7	7	2	2
Gains recognised directly in equity		87	-	-	-	-	-
Changes in accounting policy/correction of prior period errors		-22	-39	2	-	-	-
All other		-	-	-	-	-	-
<i>Total other non-owner movements in equity</i>		<i>88</i>	<i>-18</i>	<i>9</i>	<i>7</i>	<i>2</i>	<i>2</i>
<i>Movements in owner equity</i>							
Dividends		-57	-46	-47	-62	-91	-94
Capital injections		-	-	-	-	-	-
<i>Total movements in owner equity</i>		<i>-57</i>	<i>-46</i>	<i>-47</i>	<i>-62</i>	<i>-91</i>	<i>-94</i>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>142</b>	<b>54</b>	<b>152</b>	<b>139</b>	<b>81</b>	<b>74</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	6	<b>-11</b>	<b>118</b>	<b>190</b>	<b>195</b>	<b>169</b>	<b>166</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		9	11	7	5	4	5
Changes in inventories		-	-	-	-	-	-
Other movement in non-financial assets		-	-	-	-	-	-
<i>less:</i>							
Sales of non-financial assets		-	-	-	-	-	-
Depreciation		14	15	18	18	18	18
<i>Total net acquisition of non-financial assets</i>		<i>-5</i>	<i>-5</i>	<i>-11</i>	<i>-13</i>	<i>-14</i>	<i>-14</i>
<b>NET LENDING/-BORROWING</b>	6	<b>-6</b>	<b>123</b>	<b>201</b>	<b>207</b>	<b>183</b>	<b>180</b>

Note: Columns may not add due to rounding.

Table 1.11

**PUBLIC FINANCIAL CORPORATIONS**  
Balance Sheet at 30 June

	Note	2011	2012	2013	2014	2015	2016
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		14	23	23	22	22	22
Advances paid		3,929	4,531	5,072	5,101	5,106	5,122
Investments, loans and placements		29,162	33,306	38,301	41,396	42,531	42,615
Receivables		852	845	848	853	859	865
Investment property		498	531	575	614	651	686
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		1,173	1,251	1,361	1,469	1,579	1,688
Other financial assets		52	52	52	52	52	52
<b>Total financial assets</b>		<b>35,680</b>	<b>40,539</b>	<b>46,232</b>	<b>49,508</b>	<b>50,800</b>	<b>51,049</b>
<i>Non-financial assets</i>							
Land		121	35	35	35	35	35
Property, plant and equipment		230	233	240	247	250	253
Biological assets		-	-	-	-	-	-
Inventories							
Land inventories		-	-	-	-	-	-
Other inventories		-	-	-	-	-	-
Intangibles		10	14	12	10	8	7
Non-current assets held for sale		-	-	-	-	-	-
Other		4	75	75	73	70	68
<b>Total non-financial assets</b>		<b>364</b>	<b>357</b>	<b>362</b>	<b>366</b>	<b>364</b>	<b>363</b>
<b>TOTAL ASSETS</b>		<b>36,044</b>	<b>40,896</b>	<b>46,594</b>	<b>49,874</b>	<b>51,164</b>	<b>51,412</b>
<b>LIABILITIES</b>							
Deposits held		-	-	-	-	-	-
Advances received		3	1	1	1	1	1
Borrowings		31,628	36,369	41,771	44,774	45,817	45,808
Unfunded superannuation		10	10	10	10	10	10
Other employee benefits		8	8	8	8	8	8
Payables		121	118	145	155	178	203
Other liabilities		2,823	2,887	3,003	3,130	3,273	3,431
<b>TOTAL LIABILITIES</b>		<b>34,593</b>	<b>39,392</b>	<b>44,938</b>	<b>48,078</b>	<b>49,287</b>	<b>49,461</b>
<b>NET ASSETS</b>		<b>1,450</b>	<b>1,504</b>	<b>1,656</b>	<b>1,795</b>	<b>1,876</b>	<b>1,951</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		1,232	1,156	1,298	1,430	1,509	1,580
Other reserves		218	348	358	365	368	370
<b>NET WORTH</b>	6	<b>1,450</b>	<b>1,504</b>	<b>1,656</b>	<b>1,795</b>	<b>1,876</b>	<b>1,951</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		-364	-357	-362	-366	-364	-363
<i>Net debt</i>							
Gross debt liabilities		31,631	36,370	41,772	44,776	45,818	45,810
less: liquid financial assets		33,105	37,860	43,396	46,520	47,658	47,758
less: convergence differences impacting net debt		-	-	-	-	-	-
<b>Net debt</b>		<b>-1,474</b>	<b>-1,491</b>	<b>-1,624</b>	<b>-1,744</b>	<b>-1,841</b>	<b>-1,949</b>

Note: Columns may not add due to rounding.

Table 1.12

**PUBLIC FINANCIAL CORPORATIONS**  
**Cashflow Statement**

	Note	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Grants and subsidies received		5	12	5	5	5	5
Receipts from sales of goods and services		872	862	936	1,009	1,087	1,144
Interest receipts		1,655	2,047	2,260	2,407	2,506	2,534
Dividends and tax equivalents		-	-	-	-	-	-
Other receipts		119	119	124	133	141	148
<i>Total cash received</i>		<i>2,652</i>	<i>3,040</i>	<i>3,325</i>	<i>3,554</i>	<i>3,739</i>	<i>3,831</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-43	-47	-49	-51	-54	-56
Payments for goods and services		-691	-725	-748	-806	-857	-921
Interest paid		-1,427	-1,894	-2,071	-2,211	-2,303	-2,314
Grants and subsidies paid		-	-	-	-	-	-
Tax equivalents		-12	-4	-4	-31	-37	-34
Other payments		-166	-158	-171	-184	-196	-206
<i>Total cash paid</i>		<i>-2,339</i>	<i>-2,828</i>	<i>-3,044</i>	<i>-3,284</i>	<i>-3,447</i>	<i>-3,530</i>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>312</b>	<b>213</b>	<b>281</b>	<b>270</b>	<b>292</b>	<b>301</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-9	-11	-7	-5	-4	-5
Sales of non-financial assets		-	-	-	-	-	-
<i>Total cash flows from investments in non-financial assets</i>		<i>-9</i>	<i>-10</i>	<i>-7</i>	<i>-5</i>	<i>-4</i>	<i>-5</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		4,631	1,124	1,096	1,130	1,202	1,231
<i>Cash paid</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		-5,774	-1,883	-1,827	-1,333	-1,398	-1,431
<i>Total cash flows from investments in financial assets</i>		<i>-1,143</i>	<i>-760</i>	<i>-731</i>	<i>-203</i>	<i>-196</i>	<i>-201</i>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-1,152</b>	<b>-770</b>	<b>-738</b>	<b>-209</b>	<b>-201</b>	<b>-205</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		44,746	37,058	41,599	39,574	39,694	39,195
Deposits received		-	-	-	-	-	-
Other financing receipts		-	-	-	-	-	-
<i>Total cash received</i>		<i>44,746</i>	<i>37,058</i>	<i>41,599</i>	<i>39,574</i>	<i>39,694</i>	<i>39,195</i>
<i>Cash paid</i>							
Advances paid		-	-	-	-	-	-
Borrowings repaid		-44,154	-36,442	-41,091	-39,568	-39,690	-39,192
Deposits paid		-	-	-	-	-	-
Other financing payments		-	-	-	-	-	-
Dividends paid		-28	-75	-47	-62	-91	-94
<i>Total cash paid</i>		<i>-44,183</i>	<i>-36,517</i>	<i>-41,138</i>	<i>-39,630</i>	<i>-39,781</i>	<i>-39,286</i>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>563</b>	<b>541</b>	<b>461</b>	<b>-56</b>	<b>-86</b>	<b>-92</b>
<b>Net increase in cash and cash equivalents</b>		<b>-276</b>	<b>-17</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
Cash and cash equivalents at the beginning of the year		2,336	2,060	2,043	2,048	2,053	2,057
Cash and cash equivalents at the end of the year		2,060	2,043	2,048	2,053	2,057	2,062
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		312	213	281	270	292	301
Net cash flows from investing in non-financial assets		-9	-10	-7	-5	-4	-5
Dividends paid		-28	-75	-47	-62	-91	-94
<b>Cash surplus/-deficit</b>	<b>6</b>	<b>275</b>	<b>128</b>	<b>228</b>	<b>202</b>	<b>197</b>	<b>203</b>

Note: Columns may not add due to rounding.

Table 1.13

**TOTAL PUBLIC SECTOR**  
**Operating Statement**

	Note	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Taxation		6,463	6,639	7,335	7,989	8,797	9,627
Current grants and subsidies		8,003	8,600	8,083	7,688	7,424	7,753
Capital grants		1,336	884	929	724	724	717
Sales of goods and services		15,595	17,019	18,371	19,649	21,092	22,666
Interest income		970	1,092	980	940	884	855
Royalty income		4,213	4,493	4,871	5,933	6,239	6,563
Other		892	973	758	777	783	788
<i>Total</i>		<b>37,472</b>	<b>39,699</b>	<b>41,327</b>	<b>43,700</b>	<b>45,943</b>	<b>48,970</b>
<b>EXPENSES</b>							
Salaries		9,841	10,525	11,160	11,784	12,465	13,186
Superannuation							
Concurrent costs		938	1,000	1,057	1,140	1,230	1,358
Superannuation interest cost		317	250	343	372	401	431
Other employee costs		269	270	262	266	258	279
Depreciation and amortisation		2,435	2,577	2,726	2,911	3,036	3,181
Services and contracts		2,234	2,432	2,653	2,812	2,832	2,964
Other gross operating expenses		14,387	16,492	17,212	17,650	18,490	19,525
Other interest		1,510	1,729	1,755	1,923	2,010	2,017
Current transfers		3,524	3,484	3,554	3,896	3,907	4,085
Capital transfers		783	659	542	570	496	485
<i>Total</i>		<b>36,238</b>	<b>39,416</b>	<b>41,264</b>	<b>43,322</b>	<b>45,126</b>	<b>47,511</b>
<b>NET OPERATING BALANCE</b>	<b>6</b>	<b>1,234</b>	<b>283</b>	<b>63</b>	<b>377</b>	<b>817</b>	<b>1,459</b>
<i>Other economic flows</i>							
Net gains on assets/liabilities		252	152	107	231	314	466
Net actuarial gains - superannuation		-135	-1,571	234	219	208	198
Provision for doubtful debts		-51	-20	-18	-17	-17	-20
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		<b>67</b>	<b>-1,438</b>	<b>323</b>	<b>434</b>	<b>504</b>	<b>645</b>
<b>OPERATING RESULT</b>		<b>1,301</b>	<b>-1,155</b>	<b>386</b>	<b>811</b>	<b>1,321</b>	<b>2,104</b>
<i>All other movements in equity</i>							
Revaluations		2,510	3,336	2,351	2,856	2,367	3,263
Gains recognised directly in equity		387	-46	-51	-53	-60	-64
Changes in accounting policy/correction of prior period errors		161	-384	-96	81	68	-58
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		<b>3,058</b>	<b>2,906</b>	<b>2,203</b>	<b>2,884</b>	<b>2,375</b>	<b>3,141</b>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>4,359</b>	<b>1,751</b>	<b>2,589</b>	<b>3,695</b>	<b>3,696</b>	<b>5,245</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	<b>6</b>	<b>1,234</b>	<b>283</b>	<b>63</b>	<b>377</b>	<b>817</b>	<b>1,459</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		6,482	6,852	7,639	7,422	6,038	5,344
Changes in inventories		348	348	112	25	-5	-1
Other movement in non-financial assets		-271	-86	-170	477	-124	-53
<i>less:</i>							
Sales of non-financial assets		646	1,158	1,640	1,374	1,337	1,453
Depreciation		2,435	2,577	2,726	2,911	3,036	3,181
<i>Total net acquisition of non-financial assets</i>		<b>3,479</b>	<b>3,380</b>	<b>3,216</b>	<b>3,638</b>	<b>1,536</b>	<b>657</b>
<b>NET LENDING/-BORROWING</b>	<b>6</b>	<b>-2,245</b>	<b>-3,097</b>	<b>-3,153</b>	<b>-3,261</b>	<b>-719</b>	<b>802</b>

Note: Columns may not add due to rounding.

Table 1.14

**TOTAL PUBLIC SECTOR**  
**Balance Sheet at 30 June**

	Note	2011	2012	2013	2014	2015	2016
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		1,338	1,396	1,381	1,342	1,503	1,609
Advances paid		4,152	4,760	5,296	5,321	5,321	5,334
Investments, loans and placements		11,783	10,454	10,261	10,853	11,522	12,931
Receivables		3,750	3,667	3,967	4,257	4,435	4,552
Investment property		533	588	605	644	682	716
Equity - Investments in other entities		1,214	1,284	1,389	1,491	1,600	1,707
Other financial assets		52	52	52	52	52	52
<i>Total financial assets</i>		<i>22,821</i>	<i>22,202</i>	<i>22,952</i>	<i>23,961</i>	<i>25,114</i>	<i>26,902</i>
<i>Non-financial assets</i>							
Land		53,125	54,365	55,242	56,556	57,343	59,064
Property, plant and equipment		78,415	83,412	88,137	93,635	97,371	100,311
Biological assets		335	337	343	349	354	359
Inventories							
Land inventories		1,728	2,020	2,031	2,040	2,091	2,068
Other inventories		3,451	3,799	3,911	3,936	3,931	3,930
Intangibles		827	690	652	592	555	501
Non-current assets held for sale		81	64	61	61	60	60
Other		355	381	365	348	344	356
<i>Total non-financial assets</i>		<i>138,316</i>	<i>145,068</i>	<i>150,742</i>	<i>157,516</i>	<i>162,049</i>	<i>166,648</i>
<b>TOTAL ASSETS</b>		<b>161,138</b>	<b>167,270</b>	<b>173,694</b>	<b>181,477</b>	<b>187,162</b>	<b>193,550</b>
<b>LIABILITIES</b>							
Deposits held		229	66	67	67	67	67
Advances received		468	454	440	426	412	399
Borrowings		28,690	31,347	35,114	39,288	41,110	42,274
Unfunded superannuation		7,442	8,849	8,512	8,227	8,000	7,834
Other employee benefits		2,876	3,009	3,125	3,233	3,345	3,243
Payables		4,533	4,820	4,977	5,003	5,106	5,185
Other liabilities		4,696	4,771	4,914	4,995	5,186	5,368
<i>TOTAL LIABILITIES</i>		<i>48,934</i>	<i>53,316</i>	<i>57,150</i>	<i>61,238</i>	<i>63,227</i>	<i>64,370</i>
<b>NET ASSETS</b>		<b>112,203</b>	<b>113,955</b>	<b>116,544</b>	<b>120,239</b>	<b>123,935</b>	<b>129,180</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		30,755	30,376	30,662	31,353	32,550	34,490
Other reserves		81,449	83,579	85,882	88,886	91,385	94,690
<b>NET WORTH</b>	6	<b>112,203</b>	<b>113,955</b>	<b>116,544</b>	<b>120,239</b>	<b>123,935</b>	<b>129,180</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		<i>-26,113</i>	<i>-31,114</i>	<i>-34,198</i>	<i>-37,277</i>	<i>-38,114</i>	<i>-37,468</i>
<i>Net financial liabilities</i>		<i>27,327</i>	<i>32,398</i>	<i>35,587</i>	<i>38,768</i>	<i>39,713</i>	<i>39,175</i>
<i>Net debt</i>							
Gross debt liabilities		29,387	31,867	35,621	39,780	41,589	42,740
less: liquid financial assets		17,273	16,610	16,938	17,516	18,345	19,875
less: convergence differences impacting net debt		88	88	88	88	88	-
<i>Net debt</i>		<i>12,026</i>	<i>15,169</i>	<i>18,594</i>	<i>22,176</i>	<i>23,156</i>	<i>22,866</i>

Note: Columns may not add due to rounding.

Table 1.15

**TOTAL PUBLIC SECTOR**  
**Cashflow Statement**

	Note	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Taxes received		6,311	6,597	7,289	7,939	8,743	9,581
Grants and subsidies received		9,372	9,418	8,993	8,408	8,138	8,437
Receipts from sales of goods and services		15,851	17,196	18,392	19,759	21,110	22,687
Interest receipts		955	1,110	1,065	1,036	964	933
Dividends and tax equivalents		-	-	-	-	-	-
Other		6,693	6,885	7,039	8,008	8,640	9,173
<b>Total cash received</b>		<b>39,182</b>	<b>41,207</b>	<b>42,777</b>	<b>45,149</b>	<b>47,595</b>	<b>50,811</b>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-10,965	-11,830	-12,544	-13,254	-14,006	-15,054
Payments for goods and services		-16,045	-17,823	-18,548	-19,400	-20,194	-20,876
Interest paid		-1,389	-1,716	-1,740	-1,906	-1,993	-2,000
Grants and subsidies paid		-3,905	-3,662	-3,777	-4,112	-4,122	-4,339
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-3,070	-3,631	-3,531	-3,387	-3,431	-4,052
<b>Total cash paid</b>		<b>-35,374</b>	<b>-38,662</b>	<b>-40,141</b>	<b>-42,060</b>	<b>-43,746</b>	<b>-46,321</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>3,808</b>	<b>2,544</b>	<b>2,635</b>	<b>3,088</b>	<b>3,849</b>	<b>4,489</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-6,482	-6,852	-7,639	-7,422	-6,038	-5,344
Sales of non-financial assets		646	1,158	1,640	1,374	1,337	1,453
<b>Total cash flows from investments in non-financial assets</b>		<b>-5,836</b>	<b>-5,695</b>	<b>-5,999</b>	<b>-6,047</b>	<b>-4,701</b>	<b>-3,891</b>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		9	-	-	-	-	-
For liquidity purposes		5,129	1,230	1,101	1,141	1,244	1,403
<i>Cash paid</i>							
For policy purposes		-8	-	-	-	-	-
For liquidity purposes		-6,186	-2,029	-1,831	-1,327	-1,475	-1,726
<b>Total cash flows from investments in financial assets</b>		<b>-1,057</b>	<b>-799</b>	<b>-730</b>	<b>-186</b>	<b>-230</b>	<b>-322</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-6,893</b>	<b>-6,494</b>	<b>-6,729</b>	<b>-6,233</b>	<b>-4,931</b>	<b>-4,213</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		25,697	23,695	25,175	28,609	29,057	29,722
Deposits received		-	-	-	-	-	-
Other financing receipts		70	57	84	304	89	42
<b>Total cash received</b>		<b>25,767</b>	<b>23,752</b>	<b>25,259</b>	<b>28,913</b>	<b>29,146</b>	<b>29,764</b>
<i>Cash paid</i>							
Advances paid		-14	-14	-14	-14	-14	-13
Borrowings repaid		-23,033	-20,174	-21,390	-25,201	-27,254	-28,525
Deposits paid		-	-	-	-	-	-
Other financing payments		-144	-122	-111	-124	-166	-127
<b>Total cash paid</b>		<b>-23,191</b>	<b>-20,310</b>	<b>-21,515</b>	<b>-25,339</b>	<b>-27,433</b>	<b>-28,666</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>2,576</b>	<b>3,442</b>	<b>3,744</b>	<b>3,575</b>	<b>1,713</b>	<b>1,098</b>
<b>Net increase in cash and cash equivalents</b>		<b>-510</b>	<b>-507</b>	<b>-350</b>	<b>430</b>	<b>630</b>	<b>1,374</b>
Cash and cash equivalents at the beginning of the year		9,112	8,602	8,095	7,745	8,174	8,805
Cash and cash equivalents at the end of the year		8,602	8,095	7,745	8,174	8,805	10,179
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		3,808	2,544	2,635	3,088	3,849	4,489
Net cash flows from investing in non-financial assets		-5,836	-5,695	-5,999	-6,047	-4,701	-3,891
<b>Cash surplus/-deficit</b>	6	<b>-2,029</b>	<b>-3,150</b>	<b>-3,364</b>	<b>-2,959</b>	<b>-853</b>	<b>598</b>

Note: Columns may not add due to rounding.

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**NOTE 1: STATEMENT OF COMPLIANCE**

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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*.

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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 2010-11 *Annual Report on State Finances* (ARSF), which are described in detail in Note 3: *Summary of Significant Accounting Policies* in Appendix 1 of the 2010-11 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.



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**NOTE 3: GENERAL GOVERNMENT OPERATING REVENUE**


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A detailed dissection of general government revenue (which includes the Uniform Presentation Framework taxation disclosure) is included at Appendix 2: *General Government Operating Revenue*.

A comparison of estimated outturn to previous projected operating revenue for 2011-12 is shown at Appendix 3: *2011-12 General Government Operating Revenue*.

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**NOTE 4: GENERAL GOVERNMENT TRANSFER EXPENSES**


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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.

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**TRANSFER EXPENSES <sup>(a)</sup>**  
General Government

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
<i>CURRENT TRANSFERS</i>						
Local Government	246	468	324	453	522	625
Local Government on-passing	149	153	161	169	176	181
Private and Not-for-profit sector	1,779	1,481	1,569	1,648	1,453	1,393
Private and Not-for-profit sector on-passing	776	770	848	928	1,012	1,100
Other sectors of Government	1,979	2,239	2,000	2,072	2,091	2,220
<i>Total Current Transfers</i>	<i>4,928</i>	<i>5,111</i>	<i>4,902</i>	<i>5,270</i>	<i>5,253</i>	<i>5,519</i>
<i>CAPITAL TRANSFERS</i>						
Local Government	57	139	188	182	198	120
Local Government on-passing	98	101	105	110	114	120
Private and Not-for-profit sector	126	131	139	248	149	206
Private and Not-for-profit sector on-passing	230	40	24	26	31	35
Other sectors of Government	96	123	159	207	176	171
<i>Total Capital Transfers</i>	<i>606</i>	<i>534</i>	<i>616</i>	<i>773</i>	<i>669</i>	<i>652</i>

(a) Includes grants, subsidies and other transfer expenses.

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**NOTE 5: GENERAL GOVERNMENT EXPENSES AND SPENDING ON  
THE PURCHASE OF NON-FINANCIAL ASSETS BY GOVERNMENT  
PURPOSE CLASSIFICATION <sup>(a)</sup>**

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
<i>Expenses</i>						
General public services	395	390	676	1,054	1,162	1,415
Public order and safety	2,716	2,843	2,863	2,937	3,075	3,174
Education	5,699	5,825	6,099	6,195	6,429	6,712
Health	5,546	6,102	6,604	6,861	7,129	7,461
Social security and welfare	1,504	1,671	1,743	1,866	1,945	1,995
Housing and community amenities	1,611	2,014	1,834	2,081	2,093	2,235
Recreation and culture	739	827	816	825	894	813
Fuel and energy	442	536	535	516	490	578
Agriculture, forestry, fishing and hunting	346	386	384	347	338	325
Mining and mineral resources other than fuels; manufacturing; and construction	176	218	220	219	210	213
Transport and communications	1,692	1,863	1,815	1,875	1,915	1,964
Other economic affairs	667	834	759	791	581	613
Other purposes	773	759	932	1,108	1,281	1,336
<b>Total General Government Expenses</b>	<b>22,306</b>	<b>24,266</b>	<b>25,281</b>	<b>26,674</b>	<b>27,540</b>	<b>28,833</b>
<i>Purchases of new non-financial assets</i>						
General public services	253	309	218	186	193	244
Public order and safety	294	330	401	303	193	80
Education	650	843	567	520	351	227
Health	801	1,413	1,130	1,071	656	224
Social security and welfare	57	85	57	55	31	13
Housing and community amenities	103	190	166	190	319	341
Recreation and culture	152	269	186	122	203	285
Fuel and energy	8	11	5	2	2	2
Agriculture, forestry, fishing and hunting	15	29	30	16	22	23
Mining and mineral resources other than fuels; manufacturing; and construction	2	1	3	1	1	1
Transport and communications	425	638	857	733	625	676
Other economic affairs	110	85	181	125	47	21
Other purposes	-	-625	-500	167	167	167
<b>Total Purchases of Non-financial Assets</b>	<b>2,870</b>	<b>3,578</b>	<b>3,301</b>	<b>3,491</b>	<b>2,809</b>	<b>2,303</b>

(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

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB1049 net operating balance	1,604	484	196	345	836	1,404
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Dampier to Bunbury Natural Gas Pipeline - extinguish loan asset	-	-	-	-	-	88
Total GFS expense adjustments	-	-	-	-	-	88
Total GFS adjustments to AASB 1049 net operating balance	-	-	-	-	-	-88
<b>GFS net operating balance</b>	<b>1,604</b>	<b>484</b>	<b>196</b>	<b>345</b>	<b>836</b>	<b>1,316</b>
<u>Public non-financial corporations</u>						
AASB1049 net operating balance	382	444	481	823	1,061	1,302
Less GFS expense adjustments						
Capitalised interest	55	45	42	48	54	53
Dividends	684	716	758	923	1,159	1,319
Total GFS expense adjustments	739	761	800	970	1,213	1,372
Total GFS adjustments to AASB 1049 net operating balance	-739	-761	-800	-970	-1,213	-1,372
<b>GFS net operating balance</b>	<b>-357</b>	<b>-317</b>	<b>-319</b>	<b>-147</b>	<b>-152</b>	<b>-70</b>
<u>Total non-financial public sector</u>						
AASB1049 net operating balance	1,302	211	-81	245	738	1,387
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	55	45	42	48	54	53
Dampier to Bunbury Natural Gas Pipeline - extinguish loan asset	-	-	-	-	-	88
Total GFS expense adjustments	55	45	42	48	54	141
Total GFS adjustments to AASB 1049 net operating balance	-55	-45	-42	-48	-54	-141
<b>GFS net operating balance</b>	<b>1,247</b>	<b>167</b>	<b>-122</b>	<b>197</b>	<b>684</b>	<b>1,246</b>
<u>Public financial corporations</u>						
AASB1049 net operating balance	-11	118	190	195	169	166
Less GFS expense adjustments						
Dividends	57	46	47	62	91	94
Total GFS expense adjustments	57	46	47	62	91	94
Total GFS adjustments to AASB 1049 net operating balance	-57	-46	-47	-62	-91	-94
<b>GFS net operating balance</b>	<b>-68</b>	<b>72</b>	<b>144</b>	<b>132</b>	<b>79</b>	<b>72</b>
<u>Total public sector</u>						
AASB1049 net operating balance	1,234	283	63	377	817	1,459
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	55	45	42	48	54	53
Dampier to Bunbury Natural Gas Pipeline - extinguish loan asset	-	-	-	-	-	88
Total GFS expense adjustments	55	45	42	48	54	141
Total GFS adjustments to AASB 1049 net operating balance	-55	-45	-42	-48	-54	-141
<b>GFS net operating balance</b>	<b>1,179</b>	<b>238</b>	<b>21</b>	<b>330</b>	<b>763</b>	<b>1,318</b>

## AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

### Net Lending

	2010-11 Actual \$m	2011-12 Estimated Actual \$m	2012-13 Budget Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
<u>General government</u>						
AASB1049 net lending/-borrowing	-264	-2,051	-1,735	-1,960	-447	650
Plus Net operating balance convergence difference (noted above)	-	-	-	-	-	-88
<b>GFS net lending/-borrowing</b>	<b>-264</b>	<b>-2,051</b>	<b>-1,735</b>	<b>-1,960</b>	<b>-447</b>	<b>561</b>
<u>Public non-financial corporations</u>						
AASB1049 net lending/-borrowing	-1,235	-407	-814	-522	795	1,387
Plus Net operating balance convergence difference (noted above)	-739	-761	-800	-970	-1,213	-1,372
<b>GFS net lending/-borrowing</b>	<b>-1,974</b>	<b>-1,168</b>	<b>-1,614</b>	<b>-1,493</b>	<b>-418</b>	<b>14</b>
<u>Total non-financial public sector</u>						
AASB1049 net lending/-borrowing	-2,183	-3,174	-3,307	-3,405	-811	717
Plus Net operating balance convergence difference (noted above)	-55	-45	-42	-48	-54	-141
<b>GFS net lending/-borrowing</b>	<b>-2,238</b>	<b>-3,218</b>	<b>-3,349</b>	<b>-3,453</b>	<b>-865</b>	<b>576</b>
<u>Public financial corporations</u>						
AASB1049 net lending/-borrowing	-6	123	201	207	183	180
Plus Net operating balance convergence difference (noted above)	-57	-46	-47	-62	-91	-94
<b>GFS net lending/-borrowing</b>	<b>-62</b>	<b>76</b>	<b>155</b>	<b>145</b>	<b>92</b>	<b>86</b>
<u>Total public sector</u>						
AASB1049 net lending/-borrowing	-2,245	-3,097	-3,153	-3,261	-719	802
Plus Net operating balance convergence difference (noted above)	-55	-45	-42	-48	-54	-141
<b>GFS net lending/-borrowing</b>	<b>-2,300</b>	<b>-3,142</b>	<b>-3,194</b>	<b>-3,308</b>	<b>-773</b>	<b>662</b>

## AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

### Net Worth at 30 June

	2011 Actual \$m	2012 Estimated Actual \$m	2013 Budget Estimate \$m	2014 Forward Estimate \$m	2015 Forward Estimate \$m	2016 Forward Estimate \$m
<u>General government</u>						
AASB1049 net worth	112,203	113,955	116,544	120,239	123,935	129,180
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	-
Provision for doubtful debts						
General government sector	191	189	189	189	189	189
Impact on public corporations net worth	24	29	29	30	31	32
<i>Total GFS net worth adjustments</i>	303	306	306	307	308	221
<b>GFS net worth</b>	<b>112,506</b>	<b>114,261</b>	<b>116,850</b>	<b>120,547</b>	<b>124,243</b>	<b>129,401</b>
<u>Public non-financial corporations</u>						
AASB1049 net worth	46,330	47,824	48,972	50,144	50,683	52,329
<i>Plus</i>						
Impact of general government equity injections	-4,573	-5,380	-6,077	-6,411	-6,620	-6,783
Provision for doubtful debts	24	29	29	30	31	32
<i>Total GFS net worth adjustments</i>	-4,549	-5,351	-6,048	-6,381	-6,589	-6,751
<b>GFS net worth</b>	<b>41,781</b>	<b>42,472</b>	<b>42,924</b>	<b>43,763</b>	<b>44,095</b>	<b>45,577</b>
<u>Total non-financial public sector</u>						
AASB1049 net worth	112,203	113,955	116,544	120,239	123,935	129,180
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	-
Provision for doubtful debts						
Total non-financial public sector	215	218	218	219	220	221
Impact on public corporations net worth	-	-	-	-	-	-
<i>Total GFS net worth adjustments</i>	303	306	306	307	308	221
<b>GFS net worth</b>	<b>112,506</b>	<b>114,261</b>	<b>116,850</b>	<b>120,547</b>	<b>124,243</b>	<b>129,401</b>
<u>Public financial corporations</u>						
AASB1049 net worth	1,450	1,504	1,656	1,795	1,876	1,951
<i>Plus</i>						
Provision for doubtful debts	-	-	-	-	-	-
<i>Total GFS net worth adjustments</i>	-	-	-	-	-	-
<b>GFS net worth</b>	<b>1,450</b>	<b>1,504</b>	<b>1,656</b>	<b>1,795</b>	<b>1,876</b>	<b>1,951</b>
<u>Total public sector</u>						
AASB1049 net worth	112,203	113,955	116,544	120,239	123,935	129,180
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	-
Provision for doubtful debts	215	218	218	219	220	221
<i>Total GFS net worth adjustments</i>	303	306	306	307	308	221
<b>GFS net worth</b>	<b>112,506</b>	<b>114,261</b>	<b>116,850</b>	<b>120,547</b>	<b>124,243</b>	<b>129,401</b>

## AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

### Cash Surplus/-Deficit

	2010-11 Actual \$m	2011-12 Estimated Actual \$m	2012-13 Budget Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
<u>General government</u>						
AASB1049 cash surplus/-deficit	-397	-1,847	-2,074	-1,674	-472	553
Less Acquisitions under finance leases and similar arrangements	41	-	-	417	-	-
<b>GFS cash surplus/-deficit</b>	<b>-437</b>	<b>-1,847</b>	<b>-2,074</b>	<b>-2,092</b>	<b>-472</b>	<b>553</b>
<u>Public non-financial corporations</u>						
AASB1049 cash surplus/-deficit	-1,907	-1,431	-1,518	-1,486	-578	-158
Less Acquisitions under finance leases and similar arrangements	-	71	-	264	-	-
<b>GFS cash surplus/-deficit</b>	<b>-1,907</b>	<b>-1,502</b>	<b>-1,518</b>	<b>-1,751</b>	<b>-578</b>	<b>-158</b>
<u>Total non-financial public sector</u>						
AASB1049 cash surplus/-deficit	-2,304	-3,278	-3,592	-3,161	-1,049	395
Less Acquisitions under finance leases and similar arrangements	41	71	-	682	-	-
<b>GFS cash surplus/-deficit</b>	<b>-2,345</b>	<b>-3,349</b>	<b>-3,592</b>	<b>-3,842</b>	<b>-1,050</b>	<b>395</b>
<u>Public financial corporations</u>						
AASB1049 cash surplus/-deficit	275	128	228	202	197	203
Less Acquisitions under finance leases and similar arrangements	-	-	-	-	-	-
<b>GFS cash surplus/-deficit</b>	<b>275</b>	<b>128</b>	<b>228</b>	<b>202</b>	<b>197</b>	<b>203</b>
<u>Total public sector</u>						
AASB1049 cash surplus/-deficit	-2,029	-3,150	-3,364	-2,959	-853	598
Less Acquisitions under finance leases and similar arrangements	41	71	-	682	-	-
<b>GFS cash surplus/-deficit</b>	<b>-2,070</b>	<b>-3,222</b>	<b>-3,364</b>	<b>-3,641</b>	<b>-853</b>	<b>598</b>

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**NOTE 7: LOAN COUNCIL ALLOCATIONS**


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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 position<sup>1</sup>.

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**LOAN COUNCIL ALLOCATIONS**  
Western Australia

	2011-12 Estimated Actual \$m	2012-13 Nomination \$m	2012-13 Budget Estimate \$m
General government cash surplus/deficit	1,847	2,054	2,074
Public non-financial Corporations sector cash surplus/deficit	1,431	1,897	1,518
<i>Total non-financial public sector cash surplus/deficit</i>	<i>3,278</i>	<i>3,951</i>	<i>3,592</i>
Acquisitions under finance leases and similar arrangements	71	-	-
<i>GFS cash surplus/deficit</i>	<i>3,349</i>	<i>3,951</i>	<i>3,592</i>
Less: Non-financial public sector net cash flows from investments in financial assets for policy purposes	-	-	-
Plus: Memorandum items <sup>(a)</sup>	24	-76	-11
<b>Loan Council Allocation</b>	<b>3,373</b>	<b>3,875</b>	<b>3,581</b>
<i>Tolerance Limit <sup>(b)</sup></i>	<i>-</i>	<i>864</i>	<i>-</i>

(a) Memorandum items are used to adjust the ABS deficit/surplus to include in LCAs certain transactions (e.g. operating leases) that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. Where appropriate, they are also used to deduct from the deficit/surplus certain transactions that Loan Council has agreed should not be included in LCAs (e.g. the funding of more than emerging costs under public superannuation schemes).

(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.

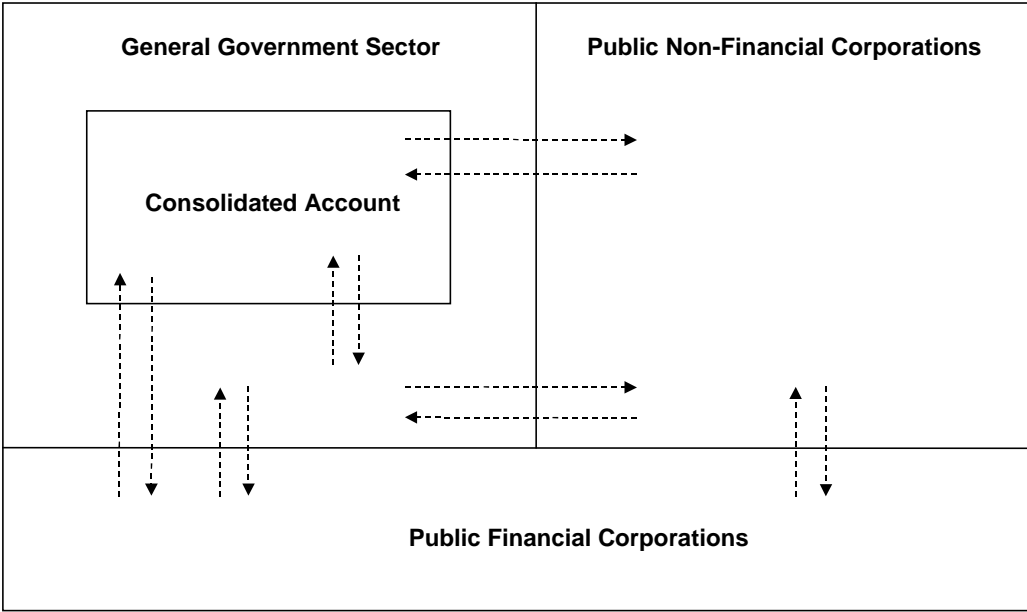
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<sup>1</sup> For the purposes of LCAs, deficits are positive and surpluses are negative.

**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 <sup>(a)</sup>	Great Southern Development Commission
Agricultural Produce Commission	Great Southern Institute of Technology
Botanic Gardens and Parks Authority	Health and Disability Services Complaints Office
Building and Construction Industry Training Board	Heritage Council of Western Australia
Central Institute of Technology	Independent Market Operator
Challenger Institute of Technology	Keep Australia Beautiful Council (W.A.)
Chemistry Centre (W.A.)	Kimberley Training Institute
Commissioner for Children and Young People	Kimberley Development Commission
Commissioner of Equal Opportunity	Law Reform Commission of Western Australia
Commissioner of Main Roads	Legal Aid Commission of Western Australia
Corruption and Crime Commission	Legal Costs Committee
Country High School Hostels Authority	Local Health Authorities Analytical Committee
Curriculum Council <sup>(a)</sup>	Mental Health Commission
C.Y. O'Connor Institute	Mid West Development Commission
Department for Child Protection	Minerals and Energy Research Institute of Western Australia
Department for Communities	Office of Energy <sup>(a)</sup>
Department of Agriculture and Food	Office of the Auditor General
Department of Commerce	Office of the Director of Public Prosecutions
Department of Corrective Services	Office of the Environmental Protection Authority
Department of Culture and the Arts	Office of the Information Commissioner
Department of Education	Office of the Inspector of Custodial Services
Department of Education Services	Office of the Parliamentary Inspector of the Corruption and Crime Commission
Department of Environment and Conservation	Parliamentary Commissioner for Administrative Investigations
Department of Finance <sup>(a)</sup>	Parliamentary Services Department
Department of Fisheries	Peel Development Commission
Department of Health (including Public Hospitals)	Perth Theatre Trust
Department of Indigenous Affairs	Pilbara Development Commission
Department of Local Government	Pilbara Institute
Department of Mines and Petroleum	Polytechnic West
Department of Planning	Professional Combat Sports Commission
Department of Racing, Gaming and Liquor	Professional Standards Council
Department of Regional Development and Lands	Public Sector Commission
Department of Sport and Recreation	Racing Penalties Appeal Tribunal of Western Australia
Department of State Development	Rural Business Development Corporation
Department of Training and Workforce Development	Salaries and Allowances Tribunal
Department of Transport	School Curriculum Standards Authority <sup>(a)</sup>
Department of Treasury <sup>(a)</sup>	Screen West (Inc.)
Department of the Attorney General	Small Business Development Corporation
Department of the Legislative Assembly	South West Development Commission
Department of the Legislative Council	South West Institute of Technology
Department of the Premier and Cabinet	Swan River Trust
Department of the Registrar, Western Australian Industrial Relations Commission	The Aboriginal Affairs Planning Authority
Department of Water	The ANZAC Day Trust
Disability Services Commission	The Board of the Art Gallery of Western Australia
Durack Institute of Technology	The Burswood Park Board
Economic Regulation Authority	The Coal Miners' Welfare Board of Western Australia
Fire and Emergency Services Authority of Western Australia	The Library Board of Western Australia
Gaming and Wagering Commission of Western Australia	The National Trust of Australia (W.A.)
Gascoyne Development Commission	The Queen Elizabeth II Medical Centre Trust
Goldfields Esperance Development Commission	The Western Australia Museum
Governor's Establishment	Trustees of the Public Education Endowment

(a) Agency which has been either created, abolished, amalgamated or renamed since the 19 May 2011 presentation of the 2011-12 Budget.

## General Government (cont.)

West Coast Institute of Training  
Western Australia Police  
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  
Western Australian Meat Industry Authority  
Western Australian Planning Commission  
Western Australian Sports Centre Trust  
Western Australian Tourism Commission  
Wheatbelt Development Commission  
WorkCover Western Australia Authority  
Zoological Parks Authority

## Public Non-Financial Corporations

Albany Port Authority  
Animal Resources Authority  
Armadale Redevelopment Authority <sup>(b)</sup>  
Broome Port Authority  
Bunbury Port Authority  
Bunbury Water Board  
Busselton Water Board  
Dampier Port Authority  
East Perth Redevelopment Authority <sup>(b)</sup>  
Electricity Generation Corporation (Verve Energy)  
Electricity Networks Corporation (Western Power)  
Electricity Retail Corporation (Synergy)  
Esperance Port Authority  
Forest Products Commission  
Fremantle Port Authority  
Geraldton Port Authority  
Gold Corporation and its subsidiaries

Housing Authority  
Lotteries Commission  
Metropolitan Cemeteries Board  
Metropolitan Redevelopment Authority <sup>(b)</sup>  
Midland Redevelopment Authority <sup>(b)</sup>  
Perth Market Authority  
Port Hedland Port Authority  
Potato Marketing Corporation of Western Australia  
Public Transport Authority of Western Australia  
Racing and Wagering Western Australia  
Regional Power Corporation (Horizon Power)  
Rottnest Island Authority  
Subiaco Redevelopment Authority <sup>(b)</sup>  
Water Corporation  
Western Australian Coastal Shipping Commission  
Western Australian Land Authority

## Public Financial Corporations

Country Housing Authority  
Insurance Commission of Western Australia (and subsidiary State Government Insurance Corporation)  
Keystart Housing Scheme, comprising  
    Keystart Bonds Ltd  
    Keystart Loans Ltd  
    Keystart Support Pty Ltd  
    Keystart Support (Subsidiary) Pty Ltd  
    Keystart Housing Scheme Trust  
    Keystart Support Trust  
RiskCover  
Western Australian Treasury Corporation

(b) The Metropolitan Redevelopment Authority was created on 31 December 2011 and amalgamated the Armadale, East Perth, Midland and Subiaco Redevelopment Authorities.

## **Agencies Outside the State's Public Sector**

Some State agencies are not covered in the whole-of-government reporting framework as defined under Australian Accounting Standards and/or the GFS framework. The entities listed below, which administer superannuation and like funds and/or hold private funds in trust or fidelity type funds, are examples of such agencies not included in the definition of the public sector used in the budget. This is because the assets are not available for the benefit of, and/or are not controlled by, the State.

Coal Industry Superannuation Board  
Construction Industry Long Service Leave Payments Board  
Curtin University of Technology and its subsidiaries  
Edith Cowan University  
Fire and Emergency Services Superannuation Board  
Government Employees Superannuation Board  
Legal Contribution Trust  
Murdoch University and its subsidiaries  
Public Trustee  
The University of Western Australia and its subsidiaries



## APPENDIX 2

# General Government Operating Revenue

This appendix contains general government revenue estimates prepared on an accrual basis consistent with Australian Accounting Standards and Government Finance Statistics frameworks.

Table 2.1

**OPERATING REVENUE**  
General Government

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
<b>Taxation</b>						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	2,628	3,032	3,368	3,739	4,164	4,610
Property taxes						
<i>Land tax</i>	521	542	541	595	655	720
Transfer duty	1,226	1,232	1,450	1,541	1,730	1,910
Landholder duty	47	45	53	56	63	69
<i>Total duty on transfers</i>	1,273	1,277	1,502	1,596	1,793	1,979
Other stamp duties	-	-	-	-	-	-
Metropolitan Region Improvement Tax	78	84	83	92	101	111
Emergency Services Levy	205	216	231	249	258	266
Loan guarantee fees	23	28	107	113	119	126
<i>Total other property taxes</i>	306	328	422	454	478	503
Taxes on provision of goods and services						
Lotteries Commission	126	134	141	147	153	159
Video lottery terminals	-	1	1	1	1	1
Casino tax	90	115	117	120	122	123
Betting tax	34	36	37	38	40	42
Other	20	-	-	-	-	-
<i>Total taxes on gambling</i>	270	286	295	306	316	324
Insurance duty	442	472	512	551	593	640
Other	26	21	22	24	25	25
<i>Total taxes on insurance</i>	468	494	534	575	618	665
Taxes on use of goods and performance of activities						
Vehicle licence duty	338	357	388	417	449	483
Permits - oversize vehicles and loads	6	5	5	6	6	6
Motor vehicle recording fee	45	47	47	49	50	53
Motor vehicle registrations	557	589	636	671	704	742
<i>Total motor vehicle taxes</i>	946	998	1,077	1,143	1,209	1,284
Other taxes on use of goods and performance of activities	350	-	-	-	-	-
<b>Total Taxation</b>	<b>6,763</b>	<b>6,956</b>	<b>7,739</b>	<b>8,408</b>	<b>9,232</b>	<b>10,085</b>

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

**OPERATING REVENUE**  
General Government

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Current Grants and Subsidies</b>						
<i>General Purpose Grants</i>						
GST grants	3,158	3,454	2,792	2,139	1,663	1,520
North West Shelf grants	933	927	1,012	1,056	1,116	1,311
Compensation for Commonwealth crude oil excise arrangements	61	51	56	58	61	72
<i>Grants Through the State</i>						
Schools assistance – non-government schools	776	770	848	928	1,012	1,100
Local government financial assistance grants	148	153	161	169	176	181
Local government roads	98	101	105	110	114	120
First Home Owners' Boost	29	1	-	-	-	-
Other	-	25	25	25	25	25
<i>National Specific Purpose Payment Agreement Grants</i>						
National Healthcare <sup>(a)</sup>	1,224	1,308	-	-	-	-
National Schools	357	377	405	437	478	523
National Agreement for Skills and Workforce Development	135	138	143	147	153	158
National Disability Services	94	110	123	141	150	160
National Affordable Housing	127	129	132	135	139	143
<i>National Health Reform <sup>(a)</sup></i>	-	-	1,402	1,511	1,711	1,848
<i>National Partnerships/Other Grants</i>						
Health	473	463	467	502	412	402
Housing	6	15	14	14	15	11
Transport	84	70	67	66	52	52
Other	300	507	332	249	147	126
<b>Total Current Grants and Subsidies</b>	<b>8,003</b>	<b>8,600</b>	<b>8,083</b>	<b>7,688</b>	<b>7,424</b>	<b>7,753</b>
<b>Capital Grants</b>						
<i>Grants Through the State</i>						
Schools assistance – non-government schools	230	40	24	26	31	35
<i>Nation Building and Jobs Plan</i>						
Schools	437	40	-	-	-	-
Housing	155	20	-	-	-	-
<i>National Partnerships/Other Grants</i>						
Housing	101	110	139	191	166	166
Transport	174	404	608	378	428	496
Other	238	269	158	128	99	20
<b>Total Capital Grants</b>	<b>1,336</b>	<b>884</b>	<b>929</b>	<b>724</b>	<b>724</b>	<b>717</b>

(a) The new National Health Reform arrangements commence on 1 July 2012.

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

<b>OPERATING REVENUE</b>						
<b>General Government</b>						
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
<b>Sales of Goods and Services</b>						
WA Health	389	394	429	446	466	481
Transport	169	177	194	193	198	208
Education	166	162	167	172	178	184
State Training Providers	115	116	122	127	129	134
Training and Workforce Development	53	49	47	48	48	48
Western Australian Land Information Authority	101	106	120	138	140	153
Environment and Conservation	105	105	106	108	109	111
Attorney General	75	92	86	91	94	95
Commerce	55	80	74	71	69	70
Western Australia Police	38	42	43	43	43	43
Culture and the Arts	35	26	33	32	28	23
Fisheries	30	29	30	31	32	32
Corrective Services	29	24	24	25	25	25
All Other	394	439	457	504	571	628
<b>Total Sale of Goods and Services</b>	<b>1,754</b>	<b>1,841</b>	<b>1,933</b>	<b>2,030</b>	<b>2,131</b>	<b>2,238</b>
<b>Interest Income</b>	<b>321</b>	<b>302</b>	<b>268</b>	<b>308</b>	<b>326</b>	<b>349</b>
<b>Revenue from Public Corporations</b>						
Dividends	687	723	764	929	1,166	1,326
Tax Equivalent Regime	379	411	504	598	728	799
<b>Total Revenue from Public Corporations</b>	<b>1,066</b>	<b>1,134</b>	<b>1,267</b>	<b>1,527</b>	<b>1,894</b>	<b>2,125</b>
<b>Royalty Income</b>	<b>4,213</b>	<b>4,493</b>	<b>4,871</b>	<b>5,933</b>	<b>6,239</b>	<b>6,563</b>
<b>Other</b>						
Lease rentals	83	80	82	84	86	88
Fines	133	169	173	178	177	177
Revenue not elsewhere counted	238	290	133	140	144	142
<b>Total Other</b>	<b>454</b>	<b>539</b>	<b>388</b>	<b>403</b>	<b>407</b>	<b>408</b>
<b>TOTAL REVENUE</b>	<b>23,909</b>	<b>24,749</b>	<b>25,477</b>	<b>27,019</b>	<b>28,376</b>	<b>30,238</b>

Note: Columns may not add due to rounding.



## APPENDIX 3

# 2011-12 General Government Operating Revenue

This appendix contains general government revenue estimates for the 2011-12 financial year comparing the original 2011-12 Budget estimates, mid-year review revisions and the current estimated outturn.

Table 3.1

**2011-12 OPERATING REVENUE**  
General Government

	2011-12 Budget Estimate \$m	2011-12 Mid-Year Revision \$m	2011-12 Estimated Actual \$m
<b>Taxation</b>			
Taxes on employers' payroll and labour force			
<i>Payroll tax</i>	2,927	3,032	3,032
Property taxes			
<i>Land tax</i>	548	549	542
Transfer duty	1,345	1,246	1,232
Landholder duty	49	45	45
<i>Total duty on transfers</i>	1,394	1,291	1,277
Other stamp duties	-	-	-
Metropolitan Region Improvement Tax	84	84	84
Emergency Services Levy	216	216	216
Loan guarantee fees	28	27	28
<i>Total other property taxes</i>	327	326	328
Taxes on provision of goods and services			
Lotteries Commission	138	138	134
Video lottery terminals	1	1	1
Casino tax	115	115	115
Betting tax	34	36	36
Other	-	-	-
<i>Total taxes on gambling</i>	288	289	286
Insurance duty	467	472	472
Other	21	21	21
<i>Total taxes on insurance</i>	488	493	494
Taxes on use of goods and performance of activities			
Vehicle licence duty	365	355	357
Permits - oversize vehicles and loads	5	5	5
Motor vehicle recording fee	47	47	47
Motor vehicle registrations	575	588	589
<i>Total motor vehicle taxes</i>	992	995	998
<b>Total Taxation</b>	<b>6,965</b>	<b>6,976</b>	<b>6,956</b>

Note: Columns may not add due to rounding.

**2011-12 OPERATING REVENUE**  
General Government

Table 3.1 (cont.)

	2011-12 Budget Estimate \$m	2011-12 Mid-Year Revision \$m	2011-12 Estimated Actual \$m
<b>Current Grants and Subsidies</b>			
<i>General Purpose Grants</i>			
GST grants	3,617	3,573	3,454
North West Shelf grants	1,028	995	927
Compensation for Commonwealth crude oil excise arrangements	57	55	51
<i>Grants Through the State</i>			
Schools assistance – non-government schools	770	770	770
Local government financial assistance grants	156	153	153
Local government roads	101	101	101
First Home Owners' Boost	-	1	1
Other	25	25	25
<i>National Specific Purpose Payment Agreement Grants</i>			
National Healthcare	1,330	1,308	1,308
National Schools	379	387	377
National Agreement for Skills and Workforce Development	139	140	138
National Disability Services	113	124	110
National Affordable Housing	129	128	129
<i>National Partnerships/Other Grants</i>			
Health	450	448	463
Housing	15	17	15
Transport	68	69	70
Other	429	525	507
<b>Total Current Grants and Subsidies</b>	<b>8,806</b>	<b>8,819</b>	<b>8,600</b>
<b>Capital Grants</b>			
<i>Grants Through the State</i>			
Schools assistance – non-government schools	40	40	40
<i>Nation Building and Jobs Plan</i>			
Schools	40	40	40
Housing	20	20	20
<i>National Partnerships/Other Grants</i>			
Housing	106	106	110
Transport	346	347	404
Other	403	317	269
<b>Total Capital Grants</b>	<b>956</b>	<b>870</b>	<b>884</b>

Note: Columns may not add due to rounding.

Table 3.1 (cont.)

**2011-12 OPERATING REVENUE**  
General Government

	2011-12 Budget Estimate \$m	2011-12 Mid-Year Revision \$m	2011-12 Estimated Actual \$m
<b>Sales of Goods and Services</b>			
WA Health	388	388	394
Transport	178	177	177
Education	156	162	162
State Training Providers	121	116	116
Training and Workforce Development	46	49	49
Western Australian Land Information Authority	113	102	106
Environment and Conservation	106	103	105
Attorney General	86	91	92
Commerce	77	87	80
Western Australia Police	36	36	42
Culture and the Arts	31	26	26
Fisheries	30	30	29
Corrective Services	20	24	24
All Other	428	452	439
<b>Total Sale of Goods and Services</b>	<b>1,815</b>	<b>1,842</b>	<b>1,841</b>
<b>Interest Income</b>	<b>355</b>	<b>313</b>	<b>302</b>
<b>Revenue from Public Corporations</b>			
Dividends	699	737	723
Tax Equivalent Regime	450	429	411
<b>Total Revenue from Public Corporations</b>	<b>1,149</b>	<b>1,166</b>	<b>1,134</b>
<b>Royalty Income</b>	<b>4,794</b>	<b>4,579</b>	<b>4,493</b>
<b>Other</b>			
Lease rentals	80	80	80
Fines	171	171	169
Revenue not elsewhere counted	142	296	290
<b>Total Other</b>	<b>393</b>	<b>548</b>	<b>539</b>
<b>TOTAL REVENUE</b>	<b>25,233</b>	<b>25,112</b>	<b>24,749</b>

Note: Columns may not add due to rounding.

## The Treasurer's Advance

The Treasurer's Advance authorises the Treasurer, through the *Financial Management Act 2006* (FMA), 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').

All of the amounts drawn against recoverable advances, excesses and new items must remain within the Treasurer's Advance limit which is \$577.1 million for 2011-12.

Table 5.1 shows the projected position of the Treasurer's Advance at 30 June 2012.

<b>TREASURER'S ADVANCE AT 30 JUNE</b>			Table 4.1
	2010-11 Actual \$m	2011-12 Projection <sup>(a)</sup> \$m	
<b>AUTHORISED LIMIT</b>	<b>555.5</b>	<b>577.1</b>	
<i>Total Drawn Against Treasurer's Advance authorisation</i>	<i>512.6</i>	<i>288.1</i>	
Comprising:			
Net recoverable advances as at 30 June	7.1	20.0	
Overdrawn Special Purpose Account <sup>(b)</sup>	3.7	-	
Excesses and New Items			
- recurrent	486.3	190.0	
- capital	15.5	78.1	
(a) Detailed disclosure of the final audited outcome for 2011-12 will be available in the 2011-12 <i>Annual Report on State Finances</i> , to be released by 28 September 2012.			
(b) 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 2011-12 Budget have been transferred to other agencies. Transfer of appropriation funds are for the provision of an approved service which is now to be delivered by the alternative agency. These transfers are authorised either under section 25 of the FMA or specific enabling legislation and have no impact on the Treasurer's Advance. In 2011-12, appropriation transfers include:

- \$45.1 million from the Department of Treasury to the Department of Finance for the transfer of items administered by these agencies since the disaggregation of the Department of Treasury and Finance from 1 July 2011;
- \$26.3 million (recurrent) and \$0.2 million (capital) from the Department of Health to the Mental Health Commission for the transfer of the Drug and Alcohol Office;
- \$20.6 million for the establishment of the Public Utilities Office in the Department of Finance, following the wind up of the Office of Energy;
- \$10.2 million from the Department of the Premier and Cabinet to the Department for Communities for the transfer of the Social Enterprise Fund Program;
- \$6.6 million from the Department of Planning to the Department of Transport for Information and Communications Technology Infrastructure;
- \$4.0 million from the Department of Planning to the Department of Transport for the transfer of infrastructure and communications spending;
- \$3.8 million for the establishment of the School Curriculum and Standards Authority (previously the Curriculum Council);
- \$2.0 million from the Department for Child Protection to the Housing Authority for the transfer of the Acute Overnight Homeless Shelter for Men;
- \$1.6 million from the Department of Transport to the Department of Planning for the transfer of corporate services for information system operations;
- \$1.5 million from the Department of State Development to the Department of Regional Development and Lands relating to the Ord-East Kimberley Expansion project;
- \$1.5 million from the Western Australia Police to the Department of Corrective Services for the transfer of the Juvenile Escorts service;
- \$0.6 million from the Department of Finance to the Department of Treasury for the transfer of development costs for the new Strategic Information Management System to replace Treasury's budget management system;
- \$0.5 million from the Department of Health to the Department of Finance for the transfer of Sunset Hospital to Building Management and Works;

- \$0.3 million from the Western Australia Police to the Department of Agriculture and Food for the Livestock Crime Investigation Unit;
- \$0.2 million from the Department of Planning to the Department of Regional Development and Lands for the transfer of Ministerial Support funding;
- \$0.1 million from the Department of Education to the Disability Services Commission for the transfer of administrative support funding provided to Therapy Focus and Rocky Bay;
- \$0.1 million from the Department of Finance to the Western Australian Land Information Authority for the transfer of procurement services; and
- \$23,000 transfer of corporate budget funding from the Department of Finance to the Department of Treasury.

A total transfer to agencies of \$86.4 million provisioned for the sustainable funding and contracting with the not-for-profit sector 2011-12 Budget initiative has been transferred to agencies. Table 4.2 below details the allocation by agency for 2011-12.

<b>2011-12 NOT-FOR-PROFIT SUSTAINABLE FUNDING AND CONTRACTING INITIATIVE</b>		Table 4.2
Agency		Amount \$m
Attorney General		0.4
Child Protection		8.6
Communities		2.2
Corrective Services		2.3
Disability Services Commission		45.4
Education		1.6
Housing Authority		1.4
Indigenous Affairs		0.7
Local Government		- <sup>(a)</sup>
Mental Health Commission		6.7
Training and Workforce Development		1.2
WA Health		15.7
Western Australia Police		0.1
<b>TOTAL</b>		<b>86.4</b>

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

Note: Columns may not add due to rounding.

A total of \$34 million was spent in 2011-12 on 336 voluntary separations of government employees. The ongoing salaries savings from this initiative will be retained by participating agencies and the remaining 50% returned to the Consolidated Account.

<b>2011-12 VOLUNTARY SEPARATIONS</b>		Table 4.3
Agency		Amount \$m
Attorney General		0.1
Chemistry Centre (W.A.)		0.1
Communities		0.4
Corrective Services		0.8
Education		4.3
Finance <sup>(a)</sup>		1.5
Fire and Emergency Services Authority		0.5
Fisheries		1.1
Indigenous Affairs		0.5
Mines and Petroleum		0.9
Planning		2.1
Premier and Cabinet		0.7
Public Transport Authority		2.3
Registrar, Western Australian Industrial Relations Commission		0.3
Small Business Development Corporation		0.4
South West Development Commission		0.1
State Development		0.4
Training and Workforce Development		0.9
Transport		0.7
Treasury		0.5
WA Health		3.0
Water		4.8
Western Australia Police		0.6
Western Australian Land Information Authority		7.1
Wheatbelt Development Commission		0.1
<b>TOTAL</b>		<b>34.0</b>

(a) Incorporates the former Office of Energy.

Note: Columns may not add due to rounding.



The 2011-12 Budget included a general allocation of \$11.9 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 fair and reasonable compensation for current cost of living differentials experienced by regional public sector employees. A total \$9.4 million of these payments has since been transferred to agencies under section 25 of the FMA. Table 4.4 below details district allowance transfers by agency for 2011-12.

<b>2011-12 DISTRICT ALLOWANCES</b>		Table 4.4
Agency		Amount \$m
Agriculture and Food		0.1
Attorney General		0.2
Child Protection		0.6
Commerce		- (a)
Commissioner of Main Roads		0.2
Communities		- (a)
Country High School Hostels		- (a)
Corrective Services		1.0
Culture and the Arts		- (a)
Disability Services Commission		- (a)
Education		0.7
Environment and Conservation		0.4
Finance		- (a)
Fire and Emergency Services Authority		0.1
Fisheries		0.1
Gascoyne Development Commission		- (a)
Goldfields-Esperance Development Commission		- (a)
Indigenous Affairs		- (a)
Kimberley Development Commission		- (a)
Mid West Development Commission		- (a)
Mines and Petroleum		- (a)
Pilbara Development Commission		- (a)
Planning		- (a)
Premier and Cabinet		- (a)
Regional Development and Lands		- (a)
Sport and Recreation		- (a)
Training and Workforce Development		1.0
Transport		0.1
WA Health		3.7
Water		- (a)
Western Australia Police		0.9
Western Australian Tourism Commission		- (a)
<b>TOTAL</b>		<b>9.4</b>

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

Note: Columns may not add due to rounding.

Any 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 2012 are outlined in the following table. It should be noted that these projections are subject to timing changes and other movements in agencies' appropriations throughout the remainder of the financial year. Major spending decisions in 2011-12 that impact the Treasurer's Advance are detailed in Chapter 5 and 6 and in the 2011-12 mid-year review.

Table 4.5

**TRANSFERS, EXCESSES AND NEW ITEMS**

Item	Appropriation	Transfers <sup>(a)</sup> \$m	Treasurer's Advance		Draw on Treasurer's Advance to date <sup>(b)</sup> \$m
			New Items \$m	Excesses \$m	
Recurrent Appropriations					
<i>Parliamentary Commissioner for Administrative Investigations</i>					
4	Delivery of Services	-	-	0.3	-
<i>Premier and Cabinet</i>					
5	Delivery of Services	-9.5	-	-	-
<i>Salaries and Allowances Tribunal</i>					
8	Delivery of Services	-	-	0.2	-
<i>State Development</i>					
9	Delivery of Services	-1.1	-	-	-
<i>WA Health</i>					
11	Delivery of Services	-9.9	-	-	-
12	Contribution to Hospital Fund	5.6	-	7.3	-
<i>Western Australian Tourism Commission</i>					
13	Delivery of Services	-(c)	-	-	-
<i>Department of Mines and Petroleum</i>					
14	Delivery of Services	0.9	-	-	-
15	Administered Grants, Subsidies and Other Transfer Payments	-	-	0.2	-
<i>Fisheries</i>					
16	Delivery of Services	1.1	-	9.5	-
<i>Regional Development and Lands</i>					
18	Delivery of Services	1.8	-	2.8	-
<i>Gascoyne Development Commission</i>					
19	Delivery of Services	-(c)	-	-(c)	-
<i>Goldfields-Esperance Development Commission</i>					
20	Delivery of Services	-(c)	-	-(c)	-
<i>Great Southern Development Commission</i>					
21	Delivery of Services	-	-	-(c)	-
<i>Kimberley Development Commission</i>					
22	Delivery of Services	-(c)	-	-(c)	-
<i>Mid West Development Commission</i>					
23	Delivery of Services	-(c)	-	-(c)	-
<i>Peel Development Commission</i>					
24	Delivery of Services	-	-	-(c)	-
<i>Pilbara Development Commission</i>					
25	Delivery of Services	-(c)	-	-(c)	-
<i>South West Development Commission</i>					
26	Delivery of Services	0.1	-	0.1	-
<i>Wheatbelt Development Commission</i>					
27	Delivery of Services	0.1	-	-(c)	-
<i>Western Australian Land Information Authority</i>					
28	Delivery of Services	7.1	-	-	-

Note: Columns may not add due to rounding.

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**TRANSFERS, EXCESSES AND NEW ITEMS**

Table 4.5 (cont.)

Item	Appropriation	Transfers <sup>(a)</sup> \$m	Treasurer's Advance		Draw on Treasurer's Advance to date <sup>(b)</sup> \$m
			New Items \$m	Excesses \$m	
<i>Treasury</i>					
29	Delivery of Services	-38.6	-	-	-
33	Western Australian Land Authority	-	-	3.9	-
36	Sustainable Funding and Contracting with the Not-For-Profit Sector	-86.4	-	-	-
40	Provision for District Allowances	-9.4	-	-	-
41	Provision for Voluntary Separation Package	-34.0	-	-	-
42	Provision for Unfunded Liabilities in the Government Insurance Fund	-	-	2.0	-
43	Refund of Past Years Revenue Collections – Public Corporations	-	-	15.0	-
47	All Other Grants, Subsidies and Transfer Payments	-	-	5.0	-
<i>Attorney General</i>					
50	Delivery of Services	0.7	-	6.3	-
<i>Equal Opportunity Commission</i>					
52	Delivery of Services	-	-	0.1	-
<i>Office of the Director of Public Prosecutions</i>					
54	Delivery of Services	-	-	2.7	-
<i>Commissioner for Children and Young People</i>					
55	Delivery of Services	-	-	- <sup>(c)</sup>	-
<i>Office of the Information Commissioner</i>					
56	Delivery of Services	-	-	- <sup>(c)</sup>	-
<i>Education</i>					
58	Delivery of Services	6.5	-	-	-
<i>Curriculum Council</i>					
61	Delivery of Services	-3.8	-	-	-
<i>Country High School Hostels Authority</i>					
62	Delivery of Services	- <sup>(c)</sup>	-	-	-
<i>Finance</i>					
63	Delivery of Services	61.5	-	21.3	-
<i>Commerce</i>					
65	Delivery of Services	- <sup>(c)</sup>	-	8.1	-
<i>Small Business Development Corporation</i>					
66	Delivery of Services	0.4	-	- <sup>(c)</sup>	-
<i>Registrar, Western Australian Industrial Relations Commission</i>					
67	Delivery of Services	0.3	-	0.1	-
<i>Western Australia Police</i>					
68	Delivery of Services	-0.1	-	6.1	-
<i>Fire and Emergency Services Authority of Western Australia</i>					
69	Delivery of Services	0.6	-	1.0	-
<i>Sport and Recreation</i>					
70	Delivery of Services	- <sup>(c)</sup>	-	-	-
<i>Western Australian Sports Centre Trust</i>					
72	Delivery of Services	-	-	4.5	-
<i>Racing, Gaming and Liquor</i>					
74	Administered Grants, Subsidies and Other Transfer Payments	-	-	0.6	-
<i>Planning</i>					
75	Delivery of Services	0.9	-	1.8	-

Note: Columns may not add due to rounding.

Table 4.5 (cont.)

		Treasurer's Advance			Draw on Treasurer's Advance to date <sup>(b)</sup>
Item	Appropriation	Transfers <sup>(a)</sup> \$m	New Items \$m	Excesses \$m	\$m
<i>Western Australian Planning Commission</i>					
76	Delivery of Services	-	-	- <sup>(c)</sup>	-
<i>Department of Culture and the Arts</i>					
77	Delivery of Services	- <sup>(c)</sup>	-	5.2	-
79	Library Board of Western Australia	-	-	1.1	-
80	Perth Theatre Trust	-	-	0.8	-
<i>Office of Energy</i>					
83	Delivery of Services	-20.6	-	0.1	-
<i>Chemistry Centre (W.A.)</i>					
82	Delivery of Services	0.1	-	0.1	-
<i>Training and Workforce Development</i>					
84	Delivery of Services	3.2	-	0.7	-
<i>Indigenous Affairs</i>					
85	Delivery of Services	1.2	-	1.7	-
<i>Transport</i>					
86	Delivery of Services	1.8	-	18.1	-
<i>Commissioner of Main Roads</i>					
88	Delivery of Services	0.2	-	-	-
<i>Public Transport Authority</i>					
89	Delivery of Services	2.3	-	-	-
<i>Housing Authority</i>					
90	Delivery of Services	1.4	-	-	-
<i>Child Protection</i>					
91	Delivery of Services	9.2	-	7.6	-
<i>Communities</i>					
92	Delivery of Services	12.9	-	19.7	27.4
<i>Local Government</i>					
94	Delivery of Services	- <sup>(c)</sup>	-	-	-
<i>Heritage Council of Western Australia</i>					
95	Delivery of Services	-	-	0.2	-
<i>Agriculture and Food</i>					
97	Delivery of Services	0.4	-	-	-
NEW Administered Grants, Subsidies and Other Transfer Payments					
		-	-	10.0	-
<i>Corrective Services</i>					
99	Delivery of Services	5.6	-	23.9	-
<i>Environment and Conservation</i>					
101	Delivery of Services	0.4	-	-	-
<i>Water</i>					
106	Delivery of Services	4.8	-	-	-
<i>Mental Health Commission</i>					
108	Delivery of Services	33.0	-	-	-
<i>Disability Services Commission</i>					
109	Delivery of Services	45.5	-	1.7	-
<i>School Curriculum and Standards Authority</i>					
NEW Delivery of Services					
		3.8	-	-	-
<b>Total Recurrent</b>		-	-	190.0	27.4

Note: Columns may not add due to rounding.

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**TRANSFERS, EXCESSES AND NEW ITEMS**

Table 4.5 (cont.)

Item	Appropriation	Treasurer's Advance			Draw on Treasurer's Advance to date <sup>(b)</sup> \$m
		Transfers <sup>(a)</sup> \$m	New Items \$m	Excesses \$m	
<b>Capital Appropriations</b>					
<i>Parliamentary Services Department</i>					
110	Capital Contribution	-	-	0.1	-
<i>WA Health</i>					
112	Capital Contribution	-0.2	-	2.0	-
<i>Treasury</i>					
117	Capital Contribution	-5.4	-	0.3	-
NEW	Department of Finance	-	1.1	-	-
<i>Finance</i>					
136	Capital Contribution	5.4	-	-	-
<i>Western Australian Sports Centre Trust</i>					
141	Capital Contribution	-	-	63.5	33.4
<i>Planning</i>					
142	Capital Contribution	-4.0	-	-	-
<i>Western Australian Planning Commission</i>					
143	Capital Contribution	-	-	7.0	-
<i>Transport</i>					
148	Capital Contribution	4.0	-	-	-
<i>Housing Authority</i>					
151	Capital Contribution	2.0	-	3.4	-
<i>Child Protection</i>					
152	Capital Contribution	-2.0	-	-	-
<i>Governors Establishment</i>					
NEW	Capital Contribution	-	0.8	-	0.8
<i>Mental Health Commission</i>					
NEW	Capital Contribution	0.2	-	-	-
<b>Total Capital</b>		-	1.9	76.2	34.2
<b>TOTAL</b>		-	1.9	266.1	61.6

(a) Authorised under section 25 of the FMA.

(b) Budget cut-off date, 7 May 2012.

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

Note: Columns may not add due to rounding.



# State Government Social Concessions Expenditure Statement<sup>1</sup>

## Overview

The State Government provides social concessions in the form of rebates, discounts and waivers to improve the affordability of services and help reduce the cost of living for eligible individuals and families. This Appendix sets out the actual expenditure incurred by the State in 2010-11 and outlines new initiatives introduced in the 2012-13 Budget to expand the scope of concessions offered by the Government.

In 2010-11, the State provided social concessions with an estimated value of \$786.2 million across a range of service areas, up from \$610.4 million in 2009-10. The cost of concessions to the State in 2010-11 was partly offset by a \$21.4 million contribution from the Commonwealth for certain concessions for pensioners and Seniors Card holders.

The total value of social concessions provided by the State Government is expected to be about \$900 million in 2011-12 and to approach \$1 billion in value in 2012-13.

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<sup>1</sup> Sources and Methodology: 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 29 agencies that provide social concessions. The information in this Appendix is not a definitive guide to all of the available concessions provided by State agencies. 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.

## Changes to Concessions in 2012-13

As part of the 2012-13 Budget, the Government has announced new or enhanced social concessions as detailed below. This is in addition to increases in the value of concessions that will occur through the indexation of concessions and increases in the cost of delivering services to Western Australians.

### **Cost of Living Assistance Payment (\$58.9 million)**

A new Cost of Living Assistance (CoLA) payment will support low income Western Australian households to pay their electricity bills. From 1 October 2012, the CoLA payment replaces the existing Supply Charge Rebate (SCR), and will initially be set at \$200 (paid in instalments per bill), compared to the existing SCR of \$147. The CoLA payment will be indexed each year, to an estimated \$254 by 2015-16. The CoLA payment is expected to cost \$58.9 million in 2012-13 and a total of \$286.2 million across the four year period to 2015-16.

It is estimated that around one third of all Western Australian households will be eligible for the CoLA payment.

### **Seniors Cost of Living Rebate (\$2.4 million)**

As a result of more seniors applying for the Seniors Card, an additional \$2.4 million will be spent in 2012-13 on the Seniors Cost of Living Rebate, bringing total spending on the rebate in 2012-13 to \$38.6 million.

### **Seniors Safety and Security Rebate (\$2.7 million)**

An additional \$2.7 million has been provided to extend the availability of the Safety and Security Rebate for seniors.



Table 5.1

**SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS**  
Western Australia

Class of Concession	2009-10 Estimated Total Value \$m	2009-10 Estimated No. of Recipients	2010-11 Estimated Total Value \$m	2010-11 Estimated No. of Recipients
<b>ENERGY</b>				
Supply charge rebate	24.6	274,880	31.9	274,926
Dependent child rebate	7.3	21,264	11.5	50,234
Other	1.3	n.a.	1.9	n.a.
<b>WATER, SEWERAGE AND DRAINAGE</b>				
Rates rebate for pensioners	37.6	113,940	38.8	115,326
Consumption concession for pensioners	7.8	297,400	9.8	309,522
Rates rebate for seniors	12.0	51,692	12.8	54,866
Other	- <sup>(a)</sup>	179	- <sup>(a)</sup>	169
<b>HOUSING AND LAND</b>				
Rental subsidy	107.8	27,431	219.5	29,475
Amenities fee waiver	0.7	9,686	0.7	8,455
Other	0.7	12,663	0.7	11,686
<b>LOCAL GOVERNMENT</b>				
Rates rebate for pensioners	70.6	375,777	75.7	372,476
Other	1.0	n.a.	1.5	n.a.
<b>TRANSPORT</b>				
Contract school bus services	94.5	26,209	99.1	26,595
Transperth fares concession	65.5	n.a.	64.3	n.a.
Free travel on Transperth services for pensioners	15.0	n.a.	13.7	n.a.
Motor vehicle licence fee concession for pensioners	25.6	179,532	26.7	184,004
Drivers licence fee concession for pensioners	9.4	309,587	9.8	323,129
Pensioners' annual free trip	3.2	34,762	3.5	35,358
Taxi user subsidy	8.9	n.a.	10.1	n.a.
TransWA fares concession	2.8	162,051	2.7	155,027
Subsidised student travel	1.0	449	0.9	359
Other	6.3	n.a.	6.2	n.a.
<b>HEALTH</b>				
Subsidised dental care	13.8	59,316	14.4	51,017
Spectacle subsidy scheme	2.6	53,085	2.4	48,820
Patient Assisted Travel Scheme	24.6	n.a.	28.0	n.a.
Ambulance service for seniors	16.2	n.a.	20.2	n.a.
Other	3.7	n.a.	5.0	n.a.
<b>EDUCATION</b>				
Secondary assistance scheme for school charges	4.2	20,478	6.2	26,366
Secondary assistance scheme for clothing	2.4	20,928	2.3	20,043
Department of Training and Workforce Development tuition fees	8.7	n.a.	11.9	n.a.
Boarding away from home allowance	4.3	2,155	4.3	2,286
Other	0.1	275	0.1	430
<b>LEGAL SERVICES</b>				
Legal assistance	15.6	n.a.	17.7	n.a.
Other	2.4	n.a.	2.2	n.a.

Table 5.1 (cont.)

**SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS**  
Western Australia

Class of Concession	2009-10 Estimated Total Value \$m	2009-10 Estimated No. of Recipients	2010-11 Estimated Total Value \$m	2010-11 Estimated No. of Recipients
<b>CULTURE, LEISURE AND RECREATION</b>				
Children's Zoo discount	1.0	n.a.	1.0	n.a.
Children under four years of age – free Zoo entry	1.5	n.a.	1.5	n.a.
Other	3.5	n.a.	3.1	n.a.
<b>SENIORS</b>				
Seniors cost of living rebate <sup>(b) (c)</sup>	1.5	17,387	22.3	245,395
Safety and security rebate	0.8	4,195	1.9	9,896
<b>TOTAL</b>	<b>610.4</b>	<b>n.a.</b>	<b>786.2</b>	<b>n.a.</b>

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

(b) In 2010, the timing of the rebate was changed from March to July.

(c) No payment made in 2009-10. The table value reflects back payments due to errors in the rebate processing system. The normal payment was made in 2010-11.

Note: Columns may not add due to rounding.

## Benefits Provided in 2010-11

### Energy

#### Supply charge rebate (\$31.9 million)

Domestic customers of Synergy and Horizon who are in possession of a Pensioner Concession Card (PCC), Health Care Card (HCC), Commonwealth Seniors Health Card (CSHC) or Western Australian Seniors Card (WASC) receive a full rebate of the fixed (daily) supply charge. The average value of the rebate per recipient is approximately \$116 per year in 2010-11. The total annual value of the supply charge rebate in 2011-12 is \$147.

#### Dependent child rebate (\$11.5 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 \$230 per year.

#### Other (\$1.9 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 (\$38.8 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 \$336 per year.

### **Consumption concession for pensioners (\$9.8 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 \$32 per year.

### **Rates rebate for seniors (\$12.8 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 (\$29,382)**

Other water concessions provided by the Water Corporation include a 25% concession on annual water, sewerage and drainage services for residents in qualifying retirement villages.

## Housing and Land

### **Rental subsidy (\$219.5 million)**

Approximately 29,475 low income individuals and families in public rental housing receive a rental subsidy from the Department of Housing. Eligibility for the subsidy is based on the applicant's capacity to pay rent (as determined by an income and assets test). There is a rental cap of 25% of assessable income. The value of the subsidy reflects the difference between subsidised rents and assessed market rents for each public housing dwelling. Market rents were assessed in 2007 and in 2010. The increase in the value of the subsidy since 2009-10 reflects the increase in market rents between 2007 and 2010. The average value of the subsidy per recipient is approximately \$7,448 per year.

### **Amenities fee waiver (\$0.7 million)**

The Department of Housing's senior tenants over 55 years of age are exempt from the amenities fee for in-built room heaters. Partial waivers are available to low income earners. The average value of the waiver is \$79 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 the Department of Housing under the Bond Assistance Program.

## **Local Government**

### **Rates rebate for pensioners (\$75.7 million)**

The State Government through 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 \$203 per year.

### **Other (\$1.5 million)**

Other concessions provided by the Government through the Office of State Revenue include the War Widows Land Tax Concession, the Thermoregulatory Dysfunction Energy Subsidy, and the Life Support Equipment Energy Subsidy.

## **Transport**

### **Contract school bus services (\$99.1 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 \$9.75 per journey or about \$3,725 per year.

### **Transperth fares concession (\$64.3 million)**

Children, students and holders of a WASC, PCC, HCC or a SCC receive discounts on Transperth fares (between 60-65%), or free travel. The average value of the concession per recipient is \$1.90 per journey.

### **Free travel on Transperth services for seniors (\$13.7 million)**

Seniors, aged and disability pensioners can travel free on Transperth services between 9.00am and 3.30pm on weekdays, and 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 average value of the concession is \$2.86 per journey.

**Motor vehicle licence fee concession for pensioners (\$26.7 million)**

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 average value of the 100% concession is approximately \$245 per pensioner per year. The average value of the 50% concession is approximately \$123 per year.

**Drivers licence fee concession for pensioners (\$9.8 million)**

Age pensioners and 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 average value of the 100% concession is approximately \$37 per pensioner per year. The average value of the 50% concession is approximately \$25 per year.

**Pensioners' annual free trip (\$3.5 million)**

Holders of a PCC who live north of the 26<sup>th</sup> 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. The average value of this concession is approximately \$688 per pensioner per year. In addition, holders of a WASC or a PCC also receive one free return train trip or two single train trips to any location within Western Australia from the Public Transport Authority. The average value of this concession is approximately \$38 per pensioner per year.

**Taxi user subsidy (\$10.1 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 \$16.48 per trip.

**TransWA fares concession (\$2.7 million)**

Children under 15 years of age, students, Western Australia residents holding a WASC, PCC, HCC, CSHC or SCC receive a 50% discount on fares for TransWA services. The average value per concession is \$17.61 per journey.

**Subsidised student travel (\$0.9 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 \$2,438 per recipient.

**Other (\$6.2 million)**

Other transport concessions include the Student Conveyance Allowance, Student Fare Concessions, and the intra-town and inter-town travel concessions for pensioners.

## Health

### **Subsidised dental care (\$14.4 million)**

Persons who receive a full/near full pension or allowance from Centrelink receive a 75% discount on dental work provided by Government dental clinics. Holders of a HCC receive a 50% discount. The average value of the concession is \$182 per treatment based on 78,789 treatments during 2010-11.

### **Spectacle subsidy scheme (\$2.4 million)**

Age pensioners, disability pensioners and holders of a WASC receive a subsidy from the WA Health to acquire spectacles or contact lenses. The average value of the subsidy per recipient is \$49.51.

### **Patient Assisted Travel Scheme (\$28.0 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, or between 70-100 km for cancer treatment or dialysis, can apply for a subsidy to assist with the cost of travel and accommodation. The average value of the concession is \$410 per journey based on a total of 68,327 subsidised journeys in 2010-11.

### **Ambulance Service for Seniors (\$20.2 million)**

Age 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 \$299 per year based on 67,656 subsidised journeys.

### **Other (\$5.0 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 (\$6.2 million)**

The Department of Education provides assistance of \$235 to low income families with secondary school children to meet school charges. Recipients must hold a family PCC or HCC.

### **Secondary assistance scheme for clothing (\$2.3 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 (\$11.9 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, receive a discount on tuition fees for Vocational Education and Training (VET) courses of 50%, 75% or 100%. The average value of the concession is \$0.87 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 \$40.38 per recipient for non-VET.

### **Boarding away from home allowance (\$4.3 million)**

Families with geographically isolated students receive up to \$2,105 as an annual concession from the Department of Education to help meet costs associated with boarding away from home.

### **Other (\$111,352)**

Other education concessions include the Secondary Assistance Scheme – ABSTUDY Supplement Allowance and the City Beach Residential College GATE Payment.

## **Legal Services**

### **Legal assistance (\$17.7 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 (\$2.2 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 \$10.50 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 \$21 per child for each visit.

### **Other (\$3.1 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 (\$22.3 million)**

Holders of the WASC are eligible to apply for this concession. In 2010-11, 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 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. There was no payment made in 2009-10, with the numbers reflecting back payments from the year before. In 2010-11, 245,395 applicants received the rebate. The rebate is indexed annually by the Perth Consumer Price Index.

### **Safety and Security Rebate (\$1.9 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.

## **Eligibility Criteria for Concession Cards**

Eligibility for a concession is generally based on income, age, service to country or community and/or special needs or disadvantage. In many cases, eligibility is evidenced by possession of a social security card issued by the Commonwealth, or other cards issued by the State Government as outlined below.

### **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 below the Age Pension age who are 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.

### **Western Australian Seniors Card**

The State government issues the Western Australian Seniors Card (WASC) to permanent residents and people on retirement visas who are over 60 years of age and work less than 25 hours per week. 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.



## APPENDIX 6

# 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 6.1

<b>ASSET INVESTMENT PROGRAM</b>					
	2011-12 Estimated Actual \$m	2012-13 Budget Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
<b>PARLIAMENT</b>					
Legislative Assembly	- <sup>(a)</sup>	-	-	-	-
Parliamentary Services	2.0	1.4	1.0	1.0	1.0
Parliamentary Commissioner for Administrative Investigations	0.2	0.2	0.2	0.2	0.2
<b>PREMIER; MINISTER FOR STATE DEVELOPMENT</b>					
Premier and Cabinet	3.3	1.4	1.0	2.5	2.3
Public Sector Commission	0.2	0.1	0.2	0.2	0.2
Gold Corporation	13.7	9.4	12.4	18.1	2.7
Governor's Establishment	1.6	0.2	0.1	-	0.1
Lotteries Commission	2.2	0.8	0.3	1.4	0.9
Salaries and Allowances Tribunal	-	-	-	-	-
State Development	49.2	113.3	52.0	-	-
<b>DEPUTY PREMIER; MINISTER FOR HEALTH; TOURISM</b>					
WA Health	1,472.1	1,174.4	1,116.3	682.9	233.5
Western Australia Health Promotion Foundation	0.1	0.1	0.1	0.1	0.1
Animal Resources Authority	0.2	0.3	0.3	0.3	0.4
Western Australian Tourism Commission	0.8	0.6	0.6	0.6	0.6
Rottneest Island Authority	3.7	3.7	3.7	3.7	2.0
<b>MINISTER FOR MINES AND PETROLEUM; FISHERIES; ELECTORAL AFFAIRS</b>					
Mines and Petroleum	1.4	2.6	0.9	0.9	1.0
Fisheries	17.3	16.7	4.4	3.8	3.3
Western Australian Electoral Commission	0.1	0.3	0.1	0.1	0.1

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

## ASSET INVESTMENT PROGRAM

Table 6.1 (cont.)

	2011-12 Estimated Actual \$m	2012-13 Budget Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
<b>MINISTER FOR REGIONAL DEVELOPMENT; LANDS; MINISTER ASSISTING THE MINISTER FOR STATE DEVELOPMENT</b>					
Regional Development and Lands	22.2	51.3	57.9	43.1	10.0
<i>Royalties for Regions</i> – Regional and State-wide Initiatives	-	-	22.4	-	-
Great Southern Development Commission	0.1	-	-	-	-
Kimberley Development Commission	-(a)	0.1	-	-	-
Mid West Development Commission	0.7	-(a)	-(a)	-(a)	-(a)
Peel Development Commission	-(a)	-	-	-	-
Pilbara Development Commission	-(a)	-(a)	-(a)	-(a)	0.1
South West Development Commission	0.1	0.1	-(a)	-(a)	-(a)
Wheatbelt Development Commission	-(a)	-(a)	-(a)	-(a)	-(a)
Western Australian Land Authority	390.6	431.7	353.1	336.1	297.7
Western Australian Land Information Authority	15.2	18.7	13.3	15.0	15.4
<b>TREASURER; ATTORNEY GENERAL</b>					
Treasury	1.8	-	-	-	-
Economic Regulation Authority	0.1	-	-	-	-
Insurance Commission of Western Australia	8.0	4.1	3.6	2.8	2.8
Office of the Auditor General	1.4	0.5	0.6	0.6	0.6
Western Australian Treasury Corporation	1.7	1.5	0.8	0.6	0.6
Attorney General	32.4	75.1	60.9	7.4	9.0
Corruption and Crime Commission	3.8	3.0	10.2	3.2	1.5
Commissioner for Equal Opportunity	0.1	0.1	0.1	0.1	0.1
Office of the Director of Public Prosecutions	0.1	0.1	0.1	0.1	0.1
Parliamentary Inspector of the Corruption and Crime Commission	-(a)	-	-	-	-
Legal Aid Commission of Western Australia	1.8	1.6	1.2	1.2	1.2

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

Table 6.1 (cont.)

<b>ASSET INVESTMENT PROGRAM</b>					
	2011-12 Estimated Actual \$m	2012-13 Budget Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
<b>MINISTER FOR EDUCATION</b>					
Education	808.5	518.5	498.1	341.9	219.4
Education Services	0.2	1.6	- (a)	- (a)	- (a)
School Curriculum and Standards Authority	0.2	2.5	0.2	0.2	-
Country High School Hostels Authority	20.1	22.3	10.5	0.5	0.5
<b>MINISTER FOR FINANCE; COMMERCE; SMALL BUSINESS</b>					
Finance	297.3	212.1	181.7	187.8	238.7
Commerce	9.3	4.9	5.7	4.4	4.3
Small Business Development Corporation	0.2	0.1	0.1	0.1	0.1
Registrar, Western Australian Industrial Relations Commission	0.2	0.2	0.2	0.2	0.2
WorkCover WA	2.1	1.5	0.1	0.1	0.1
<b>MINISTER FOR POLICE; ROAD SAFETY</b>					
Western Australia Police	126.9	131.6	75.6	62.8	23.2
<b>MINISTER FOR SPORT AND RECREATION; RACING AND GAMING</b>					
Sport and Recreation	16.4	119.6	20.4	13.4	0.6
Provision for Perth Major Stadium	-	-	45.0	130.0	200.0
Western Australian Sports Centre Trust	187.7	6.3	7.9	10.2	11.2
Western Australian Institute of Sport	0.3	0.4	0.3	0.3	0.2
Racing, Gaming and Liquor	0.1	2.7	1.9	0.3	0.2
Racing and Wagering Western Australia	15.5	17.4	14.8	13.2	13.0
Western Australian Greyhound Racing Authority	0.6	0.6	-	0.1	0.1
Burswood Park Board	0.7	0.8	1.0	0.9	0.4
<b>MINISTER FOR PLANNING; CULTURE AND THE ARTS; SCIENCE AND INNOVATION</b>					
Planning	20.4	13.8	10.7	2.8	2.2
Metropolitan Redevelopment Authority	91.4	250.5	202.9	137.8	106.3
Western Australian Planning Commission	72.3	45.2	45.1	45.6	95.2
Culture and the Arts	16.3	13.3	21.5	28.4	54.9
Chemistry Centre (W.A.)	2.1	1.4	1.5	1.2	1.0

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

## ASSET INVESTMENT PROGRAM

Table 6.1 (cont.)

	2011-12 Estimated Actual \$m	2012-13 Budget Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
<b>MINISTER FOR ENERGY; TRAINING AND WORKFORCE DEVELOPMENT; INDIGENOUS AFFAIRS</b>					
Office of Energy	- <sup>(a)</sup>	-	-	-	-
Independent Market Operator	8.9	3.5	0.7	0.9	0.9
Horizon Power	164.5	258.2	56.7	48.4	22.4
Synergy	8.6	7.3	5.5	5.5	9.0
Verve Energy	168.5	81.2	58.4	54.2	55.9
Western Power	774.5	1,039.1	1,165.4	886.5	865.3
Training and Workforce Development	21.6	59.6	64.3	40.3	14.7
State Training Providers	17.7	25.0	13.8	10.2	8.3
Indigenous Affairs	1.3	1.6	1.1	0.4	0.6
<b>MINISTER FOR TRANSPORT; HOUSING; EMERGENCY SERVICES</b>					
Transport	29.5	44.2	50.1	504.0	513.9
Commissioner of Main Roads	619.4	776.8	583.6	245.6	125.9
Provision for Gateway WA Project	-	53.3	118.7	73.0	237.6
Fire and Emergency Services of WA	42.2	35.9	13.0	11.7	12.7
Public Transport Authority of Western Australia	341.7	547.7	346.3	287.4	230.5
Albany Port Authority	2.8	4.8	1.0	1.0	1.0
Broome Port Authority	3.9	3.7	0.7	1.6	1.6
Bunbury Port Authority	3.5	3.1	2.4	3.0	3.0
Dampier Port Authority	4.4	5.0	5.0	5.0	5.0
Esperance Port Authority	3.0	3.0	3.0	3.0	3.0
Fremantle Port Authority	28.5	110.0	79.5	110.7	90.6
Geraldton Port Authority	7.2	11.4	10.3	5.0	5.0
Port Hedland Port Authority	13.3	7.5	13.0	7.0	7.0
Housing Authority	959.0	971.1	466.3	387.5	369.3
Keystart Housing Scheme Trust	1.1	1.1	1.1	1.1	1.1
<b>MINISTER FOR CHILD PROTECTION; COMMUNITY SERVICES; SENIORS AND VOLUNTEERING; WOMEN'S INTERESTS; YOUTH</b>					
Child Protection	17.9	3.0	1.6	-	-
Communities	1.7	-	-	-	-

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

Table 6.1 (cont.)

<b>ASSET INVESTMENT PROGRAM</b>					
	2011-12 Estimated Actual \$m	2012-13 Budget Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
<b>MINISTER FOR LOCAL GOVERNMENT; HERITAGE; CITIZENSHIP AND MULTICULTURAL INTERESTS</b>					
Local Government	0.2	0.1	0.1	0.1	0.1
Metropolitan Cemeteries Board	9.6	4.7	7.2	10.5	4.9
Heritage Council of Western Australia	1.3	0.6	- <sup>(a)</sup>	- <sup>(a)</sup>	- <sup>(a)</sup>
The National Trust of Australia (W.A.)	4.6	10.5	0.7	0.7	0.7
<b>MINISTER FOR AGRICULTURE AND FOOD; FORESTRY; CORRECTIVE SERVICES</b>					
Agriculture and Food	14.8	16.8	10.1	17.6	18.8
Rural Business Development Corporation	-	-	-	-	-
Western Australian Meat Industry Authority	0.2	0.2	0.4	0.4	0.3
Perth Market Authority	11.5	14.9	0.7	0.7	0.7
Forest Products Commission	0.6	0.6	0.6	0.6	0.6
Corrective Services	123.2	154.0	141.9	106.4	32.0
Office of the Inspector of Custodial Services	0.1	- <sup>(a)</sup>	- <sup>(a)</sup>	- <sup>(a)</sup>	- <sup>(a)</sup>
<b>MINISTER FOR ENVIRONMENT; WATER</b>					
Environment and Conservation	30.3	24.7	21.3	15.0	15.6
Botanic Gardens and Parks Authority	6.9	1.0	1.0	1.0	1.0
Office of the Environmental Protection Authority	0.2	0.2	0.1	0.1	0.4
Swan River Trust	0.6	0.2	- <sup>(a)</sup>	0.1	0.3
Zoological Parks Authority	5.5	6.4	5.9	5.5	3.3
Water	21.4	14.8	17.4	12.1	13.3
Water Corporation	913.3	1,071.2	987.0	756.1	775.4
Bunbury Water Board	3.7	2.2	6.8	3.1	1.8
Busselton Water Board	9.6	3.8	5.1	3.1	2.0

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



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**ASSET INVESTMENT PROGRAM**

Table 6.1 (cont.)

	2011-12 Estimated Actual \$m	2012-13 Budget Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
<b>MINISTER FOR MENTAL HEALTH; DISABILITY SERVICES</b>					
Disability Services Commission	2.9	4.4	7.3	2.8	2.9
Mental Health Commission	0.5	2.8	0.1	-	-
Provision for Underspend	-1,250.0	-	-	-	-
Provision for Program Slippage	-	-1,000.0	333.3	333.3	333.3
Inter-agency Purchases	-39.8	-32.1	-49.7	-32.1	-7.1
<b>TOTAL</b>	<b>6,852.4</b>	<b>7,639.4</b>	<b>7,421.6</b>	<b>6,038.3</b>	<b>5,343.8</b>
<i>Funded by:</i>					
<b>APPROPRIATIONS</b>					
Capital Appropriation	1,942.2	1,864.6	1,215.7	744.9	581.0
<b>OTHER FUNDING</b>					
Holding Account	202.9	181.5	268.1	193.5	190.3
Agency Borrowings	1,087.3	1,530.0	1,798.8	1,278.6	875.8
<i>Royalties for Regions</i>	430.0	598.5	521.1	366.6	180.2
Commonwealth Grants	649.9	755.7	665.5	694.4	682.0
Land and Property Sales	683.5	997.4	677.6	626.2	580.0
Internal Funds and Balances	817.7	915.2	1,445.4	1,478.6	1,721.8
Special Purpose Accounts <sup>(b)</sup>	678.9	509.6	528.2	334.4	95.9
Other	360.0	286.9	301.2	321.2	436.8
<b>TOTAL</b>	<b>6,852.4</b>	<b>7,639.4</b>	<b>7,421.6</b>	<b>6,038.3</b>	<b>5,343.8</b>

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

(b) Funding held at Department of Treasury for the Fiona Stanley and the New Children's Hospitals, and Perth Major Stadium.

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 public sector business activities and private sector businesses.

General government sector revenue from public corporations in 2012-13 is estimated to be \$1.3 billion, an increase of \$133 million (or 11.7%) from 2011-12. This comprises \$490 million in income tax equivalent payments, \$14 million in local government rate equivalent payments, and \$764 million in dividend payments, and includes the impact of the efficiency dividend to be implemented in 2012-13.

General government expenses to public corporations in 2012-13 are estimated to be \$1.7 billion, a decrease of \$118 million (or 6.4%) from 2011-12.

The net subsidy of payments from the Consolidated Account to GTEs in 2012-13 is \$473 million (see Table 7.1).

From 2012-13, the Government will require the majority of GTEs to implement a further efficiency dividend that will reduce their operating expenditure by 2.5% in 2012-13, 4.0% in 2013-14, 5.5% in 2014-15 and 6.0% in 2015-16.

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 2012-13 mid-year review.

The increase in revenue of \$133 million in 2012-13 is largely a result of projected increases in payments from Horizon Power, Verve Energy, Western Power, Port Hedland Port Authority and the Insurance Commission of Western Australia, partially offset by a projected decrease in payments from Synergy and the Western Australian Land Authority (LandCorp).

In this regard:

- Horizon Power's payments to the general government sector are forecast to increase by \$16 million (or 27.3%), due to a higher dividend payment resulting from revenue growth exceeding growth in expenditure;
- Verve Energy's payments to the general government sector have increased by \$36 million due to higher income tax expense as a result of utilisation of deferred tax losses offset by lower dividend payments as a result of lower 2011-12 Net Profit After Tax;
- Western Power's payments to the general government sector are increasing by \$71 million in 2012-13, mainly due to assumptions with regard to increased network tariff revenue partially offset by increase in expenses, depreciation and interest;
- the increase of \$17 million (or 220%) in income tax equivalent revenue and dividend payments from the Port Hedland Port Authority is mainly due to increased overall throughput, revised pricing, stronger cost management and the revenue stream associated with the full operation of the Utah Point berth;
- the \$9 million, or 45.3%, increase in income tax equivalent revenue from the Insurance Commission of Western Australia is due to a forecast improvement in profitability largely driven by an increase in the value of investment returns;
- Synergy's payments to the general government sector have decreased by \$20 million (or 26.2%) due to increased costs along the electricity supply chain, reduced customer volumes and absorption of increased feed-in tariff expenses; and
- the decrease in income tax equivalent revenue from LandCorp is mainly due to lower margins associated with a high percentage of overall sales being based on regional projects. This has been partially offset by higher than expected Local Government Rate Equivalents due to a forecast increase in land holdings in 2012-13 and a higher dividend payment as a result of the efficiency dividend.

A detailed listing of revenue received from individual public corporations and information on dividend payout ratios are provided later in the appendix (see Table 7.7 and 7.8).

There are also significant payments from the general government sector to public corporations. Payments to public corporations in 2012-13 are estimated to be \$1.7 billion, a decrease of \$118 million (or 6.4%) from 2011-12. Such payments include operating subsidies for non-commercial services provided by public corporations on behalf of the Government. Significant payments include:

- \$371 million paid to Synergy and Horizon Power for the ‘tariff adjustment payment’. These payments offset the shortfall in electricity prices paid by customers relative to the cost of providing electricity;
- \$662 million in operating subsidies paid to the Public Transport Authority; and
- \$291 million paid to the Water Corporation for the provision of household water and wastewater services in country areas at prices set by the Government, to match metropolitan water prices.

A detailed list of general government sector expenses arising from payments to individual public corporations is provided in Table 7.9.

### GTEs: Payments to and from the Consolidated Account

The following table shows that the Consolidated Account (part of the general government sector) will provide a net subsidy to the GTEs of \$473 million in 2012-13. This comprises a total subsidy payment from the Consolidated Account of \$1.7 billion, partially offset by dividend and tax equivalent payments totalling \$1.3 billion.

Table 7.1

#### GOVERNMENT TRADING ENTERPRISES

##### Transactions with the Consolidated Account <sup>(a)</sup>

	2011-12 Estimated Actual \$m	2012-13 Budget Estimate \$m
<b>Electricity Corporations</b>		
<b>Dividends and Tax Equivalents</b>		
Horizon	60	76
Synergy	78	57
Verve	86	121
Western Power	126	196
<b>TOTAL</b>	<b>350</b>	<b>450</b>
<b>Operating Subsidies</b>		
Horizon	39	57
Synergy	428	437
<b>TOTAL</b>	<b>467</b>	<b>494</b>
<i>Net Electricity Corporations</i>	<i>-118</i>	<i>-44</i>
<b>Water Corporation</b>		
Dividends and Tax Equivalents	610	590
Operating Subsidies	481	462
<i>Net Water Corporation</i>	<i>129</i>	<i>128</i>
<b>Public Transport Authority <sup>(b)</sup></b>		
Operating Subsidies	779	662
<i>Net Public Transport Authority</i>	<i>-779</i>	<i>-662</i>
<b>Other GTEs</b>		
Dividends and Tax Equivalents	176	226
Operating Subsidies	132	119
<i>Net Other GTEs</i>	<i>43</i>	<i>107</i>
Total Dividends and Tax Equivalents	1,134	1,267
Total Operating Subsidies	1,859	1,737
<b>Net Impact on the Consolidated Account</b>	<b>-725</b>	<b>-470</b>

(a) This table does not include equity injections.

(b) The Public Transport Authority does not pay dividends or tax equivalent payments.

Note: Columns may not add due to rounding.

In 2012-13 net payments to the Electricity Sector from the Consolidated Account equate to \$44 million. This comprises:

- \$371 million paid to Synergy and Horizon Power for the ‘tariff adjustment payment’. These payments offset the shortfall in electricity prices paid by customers relative to the cost of providing electricity; and
- other operating subsidies for a variety of initiatives, including the cost of living assistance payment, the feed in tariff scheme, Aboriginal and remote communities projects, dependent child rebates, etc.

In return, the Electricity Corporations will pay a total of \$450 million in dividends and tax equivalent payments to the Consolidated Account.

In 2012-13 net payments received from the Water Corporation equate to \$128 million. The major operating subsidies paid to the Water Corporation consist of:

- \$291 million for the provision of household water and wastewater services in country areas at prices set by the Government, to match metropolitan water prices; and
- \$116 million for the provision of concessions to pensioners and seniors.

The operating subsidies paid to the Water Corporation will be more than offset by dividends and tax equivalent payments in 2012-13.

In 2012-13, the net payment to the Public Transport Authority (PTA) equates to \$662 million. This reflects the shortfall in public transport fares paid by customers relative to the cost of operating the public transport system, country buses and other PTA services that do not fully recover their costs. The PTA does not pay dividends or tax equivalent payments.

The net payments received from other GTEs in 2012-13 equates to \$107 million. This comprises \$226 million in dividends and tax equivalent payments mainly provided by the Port Authorities and the Insurance Commission of Western Australia. This is partly offset by operating subsidies of \$119 million, mainly representing the operating subsidies paid to the Western Australian Land Authority (Landcorp) for initiatives such as the Australian Marine Complex, the Karratha City Centre Infrastructure Works Project and the Hope Valley/Wattleup redevelopment.

## Electricity Tariffs

### 2012-13 Budget and Planning Assumptions

The Government has approved the following increases to electricity tariffs from 1 July 2012. These increases do not include the impact of the Commonwealth’s carbon tax:

- residential tariffs – 3.5%;

- small business tariffs – 3.5%; and
- other business tariffs – 1% to 24%, 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 general government sector is expecting to provide an operating subsidy to Synergy and Horizon Power (to compensate these corporations for below-cost reflective tariffs) of \$371 million in 2012-13, and \$1 billion across the years 2013-14 to 2015-16, assuming the tariff increases outlined in Table 7.2.

The following tables detail the assumed electricity tariff increases reflected in the 2012-13 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 Economic Regulation Authority (ERA) is yet to finalise its inquiry into the efficient costs of Synergy; and
- the ERA is yet to finalise its determination on network tariffs for 2012-13 and the following four years.

In addition, the Government has not explicitly taken decisions on electricity tariff increases beyond 2012-13. 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 7.2 for 2013-14 onwards represent budget planning assumptions only.



Table 7.2

<b>NON-CONTESTABLE TARIFF INCREASES</b>				
Tariff	2012-13 %	2013-14 %	2014-15 %	2015-16 %
Residential (A1/A2)	3.5	5	10	10
Residential Hot Water (B1)	3.5	5	10	10
Community and Charitable Organisations (C1/C2)	2.3	1.5	7	9.8
Charitable Organisation providing Residential Accommodation (D1/D2)	-4.7	1	6	9.9
Combined Residential/Business (K1/K2)	3.5	5	10	10
Small Business (L1/L2)	3.5	5	10	10
Small Business Time of Use (R1)	3.5	5	10	10

<b>CONTESTABLE TARIFF INCREASES</b>				
Tariff	2012-13 %	2013-14 %	2014-15 %	2015-16 %
Medium Business (L3/L4)	6.4	1.2	7	10.8
Medium Business Time of Use (R3)	5.5	0.3	6	9.7
Large Business (M1/M2)	5.3	2.5	6.7	12
Large Business Low Voltage (S1)	12	0.1	5.7	9.1
Large Business High Voltage (T1)	10	-0.2	5.4	8.4
Traffic Lighting (W1/W2)	12	1.3	4.6	9.8
Street Lighting (Z)	-5	7.1	9.3	19.1

## 2012-13 GTE Efficiency Dividend

From 2012-13, GTEs will be required to implement a further efficiency dividend, measured as a percentage of discretionary expenditure. This is in addition to the 5% efficiency dividend that was implemented as part of the 2011-12 Budget. The efficiency dividend will commence at 2.5% and increase to 4.0% in 2013-14, 5.5% in 2014-15 and 6.0% in 2015-16 for all GTEs except the port authorities. The port authorities will have an efficiency dividend starting at 1.5% in 2012-13, increasing to 3.0% in 2013-14, 4.5% in 2014-15 and 6.0% in 2015-16, reflecting plans to review port operations more generally later in 2012.

Savings will be delivered from discretionary expenditure such as salary and wages, advertising and promotions, consultants, administration, and other consumables.

The savings are to be achieved by improvements in efficiency to ensure that the dividends do not have a negative impact on services or customers.

It is anticipated that reduced expenditure will lead to higher tax equivalent and dividend payments to the general government sector which will have a positive impact on the headline general government operating balance and on total public sector net debt. Table 7.3 shows the estimated impact of the 2012-13 efficiency dividend on the general government operating balance.

Table 7.3

**2012-13 GTE EFFICIENCY DIVIDEND – ESTIMATED IMPACT ON  
GENERAL GOVERNMENT NET OPERATING BALANCE**

	2012-13 Budget Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
Income tax expense	14.7	24.0	33.2	37.3
Dividends	9.5	28.9	42.6	54.4
<b>Total</b>	<b>24.2</b>	<b>52.9</b>	<b>75.9</b>	<b>91.7</b>

In addition to the above impacts, the 2012-13 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 \$384 million over the forward estimates period. Table 7.4 below details the estimated reduction in net debt by each corporation.

Table 7.4

**2012-13 GTE EFFICIENCY DIVIDEND – ESTIMATED IMPACT ON TOTAL PUBLIC SECTOR NET DEBT**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	Net debt saving by 30 June 2016 \$m
Albany Port Authority	0.1	0.1	0.2	0.3	0.7
Broome Port Authority	0.2	0.3	0.5	0.7	1.7
Bunbury Port Authority	0.1	0.3	0.5	0.6	1.5
Bunbury Water Board	0.1	0.2	0.2	0.3	0.8
Busselton Water Board	0.1	0.1	0.2	0.2	0.6
Dampier Port Authority	0.3	0.5	0.8	1.2	2.8
Esperance Port Authority	0.3	0.7	1.0	1.4	3.4
Forest Products Commission	0.6	0.8	1.0	1.1	3.5
Fremantle Port Authority	1.2	2.5	3.8	5.3	12.8
Geraldton Port Authority	0.5	1.1	1.8	2.4	5.8
Gold Corporation	1.8	3.0	4.1	4.5	13.4
Government Employees Superannuation Board (GESB) <sup>(a)</sup>	-	-	-	-	-
Horizon Power	3.4	5.6	8.0	8.8	25.8
Insurance Commission of Western Australia	2.8	4.8	6.5	7.1	21.2
Western Australian Land Authority (LandCorp)	1.3	2.0	3.0	1.7	8.0
Western Australian Land Information Authority	3.1	4.9	7.0	8.2	23.2
Port Hedland Port Authority	1.1	2.4	4.0	5.6	13.1
Synergy	3.1	5.1	7.3	8.2	23.7
Verve Energy	4.3	7.1	10.2	11.2	32.8
Water Corporation	17.1	28.3	39.8	44.5	129.7
Western Australian Treasury Corporation	0.4	0.7	1.0	1.0	3.1
Western Power	7.3	12.1	17.4	18.9	55.8
<b>Total</b>	<b>49.1</b>	<b>82.9</b>	<b>118.6</b>	<b>133.2</b>	<b>383.8</b>

(a) The efficiency dividend on GESB is estimated at \$1 million in 2012-13, \$2 million in 2013-14, and \$3 million in both 2014-15 and 2015-16. 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.

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

## Loan Guarantee Fee

The Western Australian Treasury Corporation (WATC) collects a Loan Guarantee Fee (LGF) from selected agencies in exchange for a Government guarantee on financial liabilities incurred or assumed by the WATC. The LGF is designed to expose GTEs to some of the risk-related cost of debt they would face if they were required to borrow at the market interest rate and ensure competitive neutrality between GTEs and the private sector.

From 1 July 2012, the LGF will increase from 20 basis points to 70 basis points for existing and new borrowings of selected agencies. In net terms, a total \$88 million operating benefit will flow to general government sector from this change.

Table 7.5 shows the estimated impact of increasing the LGF on the general government net operating balance.

Table 7.5

**LOAN GUARANTEE FEE – ESTIMATED IMPACT ON GENERAL GOVERNMENT NET OPERATING BALANCE**

	2012-13 Budget Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
Revenue from LGF	75.7	80.0	84.3	89.0
Income tax expense	-19.2	-20.3	-21.3	-22.5
Dividends	-12.9	-34.6	-35.4	-37.5
Increased appropriations/subsidies	-8.0	-8.8	-9.8	-10.6
<b>Total</b>	<b>35.7</b>	<b>16.3</b>	<b>17.8</b>	<b>18.3</b>

## Increase in Port Charges

The Department of Transport and Department of Treasury have commenced a review into Western Australian port authority charging regimes. The preliminary indication of this review is that there is the potential to substantially increase the rates of returns achieved by port authorities through targeted increases in port charges.

Based on the preliminary work of this review, the 2012-13 Budget includes a provision for the estimated impact of increasing port charges from 2013-14, as detailed in Table 7.6.

Table 7.6

**INCREASE IN PORT CHARGES – ESTIMATED IMPACT ON GENERAL GOVERNMENT NET OPERATING BALANCE**

	2012-13 Budget Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
Income tax expense	-	13.2	14.1	16.2
Dividends	-	-	20.0	21.4
<b>Total</b>	-	<b>13.2</b>	<b>34.1</b>	<b>37.6</b>

Table 7.7

**REVENUE TO GOVERNMENT FROM PUBLIC CORPORATIONS**

Details of Payment	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
<b>Horizon Power</b>					
Income tax expense	36,366	19,606	20,108	20,095	20,049
Local Government Rates expense	130	141	156	177	524
Dividends	23,184	56,247	44,561	46,729	30,518
<i>Subtotal</i>	<i>59,680</i>	<i>75,994</i>	<i>64,825</i>	<i>67,001</i>	<i>51,091</i>
<b>Synergy</b>					
Income tax expense	20,273	22,663	27,678	20,567	25,566
Dividends	57,241	34,538	40,511	49,188	36,643
<i>Subtotal</i>	<i>77,514</i>	<i>57,201</i>	<i>68,189</i>	<i>69,755</i>	<i>62,209</i>
<b>Verve Energy</b>					
Income tax expense	2,023	56,404	62,862	98,796	81,908
Local Government Rates expense	501	501	501	501	501
Dividends	83,389	64,568	66,918	81,873	117,568
<i>Subtotal</i>	<i>85,913</i>	<i>121,473</i>	<i>130,281</i>	<i>181,170</i>	<i>199,977</i>
<b>Western Power</b>					
Income tax expense	38,866	59,699	70,129	84,908	97,019
Local Government Rates expense	1,351	1,405	1,461	1,520	1,580
Dividends	85,500	135,197	197,421	225,164	256,910
<i>Subtotal</i>	<i>125,717</i>	<i>196,301</i>	<i>269,011</i>	<i>311,592</i>	<i>355,509</i>
<b>Water Corporation</b>					
Income tax expense	212,793	209,935	247,116	309,963	371,760
Local Government Rates expense	4,701	4,755	4,909	5,069	5,234
Dividends	392,396	375,464	429,766	548,889	659,250
<i>Subtotal</i>	<i>609,890</i>	<i>590,154</i>	<i>681,791</i>	<i>863,921</i>	<i>1,036,244</i>
<b>Bunbury Water Board</b>					
Income tax expense	241	388	509	434	530
<i>Subtotal</i>	<i>241</i>	<i>388</i>	<i>509</i>	<i>434</i>	<i>530</i>
<b>Busselton Water Board</b>					
Income tax expense	636	716	737	788	896
<i>Subtotal</i>	<i>636</i>	<i>716</i>	<i>737</i>	<i>788</i>	<i>896</i>
<b>Western Australian Land Authority (LandCorp)</b>					
Income tax expense	31,987	20,760	20,742	25,577	33,666
Local Government Rates expense	3,666	4,522	4,496	4,732	4,968
Dividends	31,096	31,790	31,583	50,489	31,589
<i>Subtotal</i>	<i>66,749</i>	<i>57,072</i>	<i>56,821</i>	<i>80,798</i>	<i>70,223</i>

Table 7.7 (cont.)

**REVENUE TO GOVERNMENT FROM PUBLIC CORPORATIONS**

Details of Payment	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
<b>Albany Port Authority</b>					
Income tax expense	881	1,068	1,179	1,264	1,358
Local Government Rates expense	103	106	109	112	115
Dividends	1,002	1,113	1,624	1,789	1,918
<i>Subtotal</i>	<u>1,986</u>	<u>2,287</u>	<u>2,912</u>	<u>3,165</u>	<u>3,391</u>
<b>Broome Port Authority</b>					
Income tax expense	-	405	393	484	649
Local Government Rates expense	35	71	74	76	79
Dividends	-	-	614	595	734
<i>Subtotal</i>	<u>35</u>	<u>476</u>	<u>1,081</u>	<u>1,155</u>	<u>1,462</u>
<b>Bunbury Port Authority</b>					
Income tax expense	2,229	3,460	3,921	4,598	5,128
Local Government Rates expense	170	175	180	185	220
Dividends	3,763	3,381	5,248	5,948	6,974
<i>Subtotal</i>	<u>6,162</u>	<u>7,016</u>	<u>9,349</u>	<u>10,731</u>	<u>12,322</u>
<b>Dampier Port Authority</b>					
Income tax expense	4,477	4,265	5,034	5,378	5,164
Local Government Rates expense	270	285	290	300	300
Dividends	4,554	6,790	6,468	7,635	8,156
<i>Subtotal</i>	<u>9,301</u>	<u>11,340</u>	<u>11,792</u>	<u>13,313</u>	<u>13,620</u>
<b>Esperance Port Authority</b>					
Income tax expense	600	362	114	-	-
Local Government Rates expense	335	335	340	340	340
Dividends	799	910	549	173	-
<i>Subtotal</i>	<u>1,734</u>	<u>1,607</u>	<u>1,003</u>	<u>513</u>	<u>340</u>
<b>Fremantle Port Authority</b>					
Income tax expense	7,435	7,771	7,595	8,068	8,474
Local Government Rates expense	299	342	359	377	396
Dividends	6,146	7,537	10,627	10,856	11,575
<i>Subtotal</i>	<u>13,880</u>	<u>15,650</u>	<u>18,581</u>	<u>19,301</u>	<u>20,445</u>
<b>Geraldton Port Authority</b>					
Income tax expense	3,350	7,500	10,815	11,641	12,168
Local Government Rates expense	160	160	160	160	160
Dividends	8,653	11,694	16,407	17,669	18,468
<i>Subtotal</i>	<u>12,163</u>	<u>19,354</u>	<u>27,382</u>	<u>29,470</u>	<u>30,796</u>
<b>Port Hedland Port Authority</b>					
Income tax expense	5,371	16,650	19,690	26,374	24,685
Local Government Rates expense	220	231	243	255	268
Dividends	2,026	7,465	25,253	29,865	39,998
<i>Subtotal</i>	<u>7,617</u>	<u>24,346</u>	<u>45,186</u>	<u>56,494</u>	<u>64,951</u>

Table 7.7 (cont.)

**REVENUE TO GOVERNMENT FROM PUBLIC CORPORATIONS**

Details of Payment	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
<b>Gold Corporation</b>					
Income tax expense	6,127	8,662	10,766	12,915	14,344
Local Government Rates expense	650	650	650	650	650
Dividends	14,680	10,722	15,159	18,840	22,600
<i>Subtotal</i>	<u>21,457</u>	<u>20,034</u>	<u>26,575</u>	<u>32,405</u>	<u>37,594</u>
<b>Western Australian Treasury Corporation</b>					
Income tax expense	3,893	4,424	4,594	4,729	4,729
Dividends	7,377	5,905	6,709	6,967	6,967
<i>Subtotal</i>	<u>11,270</u>	<u>10,329</u>	<u>11,303</u>	<u>11,696</u>	<u>11,696</u>
<b>Insurance Commission of Western Australia</b>					
Income tax expense	20,897	30,354	32,452	29,436	21,981
<i>Subtotal</i>	<u>20,897</u>	<u>30,354</u>	<u>32,452</u>	<u>29,436</u>	<u>21,981</u>
<b>Potato Marketing Corporation of Western Australia</b>					
Local Government Rates expense	4	4	4	4	4
<i>Subtotal</i>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>
<b>Forest Products Commission</b>					
Dividends	1,500	1,094	1,016	669	596
<i>Subtotal</i>	<u>1,500</u>	<u>1,094</u>	<u>1,016</u>	<u>669</u>	<u>596</u>
<b>Subtotal Amounts</b>					
Income tax expense	398,445	475,092	546,434	666,015	730,074
Local Government Rates expense	12,595	13,683	13,932	14,458	15,339
Dividends	723,306	754,415	900,434	1,103,338	1,250,464
<i>Subtotal</i>	<u>1,134,346</u>	<u>1,243,190</u>	<u>1,460,800</u>	<u>1,783,811</u>	<u>1,995,877</u>
<b>Efficiency Dividend Estimated Impact</b>					
Income tax expense	-	14,737	24,035	33,206	37,287
Dividends	-	9,464	28,869	42,647	54,448
<i>Subtotal</i>	<u>-</u>	<u>24,201</u>	<u>52,904</u>	<u>75,853</u>	<u>91,735</u>
<b>Increase in Port Charges Estimated Impact</b>					
Income tax expense	-	-	13,200	14,100	16,200
Dividends	-	-	-	20,000	21,400
<i>Subtotal</i>	<u>-</u>	<u>-</u>	<u>13,200</u>	<u>34,100</u>	<u>37,600</u>
<b>Total</b>	<u>1,134,346</u>	<u>1,267,391</u>	<u>1,526,904</u>	<u>1,893,764</u>	<u>2,125,212</u>

Note: Columns may not add due to rounding.



The following table summarises the dividend payout ratios for the public corporations. The rates remain unchanged from the levels set in the 2010-11 Budget.

<b>REVENUE FROM PUBLIC CORPORATIONS</b>					
Dividend Payout Ratios					
	2011-12	2012-13	2013-14	2014-15	2015-16
	%	%	%	%	%
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 <sup>(a)</sup>	85	85	85	85	85
Western Australian Land Authority <sup>(b)</sup>	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 <sup>(c)</sup>	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 7.9

**EXPENSES FROM GOVERNMENT TO PUBLIC CORPORATIONS**

Details of Payment	Funding Department	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
<b>Horizon Power</b>						
<i>Operating Subsidies</i> <sup>(a)</sup>						
Aboriginal and Remote Communities Project – Stage 1	Treasury	9,739	9,827	10,151	10,547	11,182
Aboriginal and Remote Communities Project – Stage 2	Treasury	5,313	5,109	5,231	5,245	5,563
Air Conditioning Allowance (North of 26 <sup>th</sup> Parallel)	Treasury	384	421	455	514	582
Coral Bay Electricity Supply	Treasury	2,246	2,267	2,414	2,111	1,807
Dependent Child Rebate	Treasury	346	430	465	526	595
Cost of Living Assistance <sup>(b)</sup>	Treasury	594	824	940	1,056	1,186
Feed-In Tariff	Treasury	38	40	41	43	45
Tariff Adjustment Payment – Operating Subsidy	Treasury	16,928	36,605	36,408	36,270	47,065
Tariff Migration – Movement to L2 and A2 Tariff	Treasury	3,283	1,514	1,435	706	4,180
<i>Subtotal</i>		<u>38,871</u>	<u>57,037</u>	<u>57,540</u>	<u>57,018</u>	<u>72,205</u>
<b>Synergy</b>						
<i>Operating Subsidies</i> <sup>(a)</sup>						
Air Conditioning Allowance (North of 26 <sup>th</sup> Parallel)	Treasury	95	101	109	124	140
Charitable Organisations Rebate	Treasury	1,488	1,541	1,789	1,924	1,940
Dependent Child Rebate	Treasury	12,584	13,417	14,507	16,412	18,580
Cost of Living Assistance <sup>(b)</sup>	Treasury	39,956	58,036	66,220	74,372	83,527
Feed-In Tariff	Treasury	24,000	30,300	30,300	30,300	30,300
Tariff Adjustment Payment – Operating Subsidy	Treasury	349,663	334,014	304,111	268,324	331,415
<i>Subtotal</i>		<u>427,786</u>	<u>437,409</u>	<u>417,036</u>	<u>391,456</u>	<u>465,902</u>
<b>Western Power</b>						
<i>Other subsidies</i>						
State Underground Power Program	Finance	9,820	9,820	4,820	-	-
<i>Subtotal</i>		<u>9,820</u>	<u>9,820</u>	<u>4,820</u>	<u>-</u>	<u>-</u>

## EXPENSES FROM GOVERNMENT TO PUBLIC CORPORATIONS

Table 7.9 (cont.)

Details of Payment	Funding Department	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
<b>Water Corporation</b>						
<i>Operating Subsidies</i> <sup>(a)</sup>						
Country Water, Sewerage and Drainage Operations	Treasury	311,318	291,379	335,417	362,172	385,815
Infill Sewerage Program	Treasury	39,835	35,139	35,134	36,564	38,275
Pensioner and Senior Concessions	Treasury	112,811	116,273	126,696	137,672	147,567
Rural Irrigation Schemes	Treasury	27	28	29	30	31
<i>Other subsidies</i>						
Burrup Water Supply System	DSD <sup>(c)</sup>	8,694	8,694	8,694	8,694	8,694
Port Hedland Waste Water Treatment Plant – <i>Royalties for Regions</i>	Treasury	5,000	8,000	9,000	10,000	10,000
Fleetwood Searipple Village Waste Water Treatment Plant – <i>Royalties for Regions</i>	Treasury	200	-	-	-	-
Karratha Waste Water Treatment Plant – Temporary Package Treatment Unit – <i>Royalties for Regions</i>	Treasury	2,230	1,871	1,927	1,985	-
Reimbursement of Land Sales	Treasury	200	200	200	200	200
Statewide Water Efficiency Measures	Water	262	262	262	262	262
<i>Subtotal</i>		<u>480,577</u>	<u>461,846</u>	<u>517,359</u>	<u>557,579</u>	<u>590,844</u>
<b>Western Australian Land Authority (LandCorp)</b>						
<i>Operating Subsidies</i> <sup>(a)</sup>						
Australian Marine Complex – Rate of Return Stages 1 and 2	Treasury	18,985	18,985	18,985	18,985	18,985
Australian Marine Complex Technology Precinct	Treasury	334	344	355	366	377
Browse LNG Precinct – Native title Agreements	Treasury	-	4,450	4,450	600	-
Bunbury Timber Jetty	Treasury	3,500	-	-	-	-
Collie – Shotts Industrial Park	Treasury	4,600	-	-	-	-
Collie – Shotts Industrial Park – Infrastructure Upgrades	Treasury	11,642	1,352	363	188	-
Halls Creek Residential Land Requirements	Treasury	4,400	-	-	-	-
Hope Valley/Wattleup Redevelopment – Land Acquisition	Treasury	6,625	6,640	6,655	6,670	6,685
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	1,386	1,428	1,470	1,515	1,560
Strategic Asset Management	Treasury	1,500	1,000	1,000	1,000	1,000
Townsite Development Program	Treasury	4,000	4,000	4,000	4,000	4,000

Table 7.9 (cont.)

**EXPENSES FROM GOVERNMENT TO PUBLIC CORPORATIONS**

Details of Payment	Funding Department	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
<i>Other subsidies</i>						
College Grove, Bunbury	RDL <sup>(d)</sup>	2,800	-	-	-	-
Karratha City Centre Infrastructure Works Project – <i>Royalties for Regions</i>	Treasury	19,250	20,000	20,750	5,000	-
Karratha City of the North Project – <i>Royalties for Regions</i>	Treasury	1,560	7,975	30,500	20,000	6,738
North West Planning Strategy	RDL <sup>(d)</sup>	500	-	-	-	-
Project Ready Heavy Use Industrial Land	DSD <sup>(c)</sup>	250	1,250	-	-	-
Rockingham Kwinana Development Office	Planning	200	200	-	-	-
South Hedland Town Centre Revitalisation Stage 2 – <i>Royalties for Regions</i>	RDL <sup>(b)</sup>	25,000	25,940	3,000	-	-
<i>Subtotal</i>		<u>114,325</u>	<u>95,880</u>	<u>93,844</u>	<u>60,640</u>	<u>41,661</u>
Metropolitan Redevelopment Authority <sup>(e)</sup>						
<i>Operating subsidies <sup>(a)</sup></i>						
Administration and Operating Costs <sup>(e)</sup>	Treasury	625	625	-	-	-
Wungong Developer Contribution Scheme – Management Costs <sup>(f)</sup>	Treasury	290	290	-	-	-
Perth Waterfront	Treasury	-	2,079	2,556	4,870	-
<i>Other subsidies</i>						
Perth Waterfront – Capital Grant	WAPC <sup>(f)</sup>	-	3,050	2,360	-	-
<i>Subtotal</i>		<u>915</u>	<u>6,044</u>	<u>4,916</u>	<u>4,870</u>	<u>-</u>
Broome Port Authority						
<i>Other subsidies</i>						
Jetty Extension – Subsidy	Treasury	342	324	-	-	-
<i>Subtotal</i>		<u>342</u>	<u>324</u>	<u>-</u>	<u>-</u>	<u>-</u>
Bunbury Port Authority						
<i>Other subsidies</i>						
Casting Basin Loan – Interest Costs	DSD <sup>(c)</sup>	95	-	-	-	-
<i>Subtotal</i>		<u>95</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Dampier Port Authority						
<i>Other subsidies</i>						
Burrup Port Infrastructure – Subsidy	DSD <sup>(c)</sup>	6,664	7,192	7,461	12,911	8,169
<i>Subtotal</i>		<u>6,664</u>	<u>7,192</u>	<u>7,461</u>	<u>12,911</u>	<u>8,169</u>

## EXPENSES FROM GOVERNMENT TO PUBLIC CORPORATIONS

Table 7.9 (cont.)

Details of Payment	Funding Department	2011-12 Estimated Actual \$'000	2012-13 Budget Estimate \$'000	2013-14 Forward Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000
Public Transport Authority						
<i>Operating subsidies</i> <sup>(a) (g)</sup>						
Operating Subsidy	Treasury	-	662,378	698,688	736,654	761,916
<i>Other subsidies</i>						
Total Appropriations provided to Deliver Services <sup>(g)</sup>	Treasury	776,189	-	-	-	-
"Orange" School Bus Initiative – <i>Royalties for Regions</i>	Treasury	3,002	2,273	2,692	1,013	-
District Allowance Payments – <i>Royalties for Regions</i>	Treasury	7	7	8	8	8
<i>Subtotal</i>		<u>779,198</u>	<u>664,658</u>	<u>701,388</u>	<u>737,675</u>	<u>761,924</u>
<b>Total</b>		<b>1,858,593</b>	<b>1,740,210</b>	<b>1,804,364</b>	<b>1,822,149</b>	<b>1,940,705</b>

(a) Details of Operating Subsidies contained in this Appendix may differ to those disclosed in Budget Paper 2. Details contained in Appendix 7 are accrual in nature, while appropriations detailed in Budget Paper 2 are cash in nature.

(b) Previously disclosed as Energy Rebate, which has been replaced with the Cost of Living Assistance payment from 2012-13.

(c) Department of State Development.

(d) Department of Regional Development and Lands.

(e) The Armadale, Midland, East Perth and Subiaco Redevelopment Authorities were amalgamated to form the Metropolitan Redevelopment Authority on 31 December 2011. For comparative purposes the operating subsidy paid to the Armadale Redevelopment Authority for the six months operations to 30 December 2011 has been shown in 2011-12.

(f) Western Australian Planning Commission.

(g) The Public Transport Authority will be funded through an operating subsidy from 2012-13 to move towards greater transparency and consistency with agencies such as Synergy, Horizon Power and Water Corporation. The estimated actual for 2011-12 has been backcast for comparability purposes.

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 is 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 (CTP) 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 8.1 shows the impact of the changes in State government tariffs, fees and charges on the 'representative' household in 2012-13.



Table 8.1

**ESTIMATED IMPACT ON THE STANDARD 'REPRESENTATIVE'  
HOUSEHOLD**

	2011-12 \$ level	% change	\$ change	2012-13 \$ level
<b>Motor Vehicles</b>				
Motor vehicle licence fee <sup>(a)</sup>	\$220.08	2.65%	\$5.84	\$225.92
Recording fee	\$13.05	0.00%	\$0.00	\$13.05
CTP insurance	\$245.01	0.00%	\$0.00	\$245.01
Drivers licence <sup>(b)</sup>	\$73.20	2.73%	\$2.00	\$75.20
<i>Total</i>	<i>\$551.34</i>	<i>1.42%</i>	<i>\$7.84</i>	<i>\$559.18</i>
<b>Utility Charges <sup>(c) (d)</sup></b>				
Electricity	\$1,414.91	3.50%	\$49.52	\$1,464.43
Water, Sewerage and Drainage	\$1,254.60	6.00%	\$75.34	\$1,329.94
<i>Total</i>	<i>\$2,669.51</i>	<i>4.67%</i>	<i>\$124.86</i>	<i>\$2,794.37</i>
<b>Public Transport</b>				
Student fares	\$260.00	0.00%	\$0.00	\$260.00
Standard fares (2 zones)	\$741.00	2.63%	\$19.50	\$760.50
<i>Total</i>	<i>\$1,001.00</i>	<i>1.95%</i>	<i>\$19.50</i>	<i>\$1,020.50</i>
<b>Emergency Services Levy <sup>(e)</sup></b>	<b>\$196.00</b>	<b>5.61%</b>	<b>\$11.00</b>	<b>\$207.00</b>
<b>Stamp Duty</b>				
Stamp duty on general insurance	\$143.22	0.00%	\$0.00	\$143.22
Stamp duty on CTP insurance	\$24.50	0.00%	\$0.00	\$24.50
<i>Total</i>	<i>\$167.72</i>	<i>0.00%</i>	<i>\$0.00</i>	<i>\$167.72</i>
<b>Total Expenditure (Nominal)</b>	<b>\$4,585.57</b>	<b>3.56%</b>	<b>\$163.20</b>	<b>\$4,748.77</b>

(a) The effective increase in motor vehicle licence expenditure for the 'representative' household is 2.65% taking into account the \$69 discount available to family vehicles.

(b) Drivers licence expenditure is for two drivers.

(c) Assumes no access to concessions, rebates or hardship packages.

(d) Utility charges and public transport fares do not reflect the pass through of a price on carbon, which will likely have a range of cost impacts commencing on 1 July 2012.

(e) 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 2012, after property valuation data is finalised.

Note: Columns may not add due to rounding.

On the basis of the assumptions below and the 2012-13 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 \$4,748.77. This represents an increase of \$163.20 (or 3.56%) on 2011-12 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:
  - 5,801 kW hours of electricity per annum, based on the forecast 2011-12 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 student 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);
- owns and occupies a property that has an average gross rental value (for calculation of sewerage, drainage and ESL charges); and
- no adjustment has been made to reflect the introduction of the pass through of a price on carbon. The Commonwealth Government will be introducing a price on carbon from 1 July 2012.

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 (CPI) up to the most recent preceding September quarter (i.e. September 2010 to September 2011). For the 2012-13 Budget, the reference rate of inflation is 2.8%. No adjustment has been made to reflect the introduction of the pass through of a price on carbon.

## Discussion

Residential electricity tariffs will increase by 3.5% from 1 July 2012. Based on the forecast 2011-12 average level of consumption of 5,801kW hours of electricity, it is estimated that household electricity charges will total \$1,464.43 in 2012-13. This is a \$49.52 (or 3.5%) increase on 2011-12.

For the full range of services provided by the Water Corporation to the ‘representative’ household, charges will increase by \$75.34 (or 6.0%) in 2012-13. This allows for the ongoing recovery of the costs of the Water Corporation’s recent and forecast capital expenditure, including the Perth and Southern Seawater Desalination Plants, and reflects State-wide movements in costs.

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.

Drivers licence 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 \$67.00 to \$69.00).

In 2012-13 motor vehicle registration fees will increase by \$1.00 (or 2.65%) on the 2011-12 level. This represents the first increase in this fee since 2007-08.

It is estimated that the average metropolitan residential ESL will increase by \$11.00 (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 any revaluation of the metropolitan area by Landgate which will take effect on 1 July 2012.

Fees and charges that remain unchanged in 2012-13 include:

- 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 Tariffs, Fees and Charges<sup>1</sup>

Agencies subject to the *Financial Management Act 2006* (FMA) are required to review their fees and charges at least once a year in accordance with Treasurer's Instruction 810 to ensure that they are reflective of costs and are in compliance with the pricing and costing guidelines. The annual review has again been completed as a part of the 2012-13 Budget process. The following is a selection of the fees and charges that are either new or involve increases in excess of the reference rate of inflation (2.8%).

### Education Services

Various application, registration and course accreditation fees applicable to Registered Training Organisations regulated by the Training Accreditation Council of Western Australia will increase by between 14.3% and 15.3%.

### Sport and Recreation

A number of new programs will be offered and cost recovered at various recreation camps to broaden participant's experiences at Bickley, Woodman Point and Ern Halliday, including abseiling, mountain biking and bush survival. Furthermore, some existing charges at Bickley, Ern Halliday, Point Walter and Woodman Point will increase by more than the reference rate of inflation for corporate functions. However, increases in all charges applicable to School and Education groups will be capped at the CPI reference rate.

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<sup>1</sup> This section provides commentary on several key changes but does not cover all tariffs, fees and charges increases.

## Western Australia Police

Pawnbroker related licence fees have been increased by more than 200% in order to achieve full-cost recovery and reflect the administrative and compliance costs to the Western Australia Police.

Security and related activity application fees will increase by greater than the reference rate of inflation in recognition of increasing compliance and third party costs to the Western Australia Police.

## Transport

The Department of Transport will introduce a number of new fees, including:

- monthly floating pen fees for commercial (\$80.34) and recreational (\$74.34) vessels at Fremantle Fishing Boat Harbour;
- license fees for new pens at the Geraldton boat harbour (an annual fee of \$560 per metre of pen length and a monthly fee of \$84 per metre of pen length); and
- wharfage fees for general cargo at Point Sampson and Onslow (\$6.01 per tonne).

Various existing fees and charges will increase by more than the reference rate of inflation, including:

- various marine safety fees, including: dealer plates sales (8.6% issues and 17.6% for lost plates replacement); marine pilots license (5.6% to 12.9%); and certificates of commercial competency;
- coastal infrastructure fees, including: Fremantle and Hillarys pen rentals (5% to 10%); berthing at Onslow (5% to 12%); various pen and wharfing fees at Exmouth (90%) and Port Sampson (40%);
- passenger services, including 3.9% to 4% increases in: omnibus annual licence fees; issuing or renewing taxi car licence fees; and the issuing of number plate fees;
- rail safety, including 4% increases to: applications for accreditation; annual fees and plate fees; and
- driver and vehicle services, including a 4% increase to: motor vehicle inspection fees, bulk licensing and transfer fees.

## Mines and Petroleum

The Department will introduce new Safety Management System and Safety Case Levies (100% cost recovery) charged for regulatory services related to occupational safety and health laws under the *Petroleum and Geothermal Energy Resources Act 1967* and the *Petroleum Pipelines Act 1969*.

The Department will also introduce phased implementation of cost recovery for major hazard facilities to achieve 50% cost recovery in 2011-12 and full-cost recovery in 2012-13.

The Department will increase all State Petroleum fees by 14% to recover increased costs associated with the introduction of the Attraction and Retention Incentive. The primary reason for the increase is to provide employees the opportunity to access additional remuneration based on sustained high performance and comparative salary packages in the resources sector.



## Western Australian Future Fund

Future generations of Western Australians will benefit from a redistribution of a portion of the State's finite royalty mineral resources and associated revenue through the creation of the Western Australian Future Fund (Future Fund).

The Future Fund will be created by the transfer of more than \$1 billion in seed capital from the Royalties for Regions (RfR) Fund comprising:

- 3% efficiency dividend and other savings in the RfR Fund totalling \$223 million; and
- the *RfR* component of the 2011-12 Budget decision to remove the royalty concession applying to iron ore 'fines', estimated to total \$820 million over the forward estimates period.

Interest revenue on these deposits will also be credited to the Future Fund (estimated at \$132 million over the four years to 30 June 2016).

The legislation establishing the new Future Fund will require that at least 1% of the State's annual royalty revenue will be deposited into the Fund from 2016-17 onwards (indicatively estimated at between \$65 million to \$70 million per annum).

The Future Fund will be managed by the Department of Treasury and the Western Australian Treasury Corporation, and will form part of the State's Public Bank Account. This is a more cost-effective approach relative to models in place in other jurisdictions.

The following table outlines the projected position of the Fund over the 2012-13 Budget forward estimates period. Further details of the Future Fund and other Special Purpose Accounts are detailed in a feature box in Chapter 3: *Fiscal Strategy and Financial Projections*.

Table 9.1

**STATEMENT OF ACCOUNT**  
Western Australian Future Fund

	2012-13 Budget Estimate \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
<i>Future Fund Special Purpose Account</i>				
Opening Cash Balance	-	303	590	872
Contributions:				
<i>Royalties for Regions</i> Efficiency Dividend	198	25	-	-
<i>Royalties for Regions</i> Component of Iron Ore 'Fines'	100	235	242	244
Interest earnings	6	27	41	55
<b>CLOSING CASH BALANCE</b>	<b>303</b>	<b>590</b>	<b>872</b>	<b>1,171</b>

Note: Columns may not add due to rounding.



# Implementation of the Government's \$300 Million Global Savings Target

The 2011-12 Budget included a commitment to contain growth in net debt through a reduction in general government operating expenditure of \$300 million over the period to 2014-15. As part of the 2012-13 Budget, the Government has approved a range of targeted savings measures that collectively achieve this target and reduce net debt by \$324 million by 2014-15, and \$447 million by 2015-16. The following table provides details of those savings measures.

## **Full Time Equivalent Cap**

The cornerstone of the \$300 million savings measures is the capping of Full Time Equivalent (FTE) employees for all general government sector agencies, except the Western Australian Electoral Commission (in 2012-13) and operational staff in the Department of Health, Department of Education and Western Australia Police. The FTE cap means that agencies' FTE levels are effectively maintained at their approved FTE ceiling for 2011-12 (except to implement specific policy decisions of Government that have FTE implications). The FTE cap will not limit agencies that are below their approved FTE ceiling from recruitment as they will still be able to employ additional staff up to that ceiling.

The FTE cap will apply the FTE ceiling for 2011-12 for two years, 2012-13 and 2013-14. The impact of capping FTEs in 2012-13 is counted as part of the \$300 million savings measures. The Government decided to extend the cap for a further year (2013-14) in the development of new corrective measures for the 2012-13 Budget.

Table 10.1

**IMPLEMENTATION OF THE GOVERNMENT'S \$300 MILLION  
GLOBAL SAVINGS TARGET**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Sector-Wide</b>					
- Change in Fleet Leasing Terms to a Minimum Usage Level of 60,000 km	-	-0.1	-0.4	-0.6	-0.8
- Reduce Fleet Refurbishment Expenditure	-	-0.6	-0.7	-0.8	-0.6
- Reduce Travel Expenditure by 30% Over Three Years	-	-0.9	-1.9	-3.0	-3.0
- Reduce the Spend on Paper and Printer Consumables by 50% Over Three Years	-	-1.3	-2.1	-2.6	-2.6
- Reduce Sector-Wide Spend on Legal Services	-	-1.6	-2.5	-2.6	-2.6
- Reduce Duplication of Public Service Monitoring and Investigation	-	-0.8	-1.6	-1.6	-1.6
- Capping of 2012-13 FTEs at Approved 2011-12 Levels (excluding WAEC, and Operational Staff in Health, Education and Police)	-	-69.2	-72.1	-77.1	-77.1
<b>Agriculture and Food</b>					
- Natural Resource Management (NRM) Program	-5.0	-	-	-6.0	-10.0
<b>Commerce</b>					
- Reduction in Staff (17 FTEs)	-	-1.8	-1.8	-1.9	-1.9
<b>Communities</b>					
- Reduction in Appropriation	-	-1.0	-1.0	-1.0	-1.0
- Reduce WA Family Foundation Grants Program	-	-0.1	-0.1	-0.1	-0.1
<b>Corrective Services</b>					
- General Expense Reductions	-	-0.9	-0.9	-0.9	-0.9
<b>Environmental Protection Authority</b>					
- Increase Cost Recovery Levels	-	-	-4.0	-4.1	-4.2
<b>Finance</b>					
- Abolish Centre for Excellence and Innovation in Infrastructure Delivery (CEIID)	-	-0.7	-0.7	-0.7	-0.7
<b>Health</b>					
- General Expense Reductions	-	-6.3	-6.3	-6.3	-6.3
<b>Indigenous Affairs</b>					
- Abolish Reconciliation Grants Program	-	-0.1	-0.1	-0.1	-0.1
<b>Police</b>					
- Infringement Management Office	-	-2.5	-2.5	-2.5	-2.5
<b>Premier and Cabinet</b>					
- Reduction in Discretionary Spending <sup>(a)</sup>	-	-1.3	-1.5	-2.2	-2.2
<b>Regional Development and Lands</b>					
- Reduce Grants to Community Resource Centres	-	-2.2	-2.2	-2.2	-2.2
<b>Sport and Recreation</b>					
- Reprioritisation of Funding	-	-0.7	-0.7	-0.7	-0.7
<b>State Development</b>					
- Reduction in Discretionary Spending <sup>(a)</sup>	-0.3	-0.3	-0.3	-0.3	-0.3
<b>Treasury</b>					
- Reduction in Discretionary Spending <sup>(a)</sup>	-	-0.3	-0.3	-0.3	-0.3
<b>Water</b>					
- Reduction in Staff (31.5 FTEs) <sup>(b)</sup>	-0.6	-1.7	-1.7	-1.8	-1.8
<b>Total Savings</b>	<b>-5.9</b>	<b>-92.7</b>	<b>-105.5</b>	<b>-119.4</b>	<b>-123.4</b>

(a) Reduction in expenditure on printing and publications, staff travel, professional services, and other discretionary items.

(b) Included in the 2011-12 mid-year review.

Note: Columns may not add due to rounding.



# Economic and Fiscal Outlook

Budget Paper No. 3