



2013-14 BUDGET

ECONOMIC AND FISCAL OUTLOOK

Budget Paper No. 3

**PRESENTED TO THE LEGISLATIVE ASSEMBLY
ON 8 AUGUST 2013**

2013-14 Economic and Fiscal Outlook

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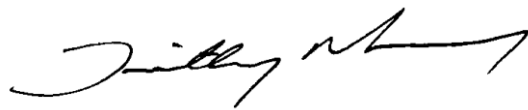
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Under Treasurer's Certification

The Government Financial Projections Statement presented in this budget is based upon Government decisions I was aware of or that were made available to me by the Treasurer on or before the budget planning cut-off date of 9 July 2013 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 9 July 2013.

A handwritten signature in black ink, appearing to read 'Timothy Marney', with a long horizontal stroke extending to the right.

Timothy Marney
UNDER TREASURER

8 August 2013

Overview

HIGHLIGHTS

- Western Australia's economic performance was the strongest in the nation in 2012-13, underpinned by record levels of business investment and population growth.
- Increased exports are expected to be a major driver of economic growth across the forward estimates period as business investment moderates and major projects transition from construction to production.
- Overall, the State's economy is forecast to grow by 3.25% in 2013-14. While this is down from estimated growth of 5.75% in 2012-13, it is still the highest rate of growth forecast for any State this year, and above the 2.75% Commonwealth forecast for the Australian economy.
- This pattern of transition of the Western Australian economy is a characteristic of cycles experienced over recent decades.
- The changing composition of the Western Australian economy is seeing softer demand for labour (and housing in the medium term), which is translating to slower growth in the State's tax base.
- As mineral exports increase, growth in royalty revenue over the budget period is being more than offset by a substantial decline in Western Australia's share of GST revenue, which has fallen to just 45% of the State's population share in 2013-14, with further falls in prospect.
- To address the structural challenges facing the State's finances, this budget includes a \$6.8 billion four year Fiscal Action Plan, comprising new revenue measures, public sector workforce reforms, targeted program savings and re-prioritisation of the Government's Asset Investment Program.
- The Fiscal Action Plan has enabled the Government to inject significant additional resources into health, education, law and order, transport and other priority areas, and at the same time deliver a forecast general government operating surplus of \$386 million in 2013-14. This follows an estimated surplus of \$239 million in 2012-13.

- Reflecting unprecedented demand for services and infrastructure from the State's rapidly growing population, and notwithstanding the substantial savings measures implemented in this budget, net debt is projected to increase from an estimated \$18.5 billion at 30 June 2013 to \$28.4 billion by 30 June 2017. Managing growth in the State's net debt levels remains a significant challenge.

Introduction

The 2013-14 Budget focuses on savings and reform initiatives in order to deliver the Government's expenditure priorities and financial management objectives. The budget has been framed against a background of more moderate expectations for economic growth following a peak in business investment, further deterioration in the State's share of GST revenue, downward revisions to taxation revenue estimates, a softening in commodity prices, and unprecedented demand for government services and infrastructure.

Overall, the Western Australian economy (as measured by Gross State Product) is expected to grow solidly by 3.25% in 2013-14, followed by 2.5% growth in 2014-15 and 3.75% in both 2015-16 and 2016-17.

An operating surplus of \$386 million is in prospect for the general government sector in 2013-14, following an estimated \$239 million surplus for 2012-13¹.

Driven by the State's growing population and demand for both economic and social infrastructure, the Government's Asset Investment Program will remain strong over the budget period, with investment of \$7.5 billion in 2013-14 and a total of \$26.9 billion over the four years to 2016-17.

Cash deficits are projected for the total public sector (comprising general government sector agencies and the State's public corporations) in each year of the forward estimates, as operating surplus outcomes are not sufficient to fund these levels of capital investment. Accordingly, to fund the State's infrastructure program, there is an ongoing need for increased borrowings, which will see total public sector net debt increase from an estimated \$18.5 billion at 30 June 2013 to a projected \$28.4 billion by 30 June 2017.

The following table summarises the key financial aggregates for the 2013-14 Budget.

¹ Final outcomes for 2012-13 will not be available until the release of the 2012-13 *Annual Report on State Finances* (ARSF), due to be released by 28 September 2013. The ARSF is based on the consolidated results of agency annual report data and is an audited report. The 2012-13 estimated outcome data presented in this budget is based on pre-annual report information provided by agencies by the 9 July 2013 budget cut-off date.

Table 1

KEY BUDGET AGGREGATES

Western Australia

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
GENERAL GOVERNMENT SECTOR						
Net Operating Balance (\$m)	649	239	386	-147	128	16
Revenue (\$m)	25,220	25,696	27,978	27,917	29,165	30,348
Revenue Growth (%)	5.5	1.9	8.9	-0.2	4.5	4.1
Expenses (\$m)	24,571	25,457	27,592	28,065	29,036	30,332
Expense Growth (%)	10.2	3.6	8.4	1.7	3.5	4.5
TOTAL PUBLIC SECTOR						
Net Debt at 30 June (\$m)	14,523	18,480	21,909	24,295	25,926	28,389
Asset Investment Program (\$m)	6,782	7,302	7,451	6,672	5,958	6,827
Cash Position (\$m)	-2,240	-3,677	-2,801	-2,215	-1,494	-2,279
KEY FINANCIAL RATIOS ^(a)						
Cash operating surplus as a share of receipts (%)	8.3	5.1	6.3	5.4	4.8	5.2
Net debt to revenue (%)	40.3	48.7	53.3	57.9	59.0	61.6

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

Fiscal Action Plan

To accommodate priority spending initiatives and address the State's fiscal challenges, the 2013-14 Budget includes a Fiscal Action Plan that will generate estimated savings of \$6.8 billion over four years.

Revenue measures

The Fiscal Action Plan includes the following revenue measures.

- The abolition of transfer duty on non-real business assets (which was due to be abolished from 1 July 2013) has been deferred indefinitely, with the necessary legislation recently being passed by the Parliament. This measure is expected to raise \$125 million in 2013-14 and a total of \$527 million across the four years to 2016-17.
- A 12.5% increase in land tax rates from 2013-14 will offset lower than expected land values and generate an additional 5% in land tax revenue compared with forecasts in the *Pre-election Financial Projections Statement*. This measure is expected to raise an estimated \$73 million in 2013-14 and a total of \$338 million over the four years to 2016-17. Despite the increase, land tax in Western Australia will remain significantly below that of other jurisdictions.
- The private vehicle concession for motor vehicle registration fees (\$72 per vehicle in 2013-14), which is available to anyone who drives their vehicle for non-business purposes, has been halved from January 2014. This measure will raise an estimated \$21 million in 2013-14 and a total of \$155 million over the four years to 2016-17.

- School fees of \$4,000 per annum per student will apply from January 2014 for children of 457 visa holders. The average cost of education is estimated at \$15,621 per student. Therefore, this measure represents an average 26% of this cost. The number of dependents of 457 visa holders attending government schools has increased from 290 in 2005 to 8,600 in 2013, imposing a significant impost on the public purse. This measure will raise an estimated \$17 million in 2013-14 and a total of \$120 million over the four years to 2016-17.
- A Taxation Administration Package will be implemented from 2013-14, which includes initiatives to:
 - improve the timely follow-up of outstanding payroll tax returns;
 - undertake more payroll tax desk audit work;
 - increase the timeliness of mid-complexity duty assessment processing; and
 - issue interim assessments for complex, high value transactions where duty is often delayed for up to five years due to the need to finalise all aspects of the assessment, even though much of it may not be in dispute.

This package is expected to raise an estimated \$235 million in 2013-14 and a total of \$454 million over the four years to 2016-17.

Expense measures

The Fiscal Action Plan also includes a range of general government expense measures.

- General government sector salaries costs have been specifically targeted through a package of public sector workforce reforms. This package is expected to save an estimated \$2.9 billion across the four years to 2016-17 and includes:
 - a cap on general government agencies' salaries budgets at 2012-13 estimated outturn levels, with increases from 2013-14 onwards limited to projected growth in the Perth Consumer Price Index (CPI), unless explicitly approved otherwise by Cabinet;
 - introduction of a new Public Sector Wages Policy from November 2013, capping wage and conditions increases to projected growth in the CPI, supported by amendments to the *Industrial Relations Act 1979* and *Salaries and Allowances Act 1975* to ensure decisions by the Western Australian Industrial Relations Commission and Salaries and Allowances Tribunal have appropriate regard to the Government's wage determination settings; and
 - implementing an integrated package of management tools to increase public sector workforce flexibility, entailing:
 - * an enhanced voluntary separation program for up to 1,000 Full Time Equivalent (FTE) staff over 2013-14; and
 - * enhanced redeployment arrangements that may ultimately end with the (involuntary) retrenchment of employees that are surplus to an agency's requirements and cannot be effectively redeployed.

- A new, systematic approach to program and service evaluation will be embedded across the public sector, with recurrent savings of \$150 million targeted over the forward estimates period (and further net debt savings of \$200 million also targeted).
- Rationalisation of existing programs and activities that are no longer considered a priority or do not provide value for money have been identified across portfolio agencies. This measure is expected to save \$52 million in 2013-14 and a total of \$422 million in recurrent expenditure across the four years to 2016-17 (and a further \$60 million in capital expenditure savings).
- Savings are to be achieved by improving the level of cost recovery on public transport, with a target cost recovery rate of 40% by 2016-17 (up from the current 31%). This measure is expected to save a total of \$84 million across the forward estimates period.
- Interest savings due to the implementation of the Fiscal Action Plan are expected to be \$4 million in 2013-14 and a total of \$286 million across the four years to 2016-17.

Net debt savings

The Government has completed a review of its Asset Investment Program and identified around \$1 billion worth of net debt savings over the period to 2016-17. These savings are largely associated with revised timeframes for the delivery of projects. Details are provided in Chapter 6: *Asset Investment*.

The financial impact of the Fiscal Action Plan is shown in the following table.

Table 2

FINANCIAL IMPACT OF 2013-14 BUDGET FISCAL ACTION PLAN

	2012-13	2013-14	2014-15	2015-16	2016-17	Total
	\$m	\$m	\$m	\$m	\$m	\$m
General government operating impact						
<i>Revenue</i>						
<i>Revenue measures</i>						
Deferred abolition of transfer duty on non-real property	-	125	122	134	147	527
Land tax (12.5% increase in rates)	-	73	80	88	97	338
Halve private vehicle concession	-	21	43	45	46	155
School fees for children of 457 visa holders	-	17	34	34	34	120
Tax administration package	-	235	73	73	73	454
Program-level savings measures	-	4	10	15	15	44
<i>Total revenue impact</i>	-	475	362	389	413	1,639
<i>Expense</i>						
Public sector workforce reform ^(a)	-	15	-511	-928	-1,445	-2,869
Program evaluation	-	-	-50	-50	-50	-150
Program-level savings measures	-	-52	-106	-142	-122	-422
Public transport cost recovery	-	-	-8	-26	-50	-84
Temporary procurement and advertising freeze	-84	-	-	-	-	-84
Interest savings	-	-4	-29	-84	-170	-286
<i>Total expense impact</i>	-84	-41	-705	-1,229	-1,836	-3,895
Total operating impact	84	516	1,067	1,617	2,249	5,534
Other savings impacting net debt at 30 June						
Infrastructure spending audit	-3	-181	-159	-294	-400	-1,037
Program evaluation	-	-	-	-100	-100	-200
Program-level savings measures	-4	-18	-15	-13	-10	-60
Total other net debt impact	-7	-200	-174	-407	-511	-1,297
Total annual impact	-91	-716	-1,241	-2,024	-2,760	-6,831

(a) Includes the cost of voluntary separations in 2013-14, estimated at \$100 million.
Note: Columns/rows may not add due to rounding.

Economic and Fiscal Outlook

The Western Australian economy is estimated to have grown by 5.75% in 2012-13, supported by the major iron ore and liquefied natural gas (LNG) projects which boosted business investment to record levels.

Recent data suggests that business investment reached its peak in 2012-13. This peak has eventuated slightly earlier than previous expectations, due to a combination of weaker sentiment about China's growth outlook, volatile commodity prices, and the prospect of lower commodity prices over the medium term. These developments appear to have weakened business sentiment, with existing resource projects shifting their focus from increasing capacity to minimising costs.

Consequently, Western Australia's economy from 2013-14 is forecast to undergo a period of transition from construction-based activity to growth driven by increasing export volumes.

Over this period, the level of business investment is expected to taper off, but remain above levels seen before the construction of the State's largest ever resource project, the Gorgon LNG project. The moderation in domestic economic activity is expected to reduce the demand for labour, and growth in employment and wages is forecast to ease to levels in line with the national economy.

Overall, the State's economy is forecast to grow by 3.25% in 2013-14. This compares to forecast growth in the Australian economy of 2.75%, and is the highest rate of growth forecast for any State.

KEY BUDGET ASSUMPTIONS Western Australia

Table 3

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
Real Gross State Product growth (%)	6.7	5.75	3.25	2.5	3.75	3.75
Real State Final Demand growth (%)	14.2	6.0	-0.25	0.5	1.0	1.25
Employment growth (%)	3.9	3.6	1.25	1.75	1.5	1.5
Unemployment rate (%) ^(a)	4.0	4.4	5.5	5.75	5.5	5.25
Wage Price Index growth (%)	4.3	4.0	3.75	3.75	3.5	3.5
Perth Consumer Price Index growth (%)	2.2	2.3	2.5	2.5	2.5	2.5
Effective Iron Ore Price (\$US/tonne FOB) ^(b)	134.9	121.1	116.7	110.7	109.8	105.6
Crude oil price (\$US per barrel)	95.0	92.2	94.9	89.3	85.5	83.1
Exchange rate (US cents)	103.2	102.7	92.0	89.8	87.5	85.5
Population growth (%)	3.1	3.2	2.2	2.1	2.1	2.1
Interest rate assumptions (%):						
- Public Bank Account interest earnings ^(a)	4.8	3.4	2.7	3.4	4.2	4.3
- Consolidated Account borrowings ^(a)	4.6	4.0	4.0	4.2	4.5	4.6

(a) Average rate over the year.

(b) The spot price, adjusted for factors such as grade, moisture and freight. In 2013-14, these factors total \$US9.9 per tonne. Thus the effective iron ore price of \$US116.7 per tonne in 2013-14 equates to a 'raw' spot price of \$US126.6 per tonne.

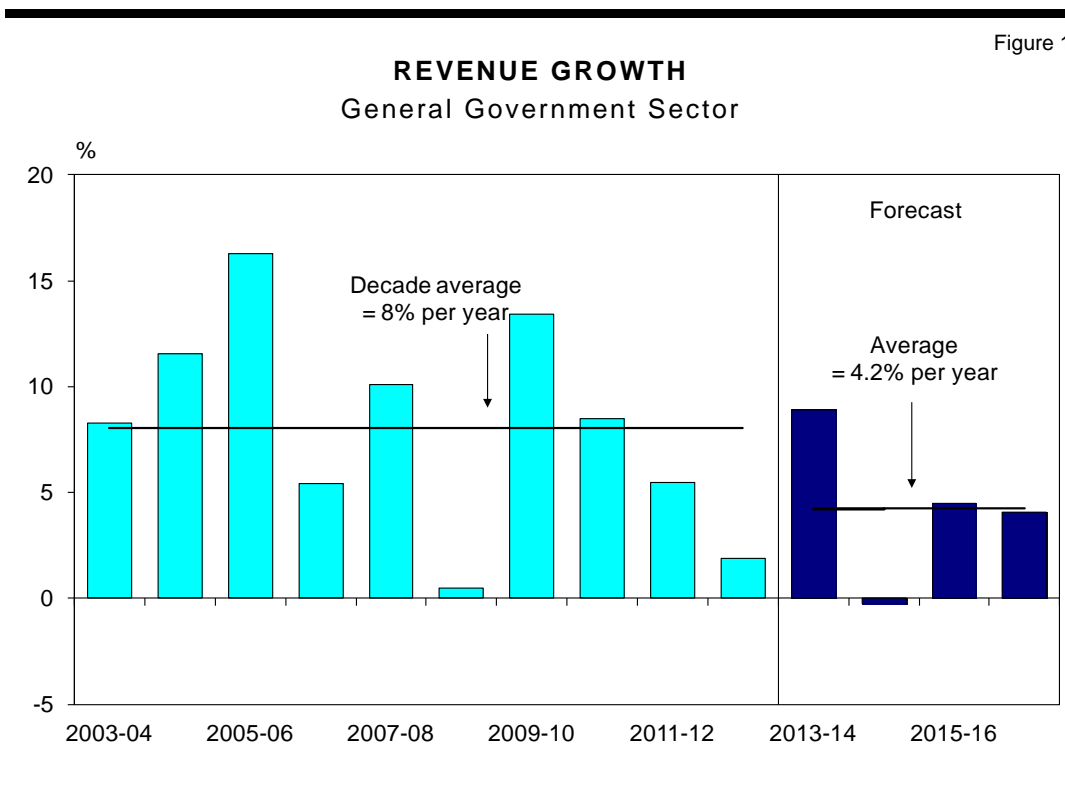
Despite expectations of lower iron ore prices over 2013-14 (on average) compared to 2012-13, total mining revenue² is expected to increase from \$5.6 billion in 2012-13 to \$6.9 billion in 2013-14. This increase is driven by a lower \$US/\$A exchange rate, producers' expectations of increased iron ore sales volumes, and the previously scheduled increase in the royalty rate for iron ore 'fines' to 7.5% from 1 July 2013.

Over the forward estimates, growth in taxation revenue is forecast to slow from an estimated 10% in 2013-14 to an average of 4.9% per annum, reflecting the anticipated moderation in domestic economic conditions flowing through to softer labour market and steadier housing market conditions.

² The sum of royalty revenue, North West Shelf grants, condensate excise compensation grants and mining lease rentals.

In contrast to strong consumption growth in Western Australia, weak household consumption in other States has resulted in a lower national GST pool than previously forecast. 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 55% of the State’s population share in 2012-13 to just 45% in 2013-14, with the State’s GST revenue in 2013-14 falling by \$477 million (relative to 2012-13).

Overall, general government revenue is expected to increase by \$2.3 billion or 8.9% in 2013-14, broadly in line with average growth of 8% over the past decade. However, revenue growth is forecast to average just 2.7% per annum across the remainder of the forward estimates period (2014-15 to 2016-17), primarily reflecting the State’s rapidly declining GST share.



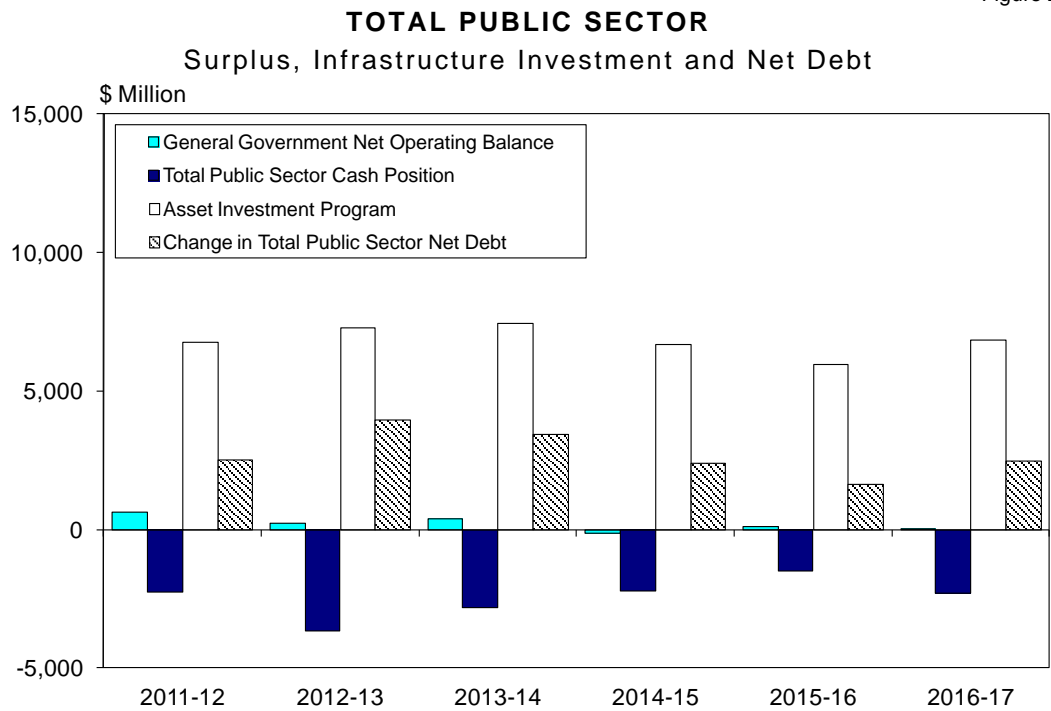
General government expenses are budgeted to increase by \$2.1 billion or 8.4% in 2013-14, in line with the average rate of growth over the past decade. Across the remainder of the forward estimates period, expenses are forecast to increase by an average of 3.2% per annum as the savings measures and associated public sector workforce reforms embodied in the Fiscal Action Plan take effect.

Overall, general government operating surpluses are expected for both 2012-13 and 2013-14, of \$239 million and \$386 million respectively. A flat revenue outlook is currently expected to see the State record an operating deficit (of \$147 million) in 2014-15, before a turnaround to small surpluses in 2015-16 and 2016-17 (of \$128 million and \$16 million respectively).

The total public sector is projected to be in a cash deficit position in each year of the forward estimates (i.e. the State’s annual revenues are not sufficient to pay for the State’s total spending). This reflects the ongoing need for increased borrowings to fund the State’s large infrastructure program, which totals \$7.5 billion in 2013-14 and \$26.9 billion over the four years to 2016-17.

As a result, total public sector net debt is projected to rise to \$28.4 billion by 30 June 2017, up from an estimated \$18.5 billion at 30 June 2013.

Figure 2



Budget Objectives

The 2013-14 Budget has been framed around the key themes and spending initiatives identified below. Further detail on spending changes can be found in Chapters 5 and 6, and in Budget Paper No. 2: *2013-14 Budget Statements*.

Securing our Economic Future

In addition to the Fiscal Action Plan outlined earlier, the budget includes a range of other initiatives that will contribute to securing Western Australia's economic future. These include:

- a new Housing Supply Package in response to the widening gap between the demand for, and supply of, housing (see feature box below);
- payroll tax relief for small businesses, which will see the payroll tax exemption threshold increase to \$800,000 in 2014-15 and \$850,000 in 2016-17;
- the Seizing the Opportunity Agriculture program, which aims to capitalise on the opportunities that exist for Western Australian agriculture as a result of the economic growth of Asia. This includes the establishment of the Agricultural Research and Development Fund to provide grants for applied agriculture sector research, and the establishment of a State Biosecurity Fund to help keep Western Australia free from pests and disease;
- additional funding of \$9.2 million for tourism marketing to increase visitation in regional and metropolitan destinations in Western Australia;
- the establishment of a new Production Attraction Program to enhance ScreenWest's capacity to identify and target market opportunities nationally and abroad, with total funding of \$1.5 million from 2014-15 to 2016-17; and
- the introduction of a training entitlement model (as required by the National Partnership Agreement on Skills Reform) to shift training delivery towards a contestable, demand driven funding model that directs public subsidies towards State priority qualifications.

Housing Supply Package

Western Australia's annual average population growth of 3.4% in the year to December 2012 was the highest of all States and Territories, and double the national rate of 1.7%. This rate of population growth has placed considerable pressure on the State's existing stock of housing.

The Housing Supply Package implemented in this budget has three elements which are designed to help alleviate the gap between housing supply and demand in the State.

Firstly, the Housing Supply Package seeks to increase the number of affordable rental properties in the State. Since 2008, the State Government has committed to 6,000 National Rental Affordability Scheme (NRAS) incentives, and as part of the 2013-14 Budget has committed to another 1,000 incentives at an additional cost of \$48 million over 13 years.

The NRAS stimulates the supply of new affordable rental dwellings by providing investors an incentive to rent new dwellings to lower income households at a rate at least 20% below the prevailing market rate. The incentive is funded 75% by the Commonwealth and 25% by the State.

The 7,000 NRAS incentives committed to by the State Government will cost a total of \$268 million over the period to 2027-28.

The second element of the Housing Supply Package will help stimulate demand for newly built houses.

The First Home Owner Grant (FHOG) for newly built homes will increase from \$7,000 to \$10,000, while first home buyers purchasing an established home will now receive a \$3,000 FHOG. Subject to passage of the necessary legislative amendments, these changes are intended to take effect from 15 September 2013.

Providing a higher FHOG for new homes is expected to increase housing supply as first home buyers will have a greater incentive to build a new dwelling rather than purchase an established home. In 2012-13, around three quarters of FHOG recipients purchased an established home.

The third element of the Housing Supply Package is aimed at reforming the residential planning and building approvals processes to ensure that supply responses to increased demand are not stifled by unnecessary red tape.

Within the next six months, the Department of Finance's Regulatory Gatekeeping Unit will:

- conduct an audit of previous reviews into planning and building approvals processes, their recommendations and implementation status; and
- consult with key government and industry stakeholders to progress the outcomes of the audit and propose revised processes, roles and accountabilities that will simplify and streamline current approvals processes.

In addition, the 2013-14 Budget includes additional capital expenditure of \$134.5 million over the next two years to significantly increase the public housing stock, by better utilising existing land held by the Housing Authority. Two hundred blocks of land will be redeveloped to deliver 500 new homes within three years.

The Efficient Delivery of Quality Services

The 2013-14 Budget responds to the unprecedented demand for government services through the efficient delivery of high quality health, education and other services. Specific initiatives include:

- an additional \$2.5 billion in recurrent expenditure for health services, including additional spending to meet increased demand for hospital services and wage increases for registered nurses and midwives, provide school health entry assessments and additional school health nurses, expand community based palliative care and improve Indigenous health outcomes;
- an additional \$1.2 billion in recurrent expenditure for the Department of Education to meet demand for school enrolment growth and other cost pressures, to ensure that schools can continue to provide high quality programs for all students;
- expenditure of \$197.6 million across the forward estimates to operate an additional 8,860 bus service kilometres and 3,618 train service kilometres by 2016-17;
- \$161 million over four years for the North West Health Initiative, which will improve existing health and aged care facilities in key towns across the North West;
- \$15.9 million for regional health initiatives including Wheatbelt renal dialysis, Fitzroy kids health, regional palliative care and emergency telehealth services;
- total funding of \$12 million from 2014-15 for the establishment of a central health and medical research trust as part of the Future Health program;
- additional funding of \$6 million for 2014-15 to extend the Young People in Residential Aged Care program, establishing more suitable supported accommodation options for younger people at risk of entering, or currently residing in, residential aged care facilities;
- \$3.7 million over four years for ACROD parking permits to support people with mobility restrictions who need priority parking;
- \$2.1 million in funding for the Mental Health Commission to expand the delivery of essential crisis support services; and
- the roll-out of launch sites for the My Way program, which enables people with a disability, their families and carers to design, plan and implement their own supports and services.

Protecting Our Community

The 2013-14 Budget provides additional funding to protect our community, including:

- total recurrent and capital spending of \$282 million over four years for the Boost Police initiative to increase police resources. This includes targeted police recruitment and placement and making the community safer through an increased and tactical police presence;

- \$36 million in capital investment over three years from 2014-15 to complete installation of electronic speed zone lights at all schools in Western Australia with a 40km/h zone;
- installation of a comprehensive fire crew protection system on career and volunteer firefighting appliances operating in a high to extreme bushfire risk environment, including \$3.1 million in recurrent and \$12.3 million in capital spending over four years;
- \$10.3 million from 2013-14 to 2015-16 to Police and Community Youth Centres across the State to work with young offenders and at risk youth;
- the Regional Police Incentives program to provide additional incentives for the attraction and retention of police officers in traditionally hard to fill regional locations, with a total of \$10 million allocated from 2013-14 to 2016-17;
- an additional \$5.5 million in capital and recurrent spending over four years to provide accommodation, support and outreach services for domestic violence victims;
- \$5.6 million over 2013-14 to 2016-17 for the provision of a \$2,000 fuel card, on an annual basis, to volunteer emergency service organisations throughout regional Western Australia;
- \$2.7 million over four years to fund a new Family Violence Legal Service in Perth for Indigenous Western Australians; and
- a second South West Emergency Rescue Helicopter, which will expand the emergency rescue service currently provided and ensure faster response times, improved medical rescue and retrieval capability.

The budget also includes a number of initiatives that invest in community wellbeing and amenity, including:

- the Goldfields-Esperance Revitalisation initiative, including the refurbishment and maintenance of the Goldfields Arts Centre, with additional spending of \$186 million over four years;
- a total of \$15 million from 2014-15 to 2016-17 for implementation of Western Australia's bicycle network plan, including the construction of the South Guildford bike path;
- \$2 million across 2013-14 and 2014-15 to revitalise Chinatown and other public areas and laneways in Northbridge; and
- investment in Community Sport Equipment Grants and local sporting facilities, including Hartfield Park in Forrestfield, the Mundaring Basketball Courts, the Lightning Park Recreation Centre in Noranda and Willetton Sports Club.

Investing in Infrastructure to Support Our Growing State

The 2013-14 Budget continues the State Government's substantial investment in infrastructure to support our growing State. Specific projects include:

- continuing investment in hospitals and other health infrastructure totalling \$2.7 billion over the budget period, including the New Children's Hospital, Fiona Stanley Hospital, the new Midland Public Hospital, the redevelopment of the Busselton and Kalgoorlie Health Campuses, expansion of the Joondalup Health Campus and the construction of an Inpatient Mental Health Unit at the Queen Elizabeth II Medical Centre site;
- continuing investment in education infrastructure, with total spending of \$1.5 billion from 2013-14 to 2016-17 on projects including a new senior high school in Forrestdale, four new primary schools at Golden Bay, Broome North, Lakelands and Baldvis, Stage 2 of Dalzellup College, Baldvis Secondary College and Butler College, and Stage 1 of Banksia Grove Senior High School;
- \$432 million over the forward estimates period for the Metro Area Express (MAX) Light Rail, a new light rail system connecting Mirrabooka with the central business district and across Nedlands and Victoria Park;
- \$325 million of Commonwealth and State funding for the Perth-Darwin National Highway to run from the current Tonkin and Reid Highway intersection to Muchea, providing an alternate freight route through the Swan Valley to the north of the State and alleviating congestion on the Great Northern Highway;
- \$174 million over the forward estimates period for a new Airport Rail link transporting domestic and international passengers to Perth Airport, providing more transport options for the State's residents and visitors, and opening up transport options to residents in Perth's Eastern suburbs;
- \$46.5 million for the development and construction of a multi-storey car park at the Edgewater train station;
- \$43.4 million in 2013-14, funded from the Road Trauma Trust Account, to improve safety outcomes from regional run off road crashes and at priority metropolitan intersections;
- \$38 million to construct additional passing lanes on Great Eastern Highway between Southern Cross and Kalgoorlie-Boulder; and
- \$28 million to upgrade the Coalfields Highway, including realignments and widening, between Wellington Dam and Allanson.

Investment in roads and public transport is clearly a major priority, with the combined Asset Investment Program of the Department of Transport, Main Roads and the Public Transport Authority a record \$1.7 billion in 2013-14. Over the four years to 2016-17, the State Government has committed a total of \$5.7 billion to transport infrastructure – a substantial increase on the \$3.4 billion spent over the four years to 2011-12.

The Western Australian Economy

HIGHLIGHTS

- In 2012-13, Western Australia's economy is expected to have grown by 5.75% – the fastest rate of growth in the nation – supported by record levels of business investment and strong population growth.
- As business investment tapers off from a peak in 2012-13, economic growth is forecast to moderate to 3.25% in 2013-14, which is still above forecast growth for the nation as a whole.
- Business investment will remain at historically high levels, with a significant amount of work remaining to be done on projects currently under construction, including the Gorgon and Wheatstone liquefied natural gas projects.
- Exports are expected to become the key driver of economic growth as major resource projects transition from construction to production. This transition to the less labour-intensive production phase is expected to see an easing in employment and wages growth.
- The housing market is also expected to be an important contributor to economic growth in 2013-14.

Introduction

Following record growth in 2011-12, the Western Australian economy continued to lead the nation over 2012-13, supported by ongoing work on a number of large liquefied natural gas (LNG) and iron ore projects. While these record levels of business investment flowed through to strong labour demand and population growth in the first part of the year, the flow of new projects has eased and has carried through to softer labour market conditions in the second half of the financial year.

Business investment appears to have peaked in 2012-13, slightly earlier than previous expectations. This reflects a combination of a change in sentiment about China’s growth outlook, volatile commodity prices and the prospect of lower prices over the medium-term. These factors are flowing through to weaker business sentiment, with existing operations shifting their focus from increasing capacity to reducing costs.

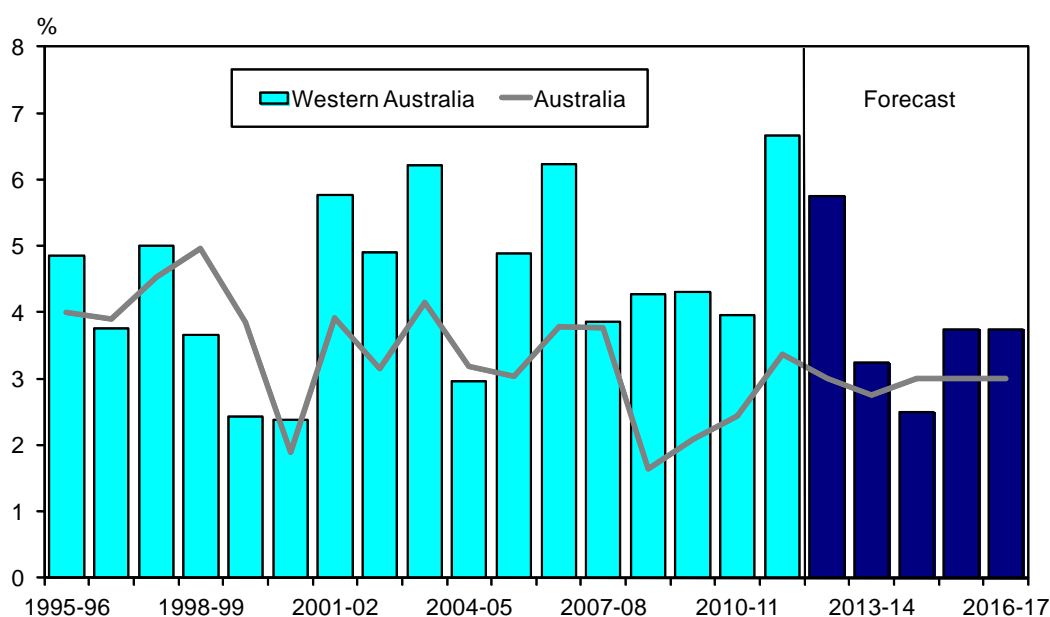
Despite a shift forward in the business investment peak, there continues to be significant work to be done on projects currently under construction, which is expected to support high levels of activity in 2013-14. The Deloitte Access Economics’ June quarter 2013 *Investment Monitor* estimates that a total of \$135.4 billion worth of projects are currently under construction in Western Australia.

Growth in the domestic economy, as measured by State Final Demand (SFD), is projected to ease as business investment declines from its peak. Following a plateau in 2013-14, SFD is expected to recover with modest growth from 2014-15 supported by a strong rebound in dwelling investment and stable household consumption.

In 2013-14 and beyond, as projects move from construction to production, significant increases in export volumes mean that the external sector will be the main driver of economic growth. Consequently, Gross State Product (GSP) is forecast to grow by 3.25% in 2013-14 (the highest forecast growth of all States), following estimated growth of 5.75% in 2012-13. Growth is then forecast to moderate to 2.5% in 2014-15, before recovering to 3.75% in the last two forward estimate years as domestic economic activity picks up moderately.

Figure 1

ECONOMIC GROWTH
Gross State Product, Western Australia



Source: ABS Catalogue 5220.0, Department of Treasury and Commonwealth Treasury.

The moderation in domestic economic conditions is expected to flow through to a softening in the labour market, with growth in employment and wages forecast to ease and move more in line with national rates. Demand for labour is expected to moderate as major resource projects transition to the less labour-intensive production phase. Consistent with weaker domestic demand, the unemployment rate is forecast to rise to 5.75% by 2014-15 and then ease to 5.25% by 2016-17 as economic conditions stabilise.

Table 1

ECONOMIC FORECASTS
Western Australia, Annual Growth (%)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
Demand and Output ^(a)						
Household Consumption	6.5	5.25	4.0	3.5	3.5	3.5
Dwelling Investment	-14.4	1.25	11.25	6.0	3.75	2.0
Business Investment	38.6	9.0	-9.0	-7.0	-5.0	-3.75
Government Consumption	5.5	2.0	4.75	4.25	4.5	4.5
Government Investment	9.4	1.0	3.0	0.5	0.75	1.5
State Final Demand (SFD)	14.2	6.0	-0.25	0.5	1.0	1.25
Merchandise Exports	4.6	9.5	6.25	4.5	7.0	6.75
Merchandise Imports	27.5	8.0	-7.75	-4.25	-1.0	0.5
Net Exports ^(b)	-3.4	9.75	12.0	7.25	9.25	8.5
Gross State Product (GSP) ^(c)	6.7	5.75	3.25	2.5	3.75	3.75
Labour market						
Population	3.1	3.2	2.2	2.1	2.1	2.1
Working Age Population (15-64)	2.8	2.8	1.8	1.6	1.6	1.6
Employment	3.9	3.6	1.25	1.75	1.5	1.5
Unemployment Rate ^(d)	4.0	4.4	5.5	5.75	5.5	5.25
Participation Rate ^(d)	68.7	69.0	68.9	68.8	68.3	67.7
Prices						
Consumer Price Index (CPI)	2.2	2.3	2.5	2.5	2.5	2.5
Wage Price Index (WPI)	4.3	4.0	3.75	3.75	3.5	3.5
SFD Deflator	1.6	2.3	2.8	3.2	3.1	3.1
GSP Deflator	1.1	-5.3	4.0	0.5	0.6	0.7
Established House Price Index	-2.5	5.5	6.0	3.5	1.8	1.9
Other key parameters ^(d)						
Exchange Rate \$US/\$A (cents)	103.2	102.7	92.0	89.8	87.5	85.5
Effective Iron Ore Price (\$US/t) (FOB) ^(e)	134.9	121.1	116.7	110.7	109.8	105.6
Crude Oil Price (\$US/barrel)	95.0	92.2	94.9	89.3	85.5	83.1

(a) Based on 2011-12 State Accounts annual data, released on 21 November 2012, updated with the latest quarterly State Final Demand data (for the March quarter 2013, released on 5 June 2013).

(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) The spot price, adjusted for factors such as grade, moisture and freight. In 2013-14, these factors total \$US9.9 per tonne. Thus the effective iron ore price of \$US116.7 per tonne in 2013-14 equates to a 'headline' spot price of \$US126.6 per tonne.

Global Outlook

The global growth outlook has deteriorated since the start of the year, with the International Monetary Fund (IMF) downgrading its outlook for both 2013 and 2014. This mainly reflects a weaker outlook for the US economy, a protracted recession in the euro area and lower growth in developing economies, including China.

The IMF projects the global economy to grow by 3.1% in 2013 in its July 2013 *World Economic Outlook* update, following growth of 3.1% in 2012. Economic performance is expected to vary across advanced and developing economies, although overall activity is expected to grow at a similar pace as in 2012. Conditions in the global economy are projected to gradually improve in 2014, with activity forecast to grow by 3.8%.

The outlook for the US economy has improved markedly since the start of the year, with the economy avoiding a ‘fiscal cliff’¹ and raising its debt ceiling. Nonetheless, growth in the US economy is projected to slow in the second half of the year, given ongoing budgetary cuts and the US Federal Reserve’s decision to taper its third round of quantitative easing (QE3). Conditions are expected to improve in 2014, although at a slower pace than previously expected.

Elsewhere, economic activity in the euro area remains weak, with the area in recession and conditions increasingly divergent between member states. Financial weaknesses have resurfaced in Cyprus and Portugal and, with the exception of Germany, activity in the euro area is likely to continue to contract for the remainder of 2013 and grow modestly in 2014.

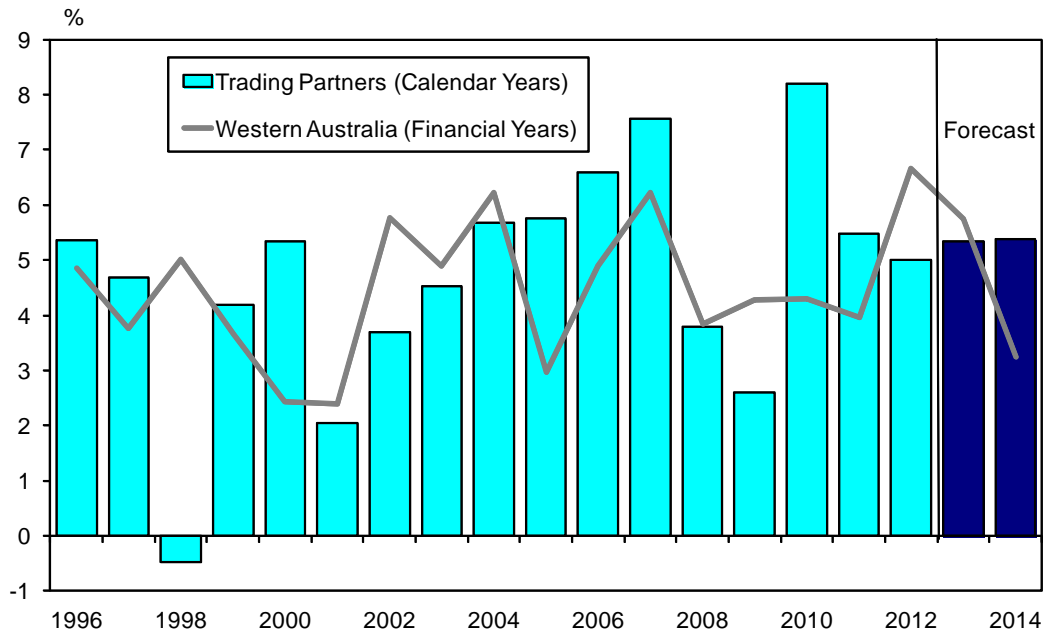
Forecasts of growth for the Chinese economy for 2013 have consistently been revised down by the IMF, amid signs of over-investment in infrastructure and a reduction in private manufacturing. The Chinese Government has also signalled its intention to rebalance the economy away from a reliance on exports and investment toward a greater emphasis on domestic consumption, which could see the pace of Chinese economic growth slow further. Moreover, the Chinese Government recently acted to limit credit growth in an effort to improve the sustainability of economic activity. The IMF forecasts the Chinese economy will grow by 7.8% in 2013 and 7.7% in 2014, which is significantly lower than in previous years.

Overall, economic conditions in Western Australia’s major export markets are expected to be reasonably steady for the next two years. For more detail on the key risks to the State’s economy, see the *Risks to the Outlook* section later in this chapter.

¹ The ‘fiscal cliff’ refers to the simultaneous expiry of tax breaks and the introduction of tax increases and spending cuts that were due at the end of 2012. If these had not been avoided, it is estimated that the US economy would have contracted by \$US600 billion in 2013, which could have tipped it into recession. A number of spending cuts did come into effect as of 1 March 2013 (known as the sequester) and while these are estimated to have slowed US growth, they have not been significant enough to push the US into recession.

Figure 2

WESTERN AUSTRALIA'S MAJOR EXPORT MARKETS
Annual Growth



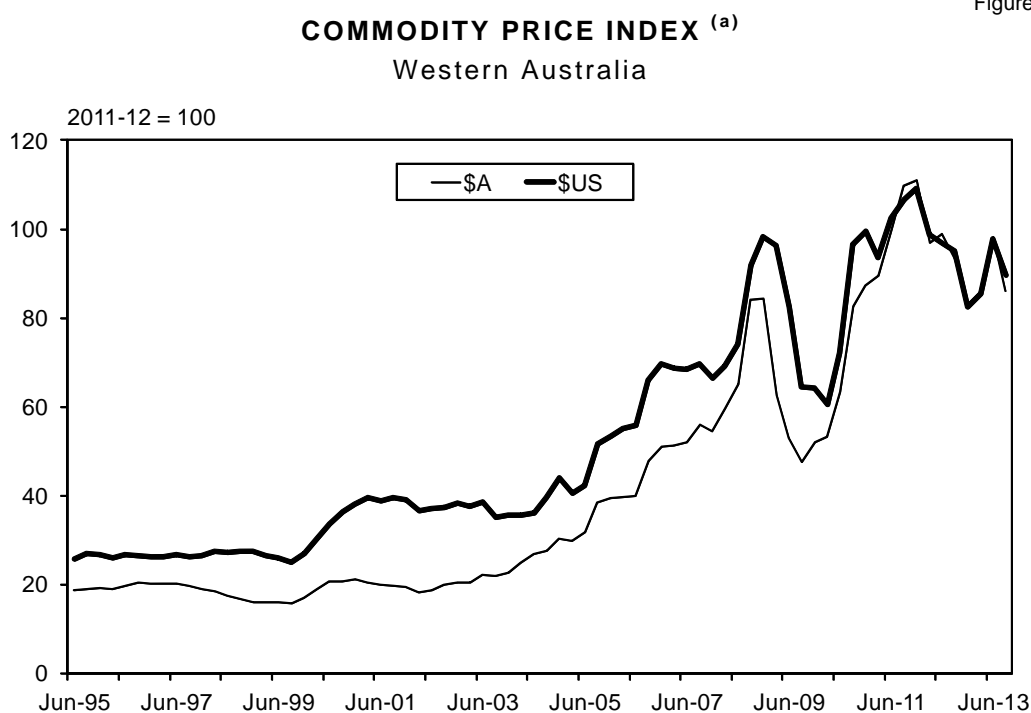
Source: IMF and Department of Treasury.

Global Commodity Markets

Slower economic growth in China and ongoing risks to the euro area and the US translated into lower commodity prices over the past year.

Iron ore spot prices have declined by 26% since their recent peak in February 2013, or by 38% relative to the historical peak in February 2011, due to concerns regarding softer than expected demand from China and an oversupply of steel. Gold prices have suffered significant declines of almost 23% since their peak in October 2012, with a slowdown in gold buying by China and India, and fears of inflation in the US economy receding. In addition, oil prices have been tracking lower than their peak in March 2012 but have risen recently due to the renewed political instability in Egypt.

Nonetheless, prices for Western Australia's commodity exports remain high by historical standards. However, over the coming years prices for the State's commodity exports are forecast to soften further, primarily in response to increases in global supply (including from Western Australian producers).



(a) A weighted index of prices for iron ore, gold, oil, LNG, copper, nickel, zinc and alumina. Values for the March and June quarters 2013 are estimated index values.

Source: Department of Treasury.

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

Household Sector

Household Spending

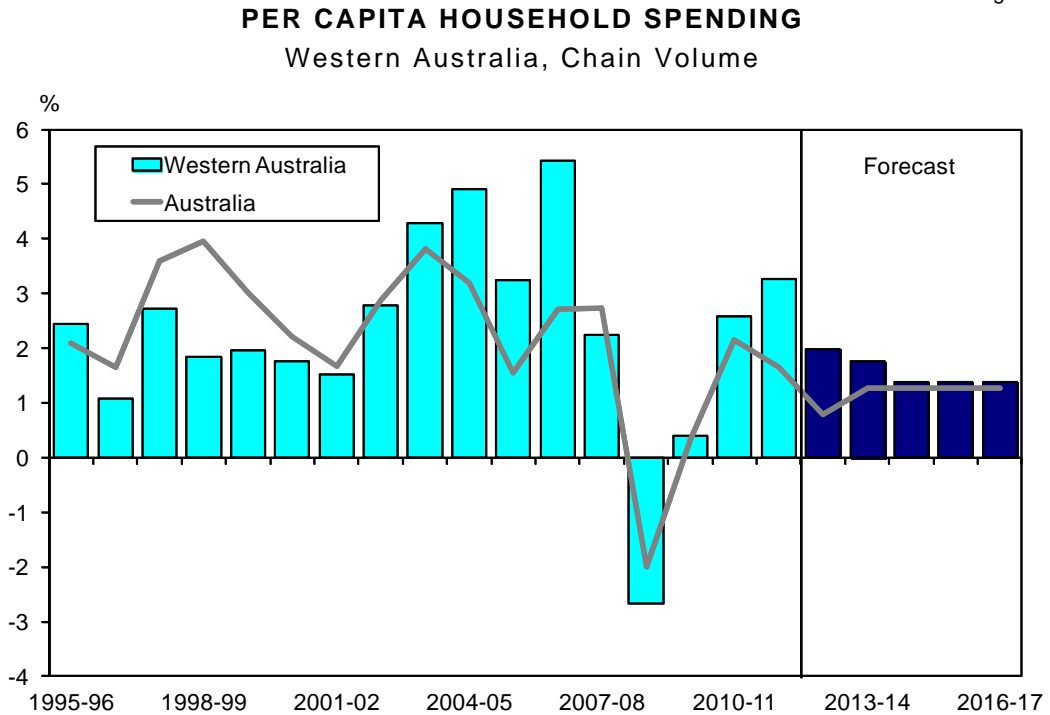
Household spending has been strong in 2012-13. The pattern of spending towards discretionary items over the last two years has been declining since December 2012, with more essential components of household spending such as food and rent providing the main boost to growth in the first half of 2013.

Strong labour market conditions, strong wage growth, and a resilient Australian dollar for most of the year supported healthy growth in household consumption, which is estimated to have grown by a robust 5.25% in 2012-13. This is above the long-run average growth rate of 4.2%.

Household consumption has historically been responsive to trends in labour market conditions and population growth, both of which are expected to soften in the near-term. Consequently, household consumption growth is forecast to ease to 4% in 2013-14 and 3.5% across the forward estimates.

With incomes, employment growth, and the unemployment rate trending towards national levels, and population growth moderating, the State’s per capita consumption profile is expected to move more in line with national trends.

Figure 4



Source: ABS Catalogue 5206.0 and 3101.0, Department of Treasury and Commonwealth Treasury.

Housing Demand

Following subdued conditions after the Global Financial Crisis (GFC), housing demand began to recover in 2012-13. This was reflected in stronger growth in house prices and higher sales. Established house prices² in Perth were 7.6% higher in the March quarter 2013 compared to their recent low in the September quarter 2011.

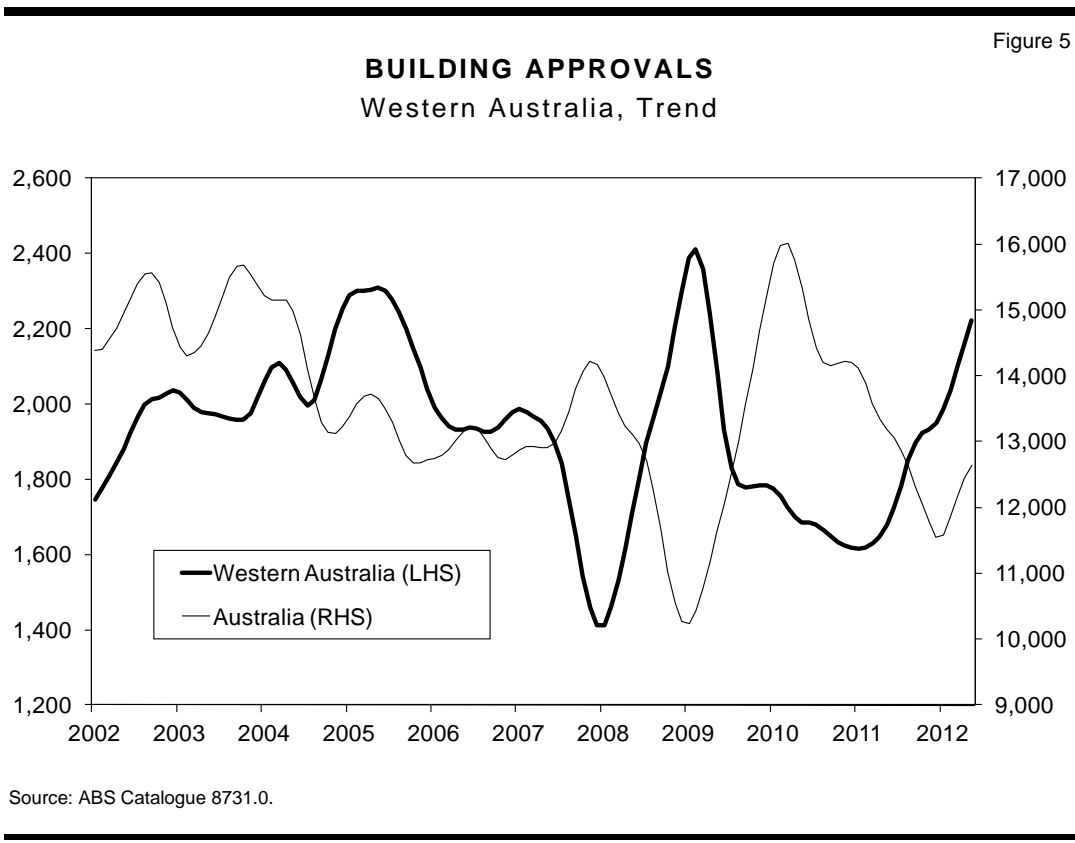
The increase in demand has been driven by a combination of lower interest rates and a strong rise in the Perth median rent, which increased by 20.5% over the two years to the March quarter 2013³. As a result, first home buyer activity has increased, and yields for investors have improved.

² Source: ABS Catalogue 6416.0.

³ Source: Real Estate Institute of Western Australia, *Market Update*, March quarter 2013.

The increase in demand has flowed through to the new construction market, with the number of building approvals increasing through 2012-13. Accordingly, after contracting in 2011-12, dwelling investment⁴ is forecast to have recovered in 2012-13 (up 1.25%), while house prices are estimated to have increased by 5.5% over the year.

The recovery evident in the second half of 2012-13 is expected to flow through into 2013-14, with dwelling investment forecast to grow by a strong 11.25%, while prices are forecast to increase by 6%. Activity in the housing market is expected to stabilise across the forward estimates, with growth in dwelling investment forecast to return to around its long-run average of 3.5%. House price growth is also expected to moderate, as an easing in both income and population growth, as well as the high stock of household debt, limit demand.



Business Investment

The outlook for business investment in Western Australia is underpinned by the major resource projects that are currently under construction, which has resulted in exceptionally high levels of investment in recent years.

⁴ 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*).

The total value of projects currently under construction is estimated to be \$135.4 billion⁵. This comprises a number of large LNG projects including the \$50 billion Gorgon project, the \$28 billion Wheatstone project, and the \$12 billion Prelude floating LNG project. These are in addition to multi-billion dollar expansions by the major iron ore producers.

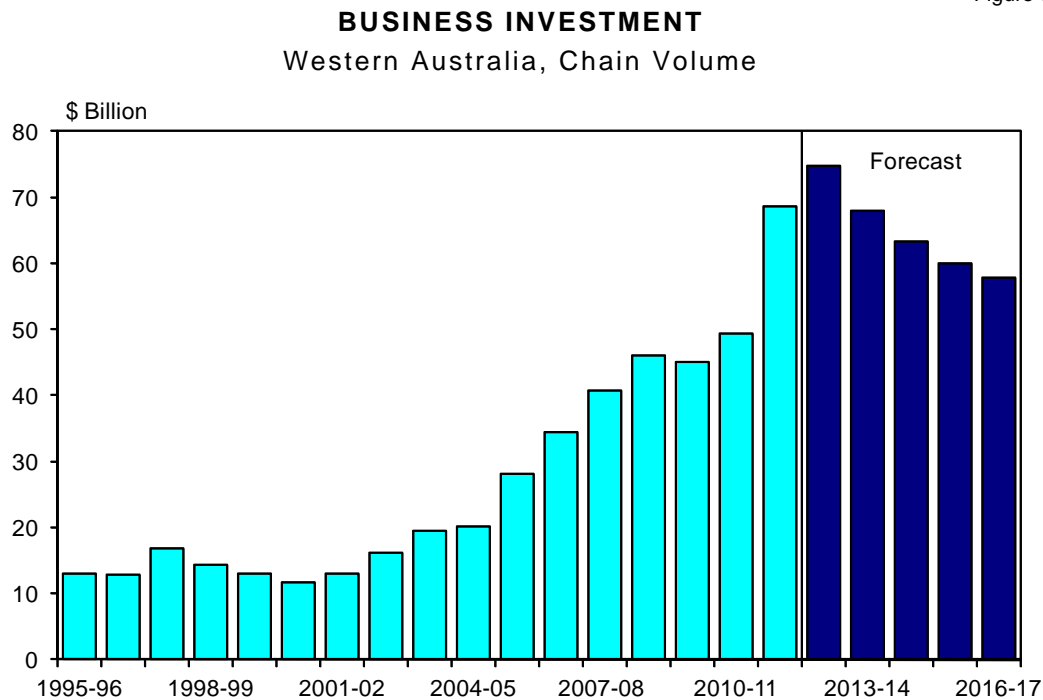
However, business investment declined in both the December 2012 and March 2013 quarters, the first time it has fallen for two consecutive quarters since March 2004. This is consistent with spending peaking on the Gorgon LNG project in 2012-13, along with investment by the major iron ore companies starting to wind down. Accordingly, business investment is expected to peak in 2012-13, slightly earlier than expected, with forecast growth of 9%.

A volatile iron ore price and weaker sentiment about the outlook for China have impacted on the investment outlook, with a shift in the focus of mining companies from expansion toward increasing efficiency and cutting costs. In response to the change in sentiment a number of projects have been delayed or cancelled, and in some cases companies are examining cheaper alternative approaches to project development. Consequently, business investment is forecast to contract by 9% in 2013-14, as the quantum of new projects in the pipeline is insufficient to maintain the current level of investment.

Across the forward estimates period business investment is expected to decline, albeit at a slower rate than in 2013-14, as the decline in major projects is expected to be accompanied by continued growth in non-resource investment. Notwithstanding the projected decline in business investment, the level of investment is still expected to remain at historically high levels across the forward estimates period, well above those in 2010-11.

⁵ Source: Deloitte Access Economics, *Investment Monitor*, June 2013.

Figure 6



Note: Data adjusted for 1997-98 sale of Dampier to Bunbury National Gas Pipeline from the public sector to the private sector.
Source: ABS Catalogue 5206.0 and Department of Treasury.

Government Sector

Government Consumption

Public consumption, which includes expenditure by Commonwealth, State and local governments, is estimated to have grown by 2% in 2012-13. This follows growth of 5.5% in 2011-12.

Government consumption is forecast to grow by 4.75% in 2013-14, 4.25% in 2014-15 and 4.5% across the remainder of the forward estimates. This is consistent with the expense growth projections in Chapter 3: *Financial Projections and Fiscal Strategy*.

Government Investment

Public investment by Commonwealth, State and local governments is estimated to have grown by 1% in 2012-13, following growth of 9.4% in 2011-12, with weaker local and Commonwealth government investment partly offsetting an increase in State government investment.

State government investment in major projects and infrastructure is expected to support an increase in total public investment spending of 3% in 2013-14. Moderate growth in public investment is forecast over the forward estimates period.

The growth profile in public investment reflects the Asset Investment Program projections provided in Chapter 6: *Asset Investment*.

International Trade

Exports

Merchandise exports are estimated to have grown by 9.5% in 2012-13. This reflects strong growth in the export of resource and agricultural commodities over the year to date. Iron ore sales have expanded considerably reflecting a major increase in capacity from producers such as Fortescue Metals Group (FMG). There was also a notable increase in LNG sales due to the ramp up in production from the Pluto facility.

A further expansion in iron ore production is expected to support growth in merchandise exports of 6.25% in 2013-14 and 4.5% in 2014-15, with all major producers in Western Australia expected to see a significant increase in production.

Export volumes are forecast to rise by 7% in 2015-16 and 6.75% in 2016-17. This will be driven by a substantial increase in LNG and condensate production as the large projects (Gorgon, Wheatstone, and Prelude) transition from construction into production. The projected growth of iron ore exports is expected to be stronger in the first part of the budget period, where production from recent expansions has the largest impact on exports. However, iron ore exports are still forecast to grow at a solid pace in 2015-16 and 2016-17.

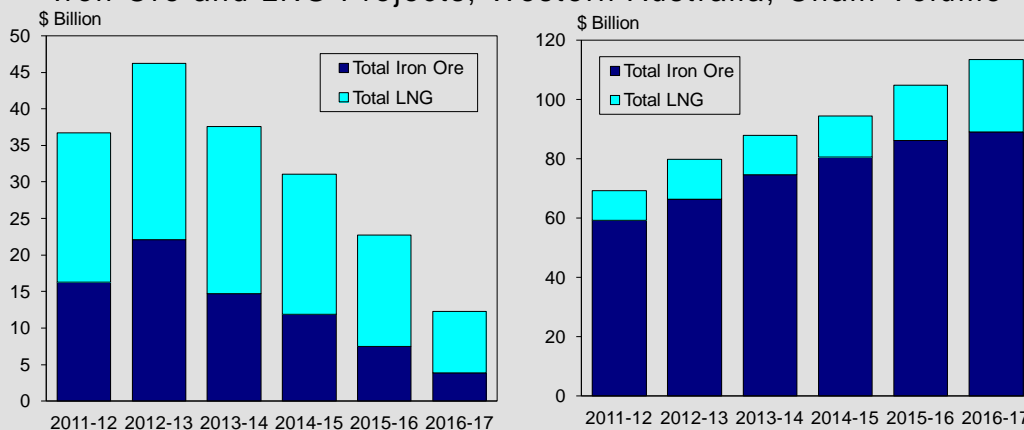
Transition from Construction to Production

The Western Australian economy is expected to undergo a transition from business investment-led growth to export driven growth over the medium-term. This change is reflected in a forecast moderation in domestic economic growth (which includes business investment, household spending and dwelling investment) and a stronger contribution to growth from the external trade sector.

Figure 7

BUSINESS INVESTMENT AND PRODUCTION

Iron Ore and LNG Projects, Western Australia, Chain Volume



Source: ABS Catalogue 5368.0, Department of Treasury and Department of Mines and Petroleum.

With spending on the \$50 billion Gorgon LNG project likely to have peaked in 2012-13, and investment by the major iron ore companies expected to gradually wind down, business investment is projected to taper off from a peak of \$74.7 billion (in 2010-11 dollars) to \$57.8 billion by the end of the forecast period. The level of business investment throughout the period is projected to remain higher than in 2010-11 (\$49.4 billion) when construction on the Gorgon LNG project was well underway.

While investment in large iron ore and LNG projects (which is estimated to amount to around 60% of total investment in 2012-13) is forecast to decline over the budget period, it is expected that total investment in resource projects valued at less than \$500 million and non-resource projects (currently worth around \$25 billion) will grow steadily over the same period. This includes investment in the construction of hotels, office accommodation, retail precincts, and other industrial and commercial buildings, as well as investment in plant and equipment by small to medium-sized enterprises. Projects such as the Elizabeth Quay and Perth City Link developments will fall into this category.

The business investment outlook also incorporates a provision for major projects which have yet to receive (or be assessed as close to receiving) final investment approval. The size of this provision increases through the forward estimate years as greater clarity about prospective projects becomes available in each successive year of the budget period. A current indicator of the size of the pool of potential projects is the estimated value of projects assessed as ‘under consideration’ or ‘possible’ in Deloitte Access Economics’ *Investment Monitor*. As at the June quarter 2013, there were \$102 billion worth of such projects in Western Australia. This is slightly below the value of potential projects in Queensland (\$117.8 billion), but substantially higher than the value of such projects in New South Wales, Victoria and Tasmania combined (\$76.6 billion).

The massive increases in business investment in recent years (83.6% over the five years to 2012-13) are expected to pay-off over the budget period and beyond as major resource projects commence production. Over the forecast period, LNG production in Western Australia is expected to increase by an amount greater than the entire production of the North West Shelf project in 2011-12 (with further substantial increases in production expected in 2017-18 as projects ramp up to capacity), and total iron ore production is projected to increase by around one-third.

The transition of major resource projects from construction to production can be seen in the above figure, which shows that the forecast reductions in business investment are mirrored by a projected lift in exports. This means that while the drivers of the State’s economic growth are changing, overall economic growth (as measured by GSP) is expected to remain strong, with average growth over the period 2012-13 to 2016-17 forecast to be higher (at 3.8% per annum) than national economic growth (2.9% per annum).

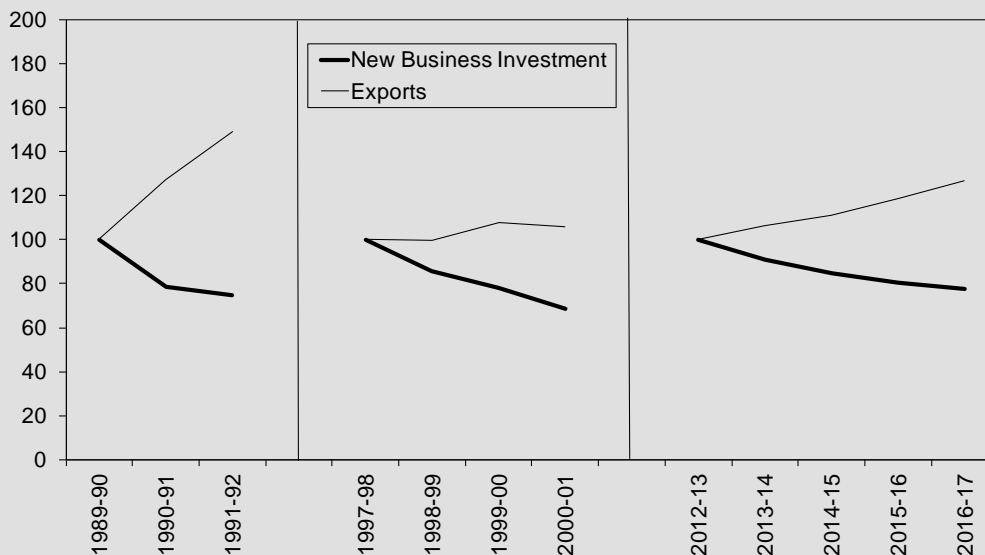
The transition from construction over this budget period is the latest in the State’s continuing series of investment and export cycles. Importantly, exports tend to lift as business investment tapers, with the transition sustaining overall economic growth. While the length and extent of the cycles differ, they generally involve a period of significant investment, which given its lumpy nature, tends to peak and then taper off. Investment tends to be followed by increases in exports with a lag, with the length of the lag dependent on the nature of the investment. The time lag can be particularly long for new complex projects, such as the State’s LNG and magnetite projects currently under construction. Specifically, as these projects pass their peak construction they must go through a process of commissioning, whereby operators test, and if necessary modify, the plant and equipment to ensure design specifications are met. Moreover, unforeseen issues with the production process may be identified as the production phase begins, resulting in unplanned shut-downs in the first few months or years of operation.

The following figure compares trends in investment and exports over this budget period with trends from the peak in investment in the previous two cycles. The first panel shows that in the two years following a peak in investment in 1989-90, investment declined by around 25% while exports increased by almost 50%. This first cycle included a significant expansion in the North West Shelf resulting in LNG becoming one of the State’s major exports.

Figure 8

CONSTRUCTION TO PRODUCTION ^(a) Current and Past Transitions

Index: 100 = Peak of most Recent Business Investment



(a) New Business Investment excludes purchases of second hand assets (e.g. the sale of the Dampier to Perth Natural Gas Pipeline from the public sector to the private sector in 1997-98).

Source: ABS Catalogue 5220.0 and 5206.0.

The second panel in the above figure shows that in the three years following the investment peak in 1997-98, business investment declined by around 26%, while exports increased by only 6%. In this cycle, the boost to exports commenced before the peak in business investment. Over the three years from 1996-97, exports rose by 21%, with growth boosted by a significant lift in nickel exports, although export volumes increased across a range of commodities. However, some resource investment in this phase did not flow through to higher exports, with the most notable example being the hot briquetted iron plant in Port Hedland.

In comparison, the transition over the budget period (the third panel in the above figure) is expected to be characterised by a 23% decline in investment levels (from around \$75 billion in 2012-13 to around \$58 billion in 2016-17) and a corresponding 27% increase in exports (from \$130 billion in 2012-13 to \$165 billion in 2016-17), comprising particularly significant expansions in iron ore and LNG exports.

Imports

Merchandise imports are estimated to have grown by 8% in 2012-13, driven largely by imports of capital goods reflecting the expected peak in business investment. The estimated growth rate is much higher for 2012-13 than what is implied by the amount of imports recorded in the Australian Bureau of Statistics' *National Accounts*. This is because substantial upward revisions are expected in subsequent quarters and years⁶.

Significant declines in merchandise imports are expected in 2013-14 (-7.75%) and 2014-15 (-4.25%) driven by a reduction in the import of capital goods required for major resource projects. Imports are expected to stabilise in 2015-16 (-1%) and 2016-17 (0.5%) due to a moderation in the decline of capital goods imports and continued increases in the import of consumer goods.

Labour Market

Employment

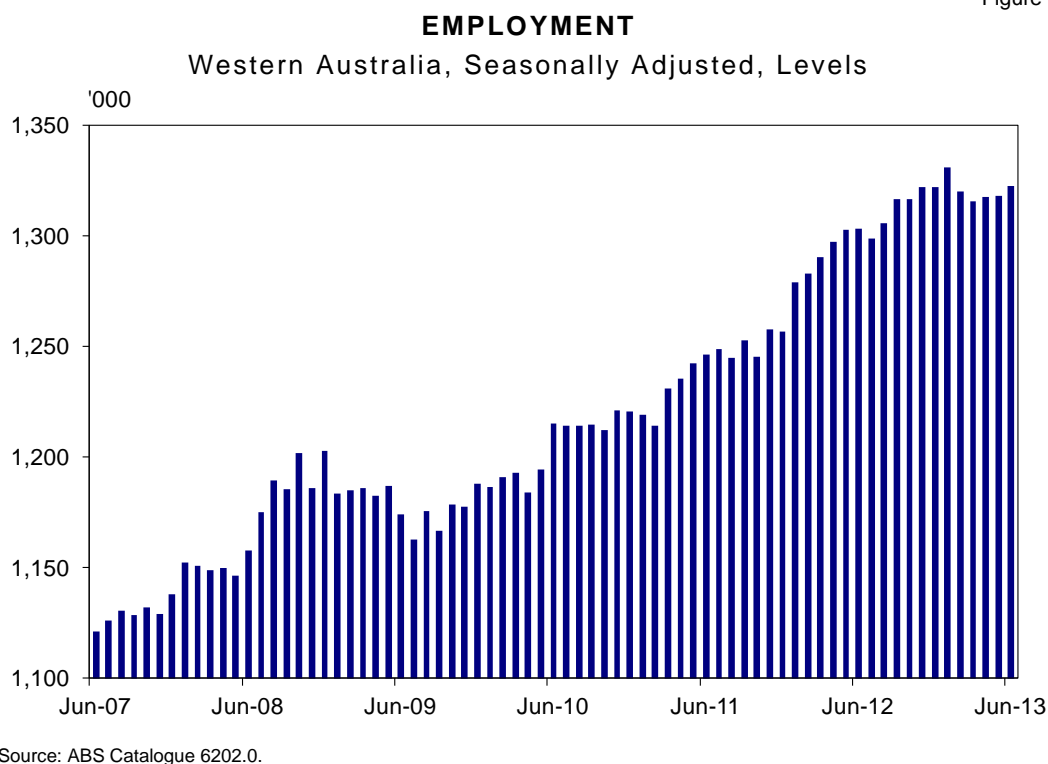
Employment levels in Western Australia remain high but have moderated since the most recent peak in January 2013 (employment in June 2013 was 8,194 persons lower than in January), largely reflecting softening demand for mining related labour. The slowdown in hiring activity is consistent with recent leading indicators of labour demand, including steep downward trends in job vacancy measures.

Employment grew by 3.6% in 2012-13, elevated by strong increases in mid-2012 and into the first half of 2012-13. Employment growth is projected to soften to 1.25% in 2013-14 consistent with the weaker business investment outlook.

Demand for labour over the forward estimates is expected to remain moderate, as major resource projects transition from the highly intensive construction phase to the less labour-intensive production phase. Employment growth is expected to lift slightly to 1.75% in 2014-15, in line with a modest recovery in the domestic economy, before steadying at 1.5% over the remainder of the forward estimates.

⁶ In recent years, growth in Australia's goods debits (merchandise imports) in the Balance of Payments has exceeded growth in the sum of the merchandise imports for all the States and Territories in the *National Accounts*. This has been driven by progress payments for imports of major capital goods, which are recorded in the Balance of Payments when imports are purchased, but not recorded at the State level in the *National Accounts* until the imports are physically delivered.

Figure 9



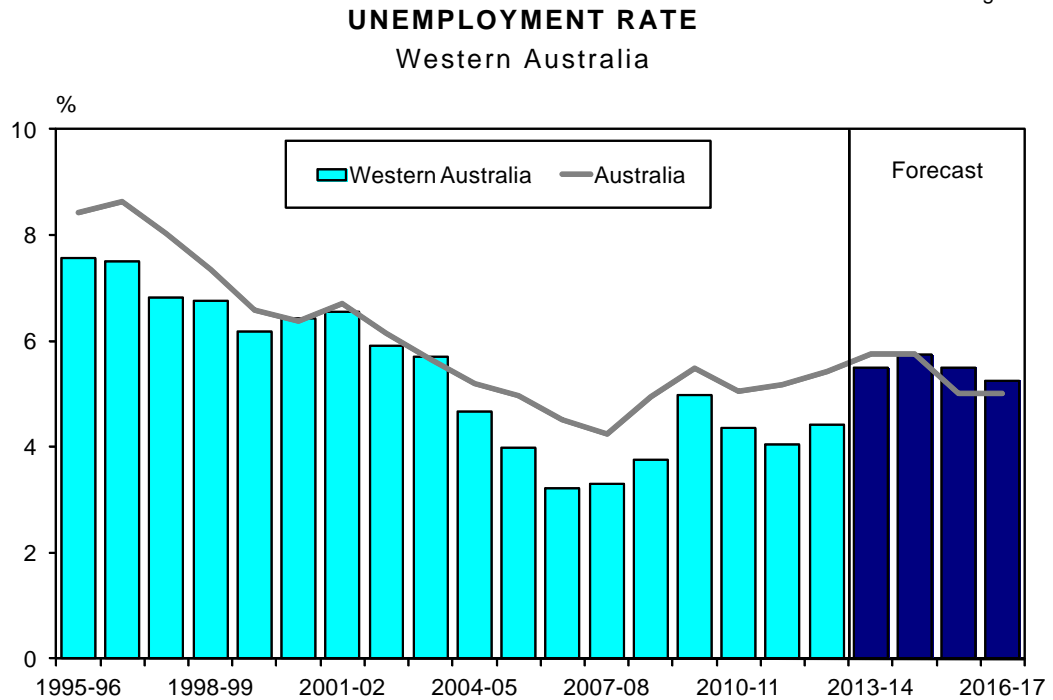
Unemployment and Participation

Western Australia's unemployment rate has picked up since late-2012, to average 4.7% so far in 2013. This is in line with a slowdown in hiring activity and migration-led population growth, which has increased the supply of labour in the State.

The unemployment rate averaged 4.4% in 2012-13 and is estimated to increase to 5.5% in 2013-14 and 5.75% in 2014-15, reflecting a weaker domestic economic growth outlook and a corresponding moderation in labour demand. The unemployment rate is expected to ease slightly to reach 5.25% by 2016-17, as economic conditions stabilise.

The State's participation rate is expected to moderate across the forward estimates in line with the softer labour market conditions. However, it is forecast to remain above recent historical averages across most of the forward estimates, as the number of people looking for work is expected to remain high. After an average of 69% in 2012-13, the participation rate is forecast to ease gradually to 67.7% by 2016-17, consistent with the decade average of 68%.

Figure 10



Source: ABS Catalogue 6202.0, Department of Treasury and Commonwealth Treasury.

Population

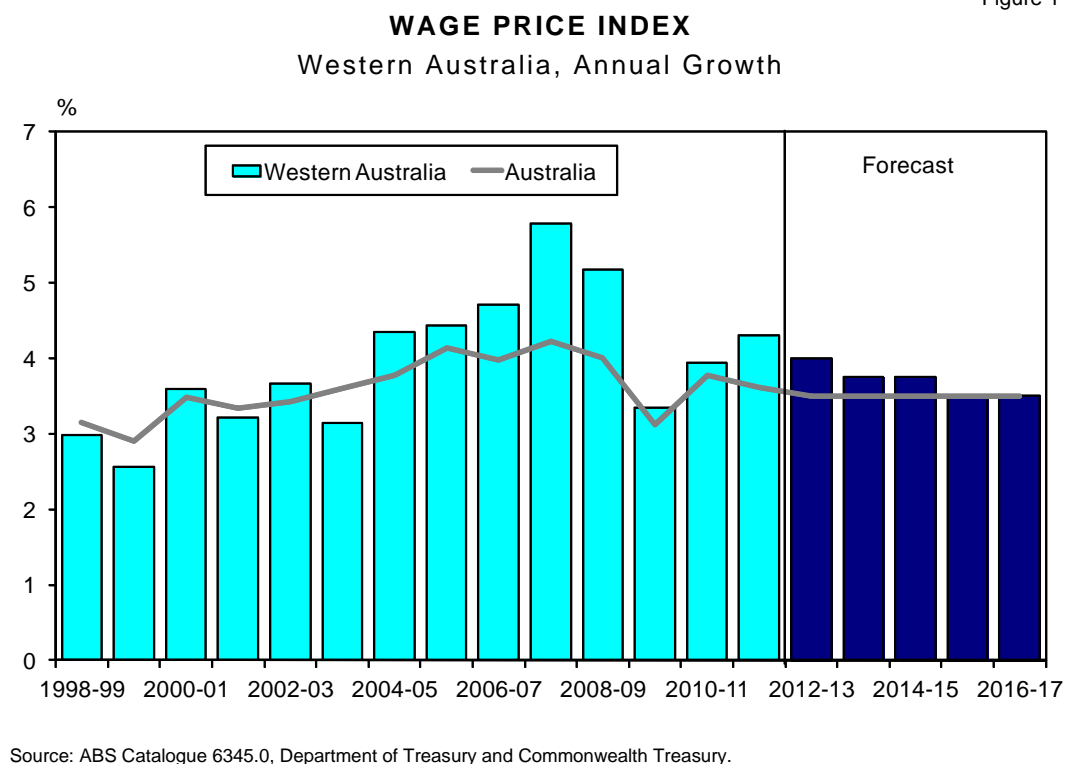
High levels of migration to Western Australia have supported strong population growth, estimated at 3.2% in 2012-13 (compared to average population growth over the last decade of 2.3% per annum). However, migration to the State (particularly from other States in the short-term) is expected to decline, in line with the softer outlook for the labour market. Consequently, population growth is forecast to moderate to 2.2% in 2013-14 and 2.1% per annum thereafter.

Wages

Growth in Western Australia's Wage Price Index (WPI) has eased somewhat in recent quarters, in line with a softening in labour market conditions. The State's WPI rose by 0.9% in the March quarter 2013 after growing by 0.7% in December (both below the decade quarterly average growth of 1.1%), with growth easing in both private and public sector wages.

In keeping with the moderation in recent economic growth, the State's WPI is estimated to have increased by 4% in 2012-13, down from 4.3% in 2011-12. Growth over the forward estimates is expected to ease further, in line with a weaker labour market and domestic economic outlook. As such, wages are forecast to increase by 3.75% in 2013-14 and 2014-15, before stabilising at 3.5% across the remainder of the forward estimates, consistent with forecast growth nationally.

Figure 11



Prices

Consumer Price Index

Inflation has remained relatively contained in 2012-13, despite rising incomes, increased consumer spending and the introduction of the carbon tax, and it is closely tracking national trends. Perth’s Consumer Price Index (CPI) grew by 0.6% during the June quarter 2013 following modest growth of 0.5% in the March quarter.

Consistent with a high Australian dollar reducing price pressure on imported goods, and modest quarterly CPI growth over the year, Perth’s CPI increased by 2.3% in 2012-13.

Perth’s CPI is forecast to increase by 2.5% in 2013-14 and beyond. This is in line with national CPI forecasts by the Reserve Bank of Australia (RBA), though slightly higher than projections by the Commonwealth Treasury for 2013-14 and 2014-15. The difference in forecasts reflects the recent depreciation of the Australian dollar, which (all else equal) will increase the price of imported goods.

Risks to the Outlook

Global Risks

Average growth in the State's main trading partners is expected to be stronger than for the rest of the world (see the *Global Outlook* section), but there are several risks to this outlook that could impact Western Australia. Three key risks include a sharper than expected slowing in China's economic growth, the risk that sovereign debt concerns in the euro area could worsen, and the possibility that early signs of recovery in the US economy are not sustained.

China's Economy

As Western Australia's largest export market, economic conditions in China have an important bearing on the growth prospects of the State and recent economic and financial developments in China present key risks to the State's growth outlook. China's new central government has attempted to rebalance its drivers of growth over the past year, from investment to consumption activities, in part to slow unsustainable credit growth. This could mean that the Chinese economy may grow more slowly than its 7.5% official growth target for 2013.

The People's Bank of China introduced measures in March and June 2013 to curb credit growth. This caused widespread concern that a credit crisis was about to unfold, which could have destabilised the Chinese financial system, restrained economic activity and impacted on growth in countries that rely on Chinese demand, including Australia. Although a widespread credit crisis appears to have been averted, vulnerabilities in the Chinese financial system remain. Several credit rating agencies had already lowered their growth outlooks for China in April, citing increasing risks to the country's financial stability.

While China's industrialisation and urbanisation is likely to support economic growth in the long-run, any slowdown in activity would lead to weaker demand for Western Australia's commodity exports, particularly iron ore. This could result in lower commodity prices and terms of trade and potentially affect export volumes. In addition, any slowdown in China would have a negative impact on business sentiment, particularly for trade-exposed industries such as mining.

The immediate risk to domestic demand in Western Australia is offset to some extent by the large pipeline of major resource projects already being built, which are difficult to wind back once commenced. In addition, exports from the major LNG projects currently under construction are typically fixed under long-term sales contracts, making them less susceptible to short-term fluctuations in China's growth prospects than other resource projects.

Sovereign Debt

Sovereign debt concerns and austerity programs in the euro area are likely to weigh on global growth for the foreseeable future. Although the immediate risk of a breakup of the euro area has receded, economic and financial fundamentals of the euro area are far from sound. Growth prospects for member states are varied, the pace of financial sector reforms are uneven and conditions in the euro area periphery remain weak. The European Union and the IMF agreed on a €10 billion rescue package for Cyprus in April 2013 with further assistance to Portugal a distinct possibility. The risk that sovereign debt concerns could spill over into other countries in the region has heightened once again, particularly with economic conditions in Italy and Spain stagnating.

Prolonged weakness in the euro area means further rescue packages may be required. Although banks in the periphery are slowly being recapitalised and other banking reforms are occurring to improve competitiveness, progress remains slow. There are also concerns that some member governments in the euro area are becoming reform ‘fatigued’, due to the onerous obligations placed on them for institutional reform. Lack of commitment to policy reform may limit the pace of economic recovery and threaten the success of any future rescue packages.

US Economic Recovery

The US economy has broadly improved since early 2013, avoiding a ‘fiscal cliff’ which threatened to push its economy into recession through a succession of automatic budget cuts. Recent announcements that the US Federal Reserve will gradually wind back its third phase of quantitative easing, worth \$US85 billion a month, by mid-2014 are consistent with an improved US outlook.

However, there remain some concerns about whether the US economic recovery is self-sustaining. In particular, there are a number of uncertainties associated with the winding back of quantitative easing, including the impacts on market confidence and investor behaviour.

Domestic Risks

The key domestic risk to the economic outlook relates to uncertainty over the future path of business investment, which has flow-on implications for the timing of exports, and the outlook for labour demand and population growth. In addition, there is a risk that the recovery in demand for housing may be shorter lived than anticipated.

Business Investment

As outlined earlier in this chapter, business investment activity in Western Australia appears to have peaked earlier than expected and is forecast to moderate from the current high levels over the budget period. As iron ore and LNG investment declines, it is expected these declines will be partially offset by investment in projects that are only in prospect at present as well as investment in the non-resource sectors of the economy.

However, a faster than expected slow down in major project investment could have a negative impact on business investment in other sectors. Furthermore, if the outlook for resources demand deteriorates further, the provision made for prospective investment projects may not be met, with this risk weighted more heavily towards the end of the forward estimates.

On the upside, there are a number of potential projects that could proceed if the outlook for resources demand improves.

Exports

The most significant risk to the outlook for exports relates to project delays affecting the expected start of the production phase. Project delays have been an issue for the Western Australian resource sector in recent years with the Citic Pacific iron ore project (production was originally intended to start in 2010, but no shipment has been announced as of July 2013) and Pluto LNG project (targeted at the end of 2010, first LNG shipments occurred in the June quarter 2012) being two prominent examples.

Commodity price volatility represents a risk for sectors with relatively high operating costs, such as gold and nickel mining. The volume of iron ore and oil and gas exports are less likely to be impacted by price volatility in the short-run, as these operations typically have relatively low operating costs in Western Australia.

Labour Demand

Risks to the outlook for business investment flow through to key risks in the labour market. In particular, if a number of potential resource projects proceed and business confidence picks up, then employment growth may be stronger than forecast. This will likely result in a lower unemployment rate and stronger wages growth, buoyed by tighter labour market conditions. The contrary holds true if business investment is weaker than expected.

Population Growth

Western Australia's population is projected to grow at a faster rate than the rest of Australia, supported by high contributions to growth from migration and natural population increase. However, the main driver of variations in the State's population growth is net overseas migration (NOM), as the natural increase in population is relatively stable over time, and net interstate migration is small in level terms.

Western Australia's share of NOM is forecast to slow quite quickly in the second half of 2012-13, in line with the slowing of the State economy and softer labour market conditions. If the State's share of NOM does not slow as quickly as expected, population growth may be stronger than anticipated.

Housing Demand

The recovery of dwelling investment in 2012-13 is forecast to continue in 2013-14. Although underlying housing demand is currently strong, turning points are notoriously difficult to predict in advance. Consequently, there is some risk that the growth in dwelling investment may not be as strong, or sustained for as long, as currently anticipated.

Financial Projections and Fiscal Strategy

HIGHLIGHTS

- Moderate growth in the State's revenue base is expected over the forward estimates period as the composition of economic growth changes while major resource projects transition from construction to production, and as Western Australia's GST share continues to decline.
- At the same time, population growth is driving unprecedented demand for government services and infrastructure, and this is placing pressure on expenditure growth and net debt levels.
- The Government is meeting this demand with significant additional funding in priority areas such as health, education, law and order, roads and public transport.
- To accommodate these priorities and improve the sustainability of the State's finances, the budget implements a comprehensive Fiscal Action Plan, with an estimated net debt benefit of \$6.8 billion over four years.
- An operating surplus (i.e. a surplus of revenue over recurrent expenditure on the day-to-day operations of the general government sector, excluding infrastructure spending) of \$386 million is forecast for 2013-14, following an estimated \$239 million surplus in 2012-13.
- Infrastructure spending is forecast to total \$26.9 billion over the next four years, including \$7.5 billion in 2013-14.
- Notwithstanding the Fiscal Action Plan, general government operating surpluses are not sufficient to fund this critical infrastructure spending. Consequently, net debt is projected to increase from an estimated \$18.5 billion at 30 June 2013 to \$28.4 billion by 30 June 2017.

- This budget adopts a new suite of financial targets that better reflect the Government's financial priorities and the challenges facing the State's finances, and to ensure measures are put in place and discipline is maintained to ensure sustainable finances.

Introduction

As outlined in earlier chapters, the changing composition of Western Australia's economic growth is expected to result in a more moderate economic and revenue outlook. General government revenue growth is expected to average 4.2% per annum across the budget period (2013-14 to 2016-17), down from average annual growth over the past decade of 8%. Expense growth is projected to average 4.5% per annum over the same period. This imbalance between revenue and expense growth, together with record infrastructure spending, is leading to further increases in net debt levels.

In recognition of the need to tackle these issues, the 2013-14 Budget includes revisions to the Government's financial targets. The new targets better reflect the challenges and priorities facing the State's finances, and aim to help the Government sustainably correct the imbalance between revenue and expenditure growth, move towards a total public sector cash surplus, and reduce the level of net debt over time.

The revised targets are outlined later in this chapter and are focused on measures of performance more directly related to the assessment of the State's credit rating.

Table 1 outlines the key budget aggregates, which are discussed in detail in this chapter.

Table 1

KEY BUDGET AGGREGATES
Western Australia

	2011-12 Actual	2012-13 Estimated Actual	2013-14 Budget Estimate	2014-15 Forw ard Estimate	2015-16 Forw ard Estimate	2016-17 Forw ard Estimate
GENERAL GOVERNMENT SECTOR						
Net Operating Balance (\$m)	649	239	386	-147	128	16
Revenue (\$m)	25,220	25,696	27,978	27,917	29,165	30,348
Revenue Grow th (%)	5.5	1.9	8.9	-0.2	4.5	4.1
Expenses (\$m)	24,571	25,457	27,592	28,065	29,036	30,332
Expense Grow th (%)	10.2	3.6	8.4	1.7	3.5	4.5
TOTAL PUBLIC SECTOR						
Net Debt at 30 June (\$m)	14,523	18,480	21,909	24,295	25,926	28,389
Asset Investment Program (\$m)	6,782	7,302	7,451	6,672	5,958	6,827
Cash Position (\$m)	-2,240	-3,677	-2,801	-2,215	-1,494	-2,279
KEY FINANCIAL RATIOS ^(a)						
Cash operating surplus as a share of receipts (%)	8.3	5.1	6.3	5.4	4.8	5.2
Net debt to revenue (%)	40.3	48.7	53.3	57.9	59.0	61.6

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

Summary of Financial Projections

General Government Sector

Summary

A general government sector operating surplus of \$386 million is forecast for 2013-14, following an expected \$239 million surplus in 2012-13. Operating surpluses of \$128 million and \$16 million are forecast in 2015-16 and 2016-17 respectively. An operating deficit of \$147 million is currently forecast for 2014-15.

As a share of revenue, these surplus projections are small. For example, the operating surplus of \$386 million forecast for 2013-14 equates to just 1.4% of general government revenue (\$28 billion). This, in turn, provides only a limited buffer against further GST revenue declines, or adverse movements in commodity prices or other key parameters, and provides a limited source of funding for essential infrastructure investment (thereby increasing the need for borrowings to fund the infrastructure required with rapid population and economic growth).

Table 2

GENERAL GOVERNMENT						
Summary Financial Statements						
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
OPERATING STATEMENT						
Revenue	25,220	25,696	27,978	27,917	29,165	30,348
Change	1,311	476	2,282	-61	1,247	1,184
Growth (%)	5.5	1.9	8.9	-0.2	4.5	4.1
Expenses	24,571	25,457	27,592	28,065	29,036	30,332
Change	2,266	886	2,134	473	972	1,296
Growth (%)	10.2	3.6	8.4	1.7	3.5	4.5
Net Operating Balance	649	239	386	-147	128	16
BALANCE SHEET						
Assets ^(a)	135,577	141,594	147,264	152,882	158,210	164,790
Liabilities ^(b)	24,101	25,701	27,653	30,073	32,189	35,414
Net Worth	111,475	115,893	119,612	122,809	126,021	129,376
STATEMENT OF CASHFLOWS						
Net Cash Flows from Operating Activities	1,953	1,189	1,419	1,231	1,097	1,335
Cash Position	-1,221	-1,751	-1,538	-1,389	-1,024	-1,457
<i>Memorandum Item: Net Debt</i>	2,050	4,482	7,314	9,377	10,983	12,985

(a) Includes all physical and financial assets of the general government sector, such as land, buildings, vehicles, cash, ownership interest in public corporations, accounts receivable from third parties, etc.

(b) Includes all general government sector financial obligations such as outstanding borrowings, unfunded superannuation and other employee entitlements, accounts payable, etc.

Note: Columns may not add due to rounding.

Following expected growth of just 1.9% in 2012-13, revenue is forecast to grow by 8.9% in 2013-14. This increase includes a number of revenue measures that form part of the Government's Fiscal Action Plan, as well as the previously announced increase in the royalty rate on iron ore 'fines' to 7.5%. Abstracting from policy measures, revenue growth in 2013-14 would have been just 5.0%.

Relative to forecasts in the February 2013 *Pre-election Financial Projections Statement* (PFPS), the revenue estimates for the general government sector – excluding the impact of 2013-14 Budget decisions – have been revised down by \$1.9 billion over the period 2012-13 to 2015-16. This mainly reflects:

- lower taxation revenue (down nearly \$1.2 billion to 2015-16), primarily due to lower payroll tax estimates (down \$1.1 billion) due to softer labour market conditions, and lower land tax (down \$139 million) due to weaker land valuations;
- a further decline in GST grants (down \$940 million), due to an expected lower share of national GST collections and a downward revision to the size of the national pool. This includes an assumption that royalties on iron ore 'fines' will be re-classified by the Commonwealth Grants Commission from 2014-15, which further adversely impacts Western Australia's GST share;
- lower revenue from public corporations (down \$422 million), mainly reflecting lower profit projections for electricity and water utilities;
- a small downward revision to projected royalty income (down \$67 million), with the beneficial impact of the recent decline in the \$US/\$A exchange rate almost offsetting lower commodity prices, particularly for iron ore; and
- a \$655 million increase in North West Shelf and condensate compensation grants on-passed from the Commonwealth (reflecting exchange rate, production volume and LNG price movements).

Expense growth is forecast to increase from an estimated 3.6% in 2012-13 (reflecting the impact of substantial corrective measures in 2012-13) to 8.4% in 2013-14. This includes growth in general government salaries expenditure of 6.8% (with salaries representing around 40% of total expenses), which in turn includes the up-front cost of the 1,000 voluntary separations targeted by the Government in 2013-14 (estimated at \$100 million).

Expenditure growth in 2013-14 is also boosted by the additional spending on health (up \$309 million), education (up \$260 million), and police (up \$56 million), as well as increased operating subsidies paid from the Consolidated Account to public corporations, up a significant \$275 million (or 16.8%). The higher payments to public corporations include increased subsidies to the Water Corporation for country services, the Public Transport Authority for below cost-recovery of public transport fares, and Synergy and Horizon Power for below cost-reflective electricity tariffs.

Growth in expenses is expected to decline to an average 3.2% per year in the outyears as the savings measures and associated public sector workforce reforms embodied in the Fiscal Action Plan take effect. These projected increases are significantly lower than annual average expense growth of 8.2% recorded over the past decade.

General government net debt is forecast to rise to around \$13 billion by 30 June 2017, representing around 45% of total public sector net debt. This accommodates the net borrowing requirements needed to support the sector's infrastructure spending program, which is forecast to be \$3.2 billion in 2013-14 and a total of \$11.5 billion across the four year forward estimates period.

Operating Statement

A \$386 million operating surplus is forecast for the general government sector in 2013-14, consistent with the \$390 million surplus expected at the time of the PFPS. An operating deficit of \$147 million is currently forecast for 2014-15, before a return to surpluses in 2015-16 and 2016-17.

The table below shows the impact of all changes on general government sector revenue and expenses since the PFPS.

Table 3

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE
VARIATIONS SINCE THE 2012-13 PRE-ELECTION FINANCIAL
PROJECTIONS STATEMENT**

	2012-13	2013-14	2014-15	2015-16	2016-17	Total
	\$m	\$m	\$m	\$m	\$m	\$m
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT - NET OPERATING BALANCE	241	390	782	1,785		
Revenue						
<i>2013-14 Budget Decisions</i>						
Revenue impact of Fiscal Action Plan	-	475.4	362.4	388.5	412.7	1,639.0
Budget Priorities	-	-	-25.3	-21.4	-51.5	-98.2
VET Entitlement Model	-	18.3	44.1	58.8	73.5	194.7
Other	-	1.3	2.6	3.4	4.2	11.5
<i>Total Budget Decisions</i>	-	495.0	383.8	429.3	438.9	1,747.1
<i>Other Changes in Revenue since 2012-13 PFPS</i>						
Taxation	142.1	-108.3	-439.1	-769.8		-1,175.0
- Payroll tax	-107.0	-223.5	-331.4	-434.6		-1,096.5
- Land tax	-0.6	-41.9	-45.8	-50.4		-138.7
- Motor vehicles taxes	2.6	11.8	27.7	41.2		83.3
- Total duty on transfers	246.5	150.0	-72.4	-302.1		22.0
- Other taxes	0.6	-4.7	-17.2	-23.8		-45.1
Commonw ealth grants	142.8	504.4	-63.0	-753.5		-169.3
- GST grants	-26.1	101.2	-213.3	-801.6		-939.8
- North West Shelf/Condensate compensation	128.7	179.8	169.2	176.9		654.6
- Other Commonw ealth grants	40.2	223.4	-18.9	-128.8		115.9
Royalty income	-28.6	7.1	-99.6	54.4		-66.7
- Iron ore	-39.7	39.0	-69.0	77.1		7.4
- Other royalties	11.1	-31.9	-30.6	-22.7		-74.1
Revenue from public corporations	-58.6	-15.9	-171.2	-176.1		-421.8
Interest income	-20.7	-36.2	-23.9	-12.5		-93.3
Roads transferred from the private sector	40.0	118.3	6.2	-		164.5
Other	1.6	-27.5	-76.1	-19.2		-121.2
<i>Total Other Changes</i>	<i>218.7</i>	<i>441.8</i>	<i>-866.7</i>	<i>-1,676.7</i>		<i>-1,882.9</i>
TOTAL REVENUE	218.7	936.8	-482.8	-1,247.4		-574.7

Note: Columns may not add due to rounding.

Table 3 (cont.)

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE
VARIATIONS SINCE THE 2012-13 PRE-ELECTION FINANCIAL
PROJECTIONS STATEMENT**

	2012-13	2013-14	2014-15	2015-16	2016-17	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Expenses						
<i>2013-14 Budget Decisions</i>						
Expense impact of Fiscal Action Plan	-84.2	-41.0	-704.6	-1,228.7	-1,836.1	-3,894.7
Budget Priorities	0.7	33.9	109.0	148.3	160.7	452.6
Seizing the Opportunity Agriculture	-	5.8	51.5	91.8	124.0	273.0
Resolution of Native Title in the South West	-	7.8	84.7	87.4	82.8	262.6
VET Entitlement Model	-	41.1	68.5	56.1	48.9	214.7
Goldfields Esperance revitalisation	-	1.5	5.0	38.0	52.3	96.8
Karratha City Centre Infrastructure Works Project Stage 2B	-	-	30.0	20.0	30.0	80.0
Western Australian Natural Disaster Relief and Recovery Arrangements – Expenditure Base	-	15.0	15.0	15.0	15.0	60.0
Closing the Gap in Indigenous Health Outcomes	-	31.8	-	-	-	31.8
Regional Arts Centre Sustainability	-	-	2.0	11.0	11.0	24.0
Housing Supply Package - First Home Owner Grant	-	-23.7	-30.9	-31.6	-32.4	-118.7
Other	-0.7	60.9	-43.9	-59.4	-52.7	-95.9
<i>Total Budget Decisions</i>	<i>-84.2</i>	<i>133.0</i>	<i>-413.8</i>	<i>-852.2</i>	<i>-1,396.6</i>	<i>-2,613.8</i>
<i>Other Changes in Expenses since 2012-13 PFPS</i>						
Health Cost and Activity Increases	45.8	281.1	383.6	563.6		1,274.1
Education Cost and Demand Increases	26.9	179.2	314.4	341.7		862.2
Debt servicing costs	46.6	50.5	81.2	201.4		379.8
Operating Subsidy for Electricity Tariffs	-25.3	50.1	124.3	192.3		341.4
Main Roads Depreciation Review	18.6	42.8	65.9	81.8		209.2
Water Corporation Operating Subsidies	-23.0	67.9	55.5	61.1		161.5
Nurses Enterprise Bargaining Agreement	-	31.3	43.6	83.9		158.8
Road transfers to Local Government	-	129.7	-	-		129.7
Tax refunds	103.3	-	-	-		103.3
Corrective Services - Growth in Prisoner Population	11.9	17.1	22.6	30.1		81.7
Child Protection Growth in Demand	7.0	21.8	22.4	23.1		74.3
RFR Country Local Government Fund reduced spending	12.6	-58.3	-74.4	-87.0		-207.1
RFR Underspend Provision	-	-78.6	-84.9	-81.4		-245.0
Other	80.7	72.9	-94.0	-148.9		-89.3
<i>Total Other Changes</i>	<i>305.1</i>	<i>807.5</i>	<i>860.3</i>	<i>1,261.7</i>		<i>3,234.6</i>
TOTAL EXPENSES	220.9	940.5	446.5	409.5		2,017.4
TOTAL VARIANCE	-2.2	-3.7	-929.3	-1,656.9		-2,592.1
2013-14 BUDGET - NET OPERATING BALANCE	239	386	-147	128		

Note: Columns may not add due to rounding.

2012-13 Estimated Actual

A general government sector operating surplus of \$239 million is estimated for 2012-13, which is consistent with the PFPS surplus forecast of \$241 million, albeit that both revenue and expenses have increased relative to the PFPS estimates.

Revenue projections for 2012-13 have been revised up by \$219 million relative to the PFPS, to a total of \$25.7 billion. This mainly reflects a combination of:

- higher than expected transfer duty collections (up \$247 million), reflecting a strong pick-up in the housing market and a number of large one-off commercial property duty assessments in the first half of 2013;
- higher North West Shelf/Condensate compensation grants from the Commonwealth (up \$129 million), reflecting increased levels of production and a lower exchange rate;
- downward revisions to payroll tax estimates (down \$107 million), due to softer than expected labour market conditions during the second half of 2012-13 (particularly in the mining sector);
- lower royalty revenue (down \$29 million), with the recent decline in the \$US/\$A exchange rate largely offsetting lower commodity prices, particularly for iron ore;
- a reduction in GST grants (down \$26 million), due to lower national GST collections; and
- lower tax equivalent and dividend revenue from public corporations (down \$59 million), reflecting net movements in the profitability of ports, electricity and water utilities, and delays to legislation which prevented an interim dividend collection from the Insurance Commission of Western Australia before 30 June 2013 (with the full dividend now expected to be received in 2013-14).

Expense growth has been revised up by 0.9 percentage points since the PFPS for 2012-13, to an estimated 3.6%. Nonetheless, this is the lowest rate of expense growth in Western Australia since 1998-99.

At \$25.5 billion, expenses are up \$221 million relative to the pre-election forecasts, mainly reflecting higher salaries costs across the sector (up \$232 million) as a result of increased staff numbers and a number of agencies exceeding their leave liability targets¹. Higher employee costs have been partially offset by the impact of short-term corrective measures announced in May 2013, including the temporary freeze on general government advertising and procurement expenditure (saving an estimated \$84 million by 30 June 2013).

2013-14 and Beyond

Small operating surpluses are in prospect in 2013-14 and in the last two outyears. A forecast operating deficit of \$147 million in 2014-15 mainly reflects flat revenue growth in that year, largely due to a declining share of GST revenue.

¹ In response to volatile revenue conditions, the Government announced a number of measures to rein in expense growth in September 2012, including a direction to general government agencies to manage accruing leave liabilities to levels recorded at 30 June 2012. A number of agencies, particularly the Departments of Education and Health, did not achieve these outcomes in 2012-13.

Revenue

Total general government revenue is expected to grow by 8.9% or \$2.3 billion in 2013-14, to \$28 billion. Forecast growth for 2013-14 is substantially higher than the 1.9% growth expected for 2012-13, and reflects the impact of:

- additional revenue of \$475 million that will be generated by the Government's Fiscal Action Plan, by deferring the abolition of transfer duty on non-real business assets, increasing land tax rates by 12.5%, halving the private vehicle concession for vehicle licence registration fees, imposing school fees on the dependants of 457 visa holders and implementing a Taxation Administration Package (see Chapter 4 for further detail);
- stronger projections for underlying transfer duty collections, reflecting a high level of duty from large value transactions, along with a stronger housing market, reflected in higher house prices and transaction volumes; and
- higher forecasts for mining revenue, reflecting higher iron ore production volumes, a lower exchange rate, and the removal of the discounted royalty rate on iron ore 'fines', which more than offset the forecast decline in commodity prices.

In 2014-15, total revenue growth is expected to be flat, due largely to a combination of significant downward revisions to GST grants and moderate growth forecasts for taxation revenue (reflecting the impact of slower growth in house prices and a stabilisation of transaction levels on transfer duty).

Beyond 2014-15, revenue growth is forecast to recover to an average of 4.3% per year. Own-source revenue over these years is forecast to be supported by a pick-up in the domestic economy and the impact on royalty income from the expected increases in production for major commodities (particularly iron ore), and a gradually depreciating \$US/\$A exchange rate. However, Western Australia's GST grants are forecast to fall to just \$500 million by 2016-17, down from \$2.5 billion in 2013-14.

Further detail on the revenue projections for the general government sector can be found in Chapter 4: *General Government Revenue*.

Expenses

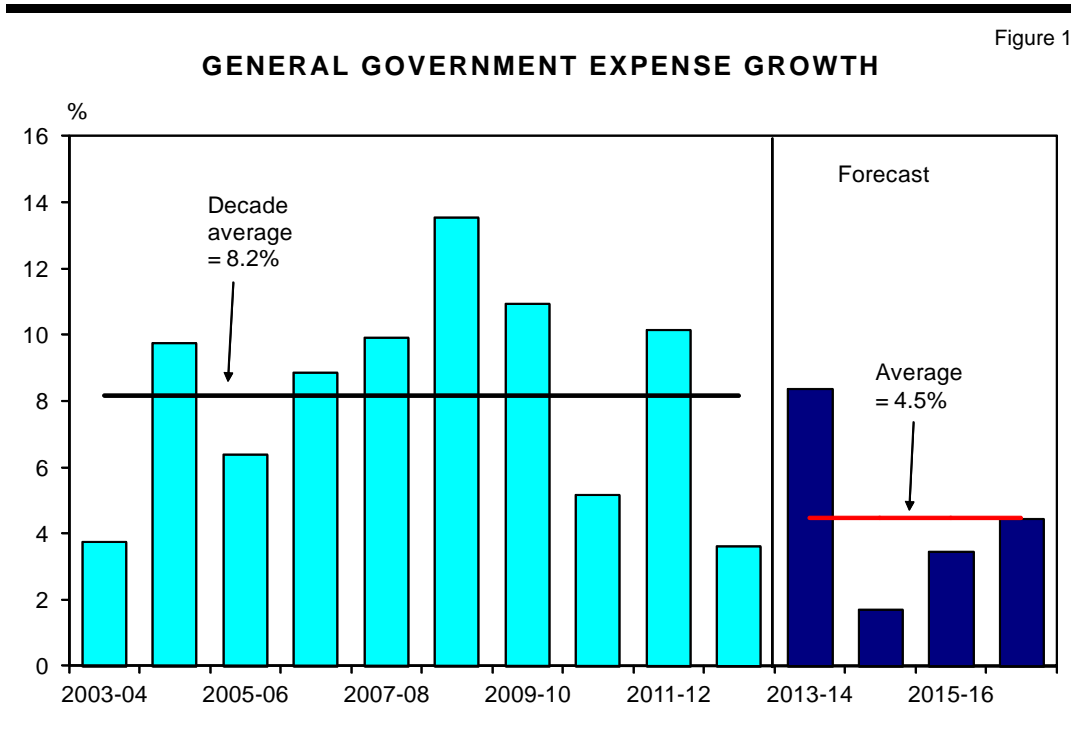
This budget delivers significant new initiatives while maintaining the Government's commitment to disciplined financial management.

Overall, general government expenses are forecast to increase by \$2.1 billion or 8.4% in 2013-14, slightly lower than forecast revenue growth of 8.9%. This rate of expense growth mainly reflects increased salaries costs across the sector (up \$689 million or 6.8% relative to 2012-13, including \$100 million for the upfront cost of the Government's voluntary separation scheme), increased operating subsidies paid from the Consolidated Account to public corporations (up \$275 million), and the transfer of State assets (Ord-East Kimberley Expansion Project and roads) to the local government sector in 2013-14 (valued at \$236 million).

Expense growth is expected to moderate across the outyears to an average of 3.2% per year as a result of the expense impacts of the Government’s Fiscal Action Plan implemented as part of this budget, and savings measures developed over successive budgets since 2008-09. Accordingly, the Government is working to achieve rates of expense growth that are significantly below the 8.2% average over the previous decade.

General government sector salaries costs account for around 40% of the sector’s total expenses. Growth in salaries costs is expected to average 4.5% across the forward estimates period, significantly lower than the average of 8.6% growth over the period 2007-08 to 2012-13. This is largely due to a re-basing of general government agencies’ salaries budgets in line with projected growth in the Perth Consumer Price Index (consistent with the Government’s new wages policy included in the Fiscal Action Plan), with partially offsetting growth in staff numbers across key services in line with new spending initiatives in this budget.

Figure 1



The 2013-14 Budget includes substantial spending increases to accommodate rapidly growing demand in health and education with:

- an additional \$2.5 billion in recurrent health spending to 2016-17, which will provide for an additional 16,000 patients to stay and be treated in a hospital, an additional 25,000 patients to be treated in emergency departments and an additional 45,000 patients to be treated as outpatients, as well as wage increases for nurses and midwives; and

- a total \$1.2 billion increase in recurrent spending by the Department of Education to accommodate cost and demand pressures driven by unprecedented growth in student enrolments arising from local demographic changes and interstate and international migration, with student numbers increasing by a record 8,146 between 2012 and 2013, and increased costs per student.

The budget also allocates significant new spending to a range of other priority areas, including:

- a recurrent spending allocation of \$215 million (and a further \$67 million in capital expenditure) to increase police resources by an additional 550 officers from 2013-14 to 2016-17 (including over 80 additional officers in 2013-14 alone);
- \$38 million over four years for 155 extra school health nurses to ensure that all children entering school receive a health entry assessment with referral to appropriate medical services and intervention where required;
- \$30 million in RfR funding from 2014-15 to 2016-17 for the establishment of the Agriculture Research and Development Fund and the State Biosecurity Fund, which will help keep Western Australia free from pests and disease;
- \$22 million (funded by RfR) for a number of regional health initiatives, including Wheatbelt renal dialysis, palliative care, a telehealth service for the Goldfields, ear health services in remote areas and improving health services for children in the Fitzroy Valley;
- an additional \$20 million from 2013-14 to 2015-16 for the Community Sporting and Recreation Facilities Fund to provide financial assistance to community groups and local government authorities to develop basic infrastructure for sport and recreation;
- \$15 million over three years from 2014-15 for additional spending on bike paths;
- \$13 million (funded by RfR) from 2013-14 to 2016-17 for the operating costs of a second South West Emergency Rescue Helicopter;
- an additional \$9 million between 2013-14 and 2015-16 for tourism marketing to increase visitation in regional and metropolitan destinations in Western Australia; and
- \$4 million to 2016-17 to provide accommodation, support and outreach services for domestic violence victims.

These expense increases are partly offset by the recurrent savings initiatives contained in the Fiscal Action Plan, including public sector workforce reform measures (reducing salaries and other employee expenses by a total of \$2.9 billion to 2016-17), program rationalisation (saving \$422 million over the period through savings generated by reducing low priority services) and a program evaluation initiative focused on rigorously assessing agency spending programs and identifying more efficient modes of delivery (with an associated expense savings target of \$50 million per year from 2014-15).

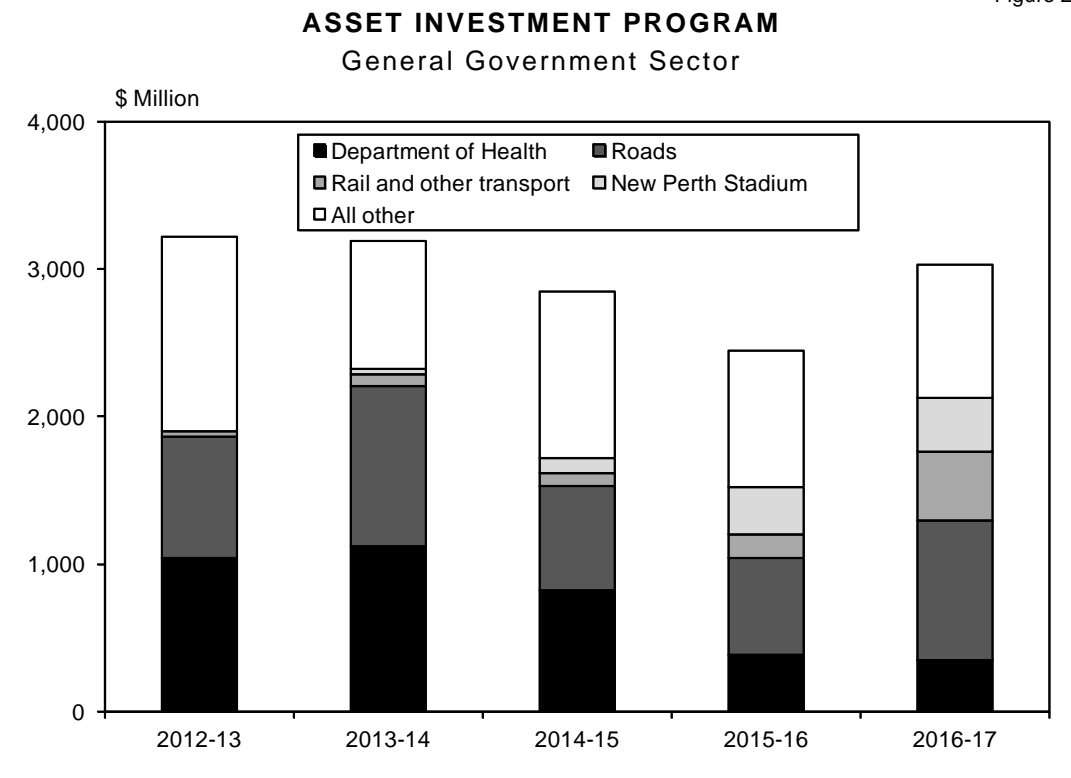
Further detail on expense initiatives can be found in Chapter 5: *General Government Expenses*.

Capital Investment

Infrastructure spending by the general government sector is forecast to be \$3.2 billion in 2013-14, which is similar to the level of spending in 2012-13. These are historically high levels of investment by the sector and are expected to continue across the forward estimates period.

A range of projects are nearing completion in the near term (particularly spending on large hospitals such as the Fiona Stanley Hospital and New Children’s Hospital) while spending on new projects, including the new Perth Stadium and the MAX Light Rail and Airport Rail link railway projects, is expected to ramp up toward the end of the forward estimates period.

Figure 2



Demand for infrastructure continues to be driven by strong economic and population growth. This budget includes spending on the following government priorities:

- the MAX Light Rail and Airport Rail link projects – with \$606 million to be spent across the forward estimates period (from total seven year project costs of \$1.9 billion and \$2 billion respectively);

- Perth-Darwin National Highway (Reid Highway to Muchea) – with \$325 million to be spent across the forward estimates period (from a total project cost of \$845 million);
- Great Northern Highway (Muchea to Wubin Stage 2) – with \$305 million to be spent across the forward estimates period (from a total project cost of \$385 million);
- North West Coastal Highway (Minilya to Barradale) – with \$190 million to be spent across the forward estimates period (from a total project cost of \$218 million);
- Leach Highway/High Street upgrade (Carrington Street to Stirling Highway) – with a total project cost of \$118 million, to be completed by the end of 2016-17;
- \$67 million to build a new Police Station in Ballajura and expand existing facilities to accommodate increased Police resources;
- Metropolitan Area Grade Separation program – with \$66 million to be spent across the forward estimates period (from a total project cost of \$281 million);
- a total of \$45 million over four years to build the new Kalgoorlie-Boulder Community High School to accommodate Years 7 to 10;
- \$38 million to construct additional passing lanes on Great Eastern Highway between Southern Cross and Kalgoorlie-Boulder; and
- \$36 million over four years for the installation of solar-powered electronic speed zone signs at schools with a 40km/h zone.

As part of the Fiscal Action Plan, the Government has undertaken a review of the AIP and identified a number of timing changes that reduce general government sector capital spending by \$624 million over the period to 2016-17, mainly for:

- Main Roads (\$196 million), reflecting the deferral of commencement on the Gibb River Road, Mitchell Freeway (Burns Beach Road to Hester Avenue) and Reid Highway (Malaga Drive Intersection Grade Separation) projects;
- Health (\$169 million), mainly for revised cashflows for the Stage 1 redevelopment of both Royal Perth Hospital and Sir Charles Gairdner Hospital;
- Western Australian Planning Commission (\$84 million), through reduced expenditure on land acquisition in 2015-16 and 2016-17;
- Agriculture and Food (\$84 million), reflecting the deferral of the Department's headquarters redevelopment project by two years to 2016-17; and
- Education (\$68 million), mainly for identified savings in the Relocation of Year 7's to Secondary Schools program, by removing projects that are not directly related to meeting the Year 7 accommodation requirements and reinstating the option of transportable buildings at some schools.

Infrastructure spending across the suite of RfR projects has also been reviewed to deliver capital savings of \$61 million across the forward estimates.

Consistent with previous budget rounds, this budget includes a provision (\$625 million in 2013-14) for unforeseen slippage in the sector's infrastructure program.

Balance Sheet

The net worth of the general government sector² is forecast to increase in each year of the forward estimates period to 30 June 2017. The total net worth of the public sector is expected to rise from \$111.5 billion at 30 June 2012 to a forecast \$129.4 billion by 30 June 2017³.

Table 4

GENERAL GOVERNMENT						
Balance Sheet at 30 June						
	2012	2013	2014	2015	2016	2017
	\$m	\$m	\$m	\$m	\$m	\$m
2013-14 BUDGET						
Assets	135,577	141,594	147,264	152,882	158,210	164,788
Liabilities	24,101	25,701	27,653	30,073	32,189	35,412
<i>Net Worth</i>	<i>111,475</i>	<i>115,893</i>	<i>119,612</i>	<i>122,809</i>	<i>126,021</i>	<i>129,376</i>
Net Debt	2,050	4,482	7,314	9,377	10,983	12,985
2012-13 PFPS						
Assets	135,577	141,771	147,258	153,000	158,024	na
Liabilities	24,101	26,245	27,906	29,560	30,799	na
<i>Net Worth</i>	<i>111,475</i>	<i>115,526</i>	<i>119,352</i>	<i>123,440</i>	<i>127,225</i>	<i>na</i>
Net Debt	2,050	4,791	7,405	8,431	8,868	na
VARIANCE						
Assets	-	-178	7	-118	186	na
Liabilities	-	-544	-254	513	1,390	na
<i>Net Worth</i>	-	367	260	-631	-1,204	na
Net Debt	-	-309	-91	945	2,115	na

Note: Columns may not add due to rounding.

Across the four year forward estimates period, the value of general government assets is forecast to increase by \$23.2 billion (or around 16%) to \$164.8 billion by 30 June 2017. This is largely due to:

- an increase in the value of fixed assets (up a forecast \$14.2 billion), underpinned by infrastructure investment across the sector and forecast increases in the value of land holdings;

² Net worth is the total financial value of the public sector to the community. It is calculated as the value of total assets less total liabilities.

³ Net worth of the general government sector and the public sector as a whole (which also accounts for public corporations) are one and the same thing. In the whole-of-government accounting framework, the assets and liabilities of all non-general government sector agencies are ultimately owned by (or are the obligations of) the general government sector. Accordingly, general government sector net worth includes the net value of all other agencies in the Western Australian public sector.

- the accumulation of cash investments (up a forecast \$1.8 billion), including investments of the Western Australian Future Fund which is forecast to hold around \$1.3 billion by 30 June 2017; and
- higher equity asset holdings in public corporations (up \$6.6 billion), reflecting operating surplus projections across both the financial and non-financial corporations sectors, and the impact of higher financial and physical asset valuations over the forward estimates period.

General government liabilities are projected to increase by \$9.7 billion by 30 June 2017. This mainly reflects an increase in the value of borrowings in support of the continuing high levels of infrastructure investment.

Unfunded superannuation liabilities are forecast to be \$8.3 billion by 30 June 2017, \$667 million lower than 30 June 2012. 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 the entitlements of the State's open superannuation schemes fully funded since 2000-01. Accordingly, unfunded superannuation liabilities will gradually decline as these entitlements are paid out over the next two to three decades⁴.

Cashflow Statement

Cash deficits are in prospect for the general government sector in 2013-14 and across the forward estimates. These deficit projections arise because revenue is expected to be insufficient to meet the requirement of both recurrent and capital spending, with the resulting cash shortfall giving rise to an increased borrowing requirement.

A new suite of financial targets has been approved by the Government to address the management of these cash deficits and the increasing level of net debt over the medium term (see Fiscal Strategy section).

Total Public Sector⁵

Summary

Operating deficits are forecast for the total public sector in 2013-14 and across the forward estimates period. Net debt is expected to increase from an estimated \$18.5 billion at 30 June 2013 to around \$28.4 billion by 30 June 2017. This reflects the Government's significant infrastructure program, combined with modest outcomes forecast from day-to-day operating activities, which are expected to result in cash shortfalls (and hence new borrowing) in each year of the budget period.

⁴ A change in Australian Accounting Standard AASB119: *Employee Benefits* is applicable from 2013-14 and requires that the estimated value of superannuation assets calculated as an offset to gross superannuation liabilities is to be based on actual market returns instead of expected returns as has been used by actuaries in previous years. This change is not expected to have a substantial impact on Western Australia's projected unfunded superannuation liabilities as Treasury's forecasts have reflected a more conservative market return in previous budget rounds. This is not necessarily the case in other jurisdictions which may hold substantially larger stocks of superannuation assets.

⁵ 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 5

TOTAL PUBLIC SECTOR
Summary Financial Statement

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
OPERATING STATEMENT						
Revenue	40,699	42,563	45,054	45,883	48,005	50,180
Expenses	40,233	42,741	45,111	46,297	48,220	50,512
Net Operating Balance	466	-178	-57	-414	-215	-332
BALANCE SHEET						
Assets	172,733	179,399	185,550	189,916	195,788	203,493
Liabilities	61,258	63,506	65,938	67,107	69,767	74,117
Net Worth	111,475	115,893	119,612	122,809	126,021	129,376
STATEMENT OF CASHFLOWS						
Net Cash Flows from Operating Activities	3,650	2,375	2,979	2,692	2,523	2,829
Cash Position	-2,240	-3,677	-2,801	-2,215	-1,494	-2,279
<i>Memorandum Item: Net Debt</i>	14,523	18,480	21,909	24,295	25,926	28,389

Note: Columns may not add due to rounding.

Operating Statement

An operating deficit for the total public sector of \$57 million is forecast in 2013-14, a \$191 million turnaround on the \$134 million surplus projected at the time of the PFPS. Deficit outcomes are also in prospect across the forward estimates period. These outcomes reflect the generally modest operating outcomes of the general government sector over this period as discussed previously in this chapter. Both of the public corporations sectors are expected to be in surplus in 2013-14 and in each year of the forward estimates period.

Deficit outcomes for the consolidated total public sector reflect that internal transfers between public sector agencies, such as dividend and tax equivalent transactions, are not included at the whole-of-government level.

Public Non-Financial Corporations

An operating surplus of \$230 million is forecast for the public non-financial corporations (PNFC) sector in 2013-14, which represents a downward revision of \$230 million on the PFPS estimate of \$460 million.

Surplus outcomes are also in prospect across the forward estimates, rising from \$461 million in 2014-15 to \$669 million in 2016-17.

Key drivers of the change to the PNFC outlook since the PFPS include:

- large increases (of an almost equivalent magnitude) in revenue and expenses for the Gold Corporation in 2013-14, reflecting an increase in expected volumes of precious metals processed by the Corporation. Over the remainder of the forward estimates, the Corporation's revenue and expenses have been revised downward, reflecting commodity price and volume movements;
- higher revenue (\$857 million) and expenses (\$827 million) resulting from increases in activity and turnover for Racing and Wagering Western Australia over the four years to 2016-17;
- a \$385 million reduction in the value of tax equivalent and dividend payments from the Water Corporation following the Government's decision to approve lower than expected increases for water, wastewater and drainage tariffs in 2013-14 and lower planning assumptions for tariffs across the forward estimates period (utility prices are discussed in Appendix 8: *Public Corporations – Impact on General Government Revenue and Expenses*); and
- a \$341 million increase in electricity price subsidies over the period 2012-13 to 2015-16. This increase incorporates forecast 2012-13 results, approved 2013-14 tariff increases, lower planning assumptions for tariff increases across the forward estimates and the Economic Regulation Authority's 4 June 2013 determination on Western Power's 2013-14 Price List.

Public Financial Corporations

An operating surplus of \$204 million is forecast for the public financial corporations sector in 2013-14, with surpluses also expected in the forward estimates. Projected outcomes are stronger than reported in the PFPS in all years, due mainly to the impact of:

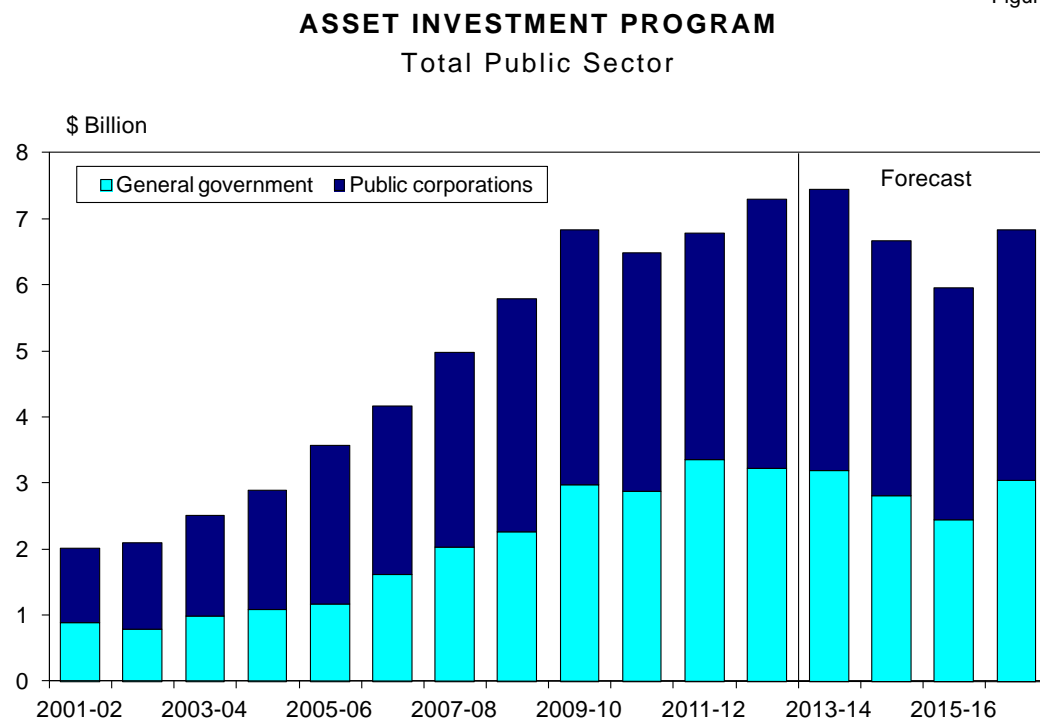
- lower net interest costs for the Western Australian Treasury Corporation in 2013-14 and across the forward estimates, mainly reflecting downward revision to interest rate assumptions; and
- a significantly improved investment performance for the Insurance Commission of Western Australia, together with expectations of lower claims expenses.

Capital Investment

The budget contains a \$7.5 billion AIP in 2013-14, up from an expected \$7.3 billion in 2012-13, and a total of \$26.9 billion over the four years to 2016-17. Significant demand for infrastructure is arising from strong population and economic growth.

Movements in the general government sector's infrastructure investment program are detailed earlier in this chapter. The PNFC sector accounts for approximately 58% of the AIP in 2013-14, with this proportion expected to rise slightly to around 60% of total infrastructure spending by 2015-16.

Figure 3



The budget includes an additional \$397 million in infrastructure spending in 2013-14 relative to the PFPS. However, forecasts for 2014-15 and 2015-16 are lower than previously expected, driven in part by the outcomes of the Government's infrastructure audit and reprioritisation of RfR capital spending in this budget.

For the PNFC sector, the budget includes the following additional infrastructure spending on Government priorities:

- \$46 million for the Public Transport Authority for a multi-story carpark for Edgewater railway station; and
- \$60 million for Western Power for continuation of the underground power project.

The Government's infrastructure review has reduced PNFC capital spending by \$413 million to 2016-17 (for a total of \$1 billion including the general government sector component of the review), mainly by reducing the investment program of the following agencies:

- Fremantle Port Authority (\$60 million), reflecting deferral of port infrastructure upgrades;
- Housing Authority (\$117 million), for the deferral of land development projects and reprioritising RfR funding initiatives;

- Public Transport Authority (\$55 million), for the delay in replacement of 32 CAT buses and the postponement of non-essential transport network and infrastructure upgrades;
- Water Corporation (\$94 million), for revised timing of various projects; and
- Western Australian Land Authority (\$50 million), from a reduction in its proposed regional land acquisition and development program in 2016-17.

As is the case with the general government sector (discussed earlier), the PNFC sector includes a provision for slippage across the four year infrastructure program. This provision adjusts agencies' forecasts for underspending that typically emerges during the year from unexpected delays in works and/or changes in the timing of cash payments, and is worth \$625 million in 2013-14.

Further detail on the AIP is available in Chapter 6: *Asset Investment* and in Appendix 7: *Asset Investment Program – Summary of Expenditure and Source of Funds*.

Cashflow Statement

A cash deficit of \$2.8 billion is projected for the total public sector in 2013-14, with cash deficits in the range of \$1.5 billion to \$2.3 billion expected across the forward estimates period.

Cash deficits arise as a result of modest cash operating surpluses and the Government's large infrastructure investment program, and translate to increased net debt over the budget period, discussed in more detail below. As noted earlier, the Government has introduced a new suite of financial targets to assist it implement a financial management strategy that will address these cash deficits and rising net debt over the medium term.

Net Debt

Net debt for the total public sector is forecast to increase from an estimated \$18.5 billion at 30 June 2013 to \$28.4 billion by 30 June 2017. Projected levels of net debt at 30 June 2016 (the last forward estimates year at the time of the February 2013 PFPS) are \$2.3 billion higher than forecast in the PFPS, reflecting the net impact of downward revisions to the revenue estimates (totalling \$1.9 billion over the period 2012-13 to 2015-16), and Government budget decisions (including the Government's Fiscal Action Plan).

The budget also includes the impact of assuming temporary control of the Muja AB joint venture project. Due to commissioning delays, cost overruns and recognition of the joint venture's borrowings (guaranteed by Verve as part of the joint venture arrangement), a \$144 million impact to the State's net debt position was assumed as at 30 June 2013. Higher costs for the project are likely to result in a forecast \$69 million increase to this liability in 2013-14, followed by future reductions from cash flows derived from the operation of Muja AB whilst under Verve's control and as a result of the expected sale of 50% of the joint venture.

The following table provides a summary of the changes to projected net debt levels since the 2012-13 PFPS.

NET DEBT OF THE TOTAL PUBLIC SECTOR AT 30 JUNE					
	2013	2014	2015	2016	2017
	\$m	\$m	\$m	\$m	\$m
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS					
STATEMENT - TOTAL PUBLIC SECTOR NET DEBT	18,263	21,484	22,989	23,662	
<i>Less change in net cashflows from operating activities and dividends paid</i>					
- general government	147.1	132.8	-825.7	-1,552.8	
- public non-financial corporations	-159.4	116.7	48.1	-128.7	
- public financial corporations	89.3	-39.5	-20.1	10.3	
<i>Total public sector</i>	<i>77.0</i>	<i>210.1</i>	<i>-797.7</i>	<i>-1,671.2</i>	
<i>Plus purchases of non-financial assets</i>					
<i>2013-14 Budget Decisions</i>					
- Fiscal Action Plan - Asset Investment Program review	-3.2	-181.4	-158.8	-293.6	-400.4
- Fiscal Action Plan - Program rationalisation	-3.5	-6.9	-0.9	-0.6	-0.4
- Budget Priorities	-	109.3	221.4	138.9	110.5
- MAX Light Rail	-	5.0	17.0	64.0	346.0
- Airport Rail	-	5.0	8.0	57.0	104.0
- Royalties for Regions - North West Health Initiative	-	1.0	5.0	75.0	80.0
- Royalties for Regions - Kimberley Transitional Housing Project	-	17.0	16.9	-	-
- Karratha City Centre Infrastructure Works Project Stage 2B	-	-	30.0	20.0	30.0
- Other	0.2	61.5	23.9	-1.8	-17.8
<i>Total 2013-14 Budget Decisions</i>	<i>-6.5</i>	<i>10.5</i>	<i>162.5</i>	<i>59.0</i>	<i>252.0</i>
<i>Other Changes since 2012-13 PFPS</i>					
- Changes to underspend and smoothing provisions	900.0	-450.0	100.0	-500.0	
- Royalties for Regions - Housing for Workers revised scope	-35.0	34.0	35.0	35.0	
- Nation Building Program 2	-	25.3	120.8	287.5	
- Affordable Housing Program (including SharedStart scheme)	-230.0	-	-	-	
- Eastern Goldfields Regional Prison ^(a)	-76.2	-73.5	-59.3	-19.2	
- Royalties for Regions underspend provision	-	-65.2	-51.9	-53.5	
- Other changes including timing changes	-573.6	915.5	-265.2	-300.8	
<i>Total other changes since 2012-13 PFPS</i>	<i>-14.8</i>	<i>386.1</i>	<i>-120.6</i>	<i>-551.0</i>	
<i>Total purchase of non-financial assets</i>	<i>-21.3</i>	<i>396.6</i>	<i>41.9</i>	<i>-492.0</i>	
<i>Less proceeds from sale of non-financial assets</i>	<i>-250.6</i>	<i>68.8</i>	<i>52.1</i>	<i>148.5</i>	
<i>Plus all other financing</i>					
Acquisition under finance leases and similar arrangements ^(a)	-	-	216.0	5.4	
All Other ^(b)	65.4	89.5	-122.6	-77.7	
<i>Cumulative impact on net debt at 30 June</i>	<i>217.7</i>	<i>424.9</i>	<i>1,305.8</i>	<i>2,264.1</i>	
2013-14 BUDGET - TOTAL PUBLIC SECTOR NET DEBT	18,480	21,909	24,295	25,926	28,389

(a) The Eastern Goldfields regional prison is now to be undertaken as a Public Private Partnership rather than the traditional public sector build/finance arrangement shown in previous estimates.

(b) Includes revaluations of investment assets, net acquisitions of financial assets for liquidity purposes, etc. Verve Energy has assumed the debt liabilities of the joint venture that was refurbishing the Muja AB generation facility. These liabilities (\$144 million) are included in this item in the 30 June 2013 figure.

Note: Columns may not add due to rounding.

Fiscal Strategy

The Government is committed to further increasing the State's prosperity, including investing in infrastructure to support the State's growing population and economy, while maintaining the efficient delivery of quality services. For the 2013-14 Budget, the Government has adopted a new set of financial targets, which are more closely aligned with the criteria assessed by credit rating agencies. The new targets are expected to assist the Government in formulating appropriate whole-of-government financial outcomes in a challenging fiscal environment.

Financial Targets

Financial targets are a requirement of the *Government Financial Responsibility Act 2000* (GFRA).

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

The financial targets have been updated, with the new whole-of-government financial targets applicable from this budget. The new targets cover a range of key financial performance areas including general government recurrent operating performance, infrastructure financing, and net debt and liquidity management.

The new targets are based on robust and transparent ratios, and measures drawn from the State's financial projections or related data sets (such as the Commonwealth Grants Commission's annual data assessments and National Accounts information published by the Australian Bureau of Statistics). The target outcomes reflect the current challenges facing the State's finances. A number of the targets are closely aligned with the criteria assessed by credit ratings agencies, and the outlook for these targets reflects the underlying reasons behind the recent 'negative outlook' assessment for the State's triple-A credit rating by both Moody's Investor Service and Standard & Poor's.

Specifically, the Government's financial targets applying from this budget are as follows.

- (New target) Ensure that annual general government sector expense growth does not exceed revenue growth. The general government sector comprises key service delivery and regulatory agencies, but excludes GTEs and other public corporations. Maintaining revenue growth in excess of expenditure growth indicates that, in the long run, the public sector is operating on a sustainable basis with its spending capacity limited by the revenue it receives (i.e. the State is living within its means).

- (New target) Maintain a cash surplus from operating activities for the general government sector of at least 50% of general government sector infrastructure spend per year. Achieving a cash surplus from operating activities demonstrates that the largely tax and other central revenue supported sector's cash receipts are in excess of cash payments (an indicator of the sustainability of the general government sector), and that funds are available to meet infrastructure investment (or retire debt). Prescribing a cash surplus of a minimum 50% of the infrastructure spend indicates that the Government is funding a substantial proportion of its infrastructure spend from its operating activities, which in turn limits the reliance on general government borrowings.
- (New target) Maintain the total non-financial public sector⁶ net debt to revenue ratio at or below 55%. Managing the State's net debt levels is a key budget challenge. This target addresses this challenge by linking net debt to revenue, and providing guidance on the overall affordability of the State's net debt levels.
- (New target) Maintain a cash operating surplus for the total non-financial public sector of at least 5% of operating cash receipts. This target reflects the extent to which the total non-financial public sector can finance its operating costs and service delivery from recurrent receipts. A high cash operating balance indicates that the public sector has self-financing capacity that it can use to fund infrastructure investment.
- (Existing target) Provide a fair and efficient taxation system that is competitive with other states. This target has been retained from the previous term of government. The Government seeks to provide a fair and efficient taxation system that is competitive with other States and raises sufficient revenue to meet the infrastructure and service delivery needs of the Western Australian community. Performance against this target is assessed at year end with reference to a variety of tax competitiveness indicators. No one measure of tax competitiveness is entirely adequate to assess the State's performance. As such, this target is usually assessed against tax revenue on a per capita basis, tax revenue as a share of Gross State Product and tax 'effort' calculated from Commonwealth Grants Commission data.

Compliance

Consistent with the challenging outlook for the State's finances, compliance with the new targets over the budget period is mixed (as shown in the following table).

⁶ That is, the combination of general government sector and public non-financial corporations sector agencies. This excludes the commercial operations of public financial corporations such as the Western Australian Treasury Corporation and the Insurance Commission of Western Australia which deal in financial instruments and can distort the assessment of overall net debt levels.

Table 7

2013-14 BUDGET FINANCIAL TARGET COMPLIANCE

	2012-13	2013-14	2014-15	2015-16	2016-17
Ensure expense growth does not exceed revenue growth					
- Current estimate (revenue growth minus expense growth)	-1.7	0.5	-1.9	1.0	-0.4
- Compliance	No	Yes	No	Yes	No
Maintain a cash surplus from operating activities for the general government sector of at least 50% of infrastructure spend					
- Current estimate	37.0	44.4	43.8	44.9	44.0
- Compliance	No	No	No	No	No
Maintain TNPS net debt at or below 55% of revenue					
- Current estimate	48.7	53.3	57.9	59.0	61.6
- Compliance	Yes	Yes	No	No	No
Maintain a TNPS cash operating surplus of at least 5% of receipts					
- Current estimate	5.1	6.3	5.4	4.8	5.2
- Compliance	Yes	Yes	Yes	No	Yes
Maintain the State's tax competitiveness					
- Compliance	Yes	Yes	Yes	Yes	Yes

While achieving a number of the targets over the budget period will be difficult, the Government has included a clear path to achieving these financial management goals over the medium term as part of this budget, in the form of the Fiscal Action Plan (see feature box in Chapter 1 and discussion of financial projections earlier in this chapter). The Fiscal Action Plan builds on the measures implemented during the previous term of government to reduce growth in general government expenses and responsibly manage the State's finances, and further reduces government spending and raises additional revenue over the next four years.

Statement of Risks

Forecasting Uncertainties

The inherent uncertainties associated with producing forecasts for an approximately \$258 billion economy and \$28 billion recurrent budget means that there will always be differences between the forecasts of key aggregates and the final audited results. This Statement of Risks provides an overview of the known issues that have the potential to materially affect the financial projections contained in this budget.

A brief analysis of the historical differences between the ‘budget year’ estimates contained in previous budgets and the actual outcomes, for a number of key aggregates, is shown below.

- Budget estimates for general government revenue have been underestimated in eight out of the last ten years by an average 7.8% per annum. In 2008-09, budget revenue was overestimated by 3% (reflecting the impact of the Global Financial Crisis in that year). A 7.8% underestimate of revenue in this budget would equate to additional revenue of \$2.2 billion in 2013-14.
- General government expenses have been underestimated in eight out of the last ten years by an average 2.9% per annum. For the two years where expenses were overestimated, it amounted to an average 0.7% per annum. A 2.9% underestimate in this budget would equate to an increase in expenses of \$805 million in 2013-14.
- General government operating balance estimates have been underestimated in nine out of the last ten years ranging from an estimated \$49 million in 2012-13 to \$1.7 billion in 2004-05 (which reflects very strong revenue growth in that year). The final outcome for 2008-09 was overestimated by \$1.5 billion due to the impact of the Global Financial Crisis.
- The State’s Asset Investment Program (AIP) was overestimated in the budgets of each of the last ten years by an average 8.9% per annum. An 8.9% overestimation in the AIP estimate for 2013-14 in this budget would equate to \$651 million.

Estimating Assumptions

Key economic and revenue parameters underlying the 2013-14 Budget are detailed in the following table.

Table 8

KEY ECONOMIC AND REVENUE PARAMETERS

Annual Growth (%)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
Real Gross State Product growth (%)	6.7	5.75	3.25	2.5	3.75	3.75
Real State Final Demand growth (%)	14.2	6.0	-0.25	0.5	1.0	1.25
Employment growth (%)	3.9	3.6	1.25	1.75	1.5	1.5
Unemployment rate (%) ^(a)	4.0	4.4	5.5	5.75	5.5	5.25
Wage Price Index growth (%)	4.3	4.0	3.75	3.75	3.5	3.5
Perth Consumer Price Index growth (%)	2.2	2.3	2.5	2.5	2.5	2.5
Effective Iron Ore Price (\$US/tonne FOB) ^(b)	134.9	121.1	116.7	110.7	109.8	105.6
Crude oil price (\$US per barrel)	95.0	92.2	94.9	89.3	85.5	83.1
Exchange rate (US cents)	103.2	102.7	92.0	89.8	87.5	85.5
Population growth (%)	3.1	3.2	2.2	2.1	2.1	2.1
Interest rate assumptions (%):						
- Public Bank Account interest earnings ^(a)	4.8	3.4	2.7	3.4	4.2	4.3
- Consolidated Account borrowings ^(a)	4.6	4.0	4.0	4.2	4.5	4.6

(a) Average level over the year.

(b) The spot price, adjusted for factors such as grade, moisture and freight. In 2013-14, these factors total \$US9.9 per tonne. Thus the effective iron ore price of \$US116.7 per tonne in 2013-14 equates to a 'raw' spot price of \$US126.6 per tonne.

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 the following table.

Table 9

APPROXIMATE PARAMETER SENSITIVITY OF REVENUE ESTIMATES

2013-14

	Variability (\$m)	Detail
Royalty income and North West Shelf grants	±76	For each US1 cent decrease/increase in the \$US/\$A exchange rate (decreased exchange rate yields increased revenue)
Iron ore royalties	±45	For each \$US1 per tonne increase/decrease in the price of iron ore
Petroleum royalties (excluding North West Shelf grants)	±4	For each \$US1 increase/decrease in the price of a barrel of oil
Payroll tax	±4	For each one per cent increase/decrease in taxable wages or employment growth (i.e. the total wages bill)
Transfer duty	±14	For each one per cent increase/decrease in average property prices
GST grants	±90	For a \$100 million increase in iron ore royalty revenue (due to increased value of production), all else being equal, Western Australia will lose an estimated \$90 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)

Specific risks to the revenue estimates are discussed below.

Commonwealth Grants (\$8,724 million in 2013-14)

General Purpose Grants

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

Western Australia's GST grants are a function of the Commonwealth's national GST collections, Western Australia's population share and the Commonwealth Grants Commission's (CGC's) annual recommendations on the States' and Territories' GST relativities (i.e. GST shares relative to their population shares).

Forecasts of the national GST pool are based on the 2013-14 Commonwealth Budget. With uncertainty still surrounding the outlook for growth in the global and domestic economies, there is a risk that GST collections could vary from those currently projected. States' and Territories' population shares over time are affected by their relative economic prospects.

For 2013-14, the GST revenue estimates incorporate the CGC's approved recommendation of Western Australia's GST relativity (i.e. 45% of an equal per capita share). Projected GST relativities beyond 2013-14 have been revised since the February 2013 PFPS (to 27% in 2014-15, 14% in 2015-16 and 7% in 2016-17), mainly reflecting the lagged impact of revisions to the State's mining royalty estimates, revised own source revenue and other financial projections in other States' and Territories' budgets, and assumed crystallisation of the previously reported risk concerning the CGC's treatment of iron ore 'fines' royalties (see below).

These relativities have been projected by the Department of Treasury on a 'no methodology change' basis. However, they could be altered by the implementation of recommendations from the CGC's 2014 Update Report or 2015 Methodology Review.

The CGC currently measures States' relative capacities to collect royalty revenue from onshore minerals under 'low rate' and 'high rate' categories, with iron ore 'fines' currently classified to the 'low rate' category. For its 2014 Update Report (which will determine relativities for GST grants in 2014-15), the CGC is reviewing this classification in light of Western Australia's decision to align the 'fines' royalty rate with the 'lump' iron ore rate of 7.5%⁷.

⁷ The Government increased the iron ore 'fines' royalty rate from 3.75% to 5.625% on 1 July 2010, then to 6.5% on 1 July 2012, and 7.5% on 1 July 2013.

For the purposes of the 2013-14 Budget forward estimates, it was considered that there is no choice but to assume that the CGC will reclassify iron ore ‘fines’ to its ‘high rate’ royalty category from 2014-15, notwithstanding that this will be vigorously contested by Western Australia. In this regard, the independent GST Distribution Review previously commissioned by the Commonwealth Government strongly criticised the CGC’s ‘high rate’/‘low rate’ royalty assessment methodology, and it is expected that a new method for measuring States’ relative mining revenue capacities will be introduced through the 2015 Methodology Review (effective from 2015-16).

For the 2014 Update Report, the State Government has received no assurance from the Commonwealth Treasurer that it will direct the CGC to keep iron ore ‘fines’ in its ‘low rate’ category when the iron ore ‘fines’ royalty rate exceeds 5.625%⁸. In the absence of this, Western Australia will argue strongly to the CGC that it should not reclassify iron ore ‘fines’ in its 2014 Update.

The following table quantifies, relative to the 2013-14 Budget forward estimates, some of the other options the CGC has advised that it is considering in its 2014 Update Report (noting that a broader range of options is likely to be considered in the CGC’s 2015 Methodology Review). The indicative impacts shown are Department of Treasury (rather than CGC) estimates.

Table 10

**INDICATIVE IMPACT OF CGC MINING ASSESSMENT CHANGES
POSSIBLE SCENARIOS, RELATIVE TO STATE BUDGET**
Western Australia

	2014-15 \$m	2015-16 \$m	2016-17 \$m
Iron ore ‘fines’ remain ‘low rate’	+230	+527	+877
Separate iron ore component ^(a)	+146	+321	+543
50% iron ore ‘fines’ reclassified to ‘high rate’	+122	+297	+500
Separate iron ore ‘fines’ category ^(b)	+104	+199	+326

(a) Not explicitly identified as an option to date by the CGC for the 2014 Update, but used by the CGC as a benchmark for the appropriate treatment of iron ore ‘fines’.

(b) In practice, this would apply only in 2014-15.

To demonstrate the material impact of this issue on the State’s finances, the following table provides an illustrative set of budget aggregates prepared on the assumption that iron ore ‘fines’ royalties remain in the CGC’s low rate category.

⁸ Under the current method of calculating GST relativities, which is based on lagged data, the increase in the ‘fines’ royalty rate above 5.625% would first affect GST relativities in 2014-15.

Table 11

KEY FINANCIAL AGGREGATE
Iron Ore 'Fines' Remains 'Low 'Rate'

	2012-13	2013-14	2014-15	2015-16	2016-17
<i>General government</i>					
Revenue (\$m)	25,696	27,978	28,147	29,692	31,225
Grow th (%)	1.9	8.9	0.6	5.5	5.2
Expenses (\$m)	25,457	27,592	28,065	29,026	30,297
Grow th (%)	3.6	8.4	1.7	3.4	4.4
Net operating balance (\$m)	239	386	83	666	929
Cash surplus/deficit (\$m)	-1,751	-1,538	-1,159	-487	-545
<i>Total Public Sector</i>					
Net debt at 30 June (\$m)	18,480	21,909	24,065	25,159	26,709
Asset Investment Program (\$m)	7,302	7,451	6,672	5,958	6,827
Cash surplus/deficit (\$m)	-3,567	-2,765	-1,985	-957	-1,366
<i>Key Ratios ^(a)</i>					
Cash operating surplus as a share of receipts (%)	5.1	6.3	5.9	5.9	6.8
Net debt to revenue (%)	48.7	53.3	57.1	56.7	57.1

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

More generally, the State Government will continue to argue for a more equitable share of GST revenue for Western Australia, including through better recognition of mining-related expenditure needs by the CGC as another aspect of its 2015 Methodology Review (and as also recommended by the independent GST Distribution Review).

Payments for Specific Purposes

Estimated payments for specific purposes total \$5,140 million in 2013-14. This includes National Specific Purpose Payments, National Partnership payments, National Health Reform funding and payments to Western Australia from Commonwealth own-purpose expenses.

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 or other Commonwealth funding (often involving greater intrusion by the Commonwealth into the delivery of State services);
- that some National Partnership payments are contingent on the State's assessed 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 optimise the allocation of resources (so as to improve service outcomes);
- in some cases, the need for the States to compete for national pools of funding, often requiring the provision of matching funding;

- uncertainty over whether National Partnership agreements expiring during the forward estimates will be renewed or replaced; and
- parameter uncertainties, such as timing and indexation for inflation and wages growth.

Commonwealth Funding for Infrastructure

Immediately following the 2007 Federal election, the Commonwealth Government committed to establish a Western Australia Infrastructure Fund from Gorgon/Pluto Petroleum Resource Rent Tax revenue. The Commonwealth's commitment was up to an estimated \$100 million per annum, which would be quarantined from the CGC process. However, despite attempts by the State Government to negotiate a Partnership Agreement with the Commonwealth, there is still no formal agreement to implement this commitment (and it is not reflected as revenue in the State's forward estimates).

Royalty Income (\$5,824 million in 2013-14)

In 2013-14, estimated royalty income accounts for 20.8% of the State's total projected revenue (24.8% if North West Shelf and Condensate Compensation grants are included as a broader 'mining revenue' concept). Iron ore royalty income alone is projected to account for 18.8% of total revenue. The royalty income estimates are particularly sensitive to movements in the \$US/\$A exchange rate and iron ore prices. Since the 2012-13 Budget:

- the \$A has traded between US90.7 cents and US106 cents; and
- the benchmark spot price of 62% iron ore (including the cost and freight) has ranged between \$US91 per tonne and \$US161 per tonne.

In addition, the royalty estimates in 2015-16 and 2016-17 will be subject to the outcome of the State Government's 2012-13 Budget announcement of a review of royalty rates. The estimates currently include \$180 million in 2015-16 and \$187 million in 2016-17 for the expected outcomes of this review.

Exchange Rate

The \$US/\$A exchange rate represents the greatest risk to the royalty forecasts. This is because the sensitivity of royalty revenue to movements in the exchange rate is higher than any other variable (see table of sensitivities earlier in this Statement of Risks) and large movements in the exchange rate occur frequently.

For illustrative purposes, the movement of the exchange rate from a low of US90.7 cents to a high of US106 cents, noted above, if sustained for a full year, would result in a \$1.2 billion deterioration in royalty income for the year, or vice versa.

The \$US/\$A exchange rate usually moves in the same direction as prices for Western Australia's key commodity exports – therefore offering what has historically been a strong 'natural hedge'. This relationship has been weak over the last year or so, with the Australian dollar remaining strong despite easing commodity prices. As a consequence, the impact of a decline in iron ore and other commodity prices over the period on royalty revenue was not offset by a weaker Australian dollar. However, if the recent weakening of the Australian dollar continues, the 'natural hedge' between the Australian dollar and commodity prices may be re-established. This would mitigate risks from unanticipated commodity price movements.

Iron Ore Prices

The benchmark 62% iron ore price is assumed to return to a value of \$US104.5 per tonne (inclusive of freight) by 2022-23⁹ (for a detailed description of the methodology see the feature box in Chapter 4). This is broadly consistent with the market consensus and reflects the expectation that the supply entering the market over the coming years will put downward pressure on prices. However, price volatility is expected to remain high over the forecast period.

For illustrative purposes, the movement of the iron ore price from a high of \$US161 per tonne to a low of \$US91 per tonne, noted above, if sustained for a full year, would result in an estimated \$3.1 billion deterioration in royalty income for the year, or vice versa.

The increase in the supply of iron ore over the next few years will likely be larger than the increase in demand which will result in the displacement of high cost producers (mostly in China) by lower cost producers (mostly in Australia and Brazil).

Significant risks exist for the iron ore price over the remainder of 2013. These risks emanate from an acute oversupply in the Chinese steel market which, combined with lower credit availability, may reduce the demand for raw materials. However, low iron ore inventories offer the possibility that some restocking will limit price falls generated by these factors in the short-term.

The iron ore market in the past four years has transitioned from fixed prices set in annual contracts, toward trade conducted in a spot market and index-linked contracts (based on the average spot price as measured by a benchmark) over an agreed period of time. This transition has greatly increased price volatility and reduced the capacity to accurately forecast.

Iron Ore Volumes

The volume of iron ore exports is typically more stable than the price or exchange rate. This is because producers seek to reduce the unit cost of operations by running the infrastructure at capacity and because Western Australian producers are typically at the lower end of the cost curve. Therefore, fluctuations in price generally have little impact on the volume of iron ore exported in the short-term from existing facilities.

⁹ Deducting freight, this equates to a benchmark 62% iron ore price of around \$US91.

The greatest risk to iron ore export volumes over the forward estimates relates to the speed with which project expansions come online and then ramp up to capacity. These projects may be delayed due to engineering issues, or, adverse market conditions may prompt the project owners to slow the expansion in an effort to save costs.

The forward estimates are based on an expected increase in iron volumes (informed by the results of a producer survey) from around 500 million tonnes in 2012-13 to around 682 million tonnes in 2016-17.

North West Shelf Grants

North West Shelf grants are derived from sales of Liquefied Natural Gas (LNG), oil, condensate, Liquefied Petroleum Gas and domestic gas. The most significant of these commodities for revenue is LNG.

Over recent years, LNG prices in east Asia have been among the highest in the world. This has encouraged many new suppliers to seek entry to the market from as far as the US gulf coast and east Africa. Over the long-term this new supply may put downward pressure on prices in the region. However, over the forecast period, it is unlikely that these developments will have any significant impact on the price of LNG exports from the North West Shelf. This is because new export terminals will take many years to develop and most LNG is sold in multi-year contracts.

State Taxes (\$9,177 million in 2013-14)

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 balance the risk that market sentiment could quickly change and cause a fall in transaction volumes, against the risk of sustained strength in the housing market. A change in the number, or value, of large transactions in commercial property and mining tenements represents both upside and downside risk. Actual transfer duty revenue will depend on market responses to the challenges of changing economic conditions and in particular the transitioning of the economy from a construction to operational phase.

Changes in property prices also have an impact on transfer duty revenue. There is a possibility that as economic and employment growth moderates the demand for housing may slow more quickly than expected. This could result in lower than expected price growth, or even declines in price levels. If this risk were realised, the amount of transfer duty revenue raised would be lower than currently expected.

Payroll Tax

The payroll tax forecasts in this budget have taken into account an expected softening in labour market conditions. If conditions deteriorate more than current expectations, payroll tax could be lower than the current forecasts. Conversely, a more resilient economy and labour market represents an upside risk.

Spending Risks

Asset Investment

The budget estimates are based on the latest infrastructure cost projections available to agencies. Further cost variations could arise depending on a range of factors including market conditions, the capacity of the construction sector and the commercial outcome of any ongoing negotiations between the State and its contractors to resolve outstanding contractual claims. The infrastructure program also includes some projects that are subject to confirmation of Commonwealth funding for further planning, and definition of scope and design, finalisation of contract negotiations, and/or other events.

Fiscal Action Plan

The Fiscal Action Plan announced in this budget contains a number of revenue and expenditure measures that are intended to help deliver sustainable financial outcomes over the budget period. These initiatives build on measures announced in previous budget rounds.

A number of the initiatives contained in the Fiscal Action Plan will be challenging for agencies to deliver, including measures aimed at limiting general government sector salaries costs, which are forecast to deliver significant savings. The projections contained in the budget are based on the assumption that agencies will be able to deliver these savings measures. If agencies do not have the appropriate tools or strategies to fully achieve these savings, there will be a deterioration in the net operating balance and net debt estimates contained in the budget.

Population Growth and Economic Expansion

Growth in population and the State's economy increases the demand for services and infrastructure provided by the Western Australian Government. Western Australia's population and economy have been growing at a much faster pace than the national level. This strong growth has been consistent with robust labour demand, driven by high levels of resource-related investment.

In line with softening labour market conditions, population growth is expected to moderate over the forecast period. Despite this, it is still forecast to exceed the national rate of population growth. However, if labour market conditions are stronger than forecast, or if migration to the State does not slow as quickly as expected, population growth could increase the demand for State public sector services.

National Plan for School Improvement

In February 2012, the Commonwealth Government released the final report of the Review of Funding for Schooling (also known as the ‘Gonski review’), and passed new school funding legislation in June 2013. The Commonwealth, which currently contributes 12.3% of total public school funding in Western Australia, has made a financial offer to Western Australia to enter into the National Education Reform Agreement (NERA). However, several aspects have not been agreed upon. In particular, the financial implications if Western Australia does not participate in the NERA, including the potential impact on GST distribution, are not known. Therefore, the future impact on both government and non-government primary and secondary school funding, and on the State’s finances more broadly, cannot be accurately quantified at this time.

Health Spending

Fiona Stanley Hospital Commissioning

Previously approved expenditure in 2013-14 relating to the commissioning of clinical services at Fiona Stanley Hospital (FSH) includes \$44.4 million for service reconfiguration activities, such as FSH service commissioning and New Children’s Hospital transition costs, and \$76.8 million for services provided under the facilities management contract between the State and Serco. On 10 June 2013, the Government announced the schedule for the commissioning of services at FSH, which involves an extended period between the completion of construction and the commencement of clinical services, including phased commissioning. The opening of FSH is now scheduled for October 2014, with services to be phased in over a six month period (to April 2015).

Following the Government’s announcement, negotiations commenced with Serco to re-profile the delivery of facilities management services, including agreement of cost mitigation measures under the contract. The allocation for service reconfiguration and clinical commissioning is also under review. There is a significant risk that approved expenditure on service reconfiguration and commissioning activities at FSH, including costs under the facilities management contract, are under-stated in 2013-14 and 2014-15. WA Health was unable to quantify the expected financial impacts at the time of finalising the 2013-14 Budget estimates, either precisely or a general order of magnitude. It is anticipated that the financial implications will be clarified in time for the 2013-14 mid-year review.

Health Information and Communications Technology

WA Health’s Asset Investment Program includes an allocation of \$120 million over 2012-13 and 2013-14 to undertake the procurement and implementation of information and communication technology (ICT) systems and infrastructure focussed on the requirements for the Albany Health Campus and the Fiona Stanley Hospital. 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 for the State’s health system could be substantial.

Government Trading Enterprises

Additional Capital Expenditure for Western Power

In its further final decision on Western Power's Third Access Arrangement, the Economic Regulation Authority (ERA) determined as efficient an additional \$1.1 billion of asset investment above currently budgeted levels over 2012-13 to 2016-17. Western Power will continue to prepare business cases for Government approval to enable it to deliver on the full spectrum of commitments under the third access arrangement endorsed by the ERA.

Horizon Power Generation Costs

Horizon Power is undertaking a procurement process for electricity generation in the Pilbara. The outcome of this process may result in higher generation costs than currently budgeted. There will be greater certainty once the tender process is complete. The outcome of the process will be reflected in future budget processes.

Horizon Power Gas Costs

Horizon Power's current gas supply arrangements will expire towards the end of the forward estimates period. Horizon Power will need to source gas from the market and this is likely to be at a higher cost than currently budgeted. Additionally, the volume of gas required by Horizon Power is uncertain at this time.

Verve Energy Muja AB Facility

In association with a private sector joint venture partner, Verve Energy has been undertaking the refurbishment of the Muja AB generation facility. Issues associated with the refurbishment have resulted in commissioning delays and cost overruns relative to previous forecasts. Joint venture borrowings for this project, guaranteed by Verve as part of the Muja AB arrangement, have been recognised as State net debt (borrowings on Verve's balance sheet) for the year ending 30 June 2013.

Currently known revenue and expenditure changes, amendments to the joint venture structure and a revised project completion date have been reflected in this budget. However, the future approach to the Muja AB project is subject to a technical engineering review during which it is assumed further work is suspended for 12 weeks. Any further delays beyond this 12 week period, cost increase or abandonment of the project may increase costs in excess of those included in this budget.

Electricity Tariff Cost-Reflective Line Review

The Public Utilities Office is scheduled to undertake an electricity tariff 'cost-reflective line' review during 2013-14. This will impact the operating subsidy that is paid to Synergy and Horizon Power. Any changes to the 'cost-reflective line' and associated operating subsidy will be reflected once the review is complete and any recommendations are approved by Government.

Commonwealth Emissions Trading Scheme

On 16 July 2013 the Commonwealth Government announced that the start date for the Australian emissions trading scheme would be brought forward by one year to 1 July 2014. This change is likely to affect electricity prices, but at this stage the impact is uncertain. Accordingly, the impact on electricity prices has not been reflected in the forward estimates.

Risks with Government Budget Priorities

The following Budget Priorities have potential risks for the State's finances.

Police Officers

The current allocation of \$282 million for the commitment to recruit an extra 550 police and auxiliary officers over the next four years does not include the recruitment and deployment costs of additional public servants or the resulting accommodation requirements for the additional officers. The extent of accommodation required is uncertain at this time and is dependent upon the final deployment location (metropolitan to regional mix) of the additional officers.

The extent of these risks will be informed by the outcomes of Western Australia Police's reform program, which is currently underway.

The increase in police officers will also likely impact on the operations of other law and order agencies, including the Department of the Attorney General, the Department of Corrective Services, the Office of the Director of Public Prosecutions and the Legal Aid Commission. This impact is uncertain and has not been reflected in this budget.

Bunbury to Albany Pipeline

A provisional allocation has been made for the construction of a gas pipeline between Bunbury and Albany which is intended to be built in collaboration with the private sector. The planning for the procurement of the pipeline is not yet final and therefore uncertainty remains around the total cost. Future revenue from the users of the pipeline may not be sufficient for a private investor to recover its investment, potentially resulting in the need for an ongoing public sector subsidy. These issues are subject to a business case to be submitted to the Government before the project proceeds.

Nation Building Program 2

As part of its 2013-14 Budget, the Commonwealth committed \$836 million over the period to 2016-17 to a range of key infrastructure projects in Western Australia. This included a commitment of \$100 million which has been allocated towards the Airport Link project (estimated cost of \$2.0 billion) and MAX Light Rail project (estimated cost of \$1.9 billion). Both of these projects have an estimated December 2019 completion date. The remainder of the Commonwealth's 2013-14 Budget Nation Building Program 2 funding is allocated to the Perth-Darwin National Highway and other significant road projects. Any reduction in Commonwealth funding for these projects, without offsetting changes to project scope and/or timing, would increase the State's net debt position.

National Disability Insurance Scheme

Western Australia is committed to a National Disability Insurance Scheme (NDIS) and is actively involved in its development, including discussions with the Commonwealth on possible launch site arrangements for the State. The full cost of the NDIS at a national level is estimated by the Commonwealth to be around \$22 billion in the proposed first full year of operation in 2019-20. Under the funding split arrangements that the Commonwealth has signed with other States, it is currently estimated that the additional cost to Western Australia would be around \$204 million for the full scheme in 2019-20. This represents a 22% increase on estimated existing disability expenditure of around \$913 million per annum by 2019-20.

However, there remains significant uncertainty around the cost estimates, due partly to the definitions around eligibility, and what constitutes reasonable and necessary support for people with disabilities, which are yet to be clarified. These are currently being tested in launch sites in other States.

Special Purpose Accounts

Special Purpose Accounts (SPAs) are established under various sections of the *Financial Management Act 2006*. SPA balances provide a funding source for particular initiatives. However, it is important to note that each dollar that is spent from SPA balances will increase net debt (and reduce the net operating balance if the spending is for recurrent purposes) by the same amount. In this way, these SPA balances are no different from other funding sources, including new borrowings. Accordingly, to the extent that future decisions may involve spending from these SPA balances, the net debt (and potentially net operating balance) forecasts will be impacted. Projected balances for key SPAs are shown in Appendix 5 of this Budget Paper.

Changes to Fringe Benefits Tax

In July 2013, the Commonwealth Government announced proposed changes to Fringe Benefits Tax (FBT) arrangements applying to the provision of vehicles to employees. The State public sector maintains a large vehicle fleet supporting services provided across government, with some vehicles subject to FBT arrangements that may be impacted by the Commonwealth's proposed changes. Details of amended FBT arrangements and how these may impact the State's finances remain uncertain at the time of finalising this budget and thus represent a risk to the forward estimates.

Contingent Assets and Liabilities

Contingent assets and liabilities are economic benefits or costs that may crystallise 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 should they eventuate.

Details of the quantified and unquantified contingent assets and liabilities of the State at 30 June 2012 are provided in the 2011-12 *Annual Report on State Finances*. At that time, quantified contingent assets totalled \$19 million and contingent liabilities totalled \$2.0 billion. Material changes to the State's contingent liabilities are summarised below.

Final, audited whole-of-government contingent assets and liabilities for 30 June 2013 will be published in the 2012-13 *Annual Report on State Finances*, to be released by 28 September 2013.

Native Title Claims

The *Commonwealth Native Title Act 1993*, as amended, creates a liability for the States for any compensation in regards to loss or impairment of Native Title rights and interests that occurred after 31 October 1975. There are currently 101 Native Title claims registered in Western Australia, with the State Government in legal mediation with claimants in 45 of these cases.

In addition to the general risks arising from Native Title claims, two specific claims are notable in the context of the current budget:

- *Resolution of Native Title in the South West of Western Australia* – this budget reflects the Government's endorsement of the State's final offer to the Noongar people to resolve all Native Title claims in the South West of Western Australia, including Perth. The offer remains subject to acceptance and any variation in the final outcome represents a risk to the financial estimates reflected in this budget; and
- *Anketell Port* – the State is entering 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.

Metropolitan Redevelopment Authority

Grand Palace Lease Dispute – Elizabeth Quay

The Metropolitan Redevelopment Authority (MRA) is currently in negotiation with the party that formerly occupied the now deconstructed Florence Hummerston Kiosk. This matter is being dealt with on behalf of the MRA by the Western Australian Planning Commission (WAPC). In consultation with the State Solicitor's Office, \$5 million was paid by the WAPC to the former business owner as an advance payment prior to a formal compensation claim being lodged.

Champion Lakes Regatta Centre Dispute

The MRA was served with a writ of summons on 12 June 2013. The writ sets out a damages claim arising out of an assertion of trespass to an interest in certain land purportedly created by way of adverse possession prior to 2007.

The land subject to the claim forms part of the Champion Lakes Regatta Centre which was constructed in 2007. The facility is currently under management by VenuesWest. At 30 June 2013, the land was owned by the MRA. The MRA is in the process of transferring title to VenuesWest. The State Solicitor's Office is acting for the MRA and VenuesWest to defend the action.

Other Contingent Assets and Liabilities

Bell Group Litigation

The Insurance Commission of Western Australia has granted indemnities to certain parties in pursuing its interests in the Bell Group litigation and has advanced significant sums to the Liquidators of the Bell Group under these indemnity agreements. The indemnities granted by the Insurance Commission represent a contingent risk to the Insurance Commission.

The potential recovery of the advances made to the Liquidators under the indemnity agreements constitute a contingent asset. The current status of the Bell litigation suggests that other material contingent assets may accrue to the Insurance Commission. The inherent uncertainty involved in litigation means that these contingent assets are not able to be quantified at this stage. These factors represent an upside risk to the financial estimates set out in this budget.

Esperance Port Authority Bulk Loader

Esperance Ports Sea and Land has a contract to load bulk nickel for BHP Billiton Nickel West. Since 8 October 2011 this contract has encountered difficulty as the bulk loader is no longer fit for purpose. The Port is unable to obtain funding to make the bulk loader operational as it is presently deemed unviable.

The value of the Port's assets may require review should the bulk loading facility remain inoperative. BHP Billiton Nickel West is currently trialling alternative export methods for nickel but there remains a risk of legal action for breach of contract.

Home Indemnity Insurance

The State has indemnified insurers for losses in excess of \$10 million for any one building failure under the current Home Indemnity Insurance (HII) arrangement. The State is only required to pay for a HII claim in the event that one of the underwritten insured builders defaults. The Heads of Agreement covering the existing arrangement expired on 30 June 2013 but has been extended until 30 September 2013. Negotiations are proceeding regarding arrangements after 30 September 2013.

Long-term Financial Projections and the Fiscal Action Plan

The Department of Treasury's (Treasury's) long-term financial model (LTM) is used to estimate key financial aggregates for the State outside of the four-year forward estimates period.

The economic parameters that underpin any financial model are subject to change over time (and more so the longer the model's horizon) impacting the accuracy of the results. However, the LTM is particularly useful in providing context to Government policy changes and showing the effects of changing economic parameters on key financial outcomes.

The LTM's results are based on a no policy change setting. Budget revenue is derived through individual modelling of revenue streams based on key economic and demographic drivers. Expense growth is modelled by a number of variables including population growth and age structure, inflation and real wages, and each functional area's (e.g. health, education) expenses draw upon data on the utilisation of government services by age group.

Treasury has developed two sets of long-term financial projections using the LTM.

One set ('base case') is based on the 2013-14 Budget aggregates, inclusive of the Government's Fiscal Action Plan. The second set excludes the Fiscal Action Plan. The summary results and variance between the two sets of projections are shown below.

Table 12

LONG-TERM FINANCIAL PROJECTIONS Fiscal Action Plan Comparison

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Base Case										
Net operating balance	386	-147	128	16	234	894	966	1,178	1,640	2,305
Revenue	27,978	27,917	29,165	30,348	32,081	34,313	36,039	37,983	40,257	42,790
Expenses	27,592	28,065	29,036	30,332	31,847	33,419	35,073	36,804	38,617	40,485
Total Public Sector Net Debt	21,909	24,295	25,926	28,389	31,762	34,845	38,084	41,381	44,523	47,337
Asset Investment Program	7,451	6,672	5,958	6,827	7,473	8,179	8,699	9,252	9,839	10,464
Excluding the Fiscal Action Plan										
Net operating balance	-130	-1,214	-1,489	-2,233	-2,727	-2,884	-3,732	-4,570	-5,300	-5,972
Revenue	27,503	27,555	28,776	29,936	31,697	33,956	35,715	37,690	39,997	42,568
Expenses	27,633	28,769	30,265	32,168	34,424	36,840	39,447	42,260	45,297	48,540
Total Public Sector Net Debt	22,716	26,343	29,998	35,220	41,546	48,389	56,298	65,304	75,330	86,351
Asset Investment Program	7,650	6,846	6,365	7,337	7,473	8,179	8,699	9,252	9,839	10,464
Variance										
Net operating balance	516	1,067	1,617	2,249	2,961	3,778	4,699	5,749	6,940	8,278
Revenue	475	362	389	413	384	357	324	293	260	222
Expenses	-41	-705	-1,229	-1,836	-2,577	-3,421	-4,374	-5,456	-6,680	-8,055
Total Public Sector Net Debt	-807	-2,048	-4,072	-6,831	-9,784	-13,544	-18,214	-23,922	-30,807	-39,014
Asset Investment Program	-200	-174	-407	-511	-	-	-	-	-	-

A comparison of Treasury’s base case LTM and that excluding the impacts of the Fiscal Action Plan shows a dramatic improvement in the long-term sustainability of State finances due to implementation of this plan.

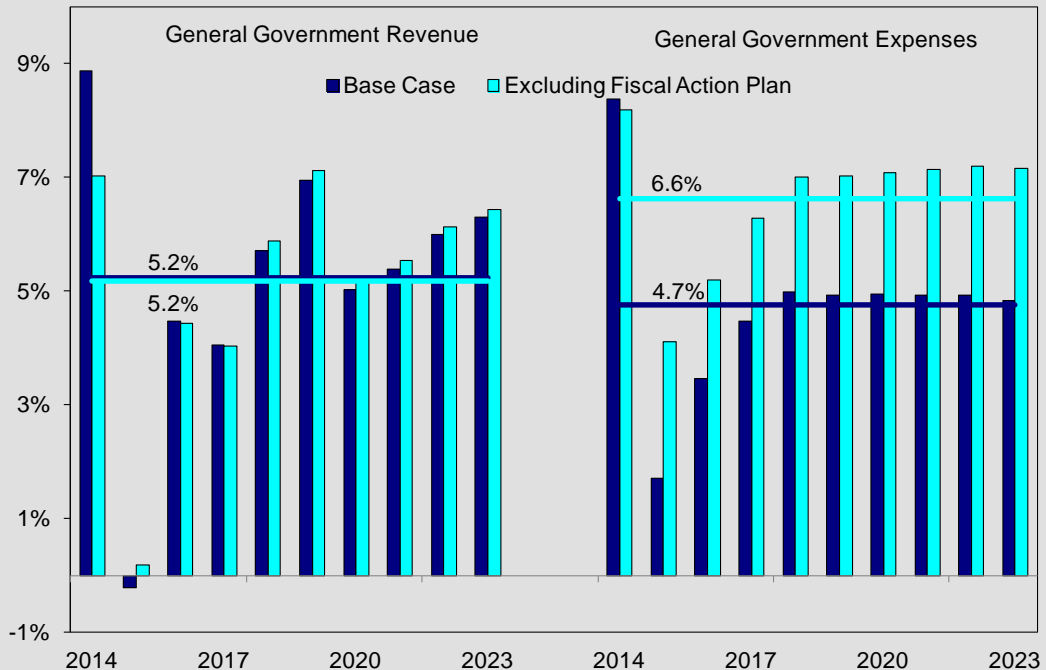
As the following figure shows, in the absence of the Fiscal Action Plan, annual average expense growth across the life of the model (6.6%) would have been 1.4 percentage points higher than average revenue growth (5.2%). By 2022-23, this excess of expense growth over revenue growth is projected to lead to a \$6 billion annual operating deficit and net debt levels in excess of \$86 billion.

To avoid such unsustainable outcomes over the long-term, the analysis clearly demonstrates the need for immediate and significant remedial action.

Treasury estimates that as a direct result of the Fiscal Action Plan implemented in this budget, general government expense growth will average around 4.7% per annum over the life of the model (significantly below the 6.6% average in the absence of the Fiscal Action Plan), which is below average revenue growth of 5.2%.

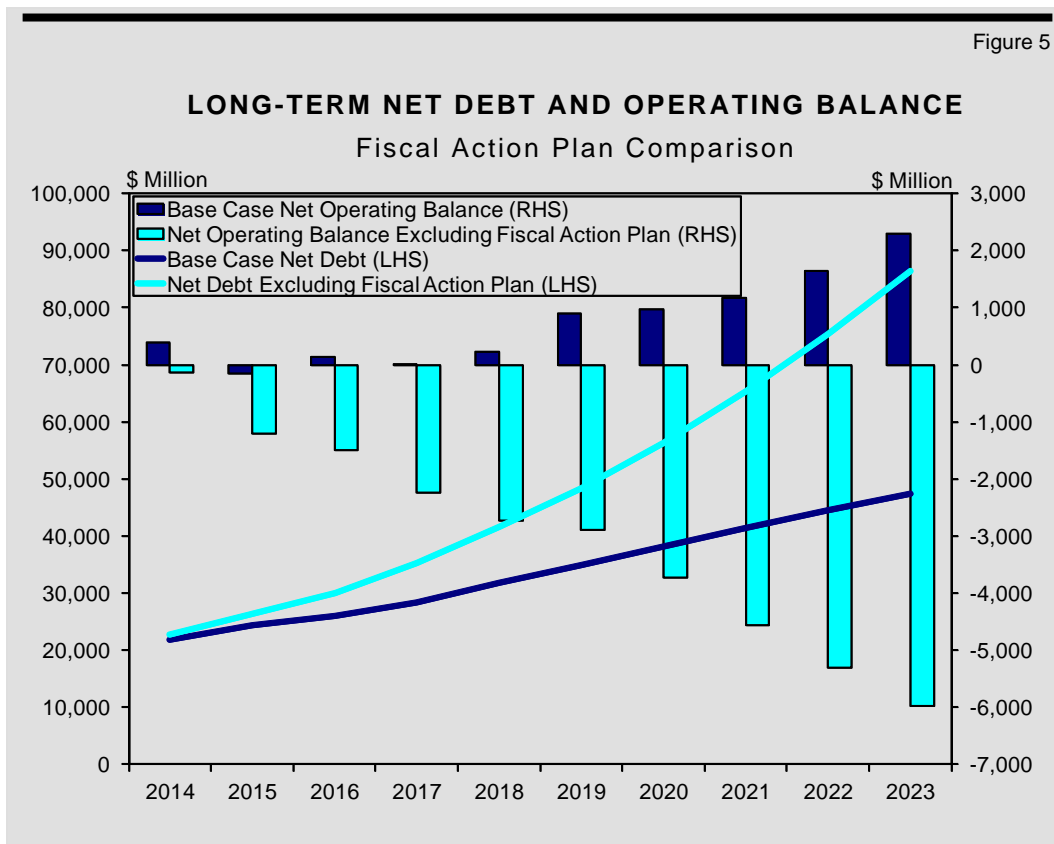
Figure 4

GENERAL GOVERNMENT REVENUE AND EXPENSES
Fiscal Action Plan Comparison



The rebalancing of revenue and expense growth is projected to see an annual operating surplus of \$2.3 billion by 2022-23 (compared to an operating deficit of \$6 billion in the absence of the Fiscal Action Plan), and net debt levels almost \$40 billion lower (by 2022-23) than would have been observed in the absence of the Fiscal Action Plan (see following figure).

Figure 5

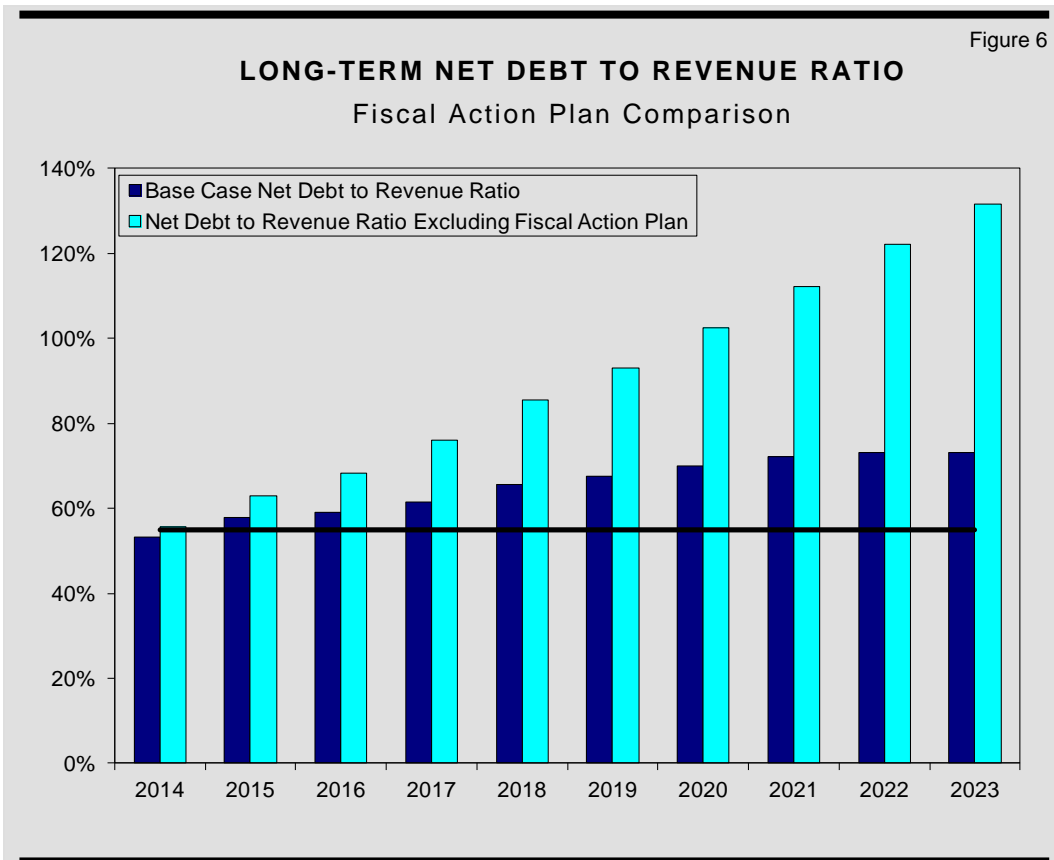


Despite the significant impact of the Fiscal Action Plan, there remain challenges in managing the State’s finances.

In particular, management of the State’s net debt is an important factor in the ratings agencies’ assessment of the State’s credit rating. A threshold of 55% of net debt to revenue (for the total non-financial public sector) is considered to be affordable, while at the same time recognising the State’s significant demand for infrastructure.

The following figure shows that in the base case scenario, this target is only expected to be achieved in 2012-13 and 2013-14. Importantly, however, the LTM shows that as a result of the Fiscal Action Plan, the net debt to revenue ratio is significantly lower than it otherwise would have been, and will have peaked around 2022-23 before beginning to decline thereafter.

Figure 6



Assumptions

Western Australia’s population growth is projected to grow at a faster rate than the rest of Australia (with average growth over the life of the LTM of 2.1% per annum), which has a negative impact on the State’s financial aggregates. In this regard, Treasury’s modelling indicates that key revenue streams will not keep pace with population growth, whereas both expenses and the size of the Asset Investment Program (AIP) are positively correlated with demographic change.

The LTM assumes (in both scenarios) that after the forward estimates period, the Government commits to an annual AIP of 2.5% of Gross State Product (GSP) per annum. This compares with an average AIP of 3.0% of GSP over the past decade, and so is considered a relatively conservative assumption.

The revenue estimates in the LTM are individually modelled based on the impact of key economic and demographic drivers. Of particular interest is the interaction between GST grants paid to the State and royalty revenue.

The LTM predicts that estimated royalty revenue at the end of the forward estimates period will maintain its real value across the life of the model. This assumption is based on the current transition from the mining construction phase to the production phase. Therefore, after the current forward estimates period, it is expected that the proportion of royalty revenue to total general government revenue will begin to decline. This declining portion of royalty revenue to total revenue will be offset by an expected increase (over time) in the value of GST grants.

However, this revenue substitution process poses additional challenges for the Government. The GST redistribution is lagged and the historically low growth in the total GST pool estimated will continue to impact the Government's capacity to commit to new expenditure measures in the future.

General Government Revenue

HIGHLIGHTS

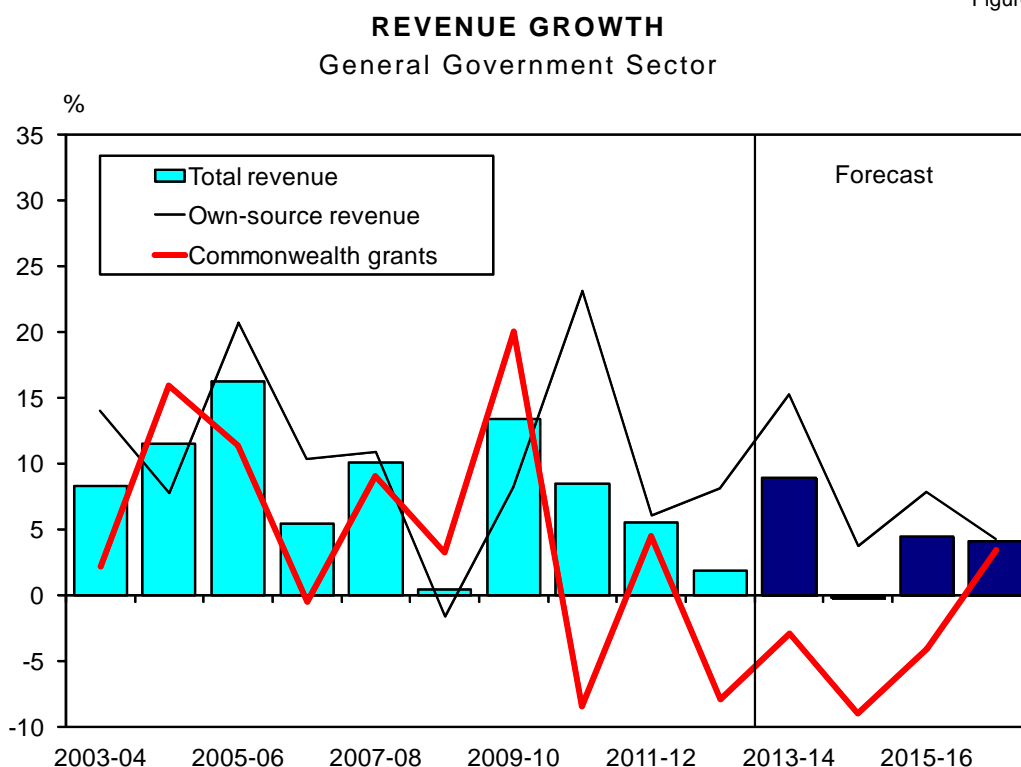
- Following estimated growth of just 1.9% in 2012-13, general government revenue is expected to grow by 8.9% in 2013-14, before averaging a modest 2.7% per annum thereafter.
- Growth in taxation revenue is expected to moderate over the forward estimates period, reflecting the impact of softer labour market conditions on payroll tax, and slower growth in house prices and property transactions on transfer duty.
- Mining royalties are forecast to increase over the budget period, with higher production volumes for the State's major commodities, a gradually depreciating exchange rate, and the removal of the discounted royalty rate on iron ore 'fines' more than offsetting an expected decline in commodity prices.
- In contrast, GST and other Commonwealth grants are projected to rapidly decline over the next four years, with Western Australia's GST revenue projected to fall from \$2.9 billion in 2012-13 to just \$500 million in 2016-17.
- This budget incorporates revenue measures to:
 - progressively increase the payroll tax exemption threshold from 1 July 2014;
 - defer the abolition of duty on non-real business assets;
 - introduce taxation administration initiatives aimed primarily at improving the timeliness of revenue collections;
 - increase land tax rates across-the-board by 12.5% from the 2013-14 land tax assessment year; and
 - reduce the private vehicle discount on motor vehicle registration fees from 1 January 2014.

Introduction

General government revenue is forecast to reach almost \$28 billion in 2013-14, up \$2.3 billion (or 8.9%) on the estimated actual for 2012-13. This revenue outlook is based on an expectation of strong growth in own-source revenue (predominantly State taxes and mining royalties) and is boosted by several new revenue measures, as well as the previously scheduled increase in the iron ore ‘fines’ royalty rate from 6.5% to 7.5% from 1 July 2013. The strong growth in own-source revenue is partially offset by a further decline in the contribution to total revenue from Commonwealth grants, which are expected to account for 31% of total revenue in 2013-14, down from 35% in 2012-13.

Growth in general government revenue is projected to average 4.2% per annum over the period 2013-14 to 2016-17, compared with average growth of 8% per annum over the past decade. This largely reflects further declines in Western Australia’s share of national GST revenue and a moderation in the projected growth of State tax revenue as major resource projects transition from construction to production (see Chapter 2: *The Western Australian Economy*).

Figure 1



2012-13 Estimated Actual

Total general government operating revenue in 2012-13 is estimated at \$25.7 billion¹. This is \$476 million (or 1.9%) higher than 2011-12.

Taxation revenue is estimated to have grown by a very strong \$1.2 billion or 16.3% in 2012-13, followed by growth of \$116 million or 2.7% in royalty income. In contrast, revenue from Commonwealth grants is estimated to have fallen by \$774 million or 7.9% in 2012-13.

The strong growth in taxation revenue in 2012-13 is due to strong labour market conditions in mid-2012, with a significant lift in employment levels supporting payroll tax collections through the year (notwithstanding softer conditions in the first half of 2013), as well as a pick-up in the housing market in the first half of 2013. A number of large one-off transfer duty assessments from some very large commercial property transactions also contributed to the strong growth in taxation revenue in 2012-13.

Lower iron ore prices moderated growth in royalty income for 2012-13, with the 'effective' iron ore price averaging \$US121.1/tonne in 2012-13 compared to \$US134.9/tonne in 2011-12. Nonetheless, royalty income from iron ore (up \$104 million or 2.7%) accounted for the vast majority of growth in overall royalty income.

Revenue from Commonwealth grants in 2012-13 is estimated to have declined by 7.9%, with an estimated \$518 million or 15% decline in GST grants, reflecting Western Australia's rapidly falling share of national GST revenue.

2013-14 and Beyond

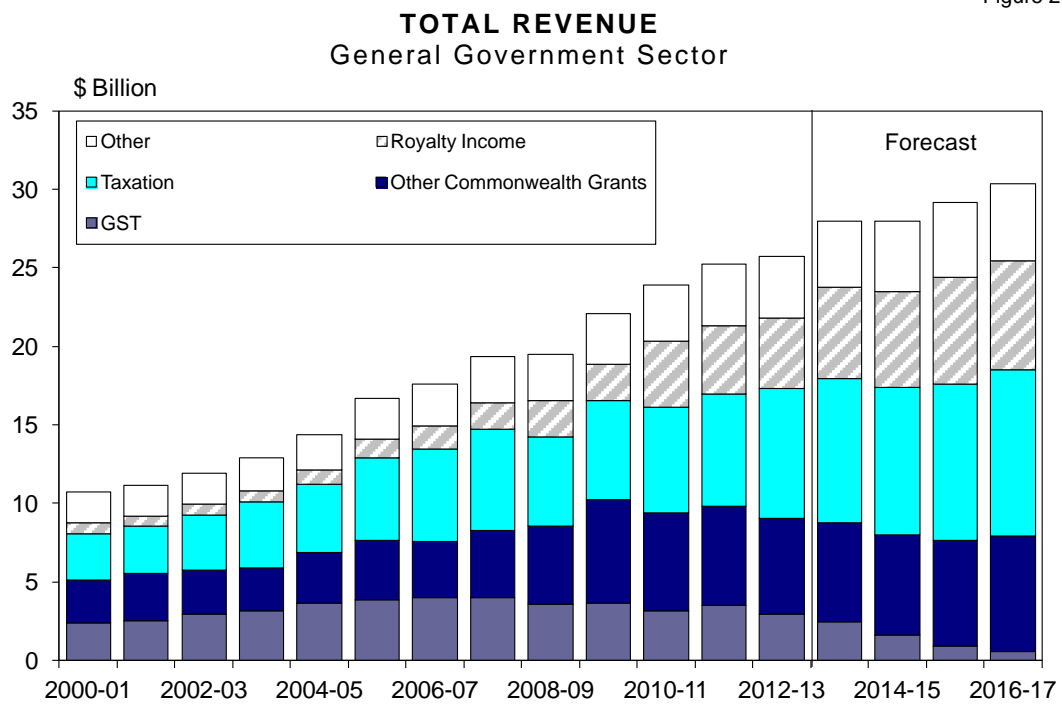
Total general government revenue is forecast to grow by \$2.3 billion (or 8.9%) to nearly \$28 billion in 2013-14. Abstracting from the revenue measures in this budget and the Government's previous decision to increase the iron ore 'fines' royalty rate to 7.5% from 1 July 2013, 'underlying' revenue growth is forecast at just 5.0% in 2013-14 – a rate of growth insufficient to meet the growth in demand for key government services such as health, education, and law and order.

Royalty income is forecast to increase by \$1.4 billion (or 30.6%) in 2013-14, largely driven by a projected increase in iron ore royalties. Taxation revenue is forecast to increase by \$835 million (or 10%) relative to 2012-13, underpinned by higher transfer duty collections and continued growth in payroll tax.

In contrast, the State's GST revenue is expected to fall by a further \$477 million (or 16.2%) in 2013-14, with Western Australia's share of national GST revenue falling to just 44.6% of our population share – an all-time low for any State or Territory.

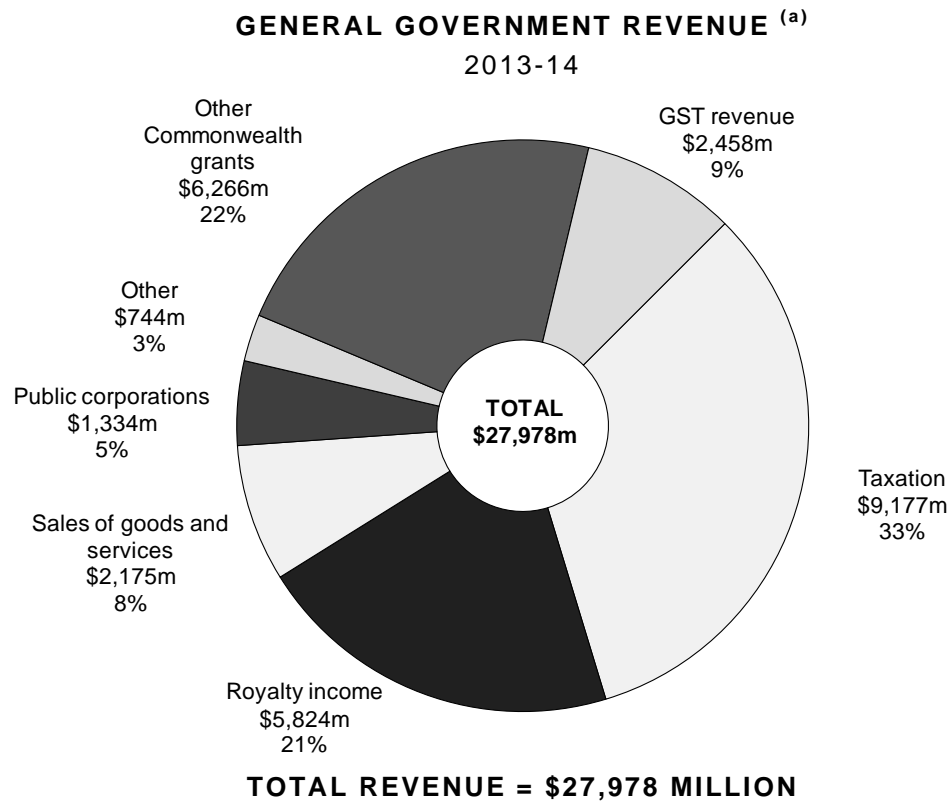
¹ Actual revenue for 2012-13 will be reported in the *Annual Report on State Finances*, which will be released by 28 September 2013.

Figure 2



The State's four largest sources of revenue in 2013-14 are expected to be taxation (33%), Commonwealth grants other than GST revenue (22%), royalties (21%) and GST (9%) (see figure below). The remaining 15% of revenue comprises sales of goods and services, revenue from public corporations, and other sources of revenue (such as interest income).

Figure 3



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

The composition of State revenue has changed significantly in recent years. For example, the share of total revenue attributable to royalty income has increased from 5% in 2003-04 to 21% in 2013-14. 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 just 31% of total revenue in 2013-14.

Total revenue is forecast to grow by an average of just 2.7% per annum over the period 2014-15 to 2016-17, with forecast growth in the State's own source revenue partly offset by further declines in GST revenue.

Table 1

GENERAL GOVERNMENT						
Operating Revenue						
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
Taxation	7,173	8,342	9,177	9,428	9,965	10,607
<i>Growth (%)</i>	6.1	16.3	10.0	2.7	5.7	6.4
GST revenue grants	3,454	2,935	2,458	1,592	894	500
<i>Growth (%)</i>	9.3	-15.0	-16.2	-35.3	-43.9	-44.0
PSPs 'through' the State ^(a)	1,128	1,165	1,202	1,287	1,395	1,505
<i>Growth (%)</i>	-11.9	3.3	3.1	7.1	8.4	7.9
Other Commonwealth grants	5,179	4,885	5,064	5,062	5,331	5,875
<i>Growth (%)</i>	5.7	-5.7	3.7	0.0	5.3	10.2
Sales of goods and services	1,929	2,030	2,175	2,283	2,401	2,525
<i>Growth (%)</i>	10.0	5.2	7.1	5.0	5.2	5.2
Interest income	304	261	201	250	272	272
<i>Growth (%)</i>	-5.5	-14.0	-23.0	24.5	8.8	-0.2
Revenue from public corporations	1,085	1,159	1,334	1,456	1,637	1,764
<i>Growth (%)</i>	1.8	6.8	15.1	9.2	12.4	7.8
Royalty income	4,343	4,460	5,824	6,122	6,765	6,911
<i>Growth (%)</i>	3.1	2.7	30.6	5.1	10.5	2.2
Other	627	459	543	436	504	389
<i>Growth (%)</i>	38.1	-26.8	18.5	-19.7	15.5	-22.7
Total	25,220	25,696	27,978	27,917	29,165	30,348
<i>Growth (%)</i>	5.5	1.9	8.9	-0.2	4.5	4.1

(a) Payments for specific purposes (PSPs) 'through' the State include payments distributed to local government and other non-State recipients.

Note: Columns may not add due to rounding.

Growth in taxation revenue over the forward estimates period is forecast to average 4.9% per annum. This is lower than the long-run average rate of growth of 7.4% and reflects an anticipated moderation in domestic economic conditions as business investment peaks and major resource projects move into the production phase.

Royalty income is projected to grow at an average rate of 5.9% per annum over the forward estimates period. This assumes that a tapering-off in commodity prices will be offset by increased production and a gradual decline in the \$US/\$A exchange rate. The royalty income estimates also incorporate a provision of \$180 million in 2015-16 and \$187.1 million in 2016-17 for additional royalty income from the 2012-13 Budget decision to undertake an analysis of existing royalty rates to ensure that royalty rates are achieving the 10% of 'minehead value' benchmark.

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 2016-17 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

Tax measures in the 2013-14 Budget include the previously announced increase in the payroll tax exemption threshold and deferral of the abolition of transfer duty on non-real business assets. New tax measures announced in this budget are a 12.5% across-the-board increase in Western Australia's land tax rates, a tax administration package aimed at improving tax compliance and the timeliness of revenue collections, and changes to the registration concession for privately used motor vehicles.

The estimated total budget impact of these measures over four years is \$1.3 billion, as set out in Table 2.

SUMMARY OF TAX MEASURES IN THE 2013-14 BUDGET

Table 2

	2013-14 Budget Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m	2016-17 Forward Estimate \$m	Total \$m
Payroll Tax					
Increase payroll tax threshold	-	-27.3	-30.0	-63.8	-121.1
Taxes on Property					
Defer abolition of duty on non-real business assets	125.1	121.9	133.5	146.9	527.4
Taxation Administration Package ^(a)	233.3	71.8	71.7	71.7	448.5
Land tax rate increase	73.0	80.0	88.0	97.0	338.0
Motor Vehicle Taxes					
Halve the private use vehicle registration concession	21.2	43.5	44.7	45.9	155.3
Total	452.6	289.9	307.9	297.7	1,348.1

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

Note: Columns may not add due to rounding.

Payroll Tax

Payroll Tax – Increase in Threshold

In the lead-up to the 2013 State election, the Government announced that it would progressively increase the payroll tax exemption threshold to \$850,000.

Specifically, from 1 July 2014 the threshold will increase from \$750,000 to \$800,000. The threshold will further increase to \$850,000 from 1 July 2016.

The increase in the payroll tax exemption threshold is expected to benefit more than 16,000 employers at an estimated cost over four years of \$121.1 million.

PAYROLL TAX SCALES IN THE 2013-14 BUDGET				
	2013-14	2014-15	2015-16	2016-17
Payroll Tax Exemption Threshold (\$)	750,000	800,000	800,000	850,000
Payroll Tax Rate (%)	5.5	5.5	5.5	5.5

Taxes on Property

Transfer Duty – Defer the Abolition of Duty on Non-Real Business Assets

On 15 May 2013, the Government announced that it was deferring the abolition of duty on non-real business assets until the cost of its abolition can be better accommodated in the State's budget. This duty had previously been scheduled to be abolished on 1 July 2013.

The Parliament of Western Australia has since passed legislation to implement this measure. As a result, duty continues to be payable on the transfer of non-real business assets, which include goodwill, intellectual property and statutory business licences.

New South Wales, Queensland, South Australia and the Northern Territory have also announced the deferral of the abolition of this duty.

The Western Australian Government has retained the transfer duty concession for certain small business and principal place of residence transfers valued under \$200,000, which had previously also been scheduled to be abolished on 1 July 2013.

These measures are estimated to save \$527.4 million over the forward estimates period.

Taxation Administration Package

The 2013-14 Budget includes a package of taxation administration initiatives aimed primarily at improving the timeliness of revenue collections.

The package comprises funding for the Office of State Revenue to ensure earlier follow-up of outstanding payroll tax returns and to conduct additional desk audits of registered payroll tax payers, including those that have not been subject to an investigation in at least five years. It is estimated that these measures will bring forward revenue from outside the forward estimates period of around \$9.6 million in 2013-14 and \$18.6 million over the four years to 2016-17.

Additional revenue officers will also be engaged to meet expected growth in the number of duties assessments that are considered to be of medium complexity and which cannot be self-assessed. This measure is estimated to bring to account additional revenue of \$25 million in 2013-14 and \$175 million over the forward estimates period.

Finally, the package will allow the Commissioner of State Revenue to issue an interim duty assessment to ensure more timely assessment and collection of duty revenue in relation to large, high complexity assessments.

Under existing legislation, an assessment notice is not issued until the Commissioner has determined the total dutiable amount or value. For high value complex transactions, the assessment process would otherwise be expected to take up to five years, even though the bulk of what is being assessed may not be contested. No interest applies while the assessment is being progressed.

This measure will introduce an interim payment of duty for these protracted assessment processes. It is estimated that it will bring forward revenue from outside the forward estimates period of \$200 million in 2013-14 and \$260 million over the four years to 2016-17.

Chapter 5 and Budget Paper No. 2 outline the associated expenses for the Department of Finance from the Taxation Administration Package.

Land Tax – Increase in Rates

A 12.5% increase in land tax rates from 2013-14 will offset lower than expected land values and generate an additional 5% in land tax revenue compared with forecasts in the *Pre-election Financial Projections Statement*. The following table shows the new tax scale relative to last year's scale.

Table 4

LAND TAX SCALES IN THE 2013-14 BUDGET

Threshold	2012-13 Scale		2013-14 Scale	
	Tax at Threshold	Marginal Rate on Excess	Tax at Threshold	Marginal Rate on Excess
\$	\$	%	\$	%
300,000	0	0.09	0	0.10
1,000,000	630	0.47	700	0.53
2,200,000	6,270	1.22	7,060	1.37
5,500,000	46,530	1.46	52,270	1.64
11,000,000	126,830	2.16	142,470	2.43

This measure is estimated to raise \$73 million in 2013-14, bringing total land tax revenue to \$657 million. It is estimated to raise a total of \$338 million over the forward estimates period.

Despite the increase in rates, Western Australia's land tax will remain significantly below that of other jurisdictions, as shown in Table 5.

For example, for a landholding with an unimproved value of \$1 million, land tax payable in Western Australia will increase from \$630 to \$700, substantially below the amount payable in New South Wales (\$9,604), Victoria (\$2,975), Queensland (\$4,500) and all other jurisdictions that levy land tax.

Table 5

LAND TAX PAYABLE

Land Value	WA Current	WA New	NSW	VIC	QLD	SA	TAS	ACT
\$	\$	\$	\$	\$	\$	\$	\$	\$
100,000	0	0	0	0	0	0	463	625
200,000	0	0	0	0	0	0	1,013	1,420
300,000	0	0	0	375	0	0	1,563	2,538
400,000	90	100	0	575	0	420	2,588	4,338
500,000	180	200	1,604	775	0	920	4,088	6,138
1,000,000	630	700	9,604	2,975	4,500	9,447	11,588	15,138
3,000,000	16,030	18,020	43,676	24,975	37,500	82,771	41,588	51,138
5,000,000	40,430	45,420	83,676	69,975	62,500	156,771	71,588	87,138
10,000,000	112,230	126,070	183,676	182,475	150,000	341,771	146,588	177,138
15,000,000	213,230	239,670	283,676	294,975	237,500	526,771	221,588	267,138

The majority of taxpayers will experience only a modest increase in their land tax bills as a result of this change. For around 80% of land tax payers the increase will be no more than \$70, with just over half experiencing an increase of \$30 or less.

Table 6

LAND TAX INCREASE BY AMOUNT AND NUMBER OF TAXPAYERS ^(a)

Threshold	Tax Payable		Tax Increase	No of Taxpayers	Share of Taxpayers
	Current	New			
\$	\$	\$	\$		%
300,000	0	0	0	0	0.0
400,000	90	100	10	31,957	28.5
500,000	180	200	20	18,981	16.9
600,000	270	300	30	12,748	11.4
700,000	360	400	40	9,843	8.8
800,000	450	500	50	6,778	6.0
900,000	540	600	60	5,079	4.5
1,000,000	630	700	70	4,176	3.7
2,000,000	5,330	6,000	670	14,933	13.3
3,000,000	16,030	18,020	1,990	3,687	3.3
4,000,000	28,230	31,720	3,490	1,447	1.3
5,000,000	40,430	45,420	4,990	711	0.6
10,000,000	112,230	126,070	13,840	1,238	1.1
Over 10m				676	0.6
				112,254	100.0

(a) Based on data for the 2012-13 land tax assessment year.

Motor Vehicle Taxes

Motor Vehicle Registration Fees – Halve Discount for Private Vehicles

From 1 January 2014, the discount on motor vehicle registration fees for privately used motor vehicles will be halved from \$72 to \$36 (and indexed annually).

This concession is currently available to anyone who nominates that they drive their vehicle for non-business purposes, regardless of their income, the value of the vehicle, or how many kilometres the vehicle travels.

The concession is not targeted to people who need it the most, nor is it targeted to any environmental outcomes.

Even after this measure, Western Australia will continue to have the lowest vehicle registration fees and compulsory third party premiums (combined) of any jurisdiction.

This measure is estimated to save \$21.2 million in 2013-14 and \$155.3 million over the forward estimates period.

Taxation Revenue

Summary

Taxation revenue is estimated to have increased by \$1.2 billion (or 16.3%) in 2012-13, to \$8.3 billion. Growth is expected to ease to 10% in 2013-14 and an average of 4.9% per annum over the period 2014-15 to 2016-17, reflecting softer labour and property market conditions.

TAXATION REVENUE							Table 7
Western Australia							
	2011-12 Actual \$m	2012-13 Estimated Actual \$m	2013-14 Budget Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m	2016-17 Forward Estimate \$m	
TAXES ON EMPLOYERS' PAYROLL							
Payroll tax	3,096	3,477	3,730	3,976	4,292	4,628	
<i>Growth (%)</i>	17.8	12.3	7.3	6.6	7.9	7.8	
TAXES ON PROPERTY							
Land tax	552	568	657	723	795	877	
MRIT ^(a)	84	85	87	96	105	116	
Transfer duty	1,261	1,654	1,866	1,793	1,767	1,803	
Landholder duty	101	217	309	140	142	145	
Other	245	344	377	382	389	406	
<i>Total</i>	2,244	2,868	3,295	3,133	3,198	3,347	
<i>Growth (%)</i>	6.8	27.8	14.9	-4.9	2.1	4.7	
TAXES ON GAMBLING							
Lotteries Commission	140	152	147	153	160	163	
Casino tax	108	112	130	135	140	145	
Betting tax	38	41	42	44	45	46	
Other	19	0	1	1	1	1	
<i>Total</i>	305	305	320	332	345	355	
<i>Growth (%)</i>	13.0	-0.1	4.8	3.9	3.9	2.9	
TAXES ON INSURANCE							
Insurance duty	487	555	593	638	688	745	
Other	22	22	24	25	25	25	
<i>Total</i>	509	577	617	663	713	770	
<i>Growth (%)</i>	8.6	13.4	6.9	7.5	7.6	7.9	
MOTOR VEHICLE TAXES							
Vehicle licence duty	367	404	436	488	539	591	
Motor vehicle registrations	599	656	725	780	820	857	
Other	53	55	55	56	59	60	
<i>Total</i>	1,019	1,116	1,216	1,324	1,417	1,508	
<i>Growth (%)</i>	7.8	9.5	9.0	8.9	7.1	6.4	
TOTAL TAXES	7,173	8,342	9,177	9,428	9,965	10,607	
<i>Growth (%)</i>	6.1	16.3	10.0	2.7	5.7	6.4	

(a) Metropolitan Region Improvement Tax.

Note: Columns may not add due to rounding.

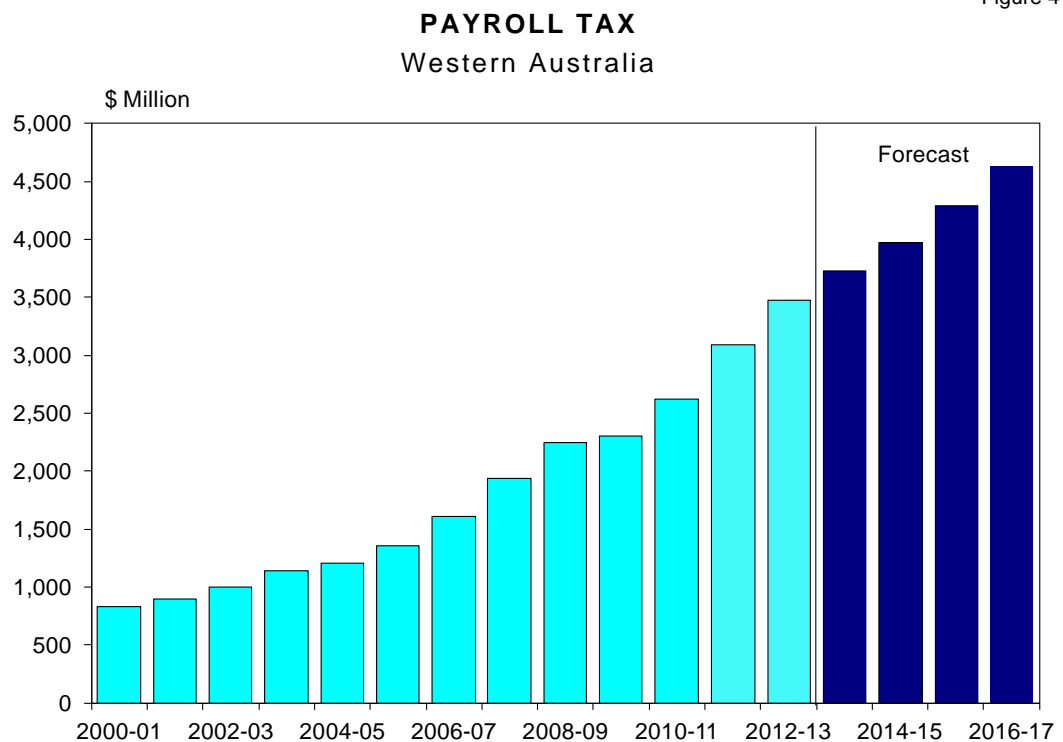
Detail

Payroll Tax

Payroll tax revenue in 2012-13 is estimated at \$3.5 billion, 12.3% higher than in 2011-12 (\$3.1 billion). The large increase reflects strong employment growth in the first half of 2012-13.

Labour market conditions are expected to soften in 2013-14 and to remain moderate across the forward estimates period, as detailed in Chapter 2: *The Western Australian Economy*. Consequently, payroll tax is projected to grow by 7.3% in 2013-14 and an average of 7.5% thereafter, which is substantially lower than the average rate of 12.4% per annum in the past five years. The lower growth rate over the forward estimates period also reflects changes in the composition of employment, with a projected slowdown in employment growth in the mining and related industries (which tend to have relatively higher wages on average than other industries). The increase in the payroll tax exemption threshold also contributes to more modest growth in payroll tax revenue across the forward estimates period.

Figure 4



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 Duty²

Transfer duty collections amounted to an estimated \$1.9 billion in 2012-13, which is 37.3% higher than in 2011-12 (\$1.4 billion). The increase can be attributed to a rise in the number of high value commercial property transactions along with a stronger housing market, reflected in higher house prices and transaction numbers (see Chapter 2: *The Western Australian Economy*).

The transfer duty projections for 2013-14 and beyond are predicated on the State's housing market returning to more stable conditions. Housing transaction volumes are expected to revert to around the average observed since the end of the Perth property boom in 2008 (see Figure 5), while growth in residential property prices is forecast to moderate from 6% in 2013-14 to around 2% by the end of the forward estimates period. This reflects an expected softening in labour market conditions and the high stock of household debt.

Duty from high value commercial property transactions is expected to fall in 2013-14, but to remain at a high level. A high volume of large value transfers is expected to continue as a moderation in mining sector activity is likely to result in some consolidation within the industry.

The measures included in the tax administration package are also expected to contribute to growth in transfer duty revenue across the forecast period, with a significant proportion of this revenue expected to be raised in 2013-14.

² This section discusses total duty on transfers, which is the sum of transfer duty and landholder duty.

Figure 5

HOUSING FINANCE COMMITMENTS
Excluding Refinancing and First-home Buyers

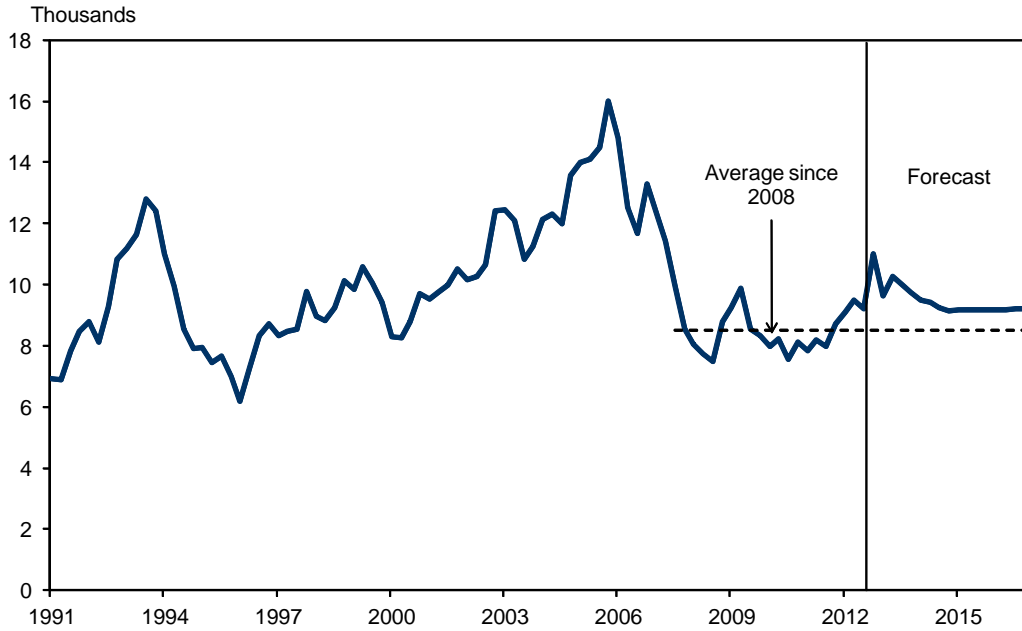
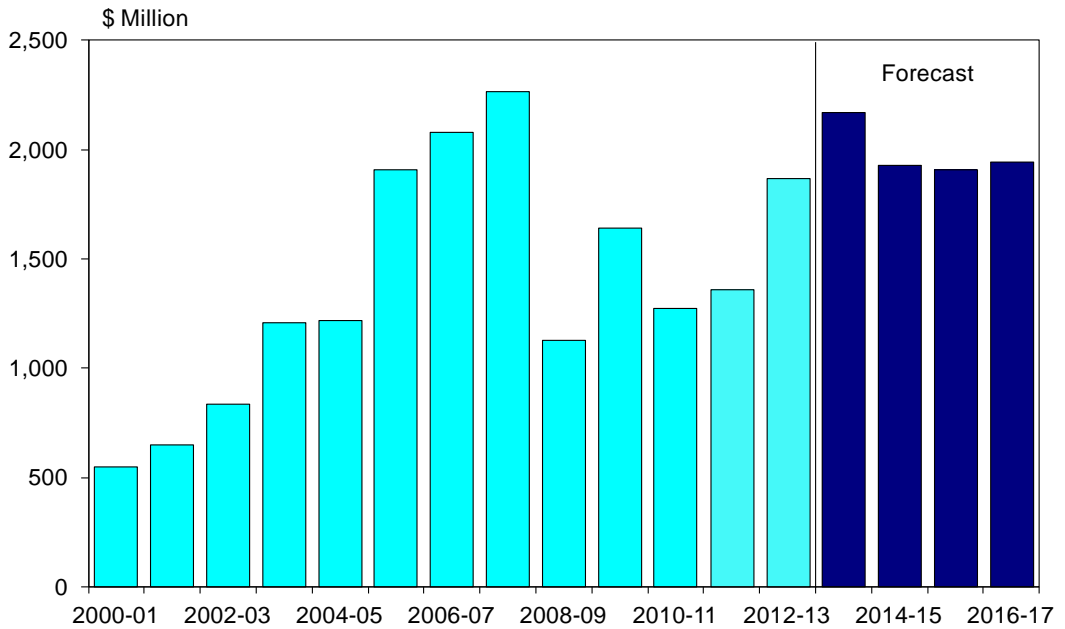


Figure 6

TOTAL DUTY ON TRANSFERS (a)
Western Australia



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

Land Tax

Land tax is estimated to have risen by \$16 million (or 2.9%) to \$568 million in 2012-13 and is projected to increase by \$89 million (or 15.6%) in 2013-14. Without the 12.5% increase in land tax rates in 2013-14, estimated growth in land tax would have been only 2.7% in 2013-14. This is consistent with advice from the Valuer General's Office about the overall increase in the value of unimproved land between August 2011 and August 2012³. Growth in land tax is assumed to return to its long run average of around 10% per annum from 2014-15 onwards.

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 4.8% in 2013-14, following a decline of 0.1% in 2012-13. The decline in 2012-13 was due to an extra amount of revenue from a \$19 million one-off payment from the Burswood Entertainment Complex in 2011-12 for a return of GST Gambling Rebate. Growth in gambling taxes is projected to average 3.6% per annum over the forward estimates period.

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 2013-14, insurance duty is forecast to increase by 6.9% to \$593 million, following the growth of 13.8% in 2012-13. Insurance duty is forecast to grow by an average of 7.9% per annum from 2014-15 onwards, below the long-term annual average of 12.5% due to the moderation in the economic outlook.

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 (accounting for 36% of total motor vehicle taxes in 2013-14) is forecast to grow by 8.0% in 2013-14, following an estimated rise of 10% in 2012-13. Over the forward estimates period, growth is forecast to average 10.6% per annum.

Total motor vehicle taxes are forecast to grow by 9% in 2013-14 and by an average of 7.4% per annum from 2014-15 onwards.

³ Land tax revenue in 2013-14 is based on the unimproved value of land as assessed by the Valuer General's Office as at August 2012.

Commonwealth Grants

Commonwealth grants are expected to total \$8.7 billion in 2013-14, significantly less than the \$9 billion received in 2012-13, and accounting for just 31.2% of the State's total revenue (down from 35% in 2012-13). These grants take three forms:

- GST revenue grants – which carry no restrictions on how the money can be spent, and comprise around 28% (\$2.5 billion) of forecast total Commonwealth grants to Western Australia in 2013-14 (a much smaller proportion than in other States);
- North West Shelf grants (including condensate excise compensation grants) – which also carry no spending restrictions, and comprise around 13% (\$1.1 billion) of forecast total Commonwealth grants to Western Australia in 2013-14; and
- payments for specific purposes (PSPs) – which must be spent on specific activities (e.g. health, education, roads and social housing). These comprise around 59% (\$5.1 billion) of forecast total Commonwealth grants to Western Australia in 2013-14.

Total Commonwealth grants are projected to continue falling until 2015-16, due to Western Australia's dramatically declining share of GST revenue (discussed in the next section). Total grants are projected to grow in 2016-17 (despite a further fall in Western Australia's GST grant), reflecting strong growth in PSPs in that year.

COMMONWEALTH GRANTS TO WESTERN AUSTRALIA						
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
General Purpose Grants						
GST revenue	3,454	2,935	2,458	1,592	894	500
<i>Growth (%)</i>	9.3	-15.0	-16.2	-35.3	-43.9	-44.0
North West Shelf grants ^(a)	1,000	1,108	1,126	1,121	1,241	1,376
<i>Growth (%) ^(b)</i>	0.5	10.8	1.6	-0.5	10.8	10.9
Total General Purpose Payments	4,453	4,043	3,584	2,712	2,135	1,876
Payments for Specific Purposes						
PSPs 'to' the State ^(c)	4,179	3,777	3,938	3,941	4,090	4,499
<i>Growth (%)</i>	7.0	-9.6	4.3	0.1	3.8	10.0
PSPs 'through' the State	1,128	1,165	1,202	1,287	1,395	1,505
<i>Growth (%)</i>	-11.9	3.3	3.1	7.1	8.4	7.9
TOTAL COMMONWEALTH GRANTS	9,760	8,986	8,724	7,941	7,620	7,880
<i>Growth (%)</i>	4.5	-7.9	-2.9	-9.0	-4.0	3.4

(a) Includes Commonwealth compensation for changed 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 Commonwealth Grants Commission (CGC).

GST revenue grants to Western Australia are expected to decline by \$477 million (or 16.2%) in 2013-14⁴. 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 6.1% in 2012-13 to 4.9% in 2013-14 (compared to the State's population share of 10.9%).

GST grants are also forecast to decline substantially in each of the forward estimate years, reflecting further large projected declines in Western Australia's share of GST grants. Overall, GST grants are forecast to decline from \$2.9 billion in 2012-13 to just \$500 million in 2016-17, mainly due to the significant increase in Western Australia's mining royalties in recent years and the full 'equalisation' of these royalties over time by the CGC (i.e. with lags).

Western Australia's projections of its GST share over the forward estimates period differ significantly from those published by the Commonwealth, due to our more detailed forecasting methodology and associated differences in assumptions made. For example, the Commonwealth's average forecasting errors for Western Australia's GST relativity for 2012-13 and 2013-14 have been around three times as high as Western Australia's average forecasting errors⁵.

GST Grant Shares in 2013-14

Each year, the CGC recommends States' GST 'relativities' 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 accordingly (and vice versa).

In addition to annual updates, the CGC usually undertakes a major review of the methods used to implement fiscal equalisation every five or six years.

The CGC reported on its latest annual update (the '2013 Update') in March 2013. Its recommendations have been accepted by the Federal Treasurer and therefore determine States' GST relativities in 2013-14.

⁴ Calculated after including in 2012-13 grants an amount of \$91 million that was underpaid in 2011-12 and carried over.

⁵ This is based on Commonwealth and State Budget forecasts of Western Australia's relativity for 2012-13, appearing in budgets for 2009-10 to 2011-12; and similar forecasts of Western Australia's relativity for 2013-14, appearing in budgets for 2010-11 to 2012-13.

The 2013 Update includes a cut in Western Australia's GST share from 55% of its population share in 2012-13 to 45% of its population share in 2013-14. This reduces Western Australia's GST grants in 2013-14 by \$580 million⁶ (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 2013-14 includes a \$152 million increase on account of growth in the GST pool and a \$42 million increase on account of the State's increasing population share. In addition, Western Australia's GST revenue grant in 2012-13 was adjusted (upwards) to account for a \$91 million underpayment in 2011-12⁷.

After allowing for growth in the GST pool and the increase in its population share, Western Australia's GST revenue in 2013-14 is expected to be \$477 million less than in 2012-13.

Table 9

ESTIMATED CHANGE IN WESTERN AUSTRALIA'S GST GRANT
2012-13 to 2013-14

	\$m
Estimated 2012-13 GST grant	2,935
Exclude adjustment for underpayment in 2011-12	-91
Increase in the national GST pool	152
Increase in population share	42
Decrease in GST relativity	-580
Total Change	-477
Estimated 2013-14 GST grant	2,458

Commonwealth Grants Commission 2015 Methodology Review

The CGC has commenced a review of the methods it uses to calculate the GST relativities.

⁶ This is based on the latest estimates of the 2013-14 GST grant pool and States' populations. The CGC reported Western Australia's loss at \$549 million, based on estimates of the 2012-13 GST grant pool and population shares from the Commonwealth's 2011-12 *Mid-Year Economic and Fiscal Outlook*.

⁷ 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.

The Commonwealth Government's terms of reference for the review, issued to the CGC in June 2013, specify that the CGC should consult regularly with the Commonwealth and States and provide a draft report for consideration by the Standing Council of Commonwealth and State Treasurers within 12 months. A final report is to be completed by 28 February 2015.

The CGC has been instructed to have regard for a number of the recommendations from the GST Distribution Review⁸ final report, including by progressing as a matter of priority:

- the development of a new mining revenue assessment;
 - the GST Distribution Review indicated specifically that the new assessment should avoid excessively large GST share effects, such as when a commodity (e.g. iron ore 'fines') moves between groups under the current assessment (i.e. between 'low rate' and 'high rate' royalty groups); and
- consideration of the appropriate treatment of mining-related expenditure;
 - the GST Distribution Review recommended immediately discounting the mining revenue assessment by 3% in order to compensate for mining related needs of the resource States that are not fully recognised by the CGC (to remain in place until the CGC had completed its methodology review), but the Commonwealth Government did not accept this recommendation.

The results of the 2015 Review could have significant impacts on Western Australia's GST grant from 2015-16 onwards.

Longer Term Reform

The GST Distribution Review final report put forward a long-term reform vision of an equal per capita distribution of GST grants, with the Commonwealth providing top-up equalisation payments to the smaller States (similar to a joint proposal by Western Australia, New South Wales, Victoria and Queensland).

The reform vision also included a reduction in Australia's vertical fiscal imbalance (VFI)⁹, which would be achieved by reducing the level of specific purpose funding to the States, and more closely matching revenue raising and expenditure responsibilities.

Such a model would help address many of the problems in Australia's federal financial relations, but requires a commitment to reform from the Commonwealth Government that to date has not been forthcoming.

⁸ On 30 March 2011, the then Prime Minister announced a review of the arrangements for distributing GST revenue grants among the States. The review was conducted by the Hon Nick Greiner, the Hon John Brumby and Mr Bruce Carter, with assistance from the Commonwealth Treasury. The final report was released by the Commonwealth Government on 30 November 2012.

⁹ VFI describes the situation where revenue-raising capacity is disproportionately vested in the Commonwealth, while the States (appropriately) retain primary responsibility for delivering core community services (and are thereby forced to rely on substantial transfer payments from the Commonwealth).

Forecasts of Future GST Shares

The forward estimates for Western Australia's GST grants are based on the Western Australian Department of Treasury's projections of Western Australia's GST relativity and share of the national population, and the Commonwealth Treasury's forecasts of the national pool of GST grants.

In line with the CGC's process, the GST relativity projections for each of the forward estimate years (2014-15 to 2016-17) are based on a rolling average of our assessments of Western Australia's revenue capacity and expenditure requirements, relative to other States, for three preceding years.

For example, the relativity projections for 2016-17 are based on our projected assessments of States' revenue capacities and expenditure requirements for the years 2012-13 to 2014-15. By contrast, the Commonwealth has published essentially 'mechanical' projections, which assume little change in States' relative fiscal capacities after 2011-12¹⁰.

Further details are provided in the Chapter 3: *Statement of Risks*.

Table 10						
PROJECTED GST RELATIVITY AND SHARE						
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
WA population share (%)	10.4	10.8	10.9	11.1	11.2	11.3
WA relative per capita share of GST grants ^{(a) (b)}	0.72	0.55	0.45	0.27	0.14	0.07
WA GST share (%) ^(c)	7.5	6.1	4.9	3.0	1.6	0.9

(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.

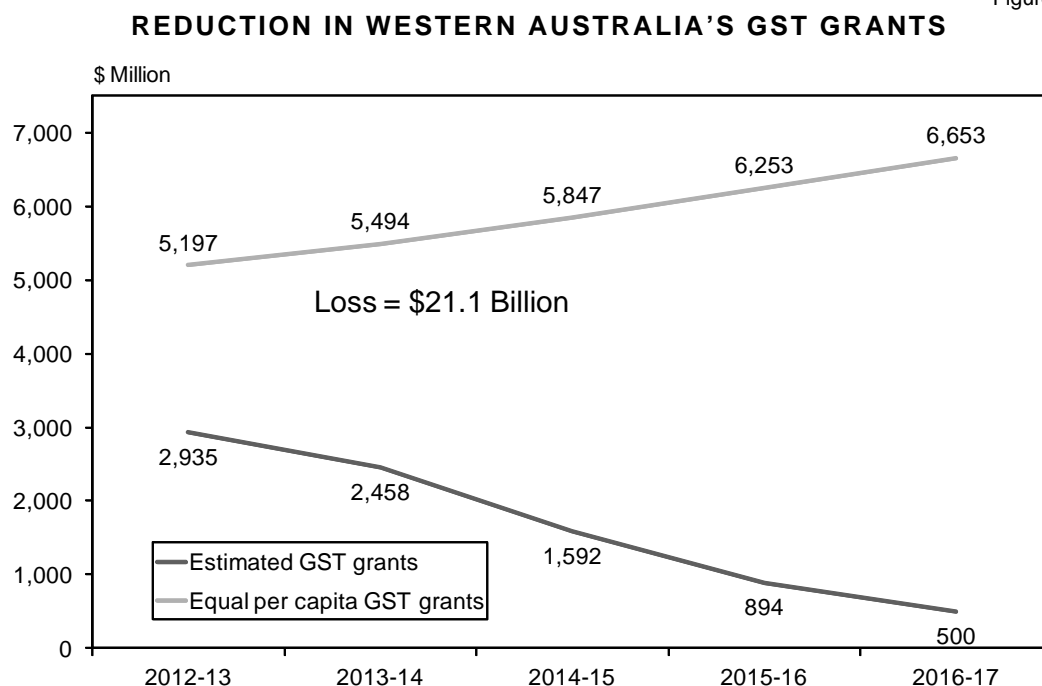
(b) These relativity projections differ from those published in the Commonwealth Budget Papers, as they incorporate projected changes in the relative revenue raising capacity of the States and Territories, which are not included in the equivalent Commonwealth projections.

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

Over the period from 2012-13 to 2016-17, Treasury estimates Western Australia will lose \$21.1 billion compared to if it received an equal per capita share of GST revenue (see following figure).

¹⁰ 2011-12 is the last year for which the CGC has published data on States' relative fiscal circumstances, being the end point of the three year historical period on which its recommendations of State relativities for 2013-14 are based.

Figure 7



Source: Department of Treasury estimates.

Western Australia's declining GST share will further increase the State's overall annual net contribution to the Australian federation, which now stands at \$20 billion according to the Department of Treasury's latest (2011-12) estimates (see feature box below).

Redistribution of Resources across States by the Commonwealth

Many Commonwealth fiscal policies have the effect of redistributing resources between States.

For example, in 2013-14, Western Australia will effectively contribute around \$3 billion of GST to other States through the Commonwealth's fiscal equalisation process, compared to if the GST was distributed on an equal per capita basis. This reflects that Western Australia will receive only around 45% of its population share of national GST revenue in 2013-14.

In practice, Western Australia's GST cross-subsidy to other States is estimated to be even higher, after taking into account that Western Australia is estimated to contribute more than its population share to total GST receipts, having regard for the location of GST liable transactions net of GST credits (e.g. consumption spending per person in Western Australia exceeds that in other States).

Furthermore, this redistribution of GST revenue represents only a small fraction of Western Australia's total support for other States through Commonwealth revenue raising and spending. States with higher incomes and business profits contribute more to total Commonwealth taxes, while those with younger and healthier populations, or stronger economic conditions, draw less on health and social security benefits.

Table 11

NET REDISTRIBUTION OF RESOURCES2011-12^(a)

	GST only ^(b)		Total Resources	
	\$m	\$ per capita	\$m	\$ per capita
New South Wales	877	121	2,312	319
Victoria	1,584	284	-813	-146
Queensland	156	35	-6,846	-1,516
Western Australia	1,490	623	19,993	8,366
South Australia	-1,236	-751	-6,928	-4,209
Tasmania	-801	-1,565	-3,984	-7,785
Northern Territory	-2,070	-8,896	-3,734	-16,045
Total	0	0	0	0

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

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

Source: Department of Treasury estimates, using a range of data sources including the Commonwealth Final Budget Outcome publications and Australian Bureau of Statistics publication 5220.0. Results are based on the latest available data. Some data has been proxied by escalating earlier data using relevant economic indicators.

Each year, the Department of Treasury estimates the net impact of this broader redistribution of resources by the Commonwealth, on each State. Results using the latest available data (for 2011-12) are shown in the table above (a positive figure for a State indicates that it makes a net contribution to the Commonwealth, while a negative figure indicates that it receives a net subsidy).

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

The table below shows the estimated breakdown of Western Australia's net contribution in 2011-12, based on the extent to which the State's share of each area of Commonwealth revenue and spending varies from its population share. It highlights that our large net contribution to the federation is mainly driven by:

- the high level of Commonwealth company tax, personal income tax and petroleum extraction revenue derived from this State;
- the State's low draw on Commonwealth social security and health payments to residents, and low Commonwealth spending on services in the State; and
- Western Australia's falling GST share (the impact of this driver will rise rapidly in future updates).

Overall, in 2011-12 it is estimated that the Commonwealth derived \$49.5 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 \$29.5 billion, yielding a net contribution to the federation from Western Australia of \$20 billion.

Table 12

COMPONENTS OF WESTERN AUSTRALIA'S NET CONTRIBUTION
Relative to Western Australia's Population Share

	2011-12 (preliminary)
	\$m
Personal Income Tax	3,916
Company Tax	8,074
Fuel Excise (net of rebates)	-133
Taxes and Royalties on Petroleum Extraction ^(a)	1,786
Commonwealth Services ^(b)	1,954
Personal Benefit Payments	2,252
Net impact of GST	1,490
<i>GST Collections</i>	119
<i>GST Grants</i>	1,371
Other Grants to State and Local Governments ^(c)	237
Other	418
Total	19,993

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

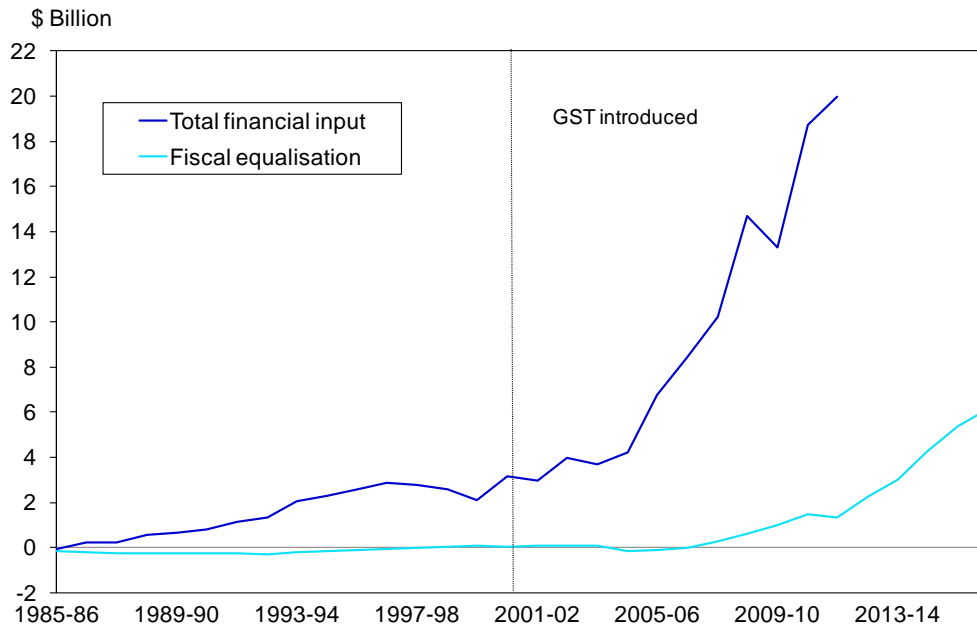
(b) Departmental expenditures, including defence.

(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 the fiscal equalisation subsidies it received in some years over this period, as shown in the following figure.

Figure 8

WESTERN AUSTRALIA'S NET CONTRIBUTION TO THE FEDERATION (a)

(a) Data to calculate Western Australia's total contribution are currently only available to 2011-12. Fiscal equalisation subsidies (i.e. grant shortfalls relative to the State's population share) are available to 2012-13. 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 in December 2008 (set out in the Intergovernmental Agreement for Federal Financial Relations (IGAFFR)), they currently comprise National Specific Purpose Payments (NSPPs), National Health Reform (NHR) hospital payments, National Partnership (NP) payments, and payments under some of the Commonwealth's own-purpose spending programs.

The IGAFFR 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 results achieved. However, contrary to the IGAFFR, the Commonwealth has tended to favour agreements that fund specific State outputs (e.g. the NHR hospital payments that have now replaced the Healthcare NSPP) and/or control State spending.

Four NSPPs currently remain, comprising funding for school education (the largest), vocational education and training, disability services, and housing. These payments are ongoing, and sum to an estimated \$0.9 billion for Western Australia in 2013-14. They grow in line with agreed indexation arrangements. No conditions are attached other than the requirement to spend the payments in the relevant sector.

However, from January 2014 the Commonwealth Government intends to replace the Schools NSPP for those States that sign a National Education Reform Agreement (NERA) developed by the Commonwealth and reflected in its *Australian Education Act 2013*. The NERA aims to distribute funding to States (after a transition period) under a model based on recommendations from the Gonski Review of Funding for Schooling.

The NERA and associated legislation provide for increased Commonwealth funding in the long term, but there is concern that the Commonwealth Minister will have inordinate control over State schools, and that the ability of States to effectively manage their schools and improve educational outcomes through 'local' reforms will be curtailed. As at the budget cut-off date, Western Australia had not agreed to the NERA.

In addition, the disability services NSPP is to be replaced in the longer term by a National Disability Insurance Scheme for participating States.

The State Budget assumes that Western Australia will continue to receive the schools and disability services NSPPs over the forward estimates period.

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

NP payments are ostensibly for one off reforms and projects of national significance, and are usually contingent on the achievement of milestones or targets. Together with payments from the Commonwealth in relation to its own-purpose spending programs, these sum to an estimated \$1.5 billion for Western Australia in 2013-14.

A proliferation of NPs that do not comply with IGAFRR principles is a source of ongoing concern and reform effort. The time-limited nature of NPs creates significant budget risks for the States, where (contrary to the IGAFRR) the NPs fund core ongoing service delivery. Accordingly, Western Australia now requires Cabinet's Economic and Expenditure Reform Committee approval for participation in all new NP proposals.

In 2013-14, Western Australia expects to receive around \$3.9 billion in PSPs 'to' the State (i.e. payments that fund State programs), an increase of 4.3% compared with 2012-13. Over the forward estimates period, PSPs 'to' the State are projected to increase by an average of 4.5% per annum (the largest contributor to growth being National Health Reform payments).

PSPs that pass 'through' the State's accounts (e.g. funding for local governments and private schools) are expected to grow by 3.1% in 2013-14 (following a 3.3% rise in 2012-13) and by an average of 7.8% per annum over the forward estimates period, mainly driven by funding for private schools.

Table 13

PAYMENTS FOR SPECIFIC PURPOSES
Western Australia

	2013-14 Budget Estimate	
	\$m	Share of total PSPs %
Payments 'To' the State		
<i>National Specific Purpose Payments</i>		
Schools	457	8.9
Skills and Workforce Development	151	2.9
Disability Services	146	2.8
Affordable Housing	139	2.7
<i>Health Reform Funding</i>		
Health Reform Payments	1,535	29.9
<i>Other Payments 'To' the State</i>		
Health	392	7.6
Housing	215	4.2
Transport	468	9.1
Other ^(a)	436	8.5
Payments 'Through' the State		
Non-government Schools Assistance	925	18.0
Local Government Financial Assistance Grants	170	3.3
Local Government Roads	107	2.1
Total Payments for Specific Purposes	5,140	100

(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 estimated to have increased by 2.7% (or \$116 million) to \$4.5 billion in 2012-13, due to a lower exchange rate and higher volumes offsetting a decline in commodity prices.

The lower exchange rate is the result of a strengthening of the US dollar against all major currencies, including the Australian dollar, since early May 2013. This appears to be the result of signs that the US economy is strengthening, creating the prospect that the Federal Reserve in the US will unwind monetary policy stimulus. The reduction in the Australian official cash rate in May and the outlook for lower commodity prices are also likely to have contributed to the lower Australian dollar. The lower projected \$US/\$A exchange rate has had a significant positive impact on mining revenue over the forward estimates.

Growth in royalty income is forecast to increase significantly by 30.6% (or \$1.4 billion) in 2013-14, reflecting strong iron ore royalties supported by increased production from project expansions and a lower exchange rate. The 2013-14 forecast also incorporates the impact of the last phase of the removal of the royalty rate concession for iron ore, which increased the 'fines' rate from 6.5% to 7.5% from 1 July 2013 (and is estimated to add \$506.7 million to royalty income in 2013-14).

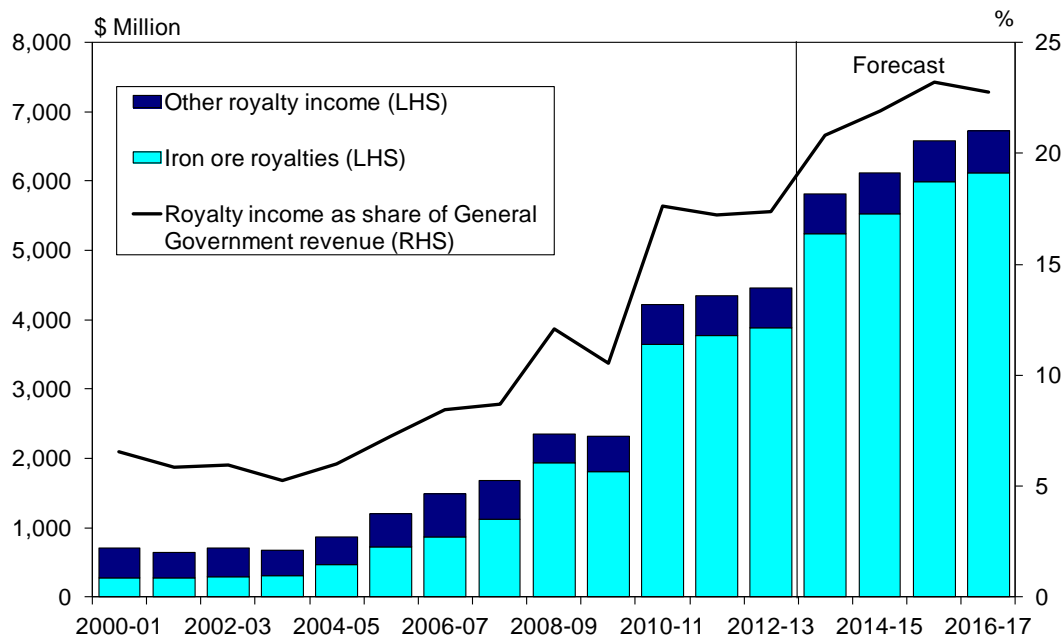
Growth of 5.1% (or \$298 million) is forecast for 2014-15, reflecting a slower rate of increase in iron ore production relative to 2013-14 and further moderation in the iron ore price as global supply increases.

Royalty income is expected to increase by 10.5% (or \$643 million) to \$6.8 billion in 2015-16, mainly due to increased iron ore production and a lower exchange rate, as well as a provision of \$180 million pending the outcome of a previously announced review into royalty rates. In 2016-17, royalties are expected to increase by 2.2% (or \$146 million) to \$6.9 billion, which includes a provision of \$187.1 million pending the outcome of the royalty rate review.

Iron ore royalty revenue remains by far the largest source of royalty income for Western Australia, accounting for up to 90% of total royalty income across the budget forecast period. At the same time, royalty income as a share of total general government revenue is projected to increase from 17.4% in 2012-13 to 23.2% in 2015-16, before declining marginally to 22.8% in 2016-17.

Figure 9

ROYALTY INCOME
Western Australia



Source: Department of Treasury estimates.

Table 14

ROYALTY INCOME
Western Australia

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
Iron Ore	3,776	3,880	5,249	5,528	5,987	6,116
Petroleum	18	17	11	12	13	14
Alumina	68	66	75	83	93	101
Diamonds	16	18	26	35	42	42
Mineral Sands	20	27	23	22	20	19
Nickel	92	87	81	80	82	92
Gold	234	211	181	179	173	169
Other	119	154	178	184	175	172
Royalty rate analysis	-	-	-	-	180	187
TOTAL ROYALTY INCOME	4,343	4,460	5,824	6,122	6,765	6,911

Note: Columns may not add due to rounding

Assumptions

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

Table 15

KEY ASSUMPTIONS
Royalty Income Estimates

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Actual	Estimated	Budget	Forward	Forward	Forward
		Actual	Estimate	Estimate	Estimate	Estimate
\$US/\$A Exchange Rate (cents)	103.2	102.7	92.0	89.8	87.5	85.5
'Headline' Iron Ore Price (CFR, \$US per tonne)	153.9	129.0	126.6	124.1	121.7	119.2
Effective Iron Ore Price (FOB, \$US per tonne)	134.9	121.1	116.7	110.7	109.8	105.6
Crude Oil Price (\$US per barrel)	95.0	92.2	94.9	89.3	85.5	83.1

The \$US/\$A exchange rate assumptions that underpin the royalty income forecasts are derived using a 20-day (four week) average of market quoted monthly forward contracts¹¹, ranging in maturity from one month to five years. Under this forward based approach, exchange rate assumptions over the forecast period are effectively based on the current spot exchange rate adjusted for interest rate differentials for the one month to five year maturities. These interest rate differentials are derived from US and Australian yield curves.

¹¹ The market quoted forward rates as reported by Datastream. Datastream is a product supplied by Thomson Reuters that allows users to track recent and historical trends in market information, including spot and forward exchange rates.

The Australia to China Iron Ore 62% spot price, which is inclusive of the Cost and Freight (CFR), is used as the benchmark series to derive the iron ore price assumptions. The iron ore assumptions are Free on Board (FOB) prices, which are calculated by deducting the freight cost from the benchmark CFR price. Moreover, the freight cost is adjusted for the moisture content in iron ore cargoes to derive a FOB dry metric tonne (DMT) measure.

The mining production estimates that underline the royalty income forecasts are guided by a confidential survey of producers 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.

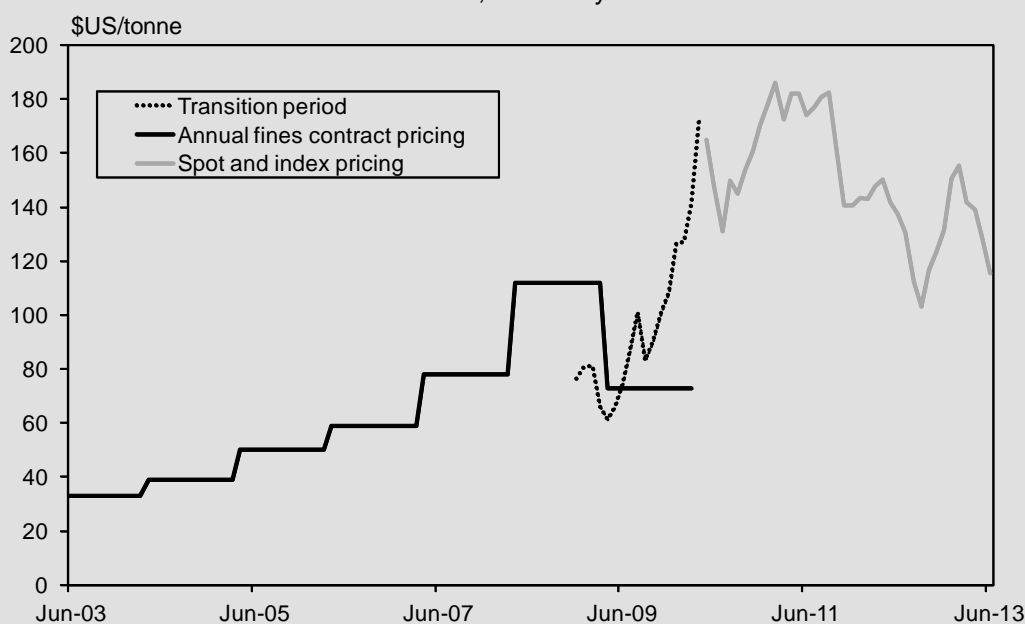
Iron Ore Price Forecasting Assumptions

The iron ore royalty estimates for this budget are based on an amended methodology for projecting \$US iron ore prices across the forecast period. The amended approach seeks to reflect recent developments in the evolving iron ore market, and mitigate the potential for short-term movements in the iron ore price to overly influence iron ore price assumptions over the forward estimates period.

Over the past five years, the way in which iron ore is priced has evolved dramatically, from a four decade old annual ‘benchmark’ contract pricing system (involving direct negotiation between the major producers and buyers), to shorter term contracts based on market movements in iron ore price indexes or spot prices.

Figure 10

AUSTRALIA TO CHINA IRON ORE ‘FINES’ 62% FE SPOT CFR, Monthly



Source: Datastream, and Departments of Treasury and State Development.

This evolution in iron ore price setting has resulted in moving from a phase where prices were stable and known with certainty for a considerable (12 month) period, to a phase of uncertainty and price volatility. For example, over 2012-13, the daily spot price of iron ore started at \$US137 per tonne in July 2012, and then fell to a low of \$US91 per tonne in September 2012. The price subsequently bounced back, reaching a high of \$US161 per tonne in February 2013, before dropping to \$US118 at the end of June 2013. This level of volatility (with prices varying over a range of \$US70 per tonne) makes forecasting the iron ore price very challenging. In turn, this makes royalty forecasting very difficult, with a \$US70 per tonne variation in price, all other factors being equal, translating to a royalty revenue gain/loss of around \$3.1 billion in one year.

Starting with the 2012-13 *Government Mid-year Financial Projections Statement* (mid-year review), iron ore price assumptions over the forward estimates period have been set by determining a starting point price which is projected to linearly return to a long-run average price (as assessed by market analysts surveyed by *Consensus Economics*) over a 10-year period, with an adjustment made for type of ore, freight rates and moisture content. This aspect of the forecasting methodology remains unchanged.

The most significant amendment to the forecasting methodology in this budget is the way the starting point price is calculated.

In the 2012-13 mid-year review and the 2012-13 *Pre-election Financial Projections Statement* (PFPS), the starting point price was based on the assumption that the price of all iron ore contracts were set on a quarterly basis, at the level of the average spot price in the previous quarter lagged by one month. As noted in the PFPS, a key weakness of this approach is that it provides scope for extreme short-term spot price movements to substantially skew royalty revenue estimates over the forward years.

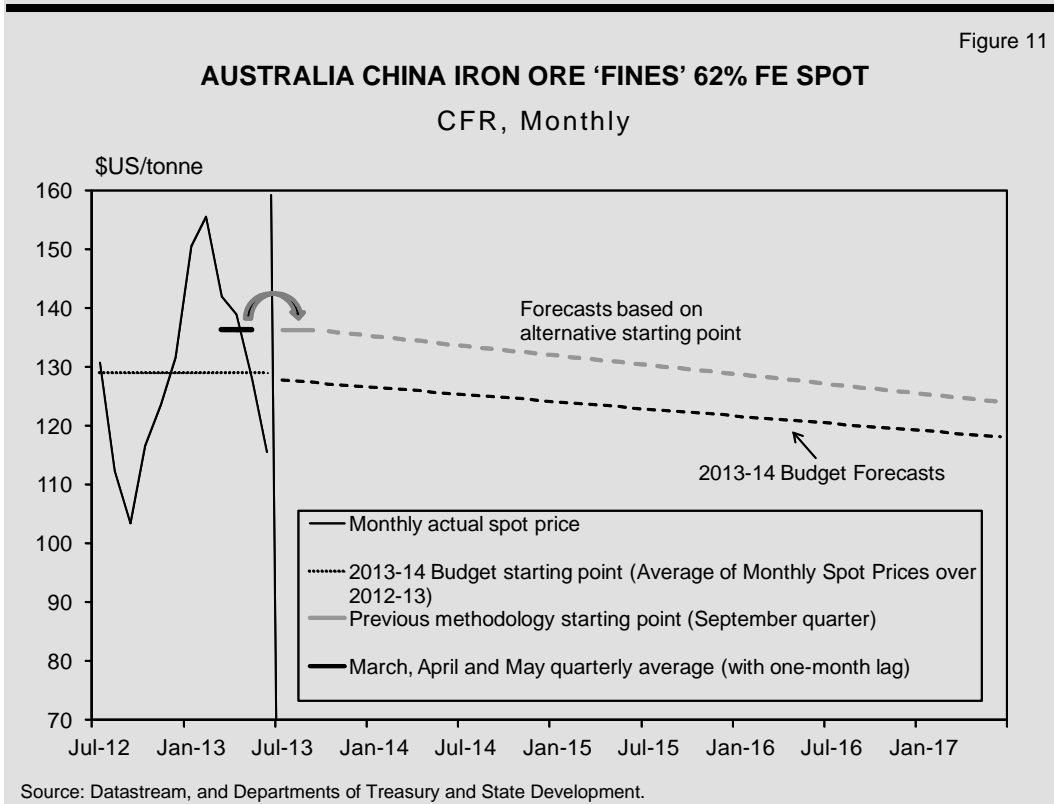
Under the amended methodology, the starting point price for deriving price assumptions over the forecast period is the average price over a 12-month period (a base year), with prices in that base year set using market information (actual spot and/or forward iron ore prices).

Using a 12-month period has the benefit that it mitigates against short-term factors overly influencing medium term price assumptions and royalty estimates. More importantly, because the 12 month period includes market information without a lag, the assumptions better match the current approach to actual market pricing, which is dominated by prices that are set on the current quarter's average or current month's average index price or on the spot market.

In this budget, the starting point price is the average CFR price for 2012-13 (\$US129 per tonne), based on actual spot prices over the course of the year. The iron ore price is then assumed to decline in a linear fashion to a long term price of \$US104.5 per tonne in 2022-23 (based on *Consensus Economics* forecasts). For 2013-14, the CFR price is \$US126.6 per tonne. CFR prices are then adjusted for type of ore, freight and moisture content as royalty revenue is based on the FOB rather than CFR price. After these adjustments, the 'effective' price for royalty purposes is \$US121.1 per tonne in 2012-13, \$US116.7 per tonne in 2013-14, and in 2022-23 is \$US91 per tonne (consistent with the latest *Consensus Economics* forecasts).

The figure below highlights the difference in iron ore price assumptions used in this budget and the price assumptions had the previous methodology been retained. As the figure illustrates, the forecast iron ore price profile would have been higher under the previous methodology. The figure shows that the starting point price would have been the assumed price for the September 2013 quarter, which in turn would be derived from the average spot price over the three months, March, April and May 2013. The figure also highlights the potential for short term movements to impact on long term price assumptions where a short period of spot prices is used as the starting point. A number of other more minor changes have also been made to the calculation of the price assumptions. These relate to the calculation of the type of ore, freight rates and moisture content of the ore. Specifically: the premium received for ‘lump’ ore has been revised downwards in line with recent sales trends; freight rate assumptions are now projected to vary across the budget period according to market based expectations; and the moisture adjustment has been revised slightly higher, to reflect the moisture content used in the benchmark CFR spot price series.

Figure 11



Source: Datastream, and Departments of Treasury and State Development.

Detail

Iron ore

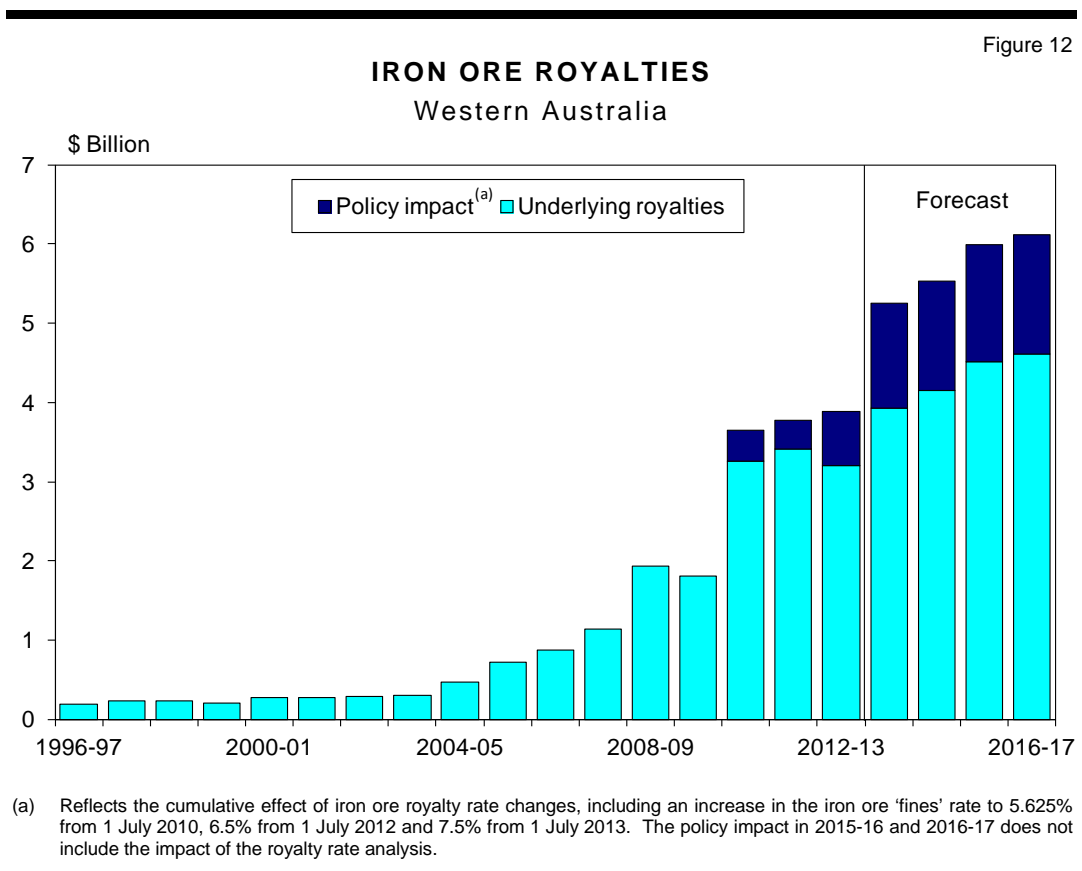
Iron ore royalties are estimated to have increased by \$104 million (or 2.7%) to \$3.9 billion in 2012-13, with higher volumes and a lower exchange rate outweighing the impact of lower prices.

In 2013-14, iron ore royalties are expected to grow strongly by \$1.4 billion (or 35.3%) to \$5.2 billion, as a result of project expansions, a lower exchange rate and the previously scheduled increase in the royalty rate for iron ore ‘fines’¹².

Iron ore royalties are expected to grow by an average of 5.2% per annum over the forward estimates period to reach \$6.1 billion by 2016-17, reflecting the net impact of:

- increased production volumes (which are forecast to rise to around 680 million tonnes by 2016-17, up from just over 500 million tonnes in 2012-13);
- further depreciation in the \$US/\$A exchange rate, which is projected to fall to an average of US85.5 cents by 2016-17 (from an average of US102.7 cents in 2012-13); and
- further moderation in the iron ore price, with an ‘effective’ FOB price of \$US105.6/tonne projected for 2016-17 (down from \$US121.1/tonne in 2012-13).

The following figure highlights that a significant contribution to the forecast growth in iron ore royalties across the forecast period is attributable to the royalty rate reform for iron ore ‘fines’.



¹² The increase in the iron ore ‘fines’ royalty rate to 7.5% from 1 July 2013 (from 6.5% previously) accounts for \$506.7 million of the total \$1.4 billion forecast increase in iron ore royalties in 2013-14.

Although growth in iron ore royalties has provided a significant boost to State government revenue, it must be considered in the broader context of Australia's system of Commonwealth State financial relations. In the longer term, up to 85%¹³ of Western Australia's total royalties will be redistributed to other States and Territories through the Commonwealth Grants Commission process of distributing GST revenue (see earlier *Commonwealth Grants* section).

Petroleum (non-North West Shelf)

Petroleum royalties are forecast to fall by \$5.3 million (or 31.9%) to \$11.3 million in 2013-14, primarily reflecting declining output from existing oil and gas fields. Royalty revenue is expected to steadily increase to \$13.7 million in 2016-17, primarily the result of a lower exchange rate. However, revenue is forecast to remain well below the estimated \$16.6 million collected in 2012-13.

Alumina

Alumina royalties are forecast to grow by \$8.7 million (or 13.1%) to \$74.9 million in 2013-14 and are projected to steadily increase to \$101 million by 2016-17. It is expected that a recovery in the world alumina market will see prices increase by nearly 20% over the budget period. This is consistent with the *Consensus Economics* forecast.

Diamonds

Diamond royalties are expected to total \$26.1 million in 2013-14, an increase of \$7.7 million relative to the estimated actual for 2012-13, driven mainly by the start-up of the \$US2.2 billion underground expansion of the Argyle diamond mine. Growth in diamond royalties is expected to continue as production ramps up at the Argyle mine and diamond royalties are projected to reach \$42.2 million by 2016-17.

Mineral Sands

Royalties from mineral sands are expected to decline by \$3.6 million (or 13.4%) to \$23.3 million in 2013-14, as declines in the volume of Ilmenite and Zircon outweigh increases in Leucoxene and Rutile. Royalties are expected to decline over the forward estimates to \$18.5 million by 2016-17, driven primarily by projected declines in Rutile and Zircon production.

Nickel

The nickel price fell significantly over the second half of 2012-13 and this price weakness is expected to extend into 2013-14. Nickel royalties are therefore forecast to fall by \$6.4 million (or 7.3%) to \$80.8 million in 2013-14. Royalties are expected to stabilise around this level in 2014-15 and 2015-16, before recovering by 12.1% in 2016-17 to \$91.5 million, reflecting an expected cyclical rebound in prices, as indicated by the forward market.

¹³ Assuming that the Grants Commission's 'high rate'/'lower rate' mineral classification estimates, and that iron ore 'fines' are reclassified as a high rate mineral (see Chapter 3, *Statement of Risks* section).

Gold

The gold price has fallen significantly in the last year, from a high of over \$US1,700/ounce in October 2012 to around \$US1,250/ounce in early July 2013. This price fall reflects signs of improvement in the US economy (which is often viewed as a safe-haven economy) and the absence of inflation (against which gold is often used as a hedge). Gold royalties are expected to decrease by \$30.1 million (or 14.3%) to \$180.6 million in 2013-14 due to significantly lower prices relative to 2012-13.

Gold production is expected to fall over the forward estimates due to a reduction in output from existing operations. Reflecting this, gold royalties are expected to decline to \$168.6 million by 2016-17.

Other Revenue

Sales of Goods and Services

Following expected growth of 5.2% in 2012-13, sales of goods and services are forecast to increase by \$145 million (or 7.1%) in 2013-14. This high rate of growth includes the commencement of a number of new fees and increases in existing fees, such as:

- \$38 million to be collected by the Department of Mines and Petroleum for the Mining Rehabilitation Fund as part of a reform of Western Australia's mining security system;
- \$18 million by the State's Training Providers related to the Vocational Education and Training entitlement model; and
- \$17 million by the Department of Education (as part of the Government's Fiscal Action plan) for new school fees for dependants of 457 Visa Holders.

Between 2013-14 and 2016-17, sales of goods and services revenue is projected to grow by around 5.1% per annum, broadly in line with growth in population and prices.

Interest Income

The general government sector earns interest from investments held (e.g. cash and other liquid assets). In 2013-14, revenue from interest is forecast to be \$201 million, down from an estimated \$261 million in 2012-13. This reduction reflects lower cash balances held in the Public Bank Account as well as the effect of lower interest rates on investment returns (interest rate assumptions are shown in Chapter 3). Beyond 2013-14, interest revenue is forecast to rise, in line with higher anticipated interest rates and holdings of investment balances.

Revenue from Public Corporations

The general government sector receives revenue from the State's major public corporations which are liable for dividends and income tax and local government rate equivalent payments¹⁴.

Revenue from public corporations in 2013-14 is forecast to total \$1.3 billion, comprising \$832 million in dividends, \$488 million in income tax equivalent payments and \$14 million in local government rate equivalent payments. This is \$175 million (or 15.1%) higher than the estimated actual for these items in 2012-13, and includes \$63 million in expected dividends from the Insurance Commission of Western Australia (subject to enactment of the Insurance Commission of Western Australia Amendment Bill 2013).

Table 16

REVENUE FROM PUBLIC CORPORATIONS						
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
Dividends	704	796	832	890	1,020	1,115
Income Tax Equivalent	366	349	488	552	603	636
Local Government Rate Equivalent	15	14	14	14	15	14
TOTAL	1,085	1,159	1,334	1,456	1,637	1,764

Note: Columns may not add due to rounding.

The revenue sources detailed above are more than offset by subsidies from the general government sector to the public corporations. In this regard, in 2013-14 \$1.9 billion of subsidies are provided to the public corporations, including \$611 million to the Water Corporation and \$554 million to the electricity corporations.

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

Other Revenue

There are a range of revenue items that are not included in any of the previous categories that have been discussed. These include such things as fines for traffic infringements, judicial fines and penalties, donations and gifts from private organisations and/or local government, asset transfers, and mining-related lease rental revenue for exploration and production licences. Given the nature of these items, 'other' revenue can be lumpy from year to year.

¹⁴ Tax and local government rate equivalents are levied by the State to ensure competitive neutrality between significant government business activities and private sector businesses.

Across the forward estimates, ‘other’ revenue is forecast to range between \$389 million (in 2016-17) and \$543 million in 2013-14. In 2013-14, the \$543 million forecast revenue comprises \$169 million of fines, \$123 million of grants from non-general government (and non-Commonwealth) sources, \$121 million of assets transferred to the general government sector (largely roads), and \$84 million of mining-related lease rentals.

Tax and Royalty Expenditure Statement

What is a tax or royalty expenditure?

Tax and royalty expenditures include revenue foregone by government, and financial benefits to taxpayers (or mineral producers), from exemptions and other concessions that depart from the general tax or royalty treatment. They are ‘expenditures’ in the sense that their impact on the budget is similar to direct outlays, and they can be used to achieve specific goals.

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 (such that time-series estimates may not be fully comparable).

Estimates of 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 estimated actual outcomes for 2011-12 and 2012-13.

Table 17

SUMMARY OF MAJOR TAX AND ROYALTY EXPENDITURES
Western Australia

	2011-12 Estimated Actual \$m	2012-13 Estimated Actual \$m
PAYROLL TAX		
Tax-free threshold ^(a)	1,278.5	1,236.2
Schools/colleges exemption (public and private) ^(b)	209.5	223.3
Public hospitals exemption ^(b)	193.6	208.3
Other State Government departments exemption ^{(b) (c)}	156.4	170.4
Local government exemption	58.8	63.4
Apprentices and trainees exemption	35.7	40.0
Charitable body exemption	26.0	26.9
LAND TAX AND MRIT		
Principal place of residence exemption	239.6	233.2
Primary production exemption/concession	71.1	67.0
Developers' concession ^(d)	12.3	8.6
Land value growth cap	6.2	16.7
Religious bodies exemption	20.6	21.6
Educational institutions exemption ^(b)	18.3	17.7
Public charitable or benevolent institution exemption	8.8	10.5
Public or religious hospitals exemption ^(b)	1.5	1.5
Caravan parks exemption	2.2	2.1
Club or sporting association exemption/concession	5.7	5.6
Aged care facilities exemption	1.9	2.1
Retirement villages exemption	6.8	6.4
TRANSFER DUTY AND LANDHOLDER DUTY		
Connected entities restructure exemption ^(e)	520.0	1,187.1
First home owners' exemption/concession	154.7	175.6
Concessional scale for residential property	75.9	94.7
Family farm exemption	12.6	8.3
INSURANCE DUTY		
Health insurance policies exemption	163.1	177.8
Life insurance exemption	53.5	57.5
Workers' compensation insurance exemption	54.0	58.2
Marine hulls exemption	5.9	6.3
Reinsurance exemption	4.2	4.4
VEHICLE LICENCE FEES		
Private vehicle concession	80.2	82.4
Pensioner and Seniors vehicle concession	27.7	28.5
Primary producer vehicle concession	9.2	9.5
VEHICLE LICENCE DUTY		
Heavy vehicle concession	42.1	46.3
Caravan and camper trailer exemption	16.0	16.2
MINING ROYALTIES		
Iron ore 'fines' concessions ^(f)	831.1	416.0
Gold royalty-free threshold	4.3	4.6
Salt State Agreement Acts concession	3.2	3.2
TOTAL	4,411.2	4,738.1

(a) Estimates have been calculated after taking into account all other reported payroll tax expenditures.

(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. They also illustrate where tax concessions could change the 'relative price' faced by government departments and create incentives to (for example) employ labour over capital.

(c) Excludes the value of separately reported tax expenditures for public hospitals and public schools.

(d) Estimates of this tax expenditure are likely to be inflated by a difficult to quantify behavioural response by developers to this concession.

(e) These estimates are likely to be inflated by a difficult to quantify behavioural responses to the exemption.

(f) Calculated relative to the general Mining Regulation rate of 7.5% for 'crushed and screened' ores.

Major Tax and Royalty Expenditures

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 liable for payroll tax benefit from not paying tax on the first \$750,000 of annual wages. The payroll tax-free threshold is being increased to \$800,000 from 1 July 2014 and to \$850,000 from 1 July 2016.

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

Charitable body 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 (primary production) 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 an 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 of 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 institution 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 Owner 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***Private vehicle concession***

A licence fee discount (\$67 in 2011-12 and \$69 in 2012-13) applies to cars and wagons of up to three tonnes used solely for private purposes. This discount is indexed to Perth's Consumer Price Index. The discount for privately used motor vehicles is being halved from 1 January 2014.

Pensioner and Seniors vehicle concession

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

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.

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 'fines' concession

Iron ore 'fines' were subject to a concessional royalty rate of 5.625% in 2011-12 and 6.5% in 2012-13, compared to the full rate of 7.5% that applies to 'crushed and screened' ores. From 1 July 2013, the royalty rate for iron ore 'fines' increased from 6.5% to 7.5%.

Gold royalty-free threshold

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

Salt State Agreement Acts concession

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 2011-12 (actual) and 2012-13 (estimated) include:

- an increase of 11.8% (or \$4.2 million) in the payroll tax exemption for apprentices and trainees, largely due to an increase in the number of trainees in 2012-13;
- a decrease of 30.1% (or \$3.7 million) in the value of the developers' land tax and MRIT concession, reflecting a reduction in the number of subdivided lots held by land owners at 30 June 2012 that were eligible for the concession;
- an increase of 171.6% (or \$10.6 million) in the value of the 50% land value growth cap for land tax and MRIT purposes, reflecting an increase in the number of land items which increased in value by more than 50% over the previous year;
- an increase of 19.3% (or \$1.7 million) in the value of public charitable or benevolent institutions land tax and MRIT exemption, reflecting an increase in the number of eligible charitable institutions and land items eligible for the exemption;

- an increase of 128.3% (or \$667.1 million) in the value of the connected entities restructure transfer duty exemption, largely due to a number of transactions in 2012-13 with a very high dutiable value;
- a decrease of 33.9% (or \$4.3 million) in the value of the family farm transfer duty exemption in 2012-13 compared with 2011-12. This reflects that the 2011-12 outcome had been boosted by a large number of transactions with a higher than average value, and this has not been repeated in 2012-13;
- an increase of 13.5% (or \$20.9 million) in the value of the first home owners' transfer duty exemption and concession, attributable to increased activity in the first home buyer market on the back of lower interest rates and a tighter rental market;
- an increase of 24.8% (or \$18.8 million) in the value of the concession scale for residential property transfers, reflecting an increase in both the number and value of properties sold in 2012-13; and
- a decrease of 49.9% (or \$415.1 million) in the value of the iron ore 'fines' concession, reflecting the increase in the iron ore 'fines' royalty rate from 5.625% to 6.5%.

General Government Expenses

HIGHLIGHTS

- Following modest expected growth of 3.6% in 2012-13, general government expenses are forecast to increase by \$2.1 billion or 8.4% in 2013-14. This includes:
 - the up-front cost of the 1,000 voluntary separations targeted by the Government in 2013-14 as part of the Fiscal Action Plan, estimated at \$100 million;
 - Budget Priorities and new policy initiatives included in this budget, such as additional school health nurses and police officers;
 - a significant injection of additional resources into the Departments of Health and Education to meet the demands associated with rapid population growth, with recurrent expenditure in 2013-14 up \$309 million in Health (which includes 7% expense growth in hospital activity) and \$260 million or 6.3% in Education; and
 - increased Consolidated Account payments to Government Trading Enterprises (up a significant \$275 million or 16.8% in 2013-14), including increased subsidies related to below-cost recovery in country water services, public transport fares and electricity tariffs.
- Expense growth in 2013-14 is below the expected growth in general government revenue (of \$2.3 billion or 8.9%), consistent with the Government's financial targets.
- Salaries expenditure remains the largest single component of recurrent expenditure (at around 40% of total expenditure), and is forecast to increase by \$689 million or 6.8% in 2013-14. Abstracting from the one-off cost of voluntary separations, salaries expenditure is estimated to increase by 5.8% in 2013-14, well down on average growth of 8.6% over the period 2007-08 to 2012-13.

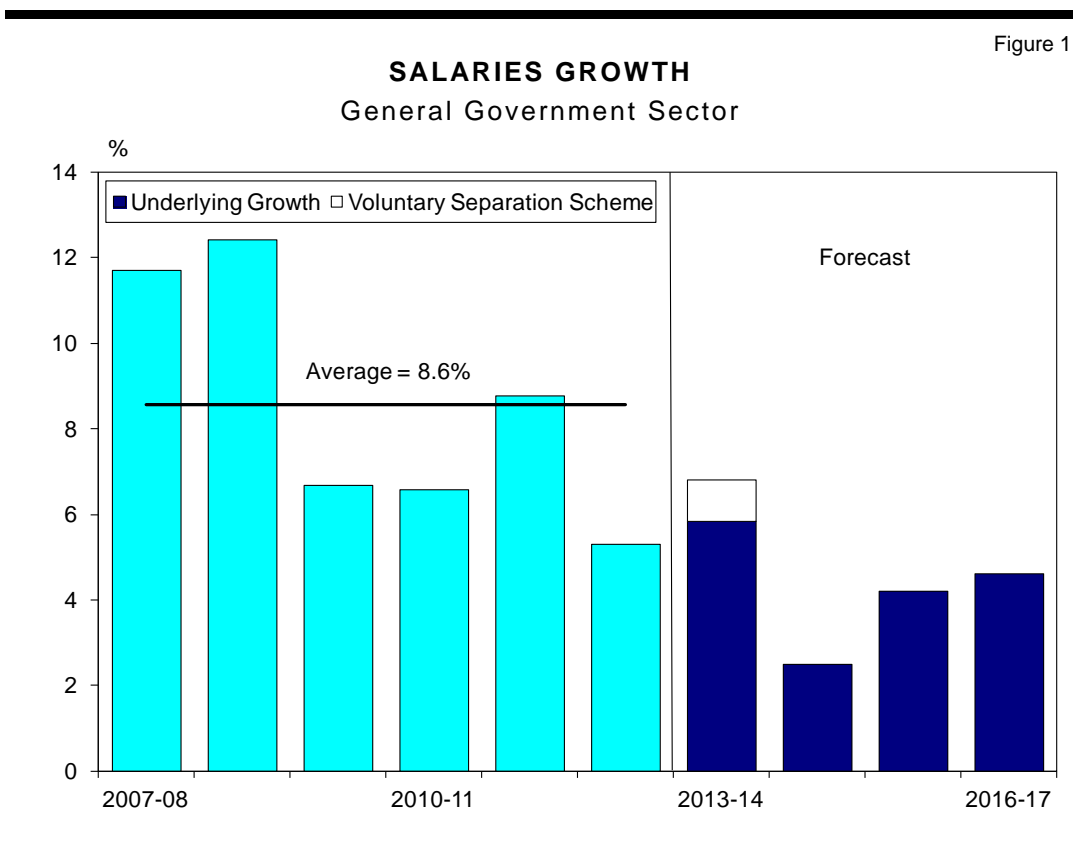
- Across the period 2014-15 to 2016-17, general government expense growth is expected to average 3.2% per annum, as the savings measures and associated public sector workforce reforms embodied in the Fiscal Action Plan take effect.

Introduction

General government sector expenses are budgeted to total \$27.6 billion in 2013-14, an increase of \$2.1 billion or 8.4% relative to the estimated outturn for 2012-13. This rate of growth is below the expected growth in general government revenue in 2013-14 (of \$2.3 billion or 8.9%), consistent with the Government’s new financial target to contain expense growth to no more than growth in revenue. It is also slightly below the average rate of expense growth over the period 2007-08 to 2012-13 (8.6% per annum).

Expense growth in 2013-14 includes growth in general government salaries expenditure of \$689 million, or 6.8%. This includes the up-front cost of the 1,000 voluntary separations targeted by the Government in 2013-14 (estimated at \$100 million). Abstracting from this one-off cost, salaries expenditure is estimated to increase by 5.8% in 2013-14, well down on average growth of 8.6% over the period 2007-08 to 2012-13 (see following chart).

Figure 1



Across the outyears (2014-15 to 2016-17), general government expense growth is forecast to average 3.2% per annum, as the savings and reform measures embodied in the Fiscal Action Plan take effect (see feature box in Chapter 1: *Overview* for an outline of the measures comprising the Fiscal Action Plan).

These measures have enabled the Government to accommodate additional spending on Budget Priorities and new policy initiatives, as well as cost and demand pressures impacting priority services. Major recurrent expenditure initiatives in the 2013-14 Budget include:

- an additional \$2.5 billion in recurrent health spending to 2016-17 to address increasing demand for hospital and health services driven by a growing and ageing population, to meet agreed wage increases for registered nurses and midwives, provide an additional 155 school health nurses, expand community based palliative care, and improve Indigenous health outcomes;
- an additional \$1.2 billion across the forward estimates for the Department of Education to accommodate record growth in student enrolments arising from local demographics, interstate and international migration, and additional funding for the expansion of Independent Public Schools;
- a recurrent spending allocation of \$215 million to increase police resources by an additional 550 officers from 2013-14 to 2016-17 (including over 80 additional officers in 2013-14 alone);
- an additional \$131 million over 2013-14 to 2016-17 to meet demand for inpatient mental health services;
- an additional \$29 million over four years to meet expected growth in demand for disability services, and a further \$3.7 million to provide free accessible vehicle bay parking permits to eligible people with a disability;
- \$40 million in agriculture science, research and development programs to unlock new growth areas to allow Western Australian farmers to capitalise on growing Asian demand for fresh produce;
- an additional \$18 million will be spent over the next four years to maximise the benefit to Western Australia from the Square Kilometre Array (one of the world's largest and most significant scientific projects);
- \$13 million for a new emergency rescue helicopter in the South-West, and \$3 million for new safety systems to protect fire fighters;
- \$10 million to upgrade Police and Community Youth Centres; and
- \$9 million to be spent between 2013-14 and 2015-16 for additional investment in domestic and international tourism marketing.

As indicated in the following chart, recurrent expenditure on health, education and law and order comprises an estimated 52% of total general government expenses in 2013-14.

Figure 2

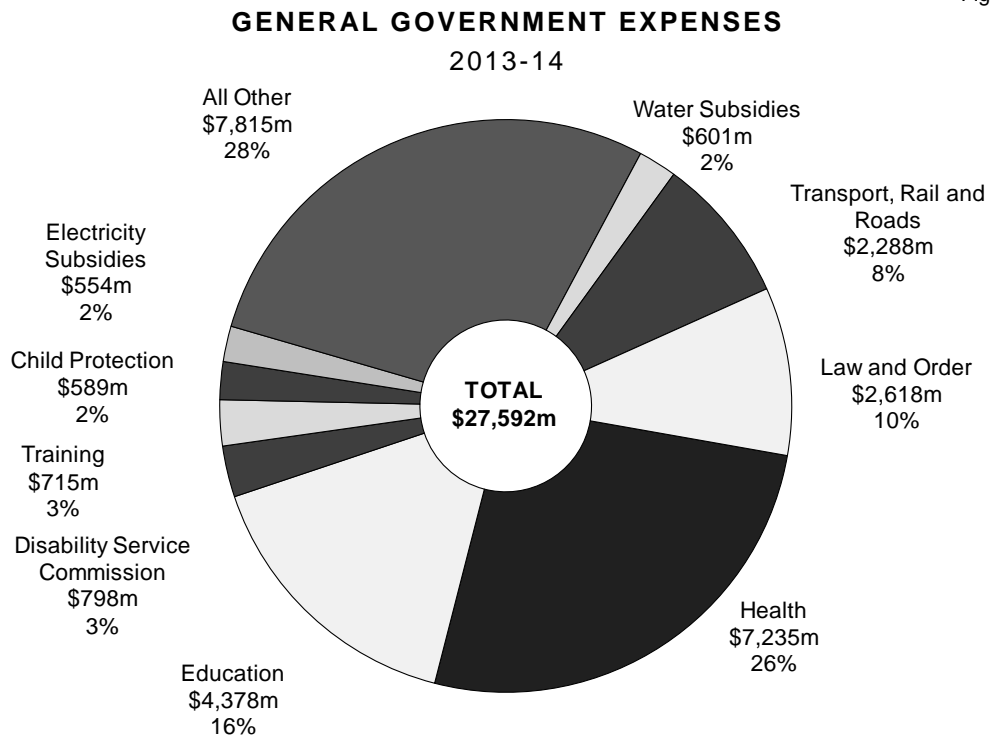
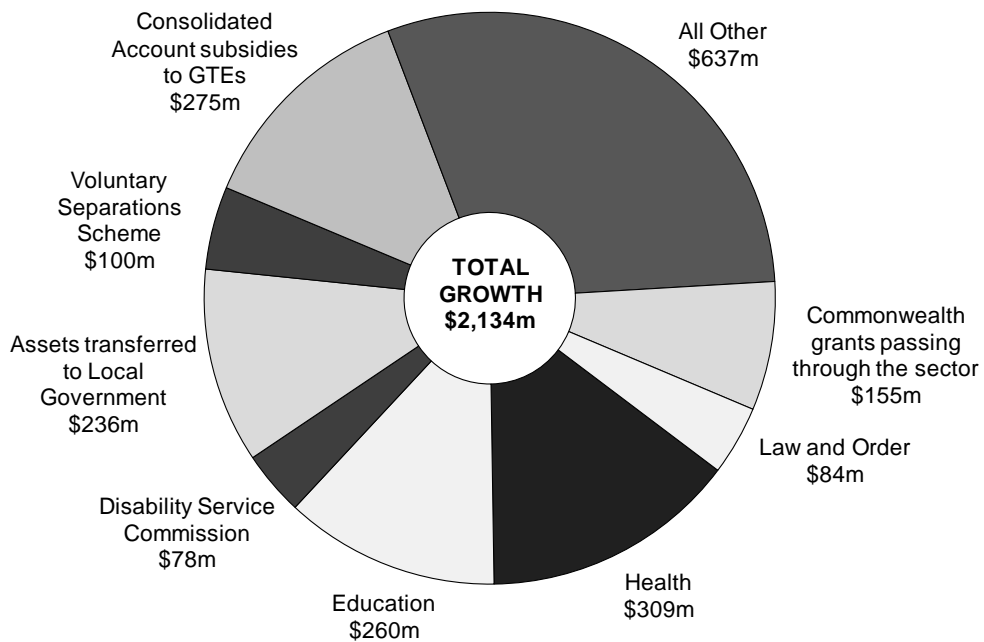


Figure 3

INCREASE IN GENERAL GOVERNMENT EXPENSES
2013-14



Major Expense Changes by Portfolio

Summary

The following tables provide details of major changes in general government expenses by agency since the 2012-13 *Pre-election Financial Projections Statement* released in February 2013. This includes 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) made between February 2013 and the cut-off date for this budget (9 July 2013).

The financial impact of the CPI cap on general government agencies' salaries budgets (part of the Fiscal Action Plan) is detailed in the table at the end of this chapter. Changes related purely to timing are not included in this chapter as they are broadly net debt neutral across the forward estimates period. Leave cap savings were included at a global level in the 2012-13 *Government Mid-year Financial Projections Statement* and have since been transferred to individual general government agencies.

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*.

To ensure efficient service delivery by government agencies, the Fiscal Action Plan incorporates a rationalisation of activities and services that the Government has determined are no longer a priority or do not provide sufficient value for money. Total program rationalisation is estimated to deliver a net debt improvement of \$527 million from 2012-13 to 2016-17. Further program savings of \$350 million over four years will be achieved through a new coordinated and systematic approach to ongoing program evaluation in the public sector.

PREMIER; MINISTER FOR STATE DEVELOPMENT; SCIENCE

Table 1

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Premier and Cabinet					
- 2013 State General Election	3.5	-	-	-	-
- Disaster Financial Assistance	0.6	-	-	-	-
- Funding for Charities and Community Organisations	0.4	-	-	-	-
- International Centre for Radio Astronomy Research	-	1.6	5.0	6.0	5.5
- ANZAC Interpretive Centre	-	0.3	-	-	-
- Program Rationalisation	-	-1.0	-1.0	-1.0	-1.0
- 2012-13 Temporary Procurement Freeze	-0.6	-	-	-	-
Public Sector Commission					
- Aboriginal Employment Strategy	1.6	0.9	2.2	2.3	1.6
- Program Rationalisation	-	-0.2	-1.3	-1.3	-1.3
State Development					
- Heavy Use Industrial Land Strategy	-	3.1	-	-	-
- Program Rationalisation	-	-0.4	-	-	-
- Royalties for Regions – Bunbury to Albany Gas Pipeline	-	7.0	-	-	-
- 2012-13 Temporary Procurement Freeze	-0.4	-	-	-	-
- Dampier Port Authority – Bulk Liquids Berth Subsidy (Administered)	-	-1.0	0.6	-0.8	0.2
Chemistry Centre (WA)					
- Revision to External Market	-0.7	-0.1	0.2	-0.8	-1.7

Premier and Cabinet**2013 State General Election**

An additional \$3.5 million was spent on costs associated with the 2013 State General Election and the establishment of new Parliamentary Electorate Offices, following the change in electoral boundaries and Members of Parliament.

Disaster Financial Assistance

In 2012-13, a total of \$590,000 was paid as financial disaster assistance, including \$500,000 to Tasmania and Queensland in response to the Tasmanian Bushfires and the Queensland Floods, and \$90,000 to the City of Armadale to assist ratepayers following the Perth Hills bushfire.

Funding for Charities and Community Organisations

In 2012-13, an additional \$200,000 was donated to the Telethon and Appealathon initiatives, along with contributions to the WA Museum (\$110,000) for the Dirk Hartog celebration and the “Remember me: the lost diggers of Vignacourt” display, and to the University of Western Australia (\$62,000) by gifting artwork from the Sculpture by the Sea.

International Centre for Radio Astronomy Research

An additional \$18.0 million will be spent from 2013-14 to 2016-17 to fund the International Centre for Radio Astronomy Research to facilitate the involvement of commercial entities in the Square Kilometre Array project.

ANZAC Interpretive Centre

A total of \$250,000 will be spent in 2013-14 to provide an additional online interpretive virtual experience that will build awareness of the Centre nationally and internationally, and to improve its alliance with the Australian War Memorial.

Public Sector Commission

Aboriginal Employment Strategy

A total of \$8.6 million will be spent from 2012-13 to 2016-17 as the Commission will centrally incur costs relating to the Aboriginal Employment Strategy rather than provide a direct grant to individual agencies. The impact of this spending will be partly offset by a decrease in participating agencies' expenditure.

State Development

Heavy Use Industrial Land Strategy

An additional \$3.1 million will be spent in 2013-14 to progress planning and development on the Anketell, Ashburton North and Boodarie Strategic Industrial Areas, with funding provided through the Commonwealth's Infrastructure Australia program.

Royalties for Regions – Bunbury to Albany Gas Pipeline

A total of \$7.0 million in 2013-14 has been transferred from the existing capital budget for this project held in the Department for Regional Development to the Department of State Development. This funding will be spent on planning and procurement activities, including additional legal, technical and financial advice to develop the preferred operational model and tender process.

Dampier Port Authority – Bulk Liquids Berth Subsidy (Administered)

Spending will be reduced by \$1.1 million between 2013-14 and 2016-17, reflecting the change in the estimate for the required subsidy to the Dampier Port Authority to operate the Bulk Liquids Berth and repay associated borrowings.

Chemistry Centre (WA)

Revision to External Market

A reduction in total spending of \$2.4 million between 2013-14 and 2016-17 will be realised, reflecting the change in external market conditions and a phasing down of activity (particularly in external client based contracts).

DEPUTY PREMIER; MINISTER FOR HEALTH; TOURISM

Table 2

POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE 2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
WA Health					
- Cost and Demand Increases	-	281.1	383.6	563.6	999.9
- Nurses Enterprise Bargaining Agreement	-	31.3	43.6	83.9	77.7
- Program Rationalisation	-	-14.0	-16.9	-16.8	-17.1
- 2012-13 Cost Pressures	45.8	-	-	-	-
- 2012-13 Temporary Procurement Freeze	-10.9	-	-	-	-
- 2012-13 Temporary Advertising Freeze	-0.4	-	-	-	-
- School Health Nurses	-	3.0	6.3	10.6	18.1
- Palliative Care	-	4.0	3.8	3.7	4.0
- Royalties for Regions – Palliative Care	-	0.5	1.0	1.3	1.2
- Future Health	-	-	4.0	4.0	4.0
- Royalties for Regions – Regional Telehealth	-	0.5	2.5	2.5	2.5
- Royalties for Regions – Ear Health	-	0.5	1.5	2.0	2.0
- Royalties for Regions – Wheatbelt Renal Dialysis	-	0.5	1.0	1.0	1.0
- Royalties for Regions – Fitzroy Kids Health	-	0.1	0.1	0.1	0.1
Western Australian Tourism Commission					
- Additional Funding for Tourism Marketing	-	2.0	3.7	3.5	-
- Royalties for Regions – Caravan and Camping	-	1.0	6.3	3.7	4.2
- Royalties for Regions – Regional Events Program	-	-	-	9.5	9.5
- Program Rationalisation	-	-0.3	-0.3	-0.3	-0.3
- 2012-13 Temporary Advertising Freeze	-3.5	-	-	-	-

WA Health

Cost and Demand Increases

An additional \$2.2 billion will be spent from 2013-14 to 2016-17 to address increasing demand in hospital activity for Emergency Department, inpatient and outpatient services driven by a growing and ageing population.

The additional expenditure and the activity projections take a significant step towards transitioning the State's Activity Based Funding (ABF) framework to more closely align with the National ABF framework and ensure that the State is well positioned for the commencement of the National Health Reform Agenda on 1 July 2014.

In 2013-14, hospital activity expenditure growth of 7% will provide for an estimated additional 16,000 patients to stay and be treated in a hospital (to 606,000), an estimated additional 25,000 patients to be treated in emergency departments (to 935,000) and an estimated additional 45,000 patients to be treated as outpatients (to 1,920,000).

Nurses Enterprise Bargaining Agreement

A total of \$236.6 million will be spent from 2013-14 to 2016-17 to provide all nurses, midwives and mental health nurses in the Western Australian public health system with a 14% wage increase over three years.

2012-13 Cost Pressures

An additional \$45.8 million was spent in 2012-13 for cost pressures associated with the delivery of hospital services, including regional issues related to staff accommodation, locum medical services, and patient assisted travel costs.

School Health Nurses

An additional \$38.0 million will be spent from 2013-14 to 2016-17 to employ 155 child health nurses to provide health care to school-aged children and to ensure that all children entering school receive a school health entry assessment with referral to appropriate medical services and intervention where required.

Palliative Care

A total of \$19.5 million will be spent from 2013-14 to 2016-17 to expand the community based palliative care provided by non-government organisations. This includes \$4.0 million over the same period from the Royalties for Regions program to assist patient transition from acute care in hospital to palliative care services and to improve the comfort and quality of life for patients with life-limiting illness.

Future Health

A total of \$12.0 million from 2014-15 to 2016-17 will be spent to establish a central medical research trust with the purpose of holding and distributing health and medical research grants to approved medical research recipients.

Royalties for Regions – Regional Telehealth

An additional \$8.0 million will be spent from 2013-14 to 2016-17 on establishing an emergency Telehealth facility in the Goldfields that will link towns including Esperance, Norseman, Kambalda, Coolgardie, Laverton and Leonora to specialist services at the Kalgoorlie Hospital.

Royalties for Regions – Ear Health

A total of \$6.0 million from 2013-14 to 2016-17 will be spent to employ and train additional Aboriginal Health Workers to identify ear disease in children living in remote Indigenous communities.

Royalties for Regions – Wheatbelt Renal Dialysis

An amount of \$3.5 million will be spent from 2013-14 to 2016-17 towards operating a four-chair renal dialysis Satellite Outreach Service to provide community-supported home dialysis to four patients and independent home dialysis for up to 10 patients.

Royalties for Regions – Fitzroy Kids Health

A total of \$400,000 from 2013-14 to 2016-17 will be allocated to research into foetal alcohol spectrum disorder in the Fitzroy Valley, with a family-focused setting that creates a partnership between the Fitzroy community, WA Health and non-government organisations.

Western Australian Tourism Commission

Additional Funding for Tourism Marketing

An additional \$9.2 million will be spent between 2013-14 and 2015-16 on tourism marketing to increase visitation in regional and metropolitan destinations in Western Australia, to bring total destination marketing spending over the forward estimates to \$139.8 million.

Royalties for Regions – Caravan and Camping

An additional \$15.2 million will be spent between 2013-14 and 2016-17 on the Caravan and Camping program to increase opportunities to enjoy affordable caravan and camping across the State.

Royalties for Regions – Regional Events Program

An additional \$19.0 million will be spent between 2015-16 and 2016-17 to expand the calendar of regional events, and promote regional events across regional Western Australia.

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

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

Table 3

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Department of Regional Development					
- 2012-13 Temporary Procurement Freeze	-0.3	-	-	-	-
- Royalties for Regions:					
▪ Administration of Royalties for Regions	-	8.3	7.6	7.0	9.2
▪ Goldfields Esperance Revitalisation	-	1.5	5.0	38.0	52.3
▪ Living Lakes Stage 3	-	-	2.0	2.0	-
▪ Regional Strategic Projects	-	-	13.3	13.3	13.3
▪ Regional Visitors Centres	-	-	0.3	1.3	1.3
▪ Seizing the Opportunity Agriculture	-	5.8	51.5	91.8	124.0
▪ West Kimberley Revitalisation	-	-	10.0	-	-
Gascoyne Development Commission					
- Royalties for Regions – Gascoyne Development Plan	-	1.6	0.2	0.3	-
Kimberley Development Commission					
- Kimberley Aboriginal Community Housing Project Extension – Kununurra	1.5	-	-	-	-
South West Development Commission					
- Lake Kerpwari	-	-	-	2.7	-
Western Australian Land Authority ^(a)					
- Royalties for Regions – Broome Road Industrial Area	-	14.9	-	-	-
- Royalties for Regions – Karratha City Centre Infrastructure Works Program Stage 2B	-	-	30.0	20.0	30.0
Western Australian Land Information Authority (Landgate)					
- 2012-13 Temporary Procurement Freeze	-1.3	-	-	-	-
- Strategic Development Plan	-	-1.3	0.3	0.1	-6.9

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

Regional Development

Royalties for Regions – Administration of Royalties for Regions

An additional \$32.1 million will be spent from 2013-14 to 2016-17 on the implementation of the machinery of government changes that have resulted in the redesignation of the Department of Regional Development and its expanded role in delivering on the economic, business and social development objectives of the *Royalties for Regions Act 2009*.

Royalties for Regions – Goldfields Esperance Revitalisation

The Goldfields Esperance Revitalisation is a new initiative delivering \$96.8 million of Royalties for Regions funding from 2013-14 to 2016-17 to implement major infrastructure projects and initiatives in the Goldfields Esperance region, enabling a more sustainable social and economic base to be achieved.

Royalties for Regions – Living Lakes Stage 3

An additional \$4 million will be spent from 2014-15 to 2015-16 to implement stage 3 of the Living Lakes program. The Living Lakes program aims to develop innovative options for enhancing inland lakes and create economic opportunities for recreation, tourism and regional development.

Royalties for Regions – Regional Strategic Projects

An additional \$40 million will be spent from 2014-15 to 2016-17 under the Regional and Community Grants Schemes. These programs support new and existing regional projects that improve and develop infrastructure and services in the regions.

Royalties for Regions – Regional Visitors Centres

A total of \$2.9 million will be spent from 2014-15 to 2016-17 to promote regional tourism by better supporting Visitor Centres in regional Western Australia.

Royalties for Regions – Seizing the Opportunity Agriculture

An amount of \$273 million will be spent from 2013-14 to 2016-17 to support the transformation of the State's agricultural sector, creating growth and prosperity in regional communities. Key areas include agricultural research and development, land and water, infrastructure investment and trade and skills development.

Royalties for Regions – West Kimberley Revitalisation

An amount of \$10 million will be spent in 2014-15 in the West Kimberley, targeting the revitalisation of regional centres like Broome, Derby, Fitzroy Crossing and many remote communities.

Gascoyne Development Commission

Royalties for Regions – Gascoyne Development Plan

A total of \$2.1 million will be spent by the Commission from 2013-14 to 2015-16 to continue implementation of the Gascoyne Development Plan. The plan will sponsor projects and initiatives, enabling a more sustainable social and economic base to be achieved for the region.

Kimberley Development Commission

Kimberley Aboriginal Community Housing Project Extension – Kununurra

An additional \$1.5 million was spent in 2012-13 to expand the existing Kimberley Aboriginal Community Housing Project Extension – Kununurra. This initiative will assist in the construction of four additional houses.

South West Development Commission

Lake Kepwari

A total of \$2.7 million will be spent in 2015-16 to continue water quality testing and support the development of Lake Kepwari as a recreational lake.

Western Australian Land Authority

Royalties for Regions – Broome Road Industrial Area

A provisional Royalties for Regions subsidy of \$14.9 million in 2013-14 has been approved for the development of Phase 1 (125 hectares) of the Broome Road Industrial Area which will see the creation of 50 lots for general industrial purposes.

Royalties for Regions – Karratha City Centre Infrastructure Works Project Stage 2B

A provisional Royalties for Regions subsidy of \$80.0 million from 2013-14 to 2015-16 will be provided to progress the Stage 2B Package of Works for the Karratha City Centre Infrastructure Works Project.

Western Australian Land Information Authority (Landgate)

Strategic Development Plan

A reduction in total spending of \$7.8 million between 2013-14 and 2016-17 will be achieved through business reforms such as the Council of Australian Governments' National Electronic Conveyancing System initiative that will be implemented during 2013-14.

MINISTER FOR EDUCATION; ABORIGINAL AFFAIRS; ELECTORAL AFFAIRS

Table 4

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Education					
- Cost and Demand Increases	26.8	179.2	314.4	341.7	480.4
- Pastoral Care Chaplains	-	-	0.3	0.6	0.6
- Blaxell Inquiry Report – St Andrews Hostel	-	0.4	-	-	-
- 2012-13 Temporary Procurement Freeze	-10.0	-	-	-	-
- United Voice Enterprise Bargaining Agreement	1.0	3.8	7.2	9.4	9.1
- Employee Entitlements – Actuarial Assessment	29.8	37.4	50.8	66.8	74.0
- Expansion of Independent Public Schools	-	0.9	8.2	4.5	4.6
Education Services					
- Low Interest Loan Scheme	-2.0	0.5	1.5	3.2	5.1
- Curriculum and Re-engagement Program (Administered)	-	1.0	-	-	-
- Program Rationalisation (Administered)	-	-0.1	-0.1	-0.1	-0.1
School Curriculum and Standards Authority					
- Amendment to the Western Australian Certificate of Education	-0.2	0.1	-0.3	0.6	-1.8
- Program Rationalisation	-	-	-(a)	-(a)	-(a)
Country High School Hostels Authority					
- Implementing the Blaxell Inquiry Recommendations	-	0.1	0.1	0.1	0.1
- 2012-13 Temporary Procurement Freeze	-0.3	-	-	-	-
Department of Aboriginal Affairs					
- Community Patrols	-	2.5	-	-	-
- Browse LNG Project	-3.6	-	-	-	-
- Program Rationalisation	-	-0.2	-0.2	-0.2	-0.2
- 2012-13 Temporary Procurement Freeze	-0.2	-	-	-	-
Western Australian Electoral Commission					
- Election Costs	1.7	-0.2	-	-	-

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

Education

Cost and Demand Increases

Over the period 2013-14 to 2016-17, significant spending will be incurred to structurally realign the Department's budget to address cost and demand pressures driven by local demographics and interstate and international migration. In terms of cost, the average spend per student will increase by 3.4% to \$15,621 in 2013-14 (an increase of \$513 per student). With regards to demand, record enrolment growth of 8,146 students, or 3%, will be accommodated in 2013.

Combined with the Department's remaining spending movements, this additional spending results in a \$1.2 billion increase to the Department's total expenditure over the forward estimates period.

Pastoral Care Chaplains

An additional \$1.5 million will be spent from 2014-15 to 2016-17 for the expansion of the School Chaplaincy program.

Blaxell Inquiry Report – St Andrews Hostel

An additional \$400,000 will be spent in 2013-14 for the implementation of recommendations from the inquiry into St Andrews Hostel, including an improved complaints mechanism and protective behaviours training.

United Voice Enterprise Bargaining Agreement

An additional \$30.5 million will be spent from 2012-13 to 2016-17 for the United Voice Enterprise Bargaining Agreement which provided for a total 12% wage rise over three years for non-teaching school staff such as Education Assistants, Gardeners and Cleaners.

Employee Entitlements – Actuarial Assessment

Following an actuarial assessment, an additional \$258.8 million will be allocated from 2012-13 to 2016-17 for the projected movements in leave liability.

Expansion of Independent Public Schools

An additional \$18.2 million will be spent from 2013-14 to 2016-17 on the expansion of the Independent Public Schools initiative, including the implementation of a new selection and induction process.

Education Services

Low Interest Loan Scheme

Lower interest rates have reduced the expected interest payable under the Low Interest Loans Scheme (LILS) by \$2.0 million in 2012-13. In 2013-14, the total funds available to non-government schools under LILS will be doubled and then indexed by CPI, resulting in an additional \$10.3 million between 2013-14 and 2016-17 on interest expenses.

Curriculum and Re-engagement Program (Administered)

An additional \$1.0 million will be spent in 2013-14 to support Curriculum and Re-engagement education in schools, which help students with social, emotional and behavioural difficulties.

School Curriculum and Standards Authority

Amendment to the Western Australian Certificate of Education

A reduction in total spending of \$1.7 million from 2012-13 to 2016-17 will be realised following a review of costs associated with coordinating and amending the Western Australian Certificate of Education.

Country High School Hostels Authority

Implementing the Blaxell Inquiry Recommendations

A total of \$520,000 will be spent from 2013-14 to 2016-17 to implement recommendations from the Blaxell Inquiry into child abuse at residential hostels.

Department of Aboriginal Affairs

Community Patrols

An additional \$2.5 million will be spent in 2013-14 to maintain the current Aboriginal Community Patrols Program. The Program provides culturally appropriate transport services in 14 locations to remove at-risk adults from situations of potential harm typically involving alcohol, drugs and violence.

Browse LNG Project

A reduction in total spending of \$3.6 million in 2012-13 reflects delays in expenditure on programs and Native Title agreements associated with the Browse LNG project.

Western Australian Electoral Commission

Election Costs

An additional \$1.7 million was spent in 2012-13, partially offset by savings of \$0.2 million in 2013-14, to cover unforeseen costs resulting from the 2013 State Election. These costs included leasing a count centre, the implementation of an Easy Way Voter Card system, higher than expected casual polling staff costs and earlier non-voter processing.

TREASURER; MINISTER FOR TRANSPORT; FISHERIES

Table 5

POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE 2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Department of Transport					
- Reinstatement of Budget Corrective Measures	8.9	-	-	-	-
- Program Rationalisation	-	-3.0	-9.5	-12.7	-12.7
- Western Australian Bike Network Plan	-	-	5.0	5.0	5.0
- Collection of Administered Revenue	1.0	3.7	3.7	3.8	6.1
- Changes to Commercial Vessel National Safety Law	-	0.2	0.2	0.2	0.2
- 2012-13 Temporary Procurement Freeze	-2.2	-	-	-	-
Main Roads					
- 2012-13 Temporary Procurement Freeze	-7.3	-	-	-	-
- 2012-13 Temporary Advertising Freeze	-1.2	-	-	-	-
- Declared Events Recovery and Relief	11.3	-	-	-	-
- National Road Network Maintenance and Heavy Vehicle Safety and Productivity Programs	1.7	6.5	17.5	8.3	8.3
- Review of Depreciation Valuation	18.6	42.8	65.9	81.8	81.8
- Program Rationalisation	-	-4.0	-7.9	-36.2	-23.9
- Road Transfers to Local Government	-	129.7	-	-	-
- Western Australian Natural Disaster Relief and Recovery Arrangements – Expenditure Base	-	12.0	12.0	12.0	12.0
Public Transport Authority					
- Extension of Paid Parking	-	-	-6.1	-6.1	-6.1
- Fare Revenue Review	-	-	-8.3	-25.9	-49.8
- Program Rationalisation	-	-5.0	-8.4	-11.6	-2.6
- Fees and Charges	-	-7.6	-7.6	-7.6	-7.6
Fisheries					
- Aquatic Biosecurity	-	4.7	4.8	12.8	13.1
- Rock Fishing Safety Strategy	-	0.2	0.1	-	-
- Commercial Fishing Revenue Reductions	-5.1	-2.2	-3.8	-3.8	0.3
- Deficit Funding	2.3	-	-	-	-
- Entitlements Management System (Fisheye) – Recurrent Costs	0.7	0.9	1.3	1.0	1.0
- Projected Increase in Leave Liabilities	1.0	-	-	-	-
- Revision of Grants, Interest and Other Revenues	0.4	-0.1	-0.8	-1.0	-2.7
- 2012-13 Temporary Procurement Freeze	-1.8	-	-	-	-

Department of Transport

Reinstatement of Budget Corrective Measures

Targeted salaries savings of \$10.5 million identified in the 2012-13 mid-year review were unable to be fully achieved. As a result, supplementary funding of \$8.9 million in 2012-13 was approved to meet the full year cost of employee expenses.

Western Australian Bike Network Plan

A total of \$15.0 million will be spent from 2014-15 to 2016-17 on the continuation of funding for the Western Australian Bicycle Network Plan 2012-21, and for the construction of a dual use bicycle path on West Parade, South Guildford between Waterhall Estate and Queens Road.

Collection of Administered Revenue

A total of \$18.4 million will be allocated from 2012-13 to 2016-17 for fee collection and recording costs associated with motor vehicle licences and motor drivers licences.

Changes to Commercial Vessel National Safety Law

A total of \$800,000 will be spent from 2013-14 to 2016-17 for drafting legislation and ongoing administration costs to apply the Commercial Vessel National Safety Law in Western Australia.

Main Roads

Declared Events Recovery and Relief

An additional \$11.3 million was spent in 2012-13 on the cost of reinstating the State's road assets damaged as a result of numerous declared natural disaster events.

National Road Network Maintenance and Heavy Vehicle Safety and Productivity Programs

An additional \$42.4 million will be spent from 2012-13 to 2016-17 to maintain the national road network within Western Australia, and to progress the national heavy vehicle safety and productivity program.

Review of Depreciation Valuation

Following a review, depreciation expense has been increased by a total of \$290.9 million from 2012-13 to 2016-17 to accurately reflect the current valuation of State road assets.

Road Transfers to Local Government

Having met the criteria to be classified as Local Roads, four State roads valued at \$129.7 million are scheduled to be transferred to the Local Government sector in 2013-14.

Western Australian Natural Disaster Relief and Recovery Arrangements – Expenditure Base

An additional \$48.0 million has been allocated from 2013-14 to 2016-17 for expenditure that is likely to be incurred to restore and replace roads that are damaged in future eligible disasters.

Public Transport Authority

Extension of Paid Parking

With the introduction of paid parking for park and ride bays at metropolitan train stations from 1 July 2014, additional revenue of \$19.9 million is expected to be generated from 2014-15 to 2016-17. This will reduce the operating subsidy payment to the Authority by \$18.4 million over the same period.

Fare Revenue Review

The Authority has set a three-year target cost recovery rate of 40% by 2016-17. The additional fare revenue and resultant reduction in operating subsidy payments of \$83.9 million have been recognised in the Authority's forward estimates.

Fees and Charges

Following the increase in public transport fares and revised patronage forecasts from 1 July 2013, additional revenue of \$30.3 million is expected to be generated from 2013-14 to 2016-17. Operating subsidy payments to the Authority have been reduced by an equivalent amount over the same period.

Fisheries

Aquatic Biosecurity

An additional \$35.4 million will be spent between 2013-14 and 2016-17 to continue and enhance policy, monitoring and compliance activities to ensure that risks to the marine environment from invasive marine pests are minimised and controlled. The increase from 2015-16 represents expenditure on additional biosecurity management and control plans and associated monitoring.

Rock Fishing Safety Strategy

An additional \$300,000 will be spent between 2013-14 and 2014-15 to install safety equipment at high risk rock fishing sites across the State.

Commercial Fishing Revenue Reductions

A reduction in total spending of \$14.7 million between 2012-13 and 2016-17 will occur to match reductions in forecast revenues from commercial fishing. The revised estimates are more consistent with revenue receipts in previous years, and reflect expectations of challenging market conditions ahead.

Deficit Funding

An additional \$2.3 million was spent in 2012-13 to address structural deficit issues identified by Fisheries (i.e. costs exceeding revenue). This ensured that the Department was able to deliver its core research, compliance and policy services in 2012-13.

Entitlements Management System (Fisheye) – Recurrent Costs

An additional \$4.9 million will be spent between 2012-13 and 2016-17 to recognise depreciation and amortisation expenses for the Fisheye project, and to account for a reallocation of capital to recurrent expenditure to fund initial system maintenance expenses and facilitate consultation with industry.

Projected Increase in Leave Liabilities

Salary expenses increased by \$1.0 million in 2012-13 to reflect an increase in leave liabilities.

Revision of Grants, Interest and Other Revenues

A reduction in total spending of \$4.2 million between 2012-13 and 2016-17 will occur to match changes in recast grants, interest and other revenues over the forward estimates to more accurately reflect funding that will be received by the Department.

MINISTER FOR PLANNING; CULTURE AND THE ARTS

Table 6

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Department of Planning					
- Salaries Expenses	3.1	-	-	-	-
Metropolitan Redevelopment Authority					
- Chinatown Improvement	-	1.0	1.0	-	-
Western Australian Planning Commission					
- 2012-13 Temporary Procurement Freeze	-1.6	-	-	-	-
Culture and the Arts					
- Western Australian Museum	2.8	-	-	-	-
- Art Gallery of Western Australia – Museum of Modern Art Exhibition – Insurance	-1.2	-	-	-	-
- Increase in Own-Source Revenue	5.1	-	-	-	-
- Art Gallery of Western Australia – Museum of Modern Art Exhibition	2.3	-	-	-	-
- 2012-13 Temporary Procurement Freeze	-2.5	-	-	-	-
- Royalties for Regions – Regional Arts Centre Sustainability	-	-	2.0	11.0	11.0
- KidsCulture Program	-	0.1	-	-	-
- ScreenWest Production Attraction Program	-	-	0.5	0.5	0.5

Department of Planning

Salaries Expenses

As part of the 2012-13 Budget, targeted salaries savings of \$8.2 million were not fully achieved. As a result, supplementary funding of \$3.1 million in 2012-13 was approved to meet the short fall.

Metropolitan Redevelopment Authority

Chinatown Improvement

An additional \$2.0 million will be spent over 2013-14 and 2014-15 to revitalise Chinatown, public areas and laneways in Northbridge.

Culture and the Arts

Western Australian Museum

An additional \$2.8 million was spent in 2012-13 to meet a range of non-salary related cost pressures including utilities, building maintenance and other general service delivery expenses.

Art Gallery of Western Australia – Museum of Modern Art Exhibition – Insurance

Insurance premium expenditure associated with the Museum of Modern Art (MOMA) (Series 3) was revised downwards by \$1.2 million in 2012-13, mainly as a result of the lower than expected value of exhibition items.

Increase in Own-Source Revenue

An additional \$5.1 million in own-sourced revenue was spent in 2012-13 following a review of the estimated outturn position. Additional expenditure was mainly incurred by the Western Australian Museum (\$1.5 million) and ScreenWest (\$2.9 million).

Art Gallery of Western Australia – Museum of Modern Art Exhibition

An additional \$2.3 million was spent in 2012-13 mainly in the areas of transportation and freight as well as advertising and promotion activities to support visitation as part of the MOMA exhibitions.

Royalties for Regions – Regional Arts Centre Sustainability

A total of \$24.0 million will be spent between 2014-15 and 2016-17 to support the viability and continuity of services provided by regional arts centres.

KidsCulture Program

A total of \$140,000 will be spent in 2013-14 on a pilot study to introduce the KidsCulture program to enable children in need to experience the benefits of music, dance, theatre and art.

ScreenWest Production Attraction Program

A total of \$1.5 million will be spent from 2014-15 to 2016-17 to establish a new Production Attraction Fund to enhance ScreenWest's capacity to identify and target market opportunities nationally and abroad.

MINISTER FOR POLICE; ROAD SAFETY; SMALL BUSINESS; WOMEN'S INTERESTS

Table 7

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Western Australia Police					
- CCTV Network	-	0.2	-	-	-
- Criminal Organisations Control Bill	-	0.6	0.7	0.7	0.7
- ICT Core Business Systems Recurrent Impact	-	1.5	3.8	8.3	8.6
- Increased Police Resources	-	10.5	38.5	69.2	96.8
- Police and Community Youth Centres	-	0.3	4.0	6.0	-
- Post Separation Medical Benefits	0.9	-	-	-	-
- Rapid Justice Initiative	-	-	0.1	-(a)	-(a)
- Royalties for Regions – Regional Police Incentives	-	2.5	2.5	2.8	2.8
- Royalties for Regions – Regional Workers Incentives Allowance Payments	1.2	1.2	1.2	1.2	7.1
- 2012-13 Temporary Procurement Freeze	-2.5	-	-	-	-
- 2012-13 Temporary Advertising Freeze	-0.5	-	-	-	-
Main Roads					
- Road Trauma Trust Account – Review of Road Safety Framework	-	0.2	-	-	-
Small Business Development Corporation					
- Royalties for Regions – Regional Buy Local Initiatives	-	1.0	3.0	3.0	3.0
- Program Rationalisation	-	-0.2	-0.2	-0.2	-0.2

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

Western Australia Police

CCTV Network

Western Australia Police will spend \$200,000 in 2013-14 to develop a detailed business case and implementation plan to deliver a coordinated State CCTV network to assist in ensuring effective police tasking.

Criminal Organisations Control Bill

A total of \$2.7 million will be spent from 2013-14 to 2016-17 to enhance the Western Australia Police's capability to deliver effective and timely support to frontline officers enforcing new legislation to target Outlaw Motorcycle Gangs.

ICT Core Business Systems Recurrent Impact

A total of \$22.1 million will be spent from 2013-14 to 2016-17 on operational support and depreciation expenses for the delivery of new and upgraded ICT systems that are critical to core policing services.

Increased Police Resources

A total of \$282 million will be spent from 2013-14 to 2016-17 on increasing Police resources – \$215 million will be spent to recruit, train and deploy 550 officers, with an additional \$67 million to be spent on infrastructure to support this officer increase.

Police and Community Youth Centres

A total of \$10.3 million will be spent from 2013-14 to 2015-16 to facilitate the upgrade of Police and Community Youth Centres across the State.

Post Separation Medical Benefits

The expenditure of \$920,000 was incurred in 2012-13 under the Post Separation Medical Benefits scheme. This scheme provides for medical costs incurred by former Police Officers related to injuries sustained while performing their duties but have since separated from the Police service.

Rapid Justice Initiative

Western Australia Police will spend a total of \$126,000 from 2014-15 to 2016-17 to support expanded judicial and police services at the Perth Police Complex and the delivery of video link technology in regional areas to access the services.

Royalties for Regions – Regional Police Incentives

A total of \$10.5 million will be spent from 2013-14 to 2016-17 under the Regional Police Incentives program to provide additional incentive for the attraction and retention of Police Officers to traditionally hard to fill regional locations.

Royalties for Regions – Regional Workers Incentives Allowance Payments

An additional \$12.0 million will be spent from 2012-13 to 2016-17 under the Regional Workers Incentives Allowance Payments program to assist in the attraction and retention of non-police Western Australia Police employees in regional locations.

Main Roads

Road Trauma Trust Account – Review of Road Safety Framework

The Office of Road Safety will spend \$150,000 in 2013-14 on an independent review of the road safety framework in Western Australia. The review will provide recommendations enabling better advice to be provided to Government on distribution of resources from the Road Trauma Trust Account, and is expected to be completed by March 2014.

Small Business Development Corporation

Royalties for Regions – Regional Buy Local Initiatives

An additional \$10.0 million will be spent between 2013-14 and 2016-17 to continue the Regional Buy Local Initiatives program. The aim of the Regional Buy Local Initiatives program is to build capacity of local businesses to capitalise on the planned economic expansion that will occur as a result of the SuperTowns program.

MINISTER FOR TRAINING AND WORKFORCE DEVELOPMENT; WATER; FORESTRY

Table 8

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Training and Workforce Development					
- Entitlement Model	-	22.8	24.5	-2.7	-24.6
- Royalties for Regions – Goldfields Arts Centre	-	0.5	5.0	0.7	-
- 2012-13 Temporary Procurement Freeze	-0.8	-	-	-	-
- 2012-13 Temporary Advertising Freeze	-0.5	-	-	-	-
- Program Rationalisation		-5.8	-8.1	-8.1	-8.1
State Training Providers					
- Entitlement Model	-	18.3	44.1	58.8	73.5
- 2012-13 Temporary Procurement Freeze	-8.8	-	-	-	-
Water					
- 2012-13 Temporary Procurement Freeze	-1.0	-	-	-	-
- Program Rationalisation	-	-2.0	-2.0	-2.2	-2.2
- Projects Funded from External Revenue	0.2	3.8	3.2	4.7	2.9
Water Corporation					
- Operating Subsidy	-23.0	67.9	55.5	61.1	67.8

Training and Workforce Development and State Training Providers

Entitlement Model

From 1 January 2014, the State will introduce a training entitlement model, as required by the National Partnership Agreement on Skills Reform. The entitlement model will shift training delivery towards a contestable, demand driven funding model that directs public subsidies towards State priority qualifications. Under the entitlement model, it is estimated that an additional \$214.7 million will be spent on training delivery from 2013-14 to 2016-17. Of this amount, \$20.0 million will be spent by the Department of Training and Workforce Development and \$194.7 million will be spent by the State Training Providers from increased student fees. A lower fee rate will apply to State priority qualifications, to encourage students to undertake these qualifications. The existing 50% concession will be maintained, with the exception of students undertaking Diploma and above qualifications, who will have the option to defer their fees under the Commonwealth's VET FEE-HELP scheme.

Royalties for Regions – Goldfields Arts Centre

An additional \$6.2 million will be allocated from 2013-14 to 2015-16 to local government to maintain and operate the Goldfields Arts Centre.

Water

Projects Funded from External Revenue

An additional \$14.6 million will be spent from 2013-14 to 2016-17 to deliver services associated with urban water management, regulation, water and land use, and waterways management that are funded from the Commonwealth, Local Government and Regional Catchment Councils.

Water Corporation

Operating Subsidy

An additional \$229.3 million from 2012-13 to 2016-17 will be spent on operating subsidies, which reflect the difference between the cost of water provision and the prices that are paid by consumers. This increase is due to a rebasing of the forecast costs of country water, sewerage and drainage operations as well as additional operating subsidies that relate to the relocation of two wastewater treatment plants associated with the Government's Pilbara Cities initiative.

MINISTER FOR MENTAL HEALTH; DISABILITY SERVICES; CHILD PROTECTION

Table 9

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Mental Health Commission					
- Additional Funding for Mental Health					
Inpatient Services	-	21.0	22.6	25.9	61.9
- Lifeline WA	-	0.5	0.5	0.5	0.6
- State-wide Specialised Aboriginal Mental Health Service	-	3.8	-	-	-
- Program Rationalisation	-	-4.6	-1.3	-0.6	-0.7
- 2012-13 Temporary Procurement Freeze	-1.4	-	-	-	-
Disability Services Commission					
- Cost Pressures	-	-	-	-	19.1
- Demand Growth	-	6.9	7.1	7.3	7.5
- Continence Management and Support Scheme	-	1.0	-	-	-
- Young People in Residential Aged Care	-	-	1.5	2.0	2.5
- Free ACROD Parking Permits	-	0.8	0.9	1.0	1.0
- Additional Executive Officer to Assist Australian Disability Enterprises	-	0.1	0.1	0.1	0.1
- Program Rationalisation	-	-2.3	-	-	-
- 2012-13 Temporary Procurement Freeze	-1.1	-	-	-	-
Child Protection and Family Support					
- Demand Growth	7.0	21.8	22.4	23.1	23.8
- Homelessness Services	-	3.1	-	-	-
- Hardship Utility Grant Scheme	-	7.5	-	-	-
- Domestic Violence Accommodation	-	0.5	1.0	1.0	1.0
- Kununurra Patrols	-	1.0	-	-	-
- Royalties for Regions – Aboriginal Visitors Hostel	-	0.2	1.4	1.5	1.5
- Program Rationalisation	-	-0.6	-0.6	-0.6	-0.6
- 2012-13 Temporary Procurement Freeze	-0.3	-	-	-	-

Mental Health Commission

Additional Funding for Mental Health Inpatient Services

An additional \$131.4 million will be spent from 2013-14 to 2016-17 to meet activity growth anticipated over the next four years for inpatient mental health services in the public health system.

Lifeline WA

An additional \$2.1 million will be spent from 2013-14 to 2016-17 to expand the delivery of essential crisis line support services.

State-wide Specialised Aboriginal Mental Health Service

An additional \$3.8 million will be spent in 2013-14 to continue the delivery of the State-wide Specialised Aboriginal Mental Health Service that will improve access to culturally appropriate mental health services.

Disability Services Commission

Cost Pressures

A further \$19.1 million will be spent in 2016-17 to assist non-government human services disability organisations in meeting the costs of service provision.

Demand Growth

An additional \$28.9 million will be spent from 2013-14 to 2016-17 to meet expected growth in demand for preventive and other disability services, comprising accommodation support services, individual support, individual coordination, and family and carer support. This expenditure will enable a further 1,033 individuals with disability support requirements to access a breadth of services including assistance with accommodation, alternatives to employment, and intensive family support.

Continence Management and Support Scheme

An additional \$1.0 million will be spent in 2013-14, to meet growth in demand for the existing Continence Management and Support Scheme. This expenditure will provide at least 1,231 individuals with assistance to purchase necessary continence products.

Young People in Residential Aged Care

An additional \$6.0 million will be spent from 2014-15 to 2016-17 to extend the Young People in Residential Aged Care program, establishing more suitable supported accommodation options for younger people at risk of entering, or currently residing in, residential aged care. This expenditure will provide alternative purpose-built housing or enhancements to current support arrangements.

Free ACROD Parking Permits

A total of \$3.7 million will be spent from 2013-14 to 2016-17 on parking permits for the use of accessible vehicle bays (ACROD parking), assisting around 67,000 Western Australians with disability or mobility limitations.

Additional Executive Officer to Assist Australian Disability Enterprises

A total of \$457,000 will be spent from 2013-14 to 2016-17 to employ an executive officer who will work directly with Australian Disability Enterprises, assisting with endeavours to secure service contracts.

Child Protection and Family Support

Demand Growth

An additional \$98.1 million has been allocated from 2012-13 to 2016-17 to enable the Department to respond to projected increased demand for child protection services. In 2013-14, the Department will provide support to over 18,000 children and young people and 80,000 at-risk and vulnerable families and individuals.

Homelessness Services

An additional \$3.1 million will be spent on homelessness programs delivered by the not-for-profit sector in 2013-14 to support the implementation of the transitional National Partnership Agreement on Homelessness and maintain existing levels of homelessness services in Western Australia.

Hardship Utility Grant Scheme

An additional \$7.5 million has been allocated in 2013-14 to assist households in financial hardship pay their utility bills, making a total allocation of \$11.6 million. Under the Hardship Utilities Grant Scheme (HUGS), the State Government pays up to 85% of an eligible household's gas, electricity or water bill, where an individual is assessed as being in financial hardship and meets the HUGS criteria.

Domestic Violence Accommodation

A total of \$3.5 million will be spent from 2013-14 to 2016-17 to provide support and outreach services for a new six unit family refuge to be constructed in the metropolitan area.

Kununurra Patrols

In 2013-14, a total of \$1.0 million will be spent on night and day youth patrols in Kununurra to prevent harm to children, provide youth intervention, and maintain community peace and safety.

Royalties for Regions – Aboriginal Visitors Hostel

A total of \$4.7 million will be spent from 2013-14 to 2016-17 to operate an Aboriginal Visitors Hostel in Derby, providing Aboriginal people visiting Derby a safe and secure living arrangement as well as access to social services.

ATTORNEY GENERAL; COMMERCE

Table 10

POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE 2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Attorney General					
- Ex-gratia and Act of Grace Payments	0.1	-	-	-	-
- Family Court of Western Australia – Increase in Resources	-	1.0	1.0	1.1	1.1
- Ongoing Funding for the Office of the State Coroner	-	2.0	2.0	2.1	2.1
- Rapid Justice Initiative	-	-	1.0	1.1	1.1
- Program Rationalisation	-	-1.4	-2.2	-2.2	-2.2
- 2012-13 Temporary Procurement Freeze	-2.5	-	-	-	-
Commissioner for Equal Opportunity					
- Program Rationalisation	-	-	-0.5	-0.5	-0.5
Law Reform Commission					
- Program Rationalisation	-	-	-0.8	-0.8	-0.8
Office of the Director of Public Prosecutions					
- 2012-13 Estimated Outturn	1.4	-	-	-	-
Legal Aid Commission of Western Australia					
- Ongoing Delivery of a Family Violence Prevention Legal Service	-	0.6	0.7	0.7	0.7
- Rapid Justice Initiative	-	-	0.4	0.4	0.4
- State and Commonwealth Expensive Cases	3.2	-	-	-	-
- 2012-13 Temporary Procurement Freeze	-0.6	-	-	-	-
Commerce					
- Program Rationalisation	-	-0.2	-5.5	-5.5	-5.5
- 2012-13 Temporary Procurement Freeze	-0.4	-	-	-	-

Attorney General

Ex-gratia and Act of Grace Payments

The Government approved three ex-gratia payments of \$50,000, \$19,000 and \$50,000 in 2012-13.

Family Court of Western Australia – Increase in Resources

An additional \$4.2 million will be spent from 2013-14 to 2016-17 to provide permanent resources to the Family Court of Western Australia to address its increasing workload and to enable a reduction in time to trial. These are funded by increased court fees that were initiated by the Commonwealth Government.

Ongoing Funding for the Office of the State Coroner

An additional \$8.2 million will be spent from 2013-14 to 2016-17 to provide ongoing resources in the Office of the State Coroner to address its existing case and inquest backlog. It is estimated that this will support the completion of an additional 900 coronial cases in 2013-14.

Rapid Justice Initiative

A total of \$3.2 million will be spent from 2014-15 to 2016-17 to provide additional judicial officers and associated support staff for after hours court services at the newly opened Perth Police Complex.

Office of the Director of Public Prosecutions

2012-13 Estimated Outturn

Expenditure was increased in 2012-13 by \$1.4 million to reflect the estimated actual outturn at the end of the financial year. The expenditure increase is attributed to an overspend on budgeted salaries and legal brief expenditure.

Legal Aid Commission of Western Australia

Ongoing Provision of a Family Violence Prevention Legal Service

An additional \$2.7 million will be spent from 2013-14 to 2016-17 for the ongoing delivery of a Family Violence Prevention Legal Service in the Perth Metropolitan area. This service will be delivered by a suitable non-government organisation.

Rapid Justice Initiative

A total of \$1.1 million will be spent from 2014-15 to 2016-17 to provide duty lawyers for after hours court services at the Perth Police Complex.

State and Commonwealth Expensive Cases

An additional \$3.2 million was spent in 2012-13 to meet expenses as a result of unavoidable State and Commonwealth expensive cases. This is a result of a combination of high profile and complex cases (exceeding the expensive cases threshold of \$26,000) which require legal representation to ensure a fair trial.

MINISTER FOR MINES AND PETROLEUM; HOUSING

Table 11

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Mines and Petroleum					
- Exploration Incentive Scheme	-	-	-8.0	-9.5	10.0
- Magnetite Financial Assistance Program	-	15.9	-	-	-
- 2012-13 Temporary Procurement Freeze	-2.3	-	-	-	-
Housing					
- National Rental Affordability Scheme	-	-	-	0.8	16.6
- Royalties for Regions – Jigalong Essential Services	-	6.0	4.0	-	-
- Remote Indigenous Housing – Commonwealth Budget Update	-	-	-	-	-26.9
- Royalties for Regions – Remote Area Essential Services Program	-	-	-	-	30.0

Mines and Petroleum

Exploration Incentive Scheme

A total of \$30.0 million from 2014-15 to 2016-17 will be spent from the Exploration Incentive Scheme to encourage exploration in Western Australia. Royalties for Regions funding of \$10 million per annum replaces previously approved Consolidated Account funding of \$18.0 million in 2014-15 and \$19.5 million in 2015-16.

Magnetite Financial Assistance Program

An amount of \$15.9 million will be spent in 2013-14 to provide assistance to eligible companies in the start-up phase on new magnetite iron ore projects. Eligible companies can apply for a rebate of up to 50% of actual royalties paid for the first 12 months of magnetite production, before returning to the full royalty rate. Assistance can apply from the first shipment of magnetite after 8 April 2013, or from the point the project reaches commercial production.

Housing Authority

National Rental Affordability Scheme

An additional \$15.5 million will be spent in 2016-17 for the State's contribution to the Housing Authority's existing 6,000 National Rental Affordability Scheme (NRAS) incentives. In addition, a further \$0.8 million in 2015-16 and \$1.1 million in 2016-17 will be spent on 1,000 additional incentives under the scheme as part of the Housing Supply Package implemented in this budget. This will increase the State's total commitment to approximately \$268 million over the life of the scheme for 7,000 affordable rental dwellings.

Royalties for Regions – Jigalong Essential Services

A total of \$10.0 million will be spent from 2013-14 to 2014-15 to upgrade power and water infrastructure and significantly improve the delivery of essential services to the Jigalong Aboriginal Community.

Remote Indigenous Housing – Commonwealth Budget Update

Due to reduced Commonwealth funding under the Remote Indigenous Housing National Partnership Agreement, \$26.9 million less will be spent in 2016-17 on Indigenous Housing outcomes in remote locations.

Royalties for Regions – Remote Area Essential Services Program

An additional \$30.0 million will be spent in 2016-17 on the Remote Area Essential Services Program (RAESP), to continue to provide repairs and maintenance to power, water and waste water infrastructure in remote Aboriginal communities.

MINISTER FOR SPORT AND RECREATION; RACING AND GAMING

Table 12
POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Department of Sport and Recreation					
- Community Sporting and Recreation Facilities Fund	-	-	10.0	10.0	-
- Hartfield Park Recreational Centre	-	0.2	3.0	2.9	-
- International Cricket Council – Cricket World Cup 2015	-	0.6	1.2	-	-
- Kostera Oval Kalamunda	-	-	1.0	-	-
- Lightning Park	-	0.4	-	-	-
- Mirrabooka Soccer	0.5	-	-	-	-
- Morley/Noranda Bowls	-	-	0.8	-	-
- Mundaring Basketball Courts	-	-	1.5	1.5	-
- Program Rationalisation	-	-0.5	-0.5	-0.5	-
- Royalties for Regions – Community Pool Revitalisation	-	-	-	3.3	3.3
- Royalties for Regions – Community Sport Equipment Grants	-	0.3	0.3	0.2	0.2
- Royalties for Regions – Junior Representative Travel Assistance	-	0.3	0.3	0.2	0.2
- 2012-13 Temporary Procurement Freeze	-0.2	-	-	-	-
- Willetton Sports Club	-	1.0	-	-	-
Western Australian Sports Centre Trust					
- 2012-13 Temporary Procurement Freeze	-0.3	-	-	-	-
Department of Racing, Gaming and Liquor					
- Subsidies to Liquor Merchants and Producers (Administered)	-2.8	-	-	-	-
- Subsidies to Gambling and Betting Agencies and Bookmakers (Administered)	-15.9	-	-	-	-
Western Australian Greyhound Racing Association					
- 2012-13 Temporary Procurement Freeze	-1.5	-	-	-	-
Burswood Park Board					
- 2012-13 Temporary Procurement Freeze	-0.4	-	-	-	-

Department of Sport and Recreation

Community Sporting and Recreation Facilities Fund

An additional \$20.0 million will be spent in 2014-15 to 2015-16 on financial assistance to community groups and local government authorities to develop basic infrastructure for sport and recreation.

Hartfield Park Recreation Centre

A total of \$6.0 million will be spent from 2013-14 to 2015-16 on upgrading the facilities of the Hartfield Park Sport and Recreation Reserve in Forrestfield.

International Cricket Council – Cricket World Cup 2015

A total of \$1.8 million will be spent over 2013-14 and 2014-15 on event overlay costs, including media facility upgrades at the Western Australian Cricket Association (WACA) ground, associated with International Cricket Council – Cricket World Cup 2015 matches to be held at the WACA ground.

Kostera Oval Kalamunda

\$1.0 million will be spent in 2014-15 on the redevelopment of Kostera Oval in Kalamunda.

Lightning Park

A total of \$400,000 will be spent in 2013-14 on upgrades and expansions to the clubrooms at the Lightning Park Recreation Centre in Noranda.

Mirrabooka Soccer

\$500,000 of expenditure was incurred in 2012-13 on upgrades to facilities at Celebration Park in Balga.

Morley/Noranda Bowls

A total of \$800,000 will be spent in 2014-15 on upgrades and the expansion of facilities at the Morley/Noranda Recreation Club.

Mundaring Basketball Courts

\$3.0 million will be spent in 2014-15 to 2015-16 to construct a new, covered basketball court facility at the Mundaring Recreation Centre.

Royalties for Regions – Community Pool Revitalisation

An additional \$6.6 million will be provided to regional local governments over 2015-16 and 2016-17 to maintain and upgrade infrastructure, improve pool facilities and purchase new equipment to ensure regional swimming pools are safe, well maintained and accessible to all.

Royalties for Regions – Community Sport Equipment Grants

A total of \$1.0 million will be spent between 2013-14 and 2016-17 to provide regional sporting clubs with access to a one-off \$400 grant for the purchase of shared equipment.

Royalties for Regions – Junior Representative Travel Assistance

\$1.0 million will be spent from 2013-14 to 2016-17 to partially subsidise the travel costs incurred by regional based talented athletes participating in talent development programs and competitions.

Willetton Sports Club

A total of \$1.0 million will be spent in 2013-14 on the restoration of the Willetton Sports Club.

Department of Racing, Gaming and Liquor

Subsidies to Liquor Merchants and Producers (Administered)

A reduction of \$2.8 million in 2012-13 for liquor subsidies paid from the Consolidated Account to liquor producers and wholesalers was realised as a result of lower than expected liquor sales for those operators. The subsidies were introduced in 2000-01 to maintain the effective tax rate on wine used for tastings and cellar door sales that existed prior to the introduction of the GST.

Subsidies to Gambling and Betting Agencies and Bookmakers (Administered)

A reduction of \$15.9 million in 2012-13 for subsidies paid to gambling and betting agencies and bookmakers, mainly in respect of GST rebates, was realised as a result of lower than expected turnover for those operators. These rebates commenced following the introduction of the GST from 1 July 2000, which applied to gambling operators in addition to the existing State gambling taxes, to maintain the effective tax rate on gambling that existed prior to the introduction of the GST.

MINISTER FOR AGRICULTURE AND FOOD

Table 13

POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE 2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Agriculture and Food					
- Caring for Our Country (Administered)	-	23.2	23.2	23.2	23.2
- Royalties for Regions – Pilbara Hinterland Agriculture Development Initiative	0.4	6.3	3.9	1.9	-
Rural Business Development Corporation					
- State Assistance Package for Farmers	3.5	4.3	-	-	-

Agriculture and Food

Caring for Our Country (Administered)

An additional \$93.0 million will be spent from 2013-14 to 2016-17 under the second phase of the Commonwealth Government's Caring for Our Country Program, on regional projects that protect, enhance and maintain biodiversity and natural resources. The Department will administer the program on behalf of the Commonwealth and make payments to Western Australia's six regional Natural Resource Management groups.

Royalties for Regions – Pilbara Hinterland Agriculture Development Initiative

A total of \$12.5 million will be spent from 2012-13 to 2015-16 under the Pilbara Hinterland Agriculture Development Initiative.

Rural Business Development Corporation

State Assistance Package for Farmers

An additional \$7.8 million is being spent over 2012-13 and 2013-14 to support farmers in the Wheatbelt. This includes financial support payments, grants for social support and rural counselling services, community grants to Shires and exit grants to assist farmers who wish to leave their farms.

MINISTER FOR ENERGY; FINANCE; CITIZENSHIP AND MULTICULTURAL INTERESTS

Table 14

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Horizon Power					
- Operating Subsidy for Electricity Tariffs	-3.0	7.3	4.2	-4.5	24.3
- Program Rationalisation	-	- ^(a)	-14.7	-16.3	-17.9
- Operating Subsidy for Electricity Concessions, Rebates and Subsidies	1.6	-	5.0	7.8	-2.0
Synergy					
- Operating Subsidy for Electricity Tariffs	-22.3	42.8	120.1	196.8	297.2
- Program Rationalisation	-	-5.9	-15.1	-15.1	-15.1
- Operating Subsidy for Electricity Concession, Subsidies and Rebates	-8.4	-0.8	-3.3	-6.4	-11.1
Finance					
- Reinstating the 1.5% Reduction in Procurement Expenditure	9.0	-	-	-	-
- State Fleet Savings	-7.2	-5.9	-7.1	-8.3	-9.3
- Taxation Administration Package	-	1.3	1.2	1.3	1.3
- 2012-13 Temporary Procurement Freeze	-2.3	-	-	-	-
- Refunds of Past Years Taxation Collections	103.3	-	-	-	-
- Program Rationalisation	-	0.3	0.3	0.3	0.3
- Housing Supply Package – First Home Owner Grant	-	-23.7	-30.9	-31.6	-32.4

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

Horizon Power

Operating Subsidy for Electricity Tariffs

An additional operating subsidy allocation of \$28.4 million from 2012-13 to 2016-17 has been approved for the difference between the cost of electricity provision and the prices that are paid by consumers. This increase incorporates forecast 2012-13 results, approved 2013-14 tariff increases, revised tariff assumptions across the forward estimates period and the Economic Regulation Authority's (ERA's) 4 June 2013 determination on Western Power's 2013-14 Price List.

Operating Subsidy for Electricity Concessions, Subsidies and Rebates

A \$12.4 million increase to electricity concessions, rebates and subsidies will occur over the period 2012-13 to 2016-17. This reflects forecast 2012-13 results, approved 2013-14 tariff increases and revised tariff assumptions across the forward estimates period.

Synergy

Operating Subsidy for Electricity Tariffs

An additional operating subsidy allocation of \$634.7 million over 2012-13 to 2016-17 has been approved for the difference between the cost of electricity provision and the prices that are paid by consumers. This increase incorporates forecast 2012-13 results, approved 2013-14 tariff increases, revised tariff assumptions across the forward estimates period and the ERA's determination on Western Power's 2013-14 Price List.

Program Rationalisation

A \$51.2 million reduction to the Feed-in Tariff operating subsidy will be realised over the 2013-14 to 2016-17 period. From 1 October 2013, the customer payment rate will reduce to 30 cents per kilowatt hour of energy exported onto the South West Interconnected System (SWIS). A further reduction to 20 cents will occur from 1 July 2014, while the scheme's duration will be extended by two years. Currently the majority of scheme participants receive 40 cents for each kilowatt hour fed back into the SWIS.

Operating Subsidy for Electricity Concessions, Subsidies and Rebates

Forecast subsidy payments for electricity concessions, subsidies and rebates have been reduced by \$29.9 million over the period 2012-13 to 2016-17. This revision incorporates forecast 2012-13 results, approved 2013-14 tariff assumptions and revised tariff assumptions across the forward estimates period.

Finance

Reinstating the 2012-13 1.5% Reduction in Procurement Expenditure

An amount of \$9.0 million was reinstated in 2012-13 to reverse the implementation of the 2012-13 Procurement Savings Measure from the Department's Works Program Turnover as this project management function is undertaken on behalf of agencies.

State Fleet Savings

A reduction in spending of \$37.8 million from 2012-13 to 2016-17 is expected to be achieved following a review of the State fleet leasing program and is due to an overall reduction in the fleet size and other factors related to a move to smaller more cost effective replacement vehicles, longer lease terms and the extension of existing lease terms.

Taxation Administration Package

Additional staffing costs of \$5.1 million will be incurred from 2013-14 to 2016-17 on measures aimed at increasing revenue collection (by approximately \$450 million over the same period), including additional resources to ensure the timely assessment and collection of revenue, and amendments to legislation to enable the issue of interim assessments on large and complex dutiable transactions.

Refunds of Past Years Taxation Collections

An additional \$103 million was spent in 2012-13 on higher than anticipated taxation refunds, mainly relating to large infrastructure and property transfers recorded in prior years and payroll tax matters, which have been subjects to long-standing legal appeals. Refunds vary throughout the year depending on the timing of resolution of matters in dispute with the Commissioner of State Revenue, including matters under review in the State Administrative Tribunal and the Courts.

Housing Supply Package – First Home Owner Grant

From 15 September 2013 (subject to passage of legislation), the Government will increase the First Home Owner Grant to \$10,000 for first home buyers who purchase or build a new home, and reduce the grant to \$3,000 for purchases of established homes. This measure forms part of the Government's Housing Supply Package, and is estimated to result in approximately 800 first home buyers per annum switching from purchasing established homes to new homes.

MINISTER FOR LOCAL GOVERNMENT; COMMUNITY SERVICES; SENIORS AND VOLUNTEERING; YOUTH

Table 15

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Local Government and Communities					
- Grand Carers Support Scheme	-	0.2	0.5	0.5	0.5
- Seniors Safety and Security	-	1.0	-	-	-
- Cadets WA	-	0.2	0.2	0.2	0.2
- Seniors Recreation	-	0.1	0.1	0.1	0.1
- Program Rationalisation	-	-	-5.9	-5.9	-5.9
- Metropolitan Local Government Reform	-	2.0	-	-	-
- Community Gardens	-	0.1	0.1	0.1	0.1

Local Government and Communities

Grand Carers Support Scheme

A total of \$1.7 million has been allocated from 2013-14 to 2016-17 for the introduction of a Grand Carers Support Scheme to provide financial support to those grandparents who assume full-time responsibility for their grandchildren. This program will be administered by a suitable non-government organisation.

Seniors Safety and Security

An additional \$1.0 million will be spent in 2013-14 on Seniors Card holders' safety and security to provide for the purchase of personal safety alarms, and to provide further assistance for seniors whose homes have been burgled.

Cadets WA

A total of \$691,000 will be spent from 2013-14 to 2016-17 to create an additional six cadet units in identified areas of need, increasing opportunities for young people to develop practical skills, demonstrate citizenship and exercise leadership.

Seniors Recreation

An additional \$280,000 will be allocated from 2013-14 to 2016-17 to the Seniors Recreation Council to support its Healthy Ageing through Activity programs which help seniors keep fit and active.

Metropolitan Local Government Reform

A total of \$2.0 million will be spent in 2013-14 as initial support to metropolitan local governments in planning for the implementation of reform.

Community Gardens

A total of \$400,000 will be spent from 2013-14 to 2016-17 on grants to community groups and local governments to assist with the establishment and ongoing maintenance of community gardens.

MINISTER FOR ENVIRONMENT; HERITAGE

Table 16

POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE 2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Parks and Wildlife					
- Burrup Maitland Industrial Estates Agreement	-0.6	-3.5	-3.5	-2.4	-
- Bushfire Suppression	3.6	-	-	-	-
- Lake Joondalup Bike Path	0.5	-	-	-	-
- Peel-Harvey Estuary	-	0.1	0.1	0.1	0.1
- Program Rationalisation	-	-1.1	-4.5	-4.4	-4.4
- Royalties for Regions – New Kimberley National Parks	-	0.5	1.0	1.0	1.0
- Royalties for Regions – Great Kimberley Marine Park	-	-	3.0	6.0	6.0
- Royalties for Regions – Parks for People	-	0.3	-	-	-
- 2012-13 Temporary Procurement Freeze	-3.4	-	-	-	-
Environment Regulation					
- 2012-13 Temporary Procurement Freeze	-0.8	-	-	-	-
- Program Rationalisation	-	-0.6	-3.1	-2.6	-2.6
Swan River Trust					
- Program Rationalisation	-	-1.0	-	-	-
Botanic Gardens and Parks Authority					
- Program Rationalisation	-	-0.1	-0.1	-0.1	-0.1
- 2012-13 Temporary Procurement Freeze	-0.5	-	-	-	-
Zoological Parks Authority					
- Program Rationalisation	-	-0.2	-0.2	-0.2	-0.2
- 2012-13 Temporary Procurement Freeze	-0.6	-	-	-	-
Heritage Council of Western Australia					
- Program Rationalisation	-	-0.1	-0.1	-0.1	-0.1

Parks and Wildlife

Burrup Maitland Industrial Estates Agreement

Expenditure of \$9.9 million over four years from 2012-13 will be deferred, pending the development of a business case outlining the activities and infrastructure required under the Burrup Maitland Industrial Estates Agreement.

Bushfire Suppression

An additional \$3.6 million was spent in 2012-13 to meet higher costs incurred for significant bushfires in the South West of the State.

Lake Joondalup Bike Path

An amount of \$500,000 was spent in 2012-13 to complete the dual bike path network around Lake Joondalup.

Peel-Harvey Estuary

A total of \$400,000 will be spent over four years from 2013-14 to facilitate the scientific and coordination efforts of the Peel-Harvey Estuary Management Committee.

Royalties for Regions – New Kimberley National Parks

A total of \$3.5 million will be spent over four years from 2013-14 to create new national parks in the Kimberley.

Royalties for Regions – Great Kimberley Marine Park

A total of \$15.0 million will be spent over three years from 2014-15 to create the Great Kimberley Marine Park, which will incorporate the Horizontal Falls, Camden Sound and North Kimberley Marine Parks, and a new marine park to extend to the border of the Northern Territory.

Royalties for Regions – Parks for People

An amount of \$300,000 will be spent in 2013-14 on the maintenance of camping and caravanning facilities in national parks and conservation areas in the State's South West and Mid West regions.

MINISTER FOR EMERGENCY SERVICES; CORRECTIVE SERVICES; VETERANS

Table 17

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Fire and Emergency Services					
- Western Australian Natural Disaster Relief and Recovery Arrangements – Payment of Claims	1.5	-	-	-	-
- Western Australian Natural Disaster Relief and Recovery Arrangements – Expenditure Base	-	3.0	3.0	3.0	3.0
- Bush Fire Suppression	14.4	-	-	-	-
- State Emergency Service Response and Recovery Operations	1.9	-	-	-	-
- Fire Crew Protection	-	2.8	0.3	-	-
- Royalties for Regions – Emergency Rescue Helicopter Service	-	0.3	3.3	4.0	5.0
- Royalties for Regions – Volunteer Fuel Card	-	1.4	1.4	1.4	1.4
- Exmouth Sea Rescue Shed	-	0.7	-	-	-
- Workers Compensation – Presumptive Legislation for Career Firefighters	-	-	0.5	0.5	0.5
- Impact of New Building Legislation	-	0.3	0.3	0.3	0.3
- 2012-13 Temporary Procurement Freeze	-3.7	-	-	-	-
Corrective Services					
- 2012-13 Estimated Outturn	12.0	-	-	-	-
- Banksia Hill Detention Centre Remediation	3.2	-	-	-	-
- Eastern Goldfields Regional Prison – Change to Accounting Treatment	-	-	-1.6	10.1	0.6
- Demand Growth (Daily Average Prisoner Population)	11.9	17.1	22.6	30.1	40.5
- Nurses Enterprise Bargaining Agreement	-	0.8	0.7	0.8	0.8
- Prison Officers Enterprise Bargaining Agreement	0.1	3.3	6.8	10.5	14.5
- Program Rationalisation	-	-1.4	-3.2	-3.2	-3.2
- 2012-13 Temporary Procurement Freeze	-3.0	-	-	-	-
Office of the Inspector of Custodial Services					
- Banksia Hill Detention Centre Inquiry	0.3	0.1	-	-	-

Fire and Emergency Services

Western Australian Natural Disaster Relief and Recovery Arrangements – Payment of Claims

An additional \$1.5 million was spent in 2012-13 to reflect the payment of claims for various costs incurred by Local Government Authorities eligible disasters including tropical cyclones Rusty and Peta, and severe thunderstorms and associated flooding in local government districts within the Great Southern, South West and Goldfields regions.

Western Australian Natural Disaster Relief and Recovery Arrangements – Expenditure Base

An additional \$12.0 million has been allocated from 2013-14 to 2016-17 to meet claims for costs incurred by Local Government Authorities as a result of future eligible disasters.

Bush Fire Suppression

A total of \$14.4 million was spent in 2012-13 by Fire and Rescue Services and volunteer Bush Fire Brigades assisting local government in fire suppression activities in areas, including vacant Crown Land, which are not serviced by career fire and rescue capabilities. Significant incidents outside gazetted fire district boundaries during 2012-13 required the provision of additional resources and demand on volunteers.

State Emergency Service Response and Recovery Operations

In 2012-13 \$1.9 million was spent in responding to emergency incidents including hire of aircraft and other heavy equipment, State Emergency Service (SES) volunteer travel and overtime for incident controllers.

Fire Crew Protection

A total of \$3.1 million will be spent from 2013-14 to 2014-15 to install personal protective fire blankets and radiant heat shield curtains in 981 career and volunteer firefighting appliances operating in a bushfire environment.

Royalties for Regions – Emergency Rescue Helicopter Service

A total of \$12.6 million will be spent from 2013-14 to 2016-17 for the operating costs of a second Emergency Rescue Helicopter located in the South West of the State. This helicopter will expand the emergency rescue service currently provided and ensure faster response times, improved medical rescue and retrieval capability, and enhance existing liaison and back up services with the Western Australia Police and the Australian Maritime Safety Authority.

Royalties for Regions – Volunteer Fuel Card

An additional \$5.6 million will be spent from 2013-14 to 2016-17 for the provision of an annual \$2,000 fuel card to 700 individual volunteer emergency service organisations throughout regional Western Australia.

Exmouth Sea Rescue Shed

A total of \$700,000 will be spent by the Exmouth Volunteer Sea Rescue Group in 2013-14 for the construction of a modern fit-for-purpose operational centre.

Workers Compensation – Presumptive Legislation for Career Firefighters

A total of \$1.5 million has been allocated from 2014-15 to 2016-17, for potential presumptive workers' compensation claims for career firefighters.

Impact of New Building Legislation

An additional \$1.1 million will be spent from 2013-14 to 2016-17, to reflect the costs of interest payments and depreciation associated with increased construction costs for fire stations in Butler, Bunbury, Geraldton and Wangara to enable compliance with new building legislation construction standards.

Corrective Services

2012-13 Estimated Outturn

Expenditure was increased by \$12 million in 2012-13 to reflect the estimated actual outturn for the end of the financial year. The increase is primarily due to overspend on the staff overtime budget as a result of growth in the daily average prisoner population, as well as part of the non-achievement of previous savings measures.

Banksia Hill Detention Centre Remediation

An amount of \$3.2 million was spent in 2012-13, following an incident at the Banksia Hill Detention Centre (Banksia Hill). The increased expenditure comprises the temporary management of juveniles within Hakea Prison, the operational impacts of the incident, including staff overtime, and immediate remediation works to Banksia Hill.

Eastern Goldfields Regional Prison – Change to Accounting Treatment

An adjustment has been made to reflect approved contractual arrangements for the design, construction, financing and maintenance of the new 350-bed Eastern Goldfields Regional Prison to be delivered by the private sector under a Public Private Partnership.

The movement in expenditure of \$9.2 million from 2014-15 to 2016-17 reflects changes to the timing for the commencement of the contract, the recognition of the depreciation of the leased asset facility and post-construction works in 2015-16 to dismantle the old prison.

Demand Growth (Daily Average Prisoner Population)

An additional \$122.3 million will be spent from 2012-13 to 2016-17 to service growth in the daily average prisoner population from 4,950 in 2012-13 to a forecast 5,261 in 2016-17. The increased expenditure reflects the cost of new prison officers and increased overtime, and goods and services required to accommodate the increased prisoner numbers.

Nurses Enterprise Bargaining Agreement

An additional \$3.0 million will be spent to meet pay increases of 14% over three years, under the Department of Health's Nurses Enterprise Bargaining Agreement, for clinical nurses and nursing practitioners employed by the Department of Corrective Services.

Prison Officers Enterprise Bargaining Agreement

An additional \$35.2 million has been allocated to meet the anticipated cost of pay increases totalling 12.75% over three years, commencing 2013-14, under the Department of Corrective Service's Prison Officers Enterprise Bargaining Agreement.

Office of the Inspector of Custodial Services

Banksia Hill Detention Centre Inquiry

A total of \$0.4 million will be spent between 2012-13 and 2013-14 on consultants, printing and editorial expenses, for the Office of the Inspector of Custodial Services to conduct an inquiry into an incident at the Banksia Hill Detention Centre.

PROVISIONS

Table 18

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Provisions					
- Closing the Gap in Indigenous Health Outcomes (Administered)	-	31.8	-	-	-
- Program Evaluation Savings	-	-	-50.0	-50.0	-50.0
- Program Rationalisation – Tariff Migration for Schools	-	-	5.0	5.0	5.0
- Resolution of Native Title in the South West of Western Australia	-	7.7	84.7	87.4	82.8
- Royalties for Regions Underspend Provision	-	-78.6	-84.9	-81.4	-69.6
- Voluntary Separation Scheme	-	100.0	-	-	-

Closing the Gap in Indigenous Health Outcomes (Administered)

A total of \$31.8 million will be spent in 2013-14 to continue the State's commitment to improving health outcomes for Indigenous people under the Closing the Gap program, bringing the Government's total investment in this program to \$149.2 million since 2009. The release of the funds from this provision is subject to the consideration and direction of the Aboriginal Affairs Cabinet Subcommittee.

Program Evaluation Savings

The Government is committed to value for money in service delivery and a newly established Program Evaluation Unit (PEU) within the Department of Treasury will facilitate this through rolling reviews of existing programs and embedding program reviews (through the introduction of 'sunset clauses') for new recurrent programs agreed by Government from January 2014.

Rolling annual reviews will be overseen by a Steering Committee of Directors General, assessing the effectiveness and efficiency of existing program spending and identifying options including program cessation or alternative models of service delivery.

This initiative is targeted to deliver \$50 million per annum in recurrent savings from 2014-15 (and additional net debt savings of \$100 million per annum from 2015-16, for a total savings target of \$350 million over the forward estimates period). The new PEU is being funded from existing resources through internal re-prioritisation within the Department of Treasury.

Program Rationalisation – Tariff Migration for Schools

Beyond 2013-14, Horizon Power will cease the provision of the tariff migration subsidy that is provided to various entities and implement cost-reflective bilateral contracts. However, a \$5.0 million per annum allocation (starting in 2014-15) will be held in a Treasury administered provision to account for the increased cost to schools. This allocation may be released to the Department of Education once the outcome of negotiations with Horizon Power on cost-reflective pricing is complete.

Resolution of Native Title in the South West of Western Australia

This budget reflects the Government's endorsement of the State's offer to the Noongar people to resolve all Native Title claims in the South West of Western Australia, including Perth. A provision has been included for expenditure over 12 years, including \$262.6 million from 2013-14 to 2016-17.

The main components of the offer are:

- the recognition of the Noongar people as the traditional owners of the South West;
- contribution to a perpetual fund for Noongar social, cultural and economic development;
- contribution to an operations fund for the establishment of a Noongar governance structure; and
- establishment of a Land Partnership Fund between the Noongar community and government to meet joint land management and heritage objectives.

Royalties for Regions Underspend Provision

The total Royalties for Regions program includes a 10% underspend provision for unforeseen slippages in this very large program. This allows individual project budgets to total 110% of the approved expenditure limit, while planning for typical underspends due to delays in project approvals, resourcing issues and contractual delays.

Voluntary Separation Scheme

Provisional expenditure of \$100 million has been included in 2013-14 to make voluntary separation offers to government employees under the 2013 voluntary separation scheme. The scheme targets 1,000 voluntary separations, and agencies can utilise the ongoing salary savings to meet their CPI cap on salary expense growth (see following table). The CPI salaries cap forms part of the Government's Fiscal Action Plan (see Chapter 1), and caps the growth in general government agencies' salaries budgets to projected growth in the CPI (unless otherwise approved by Cabinet).

Table 19

IMPACT OF SALARY CAPS ON AGENCY BUDGETS

	2013-14	2014-15	2015-16	2016-17	Total
	\$m	\$m	\$m	\$m	\$m
- Aboriginal Affairs	-0.6	- ^(a)	-1.4	-	-2.1
- Agriculture and Food	-1.1	-6.7	-11.0	-9.3	-28.1
- Attorney General	-0.2	-	-	-	-0.2
- Botanic Gardens an Parks Authority	-2.0	-2.2	-2.2	-2.3	-8.6
- Building and Construction Industry Training Board	-0.1	-0.1	-0.1	-0.1	-0.4
- Burswood Park Board	- ^(a)	- ^(a)	-0.2	-0.2	-0.5
- Central Institute of Technology	-1.5	-1.3	-	-	-2.8
- Challenger Institute of Technology	-1.3	-1.6	-0.8	-0.8	-4.5
- Chemistry Centre (WA)	-0.9	-1.9	-2.5	-2.9	-8.2
- Child Protection and Family Support	-3.7	-2.2	-	-	-5.8
- Commerce	-6.4	-7.4	-6.4	-6.2	-26.3
- Commissioner for Children and Young People	-0.3	-0.3	-0.3	-0.3	-1.1
- Commissioner of Main Roads	-	-	-2.9	-1.9	-4.9
- Corrective Services	-	-	-49.3	-29.2	-78.6
- Corruption and Crime Commission	-0.6	-0.6	-0.8	-1.1	-3.1
- Country High School Hostels Authority	-0.5	-1.4	-1.7	-1.6	-5.2
- Culture and the Arts	-4.7	-2.0	-2.0	-1.9	-10.5
- CY O'Connor Institute	-0.3	-0.6	-0.3	- ^(a)	-1.3
- Disability Services Commission	-6.4	-8.2	-12.1	-12.3	-39.0
- Durack Institute of Technology	-0.6	-1.1	-0.5	-	-2.1
- Economic Regulation Authority	-0.1	-	- ^(a)	-0.2	-0.4
- Education	-	-18.3	-175.1	-89.0	-282.4
- Education Services	-3.1	-3.2	-3.3	-3.5	-13.2
- Environment Regulation	-0.4	- ^(a)	-	-	-0.4
- Equal Opportunity Commission	-0.2	-0.2	-0.2	-0.2	-0.9
- Finance	-	-	-2.3	-3.2	-5.6
- Fire and Emergency Services	-11.1	-11.8	-18.1	-18.5	-59.5
- Fisheries	-	-	-0.5	-	-0.5
- Gascoyne Development Commission	-0.1	-0.1	-0.2	-0.2	-0.6
- Goldfields Institute of Technology	-0.6	-0.7	-0.7	-0.4	-2.3
- Goldfields-Esperance Development Commission	-0.4	-0.3	-0.4	-0.3	-1.4
- Great Southern Development Commission	-0.1	-0.1	- ^(a)	-	-0.2
- Great Southern Institute of Technology	-0.7	-0.8	-1.1	-0.7	-3.3
- Health and Disability Services Complaints Office	-0.1	-0.1	-0.1	-0.1	-0.3
- Heritage Council of Western Australia	-0.1	-0.1	-0.1	-0.1	-0.4
- Independent Market Operator	- ^(a)	-0.1	-0.2	-0.1	-0.4
- Kimberley Development Commission	-0.1	-0.2	-0.2	-0.1	-0.6
- Kimberley Training Institute	-0.6	-2.5	-5.7	-5.3	-14.0
- Land Information Authority	-0.9	-2.3	-5.5	-	-8.7
- Law Reform Commission of Western Australia	-0.2	-0.2	-0.2	-0.2	-0.8
- Legislative Assembly	-	-0.1	-0.2	-1.0	-1.3
- Legislative Council	-0.2	-0.4	-0.7	-0.4	-1.8
- Local Government and Communities	-	-	-0.4	-1.0	-1.4
- Mental Health Commission	-0.1	-1.0	-1.4	-1.4	-3.9
- Mid West Development Commission	-0.4	-0.5	-0.4	-0.1	-1.4
- Minerals and Energy Research Institute of WA	-	-	-	-	- ^(a)
- Mines and Petroleum	-6.0	-4.4	-5.2	-4.2	-19.8
- National Trust of Australia (WA)	- ^(a)	-	-	-	- ^(a)
- Office of the Auditor General	-0.1	-0.2	-0.4	-0.8	-1.5
- Office of the Director of Public Prosecutions	-	-	-	-0.1	-0.1

Table 19 (cont.)

IMPACT OF SALARY CAPS ON AGENCY BUDGETS

	2013-14	2014-15	2015-16	2016-17	Total
	\$m	\$m	\$m	\$m	\$m
- Office of the Information Commissioner	-(a)	-(a)	-(a)	-(a)	-0.1
- Office of the Inspector of Custodial Services	-	-	-(a)	-(a)	-0.1
- Parks and Wildlife	-1.8	-0.1	-	-	-1.9
- Parliamentary Commissioner for Administrative Investigations	-	-0.1	-	-	-0.1
- Parliamentary Inspector of the Corruption and Crime Commission	-(a)	-(a)	-(a)	-(a)	-0.1
- Parliamentary Services	-	-	-	-0.1	-0.1
- Peel Development Commission	-0.4	-0.4	-0.4	-0.4	-1.6
- Pilbara Development Commission	-2.0	-2.1	-2.2	-	-6.2
- Pilbara Institute	-2.3	-1.2	-1.9	-1.5	-6.9
- Polytechnic West	-6.2	-3.9	-1.5	-	-11.5
- Premier and Cabinet	-0.3	-(a)	-1.3	-1.6	-3.3
- Public Sector Commission	-	-	-	-0.6	-0.6
- Racing, Gaming and Liquor	-0.1	-	-	-	-0.1
- Registrar, WA Industrial Relations Commission	-0.7	-0.6	-0.4	-0.5	-2.3
- Salaries and Allowances Tribunal	-(a)	-(a)	-(a)	-(a)	-(a)
- School Curriculum and Standards Authority	-0.3	-0.3	-0.3	-0.6	-1.5
- Small Business Development Corporation	-0.4	-0.4	-0.5	-0.4	-1.7
- South West Development Commission	-0.2	-0.3	-0.5	-0.5	-1.5
- Sport and Recreation	-	-0.1	-0.1	-0.1	-0.3
- State Development	-1.1	-	-	-(a)	-1.2
- Swan River Trust	-0.1	-0.2	-0.5	-0.5	-1.4
- Training and Workforce Development	-0.9	-1.7	-1.7	-2.0	-6.3
- Transport	-2.6	-0.3	-	-	-2.9
- Treasury	-0.1	-0.1	-0.1	-(a)	-0.3
- Trustees of the Public Education Endowment	-(a)	-(a)	-(a)	-(a)	-(a)
- WA Health	-2.4	-23.1	-	-	-25.5
- Water	-1.9	-1.6	-3.2	-5.2	-12.0
- West Coast Institute of Training	-0.8	-1.2	-1.3	-0.8	-4.1
- Western Australia Health Promotion Foundation	-	-0.2	-0.2	-0.3	-0.6
- Western Australia Police	-	-6.7	-16.6	-18.7	-42.0
- Western Australia Sports Centre Trust	-1.9	-1.6	-1.4	-1.1	-6.0
- Western Australia Tourism Commission	-	-0.2	-0.2	-0.4	-0.8
- Western Australian Electoral Commission	-	-	-1.1	-11.5	-12.6
- Western Australian Greyhound Racing Association	-	-	-	-(a)	-(a)
- Western Australian Institute of Sport	-0.8	-1.3	-1.1	-0.2	-3.4
- Western Australian Meat Industry Authority	-(a)	-(a)	-(a)	-(a)	-(a)
- Wheatbelt Development Commission	-	-	-0.1	-0.1	-0.1
- WorkCover WA Authority	-0.2	-0.3	-0.5	-1.3	-2.2
- Zoological Parks Authority	-0.8	-0.8	-0.6	-0.7	-3.0
Total	-85.0	-134.2	-355.1	-250.5	-824.9

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

Asset Investment

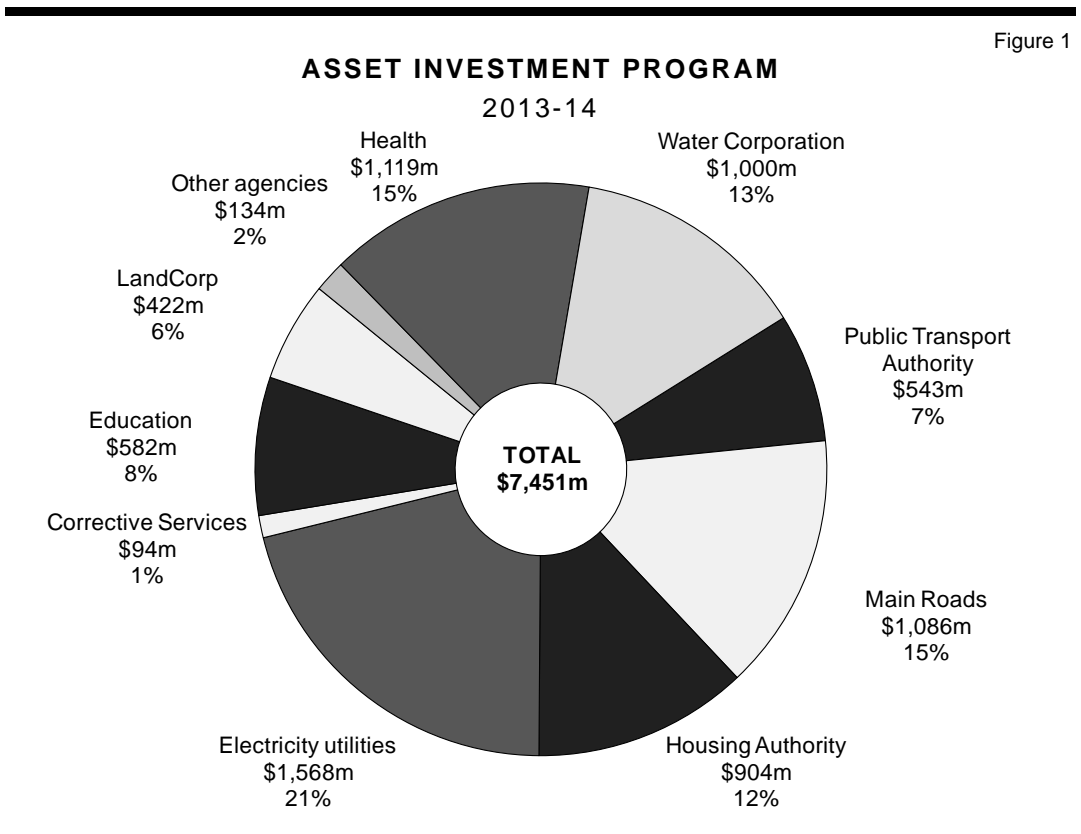
HIGHLIGHTS

- The State's Asset Investment Program (AIP) totals \$7.5 billion in 2013-14, and \$26.9 billion over the four year budget period.
- The AIP focuses on the completion of large infrastructure projects, including major hospital infrastructure, education facilities, electricity and water projects, and the commencement of construction on major transport, sporting and cultural infrastructure.
- New spending on the AIP as part of this budget includes:
 - \$432 million over the forward estimates for the commencement of the MAX Light Rail project (with a total estimated cost of \$1.9 billion and to be completed by the end of 2019);
 - \$174 million over the forward estimates, with \$5 million in 2013-14, to commence the Airport Rail link project (with a total estimated cost of \$2 billion and to be completed by the end of 2019);
 - \$325 million over four years towards the Perth-Darwin National Highway (Reid Highway to Muchea section), to be completed by 2018-19;
 - \$135 million over the period 2013-14 to 2015-16 for the redevelopment of Housing Authority land to increase the public housing stock by 500 new homes;
 - \$118 million over three years from 2014-15 to widen and realign Leach Highway – High Street;
 - \$67 million over four years to expand existing facilities to accommodate increased police resources, including a new police station in Ballajura;
 - \$36 million over three years from 2014-15 to complete installation of electronic speed zone signs at all schools in Western Australia;

- \$20 million over four years on a multi-sport expansion of Joondalup Arena and its surrounding facilities; and
- \$12 million over four years on fire crew protection systems for 667 firefighting vehicles and other appliances that operate in high to extreme bushfire risk environments.
- The subdued revenue outlook has necessitated a review of the Asset Investment Program, which has resulted in revised timeframes for a number of projects and saved \$1 billion over the forward estimates period.

Introduction

The State's AIP (i.e. capital expenditure on fixed assets such as new hospitals, schools, roads and public transport infrastructure) is forecast to total \$26.9 billion over the next four years, including \$7.5 billion in 2013-14. The chart below outlines the composition of the program in 2013-14.



Education

Record growth in student enrolment is driving a strong asset investment program, with four new primary schools and five new high schools commencing construction during 2013-14 to 2016-17. During this period the Department of Education will invest \$1.5 billion in schools infrastructure throughout the State, with an amount of \$582 million to be spent in 2013-14. This includes:

- \$45 million over four years to build the new Kalgoorlie-Boulder Community High School, scheduled to accommodate Year 7 to 10 students for the 2017 school year, with the potential to cater for Years 11 and 12 in the future;
- continued construction of Stage 2 of Dalyellup College at a total cost of \$30 million, due for completion in 2014, and the commencement of construction of Stage 2 of Baldivis Secondary College (\$40 million) and Butler College (\$35 million), which are both due for completion in 2016;
- commencement of construction of Stage 1 of the new Banksia Grove Senior High School, at a total cost of \$45 million, due to open in 2015, with planning for Stage 2 (\$25 million) commencing in 2014-15 with construction scheduled to be completed in 2018;
- commencement of construction on four new primary schools at Golden Bay, Broome North, Lakelands and Smirk Road (Baldivis), all scheduled to open in 2015 at a total cost of \$56 million; and
- commencement of construction on Child and Parent Centres at eight schools in the metropolitan area and two schools in regional areas, all scheduled to open by 2015, with a further six centres to be completed by 2016.

Health

Over the forward estimates period, the Department of Health will spend \$2.7 billion on hospitals and other health infrastructure. In 2013-14, \$1.1 billion will be spent, including the following major projects:

- \$417 million to continue construction of the New Children's Hospital at the Queen Elizabeth II Medical Centre (QEII MC) site. The construction also incorporates the Telethon Institute of Child Health Research as part of the Integrated Research and Education facility;
- \$146 million to continue construction of the new Midland Public Hospital;
- \$108 million to complete construction of the Fiona Stanley Hospital (FSH) project and \$11 million on the State Rehabilitation Service at the FSH site;
- \$29 million for the continued expansion of the Joondalup Health Campus;
- \$14 million for construction of an Inpatient Mental Health Unit at the QEII MC site; and

- the ongoing redevelopment and expansion of country hospitals and medical facilities, including \$66 million for the Busselton Health Campus, \$42 million for projects under the Southern Inland Health Initiative, and \$15 million for the Kalgoorlie Health Campus.

Public Transport

The budget incorporates two major new urban rail projects, with total expenditure of \$606 million over the current forward estimates period.

- Airport Rail Link, with a \$2 billion estimated total cost (including \$174 million over the four year period 2013-14 to 2016-17), involves a spur line from the Midland rail line to the future consolidated Perth Airport terminal, and continuing on to Forrestfield. Three new stations will be built along the Airport Rail link (including 3,000 new parking bays) and 18 new railcars (six three-car sets) will be purchased to service the enhanced rail network. This project is expected to be completed by the end of 2019.
- Metro Area Express (MAX) Light Rail involves the construction of a light rail service connecting Mirrabooka to the Perth Central Business District (CBD) and Victoria Park to the QEIIIMC in Nedlands (via the CBD), and includes the purchase of 25 light rail vehicles. The estimated total cost of the project is \$1.9 billion, including \$432 million over the four year period 2013-14 to 2016-17. This project is expected to be completed by the end of 2019.

Table 1

PRIORITY RAIL PROJECTS								
	ETC	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Airport Rail Link	2,015	5	8	57	104	510	677	654
MAX Light Rail	1,882	5	17	64	346	600	590	260
Total	3,897	10	25	121	450	1,110	1,267	914
<i>of which:</i>								
- State Government Funding	3,397	10	-	96	400	1,060	1,217	614
- Commonwealth Government Funding	500	-	25	25	50	50	50	300

These projects (together with other proposed Nation Building Program 2 works to be carried out in partnership with the Commonwealth) are partly offset by the removal of spending provisions that were identified in the Department of Transport's 2012-13 Budget forecasts.

In addition, the Public Transport Authority's AIP includes capital expenditure of \$1.5 billion over the next four years on improving and expanding Western Australia's existing public transport network. A total of \$543 million will be spent in 2013-14, including:

- \$115 million on the Perth City Link project (total project cost of \$609 million), completing the rail component and commencing the underground bus station component of the project by 2015-16;
- \$67 million on the extension of the Joondalup railway line to Butler (total project cost of \$241 million and completion by 2014-15);
- \$61 million to commence works on the New Perth Stadium Transport project, which is due to be completed by 2017-18 (total project cost of \$359 million);
- \$55 million as part of the \$171 million Grain Freight Stage 1 Re-sleeper program, to be completed by 2013-14;
- \$51 million on the railcar procurement program (total project cost of \$244 million), which will deliver an additional 22 three-car train sets by 2016-17, with the first of these to be delivered in 2013-14;
- \$32 million on the replacement of another 75 buses as part of the Bus Replacement Program, and \$10 million on acquiring a further 20 buses as part of the seven-year \$88 million bus acquisition program, which will deliver 15.2 million additional service kilometres per annum by 2015-16, an increase of 20% from 2012-13;
- \$16 million on land acquisition and the construction of the new Aubin Grove Train Station, to be completed by 2015-16 (total project cost of \$57 million); and
- \$5 million to commence works on the Edgewater Multi-storey Car Park project (total project cost of \$46 million), which will be completed by 2015-16 and provide approximately 1,000 secure car bays at Edgewater Train Station.

Roads

The Main Roads AIP comprises total capital expenditure of \$3.4 billion over four years. Of this, \$1.1 billion will be spent in 2013-14, with almost half of this spending reflected in the following two significant projects that are jointly funded by the Commonwealth and the State:

- \$342 million to continue works associated with the \$1 billion Gateway WA project. Due for completion in 2016-17, Gateway WA will deliver a safer, more efficient network of roads and bridges to the Perth Airport precinct, surrounding businesses and residential areas. The work will also enable better management of road congestion in the area and improve the operational efficiency of the road freight network within the adjoining Kewdale and Forrestfield industrial areas; and
- \$159 million to continue construction of the \$262 million Great Northern Highway realignment at Port Hedland. Due for completion in 2014-15, the project will cater for resource operations (particularly iron ore) and support industries within the region, and facilitate improved access to the Port for heavy vehicles.

Other major roadworks expenditure budgeted for 2013-14 include:

- \$61 million towards maximising the performance of the Kwinana Freeway via the installation of freight management and intelligent transport systems;
- \$61 million for the annual Statewide Safer Roads and Bridges, Black Spot and Urgent Minor Works programs;
- \$46 million to complete the \$120 million Stage 2 upgrade of the Esperance Port Access Corridor on the Coolgardie – Esperance Highway;
- an additional \$43 million for road safety projects funded from the Road Trauma Trust Account, for treatments such as creating roundabouts, bridges and right turn traffic signals to improve road safety outcomes at metropolitan intersections and for treatments such as creating sealed shoulders, installing audible edge lines and wire rope barriers to reduce run-off road crashes in regional areas;
- \$35 million to complete the \$60 million Carnarvon Horticultural Area flood levees project, which will protect fruit and vegetable plantations in the district from the impacts of regular flooding of the Gascoyne River catchment;
- \$34 million to continue the joint Commonwealth/State funded \$40 million reconstruction, realignment and seal widening of an 11km section of the Great Northern Highway between Muchea and Wubin known as the Bindi Bindi Curves;
- \$32 million to construct an additional lane on the Mitchell Freeway northbound from the Graham Farmer Freeway Tunnel merge-point to Hutton Street; and
- \$29 million to kick start the \$844.6 million Perth-Darwin National Highway (Reid Highway to Muchea) project, which will provide an alternate freight route through the Swan Valley to the north and alleviate congestion on the Great Northern Highway in the Swan Valley.

Sporting and Cultural Infrastructure

The Government is making a significant investment of \$1.2 billion over the next four years in social infrastructure for Western Australian families through new sporting and cultural facilities.

This budget includes \$156 million over four years for the development of the New State Museum. With a total cost of \$428 million over eight years, the new Museum facility is expected to be completed in 2019-20.

Representing a total investment of \$1.3 billion over six years, the new Perth Stadium will have a capacity of 60,000 seats and be capable of expanding to 70,000 seats or more, subject to future demand. The Stadium and associated sporting and transport infrastructure will be completed in time for the 2018 AFL season.

Construction of the Western Australian Institute of Sport (WAIS) High Performance Service Centre will continue in 2013-14, with the project to be completed by January 2015. At a total cost of \$32 million, the Centre will be located in the Challenge Stadium precinct, and will provide modern training facilities, recovery areas and office accommodation.

Other sporting projects include:

- \$20 million to be spent over four years from 2013-14 for the expansion of facilities at the Joondalup Arena, with the State Government contributing \$16 million towards the project; and
- completion in 2014-15 of the State Netball Centre at a total cost of \$26.1 million, and the Perth Rectangular Stadium Redevelopment at a total cost of \$95 million.

Housing

The State Government is investing \$904 million in 2013-14 for the provision of social and affordable housing in Western Australia. This includes a commitment of \$249 million for the Affordable Housing Expression of Interest Program, including the 'SharedStart' shared equity program, to secure a range of affordable, entry level properties across the State. Other key investments to support the delivery of social and affordable housing include:

- \$171 million in 2013-14 on residential land acquisition and development to enable the production of up to 2,460 affordable housing lots and to enable the continued delivery of social and affordable housing;
- \$77 million to be spent to commence the implementation of the Public Housing Stock Redevelopment Program. This \$135 million program will result in the redevelopment of 200 sites by the Housing Authority to deliver 500 new affordable homes over the period 2013-14 to 2015-16;
- \$65 million in 2013-14 for the provision of 216 dwellings for people with high needs on the priority social housing waitlist; and

- \$54 million to be spent in 2013-14 for the Royalties for Regions Housing for Workers program.

Law and Order and Community Safety

The 2013-14 Budget contains a number of infrastructure projects that support law and order services, including:

- \$67 million to be invested over four years from 2013-14 to 2016-17 to build a new Police Station in Ballajura as well as to upgrade and expand existing police facilities;
- \$3 million in 2014-15 and 2015-16 for the construction of a hangar, crew accommodation and office facility for the South West Emergency Rescue Helicopter. The helicopter will expand the emergency rescue service currently provided and ensure faster response times, improved medical rescue and retrieval capability, and enhance existing liaison and back up services with the Western Australia Police and the Australian Maritime Safety Authority; and
- \$2 million to be spent in 2013-14 to upgrade systems to improve Western Australia Police's capability to enforce new legislation focused on outlaw motorcycle gangs.

Energy

Investment in energy infrastructure will total \$4.6 billion over the next four years, including \$1.6 billion in 2013-14. Key initiatives include:

- total network expenditure of \$4 billion by Western Power, including:
 - total forecast expenditure of \$1.3 billion to address the highest priority public safety risks, including wood pole management, bushfire mitigation and management of overhead customer service connections;
 - total forecast expenditure of \$503 million expanding network capacity to meet growth and connect new customers. This includes \$296 million in 2013-14 on the Mid West Energy Project that will enable the continued development of the Mid West region, including new mining projects;
 - total forecast maintenance expenditure of \$750 million. This includes \$54 million in 2013-14 allocated to reliability driven asset replacement, including transformers, circuit breakers and surge arrestors; and
 - a provision of \$1.2 billion for allocation to Western Power's customer driven works. This provision recognises the inherent uncertainty of forecasting customer demand requirements and is subject to demonstrating customer driven project commitments.
- investment in the generation portfolio by Verve Energy of \$289 million; and
- investment of \$320 million in regional generation and networks through Horizon Power.

MUJA AB Joint Venture Refurbishment Project

The Government has decided to delay the completion of the Muja AB Refurbishment project, subject to the completion of a technical review of the facility. Accordingly, the State's financial forecasts reflect the following changes since the February 2013 *Pre-election Financial Projections Statement* (PFPS):

- construction costs incurred to 30 June 2013;
- costs associated with a three month postponement of works on the facility;
- incorporation of project financing following the negotiated exit of the joint venture partner from 30 June 2013;
- removal of the remaining project financing upon the sale of 50% of Verve Energy's share in the project during 2014-15;
- completion of the technical review by September 2013 and, on the basis that the project proceeds to completion, inclusion of all remaining construction costs; and
- revenue stream impacts flowing from the above, including capacity credit refunds to Synergy.

The table below reflects the total impact on the State's finances as a result of the Muja AB project (including costs identified in the PFPS).

Table 2

MUJA AB REFURBISHMENT PROJECT
Impact on State Finances ^(a)

	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
General Government Net Operating Balance	-3.6	-18.6	-25.9	-8.8	-10.7
Whole of Government Net Debt	217.4	250.2	77.7	85.8	93.8

(a) Includes capacity credit refunds that Synergy receives due to Muja AB's delay, sale of 50% of the project and cashflows associated with the operation of Muja AB whilst under Verve's sole control. Includes impacts previously disclosed in the PFPS.

Under these assumptions, completion of the Muja AB project delivers a strategic asset that secures fuel diversity and energy security within the South West Interconnected System. Additionally, this asset is expected to generate a positive financial return over its operational life.

Units 3 and 4 have been commissioned and are operating as expected, with units 1 and 2 partially refurbished. Completion of these two units is subject to a technical review that is anticipated to be finalised by September 2013.

Originally, the Muja AB project was forecast to cost \$150 million. This cost was based on a 1 October 2012 completion date.

Following subsequent delays and cost increases, the Muja AB refurbishment is now anticipated to have a total net cost to complete of \$331 million. This includes an estimated \$264 million of infrastructure spending and \$66 million in higher costs associated with commissioning delays¹.

¹ Final split between asset investment expenditure and non-asset investment expenditure may vary subject to the finalisation of Verve Energy's 2012-13 audit processes, review of future accounting treatments and the completion of a technical review.

Operating expenditure of \$130 million to project completion in January 2014 will provide for debt financing, fuel and other related expenses. These costs are expected to be fully offset by revenue from the operation of units 3 and 4.

Anticipated project costs at various points in time are highlighted in the table below.

MUJA AB TOTAL COMPLETION COSTS ^(a)			
Project Cost to Complete	Verve Energy	Private Partner	Total
	\$m	\$m	\$m
Original Forecast	-	150.0	150.0
Pre-Election Financial Statements	102.5	150.0	252.5
2013-14 Budget	330.8	-	330.8

(a) The total project costs to complete the refurbishment do not include Synergy's offsetting capacity credit refunds receipts or the operating expenditure and revenue with the operation of units 3 and 4 since commissioning.

Water

Investment in water and wastewater infrastructure will total \$3.6 billion over the next four years, including \$1 billion in 2013-14. Significant projects include:

- \$268 million in 2013-14 on the Mundaring Water Treatment Plant to deliver a new water treatment plant, pump station and pipelines, providing improved water quality to customers between Mundaring and the Goldfields;
- \$195 million over two years to progress water and wastewater projects in the North West to support the rapid residential, commercial and industrial growth associated with the Pilbara Cities initiative, with substantial contributions from Royalties for Regions;
- \$195 million over four years to continue construction of the East Rockingham Wastewater Treatment Plant, with \$35 million to be spent in 2013-14;
- \$111 million over four years to progress the groundwater replenishment scheme (which entails treating wastewater to near potable levels and re-injecting it back into the aquifer, providing a non-climate dependent water source to the metropolitan area); and
- \$55 million over three years on the State's infill sewerage program, of which \$25 million will be spent in 2013-14.

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 2012-13 *Pre-election Financial Projections Statement* (PFPS) was released in February 2013. These include policy decisions made between the cut-off date for the PFPS (2 February 2013) and the cut-off date for this budget (9 July 2013), 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 tables also include details about the specific changes associated with the review of the AIP that has delivered savings of \$1 billion in capital expenditure over the forward estimates period as part of the Government's Fiscal Action Plan. Some minor rationalisation of capital expenditure programs has also delivered infrastructure savings of \$12.2 million.

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; SCIENCE

Table 4

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Premier and Cabinet					
– Program Rationalisation	-	-0.4	-0.4	-0.3	-0.3
Lotteries Commission					
– Retail Transformation Project	-	4.3	8.0	2.6	-
Gold Corporation					
– Enterprise Resource Planning Software Replacement	-	3.0	2.0	1.0	1.0
– Silver Refining Expansion	-	-	8.0	1.0	1.0
– Other Approved Projects – Cashflow Variations	10.9	2.5	-11.6	0.8	-0.6

Lotteries Commission**Retail Transformation Project**

The Commission will spend \$14.8 million over three years on the Retail Transformation Project, commencing in 2013-14. The project funds the periodic upgrade of shop fittings across the Commission's retail network and the replacement of ageing gaming equipment.

Gold Corporation**Enterprise Resource Planning Software Replacement**

\$7 million is to be spent on replacing the current software the Corporation uses to manage its finances, which is no longer suitable due to extensive growth in both the size and complexity of the Corporation.

Silver Refining Expansion

\$10 million is to be spent on expanding capacity to accommodate an ongoing increase in its silver refining business.

Other Approved Projects – Cashflow Variations

Other variations totalling \$3 million reflect approved cashflow variations to existing projects such as the Silver Blank Production Facility and the installation of a new Vault at the Refinery site.

DEPUTY PREMIER; MINISTER FOR HEALTH; TOURISM

Table 5

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
WA Health					
– Asset Investment Program Review					
▪ Fremantle – Reconfiguration Stage 1	-	-	-	-	-5.5
▪ Osborne Park Hospital – Reconfiguration Stage 1	-	1.5	1.9	-0.4	-16.8
▪ SCGH – Redevelopment Stage 1	-	-6.0	-	-	-16.1
▪ Bentley Hospital Development	-	-	-0.1	-0.2	-4.8
▪ RPH Redevelopment Stage 1	-	-10.0	-	5.0	-108.0
▪ Kalamunda Hospital Redevelopment Stage 2	-	-	-	-	-2.0
▪ Country Staff Accommodation Stage 4	-	-4.0	-3.5	-	-
– Royalties for Regions – North West Health Initiatives	-	1.0	5.0	75.0	80.0
Western Australian Tourism Commission					
– Royalties for Regions – Regional Tourism Marketing Program	1.7	-	-	-	-
Rottnest Island Authority					
– Maintenance and Accommodation Refurbishment	-	3.0	1.0	-	-

WA Health

Asset Investment Program Review

Following the AIP review, a total of \$169 million has been deferred for various capital works projects including the Royal Perth Hospital Redevelopment. A substantial Health infrastructure program remains in place, with a total of \$2.7 billion in asset investment to be undertaken over the forward estimates period, including \$1.1 billion in 2013-14.

Royalties for Regions – North West Health Initiatives

Across the forward estimates, \$161 million will be invested to improve health and aged care facilities in the North West through upgrades and refurbishments to hospitals in the region. The investment will also provide telehealth equipment and dialysis facilities for patients.

Western Australian Tourism Commission

Royalties for Regions – Regional Tourism Marketing Program

An amount of \$1.7 million previously classified as recurrent expenditure has been capitalised in 2012-13 to reflect the production costs of the Tourism Marketing Program advertising campaign.

Rottnest Island Authority

Maintenance and Accommodation Refurbishment

An additional \$4 million will be spent in 2013-14 and 2014-15 to maintain infrastructure to required compliance standards and to refurbish 79 accommodation units.

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

Table 6

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Western Australian Land Authority (LandCorp)					
– Asset Investment Program Review	-	-	-	-	-50.0
– Royalties for Regions - Broome Road Industrial Area	-	14.9	-	-	-
– Royalties for Regions - Karratha City Centre Infrastructure Works Project Stage 2B	-	-	30.0	20.0	30.0
Western Australian Land Information Authority (Landgate)					
– ICT Systems	-1.5	0.9	-1.1	-0.6	-0.1
Regional Development					
– Royalties for Regions - West Kimberley Revitalisation	-	16.0	8.2	-	-

Western Australian Land Authority (LandCorp)

Asset Investment Program Review

LandCorp's 2016-17 AIP has been reviewed and \$50 million of infrastructure spending has been deferred across various projects in the Regional Program. Total infrastructure investment by LandCorp in 2016-17 is still a substantial \$454 million.

Royalties for Regions – Broome Road Industrial Area

A provisional Royalties for Regions allocation of \$14.9 million in 2013-14 has been approved for the development of Phase 1 (125 hectares) of the Broome Road Industrial Area, which will see the creation of 50 lots for general industrial purposes.

Royalties for Regions – Karratha City Centre Infrastructure Works Project Stage 2B

A provisional Royalties for Regions allocation of \$80 million over three years has been approved to progress the Stage 2B Package of Works for the Karratha City Centre Infrastructure Works Project. This project will implement modifications and upgrades to the Karratha City Centre outlined in the Karratha City of the North Master Plan, to facilitate growth, rejuvenation and economic diversification within the existing town centre and ensure the delivery of a development-ready site to enable construction of the Karratha Health Campus.

Western Australian Land Information Authority (Landgate)

ICT Systems

A reassessment of the Authority's level of asset investment required for Information Technology systems and related infrastructure has resulted in a reduction of \$2.4 million over the forward estimates period.

Regional Development

Royalties for Regions – West Kimberley Revitalisation

A total of \$24.2 million will be spent over two years from 2013-14 in the West Kimberley, revitalising centres like Broome, Derby, Fitzroy Crossing and many remote communities.

MINISTER FOR EDUCATION; ABORIGINAL AFFAIRS; ELECTORAL AFFAIRS

Table 7

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Department of Education					
– Royalties for Regions – Kalgoorlie-Boulder Community High School	-	1.0	4.0	-	20.0
– Mount Hawthorn Primary School Upgrade	-	0.5	0.3	-	-
– Denmark College of Agriculture	-	0.7	-	-	-
– Asset Investment Program Review	-	-22.5	-31.0	-38.5	24.5

Department of Education

Royalties for Regions – Kalgoorlie-Boulder Community High School

An additional \$25 million of Royalties for Regions funding will be spent on the new Kalgoorlie-Boulder Community High School to accommodate Year 7 to 10 students for the 2017 school year, with the potential to cater for Years 11 and 12 in the future. Total investment under Royalties for Regions for this project is \$45 million.

Mount Hawthorn Primary School Upgrade

A total of \$750,000 will be spent over 2013-14 and 2014-15 to extend the undercover area at Mount Hawthorn Primary School, as well as resurfacing bitumen areas around the school.

Denmark College of Agriculture

\$700,000 will be spent in 2013-14 to replace the existing Dairy facility at the Denmark College of Agriculture.

Asset Investment Program Review

Various capital works projects with a total value of \$67.5 million have either been deferred or investment reduced over the forward estimates period as a result of the AIP review, resulting in total infrastructure investment by the Department of Education of \$1.5 billion over four years, including \$582 million in 2013-14.

TREASURER; MINISTER FOR TRANSPORT; FISHERIES

Table 8

POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE 2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Fremantle Port Authority					
– Asset Investment Program Review	-	-25.0	-	-	-35.0
Main Roads					
– Asset Investment Program Review	-	-20.6	-49.7	-121.2	-4.2
– Carnarvon Flood Levees	25.0	35.0	-	-	-
– Great Eastern Highway (Bilgoman Road to Mundaring)	-	-	-	8.6	3.4
– Royalties for Regions – Project Adjustments	-	13.0	41.9	34.1	39.3
– Royalties for Regions – Caravan and Camping	-	1.4	1.2	1.2	0.6
– WANDRRA – Payment of Claims	36.2	-	-	-	-
– Nation Building Program 2:					
▪ Great Northern Highway (Muechea to Wubin – Stage 2)	-	-	30.0	80.0	194.8
▪ Leach Highway – High Street (Carrington Street to Stirling Highway)	-	-	5.8	69.8	42.4
▪ North West Coastal Highway (Minilya to Barradale)	-	-	75.0	75.0	40.0
▪ Perth-Darwin National Highway (Tonkin Highway to Muechea)	-	25.3	9.0	57.7	229.3
▪ Tonkin Highway Grade Separation Program	-	-	1.0	5.0	60.0
Public Transport Authority					
– Parking Facilities Program	-	2.0	-	-	-
– Budget Priority Edgewater Multi – Storey Car Park	-	5.2	27.4	13.9	-
– Royalties for Regions – Regional Bus Acquisition	-	3.4	3.5	3.6	3.7
– Asset Investment Program Review	-	-	-	11.6	43.5
Department of Transport					
– Driver and Vehicle Services	-	2.4	-	-	-
– Royalties for Regions – Augusta Boat Harbour	-	9.6	-	-	-
– Royalties for Regions – Broome Boating Facility – Stage 2	-	-	-	15.0	-
– Royalties for Regions – Exmouth Boat Harbour	-	-	18.0	2.0	-
– Asset Investment Program Review	-0.8	-0.5	-0.5	-0.5	-0.5
– Airport Rail	-	5.0	8.0	57.0	104.0
– MAX Light Rail	-	5.0	17.0	64.0	346.0
Dampier Port Authority					
– Port of Ashburton Infrastructure	-	1.0	5.0	12.0	11.0
Esperance Port Authority					
– Berth 2 Container Hardstand	-	-	-	1.3	-
– Iron Ore Shed Ventilation Upgrade	-	-	2.5	-	-

Fremantle Port Authority

Asset Investment Program Review

AIP review savings of \$60 million were identified over the forward estimates period. These savings will be achieved by deferring expenditure on the Kwinana Bulk Jetty Export – Import Infrastructure, Outer Harbour Jetty Upgrade and Replacement, and Kwinana Bulk Terminal Upgrade of Export Infrastructure projects.

Main Roads

Asset Investment Program Review

The Government has made a decision to defer asset investment totalling \$195.7 million from 2013-14 across the following projects:

- Gibb River Road (Derby – Gibb River – Wyndham);
- Mitchell Freeway (Burns Beach Road to Hester Avenue); and
- Reid Highway (Malaga Drive Intersection Grade Separation).

Despite the deferrals, a total of \$212 million will still be spent on the above projects over the budget period, reflecting an on-going commitment to the delivery of these projects.

Carnarvon Flood Levees

Main Roads is managing works associated with construction of flood levees to protect fruit and vegetable plantations in the Carnarvon Horticultural Area. Costing \$60 million over two years and jointly funded by the Commonwealth and State (including \$45 million from Royalties for Regions – Gascoyne Revitalisation), the project will provide increased food security for Western Australian consumers and export markets, by mitigating the devastating impacts caused by regular flooding events in the Gascoyne River catchment area.

Great Eastern Highway (Bilgoman Road to Mundaring)

A total of \$12 million (over two years from 2015-16) will be spent to commence an upgrade of the Great Eastern Highway from Bilgoman Road to Mann Street in Mundaring, including improvements to intersections, street lighting and drainage, removal of roadside hazards, new bus bays and a new shared path between Mann Street and Kintore Road. The upgrade works are estimated to cost \$24 million in total.

Royalties for Regions – Project Adjustments

Increased Royalties for Regions funding has been committed to meet asset investment expenditure totalling \$128.4 million over four years in respect of the following projects:

- Brand Highway (Greenough River Bridge);

- Coalfields Highway (Wellington Dam turnoff and Roelands Hill dual lanes);
- Gibb River Road (Gibb River – Derby – Wyndham);
- Great Eastern Highway Passing Lanes (Southern Cross);
- Marble Bar Road Bridge (Fortescue River Crossing); and
- South Coast Highway (Ravensthorpe Heavy Vehicle Route).

Royalties for Regions – Caravan and Camping

\$5.1 million will be spent over five years (including \$0.6 million in 2017-18) to develop and enhance public caravan and camping infrastructure such as rest areas and refuse disposal points to improve the traveller's experience.

Western Australian Natural Disaster Relief and Recovery Arrangements (WANDRRA) – Payment of Claims

An additional \$36.2 million was provided in 2012-13 to reflect payment of claims in excess of the amount initially advanced for eligible disasters including tropical cyclones Rusty and Peta, and severe thunderstorms and associated flooding in local government districts within the Great Southern, South West and Goldfields regions.

Nation Building Program 2

The following major road infrastructure projects have been jointly funded by the Commonwealth and the State under the Nation Building Program 2 initiative.

- Great Northern Highway (Muchea to Wubin – Stage 2): \$304.8 million over the three years from 2014-15 (with a further \$80 million in 2017-18), with the Commonwealth contributing 80% (\$307.8 million) of the total cost. The project comprises realignment, intersection upgrades, widening and construction of additional overtaking lines.
- Leach Highway – High Street (Carrington Street to Stirling Highway): \$118 million over three years from 2014-15, with the Commonwealth contributing 50% (\$59 million) of the total cost. The project comprises construction of a dual carriageway on High Street, Fremantle between Carrington Street and Stirling Highway on a new alignment south of the existing road.
- North West Coastal Highway (Minilya to Barradale): \$190 million over the three years from 2014-15 (with a further \$27.5 million in 2017-18), with the Commonwealth contributing 80% of the total cost. The project comprises the widening and strengthening of the North West Coastal Highway between Minilya and Barradale, including construction of two bridges over low-level floodway crossings to improve service reliability and reduce road closures.

- Perth-Darwin National Highway (Tonkin Highway to Muchea): \$325 million over the current forward estimates period, out of a total project cost of \$844.6 million, with the Commonwealth contributing 50% (\$418.3 million) of the total cost. The project comprises the construction of a 40km highway from the Reid and Tonkin Highway intersection to Muchea, including upgrades to connecting roads and new interchanges. The project will provide an alternative freight route through the Swan Valley and relieve pressure on the Great Northern Highway in the Swan Valley.
- Tonkin Highway Grade Separation Program: \$66 million over the current forward estimates period, out of a total project cost of \$281 million, with the Commonwealth contributing 50% (\$140.6 million) of the total cost. The project comprises construction of three grade separated intersections on Tonkin Highway at Benara Road, Morley Drive and Collier Road to improve freight movements along Tonkin Highway.

Public Transport Authority

Parking Facilities Program

An amount of \$2 million will be spent to install parking ticket machines at major metropolitan train stations to enable the introduction of paid parking from July 2014.

Edgewater Multi-Storey Car Park

An amount of \$46.5 million will be spent from 2013-14 to 2015-16 for the construction of a multi-storey car park at the Edgewater Train Station, which will provide approximately 1,000 secure car bays.

Royalties for Regions – Regional Bus Acquisition

An amount of \$14.2 million will be spent from the Royalties for Regions program in 2013-14 to 2016-17 for the replacement of buses in regional areas.

Asset Investment Program Review

AIP review savings of \$55.1 million were identified over the forward estimates period. These savings will be achieved by deferring expenditure on the replacement of 32 Central Area Transit Buses, and network and infrastructure upgrades.

Department of Transport

Driver and Vehicle Services

An additional \$2.4 million will be spent to update the Department's Transport Executive and Licensing Information System software to maintain reliability and performance.

Royalties for Regions – Augusta Boat Harbour

An additional \$9.6 million will be spent from the Royalties for Regions program to construct a boat harbour that will provide a sheltered anchorage and deliver improved safety and efficient boating access to the ocean waters.

Royalties for Regions – Broome Boating Facility – Stage 2

An additional amount of \$15 million will be spent in 2015-16 from the Royalties for Regions program for the Broome Boating Facility to construct a major boat launching ramp.

Royalties for Regions – Exmouth Boat Harbour

An additional amount of \$20 million will be spent in 2014-15 and 2015-16 from the Royalties for Regions program for upgrades to the Exmouth Boat Harbour.

Asset Investment Program Review

AIP review savings of \$2.8 million over the forward estimates period will be achieved by a reduction in expenditure on the Maritime Facilities Program.

Airport Rail Link

The Airport Rail link project has a \$2 billion estimated total cost, with \$174 million to be spent over the forward estimates to 2016-17. The project comprises construction of a spur line from the Midland rail line east of Bayswater station to the future consolidated Perth Airport terminal and continuing on to Forrestfield, and includes three new stations, 3,000 new parking bays and the purchase of 18 new railcars (six three-car sets). Construction is expected to be completed by the end of 2019.

MAX Light Rail

The MAX Light Rail project has a \$1.9 billion estimated total cost, with \$432 million to be spent over the forward estimates to 2016-17. The project comprises construction of a light rail service connecting Mirrabooka to the Perth CBD, and Victoria Park to the Queen Elizabeth II Medical Centre in Nedlands (via the CBD), and includes the purchase of 25 light rail vehicles. Construction is expected to be completed by the end of 2019.

The Commonwealth has committed \$500 million over ten years from 2014-15 towards urban rail projects in Western Australia, including \$100 million over the three year period to 2016-17. Commonwealth funding towards the next tranche of public transport improvements for Perth is subject to detailed business cases being put forward for assessment by Infrastructure Australia.

Dampier Port Authority

Port of Ashburton Infrastructure

A total of \$32.4 million will be spent from 2013-14 to 2018-19 on the construction of port infrastructure at the new Port of Ashburton, to service the emerging demand of the liquefied natural gas industry.

Esperance Port Authority

Berth 2 Container Hardstand

Capital expenditure of \$1.3 million scheduled for 2015-16 will facilitate structural enhancements to the existing container hardstand at Berth 2, to more safely cater for an increasing volume and weight of shipping container movements.

Iron Ore Shed Ventilation Upgrade

\$2.5 million will be spent in 2014-15 to upgrade the ventilation of the existing iron ore holding shed to cater for an expected increase in iron ore exports. The upgrade is necessary to address safety issues associated with the uninterrupted extraction of noxious fumes, dust particles and heat from the enclosed shed during ship-loading operations.

MINISTER FOR PLANNING; CULTURE AND THE ARTS

Table 9

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Metropolitan Redevelopment Authority					
– 2013-14 Business Plan	-60.1	61.8	-56.2	18.1	40.6
Western Australian Planning Commission					
– Asset Investment Program Review	-	-	-	-39.4	-44.6
– Fire Suppression Systems Whiteman Park Workshops	-	2.1	-	-	-

Metropolitan Redevelopment Authority

2013-14 Business Plan

The revised AIP for the Authority mainly reflects updated financial forecasts for all of its major projects, including:

- Elizabeth Quay – revised cashflows reflecting the timing of the appointment of contractors and the commencement of development works;
- Perth City Link – development works are being staged to best align with the works undertaken by other project stakeholders;
- Armadale (including Wungong), Midland and Subiaco Redevelopment Areas – current market conditions have resulted in delays to development expenditure; and
- Corporate Expenditure – increased capital spending on Information and Communications Technology, including a Financial Management Information System, Digital Agency Services for the creation of a new website and the refurbishment of the Armadale Office.

Full details of the revised AIP for the Authority are contained in Budget Paper No. 2.

Western Australian Planning Commission

Asset Investment Program Review

AIP review savings of \$84 million over the forward estimates period will be achieved through a reduction in the land acquisition program in 2015-16 and 2016-17.

Fire Suppression Systems Whiteman Park Workshops

An additional amount of \$2.1 million will be spent in 2013-14 for the upgrades of Whiteman Park building fire suppression systems to meet the new Department of Fire and Emergency Services building regulations.

MINISTER FOR POLICE; ROAD SAFETY; SMALL BUSINESS; WOMEN'S INTERESTS

Table 10

POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE 2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Western Australia Police					
– Asset Investment Program Review:					
▪ Cockburn Central Police Station	-2.4	-10.7	-4.3	10.7	6.7
▪ Western Suburbs Police Station	-	-	-5.6	-8.9	-1.8
– Criminal Organisations Control Bill	-	2.0	-	-	-
– Increased Police Resources	-	7.0	20.0	20.0	20.0
– Rapid Justice Initiative	-	-	0.1	-	-
Main Roads					
– Road Trauma Trust Account – Metropolitan Intersection Crashes	-	12.1	-	-	-
– Road Trauma Trust Account – Regional and Remote Road Improvements	-	31.3	-	-	-
– Road Trauma Trust Account – LED School Lights	-	-	12.0	12.0	12.0

Western Australia Police

Asset Investment Program Review

The Cockburn Central Police Station and the Western Suburbs Police Station have been deferred by two years, which will facilitate integrated planning of capital works associated with increased police numbers. Construction of the police stations is now scheduled to commence in 2014-15 and 2016-17 respectively.

Criminal Organisations Control Bill

An amount of \$2 million will be spent in 2013-14 to deliver system upgrades which will assist enabling Western Australia Police's capability to enforce new legislation targeting outlaw motorcycle gangs.

Increased Police Resources

An additional \$67 million will be spent from 2013-14 to 2016-17 to build a new Police Station in Ballajura and expand existing facilities to accommodate increased police resources.

Rapid Justice Initiative

\$70,000 will be invested by the Western Australia Police on the establishment of video link technology in regional police stations as part of a wider strategy to implement a more responsive and effective police service.

Main Roads

Road Trauma Trust Account – Metropolitan Intersection Crashes

\$12.1 million will be spent in 2013-14 to improve road safety outcomes at priority metropolitan intersections by installing a range of safety treatments, including roundabouts, bridges and fully controlled right turn traffic signals. Intersection crashes account for 44% of all road fatalities and serious injuries in the metropolitan area.

Road Trauma Trust Account – Regional and Remote Road Improvements

\$31.3 million will be spent in 2013-14 to improve safety outcomes from regional run-off road crashes, by sealing road shoulders, installing audible edge lines and wire rope barriers, and clearing roadside hazards at high risk locations. Priority roads are identified based on the density of single vehicle crashes per kilometre, with priority 1 allocated to regional road sections recording more than five times the average crash density, and priority 2 recording between three and five times the average.

Road Trauma Trust Account – LED School Lights

Commencing in 2014-15, \$36 million over three years will be spent to complete installation of electronic speed zone signs at all schools in Western Australia with a 40kmh zone.

MINISTER FOR TRAINING AND WORKFORCE DEVELOPMENT; WATER; FORESTRY

Table 11

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Training and Workforce Development					
– Program Rationalisation	-3.5	-5.5	-	-	-
Water					
– Program Rationalisation	-	-1.0	-0.5	-0.3	-0.1
Water Corporation					
– Revision to Base Asset Investment Program	-	-16.6	-5.7	54.4	-76.5
– 2011-12 Developers' Contributions	-9.9	-	-	-	-
– Funding of the Onslow Wastewater Treatment Plant	-	13.1	-	-	-
– Asset Investment Program Review	-	-44.3	-19.6	-37.4	7.5

Water Corporation

Revision to Base Asset Investment Program

The Water Corporation has revised its base AIP, adjusting the base established in 2012-13 with growth and price escalation each year. This has led to a \$44 million decrease in the value of the Water Corporation's AIP across the forward estimates period.

2011-12 Developers' Contributions

The Water Corporation's forecast contributions from land developers for 2011-12 were \$9.9 million in excess of the actual contributions received. The value of the asset investment plan in 2012-13 was reduced to reflect the actual contribution received in 2011-12.

Funding of the Onslow Wastewater Treatment Plant

The Water Corporation's asset investment plan has increased by \$13.1 million due to partial funding of an upgrade to the Onslow Wastewater Treatment Plant being provided through the Wheatstone project.

Asset Investment Program Review

Savings totalling \$93.8 million across the forward estimates period have been applied to the Water Corporation's AIP. Total investment on water infrastructure and assets will still exceed \$3.6 billion over the next four years, including \$1 billion in 2013-14.

MINISTER FOR MENTAL HEALTH; DISABILITY SERVICES; CHILD PROTECTION

Table 12

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Child Protection					
– Domestic Violence Accommodation	-	2.0	-	-	-

Child Protection

Domestic Violence Accommodation

A total of \$2 million will be spent in 2013-14 on a new six unit family refuge in the metropolitan area, providing refuge for women and children fleeing domestic violence.

ATTORNEY GENERAL; COMMERCE

Table 13

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Commerce					
– Information and Communications Technology and Asset Replacement	-	3.5	-	-	0.9

Commerce

Information and Communications Technology and Asset Replacement

An additional \$4.3 million will be spent in 2013-14 and 2016-17 to complete several essential asset programs. The programs include upgrades and improvements to several core Information Communication Technology systems as well as asset replacement.

MINISTER FOR MINES AND PETROLEUM; HOUSING

Table 14

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Housing Authority					
– Asset Investment Program Review	-	-	-	-	-30.9
– Affordable Housing Program including ‘SharedStart’ Scheme	-230.0	-	-	-	-
– Asset Investment Program Review – Royalties for Regions Program Reprioritisation	-	-34.0	-35.5	-36.9	20.0
– Public Housing Lot Development	-	77.0	57.5	-	-
– Land Acquisition and Development – Continuity of Land Supply	56.3	-	-	-	-
– Royalties for Regions – Housing for Workers Revised Scope	-35.0	34.0	35.0	35.0	35.0
– Royalties for Regions – Kimberley Transitional Housing Project	-	17.0	16.9	-	-
– South Hedland Trainee Apprentice Hostel	2.0	8.0	1.0	-	-

Housing Authority

Asset Investment Program Review

Land acquisition and development spending with a value of \$30.9 million has been deferred from 2016-17 as a result of the AIP review.

Affordable Housing Program including ‘SharedStart’ Scheme

Due to lower than expected property development activity and associated sales revenues in the Housing Authority’s Affordable Housing program in 2012-13, spending on property development under the SharedStart scheme was reduced accordingly.

Asset Investment Program Review – Royalties for Regions Program Reprioritisation

Following the AIP review, spending on various projects funded from Royalties for Regions has been revised down by \$86.4 million, reflecting schedule and other timing changes.

Public Housing Lot Development

An additional \$134.5 million will be spent over two years from 2013-14 to redevelop 200 large public housing sites to deliver 500 new affordable homes.

Land Acquisition and Development – Continuity of Land Supply

An additional \$56.3 million was spent in 2012-13 on the acquisition of land to maintain continuity in the Authority's supply of affordable land and housing.

Royalties for Regions – Housing for Workers Revised Scope

The scope of the Royalties for Regions Housing for Workers program from 2012-13 to 2016-17 has been revised by an additional \$105 million taking the total spending on the program up to \$54 million in 2013-14 and \$55 million per annum from 2014-15 to 2016-17. The program provides affordable housing to workers that include, but is not limited to, skilled and semi-skilled workers employed in childcare, education, emergency services, healthcare, hospitality, retail, trades and manufacturing, and government employees.

Royalties for Regions – Kimberley Transitional Housing Project

An amount of \$33.9 million will be spent over two years from 2013-14 to deliver up to 60 new houses in Broome and Derby, to facilitate the transition of Aboriginal tenants from public housing to independent housing options and promote economic and education outcomes.

South Hedland Trainee Apprentice Hostel

An additional \$11 million over three years from 2012-13 will be spent on the construction of the South Hedland Trainee Apprentice Hostel, to provide accommodation for Aboriginal trainees and apprentices.

MINISTER FOR SPORT AND RECREATION; RACING AND GAMING

Table 15

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Western Australian Sports Centre Trust					
– Joondalup Arena	-	1.0	6.0	7.0	6.0

Western Australian Sports Centre Trust

Joondalup Arena

An amount of \$20 million will be spent from 2013-14 to 2016-17 on a multi-sport expansion of Joondalup Arena and its surrounding facilities, including a new basketball centre and new clubrooms for the West Perth Football Club. The expansion project includes \$16 million State funding and a \$4 million contribution from the City of Joondalup.

MINISTER FOR AGRICULTURE AND FOOD

Table 16

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Agriculture and Food					
– Asset Investment Program Review	-	-	-8.6	-10.0	-65.6

Agriculture and Food

Asset Investment Program Review

Commencement of construction of the Department's new headquarters has been deferred for two years. The project will now commence in 2016-17, with expenditure of \$8.6 million in that year, and is due to be completed in 2020 (with a total project cost of \$234 million).

MINISTER FOR ENERGY; FINANCE; CITIZENSHIP AND MULTICULTURAL INTERESTS

Table 17

POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE 2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Independent Market Operator					
– Wholesale Electricity Market System	-	2.4	1.6	1.3	-
Horizon Power					
– Asset Investment Program Review	-	-3.8	-1.1	-0.9	-0.8
Western Power					
– System Management	1.6	-	-	-	1.6
– State Underground Power Program	-	-	20.0	20.0	20.0
Verve					
– Asset Investment Program Review	-	-1.4	-1.3	-1.3	-26.7
– Muja AB Refurbishment	110.5	36.0	-	-	-
Finance					
– State Fleet Savings	-24.0	-30.0	-36.1	-42.5	-43.5

Independent Market Operator

Wholesale Electricity Market System

Additional capital expenditure totalling \$5.3 million will be incurred between 2013-14 and 2015-16. This will allow the continued maintenance and improvement of the Wholesale Electricity Market (WEM) systems to enhance market transparency. Additionally it will facilitate the development and implementation of integrated compliance and monitoring tools in the WEM Systems.

Horizon Power

Asset Investment Program Review

The Government has reduced Horizon Power's AIP by \$6.5 million over the period 2013-14 to 2016-17 with the Corporation to apply the savings to yet to be identified low priority projects. Horizon Power's AIP infrastructure investment is still projected to total \$320 million over the budget period.

Western Power

System Management

Additional capital expenditure of \$1.6 million was incurred in 2012-13 and a further \$1.6 million will be incurred in 2016-17 on Western Power's system management functions. Western Power's system management has responsibility for ensuring that electricity supply and demand are in balance on the network and supports the operation of the Wholesale Electricity Market.

State Underground Power Program

The Government will spend an additional \$20 million per year on the State Underground Power Program (SUPP) from 2014-15 to 2016-17. This expenditure will complete Round 5 and start Round 6 of the SUPP. The benefits of the SUPP include improved reliability and security of electricity supply for consumers, enhanced streetscapes and visual amenity, reduced street tree maintenance costs for local governments, improved street lighting and community safety, reduced maintenance costs for Western Power and increased property values.

Verve Energy

Asset Investment Program Review

Asset investment, primarily in low priority areas and unallocated renewable energy project provisions, will be reduced by \$30.7 million over the period 2013-14 to 2016-17. Nevertheless, infrastructure investment by Verve Energy is projected to total \$289.4 million over the budget period.

Muja AB Refurbishment

Consolidation with government ownership (via Verve Energy) of the Muja AB joint venture alters the accounting treatment of investments that have been made into the refurbishment project by Verve Energy and its former joint venture partner. Now that Verve Energy has complete control of the Muja AB refurbishment project, expenditure of \$146.5 million over 2012-13 and 2013-14 associated with capital improvements of the facility will be recognised in Verve Energy's AIP rather than as a financial investment into the joint venture.

Finance

State Fleet Savings

Total savings of \$176.1 million from 2012-13 to 2016-17 are expected to be achieved following a review of the State Fleet leasing program, which is expected to deliver the savings through an overall reduction in the fleet size, a move to smaller more cost effective replacement vehicles, and the disposal of vehicles without further pre-sale detailing.

MINISTER FOR ENVIRONMENT; HERITAGE

Table 18

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Parks and Wildlife					
– Royalties for Regions – Caravan and Camping Program	-	2.3	5.0	4.3	3.3
– Royalties for Regions – Parks for People	-	-	2.0	2.0	2.0
– Yellagonga Regional Park	0.2	-	-	-	-

Parks and Wildlife

Royalties for Regions – Caravan and Camping Program

A total of \$14.8 million will be spent over four years from 2013-14 to create up to 300 new camping bays in national parks and conservation areas that are managed by the Department. These camp ground upgrades will provide visitors with more options and increased capacity at high demand parks.

Royalties for Regions – Parks for People

A total of \$6 million will be spent over three years from 2014-15 to build more low cost camping and caravanning facilities in national parks and conservation areas in the State's South West and Mid West regions.

Yellagonga Regional Park

An amount of \$150,000 was provided in 2012-13 to install new picnic tables and park benches in the Yellagonga Regional Park.

MINISTER FOR EMERGENCY SERVICES; CORRECTIVE SERVICES; VETERANS

Table 19

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Fire and Emergency Services					
– Royalties for Regions – Fire Crew Protection	-	3.5	3.7	2.5	2.6
– Royalties for Regions – Emergency Rescue Helicopter Service	-	-	1.7	1.0	-
– Impact of New Building Legislation	-	3.5	-	-	-
Corrective Services					
– Asset Investment Program Review	-	-	-	-2.2	-2.3
– Banksia Hill Detention Centre Remediation	0.9	-	-	-	-
– Eastern Goldfields Regional Prison Project – Change to Accounting Treatment	-76.2	-73.5	-59.3	-19.2	-

Fire and Emergency Services

Royalties for Regions – Fire Crew Protection

A total of \$12.3 million will be expended over four years, commencing in 2013-14, on the installation of a comprehensive fire crew protection system to 667 firefighting vehicles and other appliances that operate in a high to extreme bushfire risk environment. Installation of the system provides a survivable environment for the crew in the event of a bushfire burnover.

Royalties for Regions – Emergency Rescue Helicopter Service

A total of \$2.7 million will be spent in 2014-15 and 2015-16 for the construction of a hangar, crew accommodation and office facility for the South West Emergency Rescue Helicopter. The second helicopter will expand the emergency rescue service currently provided and ensure faster response times, improved medical rescue and retrieval capability, and enhance existing liaison and back up services with the Western Australia Police and the Australian Maritime Safety Authority.

Impact of New Building Legislation

An additional \$3.5 million will be spent in 2013-14 to reflect the increased costs of construction for fire stations in Butler, Bunbury, Geraldton and Wangara to enable compliance with new building legislation construction standards.

Corrective Services

Asset Investment Program Review

A total of \$4.5 million has been removed from the Department of Corrective Services' (DCS) capital works project to upgrade and replace infrastructure and systems within prisoner facilities, reducing total expenditure on the project from \$17.9 million to \$13.4 million between 2013-14 and 2016-17.

Banksia Hill Detention Centre Remediation

Additional expenditure of \$0.9 million was spent in 2012-13 on improvements to security at the Banksia Hill Detention Centre. This is in addition to the \$0.4 million repairs to existing infrastructure following damage by juvenile detainees in January 2013.

Eastern Goldfields Regional Prison Project – Change to Accounting Treatment

Asset investment spending by the DCS totalling \$228.2 million has been removed from the forward estimates to reflect approved contractual arrangements for the design, construction, financing and maintenance of the new 350-bed Eastern Goldfields Regional Prison to be delivered by a Public Private Partnership.

The reduction in asset investment spending has been partially offset by the recognition of the State's lease liability for the design and construction of the new prison and payment for facilities maintenance services over the 25-year operating term of the contract.

PROVISIONS

Table 20

**POLICY DECISIONS AND OTHER MAJOR CHANGES SINCE
2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Provisions					
– Royalties for Regions - Underspend Provision	-	-65.2	-51.9	-53.5	-45.3

Royalties for Regions – Underspend Provision

The total Royalties for Regions program includes a 10% provision for unforeseen slippages that typically emerge in this very large program (including issues such as delays in project approvals, resourcing issues and contractual delays). Over the period 2008-09 to 2010-11, the average underspend for the total Royalties for Regions program was 49.8%. In 2012-13, the underspend was 4.7%.

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 in 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 fund is dedicated to expenditure in the State's regional areas on infrastructure and community services.

In 2013-14, an amount of \$1.5 billion will be appropriated into the fund. Estimated expenditure of these funds in 2013-14 is \$1.3 billion (up from nearly \$1.1 billion in 2012-13). In line with the Government's decision in the 2012-13 Budget to establish the Western Australian Future Fund, an amount of \$263 million will be transferred from the Royalties for Regions Fund into the Future Fund in 2013-14 (in addition to the \$298 million transferred in 2012-13).

Government priority commitments in 2013-14 provide for some change in direction to Royalties for Region investment, with greater emphasis on underlying economic inputs which improve regional competitiveness. This will deliver new opportunities which expand regional industries and business.

Increasingly, the investment of funds under the Royalties for Regions program is consistent with the whole-of-government State Planning and Development Framework, including alignment to the State Planning Strategy, Regional Development Commission Regional Blueprints and local government planning.

Key Initiatives

A major component of the Royalties for Regions program in 2013-14 is the delivery of major infrastructure projects while ensuring economic development of regional communities. This year's initiatives are in the key areas of agriculture, regional health, education, tourism, community support services, business development and transport. Other major Government priority commitments include funding opportunities in the West Kimberley Revitalisation, Goldfields Esperance Revitalisation and the North West Health Initiative.

Seizing the Opportunity Agriculture

This program will focus on capturing the opportunities that exist for Western Australian agriculture to capitalise on the economic growth of Asia and the desire of Asian countries to ensure their food security. Achieving this goal will require focussed research and development, expert skills and above all, significant investment. A total of \$300 million will be invested in agriculture over five years, commencing with \$16 million in 2013-14, to ensure the sector can undergo transformation, creating growth and prosperity in regional communities. Key areas include agricultural research and development, land and water, infrastructure investment and trade and skills development.

The program is made up of new and continuing projects such as Western Australia's Biosecurity Defence, Water for Food Initiative, Agricultural Research and Development Fund, Food Centres, 'Buy West Eat Best' and the Gascoyne Food Bowl.

West Kimberley Revitalisation

The West Kimberley Revitalisation initiative has been allocated \$133 million over the forward estimates, with \$50 million in 2013-14. Projects include the Kimberley Housing Indigenous Prosperity project (which will provide transitional housing for Indigenous families), Broome Boating Facility, Broome Road Industrial Area and the Chinatown redevelopment to reinvigorate the Broome central business district.

Goldfields Esperance Revitalisation

The Goldfields Esperance Revitalisation initiative has been allocated \$186 million over the forward estimates, with \$5 million in 2013-14. Projects allocated funding include the Goldfields Arts Centre (which has a commitment of \$6 million over three years to assist with an upgrade and additional operational funding), the Kalgoorlie-Boulder Community High School (which has \$45 million allocated over four years to support stage one of the school's redevelopment starting in 2013-14) and \$38 million across the forward estimates to support the construction of 15 overtaking lanes on the Great Eastern Highway between Southern Cross and Kalgoorlie.

Health

Investment in improving health outcomes in regional Western Australia will continue, with an allocation of \$144 million in 2013-14 towards priority projects and initiatives.

The North West Health Initiative is a new commitment of \$161 million over the forward estimates, commencing with an allocation of \$1 million in 2013-14. The initiative aims to improve health and aged care facilities in key towns across the North West. A number of hospitals and nursing posts will be upgraded and refurbished. Newman, Tom Price, Onslow and Roebourne Hospitals and the Paraburdoo Nursing Post will receive funding to improve services and provide residents with better quality health care.

Other new health initiatives include:

- Wheatbelt Renal Dialysis – \$3.5 million from 2013-14 to 2016-17, with \$500,000 in 2013-14 to allow dialysis patients to receive treatment in their home or community. This complements the Regional Dialysis Service Expansion which has \$7 million allocated across the forward estimates period, with \$300,000 in 2013-14;
- Fitzroy Kids Health – \$400,000 over four years for research into foetal alcohol spectrum disorder in the Fitzroy area;
- Regional Telehealth – \$8 million from 2013-14 to 2016-17, with \$500,000 in 2013-14 for greater access to quality healthcare for residents in the Eastern Goldfields;
- Regional Palliative Care – \$4 million from 2013-14 to 2016-17, with \$500,000 in 2013-14 to help patients transition from acute care services to palliative care services. This improves the comfort and quality of life for patients with a life-limiting illness; and
- Ear Health – \$6 million from 2013-14 to 2016-17 to screen children living in remote Indigenous communities for ear disease and to help manage treatment.

Continuing support is also provided to the following health initiatives:

- Southern Inland Health Initiative – \$72 million has been allocated in 2013-14 with a further commitment of \$522 million over the forward estimates to continue the roll out of the initiative;
- Regional Hospital and Health Campus upgrades – \$34 million has been allocated in 2013-14 with a further commitment of \$449 million over the forward estimates to upgrade hospitals and health campuses including Busselton Health Campus, Carnarvon Health Campus, Karratha Health Campus, Esperance Health Campus and Exmouth Multipurpose Service;
- Patient Assisted Travel Scheme – \$10 million will be expended in 2013-14 for continuation of the Scheme;
- Rural Generalist (Practice) Pathways – \$2 million has been allocated in 2013-14 for the continuation of the program, which supports the training of junior doctors in regional areas;
- St John Ambulance Services – \$8 million has been allocated in 2013-14 to continue support of St John Ambulance Services in regional locations;

- Royal Flying Doctor Service – \$5 million has been allocated in 2013-14 to continue the support of the service; and
- Regional Men’s Health – \$1 million has been allocated in 2013-14 to further support the program.

Community Support Services

There are a number of new Government priority commitments that have been initiated. These include:

- Volunteer Fuel Card – to supply all volunteer emergency service groups in regional Western Australia with a \$2,000 fuel card on an annual basis, in acknowledgement of their work in supporting regional communities. A total of \$6 million is allocated to the program from 2013-14 to 2016-17;
- Regional Police Incentives – a total of \$10 million is allocated over the forward estimates, with \$2.5 million allocated in 2013-14, to provide incentives that will support the placement of Police staff in difficult to recruit regional locations;
- Emergency Services Helicopter – a commitment of \$15 million over the forward estimates for a second emergency rescue helicopter to service the communities of the South West and Great Southern; and
- Fire Crew Protection – \$12 million over the forward estimates commencing with \$4 million in 2013-14 to improve fire crew protection systems for vehicles that operate in a high to extreme bushfire risk environment.

Continuing support will be provided with Regional Workers Incentives worth \$227 million from 2013-14 to 2016-17. Improvements to existing district allowance payments aim to attract and retain public sector workers in the regions who provide essential government services.

Education

The Regional Schools Plan is supporting the provision of capital works and infrastructure projects at schools across regional Western Australia, and has \$42 million allocated in 2013-14.

The Regional Skills and Training Initiative will receive \$85.5 million in 2013-14 to continue improving access to trade training in regional areas of the State.

Other education projects to receive funding in 2013-14 include \$25 million for the relocation of Year 7 students to secondary settings and \$8 million for residential college upgrades.

Sport and Recreation

The Supporting Community Sport Program has a commitment of \$2 million over a four year period, commencing with \$500,000 allocated in 2013-14. The program aims to provide financial support for promising athletes, aged 13-21 living in remote areas, who are required to travel for regional, state, or national representation. It also provides direct assistance through one-off grants to help with the cost of shared equipment of clubs in regional Western Australia.

Royalties for Regions funding will now support the Community Sporting and Recreation Facilities Fund with \$11 million allocated in 2013-14 and \$31 million provided over the forward estimates to enhance regional sporting facilities.

Business Development

Royalties for Regions funding of \$8 million will be used from 2014-15 to 2016-17 to fund regionally based Small Business Centres. The Small Business Centre Program provides operational grants to 20 regionally based non-government, not-for-profit organisations that are community owned and managed to deliver tailored services to local business.

The Regional Buy Local Initiative is a new program of \$10 million across the forward estimates, commencing in 2013-14. This program plans to boost the capacity of regional small businesses and industry in regional Western Australia to prosper and develop into the future.

Transport

A number of road based projects have been funded through the Royalties for Regions Fund. These include:

- the construction of a new bridge on the Brand Highway over the Greenough River to replace the existing bridge and the realignment of the S-bend that will improve flood mitigation and safety deficiencies. Royalties for Regions will contribute \$8.5 million towards the cost of this project;
- the South Coast Highway project will include the construction of a heavy vehicle bypass around Ravensthorpe to improve efficiencies and cost savings for heavy transport operators, to provide safer truck journeys and eliminate 'stall' risk. Royalties for Regions will contribute \$14.5 million towards the cost of this project;
- construction of additional overtaking lanes and improvements to the Coalfields Highway has an allocation of \$28 million over the forward estimates; and
- improvements to the Gibb River Road, with an allocation of \$7 million over three years from 2014-15.

In addition to the road projects an allocation of \$14 million will be provided to purchase buses for regional routes.

Tourism

The Caravan and Camping and Parks for People programs will expand the number of low-cost recreational camping and caravanning facilities for families. With a total commitment for both programs of \$41 million, \$5 million is budgeted for 2013-14. The programs will stimulate economic benefits for regional communities by increasing the number of comfortable and affordable visitor facilities across Western Australia's diverse regions.

The Regional Events Program will continue to bring exciting activities to regional Western Australia, with \$11 million allocated in 2013-14.

The creation of one of Australia's largest national parks, the new Kimberley National Park, stretching from Walcott Inlet in the south to the Lawley River in the north, has been allocated \$3 million over the forward estimates. It will provide the highest level of protection to the internationally recognised environment, rock art and cultural values. In addition, \$15 million from 2014-15 will be provided for the North Kimberley Marine Park to expand the marine park network to the Western Australian-Northern Territory border.

The Regional Visitor Centre program has been allocated \$3 million for 2014-15 to 2016-17 to support the continued development of the Visitor Centre Network in regional areas and broaden the appeal of regional tourism.

Regional Centres Development Plan

Funding of \$16 million over the forward estimates, commencing with \$1 million in 2013-14, has been provided to support the continuation and expansion of the Regional Centres Development Plan (RCDP). The RCDP was initiated through the SuperTowns program that enabled towns in the southern half of Western Australia to prepare Growth Plans and invest in the delivery of projects that stimulate growth.

The RCDP will develop Growth Plans to assist regional centres to enhance economic, business and social outcomes and allow regional centres to attract new residents and investment. The plans will provide a strategic context for consideration of future funding through Royalties for Regions.

Pilbara Cities Initiative

Funding of the Pilbara Cities Initiative continues with over \$1 billion allocated across the forward estimates and \$315 million in 2013-14 for major strategic infrastructure projects across the Pilbara region. Projects include transforming Karratha and Port Hedland into cities and the revitalisation of Newman and Tom Price town centres.

In 2013-14, Pilbara Cities Strategic Infrastructure has an allocation of \$269 million that includes the continuation of the Karratha City Centre project Stage 1 road realignment/construction works. These works aim to provide an improved integrated and functional network that ensures the safe movement of vehicles, pedestrians and cyclists. Stage 2 (\$81 million) will also commence in 2013-14 and includes the creation of key sites for development and public infrastructure.

Aboriginal Initiatives

Royalties for Regions continues to provide funding for initiatives that improve outcomes and support Aboriginal economic development and participation with an allocation of \$267 million across the forward estimates and \$92 million in 2013-14. Initiatives include improvements to infrastructure through the Remote Area Essential Services Program, Remote Indigenous Health Clinic upgrades and development of Indigenous Visitor Hostels. Continuing funding is also provided towards the Aboriginal Justice program, Clontarf Colleges and the Northwest Drug and Alcohol Support Program.

Other Initiatives

The Country Local Government Fund has seen the implementation of over 1,500 individual town based projects. The funds helped local shires catch up with a number of projects needed to improve the appeal of rural towns and helped to revitalise communities. Funding of \$29 million in 2013-14 and \$35 million in 2014-15 for regional country local government groupings and individuals is provided to finalise projects. Future funding for projects will be possible through programs aligned with the Regional Centres Development Plan, the Regional Development Commissions Regional Blueprints and the whole-of-government State Planning and Development Framework.

The funding of the Exploration Incentive Scheme continues with \$24 million allocated for 2013-14 and a further \$10 million per year across the forward estimates.

The Regional Arts Centre Sustainability initiative commences in 2014-15 with funding of \$24 million over the forward estimates to provide support for the on-going development of regional arts centres.

The Community Pool Revitalisation begins in 2015-16 and aims to provide all regional local governments that have a public pool with an annual grant of up to \$30,000 per aquatic centre for maintenance and upgrading at an anticipated annual cost of \$3 million.

The Country Age Pension Fuel Card Scheme was established in 2009 to assist country income support pensioners who are reliant on private vehicle travel to access social services. The State Government will increase the value of the individual fuel cards from \$500 to \$550 and then annually index the value of the fuel card in accordance with the CPI. This amounts to an extra \$44 million over the forward estimates.

The Exmouth Boat Harbour project will deliver the next stage of Department of Transport upgrades at the harbour. The project involves the design and construction of a 130 metre service wharf extension and provides a heavy lift and hardstand facility capable of accommodating crane loads and service upgrades. It will also relocate trawler pens to provide for service wharf extension and to improve water-side access to facilities. Funding of \$20 million across two years starting with \$18 million in 2014-15 has been provided.

The Augusta Boat Harbour, with additional funding of \$9 million in 2013-14, can move into the final construction phase with completion of the northern and southern breakwaters and development of land and marine based infrastructure including boat ramps and pens.

Regional Strategic Projects

Regional Strategic Projects refer to funds set aside for the Regional Development Council and the Regional Development Commissions to plan and prioritise spending. A total of \$109 million has been allocated from 2013-14 to 2016-17, with \$50 million in 2013-14, to support effective forward planning on statewide and regionally significant projects, particularly those that link to the priorities outlined in the Regional Development Commissions' Regional Blueprints and that also align with the whole-of-government State Planning and Development Framework.

Included in this funding is \$10 million per year starting in 2014-15 across the forward estimates for the Regional Development Commissions to support new regionally significant projects and existing projects that will improve and develop infrastructure and services in the regions through a Regional Grants program.

Regional Development Fund

The Regional Development Fund holds unallocated royalties to support major strategic initiatives aligned to Royalties for Regions themes. This includes funding proposals that are currently in the planning stage. Based on the current approved expenditure program contributions to this Fund are estimated to total \$842 million by the end of 2016-17.

Administering the Royalties for Regions Fund

From 2013-14 onwards, Royalties for Regions will fund the operations of the new Department of Regional Development and the nine Regional Development Commissions, which have the responsibility to administer the Royalties for Regions Fund. An allocation of \$51 million is provided in 2013-14 and a total of \$206 million across the forward estimates to cover the operations and administration of the Department and the nine Commissions.

Table 1

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Total
	Actual	Estimated	Budget	Forward	Forward	Forward	Four
	\$m	\$m	\$m	\$m	\$m	\$m	Years
				Estimate	Estimate	Estimate	\$m
COUNTRY LOCAL GOVERNMENT FUND							
Local Government - Local Infrastructure Asset Renewal and New Assets	66.0	28.3	-	-	-	-	-
Administration of CLGF	0.3	3.1	1.0	1.0	1.0	1.0	4.0
Regional Centres Development Plan	-	-	1.0	5.0	5.0	5.0	16.0
Regional Groupings of Local Governments	28.8	40.0	-	-	-	-	-
Regional Groupings and Individuals	-	-	29.0	35.0	-	-	64.0
Support to Regional Groupings of Local Governments	0.9	1.9	-	-	-	-	-
Local Government Facilitation	-	0.4	0.5	0.6	-	-	1.1
Capacity Building - Regional Governance Services and Asset Management Tools	3.4	2.8	3.0	3.0	3.0	3.0	12.0
TOTAL - COUNTRY LOCAL GOVERNMENT FUND	99.4	76.4	34.5	44.6	9.0	9.0	97.1
REGIONAL COMMUNITY SERVICES FUND							
Regional Community Programs and Schemes							
Country Age Pension Fuel Card	24.9	23.1	24.9	28.5	30.4	32.4	116.3
Volunteer Fuel Card	-	-	1.4	1.4	1.4	1.4	5.6
Regional Workers Incentives	45.2	52.3	54.5	56.0	57.5	59.1	227.1
Regional Police Incentives	-	-	2.5	2.5	2.8	2.8	10.5
Fire Crew Protection	-	-	3.5	3.7	2.5	2.6	12.3
Boarding Away From Home	1.3	1.4	1.5	1.6	1.7	1.8	6.6
Community Resource Centres	11.4	12.0	12.4	14.0	14.0	14.0	54.4
Wild Dogs Management Plan	0.6	0.4	0.7	0.7	0.5	0.3	2.3
Performing Arts Regional Tours Boost	0.3	0.1	0.3	0.3	0.3	-	0.9
Regional Arts Centre Sustainability	-	-	-	2.0	11.0	11.0	24.0
Community Pool Revitalisation	-	-	-	-	3.3	3.3	6.6
Regional Visitor Centres	-	-	-	0.3	1.3	1.3	2.9
Caravan and Camping	-	-	4.7	12.5	9.2	8.0	34.4
Small Business Centre Program (Regional Small Business Centres component)	-	-	-	2.8	2.8	2.9	8.5
Community Sporting and Recreation Facilities Fund (CSRFF)	-	-	11.3	10.5	4.6	4.6	30.9
Supporting Community Sport	-	-	0.5	0.5	0.5	0.5	2.0
Foodbank	0.2	0.2	0.2	0.2	0.2	0.2	0.8
Better Beginnings - Early Literacy	0.7	0.8	0.8	0.8	-	-	1.6
Responsible Parenting Support Services	4.3	7.8	11.0	10.5	-	-	21.5
Rangelands Reform Program	0.6	0.6	0.6	0.2	-	-	0.8
Orange School Bus Initiatives	3.6	2.7	2.7	-	-	-	2.7
New Kimberley National Parks	-	-	0.5	1.0	1.0	1.0	3.5
North Kimberley Marine Park	-	-	-	3.0	6.0	6.0	15.0
Parks for People (Asset Investment)	-	-	-	2.0	2.0	2.0	6.0
Parks for People (Operating)	-	-	0.3	-	-	-	0.3
DFES Helicopter (Operating)	-	-	0.3	3.3	4.0	5.0	12.6
DFES Helicopter (Asset Investment)	-	-	-	1.7	1.0	-	2.7
Exploration Incentive Scheme	26.3	13.1	24.6	10.0	10.0	10.0	54.6
Public Sector Regional Leadership	0.0	0.6	0.9	0.7	0.2	-	1.8
Regional Buy Local Initiatives	-	1.0	1.0	3.0	3.0	3.0	10.0
Regional Events Program (Operating)	3.7	10.3	11.0	11.6	11.6	10.0	44.3
Regional Events Program (Asset Investment)	-	1.7	-	-	-	-	-
Kimberley Science and Conservation Strategy (Asset Investment)	0.0	1.6	1.5	-	-	-	1.5
Kimberley Science and Conservation Strategy (Operating)	0.5	1.1	1.3	1.0	-	-	2.2
Marine Parks Management (Asset Investment)	0.2	1.7	-	0.1	-	-	0.1
Marine Parks Management (Operating)	0.2	0.7	4.7	5.3	3.3	-	13.3
Support for Racecourse Infrastructure Grants Program	-	1.2	4.4	1.0	-	-	5.4
Regional Community Programs and Schemes Subtotal	124.3	134.5	183.9	192.6	186.1	183.2	745.9
Regional Health Programs							
Fitzroy Kids Health	-	-	0.1	0.1	0.1	0.1	0.4
Regional (Kalgoorlie Esperance) Telehealth	-	-	0.5	2.5	2.5	2.5	8.0
Wheatbelt Renal Dialysis	-	-	0.5	1.0	1.0	1.0	3.5
Regional Palliative Care	-	-	0.5	1.0	1.3	1.3	4.0
Patient Assisted Travel Scheme	8.8	9.4	9.7	10.1	10.6	10.6	41.0
Royal Flying Doctor Service	4.0	5.1	5.3	4.0	4.0	4.0	17.3
Rural Generalist (Practice) Pathways	1.5	1.8	2.0	3.0	-	-	5.0
St John Ambulance Services in Country WA (Asset Investment)	-	1.0	0.4	0.5	-	-	0.9
St John Ambulance Services in Country WA (Operating)	2.9	5.2	7.5	7.8	12.7	-	28.0
Pilbara Cardiovascular Screen Program	-	0.4	0.3	0.5	-	-	0.8
Regional Men's Health	0.7	0.8	1.1	0.8	0.8	0.8	3.5
Regional Health Programs Subtotal	17.9	23.7	27.9	31.2	32.9	20.2	112.3

Table 1 (cont.)

INITIATIVE	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Total
	Actual \$m	Estimated Actual \$m	Budget Estimate \$m	Forward Estimate \$m	Forward Estimate \$m	Forward Estimate \$m	Four Years \$m
Aboriginal Initiatives							
Regional Youth Justice Strategy Kimberley and Pilbara Expansion (Asset Investment)	-	0.3	-	-	-	-	-
Regional Youth Justice Strategy Kimberley and Pilbara Expansion	11.1	13.5	15.6	15.0	15.0	15.0	60.6
Clontarf Colleges	0.9	1.1	1.2	1.4	1.4	1.5	5.5
WA Indigenous Tourism Operators Committee	0.3	0.3	0.3	-	-	-	0.3
Aboriginal Justice Program - Enhanced Driver Training and Education for Regional and Remote Communities	-	0.6	1.1	2.0	1.8	-	4.9
Aboriginal Justice Program - Enhanced Services for Victims of Crime within Regional and Remote Communities	-	0.2	1.1	1.7	-	-	2.8
Remote Area Essential Services Program	-	-	30.0	30.0	30.0	30.0	120.0
Aboriginal Community Emergency Response Fund	-	2.5	7.6	-	-	-	7.6
Northwest Drug and Alcohol Support Program (Asset Investment)	-	2.0	1.3	-	-	-	1.3
Northwest Drug and Alcohol Support Program (Operating)	1.4	3.1	5.7	5.8	5.7	5.7	22.9
Improving Water Quality in Remote Aboriginal Communities	1.4	4.9	5.8	-	-	-	5.8
Governance and Leadership Development Program	-	-	1.0	1.3	-	-	2.3
Indigenous Visitor Hostels (Asset Investment)	1.3	10.0	1.4	-	-	-	1.4
Indigenous Visitor Hostels (Operating)	-	0.4	0.4	1.7	1.8	1.8	5.7
Jigalong Essential Services Pilot	-	-	6.0	4.0	-	-	10.0
Remote Indigenous Health Clinics (Asset Investment)	2.2	4.0	13.9	1.9	-	-	15.8
Remote Indigenous Health Clinics (Operating)	-	-	0.1	0.1	-	-	0.1
Aboriginal Initiatives Subtotal	18.6	42.8	92.4	64.8	55.8	54.0	266.9
Regional Strategic Projects							
Regional Strategic Projects	42.2	49.5	50.4	27.2	18.1	13.3	109.0
Regional Strategic Projects Subtotal	42.2	49.5	50.4	27.2	18.1	13.3	109.0
Seizing the Opportunity Agriculture							
Seizing the Opportunity Agriculture	-	-	16.4	63.4	93.7	124.0	297.5
Seizing the Opportunity Agriculture	-	-	16.4	63.4	93.7	124.0	297.5
TOTAL - REGIONAL COMMUNITY SERVICES FUND	202.9	250.4	371.0	379.3	386.6	394.7	1,531.6
REGIONAL INFRASTRUCTURE AND HEADWORKS FUND							
Regional Capital Works Initiative							
Regional Capital Works Initiative	2.1	15.5	26.0	2.1	-	-	28.1
Regional Capital Works Initiative Subtotal	2.1	15.5	26.0	2.1	-	-	28.1
Pilbara Cities Initiative							
Nickol Bay Hospital Upgrade (Asset Investment)	3.0	2.1	-	-	-	-	-
Nickol Bay Hospital Upgrade (Operating)	1.0	0.4	-	-	-	-	-
Karratha Health Campus (Asset Investment)	0.9	-	4.9	14.3	45.0	141.4	205.5
Karratha Health Campus (Operating)	-	0.0	-	-	-	-	-
Pilbara Health Partnership (Asset Investment)	0.0	2.0	2.9	-	-	-	2.9
Pilbara Health Partnership (Operating)	3.0	5.7	6.2	7.0	-	-	13.2
Pilbara Cities Office	0.5	1.6	2.8	3.1	3.6	3.5	12.9
Pilbara Underground Power (Asset Investment)	23.5	32.9	-	-	-	-	-
Pilbara Underground Power (Operating)	0.3	0.5	0.7	-	-	-	0.7
Karratha Service Workers Accommodation	3.6	-	-	-	-	-	-
South Hedland Town Centre Revitalisation	7.3	-	-	-	-	-	-
Pilbara Water Opportunities	0.7	0.4	-	-	-	-	-
West Pilbara Water	0.2	-	-	-	-	-	-
Northern Towns Development Fund	10.0	9.2	10.0	4.3	-	-	14.3
Pilbara Cities Strategic Infrastructure (Asset Investment)	7.7	46.6	135.0	45.1	44.8	48.0	272.8
Pilbara Cities Strategic Infrastructure (Operating)	25.8	47.9	133.6	120.6	94.0	104.0	452.1
Pilbara Cities Community Projects (Asset Investment)	3.5	4.0	4.0	8.0	-	-	12.0
Pilbara Cities Community Projects (Operating)	28.9	7.4	13.2	4.8	30.0	50.0	97.9
Karratha-Wickham Coast Road	-	-	-	0.5	-	-	0.5
Pilbara Fabrication and Services Common Use Facility	0.0	3.0	2.0	-	-	-	2.0
Community Priority Road Infrastructure	-	-	-	-	-	-	-
Pilbara Cities Initiative Subtotal	120.0	163.8	315.2	207.6	217.3	346.8	1,087.0
Regional Housing							
Housing for Workers (Asset Investment)	24.5	159.8	54.0	55.0	55.0	55.0	219.0
Housing for Workers (Operating)	0.1	3.6	-	-	-	-	-
Non-Government Organisation Housing	35.0	-	-	-	-	-	-
Regional Housing Subtotal	59.6	163.4	54.0	55.0	55.0	55.0	219.0
East Kimberley Revitalisation							
Ord-East Kimberley Expansion Project (Asset Investment)	14.7	108.4	-	-	-	-	-
Ord-East Kimberley Expansion Project (Operating)	4.0	-	-	-	-	-	-
Ord-East Kimberley Expansion Project - Phase 2 (Asset Investment)	-	39.1	51.9	-	-	-	51.9
Kununurra Courthouse	4.2	9.0	27.9	-	-	-	27.9
East Kimberley Revitalisation Subtotal	22.9	156.5	79.9	-	-	-	79.9

Table 1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Total Four Years
	Actual \$m	Estimated Actual \$m	Budget Estimate \$m	Forward Estimate \$m	Forward Estimate \$m	Forward Estimate \$m	
West Kimberley Revitalisation							
China Town Redevelopment	-	-	-	10.0	-	-	10.0
Kimberley Housing Project Indigenous Prosperity	-	-	17.0	16.9	-	-	33.9
Fitzroy Crossing Courthouse	-	0.7	1.0	2.3	-	-	3.3
Broome Boating Facility	1.2	1.3	1.4	25.0	20.2	-	46.6
Broome Wharf Extension of Life	-	-	16.0	8.2	-	-	24.2
Broome Road Industrial Area	-	-	14.9	-	-	-	14.9
West Kimberley Revitalisation Subtotal	1.2	1.9	50.3	62.3	20.2	-	132.8
Goldfields Esperance Revitalisation							
Goldfields Esperance Revitalisation	-	-	1.5	5.0	38.0	52.3	96.8
Kalgoorlie-Boulder Community High School	-	-	1.0	4.0	20.0	20.0	45.0
Great Eastern Highway Passing Lanes	-	-	2.0	12.0	12.0	12.0	38.0
Goldfields Arts Centre	-	-	0.5	5.0	0.7	-	6.2
Goldfields Esperance Revitalisation Subtotal	-	-	5.0	26.0	70.7	84.3	186.0
Gascoyne Revitalisation							
Gascoyne Development Plan	37.8	9.0	27.7	18.6	9.3	-	55.6
Camarvon Fascine Redevelopment Planning	0.5	-	-	-	-	-	-
Camarvon Library and Art Centre	1.2	-	-	-	-	-	-
Camarvon Police and Justice Complex	4.1	5.0	-	-	-	-	-
Exmouth Health Multipurpose Service (Asset Investment)	0.1	0.5	2.7	4.5	-	-	7.2
Exmouth Health Multipurpose Service (Operating)	-	-	-	0.3	-	-	0.3
Tantabiddi Boat Ramp Upgrade	2.2	-	-	-	-	-	-
Camarvon Health Campus	0.3	0.5	6.3	13.8	-	-	20.0
Camarvon Boat Ramp Construction	1.2	-	-	-	-	-	-
Coral Bay Seasonal Staff Accommodation (Asset Investment)	15.3	-	-	-	-	-	-
Coral Bay Seasonal Staff Accommodation (Operating)	1.1	0.2	0.2	0.2	0.2	0.2	0.9
Gascoyne Irrigation Pipeline	5.7	0.3	-	-	-	-	-
Exmouth Boat Harbour	-	-	-	18.0	2.0	-	20.0
Gascoyne Revitalisation Subtotal	69.4	15.4	36.9	55.3	11.5	0.2	104.0
Mid West Revitalisation							
Midwest Investment Plan (Asset Investment)	0.6	2.7	14.0	20.3	16.8	-	51.0
Midwest Investment Plan (Operating)	5.0	6.7	28.5	72.9	53.2	-	154.6
Brand Highway - Greenough River Bridge	-	-	5.5	3.0	-	-	8.5
Midwest Unit	0.3	0.8	0.8	0.8	0.5	0.5	2.5
Midwest Solar Farm - Midwest Initiative	-	5.0	-	-	-	-	-
Mid West Revitalisation Subtotal	5.9	15.1	48.7	96.9	70.5	0.5	216.5
Regional Health Infrastructure							
Kalgoorlie Hospital	9.1	2.4	-	-	-	-	-
Albany Hospital	20.3	20.3	-	-	-	-	-
Esperance Health Campus	0.5	2.5	6.9	8.9	-	-	15.8
North West Health Initiative	-	-	1.0	5.0	75.0	80.0	161.0
Busselton Health Campus	4.7	18.0	13.2	4.6	-	-	17.8
Regional Health Infrastructure Subtotal	34.6	43.2	21.1	18.5	75.0	80.0	194.6
Southern Inland Health Initiative							
Renal Dialysis Service Expansion	-	0.2	0.3	2.6	4.0	-	6.8
District Medical Workforce Investment Program	6.5	14.7	22.7	54.9	77.0	-	154.7
District Hospital Investment Program (Asset Investment)	1.3	4.7	15.0	50.0	61.0	15.6	141.6
District Hospital Investment Program (Operating)	2.3	3.6	4.3	8.1	8.0	-	20.4
Primary Health Centres Demonstration Program	0.2	0.3	5.0	21.6	16.3	-	42.9
Small Hospital and Nursing Post Refurbishment Program	-	5.3	20.0	54.5	28.9	-	103.3
Small Hospital and Nursing Post Refurbishment Program	-	0.1	0.1	0.1	-	-	0.1
Telehealth Investment Program (Asset Investment)	2.7	-	1.4	1.4	-	-	2.8
Telehealth Investment Program (Operating)	0.4	1.6	3.0	8.6	17.5	-	29.0
Residential Aged and Dementia Care Investment Program	-	-	0.5	10.0	9.5	-	20.0
Southern Inland Health Initiative Subtotal	13.4	30.2	72.3	211.6	222.2	15.6	521.7

Table 1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Total
	Actual \$m	Estimated Actual \$m	Budget Estimate \$m	Forward Estimate \$m	Forward Estimate \$m	Forward Estimate \$m	Four Years \$m
Regional Skills and Training							
<u>Skills Training Initiative (Asset Investment)</u>							
- Broome West Kimberley Trade Training Centre	-	0.8	5.0	4.2	-	-	9.2
- Derby Extension and Workshop Facilities	0.0	1.0	5.2	-	-	-	5.2
- Kimberley Training Institute - Halls Creek Campus Upgrade	0.1	2.1	0.7	-	-	-	0.7
- Pilbara Institute - Upgrade and Expansion of South Hedland and Karratha campus	-	0.3	7.2	5.0	3.0	-	15.2
- Durack Institute of Technology - Centre for Health Industries Training and Workforce Development	-	0.9	6.8	6.3	1.0	-	14.1
- Durack Institute of Technology - Centre for Resource Sector Workforce Training	-	0.5	3.0	5.0	0.5	-	8.5
- Great Southern Institute of Technology - Community Services and Health Science Block	-	1.3	3.8	0.7	-	-	4.5
- Busseton Sustainability	-	-	0.5	-	-	-	0.5
- Challenger Institute of Technology - Peel Health and Community Training Centre	-	0.4	4.1	1.6	-	-	5.7
- Polytechnic West - Pinjarra Apprentice Training Facility	-	-	0.4	-	-	-	0.4
- Project Management	-	-	0.5	0.5	-	-	1.0
- STP Critical ICT Capital Infrastructure (Regional)	-	2.9	2.5	-	-	-	2.5
- Future Development of Muresk	-	-	4.9	-	-	-	4.9
<u>Skills Training Initiative (Operating)</u>							
- Future Development of Muresk	-	-	5.2	-	-	-	5.2
- Agricola Residential College	-	-	20.0	-	-	-	20.0
- Aboriginal Workforce Development Pilot	1.0	-	1.0	-	-	-	1.0
- Project Management - Planning	0.5	0.5	-	-	-	-	-
Regional Work Camp Enhancement Program (Asset Investment)	0.8	1.5	12.7	-	-	-	12.7
Regional Work Camp Enhancement Program (Operating)	-	-	2.2	2.8	-	-	5.0
Regional Skills and Training Subtotal	2.4	12.1	85.5	26.1	4.5	-	116.1
Regional Schools							
<u>Regional Schools Plan</u>							
- Esperance Primary School	1.4	8.6	-	-	-	-	-
- Derby District High School	0.5	7.0	7.5	-	-	-	7.5
- Broome Senior High School	0.4	4.0	5.6	-	-	-	5.6
- Carnarvon Senior High School	-	2.0	5.0	-	-	-	5.0
- Hedland Senior High School	0.1	3.0	2.9	-	-	-	2.9
- Karratha Senior High School	-	3.0	6.5	-	-	-	6.5
- Pinjarra Senior High School	1.4	5.6	-	-	-	-	-
- Collie Senior High School	0.3	2.2	0.5	-	-	-	0.5
- Merredin Senior High School	1.0	-	-	-	-	-	-
- Northam Senior High School	0.4	1.6	8.0	-	-	-	8.0
- Narrogin Senior High School	0.6	2.9	3.5	-	-	-	3.5
- Katanning Senior High School	0.1	1.4	0.5	-	-	-	0.5
- Denmark Senior High School	0.5	4.5	2.0	-	-	-	2.0
- Administration Cost	0.2	0.5	0.3	-	-	-	0.3
<u>Relocation of Year 7 Students</u>							
- Broome Senior High School	-	2.5	4.5	-	-	-	4.5
- John Willcock College	-	-	0.6	-	-	-	0.6
- Halls Head Community College	-	-	4.4	6.2	-	-	10.6
- Australind Senior High School	-	-	6.4	4.7	-	-	11.1
- Bunbury Senior High School	-	-	4.3	0.7	-	-	5.0
- Cape Naturaliste College	-	-	1.9	2.1	-	-	4.0
- Margaret River Senior High School	-	-	2.6	1.7	-	-	4.3
Regional Residential College Upgrades	11.0	9.5	8.4	11.4	9.7	-	29.5
Regional Schools Subtotal	18.0	58.2	75.4	26.9	9.7	-	111.9
Portlink Inland Freight Corridor							
Portlink Inland Freight Corridor Planning	-	0.8	2.0	2.2	-	-	4.2
Portlink Inland Freight Corridor Subtotal	-	0.8	2.0	2.2	-	-	4.2
Regional Development - Water and NRM Initiatives							
Regional Development Water and NRM Initiatives	21.2	8.3	10.2	6.3	2.6	-	19.2
Peel Recycled Water Scheme	-	0.5	-	-	-	-	-
Regional Natural Resource Management - State Barrier Fence	0.1	2.5	5.6	1.8	-	-	7.4
Regional Development - Water and NRM Initiatives Subtotal	21.4	11.3	15.7	8.1	2.6	-	26.5
Regional Centres Development Plan (SuperTowns)							
SuperTowns Development Project Fund	78.0	-	-	-	-	-	-
SuperTowns Development Planning Fund	7.2	0.2	-	-	-	-	-
Regional Centres Development Plan (SuperTowns) Subtotal	85.3	0.2	-	-	-	-	-

Table 1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Total
	Actual	Estimated	Budget	Forward	Forward	Forward	Four
	\$m	\$m	\$m	\$m	\$m	\$m	Years
Regional Infrastructure Projects							
Regional Mobile Communications Project	7.6	15.0	17.4	-	-	-	17.4
Regional Emergency Communications	0.6	-	-	-	-	-	-
Community Safety Network (Asset Investment)	25.9	13.2	22.0	9.1	8.0	1.0	40.1
Community Safety Network (Operating)	0.4	3.2	3.9	6.4	4.3	4.1	18.7
Headworks Rebate	-	-	-	-	-	-	-
Recreational Boating Facilities Scheme (Asset Investment)	1.5	0.4	0.3	-	-	-	0.3
Recreational Boating Facilities Scheme (Operating)	0.2	1.9	2.8	5.0	1.3	-	9.1
Regional Airports Development Scheme	3.2	2.7	6.0	6.7	-	-	12.7
Coalfields Highway	-	-	0.5	5.0	10.0	12.5	28.0
Gibb River Road - Derby - Gibb River - Wyndham	-	-	-	2.8	2.1	2.3	7.2
South Coast Highway - Ravensthorpe Heavy Vehicle Route	-	-	7.5	7.0	-	-	14.5
Regions Infill Sewerage	-	-	5.0	0.5	-	-	5.5
Conservation Parks Infrastructure and Roads	2.5	3.5	11.7	-	-	-	11.7
Bunbury to Albany Gas Pipeline	-	-	7.0	-	-	-	7.0
Bunbury to Albany Gas Pipeline	0.4	-	-	5.0	7.5	-	12.5
Pre-Feasibility Pilbara/Gascoyne	0.0	-	-	-	-	-	-
Rushton Park	0.1	-	-	-	-	-	-
Living Lakes	0.4	0.2	1.1	2.0	2.0	-	5.1
Collie Water Plan (Asset Investment)	-	-	-	4.7	-	-	4.7
Collie Water Plan (Operating)	0.0	-	0.5	-	-	-	0.5
Regional Bus Acquisition	-	-	3.4	3.5	3.6	3.7	14.2
Burt Street Heritage Precinct Project	1.4	-	-	-	-	-	-
ANZAC Centenary - Mt Clarence Memorial	-	2.8	-	-	-	-	-
Regional Infrastructure Projects Subtotal	44.1	43.0	89.0	57.8	38.8	23.6	209.2
TOTAL - REGIONAL INFRASTRUCTURE AND HEADWORKS FUND	500.4	730.8	977.0	856.3	798.1	606.0	3,237.4
NEW REGIONAL AND STATEWIDE INITIATIVES							
New Regional and Statewide Initiatives (Asset Investment) ^(a)	-	-	5.0	11.2	77.9	57.0	151.1
New Regional and Statewide Initiatives (Operating) ^(a)	-	-	-	26.0	27.0	28.0	81.0
TOTAL - NEW REGIONAL AND STATEWIDE INITIATIVES	-	-	5.0	37.2	104.9	85.0	232.1
Administering the Royalties for Regions Fund	9.1	12.4	50.7	50.5	51.1	54.3	206.6
Over Programming Provision	-	-	-143.8	-136.8	-135.0	-114.9	-530.5
TOTAL - ROYALTIES FOR REGIONS FUND^(b)	811.9	1,070.0	1,294.4	1,231.1	1,214.7	1,034.1	4,774.3

(a) Zero represents amount less than \$50,000.

(b) Columns and 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	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
<i>Results from Transactions</i>							
REVENUE							
Taxation		7,173	8,342	9,177	9,428	9,965	10,607
Current grants and subsidies		8,678	8,274	8,015	7,330	7,097	7,257
Capital grants		1,082	712	709	612	524	623
Sales of goods and services		1,929	2,030	2,175	2,283	2,401	2,525
Interest income		304	261	201	250	272	272
Revenue from public corporations							
Dividends from other sector entities		704	796	832	890	1,020	1,115
Tax equivalent income		381	363	502	566	618	650
Royalty income		4,343	4,460	5,824	6,122	6,765	6,911
Other		627	459	543	436	504	389
Total	3	25,220	25,696	27,978	27,917	29,165	30,348
EXPENSES							
Salaries		9,605	10,115	10,804	11,074	11,540	12,072
Superannuation							
Concurrent costs		913	958	1,044	1,093	1,189	1,297
Superannuation interest cost		317	336	352	367	379	388
Other employee costs		419	452	446	448	479	485
Depreciation and amortisation		990	1,085	1,225	1,279	1,307	1,358
Services and contracts		1,728	1,922	2,113	2,120	2,122	2,170
Other gross operating expenses		4,656	4,782	4,893	4,944	5,166	5,479
Other interest		371	448	506	607	782	930
Current transfers	4	5,053	4,887	5,382	5,405	5,481	5,691
Capital transfers	4	520	473	826	728	591	463
Total	5	24,571	25,457	27,592	28,065	29,036	30,332
NET OPERATING BALANCE	6	649	239	386	-147	128	16
<i>Other economic flows</i>							
Net gains on assets/liabilities		92	-6	6	12	38	7
Net actuarial gains - superannuation		-1,676	218	44	38	-11	-68
Provision for doubtful debts		-26	-4	-4	-4	-4	-4
All other		-	-	-	-	-	-
Total other economic flows		-1,611	209	46	46	23	-64
OPERATING RESULT		-962	447	433	-101	151	-48
<i>All other movements in equity</i>							
Revaluations		-4	1,454	2,045	2,192	2,048	2,118
Gains recognised directly in equity		-7	-1	-1	-1	-1	-1
Changes in accounting policy/correction of prior period errors		-263	-	-	-	-	-
Change in net worth of the public corporations sectors		508	2,517	1,241	1,106	1,013	1,287
All other		-	-	-	-	-	-
Total all other movements in equity		234	3,970	3,286	3,298	3,061	3,404
TOTAL CHANGE IN NET WORTH		-728	4,418	3,719	3,197	3,212	3,355
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	649	239	386	-147	128	16
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	5	3,358	3,217	3,196	2,811	2,440	3,035
Changes in inventories		-	2	-4	-	-	-
Other movement in non-financial assets		183	40	303	59	9	-
<i>less:</i>							
Sales of non-financial assets		184	276	239	191	319	243
Depreciation		990	1,085	1,225	1,279	1,307	1,358
Total net acquisition of non-financial assets		2,366	1,898	2,030	1,401	823	1,435
NET LENDING/-BORROWING	6	-1,717	-1,659	-1,644	-1,548	-695	-1,419

Note: Columns may not add due to rounding.

Table 1.2

GENERAL GOVERNMENT
Balance Sheet at 30 June

	Note	2012	2013	2014	2015	2016	2017
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		840	650	553	530	522	514
Advances paid		675	665	665	670	676	683
Investments, loans and placements		6,200	5,668	5,051	5,481	6,414	7,615
Receivables		2,488	2,591	2,845	2,888	3,010	3,120
Investment property		8	8	8	8	-	-
Shares and other equity							
Investments in other public sector entities - equity method		43,389	45,906	47,148	48,254	49,267	50,554
Investments in other public sector entities - direct injections		5,544	5,921	6,672	7,092	7,458	7,898
Investments in other entities		10	10	10	10	10	10
Other financial assets		-	-	-	-	-	-
Total financial assets		59,153	61,419	62,951	64,932	67,358	70,394
<i>Non-financial assets</i>							
Land		37,599	38,202	38,936	39,798	40,616	41,635
Property, plant and equipment		37,849	41,137	44,638	47,414	49,526	52,119
Biological assets		2	2	2	2	2	2
Inventories							
Land inventories		95	93	79	65	50	36
Other inventories		63	66	62	62	62	62
Intangibles		511	467	428	434	415	371
Non-current assets held for sale		91	65	32	31	31	31
Other		213	143	137	144	149	141
Total non-financial assets		76,423	80,175	84,314	87,950	90,852	94,396
TOTAL ASSETS		135,577	141,594	147,264	152,882	158,210	164,790
LIABILITIES							
Deposits held		528	387	369	386	423	551
Advances received		454	439	424	409	393	377
Borrowings		8,871	10,728	12,877	15,351	17,779	20,870
Unfunded superannuation		8,937	8,636	8,484	8,342	8,274	8,270
Other employee benefits		2,797	2,950	2,990	3,033	2,777	2,803
Payables		885	943	947	952	957	963
Other liabilities		1,630	1,618	1,562	1,601	1,586	1,581
TOTAL LIABILITIES		24,101	25,701	27,653	30,073	32,189	35,414
NET ASSETS		111,475	115,893	119,612	122,809	126,021	129,376
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		9,547	12,119	12,552	12,480	12,661	12,643
Other reserves		101,928	103,774	107,060	110,328	113,360	116,733
NET WORTH	6	111,475	115,893	119,612	122,809	126,021	129,376
MEMORANDUM ITEMS							
<i>Net financial worth</i>		35,052	35,718	35,298	34,859	35,169	34,980
<i>Net financial liabilities</i>		13,881	16,109	18,522	20,487	21,557	23,472
<i>Net debt</i>							
Gross debt liabilities		9,853	11,554	13,670	16,145	18,595	21,798
less: liquid financial assets		7,715	6,983	6,268	6,680	7,612	8,813
less: convergence differences impacting net debt		88	88	88	88	-	-
Net debt		2,050	4,482	7,314	9,377	10,983	12,985

Note: Columns may not add due to rounding.

Table 1.3

GENERAL GOVERNMENT
Cashflow Statement

	Note	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		7,091	8,279	9,183	9,434	9,976	10,613
Grants and subsidies received		9,831	9,008	8,718	7,941	7,599	7,858
Receipts from sales of goods and services		1,983	2,052	2,186	2,299	2,406	2,549
Interest receipts		299	252	192	241	264	262
Dividends and tax equivalents		1,127	1,169	1,306	1,454	1,661	1,705
Other receipts		6,101	5,741	6,915	7,486	8,160	8,270
<i>Total cash received</i>		26,433	26,501	28,501	28,855	30,066	31,256
<i>Cash Paid</i>							
Wages, salaries and supplements, and superannuation		-10,635	-11,317	-12,258	-12,582	-13,435	-13,796
Payments for goods and services		-6,815	-7,017	-7,334	-7,359	-7,580	-7,941
Interest paid		-353	-444	-506	-585	-739	-883
Grants and subsidies paid		-5,289	-5,172	-5,775	-5,769	-5,866	-5,937
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-1,388	-1,362	-1,209	-1,329	-1,350	-1,363
<i>Total cash paid</i>		-24,480	-25,311	-27,082	-27,624	-28,970	-29,920
NET CASH FLOWS FROM OPERATING ACTIVITIES		1,953	1,189	1,419	1,231	1,097	1,335
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-3,358	-3,217	-3,196	-2,811	-2,440	-3,035
Sales of non-financial assets		184	276	239	191	319	243
<i>Total cash flows from investments in non-financial assets</i>		-3,174	-2,940	-2,957	-2,620	-2,121	-2,792
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		6	-	-	-	-	-
For liquidity purposes		1	1	-	-	8	-
<i>Cash paid</i>							
For policy purposes		-669	-621	-721	-406	-363	-438
For liquidity purposes		-6	-19	-	-	-	-
<i>Total cash flows from investments in financial assets</i>		-668	-639	-721	-406	-355	-438
NET CASH FLOWS FROM INVESTING ACTIVITIES		-3,842	-3,579	-3,678	-3,026	-2,475	-3,231
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		14	15	15	15	16	16
Borrowings		3,416	1,929	1,868	2,382	2,546	3,155
Deposits received		-	-	-	-	-	-
Other financing receipts		32	36	46	90	40	37
<i>Total cash receipts from financing activities</i>		3,463	1,980	1,929	2,487	2,601	3,207
<i>Cash paid</i>							
Advances paid		-14	-15	-15	-15	-16	-16
Borrowings repaid		-95	-67	-129	-63	-62	-57
Deposits paid		-	-	-	-	-	-
Other financing payments		-86	-106	-173	-197	-222	-163
<i>Total payments for financing activities</i>		-196	-188	-317	-276	-299	-237
NET CASH FLOWS FROM FINANCING ACTIVITIES		3,267	1,792	1,612	2,211	2,302	2,970
Net increase in cash and cash equivalents		1,378	-598	-647	416	923	1,075
Cash and cash equivalents at the beginning of the year		5,418	6,796	6,198	5,551	5,968	6,891
Cash and cash equivalents at the end of the year		6,796	6,198	5,551	5,968	6,891	7,966
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		1,953	1,189	1,419	1,231	1,097	1,335
Net cash flows from investing in non-financial assets		-3,174	-2,940	-2,957	-2,620	-2,121	-2,792
Cash surplus/-deficit	6	-1,221	-1,751	-1,538	-1,389	-1,024	-1,457

Note: Columns may not add due to rounding.

Table 1.4

PUBLIC NON-FINANCIAL CORPORATIONS
Operating Statement

	Note	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Current grants and subsidies		2,194	1,936	2,333	2,250	2,250	2,285
Capital grants		188	111	222	195	146	114
Sales of goods and services		15,676	16,918	17,652	18,635	19,597	20,661
Interest income		253	215	241	285	334	331
Other		408	465	503	474	508	535
<i>Total</i>		<i>18,719</i>	<i>19,645</i>	<i>20,950</i>	<i>21,840</i>	<i>22,835</i>	<i>23,927</i>
EXPENSES							
Salaries		1,024	1,099	1,153	1,192	1,240	1,334
Superannuation							
Concurrent costs		97	104	111	118	128	143
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		50	49	49	51	53	51
Depreciation and amortisation		1,698	1,819	1,929	1,994	2,000	2,054
Services and contracts		844	789	866	807	771	790
Other gross operating expenses		12,173	13,342	13,871	14,448	15,187	15,871
Other interest		991	994	1,088	1,187	1,238	1,285
Tax equivalents		373	358	496	550	589	620
Current transfers		784	912	963	993	1,042	1,105
Capital transfers		52	73	193	39	14	5
<i>Total</i>		<i>18,085</i>	<i>19,540</i>	<i>20,720</i>	<i>21,379</i>	<i>22,263</i>	<i>23,258</i>
NET OPERATING BALANCE	6	635	105	230	461	572	669
<i>Other economic flows</i>							
Net gains on assets/liabilities		55	129	161	263	355	355
Net actuarial gains - superannuation		-58	-	-	-	-	-
Provision for doubtful debts		-17	-17	-17	-18	-19	-21
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		<i>-20</i>	<i>113</i>	<i>144</i>	<i>245</i>	<i>336</i>	<i>334</i>
OPERATING RESULT		614	218	374	706	908	1,003
<i>Other non-owner movements in equity</i>							
Revaluations		321	2,812	1,583	1,183	1,081	1,363
Gains recognised directly in equity		455	-46	-50	-60	-62	-66
Changes in accounting policy/correction of prior period errors		-22	-	-	-	-	-
All other		-	-	-	-	-	-
<i>Total other non-owner movements in equity</i>		<i>754</i>	<i>2,766</i>	<i>1,533</i>	<i>1,123</i>	<i>1,018</i>	<i>1,297</i>
<i>Movements in owner equity</i>							
Dividends		-696	-784	-761	-854	-985	-1,080
Capital injections		645	377	752	420	367	440
<i>Total movements in owner equity</i>		<i>-52</i>	<i>-407</i>	<i>-9</i>	<i>-434</i>	<i>-619</i>	<i>-640</i>
TOTAL CHANGE IN NET WORTH		1,317	2,576	1,898	1,395	1,307	1,660
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	635	105	230	461	572	669
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		3,447	4,113	4,298	3,887	3,520	3,786
Changes in inventories		-8	461	128	32	51	90
Other movement in non-financial assets		-24	-47	110	12	30	41
<i>less:</i>							
Sales of non-financial assets		743	1,009	1,481	1,606	1,629	1,476
Depreciation		1,698	1,819	1,929	1,994	2,000	2,054
<i>Total net acquisition of non-financial assets</i>		<i>973</i>	<i>1,699</i>	<i>1,126</i>	<i>332</i>	<i>-29</i>	<i>388</i>
NET LENDING/-BORROWING	6	-338	-1,594	-896	129	601	281

Note: Columns may not add due to rounding.

Table 1.5

PUBLIC NON-FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	Note	2012	2013	2014	2015	2016	2017
		Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
		\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		1,090	1,063	934	1,218	1,212	1,396
Advances paid		-	-	-	-	-	-
Investments, loans and placements		4,009	5,505	5,503	5,513	5,742	5,802
Receivables		1,278	1,147	1,120	1,216	1,291	1,389
Investment property		27	27	27	27	27	27
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		19	8	-	34	29	21
Other financial assets		1,028	1,003	948	912	866	827
Total financial assets		7,450	8,752	8,533	8,919	9,166	9,461
<i>Non-financial assets</i>							
Land		14,152	16,177	17,354	18,096	18,693	19,538
Property, plant and equipment		45,828	47,639	48,916	50,076	50,920	52,071
Biological assets		333	329	326	320	314	308
Inventories							
Land inventories		1,736	1,984	2,126	2,119	2,021	2,212
Other inventories		3,379	3,840	3,968	4,000	4,051	4,141
Intangibles		418	392	350	407	376	352
Non-current assets held for sale		19	244	244	19	19	19
Other		172	125	203	103	116	115
Total non-financial assets		66,037	70,730	73,488	75,141	76,510	78,756
TOTAL ASSETS		73,488	79,482	82,020	84,060	85,676	88,218
LIABILITIES							
Deposits held		3	3	3	3	3	3
Advances received		454	439	424	409	393	377
Borrowings		18,609	21,697	22,235	22,959	23,296	24,085
Unfunded superannuation		150	119	77	35	-	-
Other employee benefits		397	411	414	415	416	429
Payables		4,258	4,505	4,726	4,737	4,764	4,849
Other liabilities		1,972	2,086	2,022	1,986	1,982	1,992
TOTAL LIABILITIES		25,841	29,260	29,900	30,544	30,853	31,734
NET ASSETS		47,647	50,223	52,121	53,516	54,823	56,483
<i>Of which:</i>							
Contributed equity		5,544	5,921	6,672	7,092	7,458	7,898
Accumulated surplus		18,961	18,288	17,839	17,605	17,400	17,193
Other reserves		23,142	26,014	27,610	28,819	29,965	31,392
NET WORTH	6	47,647	50,223	52,121	53,516	54,823	56,483
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-66,037	-70,730	-73,488	-75,141	-76,510	-78,756
<i>Net debt</i>							
Gross debt liabilities		19,065	22,139	22,661	23,371	23,691	24,464
less: liquid financial assets		5,099	6,568	6,438	6,731	6,954	7,198
less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		13,966	15,570	16,223	16,640	16,737	17,266

Note: Columns may not add due to rounding.

Table 1.6

PUBLIC NON-FINANCIAL CORPORATIONS
Cashflow Statement

	Note	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
		Actual	Estimated	Budget	Forw ard	Forw ard	Forw ard
		\$m	\$m	\$m	Estimate	Estimate	Estimate
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Grants and subsidies received		2,214	2,050	2,559	2,450	2,400	2,405
Receipts from sales of goods and services		15,829	16,802	17,523	18,417	19,374	20,426
Interest receipts		253	216	240	285	323	333
Dividends and tax equivalents		73	56	45	47	87	94
Other receipts		1,262	1,149	1,201	1,164	1,243	1,264
<i>Total cash received</i>		<i>19,632</i>	<i>20,273</i>	<i>21,568</i>	<i>22,363</i>	<i>23,427</i>	<i>24,521</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-1,166	-1,258	-1,324	-1,370	-1,428	-1,489
Payments for goods and services		-11,804	-12,235	-12,686	-13,144	-13,573	-14,050
Interest paid		-964	-907	-1,019	-1,130	-1,179	-1,247
Grants and subsidies paid		-523	-684	-720	-742	-785	-841
Tax equivalents		-418	-365	-468	-557	-625	-562
Other payments		-2,546	-3,072	-3,173	-3,286	-3,606	-3,942
<i>Total cash paid</i>		<i>-17,421</i>	<i>-18,520</i>	<i>-19,390</i>	<i>-20,228</i>	<i>-21,197</i>	<i>-22,131</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES		2,211	1,753	2,178	2,135	2,230	2,390
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-3,447	-4,113	-4,298	-3,887	-3,520	-3,786
Sales of non-financial assets		743	1,009	1,481	1,606	1,629	1,476
<i>Total cash flows from investments in non-financial assets</i>		<i>-2,703</i>	<i>-3,104</i>	<i>-2,817</i>	<i>-2,281</i>	<i>-1,891</i>	<i>-2,310</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		177	102	51	53	172	194
<i>Cash paid</i>							
For policy purposes		-	-5	-4	-	-	-
For liquidity purposes		-210	-110	-54	-6	-235	-209
<i>Total cash flows from investments in financial assets</i>		<i>-32</i>	<i>-12</i>	<i>-7</i>	<i>47</i>	<i>-64</i>	<i>-14</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES		-2,736	-3,117	-2,824	-2,235	-1,954	-2,324
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		12,748	16,036	17,118	17,573	17,095	17,264
Deposits received		-	-	-	-	-	-
Other financing receipts		723	646	1,040	438	405	474
<i>Total cash received</i>		<i>13,472</i>	<i>16,683</i>	<i>18,158</i>	<i>18,011</i>	<i>17,500</i>	<i>17,738</i>
<i>Cash paid</i>							
Advances paid		-14	-15	-15	-15	-16	-16
Borrowings repaid		-11,778	-14,560	-16,871	-16,729	-16,742	-16,456
Deposits paid		-	-	-	-	-	-
Other financing payments		-62	-18	-23	-28	-30	-28
Dividends paid		-695	-787	-761	-854	-985	-1,080
<i>Total cash paid</i>		<i>-12,549</i>	<i>-15,380</i>	<i>-17,670</i>	<i>-17,626</i>	<i>-17,773</i>	<i>-17,580</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES		923	1,303	488	385	-273	158
Net increase in cash and cash equivalents		398	-61	-158	285	3	224
Cash and cash equivalents at the beginning of the year		1,125	1,522	1,462	1,303	1,589	1,591
Cash and cash equivalents at the end of the year		1,522	1,462	1,303	1,589	1,591	1,815
KEY FISCAL AGGREGATES							
Net cash flow s from operating activities		2,211	1,753	2,178	2,135	2,230	2,390
Net cash flow s from investing in non-financial assets		-2,703	-3,104	-2,817	-2,281	-1,891	-2,310
Dividends paid		-695	-787	-761	-854	-985	-1,080
Cash surplus/-deficit	6	-1,188	-2,138	-1,400	-1,000	-646	-1,000
Note: Columns may not add due to rounding.							

Table 1.7

TOTAL NON-FINANCIAL PUBLIC SECTOR
Operating Statement

	Note	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Taxation		6,852	7,918	8,738	8,972	9,494	10,124
Current grants and subsidies		8,678	8,274	8,015	7,330	7,097	7,257
Capital grants		1,082	712	709	612	524	623
Sales of goods and services		17,203	18,492	19,369	20,444	21,514	22,691
Interest income		520	441	409	501	569	567
Royalty income		4,343	4,460	5,824	6,122	6,765	6,911
Dividend and tax equivalents		60	73	122	100	149	158
Other		955	840	972	832	894	804
<i>Total</i>		39,694	41,209	44,158	44,913	47,007	49,135
EXPENSES							
Salaries		10,629	11,215	11,957	12,267	12,780	13,406
Superannuation							
Concurrent costs		1,010	1,062	1,156	1,211	1,317	1,440
Superannuation interest cost		317	336	352	367	379	388
Other employee costs		303	288	276	270	296	293
Depreciation and amortisation		2,688	2,904	3,155	3,273	3,307	3,411
Services and contracts		2,566	2,717	2,986	2,935	2,902	2,971
Other gross operating expenses		16,415	17,678	18,325	18,937	19,886	20,873
Other interest		1,324	1,407	1,563	1,760	1,983	2,178
Current transfers		3,470	3,608	3,740	3,866	3,985	4,216
Capital transfers		384	436	794	568	455	354
<i>Total</i>		39,107	41,650	44,302	45,453	47,292	49,530
NET OPERATING BALANCE	6	587	-441	-144	-540	-285	-395
<i>Other economic flows</i>							
Net gains on assets/liabilities		147	124	167	275	393	362
Net actuarial gains - superannuation		-1,735	218	44	38	-11	-68
Provision for doubtful debts		-43	-20	-21	-22	-23	-25
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		-1,631	321	191	291	359	270
OPERATING RESULT		-1,044	-119	46	-249	74	-125
<i>All other movements in equity</i>							
Revaluations		317	4,266	3,628	3,375	3,129	3,480
Gains recognised directly in equity		448	-47	-51	-61	-63	-66
Changes in accounting policy/correction of prior period errors		-285	-	-	-	-	-
Change in net worth of the PFC sector		-164	318	95	131	72	66
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		316	4,537	3,672	3,446	3,138	3,480
TOTAL CHANGE IN NET WORTH		-728	4,418	3,719	3,197	3,212	3,355
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	587	-441	-144	-540	-285	-395
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		6,768	7,295	7,444	6,667	5,953	6,821
Changes in inventories		-8	463	124	32	51	90
Other movement in non-financial assets		158	-7	413	72	39	41
<i>less:</i>							
Sales of non-financial assets		891	1,250	1,670	1,765	1,941	1,719
Depreciation		2,688	2,904	3,155	3,273	3,307	3,411
<i>Total net acquisition of non-financial assets</i>		3,339	3,597	3,156	1,732	794	1,822
NET LENDING/-BORROWING	6	-2,752	-4,038	-3,300	-2,272	-1,079	-2,218

Note: Columns may not add due to rounding.

Table 1.8

TOTAL NON-FINANCIAL PUBLIC SECTOR
Balance Sheet at 30 June

	Note	2012	2013	2014	2015	2016	2017
		Actual	Estimated	Budget	Forw ard	Forw ard	Forw ard
		\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		1,591	1,515	1,306	1,550	1,499	1,548
Advances paid		222	226	241	261	283	307
Investments, loans and placements		10,209	11,173	10,554	10,995	12,156	13,417
Receivables		3,670	3,618	3,811	3,950	4,149	4,302
Investment property		35	35	35	35	27	27
Shares and other equity							
Investments in other public sector entities - equity method		1,286	1,604	1,699	1,830	1,903	1,969
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		28	17	10	43	38	30
Other financial assets		-	-	-	-	-	-
Total financial assets		17,041	18,189	17,656	18,665	20,056	21,600
<i>Non-financial assets</i>							
Land		51,751	54,379	56,290	57,894	59,309	61,173
Property, plant and equipment		83,676	88,776	93,554	97,490	100,446	104,190
Biological assets		335	331	328	322	316	310
Inventories							
Land inventories		1,831	2,077	2,205	2,183	2,072	2,248
Other inventories		3,443	3,906	4,030	4,062	4,113	4,202
Intangibles		929	859	778	841	792	722
Non-current assets held for sale		110	309	276	51	51	51
Other		385	269	340	247	265	255
Total non-financial assets		142,461	150,905	157,801	163,091	167,363	173,153
TOTAL ASSETS		159,502	169,094	175,457	181,755	187,418	194,752
LIABILITIES							
Deposits held		193	191	191	191	191	191
Advances received		454	439	424	409	393	377
Borrowings		27,479	32,424	35,111	38,311	41,075	44,955
Unfunded superannuation		9,086	8,755	8,561	8,377	8,274	8,270
Other employee benefits		3,193	3,362	3,403	3,449	3,193	3,232
Payables		5,050	5,332	5,523	5,540	5,574	5,609
Other liabilities		2,571	2,697	2,632	2,671	2,698	2,743
TOTAL LIABILITIES		48,026	53,201	55,845	58,946	61,398	65,376
NET ASSETS		111,475	115,893	119,612	122,809	126,021	129,376
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		28,575	30,474	30,458	30,151	30,127	29,903
Other reserves		82,900	85,419	89,154	92,657	95,893	99,473
NET WORTH	6	111,475	115,893	119,612	122,809	126,021	129,376
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-30,985	-35,012	-38,189	-40,282	-41,342	-43,776
<i>Net financial liabilities</i>		32,300	36,634	39,899	42,156	43,283	45,776
<i>Net debt</i>							
Gross debt liabilities		28,126	33,054	35,726	38,910	41,659	45,523
less: liquid financial assets		12,022	12,914	12,101	12,806	13,939	15,271
less: convergence differences impacting net debt		88	88	88	88	-	-
Net debt		16,016	20,052	23,537	26,016	27,720	30,251

Note: Columns may not add due to rounding.

Table 1.9

TOTAL NON-FINANCIAL PUBLIC SECTOR
Cashflow Statement

	Note	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		6,760	7,866	8,740	8,974	9,501	10,127
Grants and subsidies received		9,831	9,008	8,718	7,941	7,599	7,858
Receipts from sales of goods and services		17,411	18,401	19,254	20,244	21,298	22,482
Interest receipts		514	433	401	492	549	558
Dividends and tax equivalents		88	73	122	90	138	157
Other receipts		6,973	6,866	8,094	8,628	9,381	9,511
<i>Total cash received</i>		<i>41,577</i>	<i>42,646</i>	<i>45,328</i>	<i>46,370</i>	<i>48,467</i>	<i>50,693</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-11,801	-12,575	-13,581	-13,952	-14,862	-15,286
Payments for goods and services		-17,857	-18,799	-19,565	-20,031	-20,673	-21,499
Interest paid		-1,279	-1,316	-1,493	-1,681	-1,882	-2,094
Grants and subsidies paid		-3,574	-3,782	-3,915	-4,040	-4,229	-4,352
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-3,598	-4,019	-3,938	-4,154	-4,480	-4,818
<i>Total cash paid</i>		<i>-38,108</i>	<i>-40,491</i>	<i>-42,493</i>	<i>-43,857</i>	<i>-46,126</i>	<i>-48,048</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES		3,469	2,155	2,835	2,512	2,341	2,645
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-6,768	-7,295	-7,444	-6,667	-5,953	-6,821
Sales of non-financial assets		891	1,250	1,670	1,765	1,941	1,719
<i>Total cash flows from investments in non-financial assets</i>		<i>-5,877</i>	<i>-6,045</i>	<i>-5,774</i>	<i>-4,902</i>	<i>-4,012</i>	<i>-5,103</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		6	-	-	-	-	-
For liquidity purposes		178	103	51	53	180	194
<i>Cash paid</i>							
For policy purposes		-6	-	-	-	-	-
For liquidity purposes		-216	-128	-54	-6	-235	-209
<i>Total cash flows from investments in financial assets</i>		<i>-37</i>	<i>-25</i>	<i>-3</i>	<i>47</i>	<i>-56</i>	<i>-14</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES		-5,914	-6,070	-5,777	-4,855	-4,067	-5,117
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		16,164	17,965	18,986	19,954	19,640	20,419
Deposits received		-	-	-	-	-	-
Other financing receipts		52	31	306	86	36	37
<i>Total cash received</i>		<i>16,217</i>	<i>17,997</i>	<i>19,292</i>	<i>20,041</i>	<i>19,676</i>	<i>20,456</i>
<i>Cash paid</i>							
Advances paid		-14	-15	-15	-15	-16	-16
Borrowings repaid		-11,873	-14,627	-16,999	-16,792	-16,803	-16,513
Deposits paid		-	-	-	-	-	-
Other financing payments		-108	-98	-142	-189	-206	-156
<i>Total cash paid</i>		<i>-11,995</i>	<i>-14,740</i>	<i>-17,156</i>	<i>-16,997</i>	<i>-17,025</i>	<i>-16,685</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES		4,222	3,256	2,136	3,044	2,652	3,770
Net increase in cash and cash equivalents		1,776	-659	-806	702	926	1,298
Cash and cash equivalents at the beginning of the year		6,542	8,318	7,659	6,854	7,555	8,481
Cash and cash equivalents at the end of the year		8,318	7,659	6,854	7,555	8,481	9,779
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		3,469	2,155	2,835	2,512	2,341	2,645
Net cash flows from investing in non-financial assets		-5,877	-6,045	-5,774	-4,902	-4,012	-5,103
Cash surplus/-deficit	6	-2,408	-3,890	-2,938	-2,389	-1,670	-2,457

Note: Columns may not add due to rounding.

Table 1.10

PUBLIC FINANCIAL CORPORATIONS
Operating Statement

	Note	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Current grants and subsidies		-	-	-	-	-	-
Capital grants		-	-	-	-	-	-
Sales of goods and services		957	1,059	1,007	1,119	1,166	1,256
Interest income		1,768	2,148	2,053	2,286	2,549	2,736
Other		5	1	1	-	-	-
<i>Total</i>		<i>2,730</i>	<i>3,209</i>	<i>3,061</i>	<i>3,405</i>	<i>3,715</i>	<i>3,992</i>
EXPENSES							
Salaries		42	45	50	52	54	56
Superannuation							
Concurrent costs		4	4	5	5	6	6
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		2	2	2	2	2	2
Depreciation and amortisation		15	16	20	20	21	21
Services and contracts		13	13	15	16	17	18
Other gross operating expenses		1,086	820	896	994	1,049	1,131
Other interest		1,626	1,962	1,856	2,082	2,339	2,528
Tax equivalents		8	5	6	16	28	29
Current transfers		3	4	4	4	4	5
Capital transfers		-	7	4	4	4	4
<i>Total</i>		<i>2,798</i>	<i>2,878</i>	<i>2,857</i>	<i>3,195</i>	<i>3,524</i>	<i>3,800</i>
NET OPERATING BALANCE	6	-69	330	204	210	191	192
<i>Other economic flows</i>							
Net gains on assets/liabilities		-58	-	-	-	-	-
Net actuarial gains - superannuation		-2	-	-	-	-	-
Provision for doubtful debts		-	-	-	-	-	-
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		<i>-60</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
OPERATING RESULT		-129	330	204	210	191	192
<i>Other non-owner movements in equity</i>							
Revaluations		15	55	7	5	3	3
Gains recognised directly in equity		97	-	-	-	-	-
Changes in accounting policy/correction of prior period errors		-94	-	-	-	-	-
All other		-	-	-	-	-	-
<i>Total other non-owner movements in equity</i>		<i>18</i>	<i>55</i>	<i>7</i>	<i>5</i>	<i>3</i>	<i>3</i>
<i>Movements in owner equity</i>							
Dividends		-52	-67	-116	-84	-121	-129
Capital injections		-	-	-	-	-	-
<i>Total movements in owner equity</i>		<i>-52</i>	<i>-67</i>	<i>-116</i>	<i>-84</i>	<i>-121</i>	<i>-129</i>
TOTAL CHANGE IN NET WORTH		-164	318	95	131	72	66
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	-69	330	204	210	191	192
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		13	8	6	5	5	5
Changes in inventories		-	-	-	-	-	-
Other movement in non-financial assets		-	-	-	-	-	-
<i>less:</i>							
Sales of non-financial assets		-	-	-	-	-	-
Depreciation		15	16	20	20	21	21
<i>Total net acquisition of non-financial assets</i>		<i>-2</i>	<i>-9</i>	<i>-14</i>	<i>-15</i>	<i>-15</i>	<i>-16</i>
NET LENDING/-BORROWING	6	-67	339	217	225	206	208

Note: Columns may not add due to rounding.

Table 1.11

PUBLIC FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	Note	2012	2013	2014	2015	2016	2017
		Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
		\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		16	16	21	28	35	40
Advances paid		3,411	5,003	5,047	5,096	5,106	5,106
Investments, loans and placements		38,338	40,630	43,659	44,717	47,622	51,747
Receivables		1,035	1,051	1,038	1,034	1,032	1,032
Investment property		510	580	618	651	689	727
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		1,208	1,373	1,474	1,570	1,686	1,813
Other financial assets		39	39	39	39	39	39
Total financial assets		44,558	48,691	51,898	53,135	56,209	60,506
<i>Non-financial assets</i>							
Land		118	118	118	118	118	118
Property, plant and equipment		250	258	266	270	272	275
Biological assets		-	-	-	-	-	-
Inventories							
Land inventories		-	-	-	-	-	-
Other inventories		-	-	-	-	-	-
Intangibles		14	14	13	11	10	10
Non-current assets held for sale		-	-	-	-	-	-
Other		6	68	66	64	62	58
Total non-financial assets		386	458	462	464	462	460
TOTAL ASSETS		44,944	49,149	52,360	53,598	56,671	60,966
LIABILITIES							
Deposits held		-	-	-	-	-	-
Advances received		3	3	3	3	3	3
Borrowings		40,269	44,073	47,097	48,116	50,965	55,028
Unfunded superannuation		11	12	12	13	14	15
Other employee benefits		9	9	9	9	9	9
Payables		93	135	137	112	131	143
Other liabilities		3,272	3,313	3,402	3,515	3,646	3,799
TOTAL LIABILITIES		43,658	47,545	50,661	51,768	54,768	58,997
NET ASSETS		1,286	1,604	1,699	1,830	1,903	1,969
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		1,054	1,253	1,311	1,420	1,481	1,536
Other reserves		233	351	389	411	422	433
NET WORTH	6	1,286	1,604	1,699	1,830	1,903	1,969
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-386	-458	-462	-464	-462	-460
<i>Net debt</i>							
Gross debt liabilities		40,272	44,076	47,100	48,119	50,968	55,031
less: liquid financial assets		41,765	45,648	48,728	49,841	52,762	56,894
less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		-1,493	-1,572	-1,628	-1,721	-1,794	-1,862

Note: Columns may not add due to rounding.

Table 1.12

PUBLIC FINANCIAL CORPORATIONS
Cashflow Statement

	Note	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
		Actual	Estimated	Budget	Forw ard	Forw ard	Forw ard
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Grants and subsidies received		6	2	5	5	5	5
Receipts from sales of goods and services		922	977	1,002	1,085	1,171	1,262
Interest receipts		1,717	2,152	2,058	2,291	2,553	2,736
Dividends and tax equivalents		-	-	-	-	-	-
Other receipts		124	97	106	113	119	127
<i>Total cash received</i>		<i>2,770</i>	<i>3,228</i>	<i>3,170</i>	<i>3,494</i>	<i>3,848</i>	<i>4,131</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-44	-49	-54	-56	-58	-60
Payments for goods and services		-767	-783	-841	-922	-956	-1,014
Interest paid		-1,517	-1,962	-1,856	-2,082	-2,339	-2,528
Grants and subsidies paid		-	-	-	-	-	-
Tax equivalents		-7	-5	-6	-6	-17	-28
Other payments		-173	-141	-153	-164	-176	-188
<i>Total cash paid</i>		<i>-2,508</i>	<i>-2,941</i>	<i>-2,910</i>	<i>-3,230</i>	<i>-3,546</i>	<i>-3,818</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES		262	287	260	264	303	313
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-13	-8	-6	-5	-5	-5
Sales of non-financial assets		-	-	-	-	-	-
<i>Total cash flows from investments in non-financial assets</i>		<i>-13</i>	<i>-7</i>	<i>-6</i>	<i>-5</i>	<i>-5</i>	<i>-5</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		6,110	1,490	1,306	1,444	1,530	1,623
<i>Cash paid</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		-6,303	-5,313	-1,473	-1,612	-1,687	-1,782
<i>Total cash flows from investments in financial assets</i>		<i>-193</i>	<i>-3,823</i>	<i>-167</i>	<i>-168</i>	<i>-157</i>	<i>-159</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES		-206	-3,831	-173	-173	-163	-165
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		38,986	43,051	43,475	43,119	43,007	42,799
Deposits received		-	-	-	-	-	-
Other financing receipts		-	-	-	-	-	-
<i>Total cash received</i>		<i>38,986</i>	<i>43,051</i>	<i>43,475</i>	<i>43,119</i>	<i>43,007</i>	<i>42,799</i>
<i>Cash paid</i>							
Advances paid		-	-	-	-	-	-
Borrowings repaid		-37,358	-41,660	-43,469	-43,115	-43,005	-42,796
Deposits paid		-	-	-	-	-	-
Other financing payments		-	-	-	-	-	-
Dividends paid		-81	-67	-116	-84	-121	-129
<i>Total cash paid</i>		<i>-37,439</i>	<i>-41,727</i>	<i>-43,586</i>	<i>-43,198</i>	<i>-43,126</i>	<i>-42,925</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES		1,547	1,324	-110	-80	-119	-127
Net increase in cash and cash equivalents		1,603	-2,219	-24	11	21	21
Cash and cash equivalents at the beginning of the year		2,060	3,664	1,444	1,421	1,431	1,452
Cash and cash equivalents at the end of the year		3,664	1,444	1,421	1,431	1,452	1,474
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		262	287	260	264	303	313
Net cash flows from investing in non-financial assets		-13	-7	-6	-5	-5	-5
Dividends paid		-81	-67	-116	-84	-121	-129
Cash surplus/-deficit	6	168	212	137	174	176	178
Note: Columns may not add due to rounding.							

Table 1.13

TOTAL PUBLIC SECTOR
Operating Statement

	Note	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
		Actual	Estimated	Budget	Forw ard	Forw ard	Forw ard
		\$m	\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Taxation		6,850	7,915	8,734	8,969	9,491	10,120
Current grants and subsidies		8,678	8,274	8,015	7,330	7,097	7,257
Capital grants		1,082	712	709	612	524	623
Sales of goods and services		17,867	19,259	20,058	21,190	22,319	23,559
Interest income		924	1,104	743	830	916	907
Royalty income		4,343	4,460	5,824	6,122	6,765	6,911
Other		954	840	971	832	894	803
Total		40,699	42,563	45,054	45,883	48,005	50,180
EXPENSES							
Salaries		10,671	11,260	12,006	12,318	12,834	13,461
Superannuation							
Concurrent costs		1,014	1,066	1,161	1,216	1,322	1,446
Superannuation interest cost		317	336	352	367	379	388
Other employee costs		305	290	278	273	299	295
Depreciation and amortisation		2,702	2,920	3,174	3,293	3,328	3,432
Services and contracts		2,579	2,717	2,986	2,935	2,902	2,971
Other gross operating expenses		17,204	18,219	18,916	19,573	20,591	21,634
Other interest		1,587	1,882	1,699	1,885	2,121	2,309
Current transfers		3,470	3,608	3,740	3,865	3,985	4,216
Capital transfers		384	442	798	572	459	358
Total		40,233	42,741	45,111	46,297	48,220	50,512
NET OPERATING BALANCE	6	466	-178	-57	-414	-215	-332
<i>Other economic flows</i>							
Net gains on assets/liabilities		89	124	167	275	393	362
Net actuarial gains - superannuation		-1,737	218	44	38	-11	-68
Provision for doubtful debts		-43	-20	-21	-22	-23	-25
All other		-	-	-	-	-	-
Total other economic flows		-1,692	321	191	291	359	270
OPERATING RESULT		-1,226	144	134	-123	143	-62
<i>All other movements in equity</i>							
Revaluations		332	4,321	3,636	3,380	3,132	3,483
Gains recognised directly in equity		545	-47	-51	-61	-63	-66
Changes in accounting policy/correction of prior period errors		-379	-	-	-	-	-
All other		-	-	-	-	-	-
Total all other movements in equity		498	4,274	3,585	3,320	3,069	3,417
TOTAL CHANGE IN NET WORTH		-728	4,418	3,719	3,197	3,212	3,355
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	466	-178	-57	-414	-215	-332
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		6,782	7,302	7,451	6,672	5,958	6,827
Changes in inventories		-8	463	124	32	51	90
Other movement in non-financial assets		158	-7	413	72	39	41
<i>less:</i>							
Sales of non-financial assets		892	1,250	1,671	1,765	1,941	1,719
Depreciation		2,702	2,920	3,174	3,293	3,328	3,432
Total net acquisition of non-financial assets		3,338	3,588	3,143	1,718	779	1,807
NET LENDING/-BORROWING	6	-2,872	-3,766	-3,200	-2,132	-994	-2,138

Note: Columns may not add due to rounding.

Table 1.14

TOTAL PUBLIC SECTOR
Balance Sheet at 30 June

	Note	2012	2013	2014	2015	2016	2017
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	Estimate	Estimate	Estimate
ASSETS							
<i>Financial assets</i>							
Cash and deposits		1,606	1,529	1,326	1,577	1,533	1,586
Advances paid		3,630	5,225	5,285	5,354	5,386	5,410
Investments, loans and placements		18,575	14,934	14,004	12,491	13,798	15,355
Receivables		4,255	4,304	4,496	4,603	4,769	4,894
Investment property		545	615	653	686	716	754
Equity - Investments in other entities		1,236	1,391	1,484	1,613	1,725	1,844
Other financial assets		39	39	39	39	39	39
<i>Total financial assets</i>		<i>29,886</i>	<i>28,037</i>	<i>27,288</i>	<i>26,363</i>	<i>27,965</i>	<i>29,882</i>
<i>Non-financial assets</i>							
Land		51,869	54,497	56,408	58,012	59,426	61,291
Property, plant and equipment		83,926	89,034	93,820	97,760	100,719	104,465
Biological assets		335	331	328	322	316	310
Inventories							
Land inventories		1,831	2,077	2,205	2,183	2,072	2,248
Other inventories		3,443	3,906	4,030	4,062	4,113	4,202
Intangibles		943	873	791	853	802	732
Non-current assets held for sale		110	309	276	51	51	51
Other		391	335	405	309	325	312
<i>Total non-financial assets</i>		<i>142,847</i>	<i>151,362</i>	<i>158,262</i>	<i>163,552</i>	<i>167,823</i>	<i>173,611</i>
TOTAL ASSETS		172,733	179,399	185,550	189,916	195,788	203,493
LIABILITIES							
Deposits held		192	190	190	190	190	190
Advances received		454	439	424	409	393	377
Borrowings		37,776	39,628	41,998	43,207	46,060	50,173
Unfunded superannuation		9,097	8,767	8,573	8,390	8,288	8,284
Other employee benefits		3,203	3,371	3,413	3,458	3,202	3,241
Payables		5,032	5,386	5,579	5,564	5,606	5,653
Other liabilities		5,503	5,725	5,761	5,890	6,028	6,199
TOTAL LIABILITIES		61,258	63,506	65,938	67,107	69,767	74,117
NET ASSETS		111,475	115,893	119,612	122,809	126,021	129,376
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		29,629	31,727	31,768	31,571	31,608	31,438
Other reserves		81,846	84,166	87,844	91,237	94,412	97,938
NET WORTH	6	111,475	115,893	119,612	122,809	126,021	129,376
MEMORANDUM ITEMS							
<i>Net financial worth</i>		<i>-31,372</i>	<i>-35,469</i>	<i>-38,650</i>	<i>-40,744</i>	<i>-41,802</i>	<i>-44,235</i>
<i>Net financial liabilities</i>		<i>32,608</i>	<i>36,859</i>	<i>40,134</i>	<i>42,357</i>	<i>43,527</i>	<i>46,079</i>
<i>Net debt</i>							
Gross debt liabilities		38,422	40,257	42,612	43,805	46,642	50,740
less: liquid financial assets		23,811	21,689	20,615	19,422	20,716	22,351
less: convergence differences impacting net debt		88	88	88	88	-	-
<i>Net debt</i>		<i>14,523</i>	<i>18,480</i>	<i>21,909</i>	<i>24,295</i>	<i>25,926</i>	<i>28,389</i>

Note: Columns may not add due to rounding.

Table 1.15

TOTAL PUBLIC SECTOR
Cashflow Statement

	Note	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
		Actual	Estimated	Budget	Forw ard	Forw ard	Forw ard
		\$m	\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		6,709	7,816	8,686	8,916	9,438	10,060
Grants and subsidies received		9,831	9,008	8,718	7,941	7,599	7,858
Receipts from sales of goods and services		18,061	19,052	19,930	20,988	22,101	23,347
Interest receipts		920	1,168	784	883	960	938
Dividends and tax equivalents		-	-	-	-	-	-
Other		7,093	6,959	8,194	8,734	9,495	9,633
Total cash received		42,613	44,003	46,313	47,462	49,593	51,835
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-11,845	-12,624	-13,635	-14,008	-14,920	-15,346
Payments for goods and services		-18,351	-19,256	-20,081	-20,611	-21,260	-22,115
Interest paid		-1,485	-1,861	-1,676	-1,863	-2,078	-2,265
Grants and subsidies paid		-3,568	-3,780	-3,911	-4,035	-4,224	-4,347
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-3,715	-4,107	-4,031	-4,254	-4,587	-4,933
Total cash paid		-38,963	-41,627	-43,334	-44,770	-47,070	-49,006
NET CASH FLOWS FROM OPERATING ACTIVITIES		3,650	2,375	2,979	2,692	2,523	2,829
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-6,782	-7,302	-7,451	-6,672	-5,958	-6,827
Sales of non-financial assets		892	1,250	1,671	1,765	1,941	1,719
Total cash flows from investments in non-financial assets		-5,890	-6,052	-5,780	-4,907	-4,017	-5,108
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		6	-	-	-	-	-
For liquidity purposes		6,288	1,593	1,357	1,497	1,710	1,817
<i>Cash paid</i>							
For policy purposes		-6	-	-	-	-	-
For liquidity purposes		-6,518	-5,441	-1,527	-1,618	-1,923	-1,990
Total cash flows from investments in financial assets		-230	-3,849	-170	-121	-213	-174
NET CASH FLOWS FROM INVESTING ACTIVITIES		-6,120	-9,901	-5,950	-5,028	-4,230	-5,282
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		27,171	27,829	25,204	26,538	26,306	26,389
Deposits received		-	-	-	-	-	-
Other financing receipts		52	31	306	86	36	37
Total cash received		27,224	27,861	25,511	26,624	26,342	26,425
<i>Cash paid</i>							
Advances paid		-14	-15	-15	-15	-16	-16
Borrowings repaid		-21,252	-23,100	-23,212	-23,372	-23,467	-22,481
Deposits paid		-	-	-	-	-	-
Other financing payments		-108	-98	-142	-189	-206	-156
Total cash paid		-21,374	-23,213	-23,369	-23,576	-23,688	-22,653
NET CASH FLOWS FROM FINANCING ACTIVITIES		5,849	4,648	2,142	3,048	2,654	3,772
Net increase in cash and cash equivalents		3,379	-2,878	-829	712	947	1,320
Cash and cash equivalents at the beginning of the year		8,602	11,981	9,103	8,274	8,986	9,933
Cash and cash equivalents at the end of the year		11,981	9,103	8,274	8,986	9,933	11,253
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		3,650	2,375	2,979	2,692	2,523	2,829
Net cash flows from investing in non-financial assets		-5,890	-6,052	-5,780	-4,907	-4,017	-5,108
Cash surplus/-deficit	6	-2,240	-3,677	-2,801	-2,215	-1,494	-2,279

Note: Columns may not add due to rounding.

NOTE 1: STATEMENT OF COMPLIANCE

The projected public sector financial statements presented in this appendix have been prepared in accordance with Australian Accounting Standards and the Australian Bureau of Statistics' *Government Finance Statistics Concepts, Sources and Methods 2005*.

The presentation in this appendix is consistent with AASB 1049: *Whole of Government and General Government Sector Financial Reporting*.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements constitute general purpose financial reports for the total public sector (also known as the whole-of-government), general government sector, and each of the subsidiary public corporations sectors. The financial projections of the non-financial public sector (i.e. general government and the public non-financial corporations – such as water and electricity utilities, and the ports) are also presented as the total non-financial public sector.

The financial projections are a requirement of the *Government Financial Responsibility Act 2000*.

(a) *The reporting entity*

The reporting entity is the *Government of Western Australia* (the public sector) and includes entities under its control.

(b) *Basis of preparation*

These financial projections do not include all the notes of the type normally included in an annual financial report. The accounting policies adopted in this publication are consistent with those outlined in the 2011-12 *Annual Report on State Finances* (ARSF), which are described in detail in Note 3: *Summary of Significant Accounting Policies* in Appendix 1 of the 2011-12 ARSF.

The projections are presented in Australian dollars and all amounts are rounded to the nearest million dollars (\$m).

(c) *Unaudited data*

These financial projections are not subject to audit.

(d) *Comparative figures*

Comparative information has been restated where necessary to match the adoption of AASB 1049 presentation formats.

NOTE 3: GENERAL GOVERNMENT OPERATING REVENUE

A detailed dissection of general government revenue (which includes the Uniform Presentation Framework taxation disclosure) is included at Appendix 2: *General Government Operating Revenue*.

A comparison of estimated outturn to previous projected operating revenue for 2012-13 is shown at Appendix 3: *2012-13 General Government Operating Revenue*.

NOTE 4: GENERAL GOVERNMENT TRANSFER EXPENSES

Transfer expenses are defined as the provision of something of value for no specific return or consideration and include grants, subsidies, donations, transfers of assets free of charge, etc.

The following table provides detail of current and capital transfer expenses of the general government sector, in line with Uniform Presentation Framework disclosure requirements.

TRANSFER EXPENSES ^(a) General Government

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
<i>CURRENT TRANSFERS</i>						
Local government	450	314	346	396	359	295
Local government on-passing	154	164	170	179	189	200
Private and not-for-profit sector	1,407	1,588	1,624	1,600	1,611	1,746
Private and not-for-profit sector on-passing	831	873	897	966	1,056	1,148
Other sectors of government	2,211	1,949	2,345	2,264	2,266	2,302
<i>Total Current Transfers</i>	<i>5,053</i>	<i>4,887</i>	<i>5,382</i>	<i>5,405</i>	<i>5,481</i>	<i>5,691</i>
<i>CAPITAL TRANSFERS</i>						
Local government	64	70	325	167	75	66
Local government on-passing	101	104	107	111	116	121
Private and not-for-profit sector	123	163	142	223	220	125
Private and not-for-profit sector on-passing	40	26	29	31	34	37
Other sectors of government	192	111	223	196	147	115
<i>Total Capital Transfers</i>	<i>520</i>	<i>473</i>	<i>826</i>	<i>728</i>	<i>591</i>	<i>463</i>

(a) Includes grants, subsidies and other transfer expenses.

NOTE 5: GENERAL GOVERNMENT EXPENSES AND SPENDING ON THE PURCHASE OF NON-FINANCIAL ASSETS BY GOVERNMENT PURPOSE CLASSIFICATION^(a)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
<i>Expenses</i>						
General public services	327	605	714	510	508	644
Public order and safety	3,013	3,000	3,052	3,172	3,279	3,406
Education	5,870	6,175	6,523	6,801	7,008	7,367
Health	6,268	6,881	7,278	7,582	8,090	8,505
Social security and welfare	1,677	1,718	1,955	1,961	2,029	2,109
Housing and community amenities	1,983	1,660	2,036	2,100	2,080	2,127
Recreation and culture	831	803	854	932	869	865
Fuel and energy	528	557	614	541	550	524
Agriculture, forestry, fishing and hunting	400	356	367	351	332	330
Mining and mineral resources other than fuels; manufacturing; and construction	200	201	246	221	213	215
Transport and communications	1,871	1,878	2,126	2,055	2,087	2,193
Other economic affairs	753	665	783	661	627	517
Other purposes	853	959	1,043	1,178	1,364	1,531
Total General Government Expenses	24,571	25,457	27,592	28,065	29,036	30,332
<i>Purchases of new non-financial assets</i>						
General public services	260	169	170	166	200	149
Public order and safety	282	275	309	165	85	103
Education	691	572	609	407	269	266
Health	1,141	1,007	1,078	794	370	337
Social security and welfare	62	57	70	41	18	14
Housing and community amenities	132	115	119	103	190	285
Recreation and culture	184	221	145	197	396	495
Fuel and energy	10	10	5	4	3	2
Agriculture, forestry, fishing and hunting	18	34	30	19	15	19
Mining and mineral resources other than fuels; manufacturing; and construction	1	3	1	1	1	1
Transport and communications	544	849	1,139	758	761	1,251
Other economic affairs	34	205	145	57	32	14
Other purposes	-	-300	-625	100	100	100
Total Purchases of Non-financial Assets	3,358	3,217	3,196	2,811	2,440	3,035

(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

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB1049 net operating balance	649	239	386	-147	128	16
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	-
GFS net operating balance	649	239	386	-147	40	16
<u>Public non-financial corporations</u>						
AASB1049 net operating balance	635	105	230	461	572	669
Less GFS expense adjustments						
Capitalised interest	37	40	46	45	55	52
Dividends	696	784	761	854	985	1,080
Total GFS expense adjustments	734	824	807	898	1,040	1,132
Total GFS adjustments to AASB 1049 net operating balance	-734	-824	-807	-898	-1,040	-1,132
GFS net operating balance	-99	-719	-577	-437	-468	-463
<u>Total non-financial public sector</u>						
AASB1049 net operating balance	587	-441	-144	-540	-285	-395
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	37	40	46	45	55	52
Dampier to Bunbury Natural Gas Pipeline - extinguish loan asset	-	-	-	-	88	-
Total GFS expense adjustments	37	40	46	45	143	52
Total GFS adjustments to AASB 1049 net operating balance	-37	-40	-46	-45	-143	-52
GFS net operating balance	550	-480	-190	-585	-428	-447
<u>Public financial corporations</u>						
AASB1049 net operating balance	-69	330	204	210	191	192
Less GFS expense adjustments						
Dividends	52	67	116	84	121	129
Total GFS expense adjustments	52	67	116	84	121	129
Total GFS adjustments to AASB 1049 net operating balance	-52	-67	-116	-84	-121	-129
GFS net operating balance	-121	263	87	126	70	64
<u>Total public sector</u>						
AASB1049 net operating balance	466	-178	-57	-414	-215	-332
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	37	40	46	45	55	52
Dampier to Bunbury Natural Gas Pipeline - extinguish loan asset	-	-	-	-	88	-
Total GFS expense adjustments	37	40	46	45	143	52
Total GFS adjustments to AASB 1049 net operating balance	-37	-40	-46	-45	-143	-52
GFS net operating balance	429	-218	-103	-459	-358	-384

AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

Net Lending

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
<u>General government</u>						
AASB1049 net lending/-borrowing	-1,717	-1,659	-1,644	-1,548	-695	-1,419
Plus Net operating balance convergence difference (noted above)	-	-	-	-	-88	-
GFS net lending/-borrowing	-1,717	-1,659	-1,644	-1,548	-783	-1,419
<u>Public non-financial corporations</u>						
AASB1049 net lending/-borrowing	-338	-1,594	-896	129	601	281
Plus Net operating balance convergence difference (noted above)	-734	-824	-807	-898	-1,040	-1,132
GFS net lending/-borrowing	-1,072	-2,419	-1,703	-769	-439	-851
<u>Total non-financial public sector</u>						
AASB1049 net lending/-borrowing	-2,752	-4,038	-3,300	-2,272	-1,079	-2,218
Plus Net operating balance convergence difference (noted above)	-37	-40	-46	-45	-143	-52
GFS net lending/-borrowing	-2,789	-4,078	-3,347	-2,317	-1,222	-2,269
<u>Public financial corporations</u>						
AASB1049 net lending/-borrowing	-67	339	217	225	206	208
Plus Net operating balance convergence difference (noted above)	-52	-67	-116	-84	-121	-129
GFS net lending/-borrowing	-120	272	101	141	85	79
<u>Total public sector</u>						
AASB1049 net lending/-borrowing	-2,872	-3,766	-3,200	-2,132	-994	-2,138
Plus Net operating balance convergence difference (noted above)	-37	-40	-46	-45	-143	-52
GFS net lending/-borrowing	-2,909	-3,806	-3,246	-2,176	-1,137	-2,190

AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

Net Worth at 30 June

	2012 Actual \$m	2013 Estimated Actual \$m	2014 Budget Estimate \$m	2015 Forward Estimate \$m	2016 Forward Estimate \$m	2017 Forward Estimate \$m
<u>General government</u>						
AASB1049 net worth	111,475	115,893	119,612	122,809	126,021	129,376
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	-	-
Provision for doubtful debts						
General government sector	202	202	202	202	202	202
Impact on public corporations net worth	22	21	23	24	25	26
<i>Total GFS net worth adjustments</i>	312	311	312	314	227	228
GFS net worth	111,787	116,204	119,924	123,122	126,248	129,604
<u>Public non-financial corporations</u>						
AASB1049 net worth	47,647	50,223	52,121	53,516	54,823	56,483
<i>Plus</i>						
Impact of general government equity injections	-5,544	-5,921	-6,672	-7,092	-7,458	-7,898
Provision for doubtful debts	22	21	22	24	25	26
<i>Total GFS net worth adjustments</i>	-5,522	-5,899	-6,650	-7,068	-7,433	-7,872
GFS net worth	42,125	44,323	45,471	46,448	47,390	48,611
<u>Total non-financial public sector</u>						
AASB1049 net worth	111,475	115,893	119,612	122,809	126,021	129,376
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	-	-
Provision for doubtful debts						
Total non-financial public sector	223	223	224	226	227	228
Impact on public corporations net worth	-	-	-	-	-	-
<i>Total GFS net worth adjustments</i>	312	311	312	314	227	228
GFS net worth	111,787	116,204	119,924	123,122	126,248	129,604
<u>Public financial corporations</u>						
AASB1049 net worth	1,286	1,604	1,699	1,830	1,903	1,969
<i>Plus</i>						
Provision for doubtful debts	-	-	-	-	-	-
<i>Total GFS net worth adjustments</i>	-	-	-	-	-	-
GFS net worth	1,287	1,604	1,699	1,830	1,903	1,969
<u>Total public sector</u>						
AASB1049 net worth	111,475	115,893	119,612	122,809	126,021	129,376
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	-	-
Provision for doubtful debts	223	223	224	226	227	228
<i>Total GFS net worth adjustments</i>	312	311	312	314	227	228
GFS net worth	111,787	116,204	119,924	123,122	126,248	129,604

AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

Cash Surplus/-Deficit

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB1049 cash surplus/-deficit	-1,221	-1,751	-1,538	-1,389	-1,024	-1,457
Less Acquisitions under finance leases and similar arrangements	19	-	417	216	5	-
GFS cash surplus/-deficit	-1,239	-1,751	-1,955	-1,605	-1,030	-1,457
<u>Public non-financial corporations</u>						
AASB1049 cash surplus/-deficit	-1,188	-2,138	-1,400	-1,000	-646	-1,000
Less Acquisitions under finance leases and similar arrangements	63	1	265	-	-	-
GFS cash surplus/-deficit	-1,251	-2,139	-1,665	-1,000	-646	-1,000
<u>Total non-financial public sector</u>						
AASB1049 cash surplus/-deficit	-2,408	-3,890	-2,938	-2,389	-1,670	-2,457
Less Acquisitions under finance leases and similar arrangements	82	1	682	216	5	-
GFS cash surplus/-deficit	-2,490	-3,890	-3,621	-2,605	-1,676	-2,457
<u>Public financial corporations</u>						
AASB1049 cash surplus/-deficit	168	212	137	174	176	178
Less Acquisitions under finance leases and similar arrangements	-	-	-	-	-	-
GFS cash surplus/-deficit	168	212	137	174	176	178
<u>Total public sector</u>						
AASB1049 cash surplus/-deficit	-2,240	-3,677	-2,801	-2,215	-1,494	-2,279
Less Acquisitions under finance leases and similar arrangements	82	1	682	216	5	-
GFS cash surplus/-deficit	-2,322	-3,678	-3,483	-2,431	-1,499	-2,279

NOTE 7: LOAN COUNCIL ALLOCATIONS

The Australian Loan Council oversees State, Territory and Commonwealth governments' public sector borrowings using a system of Loan Council Allocations (LCAs). LCAs are based on net borrowings as indicated by a government's deficit position¹.

LOAN COUNCIL ALLOCATIONS Western Australia

	2012-13 Estimated Actual \$m	2013-14 Nomination \$m	2013-14 Budget Estimate \$m
General government cash surplus/deficit	1,751	2,194	1,538
Public non-financial corporations sector cash surplus/deficit	2,138	1,265	1,400
<i>Total non-financial public sector cash surplus/deficit</i>	<i>3,890</i>	<i>3,459</i>	<i>2,938</i>
Acquisitions under finance leases and similar arrangements	1	682	682
<i>GFS cash surplus/deficit</i>	<i>3,890</i>	<i>4,141</i>	<i>3,621</i>
Less: Non-financial public sector net cash flows from investments in financial assets for policy purposes	-	-	-
Plus: Memorandum items ^(a)	1,179	-451	-473
Loan Council Allocation	5,070	3,690	3,147
<i>Tolerance Limit ^(b)</i>	-	868	-

(a) Memorandum items are used to adjust the ABS deficit/surplus to include in LCAs certain transactions (e.g. operating leases) that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. Where appropriate, they are also used to deduct from the deficit/surplus certain transactions that Loan Council has agreed should not be included in LCAs (e.g. the funding of more than emerging costs under public superannuation schemes).

(b) The tolerance limit is defined as 2% total non-financial public sector receipts and reflects a band of variability above and below the original LCA nomination.

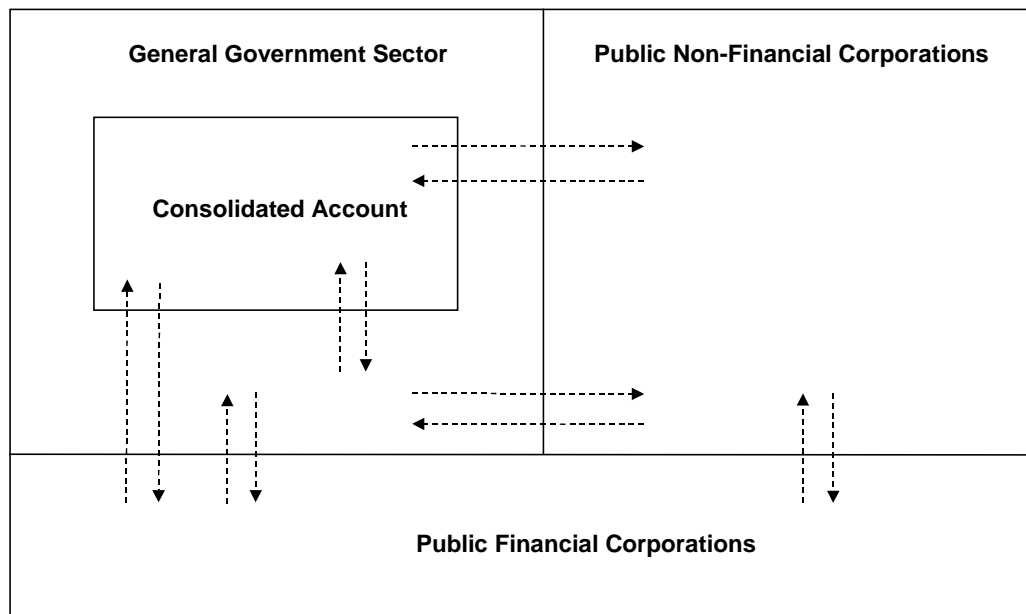
Note: Columns may not add due to rounding.

¹ For the purposes of LCAs, deficits are positive and surpluses are negative.

NOTE 8: COMPOSITION OF SECTORS

The following diagram shows the sectors within which public sector agencies are classified by the Government Finance Statistics framework, and which are all included in the consolidated whole-of-government.

TOTAL PUBLIC SECTOR



All public sector-controlled agencies, regardless of funding source or sector classification, have been included in these financial projections.

The agencies included within each sector are listed below.

This list differs from the portfolio list that appears in Budget Paper No. 2. The listing in that budget paper covers only those agencies that receive appropriations and/or have an Asset Investment Program.

General Government

Agricultural Practices Board of Western Australia ^(a)	Fire and Emergency Services Authority of Western Australia ^(a)
Agricultural Produce Commission	Gaming and Wagering Commission of Western Australia
Botanic Gardens and Parks Authority	Gascoyne Development Commission
Building and Construction Industry Training Board	Goldfields Esperance Development Commission
Central Institute of Technology	Goldfields Institute of Technology ^(a)
Challenger Institute of Technology	Governor's Establishment
Chemistry Centre (W.A.)	Great Southern Development Commission
Commissioner for Children and Young People	Great Southern Institute of Technology
Commissioner of Equal Opportunity	Health and Disability Services Complaints Office
Commissioner of Main Roads	Heritage Council of Western Australia
Corruption and Crime Commission	Independent Market Operator
Country High School Hostels Authority	Keep Australia Beautiful Council (W.A.)
C.Y. O'Connor Institute	Kimberley Training Institute
Department for Child Protection ^(a)	Kimberley Development Commission
Department for Communities	Law Reform Commission of Western Australia
Department of Aboriginal Affairs ^(a)	Legal Aid Commission of Western Australia
Department of Agriculture and Food	Legal Costs Committee
Department of Child Protection and Family Support ^(a)	Local Health Authorities Analytical Committee
Department of Commerce	Mental Health Commission
Department of Corrective Services	Mid West Development Commission
Department of Culture and the Arts	Minerals and Energy Research Institute of Western Australia
Department of Education	Office of the Auditor General
Department of Education Services	Office of the Director of Public Prosecutions
Department of Environment and Conservation ^(a)	Office of the Environmental Protection Authority
Department of Environmental Regulation ^(a)	Office of the Information Commissioner
Department of Finance	Office of the Inspector of Custodial Services
Department of Fire and Emergency Services ^(a)	Office of the Parliamentary Inspector of the Corruption and Crime Commission
Department of Fisheries	Parliamentary Commissioner for Administrative Investigations
Department of Health (including Public Hospitals)	Parliamentary Services Department
Department of Indigenous Affairs ^(a)	Peel Development Commission
Department of Lands ^(a)	Perth Theatre Trust
Department of Local Government ^(a)	Pilbara Development Commission
Department of Local Government and Communities ^(a)	Pilbara Institute
Department of Mines and Petroleum	Polytechnic West
Department of Planning	Professional Combat Sports Commission
Department of Parks and Wildlife ^(a)	Professional Standards Council
Department of Racing, Gaming and Liquor	Public Sector Commission
Department of Regional Development ^(a)	Racing Penalties Appeal Tribunal of Western Australia
Department of Regional Development and Lands ^(a)	Rural Business Development Corporation
Department of Sport and Recreation	Salaries and Allowances Tribunal
Department of State Development	School Curriculum Standards Authority
Department of Training and Workforce Development	Screen West (Inc.)
Department of Transport	Small Business Development Corporation
Department of Treasury	South West Development Commission
Department of the Attorney General	South West Institute of Technology
Department of the Legislative Assembly	Swan River Trust
Department of the Legislative Council	The Aboriginal Affairs Planning Authority
Department of the Premier and Cabinet	The ANZAC Day Trust
Department of the Registrar, Western Australian Industrial Relations Commission	The Board of the Art Gallery of Western Australia
Department of Water	The Burswood Park Board
Disability Services Commission	
Durack Institute of Technology	
Economic Regulation Authority	

(a) Agency which has been either created, abolished, amalgamated or renamed since the 17 May 2012 presentation of the 2012-13 Budget.

General Government (cont.)

The Coal Miners' Welfare Board of Western Australia
The Library Board of Western Australia
The National Trust of Australia (W.A.)
The Queen Elizabeth II Medical Centre Trust
The Western Australia Museum
Trustees of the Public Education Endowment
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
Broome Port Authority
Bunbury Port Authority
Bunbury Water Board
Busselton Water Board
Dampier Port Authority
Electricity Generation Corporation (Verve Energy)
Electricity Networks Corporation (Western Power)
Electricity Retail Corporation (Synergy)
Esperance Port Authority
Forest Products Commission
Fremantle Port Authority
Geraldton Port Authority
Gold Corporation and its subsidiaries

Housing Authority
Lotteries Commission
Metropolitan Cemeteries Board
Metropolitan Redevelopment Authority
Perth Market Authority
Port Hedland Port Authority
Potato Marketing Corporation of Western Australia
Public Transport Authority of Western Australia
Racing and Wagering Western Australia
Regional Power Corporation (Horizon Power)
Rottneest Island Authority
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

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

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	Estimate	Estimate	Estimate
TAXATION						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	3,096	3,477	3,730	3,976	4,292	4,628
Property taxes						
<i>Land tax</i>	552	568	657	723	795	877
Transfer duty	1,261	1,654	1,866	1,793	1,767	1,803
Landholder duty	101	217	309	140	142	145
<i>Total duty on transfers</i>	1,362	1,870	2,174	1,933	1,909	1,949
Other stamp duties	-	5	-	-	-	-
Metropolitan Region Improvement Tax	84	85	87	96	105	116
Emergency Services Levy	220	235	257	256	259	273
Loan guarantee fees	25	104	120	126	130	133
<i>Total other property taxes</i>	329	429	464	478	494	521
Taxes on provision of goods and services						
Lotteries Commission	140	152	147	153	160	163
Video lottery terminals	-	-	1	1	1	1
Casino tax	108	112	130	135	140	145
Betting tax	38	41	42	44	45	46
Other	19	-	-	-	-	-
<i>Total taxes on gambling</i>	305	305	320	332	345	355
Insurance duty	487	555	593	638	688	745
Other	22	22	24	25	25	25
<i>Total taxes on insurance</i>	509	577	617	663	713	770
Taxes on use of goods and performance of activities						
Vehicle licence duty	367	404	436	488	539	591
Permits - oversize vehicles and loads	7	8	6	6	6	6
Motor vehicle recording fee	46	47	49	50	53	54
Motor vehicle registrations	599	656	725	780	820	857
<i>Total motor vehicle taxes</i>	1,019	1,116	1,216	1,324	1,417	1,508
Total Taxation	7,173	8,342	9,177	9,428	9,965	10,607

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

OPERATING REVENUE
General Government

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	Estimate	Estimate	Estimate
CURRENT GRANTS AND SUBSIDIES						
<i>General Purpose Grants</i>						
GST grants	3,454	2,935	2,458	1,592	894	500
North West Shelf grants	925	1,050	1,067	1,062	1,177	1,304
Commonwealth compensation for changed crude oil excise arrangements	75	58	59	58	65	72
<i>Grants Through the State</i>						
Schools assistance – non-government schools	831	873	897	966	1,056	1,148
Local government financial assistance grants	154	164	170	179	189	200
Local government roads	101	104	107	111	116	121
First Home Owners' Boost	1	-	-	-	-	-
<i>National Specific Purpose Payment Agreement Grants</i>						
National Healthcare	1,312	-	-	-	-	-
National Schools	378	406	457	508	564	620
National Skills and Workforce Development	139	146	151	159	164	169
National Disability Services	110	127	146	156	165	175
National Affordable Housing	129	135	139	145	149	154
<i>National Health Reform ^(a)</i>	-	1,398	1,535	1,724	1,933	2,163
<i>Other Grants/National Partnerships</i>						
Health	505	448	392	352	365	359
Housing	2	14	15	-	-	-
Transport	68	69	76	70	70	70
Other	493	347	347	247	190	203
Total Current Grants and Subsidies	8,678	8,274	8,015	7,330	7,097	7,257
CAPITAL GRANTS						
<i>Grants Through the State</i>						
Schools assistance – non-government schools	40	26	29	31	34	37
<i>Nation Building and Jobs Plan</i>						
Schools	40	-	-	-	-	-
Housing	20	-	-	-	-	-
<i>Other Grants/National Partnerships</i>						
Housing	181	87	200	166	124	97
Transport	505	509	392	348	349	475
Other	296	90	89	67	17	14
Total Capital Grants	1,082	712	709	612	524	623

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

OPERATING REVENUE						
General Government						
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Actual	Estimated	Budget	Forw ard	Forw ard	Forw ard
	\$m	\$m	\$m	Estimate	Estimate	Estimate
SALES OF GOODS AND SERVICES						
WA Health	459	510	517	546	575	574
Department of Transport	177	182	207	207	211	212
Department of Education	155	157	179	202	208	209
State Training Providers	114	121	144	173	191	208
Department of Training and Workforce Development	42	49	51	51	48	48
Western Australian Land Information Authority	110	122	134	136	148	164
Department of the Attorney General	92	98	107	109	109	111
Department of Mines and Petroleum	56	51	95	107	114	120
Department of Commerce	85	74	68	66	67	67
Department of Parks and Wildlife	43	46	49	49	50	51
All Other	595	620	624	637	679	763
Total Sale of Goods and Services	1,929	2,030	2,175	2,283	2,401	2,525
INTEREST INCOME	304	261	201	250	272	272
REVENUE FROM PUBLIC CORPORATIONS						
Dividends	704	796	832	890	1,020	1,115
Tax Equivalent Regime	381	363	502	566	618	650
Total Revenue from Public Corporations	1,085	1,159	1,334	1,456	1,637	1,764
ROYALTY INCOME	4,343	4,460	5,824	6,122	6,765	6,911
OTHER						
Lease rentals	91	88	84	86	88	90
Fines	159	163	169	168	168	168
Revenue not elsew here counted	377	207	290	183	248	131
Total Other	627	459	543	436	504	389
TOTAL REVENUE	25,220	25,696	27,978	27,917	29,165	30,348

(a) The new National Health Reform arrangements commenced on 1 July 2012.

Note: Columns may not add due to rounding.

2012-13 General Government Operating Revenue

This appendix contains general government revenue estimates for the 2012-13 financial year, comparing the original 2012-13 Budget estimates, mid-year review and *Pre-election Financial Projections Statement* (PFPS) revisions and the current estimated outturn.

For total general government revenue in 2012-13, the difference between the estimated outturn included in this budget (\$25,696 million) and the original 2012-13 Budget (May 2012) estimate (\$25,477 million) is \$219 million – a small forecasting error of just 0.9%.

Table 3.1

2012-13 OPERATING REVENUE
General Government

	2012-13 Budget Estimate \$m	2012-13 Mid-Year Revision \$m	2012-13 PFPS Revision \$m	2012-13 Estimated Actual \$m
TAXATION				
Taxes on employers' payroll and labour force				
<i>Payroll tax</i>	3,368	3,584	3,584	3,477
Property taxes				
<i>Land tax</i>	541	569	569	568
Transfer duty	1,450	1,486	1,486	1,654
Landholder duty	53	138	138	217
<i>Total duty on transfers</i>	1,502	1,624	1,624	1,870
Other stamp duties	-	-	5	5
Metropolitan Region Improvement Tax	83	86	86	85
Emergency Services Levy	231	231	231	235
Loan guarantee fees	107	105	105	104
<i>Total other property taxes</i>	422	423	428	429
Taxes on provision of goods and services				
Lotteries Commission	141	141	141	152
Video lottery terminals	1	1	1	-
Casino tax	117	125	125	112
Betting tax	37	37	37	41
<i>Total taxes on gambling</i>	295	303	303	305
Insurance duty	512	558	558	555
Other	22	22	22	22
<i>Total taxes on insurance</i>	534	580	580	577
Taxes on use of goods and performance of activities				
Vehicle licence duty	388	416	416	404
Permits - oversize vehicles and loads	5	5	5	8
Motor vehicle recording fee	47	46	46	47
Motor vehicle registrations	636	646	646	656
<i>Total motor vehicle taxes</i>	1,077	1,113	1,113	1,116
Total Taxation	7,739	8,195	8,200	8,342

Note: Columns may not add due to rounding.

Table 3.1 (cont.)

2012-13 OPERATING REVENUE
General Government

	2012-13 Budget Estimate \$m	2012-13 Mid-Year Revision \$m	2012-13 PFPS Revision \$m	2012-13 Estimated Actual \$m
CURRENT GRANTS AND SUBSIDIES				
<i>General Purpose Grants</i>				
GST grants	2,792	2,961	2,961	2,935
North West Shelf grants	1,012	917	928	1,050
Commonwealth compensation for changed crude oil excise arrangements	56	50	51	58
<i>Grants Through the State</i>				
Schools assistance – non-government schools	848	817	817	873
Local government financial assistance grants	161	162	162	164
Local government roads	105	105	105	104
Other	25	25	25	-
<i>National Specific Purpose Payment Agreement Grants</i>				
National Schools	405	401	401	406
National Skills and Workforce Development	143	145	145	146
National Disability Services	123	126	126	127
National Affordable Housing	132	134	134	135
<i>National Health Reform</i>	1,402	1,395	1,395	1,398
<i>Other Grants/National Partnerships</i>				
Health	467	399	399	448
Housing	14	14	14	14
Transport	67	70	70	69
Other	332	417	420	347
Total Current Grants and Subsidies	8,083	8,139	8,154	8,274
CAPITAL GRANTS				
<i>Grants Through the State</i>				
Schools assistance – non-government schools	24	25	25	26
<i>Other Grants/National Partnerships</i>				
Housing	139	82	82	87
Transport	608	485	485	509
Other	158	96	98	90
Total Capital Grants	929	688	689	712

Note: Columns may not add due to rounding.

Table 3.1 (cont.)

2012-13 OPERATING REVENUE				
General Government				
	2012-13 Budget Estimate \$m	2012-13 Mid-Year Revision \$m	2012-13 PFPS Revision \$m	2012-13 Estimated Actual \$m
SALES OF GOODS AND SERVICES				
WA Health	429	484	484	510
Department of Transport	194	181	181	182
Department of Education	167	172	168	157
State Training Providers	122	121	121	121
Department of Training and Workforce Development	47	47	49	49
Western Australian Land Information Authority	120	120	120	122
Department of the Attorney General	86	96	96	98
Department of Mines and Petroleum	69	50	50	51
Department of Commerce	74	74	74	74
Department of Parks and Wildlife	44	44	44	46
All Other	580	641	644	620
Total Sale of Goods and Services	1,933	2,030	2,030	2,030
INTEREST INCOME	268	281	282	261
REVENUE FROM PUBLIC CORPORATIONS				
Dividends	764	820	820	796
Tax Equivalent Regime	504	382	398	363
Total Revenue from Public Corporations	1,267	1,201	1,218	1,159
ROYALTY INCOME	4,871	4,366	4,488	4,460
OTHER				
Lease rentals	82	82	82	88
Fines	173	174	174	163
Revenue not elsew here counted	133	161	161	207
Total Other	388	417	417	459
TOTAL REVENUE	25,477	25,318	25,477	25,696

Note: Columns may not add due to rounding.

The Treasurer's Advance

The *Financial Management Act 2006* (FMA) authorises the Treasurer to make short-term recoverable advances to agencies for the temporary financing of works and services (referred to as 'net unrecouped balances'). Additionally, new or supplementary funding can be provided during the year for extraordinary or unforeseen matters (known as 'excesses and new items'). Collectively, these are referred to as the Treasurer's Advance.

The total amount drawn against recoverable advances, excesses and new items for 2012-13 (\$346.5 million) remained within the \$651.5 million limit authorised by the FMA, and a *Treasurer's Advance Authorisation Act* was therefore not required for 2012-13. Table 4.1 shows the position of the Treasurer's Advance at 30 June 2013.

Based on the amounts appropriated in the 2012-13 Budget, the Treasurer's Advance limit for 2013-14 will be \$595.7 million.

TREASURER'S ADVANCE AT 30 JUNE			Table 4.1
	2011-12 Actual \$m	2012-13 Actual ^(a) \$m	
AUTHORISED LIMIT	577.1	651.5	
<i>Total Drawn Against Treasurer's Advance authorisation</i>	<i>398.8</i>	<i>346.5</i>	
Comprising:			
Net recoverable advances as at 30 June	9.5	6.8	
Overdrawn Special Purpose Account ^(b)	0.9	0.1	
Excesses and New Items			
- recurrent	324.0	329.7	
- capital	64.4	9.9	
(a) These are unaudited figures. Detailed disclosure of the final audited outcome for 2012-13 will be available in the 2012-13 <i>Annual Report on State Finances</i> , to be released by 28 September 2013.			
(b) The Treasurer gave approval to the Department of Mines and Petroleum to overdraw a Special Purpose Account (SPA) in 2011-12 and 2012-13. 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 2012-13 Budget have been transferred to other agencies. Transfer of appropriation funds are for the provision of an approved service which is now delivered by an 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 2012-13, appropriation transfers included:

- \$3.5 million to reflect the transfer of responsibilities for State and national testing from the Department of Education to the School Curriculum and Standards Authority;
- \$2.4 million for the transfer of shark patrol funding from the Department of Fisheries to the Department of the Premier and Cabinet;
- \$1.4 million was transferred from WA Health to the Mental Health Commission (MHC) to reflect the transfer of administrative responsibility for the Council of Official Visitors to the MHC;
- \$1 million from the Department of Training and Workforce Development to the Department of Education for the transfer of Kindergarten to Year 12 (K-12) Curriculum Development Services following a review and agreement between the two agencies to better align service deliverables;
- \$0.6 million to transfer the Culture Events Fund from the Department of Culture and the Arts to the Department of the Premier and Cabinet;
- \$0.3 million to transfer Human Resource and Organisational Development functions from the Department of Finance to the Department of Treasury;
- \$0.2 million from the Office of the Director of Public Prosecutions to Western Australia Police for the police prosecution functions; and
- the transfer to agencies of \$33.1 million (including both recurrent and capital appropriations) for transition costs relating to the decommissioning of the Office of Shared Services (these costs were provisioned in a central appropriation at the time of the 2012-13 Budget). Table 4.2 below details the allocation by agency for 2012-13.

**DECOMMISSIONING OF SHARED SERVICES
AGENCY TRANSITION COSTS**

Table 4.2

Item	Agency	Amount \$m
<i>Recurrent Appropriations</i>		
4	Parliamentary Commissioner for Administrative Investigations	0.3
5	Premier and Cabinet	-0.2 ^(a)
6	Public Sector Commission	- ^(b)
12	Western Australian Tourism Commission	0.8
15	Fisheries	-
17	Western Australian Electoral Commission	0.1
18	Regional Development and Lands	3.3
47	Economic Regulation Authority	- ^(b)
51	Commissioner for Equal Opportunity	- ^(b)
53	Office of the Director of Public Prosecutions	0.2
54	Commissioner for Children and Young People	- ^(b)
55	Office of the Information Commissioner	0.1
64	Commerce	1.9
65	Small Business Development Corporation	0.2
66	Registrar, Western Australian Industrial Relations Commission	- ^(b)
71	Western Australian Sports Centre Trust	0.8
72	Racing, Gaming and Liquor	0.1
74	Planning	-
76	Culture and the Arts	1.0
83	Indigenous Affairs	0.9
84	Transport	1.8
86	Commissioner of Main Roads	- ^(b)
92	Local Government	- ^(b)
93	Heritage Council of Western Australia	- ^(b)
95	Agriculture and Food	0.1
99	Office of the Inspector of Custodial Services	0.1
105	Water	- ^(b)
<i>Total Recurrent</i>		<i>11.4</i>
<i>Capital Appropriations</i>		
111	Western Australian Tourism Commission	0.2
113	Fisheries	1.4
138	Commerce	2.0
139	Small Business Development Corporation	0.1
142	Western Australian Sports Centre Trust	1.3
143	Racing, Gaming and Liquor	1.3
144	Planning	2.5
146	Culture and the Arts	1.2
150	Indigenous Affairs	0.3
151	Transport	1.4
152	Commissioner of Main Roads	0.9
156	Heritage Council of Western Australia	- ^(b)
158	Agriculture and Food	6.0
163	Water	1.0

Table 4.2 (cont.)

**DECOMMISSIONING OF SHARED SERVICES
AGENCY TRANSITION COSTS**

Item	Agency	Amount \$m
<i>Capital Appropriations</i>		
NEW	Parliamentary Commissioner for Administrative Investigations	0.3
NEW	Premier and Cabinet	0.9
NEW	Public Sector Commission	- ^(b)
NEW	Regional Development and Lands	0.4
NEW	Commissioner for Equal Opportunity	- ^(b)
NEW	Office of the Director of Public Prosecutions	0.2
NEW	Local Government	0.2
<i>Total Capital</i>		21.6
TOTAL		33.1

(a) The Department of the Premier and Cabinet returned \$215,000 to the Consolidated Account following savings associated with the cost of re-establishing its corporate services function in 2012-13.

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

Note: Columns may not add due to rounding.

At the time of the 2013 *Pre-election Financial Projections Statement*, \$0.5 million was disclosed as a transfer from the Public Sector Commission to the Department of Finance for Information Technology policy functions. This transfer was managed within both agencies' approved appropriation limits and thus no transfer of appropriation was required in 2012-13.

2012-13 TRANSFERS, EXCESSES AND NEW ITEMS

Table 4.3

	Budget \$m	Transfers ^(a) \$m	Treasurer's Advance			Draw n against Treasurer's Advance \$m
			New Items \$m	Approved Excesses \$m	Revised Appropriation \$m	
Recurrent Appropriations						
<i>Parliamentary Commissioner for Administrative Investigations</i>						
Item 4: Delivery of Services	7.2	0.3	-	-	7.6	-
<i>Premier and Cabinet</i>						
Item 5: Delivery of Services	171.9	2.8	-	-	174.7	-
<i>Public Sector Commission</i>						
Item 6: Delivery of Services	27.8	-(b)	-	-	27.8	-
<i>WA Health</i>						
Item 11: Delivery of Services	3,701.7	-1.4	-	59.4	3,759.7	16.1
<i>Western Australian Tourism Commission</i>						
Item 12: Delivery of Services	61.4	0.8	-	-	62.1	-
<i>Fisheries</i>						
Item 15: Delivery of Services	45.2	-	-	2.9	48.1	2.9
Item 16: Administered Grants, Subsidies and Other Transfer Payments	2.4	-2.4	-	0.2	0.2	0.2
<i>Western Australian Electoral Commission</i>						
Item 17: Delivery of Services	23.2	0.1	-	1.7	25.0	1.7
<i>Regional Development and Lands</i>						
Item 18: Delivery of Services	34.9	3.3	-	-	38.3	-
<i>Gascoyne Development Commission</i>						
Item 19: Delivery of Services	1.6	-	-	-(b)	1.6	-(b)
<i>Treasury</i>						
Item 29: Delivery of Services	37.2	0.3	-	0.4	37.9	0.4
Item 37: Department of Finance	26.2	-11.4	-	-	14.8	-
Item 38: Goods and Services Tax Administration Costs	74.8	-	-	1.6	76.4	1.6
<i>Economic Regulation Authority</i>						
Item 47: Delivery of Services	2.3	-(b)	-	-	2.4	-
<i>Attorney General</i>						
Item 49: Delivery of Services	240.7	-	-	7.9	248.6	5.2
<i>Commissioner for Equal Opportunity</i>						
Item 51: Delivery of Services	3.4	-(b)	-	0.3	3.7	0.2
<i>Director of Public Prosecutions</i>						
Item 53: Delivery of Services	31.1	-(b)	-	0.5	31.5	0.4
<i>Commissioner for Children and Young People</i>						
Item 54: Delivery of Services	2.8	-(b)	-	-	2.8	-
<i>Office of the Information Commissioner</i>						
Item 55: Delivery of Services	1.7	0.1	-	-	1.8	-
<i>Education</i>						
Item 57: Delivery of Services	3,414.4	-2.5	-	70.7	3,482.6	70.7
<i>School Curriculum and Standards Authority</i>						
Item 60: Delivery of Services	28.6	3.5	-	-	32.1	-

(a) Authorised under section 25 of the FMA.

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

Note: Columns may not add due to rounding.

Table 4.3 (cont.)

2012-13 TRANSFERS, EXCESSES AND NEW ITEMS

	Budget \$m	Transfers ^(a) \$m	Treasurer's Advance			Draw n against Treasurer's Advance \$m
			New Items \$m	Approved Excesses \$m	Revised Appropriation \$m	
Recurrent Appropriations						
<i>Finance</i>						
Item 62: Delivery of Services	307.3	-0.3	-	-	307.0	-
Item 63: Administered Grants, Subsidies and Other Transfer Payments	152.3	-	-	121.0	273.3	96.9
<i>Commerce</i>						
Item 64: Delivery of Services	111.4	1.9	-	-	113.3	-
<i>Small Business Development Corporation</i>						
Item 65: Delivery of Services	11.8	0.2	-	-	11.9	-
<i>Registrar, Western Australian Industrial Relations Commission</i>						
Item 66: Delivery of Services	9.2	_(b)	-	-	9.3	-
<i>Western Australian Police</i>						
Item 67: Delivery of Services	1,111.2	0.2	-	25.6	1,137.0	21.1
<i>Western Australian Sports Centre Trust</i>						
Item 71: Delivery of Services	33.5	0.8	-	-	34.3	-
<i>Racing, Gaming and Liquor</i>						
Item 72: Delivery of Services	4.2	0.1	-	-	4.2	-
Item 73: Administered Grants, Subsidies and Other Transfer Payments	106.0	-	-	8.6	114.7	-
<i>Culture and the Arts</i>						
Item 76: Delivery of Services	76.4	0.4	-	-	76.7	-
Item 77: Art Gallery of Western Australia	4.3	-	-	1.0	5.3	1.0
Item 80: Western Australian Museum	6.0	-	-	1.5	7.6	1.5
<i>Training and Workforce Development</i>						
Item 82: Delivery of Services	472.1	-1.0	-	-	471.0	-
<i>Aboriginal Affairs</i>						
Item 83: Delivery of Services	41.2	0.9	-	-	42.1	-
<i>Transport</i>						
Item 84: Delivery of Services	143.2	1.8	-	-	145.0	-
<i>Commissioner of Main Roads</i>						
Item 86: Delivery of Services	199.0	_(b)	-	-	199.1	-
<i>Fire and Emergency Services</i>						
Item 88: Delivery of Services	36.1	-	-	55.0	91.1	55.0
<i>Child Protection</i>						
Item 89: Delivery of Services	483.0	-	-	13.3	496.4	13.3
<i>Local Government</i>						
Item 92: Delivery of Services	20.8	_(b)	-	-	20.8	-
<i>Heritage Council of WA</i>						
Item 93: Delivery of Services	6.6	_(b)	-	-	6.6	-

(a) Authorised under section 25 of the FMA.

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

Note: Columns may not add due to rounding.

Table 4.3 (cont.)

2012-13 TRANSFERS, EXCESSES AND NEW ITEMS

	Treasurer's Advance					Draw n against Treasurer's Advance \$m
	Budget \$m	Transfers ^(a) \$m	New Items \$m	Approved Excesses \$m	Revised Appropriation \$m	
Recurrent Appropriations						
<i>Agriculture and Food</i>						
Item 95: Delivery of Services	137.5	0.1	-	-	137.6	-
<i>Rural Business Development Corporation</i>						
Item 97: Delivery of Services	0.2	-	-	3.5	3.7	3.5
<i>Corrective Services</i>						
Item 98: Delivery of Services	706.3	-	-	29.9	736.2	29.9
<i>Office of the Inspector of Custodial Services</i>						
Item 99: Delivery of Services	3.1	0.1	-	0.3	3.4	0.3
<i>Water</i>						
Item 105: Delivery of Services	71.2	-(b)	-	-	71.2	-
<i>Mental Health Commission</i>						
Item 107: Delivery of Services	465.8	1.4	-	7.8	475.1	7.8
Total Recurrent		-	-	413.1		329.7
Capital Appropriations						
<i>Western Australian Tourism Commission</i>						
Item 111: Capital Appropriation	0.1	0.2	-	-	0.3	-
<i>Fisheries</i>						
Item 113: Capital Appropriation	12.1	1.4	-	-	13.5	-
<i>Treasury</i>						
Item 119: Department of Finance	11.7	-21.6	-	14.5	4.6	9.9
<i>Attorney General</i>						
Item 133: Capital Appropriation	50.5	-	-	17.2	67.6	-
<i>Commerce</i>						
Item 138: Capital Appropriation	1.0	2.0	-	-	3.0	-
<i>Small Business Development Corporation</i>						
Item 139: Capital Appropriation	0.1	0.1	-	-	0.2	-
<i>Western Australian Sports Centre Trust</i>						
Item 142: Capital Appropriation	1.6	1.3	-	-	2.9	-
<i>Racing, Gaming and Liquor</i>						
Item 143: Capital Appropriation	2.5	1.3	-	-	3.9	-
<i>Planning</i>						
Item 144: Capital Appropriation	3.8	2.5	-	-	6.2	-
<i>Culture and the Arts</i>						
Item 146: Capital Appropriation	2.7	1.2	-	-	3.9	-
<i>Indigenous Affairs</i>						
Item 150: Capital Appropriation	1.2	0.3	-	-	1.6	-
<i>Transport</i>						
Item 151: Capital Appropriation	18.2	1.4	-	-	19.6	-

(a) Authorised under section 25 of the FMA.

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

Note: Columns may not add due to rounding.

Table 4.3 (cont.)

	Treasurer's Advance					Draw n against Treasurer's Advance \$m
	Budget \$m	Transfers ^(a) \$m	New Items \$m	Approved Excesses \$m	Revised Appropriation \$m	
Capital Appropriations						
<i>Commissioner of Main Roads</i>						
Item 152: Capital Appropriation	232.8	0.9	-	-	233.7	-
<i>Heritage Council of WA</i>						
Item 156: Capital Appropriation	0.6	_(b)	-	-	0.6	-
<i>Agriculture and Food</i>						
Item 158: Capital Appropriation	6.4	6.0	-	-	12.4	-
<i>Water</i>						
Item 163: Capital Appropriation	4.4	1.0	-	1.6	7.0	-
<i>Parliamentary Commissioner for Administrative Investigations</i>						
New item: Capital Appropriation	-	0.3	-	-	0.3	-
<i>Premier and Cabinet</i>						
New Item: Capital Appropriation	-	0.9	-	-	0.9	-
<i>Public Sector Commission</i>						
New Item: Capital Appropriation	-	_(b)	-	-	_(b)	-
<i>Office of the Director of Public Prosecutions</i>						
New Item: Capital Appropriation	-	0.2	-	-	0.2	-
<i>Regional Development and Lands</i>						
New item: Capital Appropriation	-	0.4	-	-	0.4	-
<i>Commissioner for Equal Opportunity</i>						
New Item: Capital Appropriation	-	_(b)	-	-	_(b)	-
<i>Local Government</i>						
New Item: Capital Appropriation	-	0.2	-	-	0.2	-
Total Capital		-	-	33.3		9.9
TOTAL		-	-	446.4		339.6

(a) Authorised under section 25 of the FMA.
(b) Amount less than \$50,000.
Note: Columns may not add due to rounding.

Special Purpose Accounts

Special Purpose Accounts (SPAs) are established under various sections of the *Financial Management Act 2006* (FMA). All such accounts include a trust fund statement outlining the purpose of the individual SPA. Some SPAs arise as a result of statute (e.g. the Fiona Stanley Hospital Construction Account and the Royalties for Regions Fund), while others are established administratively under the authority of the FMA.

This appendix contains information on key SPAs. It is not an exhaustive list of all SPAs, but covers the major/material SPAs in existence at the 9 July 2013 cut-off date for this budget. The SPA balances (and transactions in and out of these accounts) form part of the overall consolidated projections for 2013-14 outlined elsewhere in this Budget Paper.

The SPA balances detailed in this appendix provide a funding source for particular initiatives. However, it is important to note that each dollar that is spent from these SPA balances will increase net debt (and reduce the net operating balance if the spending is for recurrent purposes) by the same amount. In this way, these SPA balances are no different from other funding sources, including new borrowings.

Fiona Stanley Hospital Construction Account

This SPA was established in October 2007 to set aside funds to be used for the construction of the Fiona Stanley Hospital.

Receipts reflect \$125 million appropriated by Parliament in 2012-13 with a further \$15 million to be appropriated in 2013-14. The remaining receipts relate to interest revenue earned on the account balances. Funds are drawn from the account and paid to WA Health as payments for construction work fall due. The balance in the account is forecast to wind down in 2013-14 as the new hospital nears completion. Construction will utilise all available funds in the SPA.

Table 5.1

FIONA STANLEY HOSPITAL CONSTRUCTION ACCOUNT

	2012-13	2013-14
	\$m	\$m
<i>Balance at 1 July</i>	309	104
Receipts	134	19
Payments	339	109
CLOSING BALANCE	104	14

Note: Columns may not add due to rounding.

New Children's Hospital Account

This SPA was established in October 2010 to hold money for the construction and start-up of the New Children's Hospital. The hospital is expected to be completed by mid-2015 and utilise all available funds in the SPA. A total of \$645 million (or 55%) of the construction costs were funded from one-off royalty revenue and surplus outcomes recorded over the period 2009-10 to 2010-11 (including \$70 million from the 2010-11 year, paid into the Account in 2012-13).

A \$70 million contribution from the higher than expected operating surplus outcome for 2011-12 will be paid in 2013-14 as part of this budget. The remainder of receipts in 2013-14 (\$112 million) represent the Consolidated Account capital contribution to scheduled construction this year. Funds are drawn from the SPA and paid to WA Health as payments for construction work fall due. The account balance is expected to reduce significantly over 2013-14 as construction of the new hospital accelerates and the initial funds set aside for the construction work (detailed above) are drawn down.

Table 5.2

NEW CHILDREN'S HOSPITAL ACCOUNT

	2012-13	2013-14
	\$m	\$m
<i>Balance at 1 July</i>	423	277
Receipts	70	182
Payments	216	427
CLOSING BALANCE	277	32

Note: Columns may not add due to rounding.

Perth Parking Licensing Account

This SPA was established in July 1999 to set aside funds to be used to encourage a balanced transport system for gaining access to the Perth city area.

Receipts reflect application fees, license fees, penalties, money appropriated by Parliament and interest revenue earned on the account balances. Funds drawn from the account are spent on the Central Area Transit system, improving public transport access, enhancing the pedestrian environment, supporting bicycle access and for administration of the *Perth Parking Management Act 1999*.

PERTH PARKING LICENSING ACCOUNT

Table 5.3

	2012-13	2013-14
	\$m	\$m
<i>Balance at 1 July</i>	56	62
Receipts	33	38
Payments	26	58
CLOSING BALANCE	62	42

Note: Columns may not add due to rounding.

Road Trauma Trust Account

This account was established in July 2002 to provide for road safety initiatives.

Receipts reflect prescribed penalties paid during the period, other funds collected under the *Road Traffic Act 1974*, and interest revenue earned on the account balance. Key road safety initiatives funded from the account in 2013-14 include safety improvements to metropolitan intersections and vehicle run-off treatments on regional roads, continuation of the electronic school zone sign project, neurotrauma research, strategic traffic enforcement and increased breath and drug testing by Western Australia Police, and the continuation of support for 'Roadwise' (the Local Government and Community Road Safety Program).

ROAD TRAUMA TRUST ACCOUNT

Table 5.4

	2012-13	2013-14
	\$m	\$m
<i>Balance at 1 July</i>	43	55
Receipts	94	96
Payments	82	77
CLOSING BALANCE	55	74

Note: Columns may not add due to rounding.

Royalties for Regions Fund

The Royalties for Regions Fund was established in December 2008 to set aside 25% of the State's annual royalty income to fund investment in regional Western Australia.

Receipts reflect moneys appropriated by Parliament and interest revenue earned on the account balance. Funds are drawn to support regional economic, business and social infrastructure. Details on Royalties for Regions expenditure over the forward estimates period are contained in Chapter 7.

ROYALTIES FOR REGIONS FUND

Table 5.5

	2012-13	2013-14
	\$m	\$m
<i>Balance at 1 July</i>	687	881
Receipts	1,273	1,480
Payments	1,079	1,516
CLOSING BALANCE	881	845

Note: Columns may not add due to rounding.

Royalties for Regions Southern Inland Health Initiative

This SPA was established in June 2012 to hold funds for expenditure on the Southern Inland Health Initiative, pursuant to section 9(1) of the *Royalties for Regions Act 2009*.

Access to health care services will be improved through the provision of additional resources, improvements to local hospitals and health facilities, and investment in telehealth services in the Great Southern, Mid West, Goldfields, South West and Wheatbelt regions.

Chapter 7 of this Budget Paper indicates that a total of \$72 million is likely to be expended on this initiative in 2013-14. Only \$34 million of this amount is reflected in the following table as the remainder is subject to detailed business cases being approved by Cabinet before any funds can be transferred to the Southern Inland Health Initiative SPA.

ROYALTIES FOR REGIONS SOUTHERN INLAND HEALTH INITIATIVE

Table 5.6

	2012-13	2013-14
	\$m	\$m
<i>Balance at 1 July</i>	226	211
Receipts	-	-
Payments	15	34
CLOSING BALANCE	211	177

Note: Columns may not add due to rounding.

The New Perth Stadium Account

This SPA was established in October 2011 to set aside funds to be used for the construction of the new Perth Stadium. The stadium is expected to be completed by 2018 and utilise all available funds in the SPA as part of the funding to support the construction.

The Account was established with \$100 million from the better than expected operating surplus for the 2010-11 financial year (appropriated to the SPA in the 2012-13 Budget). The Trust Statement underlying this SPA was amended in January 2013 to also include funding of transport infrastructure that will improve access to the stadium.

Funds will be drawn from the SPA as payments for stadium and related transport infrastructure construction work fall due. The Account balance is expected to be largely exhausted during 2013-14 as the initial cash injection noted above is drawn down.

THE NEW PERTH STADIUM ACCOUNT			Table 5.7
	2012-13	2013-14	
	\$m	\$m	
<i>Balance at 1 July</i>	-	95	
Receipts	100	15	
Payments	5	101	
CLOSING BALANCE	95	9	

Note: Columns may not add due to rounding.

Western Australian Future Fund

The Western Australian Future Fund was established as a Treasurer's SPA following the passage of the *Western Australian Future Fund Act 2012* in November 2012. The Act provides for an accruing balance over 20 years to 2032, after which the annual interest earnings can be drawn down to fund economic or social infrastructure across Western Australia.

Announced as part of the 2012-13 Budget, the Future Fund will receive around \$1 billion in 'seed capital' to be transferred from the Royalties for Regions Fund over the period 2012-13 to 2015-16. From 2016-17 onwards, a minimum of 1% of the State's annual royalty revenue will be paid into the Fund.

WESTERN AUSTRALIAN FUTURE FUND			Table 5.8
	2012-13	2013-14	
	\$m	\$m	
<i>Balance at 1 July</i>	-	306	
Receipts	306	283	
Payments	-	-	
CLOSING BALANCE	306	588	

Note: Columns may not add due to rounding.

State Government Social Concessions Expenditure Statement¹

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. Eligibility is based on income, age, service to country or community and/or special needs or disadvantage. In many cases, eligibility for a concession is evidenced by possession of a social security card issued by the Commonwealth, or other cards issued by the State Government.

The total value of social concessions provided by the State Government in 2012-13 is estimated at \$811 million. The total value of social concessions in 2013-14 is forecast to approach \$860 million.

This appendix sets out the actual expenditure incurred by the State in 2011-12 (the last audited outcome year) and outlines new initiatives introduced since the 2012-13 Budget to expand the scope of concessions offered by the Government.

The concessions outlined in this appendix are separate to the subsidies paid by the general government sector to public corporations for the provision of below-cost electricity, water and public transport services (discussed in Appendix 8: *Public Corporations Impact on General Government Revenue and Expenses*).

¹ 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 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.

In 2011-12, the State provided social concessions with an estimated value of \$772.4 million across a range of service areas, up from \$716.2 million in 2010-11².

The cost of concessions to the State in 2011-12 was partly offset by a \$22.3 million contribution from the Commonwealth for certain concessions for pensioners and Seniors Card holders.

Changes to Concessions since the 2012-13 Budget

Since 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.

Energy Concession Extension Scheme

Access to certain energy concessions, mainly the Cost of Living Assistance Payment, have been extended to cover households that pay for their energy consumption to a third party other than Synergy or Horizon such as caravan parks and retirement villages. The expanded coverage is estimated to cost \$1 million in 2012-13 and \$5 million per annum from 2013-14.

Seniors Safety and Security

An amount of \$1 million in 2013-14 is budgeted to be spent on Seniors Card holders' safety and security to provide for the purchase of personal safety alarms, and to provide assistance for seniors whose homes have been burgled.

Free travel on Transperth services for carers

From 1 May 2013, carers who hold a Carers Health Care Card and receive the Commonwealth Carer Payment can travel free on off-peak Transperth bus, train and ferry services. It is estimated that more than 8,500 Western Australian carers will be eligible for this new concession, at an estimated total cost of \$1.2 million across the four year period to 2016-17.

Free drivers licence for veterans

From 5 December 2012, veterans who hold a gold Repatriation Health Card endorsed by a totally and permanently incapacitated or extreme disablement adjustment card issued by the Department of Veterans Affairs have not had to pay for a drivers licence in Western Australia. Previously, card holders were eligible for a 50% discount and now the full fee of \$37.50 a year will be waived. The program is estimated to cost \$45,600 a year.

² The value of concessions in 2010-11 has been revised down from the figure published in the 2012-13 Budget Paper No. 3 following a change in the methodology for calculating the value of contract school bus service concessions. Further detail is provided in the discussion of *Benefits Provided in 2011-12* under *Transport*.

Table 6.1

SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS
Western Australia

Class of Concession	2010-11 Estimated Total Value \$m	2010-11 Estimated No. of Recipients	2011-12 Estimated Total Value \$m	2011-12 Estimated No. of Recipients
ENERGY				
Supply charge rebate	31.9	274,926	34.7	306,267
Dependent child rebate	11.5	50,234	12.1	65,013
Other ^(a)	1.9	n.a.	2.7 ^(b)	n.a.
WATER, SEWERAGE AND DRAINAGE				
Rates rebate for pensioners	38.8	115,326	40.9	116,398
Consumption concession for pensioners	9.8	309,522	12.5	321,256
Rates rebate for seniors	12.8	54,866	14.1	59,252
Other ^(c)	-	169	-	154
HOUSING AND LAND				
Rental subsidy	219.5	29,475	215.3	29,748
Amenities fee waiver	0.7	8,455	0.6	8,141
Other ^(a)	0.7	11,686	0.5	9,284
LOCAL GOVERNMENT				
Rates rebate for pensioners	75.7	372,476	85.6	393,342
Other	1.5	n.a.	1.7	3,004
TRANSPORT				
Contract school bus services	29.1	26,595	32.3	28,829
Transperth fares concession ^(a)	64.3	n.a.	66.9	n.a.
Free travel on Transperth services for pensioners ^(a)	13.7	n.a.	14.7	n.a.
Motor vehicle licence fee concession for pensioners	26.7	184,004	27.7	186,428
Drivers licence fee concession for pensioners	9.8	323,129	10.0	331,414
Pensioners' annual free trip	3.5	35,358	3.8	31,294
Taxi user subsidy ^(a)	10.1	n.a.	9.0	17,617
TransWA fares concession	2.7	155,027	3.6	155,603
Subsidised student travel	0.9	359	1.4	528
Other ^(a)	6.2	n.a.	1.7 ^(d)	83,299
HEALTH				
Subsidised dental care	14.4	51,017	26.1 ^(e)	67,992
Spectacle subsidy scheme	2.4	48,820	2.5	50,725
Patient Assisted Travel Scheme ^(a)	28.0	n.a.	34.2	77,472
Ambulance service for seniors ^(a)	20.2	n.a.	24.5	n.a.
Other ^(a)	5.0	n.a.	2.9	8,830
EDUCATION				
Secondary assistance scheme for school charges	6.2	26,366	5.1	21,768
Secondary assistance scheme for clothing	2.3	20,043	2.0	17,097
Department of Training and Workforce Development tuition fees ^(a)	11.9	n.a.	12.5	41,823
Boarding away from home allowance	4.3	2,286	4.1	2,033
Other	0.1	430	0.1	442
LEGAL SERVICES				
Legal assistance ^(a)	17.7	n.a.	20.5	n.a.
Other ^(a)	2.2	n.a.	2.5	n.a.

Table 6.1 (cont.)

SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS
Western Australia

Class of Concession	2010-11 Estimated Total Value \$m	2010-11 Estimated No. of Recipients	2011-12 Estimated Total Value \$m	2011-12 Estimated No. of Recipients
CULTURE, LEISURE AND RECREATION				
Children's Zoo discount ^(a)	1.0	n.a.	1.1	n.a.
Children under four years of age – free Zoo entry ^(a)	1.5	n.a.	1.9	n.a.
Other ^(a)	3.1	n.a.	3.0	n.a.
SENIORS				
Seniors cost of living rebate	22.3	245,395	33.8	262,547
Safety and security rebate	1.9	9,896	3.7	20,647
TOTAL	716.2	n.a.	772.4	n.a.

(a) The value of this concession is measured using the number of occasions the concession is accessed rather than number of recipients.

(b) The large increase in the value of 'other' Energy concessions in 2011-12 is mainly attributable to the inclusion of an additional concession – the Late Payment Fee Waiver, which was not reported in 2010-11.

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

(d) The Student fare concession for travel on school bus services operating within a public transport area used to be reported under the 'other' category but is now included in the contract school bus services concession. This has reduced the value of the 'other' transport concessions.

(e) The increase in Subsidised Dental Care concession is mainly attributable to the inclusion of a previously unreported concession – the Oral Health Centre of WA subsidised dental care program. The Metropolitan Patients' Dental Subsidy Scheme is also now reported under this category where previously it was reported under 'other'.

Note: Columns may not add due to rounding.

Benefits Provided in 2011-12

Energy

Supply charge rebate (\$34.7 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 annual value of the rebate per recipient was approximately \$113 in 2011-12.

Dependent child rebate (\$12.1 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 annual value of the rebate per family was approximately \$187 in 2011-12, a reduction from \$206 per family reported for 2010-11. The lower average payment per family is a result of the introduction of periodic validations of customer information, which has resulted in less recipients being paid for the full year.

Other (\$2.7 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 (\$40.9 million)**

Home owners in possession of a PCC or State Concession Card (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 annual value of the rebate per home owner was approximately \$352 in 2011-12.

Consumption concession for pensioners (\$12.5 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 was approximately \$39 in 2011-12.

Rates rebate for seniors (\$14.1 million)

Home owners in possession of a WASC receive a capped 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 annual value of the concession is \$238 in 2011-12.

Other (\$27,332)

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 (\$215.3 million)**

Low income individuals and families with accommodation needs can 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 average annual value of the subsidy per recipient was approximately \$7,238 in 2011-12.

Amenities fee waiver (\$0.6 million)

The Department of Housing's senior tenants over 55 years of age are exempt from the amenities fee for room heating. Partial waivers are available to low income earners. The average annual value of the waiver was \$79 in 2011-12.

Other (\$0.5 million)

Other housing and land concessions include the rental sales scheme subsidy, cash assistance grant, Centenarian Initiative, pension protection plan fees and charges, and interest forgone by the Department of Housing under the Bond Assistance Program.

Local Government

Rates rebate for pensioners (\$85.6 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 annual value of the concession per household was \$218 in 2011-12.

Other (\$1.7 million)

Other concessions provided 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 (\$32.3 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 value of the concession was \$2.93 per journey based on the average Transperth full fare. In previous years the value of the concession was based on the total cost of the school bus service. The valuation methodology has been changed to be consistent with the valuation of other transport concessions and more particularly, the valuation of Transperth fare concessions for students, which is based on the difference between the average Transperth full fare and the Student fare.

Transperth fares concession (\$66.9 million)

Children, students and holders of a WASC, PCC, HCC or a SCC receive discounts on Transperth fares (between 60% and 65%), or free travel. The average value of the concession was \$1.96 per journey in 2011-12.

Free travel on Transperth services for seniors (\$14.7 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 value of the concession was \$2.93 per journey in 2011-12.

Motor vehicle licence fee concession for pensioners (\$27.7 million)

Invalid or disability pensioners receive a 100% concession on their annual motor vehicle licence fee. Holders of a PCC or a WASC and a CSHC receive a 50% concession. The average annual value of the 100% concession was approximately \$252 per pensioner in 2011-12. The average value of the 50% concession was approximately \$126.

Drivers licence fee concession for pensioners (\$10.0 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 annual value of the 100% concession was approximately \$37 per pensioner in 2011-12. The average value of the 50% concession was approximately \$25.

Pensioners' annual free trip (\$3.8 million)

Holders of a PCC who live north of the 26th parallel receive one free trip to Perth per year (or anywhere in the South West land division that can be reached for an equivalent fare). The average annual value of this concession, which is funded by the Department of Transport, was approximately \$784 per pensioner in 2011-12. In addition, holders of a WASC or a PCC receive one free train return trip or two single train trips to any location within Western Australia. The average annual value of this concession, which is funded by the Public Transport Authority, was approximately \$46 per pensioner in 2011-12.

Taxi user subsidy (\$9.0 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 in 2011-12 was \$14.89 per trip based on a total of 607,558 subsidised journeys in 2011-12.

TransWA fares concession (\$3.6 million)

Children under 15 years of age, Western Australian full-time students up to 16 years and Western Australia residents holding a WASC, PCC, HCC, CSHC or a SCC receive a 50% discount on fares for TransWA services. The average value of this concession was \$23.07 per journey in 2011-12.

Subsidised student travel (\$1.4 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 \$2,616 per recipient.

Other (\$1.7 million)

Other transport concessions include the Student Conveyance Allowance, and the intra-town and inter-town travel concessions for pensioners.

Health

Subsidised dental care (\$26.1 million)

People who receive a full/near full pension or allowance from Centrelink receive a 75% discount on dental work provided by Government dental clinics, private providers and the Oral Health Centre of Western Australia. Holders of a HCC receive a 50% discount. The average value of the concession was \$183 per treatment based on 142,987 treatments during 2011-12.

Spectacle subsidy scheme (\$2.5 million)

Age pensioners, disability pensioners and holders of a WASC receive a subsidy from the Department of Health to acquire spectacles or contact lenses. The average value of the subsidy per recipient was \$50 in 2011-12.

Patient Assisted Travel Scheme (\$34.2 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 70km to 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 was \$441 per journey based on a total of 77,472 subsidised journeys in 2011-12.

Ambulance Service for Seniors (\$24.5 million)

Aged pensioners receive primary ambulance services free of charge and all seniors over the age of 65 receive a 50% rebate on the cost of both emergency and non-urgent ambulance transport. The average value of the concession was \$319 based on 76,793 subsidised journeys in 2011-12.

Other (\$2.9 million)

Other health concessions include the country patients' dental subsidy scheme and home haemodialysis.

Education

Secondary assistance scheme for school charges (\$5.1 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 (\$2.0 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 (\$12.5 million)

Holders of a PCC, HCC or persons who receive AUSTUDY, ABSTUDY or Youth Allowance subsidies, prisoners and people 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%. Holders of a PCC or WASC receive concessions of 25% of the tuition fees for non-VET courses. The average value of the concession was \$40 per recipient for non-VET in 2011-12.

Boarding away from home allowance (\$4.1 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 (\$124,667)

Other education concessions include the Secondary Assistance Scheme – ABSTUDY Supplement Allowance and the City Beach Residential College GATE Payment.

Legal Services

Legal assistance (\$20.5 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 (\$2.5 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 (\$1.1 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 was \$11 per child for each visit in 2011-12.

Children under four years of age – free Zoo entry (\$1.9 million)

Children under four years of age receive free entry to the Perth Zoo. The value of the discount was \$22 per child for each visit in 2011-12.

Other (\$3.0 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 and to the Greyhound Racing Association, discount on golf green fees at Burswood (currently no longer available since the golf facility closed in April 2013 to make way for the new Perth Stadium), 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 (\$33.8 million)

Holders of the WASC are eligible to apply for this concession. In 2011-12, single WASC holders were eligible for a rebate of \$150, and couples (where both hold a WASC) were eligible for a rebate of \$225. These amounts increased to \$155.25 and \$232.90 respectively from 1 July 2012. In 2011-12, 262,547 applicants received the rebate. The rebate is indexed annually by the Perth Consumer Price Index.

Safety and Security Rebate (\$3.7 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

Pensioner Concession Card

The Commonwealth issues a PCC to Australian residents receiving pensions, bereavement allowance, 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 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 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 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 and Family Support issues the SCC to specific Veterans' Affairs pensioners who are not eligible for a Commonwealth PCC.

APPENDIX 7

Asset Investment Program – Summary of Expenditure and Source of Funds

Overview

This appendix summarises asset investment expenditure by agency within portfolio groups, and the sources of funds for the aggregate Asset Investment Program by year.

Table 7.1

ASSET INVESTMENT PROGRAM					
	2012-13 Estimated Actual \$m	2013-14 Budget Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m	2016-17 Forward Estimate \$m
PARLIAMENT					
Legislative Council	-	-	-	-	-
Legislative Assembly	-	-	-	-	-
Parliamentary Services	2.3	1.0	1.0	1.0	1.0
The Parliamentary Commissioner for Administrative Investigations	0.5	0.2	0.2	0.2	0.2
PREMIER; MINISTER FOR STATE DEVELOPMENT; SCIENCE					
Premier and Cabinet	2.5	0.6	2.1	2.0	1.2
Public Sector Commission	0.1	0.3	0.2	0.2	0.2
Gold Corporation	20.3	17.9	16.5	5.5	4.5
Governor's Establishment	0.2	0.1	-	0.1	-
Lotteries Commission	3.1	6.0	9.3	3.5	3.0
Salaries and Allowances Tribunal	_(a)	-	_(a)	-	-
State Development	147.6	52.0	-	-	-
ChemistryCentre (WA)	1.5	1.9	1.9	1.0	1.0
DEPUTY PREMIER; MINISTER FOR HEALTH; TOURISM					
WA Health	1,040.7	1,118.5	824.8	384.8	348.4
WA Health Promotion Foundation	0.1	0.1	0.1	0.1	0.1
Animal Resources Authority	_(a)	0.4	0.2	0.2	0.2
WA Tourism Commission	2.4	0.6	0.6	0.6	0.6
Rottnest Island Authority	7.3	5.0	3.0	2.0	3.2
MINISTER FOR REGIONAL DEVELOPMENT; LANDS; MINISTER ASSISTING THE MINISTER FOR STATE DEVELOPMENT					
Regional Development	0.9	25.8	13.2	11.5	_(a)
Royalties for Regions – Regional and State-wide Initiatives ^(c)	-	-60.2	-40.7	24.4	11.7
Gascoyne Development Commission	-	-	-	-	-
Goldfields-Esperance Development Commission	-	-	-	-	-
Great Southern Development Commission	0.1	-	-	-	-
Kimberley Development Commission	0.1	-	-	-	-
Mid West Development Commission	_(a)	_(a)	_(a)	_(a)	_(a)
Peel Development Commission	-	-	-	-	-

ASSET INVESTMENT PROGRAM

Table 7.1 (cont.)

	2012-13 Estimated Actual \$m	2013-14 Budget Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m	2016-17 Forward Estimate \$m
MINISTER FOR REGIONAL DEVELOPMENT; LANDS; MINISTER ASSISTING THE MINISTER FOR STATE DEVELOPMENT (cont.)					
Pilbara Development Commission	5.0	4.0	11.0	6.1	0.1
South West Development Commission	0.1	_(a)	_(a)	_(a)	_(a)
Wheatbelt Development Commission	0.1	_(a)	_(a)	_(a)	_(a)
Lands	-	_(a)	_(a)	_(a)	_(a)
Western Australian Land Authority	351.6	422.2	468.8	327.9	454.1
Western Australian Land Information Authority	11.1	19.2	16.2	14.8	17.6
MINISTER FOR EDUCATION; ABORIGINAL AFFAIRS; ELECTORAL AFFAIRS					
Education	506.9	581.8	385.7	248.3	259.1
Education Services	0.1	1.7	0.1	0.1	0.1
School Curriculum and Standards Authority	0.2	0.2	0.2	-	-
Country High Schools Hostels Authority	10.8	10.4	11.9	10.2	0.5
Aboriginal Affairs	2.8	1.1	0.4	0.7	0.5
Western Australian Electoral Commission	0.3	0.1	0.1	0.1	0.1
TREASURER; MINISTER FOR TRANSPORT; FISHERIES					
Treasury	-	-	-	-	-
Economic Regulation Authority	-	-	-	-	-
Insurance Commission of WA	4.4	4.6	3.7	3.7	3.7
Office of the Auditor General	0.9	0.6	0.6	0.6	0.6
WA Treasury Corporation	1.5	0.8	0.6	0.6	0.6
Transport	38.6	81.7	88.7	156.7	470.5
Commissioner of Main Roads	823.9	1,085.9	700.1	659.4	945.8
Public Transport Authority of Western Australia	522.9	543.2	423.9	311.6	208.9
Albany Port Authority	1.4	4.8	1.0	1.0	1.0
Broome Port Authority	6.5	1.2	1.1	1.6	1.6
Bunbury Port Authority	7.1	2.4	3.0	3.0	3.0
Dampier Port Authority	2.6	8.4	10.0	17.0	16.0
Esperance Port Authority	5.0	7.7	5.5	4.3	3.0
Fremantle Port Authority	33.5	115.1	86.9	85.2	49.5
Geraldton Port Authority	9.4	12.3	5.0	5.0	5.0
Port Hedland Port Authority	11.1	15.5	8.0	7.0	7.0
Fisheries	18.0	11.6	5.7	3.5	3.3

Table 7.1 (cont.)

ASSET INVESTMENT PROGRAM					
	2012-13 Estimated Actual \$m	2013-14 Budget Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m	2016-17 Forward Estimate \$m
MINISTER FOR PLANNING; CULTURE AND THE ARTS					
Planning	15.7	11.0	2.9	2.2	2.9
Metropolitan Redevelopment Authority	138.7	237.4	121.9	98.9	107.7
Western Australian Planning Commission	41.1	54.2	45.6	55.3	65.8
Culture and the Arts	19.2	20.5	47.3	41.1	96.4
MINISTER FOR POLICE; ROAD SAFETY; SMALL BUSINESS; WOMEN'S INTERESTS					
Western Australia Police	91.5	94.6	79.2	50.5	45.8
Small Business Development Corporation	0.4	0.1	0.1	0.1	0.1
MINISTER FOR TRAINING AND WORKFORCE DEVELOPMENT; WATER; FORESTRY					
Training and Workforce Development	40.8	76.7	39.3	19.2	11.0
State Training Providers	47.7	17.0	11.1	11.9	7.5
Water	16.0	24.9	22.6	14.2	10.2
Water Corporation	959.0	999.9	746.8	802.4	1,017.1
Bunbury Water Board	2.6	3.2	3.5	3.8	2.3
Busselton Water Board	3.5	2.2	2.3	3.6	2.0
Forest Products Commission	0.6	0.6	0.6	0.6	0.6
MINISTER FOR MENTAL HEALTH; DISABILITY SERVICES; CHILD PROTECTION					
Mental Health Commission	2.6	1.3	-	-	-
Disability Services Commission	2.9	8.8	2.8	2.9	-
Child Protection and Family Support	12.4	15.9	5.6	-	-
ATTORNEY GENERAL; MINISTER FOR COMMERCE					
Attorney General	50.0	81.2	17.4	9.2	9.4
Corruption and Crime Commission	4.9	10.2	3.2	1.5	1.5
Commissioner for Equal Opportunity	0.1	0.2	0.1	0.1	0.1
Law Reform Commission of Western Australia	-	-	-	-	-
Office of the Director of Public Prosecutions	0.2	0.5	0.5	0.3	0.6
Commissioner for Children and Young People	-	-	-	-	-
Office of the Information Commissioner	-	-	-	-	-
Parliamentary Inspector of the Corruption and Crime Commission	-	-	-	-	-
Legal Aid Commission of Western Australia	0.4	1.5	1.8	1.2	1.2
Commerce	6.8	9.2	4.4	4.3	0.9
Registrar, Western Australian Industrial Relations Commission	0.2	0.2	0.2	0.2	0.2
WorkCover WA Authority	1.9	1.9	0.5	0.1	0.1

ASSET INVESTMENT PROGRAM

Table 7.1 (cont.)

	2012-13 Estimated Actual \$m	2013-14 Budget Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m	2016-17 Forward Estimate \$m
MINISTER FOR MINES AND PETROLEUM; HOUSING					
Mines and Petroleum	3.1	0.9	0.9	1.0	1.0
Housing Authority	894.3	904.0	840.7	707.5	696.1
Keystart Housing Scheme Trust	1.8	1.2	1.1	1.1	1.1
MINISTER FOR SPORT AND RECREATION; RACING AND GAMING					
Sport and Recreation	103.1	82.8	114.5	319.4	367.2
Western Australian Sports Centre Trust	63.8	9.4	16.5	18.6	17.6
Western Australian Institute of Sport	0.4	0.3	0.3	0.2	0.1
Racing, Gaming and Liquor	4.0	2.3	0.3	0.2	0.1
Racing and Wagering Western Australia	15.6	12.7	15.6	9.0	9.7
Western Australian Greyhound Racing Authority	0.6	-	0.1	0.1	0.6
Burswood Park Board	0.8	1.0	0.9	0.4	0.4
MINISTER FOR AGRICULTURE AND FOOD					
Agriculture and Food	19.4	18.7	14.1	9.3	13.3
Rural Business Development Corporation	-	-	-	-	-
Western Australian Meat Industry Authority	0.2	0.4	0.4	0.3	0.3
Perth Market Authority	14.5	10.2	1.0	1.0	1.0
MINISTER FOR ENERGY; FINANCE; CITIZENSHIP AND MULTICULTURAL INTERESTS					
Independent Market Operator	8.2	3.1	2.5	2.2	0.9
Horizon Power	221.1	183.9	52.3	42.5	41.2
Synergy	13.6	17.7	6.6	5.7	10.0
Verve Energy	191.7	105.4	62.9	64.6	56.5
Western Power	971.5	1,012.8	644.7	539.8	627.1
Western Power Provisions	-	227.2	227.9	361.2	347.7
Electricity Sector Provisions	-	20.7	-	-	-
Finance	171.3	157.9	154.5	189.4	139.4
MINISTER FOR LOCAL GOVERNMENT; COMMUNITY SERVICES; SENIORS AND VOLUNTEERING; YOUTH					
Local Government and Communities	0.4	0.4	0.1	0.1	0.1
Metropolitan Cemeteries Board	4.7	7.2	10.5	4.9	7.0

Table 7.1 (cont.)

ASSET INVESTMENT PROGRAM					
	2012-13 Estimated Actual \$m	2013-14 Budget Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m	2016-17 Forward Estimate \$m
MINISTER FOR ENVIRONMENT; HERITAGE					
Parks and Wildlife	19.6	29.9	21.2	20.9	20.5
Environment Regulation	0.8	0.9	0.9	0.9	0.9
Botanic Gardens and Parks Authority	1.0	1.0	1.0	1.0	1.0
Office of the Environmental Protection Authority	0.3	0.1	0.1	0.4	_(a)
Swan River Trust	0.2	0.1	0.1	0.3	0.1
Zoological Parks Authority	4.3	7.8	5.5	5.0	2.7
Heritage Council of Western Australia	1.2	_(a)	_(a)	_(a)	_(a)
National Trust of Australia (WA)	7.3	5.0	0.7	0.7	0.7
MINISTER FOR EMERGENCY SERVICES; CORRECTIVE SERVICES; VETERANS					
Fire and Emergency Services	45.6	27.5	16.1	11.7	12.7
State Emergency Management Committee Secretariat	-	-	-	-	-
Corrective Services	82.0	93.7	47.0	10.7	31.9
Office of the Inspector of Custodial Services	_(a)	_(a)	_(a)	_(a)	_(a)
Provision for Underspend	-	-1,250.0	-	-	-
Provision for Program Slippage	-600.0	-	200.0	200.0	200.0
Provision for OSS Decommissioning	-	8.9	6.9	6.1	7.6
Inter-agency Purchases	-28.4	-34.0	-26.0	-7.1	-
TOTAL	7,302.5	7,450.6	6,671.9	5,958.4	6,826.7
<i>Funded by:</i>					
APPROPRIATIONS					
Capital Appropriation	1,277.2	1,705.3	908.4	712.7	1,261.4
OTHER FUNDING					
Holding Account	180.9	266.6	195.1	195.5	189.6
Agency Borrowings	11,759.4	11,027.2	11,378.4	10,852.9	11,052.8
Royalties for Regions	481.7	648.3	517.8	487.3	437.0
Commonwealth Grants	678.4	678.8	579.2	488.5	585.0
Land and Property Sales	698.0	986.9	965.4	971.7	923.1
Internal Funds and Balances	-8,171.5	-8,114.1	-8,572.1	-8,455.3	-8,358.9
Special Purpose Accounts ^(b)	554.9	536.1	381.4	71.0	-
Other	-156.7	-284.4	318.4	634.1	736.7
TOTAL	7,302.5	7,450.6	6,671.9	5,958.4	6,826.7
(a) Amount less than \$50,000.					
(b) Funding held at Department of Treasury for the Fiona Stanley and the New Children's Hospitals.					
(c) Includes a provision for emerging underspending across the Royalties for Regions program, detailed in Chapter 6: Asset Investment.					
Note: Columns may not add due to rounding.					

Public Corporations – Impact on General Government Revenue and Expenses

HIGHLIGHTS

- The Consolidated Account will pay a net subsidy of \$576 million to Government Trading Enterprises (GTEs) in 2013-14, an increase of 21% on the net subsidy paid in 2012-13.
- The Consolidated Account will pay a total of \$1.5 billion over the forward estimates period to subsidise GTE activities.
- The largest subsidies in 2013-14 will be paid to the Public Transport Authority, the Water Corporation and Synergy and will result in a lower price to consumers than the actual cost of service/utility provision.

Introduction

GTEs or public corporations are generally liable for income tax equivalent, loan guarantee fee and dividend payments to the State. A number of public corporations are also liable for local government rate equivalent payments. These payments are levied by the State to ensure competitive neutrality (i.e. a level playing field) between public sector business activities and private sector businesses. Some GTEs also receive operating subsidies and other payments from the general government sector for specific purposes.

The net subsidy of payments from the Consolidated Account to GTEs in 2013-14 is estimated to be \$576 million (see Table 8.1), up from \$476 million in 2012-13.

General government sector revenue from public corporations in 2013-14 is estimated to be \$1.3 billion, an increase of \$175 million (or 15.1%) from 2012-13. This comprises \$488 million in income tax equivalent payments, \$14 million in local government rate equivalent payments, and \$832 million in dividend payments.

The increase in revenue in 2013-14 is largely due to projected increases in payments from the Water Corporation, Verve Energy, Dampier Port Authority, Port Hedland Port Authority and the Insurance Commission of Western Australia, partially offset by a projected decrease in payments from Horizon Power, Synergy and the Western Australian Land Authority (LandCorp).

A detailed list of revenue from individual public corporations to the general government sector is provided in Table 8.5.

Consolidated Account expenses to public corporations in 2013-14 are estimated to be \$1.9 billion, an increase of \$275 million (or 16.8%) from 2012-13. This is largely a result of a change in the expense base used to calculate the Water Corporation's operating subsidies (and as a consequence, its dividends paid) and an increase in the operating subsidy paid to Synergy.

A detailed list of general government sector expenses arising from payments to individual public corporations is provided in Table 8.7. This includes payments from the Consolidated Account as well as other recurrent payments from sources such as Royalties for Regions.

The Government has approved the following increases to key selected residential tariffs and fares in 2013-14:

- residential electricity tariffs – 4%;
- residential water tariffs – 6%; and
- public transport fares – 5%.

Further details of tariff and fare changes are outlined later in this appendix.

Electricity tariffs and public transport fares continue to fall short of the actual cost of electricity and public transport provision. Public transport revenue is forecast to recover 32.2% of costs in 2013-14 and the estimated operating subsidy is \$684 million in 2013-14, up from an estimated \$646 million in 2012-13.

Electricity tariffs continue to remain below cost reflectivity. The budget assumes residential and small business tariff increases of 4% in 2013-14, followed by 7% per year increases across the forward estimates period. These increases are expected to deliver residential electricity tariffs that are 16.8% below cost-reflectivity by 2016-17. The operating subsidy, the 'tariff adjustment payment', paid to Synergy and Horizon Power, grows to an estimated \$420 million in 2013-14 (up from \$363 million in 2012-13), and totals \$1 billion over the forward estimates period.

The Water Corporation is expected to receive an operating subsidy of \$433 million in 2013-14 in order to provide water at the same cost for country residential users as for metropolitan residents.

Government Trading Enterprises: Net Subsidies

Payments to and from the Consolidated Account

The following table shows the Consolidated Account (part of the general government sector) will provide a net subsidy to the GTEs of \$576 million in 2013-14. This comprises a total subsidy payment from the Consolidated Account of \$1.9 billion, partially offset by dividend and tax equivalent payments totalling \$1.3 billion.

Table 8.1

GOVERNMENT TRADING ENTERPRISES
Operating transactions with the Consolidated Account ^(a)

	2012-13 Estimated Actual \$m	2013-14 Budget Estimate \$m
Electricity Corporations		
Dividends and Tax Equivalents		
Horizon	61	40
Synergy	69	16
Verve	84	121
Western Power	104	106
TOTAL	318	283
Subsidies		
Horizon Power	59	60
Synergy	428	489
Western Power	10	5
TOTAL	497	554
<i>Net Electricity Corporations</i>	<i>-179</i>	<i>-271</i>
Water Corporation		
Dividends and Tax Equivalents	576	724
Subsidies	446	611
<i>Net Water Corporation</i>	<i>130</i>	<i>114</i>
Public Transport Authority ^(b)		
Subsidies	646	684
<i>Net Public Transport Authority</i>	<i>-646</i>	<i>-684</i>
Other GTEs		
Dividends and Tax Equivalents	266	328
Subsidies	46	61
<i>Net Other GTEs</i>	<i>219</i>	<i>267</i>
Total Dividends and Tax Equivalents	1,159	1,334
Total Subsidies ^(c)	1,635	1,910
Net impact on the Consolidated Account	-476	-576

(a) This table does not include equity injections, or general government payments from sources other than the Consolidated Account (such as from Royalties for Regions and agency capital grant programs).

(b) The Public Transport Authority does not pay dividends or tax equivalent payments.

(c) This figure includes operating and other subsidies.

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

Electricity

In 2013-14, a net payment to the electricity sector from the Consolidated Account of \$271 million is forecast. This comprises:

- \$420 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, and dependent child rebates.

In return, the electricity corporations will pay a total of \$283 million in dividends and tax equivalent payments to the Consolidated Account. Significant changes in payments from the electricity corporations include:

- Verve Energy’s payments to the general government sector are forecast to increase by \$37 million (or 43.7%) due to increased sales volumes and higher than anticipated revenue within the ancillary services market, which has been under a new competitive market pricing system since 1 July 2012;
- Horizon Power’s payments to the general government sector are forecast to decrease by \$21 million (or 34.8%), due to a lower dividend payment in 2013-14 (as a result of paying both the 2010-11 and 2011-12 dividend in the 2012-13 financial year) and a lower income tax expense associated with reduced revenue from customer funded works; and
- Synergy’s payments to the general government sector are forecast to decrease by \$53 million (or 77.1%), due to declining energy sales volumes and revisions to the cost-reflective tariff rates that occurred as part of the Economic Regulation Authority’s Inquiry into the Efficiency of Synergy’s Costs and Electricity Tariffs.

Water

In 2013-14, net payments received from the Water Corporation are forecast to be \$114 million. The major operating subsidies paid to the Water Corporation will consist of:

- \$433 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
- \$132 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 received in 2013-14. The Water Corporation's payments to the general government sector (taxes and dividends) are forecast to rise by \$149 million (or 25.8%). However, this increase is driven by a \$165 million increase in the value of the operating subsidy paid by the general government sector, which in turn flows into the Water Corporation's taxable income and profit. The value of the operating subsidy is increasing due to a rebasing of the forecast over the forward estimates period given actual costs of providing country water, sewerage and drainage operations, an adjustment to capitalised interest and projects relating to the Pilbara Cities initiative.

Public Transport

In 2013-14, the operating subsidy to the Public Transport Authority (PTA) is estimated at \$684 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. The PTA does not pay dividends or tax equivalent payments.

Other GTEs

Net payments of \$267 million are forecast to be received from other GTEs in 2013-14. This consists of receipts from other GTEs that will be partly offset by subsidies of \$61 million, of which \$48 million is paid to LandCorp.

Further information on subsidies paid to public corporations from the general government sector is provided in Table 8.7.

A total of \$328 million in dividends and tax equivalent payments is forecast to be received from other GTEs in 2013-14. This represents an increase of \$62 million from 2012-13. Significant changes in payments from other GTEs include:

- Dampier Port Authority's payments to the Consolidated Account in 2013-14 will increase by \$9 million (or 74.9%), mainly due to tax equivalent revenue associated with customer contributions for construction of port infrastructure at the new Port of Ashburton;
- an increase of \$33 million (92.1%) in income tax equivalent revenue and dividend payments from the Port Hedland Port Authority, mainly due to increased overall throughput, revised pricing, stronger cost management and the revenue stream associated with the introduction of the Port Improvement Rate;
- a forecast \$63 million dividend in 2013-14 from the Insurance Commission of Western Australia, which includes the 2012-13 and 2013-14 dividends (subject to enactment of the Insurance Commission of Western Australia Amendment Bill 2013); and
- LandCorp returns to the Consolidated Account are to decrease by \$51 million in 2013-14 (or 43.8%), largely as a result of a one-off \$62 million additional dividend payment in 2012-13 following the implementation of savings initiatives.

A detailed listing of revenue received from individual public corporations and information on dividend payout ratios is provided in Table 8.5 and Table 8.6 respectively.

Electricity Tariffs

2013-14 Budget and Outyear Planning Assumptions

As previously announced, the Government has approved the following increases to electricity tariffs from 1 July 2013:

- residential tariffs – 4%;
- small business tariffs – 4%; and
- medium to large business tariffs – between a reduction of 6.3% and an increase of 16.7%¹, depending on the tariff.

Despite these increases, the majority of non-contestable electricity tariffs are still below the cost of production and supply. The general government sector is expected to provide an operating subsidy to Synergy and Horizon Power (to compensate these corporations for below-cost reflective tariffs) of \$420 million in 2013-14, and \$1 billion across the forward estimates period. This is based on the tariff increases outlined in Table 8.2.

The Public Utilities Office in the Department of Finance is scheduled to undertake a review of the electricity tariff cost-reflective line. This may impact the operating subsidy that is paid to Synergy and Horizon Power. Any changes to the cost-reflective line and associated operating subsidies will be reflected once the review is complete and the recommendations considered by Government.

Approved increases for 2014-15 onwards are outlined in Table 8.2.

¹ Further changes to contestable tariffs may occur due to the Economic Regulation Authority's final determination on Western Power's 2013-14 Price List, published on 26 June 2013.

Table 8.2

NON-CONTESTABLE TARIFF INCREASES

Tariff	2013-14 %	2014-15 %	2015-16 %	2016-17 %
Residential (A1/A2)	4.00	7.00	7.00	7.00
Residential Hot Water (B1)	2.34	7.00	7.00	7.00
Community and Charitable Organisations (C1/C2)	4.00	4.00	4.00	4.00
Charitable Organisation providing Residential Accommodation (D1/D2)	4.00	7.00	7.00	7.00
Combined Residential/Business (K1/K2)	4.00	7.00	7.00	7.00
Small Business (L1/L2)	4.00	7.00	7.00	7.00
Small Business Time of Use (R1)	4.00	7.00	7.00	7.00

CONTESTABLE TARIFF INCREASES ^(a)

Tariff	2013-14 %	2014-15 %	2015-16 %	2016-17 %
Medium Business (L3/L4)	-3.43	0.96	3.56	2.60
Medium Business Time of Use (R3)	-6.30	0.30	3.88	2.47
Large Business (M1/M2)	16.66	1.16	1.99	3.75
Large Business Low Voltage (S1)	2.82	-0.86	2.90	1.42
Large Business High Voltage (T1)	1.89	-1.11	2.73	1.35
Traffic Lighting (W1/W2)	2.27	2.48	3.46	3.69
Street Lighting (Z)	11.80	3.48	3.78	3.74

(a) Further changes to contestable tariffs may occur due to the Economic Regulation Authority's determination on Western Power's 2013-14 Price List.

Water Tariffs

2013-14 Budget and Outyear Planning Assumptions

As previously announced, the Government has approved the following increases to water tariffs from 1 July 2013:

- combined fixed and volumetric water supply charge (based on consumption of 250kL per annum) – 6%; and
- wastewater and drainage tariffs – 6%.

A selection of key tariff changes from 2012-13 to 2013-14 is provided in Table 8.3.

Operating Subsidies

The Water Corporation will receive total general government subsidy payments of \$622 million in 2013-14, including \$601 million in operating subsidies and \$20 million in other subsidies from sources such as Royalties for Regions. Further details of these subsidy payments are provided in Table 8.7.

Operating subsidies are paid for the following:

- Country Water, Sewerage and Drainage Operations – under the Government’s tariff cap policy for country water pricing, country residential customers do not pay more than metropolitan residential customers for the provision of the first 300kL of water to households. As a result, most country water schemes operate at a loss and an operating subsidy is paid to the Water Corporation to compensate it for the loss;
- Infill Sewerage Program – the infill sewerage program is a Government initiative administered by the Water Corporation. The operating subsidy compensates the Corporation for the additional cost incurred in providing infill sewerage infrastructure and services to existing land developments compared to the cost of providing sewerage services to new land developments;
- Pensioner and Senior Concessions – an operating subsidy is paid to the Water Corporation to compensate it for revenue lost as a result of offering concessions to pensioners and seniors, non-rated property holders and some Aboriginal reserves. Rebates are also paid to customers who have been charged for leaks that are the responsibility of the Water Corporation; and
- Rural Irrigation – this operating subsidy compensates the Water Corporation for the difference between the cost of bulk water storage, including dam safety costs charged to irrigation service providers and the actual cost.

The Government has agreed to a 7% per annum increase in the full range of services provided by the Water Corporation to the 'representative' household for the period 2014-15 to 2016-17².

WATER CORPORATION'S 2013-14 TARIFF CHANGES

Table 8.3

	2012-13 \$	2013-14 \$	Change %
Residential Tariffs			
Water			
Fixed Charge	188.10	205.71	9.4
<i>Volumetric Charge (c/kL)</i>			
0-150kL	133.60	138.10	3.4
151-500kL	174.70	184.10	5.4
Over 501kL	239.80	260.70	8.7
Wastewater			
<i>Metropolitan (c in \$GRV)</i>			
First \$16,700 Gross Rental Value (GRV)	4.23	4.47 ^(a)	6
Over \$16,700 GRV	0.79	0.83 ^(a)	6
Minimum Charge	313.20	331.99	6
<i>Country</i>			
Minimum Charge	313.20	331.99	6
Maximum Charge	780.40	827.88	6
Non-Residential Tariffs			
Water			
Minimum charge (15,20mm meter) ^(b)	188.10	205.71	9.4
<i>Consumption charge (c/kL)</i>			
Metropolitan	204.10	204.30	0.1
Country ^(c)			
Step 1			
- 0-300kL	174.70	196.50	12.5
- Over 300kL	192.60	196.50	2
Step 15			
- 0-300kL	586.20	647.40	10.4
- Over 300kL	634.70	647.40	2
Wastewater			
First fixture ^(b)	728.40	772.10	6
Volumetric Charge (c/kL)	267.70	283.76	6

(a) These factors are subject to change following receipt of updated gross rental value data.

(b) Charge increases as meter size/number of fixtures increases.

(c) Step 1 and Step 15 are the lowest and highest Steps.

² Tariffs, fees and charges applying to the 'representative' household are discussed in Appendix 9.

Public Transport Tariffs

2013-14 Budget and Outyear Planning Assumptions

As previously announced, the Government has approved the following public transport fares and fees from 1 July 2013:

- a 5% increase to public transport fares;
- no change to the 50 cent student fare;
- no change in the \$2.00 per day parking fee; and
- concession fares remaining at 40% of standard fares.

Seniors, disability and age pensioner cardholders will continue to be eligible for free travel on weekdays between 9.00am and 3.30pm and anytime on weekends and public holidays. Carers have also been granted free travel within these periods from 1 July 2013.

Public transport continues to be heavily subsidised. The expected cost recovery rate in 2012-13 was 31%, which is anticipated to rise to 32.2% in 2013-14.

The operating subsidy paid to the PTA to compensate for below cost-reflective tariffs will increase from \$646 million in 2012-13 to \$684 million in 2013-14.

The PTA's budget projections assume fares will follow a three year glide-path to achieve a target cost recovery rate of 40% by 2016-17. This increase in cost recovery is estimated to generate an additional \$84 million in fare revenue between 2014-15 and 2016-17. Table 8.4 details the change in cash fares for various journey lengths between 2012-13 and 2013-14.

The Government will introduce fees for all parking bays at major train stations from 1 July 2014.

The Government has not finalised decisions on public transport tariff increases beyond 2013-14 pending a review by PTA.

TRANSPERTH FARES 2013-14

Table 8.4

Standard Cash Fare ^(a)	2012-13	\$ increase	% increase ^(b)	2013-14
2 sections	\$1.90	\$0.10	5.3	\$2.00
1 zone	\$2.70	\$0.10	3.7	\$2.80
2 zones	\$4.00	\$0.20	5.0	\$4.20
3 zones	\$4.90	\$0.20	4.1	\$5.10
4 zones	\$5.80	\$0.30	5.2	\$6.10
5 zones	\$7.10	\$0.40	5.6	\$7.50
6 zones	\$8.10	\$0.40	4.9	\$8.50
7 zones	\$9.40	\$0.50	5.3	\$9.90
8 zones	\$10.20	\$0.50	4.9	\$10.70
9 zones	\$11.00	\$0.60	5.5	\$11.60
Day Rider	\$11.00	\$0.60	5.5	\$11.60
Family Rider	\$11.00	\$0.60	5.5	\$11.60
Student	\$0.50	-	-	\$0.50

(a) Concession Fares remain at 40% of the full standard fare subject to rounding.

(b) Fare increases are rounded to 10 cent increments.

Table 8.5

REVENUE TO GOVERNMENT FROM PUBLIC CORPORATIONS

Details of Payment	2012-13 Estimated Actual \$'000	2013-14 Budget Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Horizon Power					
Income tax expense	19,266	9,955	16,916	13,643	7,661
Local Government Rates expense	326	426	489	524	563
Dividends	41,100	29,219	15,093	25,657	20,693
<i>Subtotal</i>	<i>60,692</i>	<i>39,600</i>	<i>32,498</i>	<i>39,824</i>	<i>28,917</i>
Synergy					
Income tax expense	5,016	6,216	18,674	19,514	31,668
Dividends	64,060	9,629	11,626	33,331	49,330
<i>Subtotal</i>	<i>69,076</i>	<i>15,845</i>	<i>30,300</i>	<i>52,845</i>	<i>80,998</i>
Verve Energy					
Income tax expense	43,982	46,004	76,756	56,246	46,164
Local Government Rates expense	501	501	501	501	501
Dividends	39,800	74,591	39,937	74,163	55,015
<i>Subtotal</i>	<i>84,283</i>	<i>121,096</i>	<i>117,194</i>	<i>130,910</i>	<i>101,680</i>
Western Power					
Local Government Rates expense	1,405	1,461	1,520	1,580	1,627
Dividends	102,134	105,035	103,559	91,625	120,366
<i>Subtotal</i>	<i>103,539</i>	<i>106,496</i>	<i>105,079</i>	<i>93,205</i>	<i>121,993</i>
Water Corporation					
Income tax expense	204,705	288,906	289,215	317,912	350,442
Local Government Rates expense	4,755	5,083	5,248	5,419	5,595
Dividends	366,281	430,456	491,016	559,989	613,657
<i>Subtotal</i>	<i>575,741</i>	<i>724,445</i>	<i>785,479</i>	<i>883,320</i>	<i>969,694</i>
Bunbury Water Board					
Income tax expense	106	455	539	642	570
<i>Subtotal</i>	<i>106</i>	<i>455</i>	<i>539</i>	<i>642</i>	<i>570</i>
Busselton Water Board					
Income tax expense	609	481	554	526	617
<i>Subtotal</i>	<i>609</i>	<i>481</i>	<i>554</i>	<i>526</i>	<i>617</i>
Western Australian Land Authority (LandCorp)					
Income tax expense	18,628	29,704	25,911	45,490	38,879
Local Government Rates expense	4,461	4,201	3,975	4,283	2,732
Dividends	94,070	31,946	51,342	31,653	31,069
<i>Subtotal</i>	<i>117,159</i>	<i>65,851</i>	<i>81,228</i>	<i>81,426</i>	<i>72,680</i>

Table 8.5 (cont.)

REVENUE TO GOVERNMENT FROM PUBLIC CORPORATIONS

Details of Payment	2012-13 Estimated Actual \$'000	2013-14 Budget Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Albany Port Authority					
Income tax expense	902	722	940	1,114	1,144
Local Government Rates expense	106	108	110	112	115
Dividends	1,700	1,405	1,061	1,395	1,659
<i>Subtotal</i>	<i>2,708</i>	<i>2,235</i>	<i>2,111</i>	<i>2,621</i>	<i>2,918</i>
Broome Port Authority					
Income tax expense	330	775	1,410	1,523	1,658
Local Government Rates expense	71	86	89	92	95
Dividends	494	579	1,850	2,138	2,309
<i>Subtotal</i>	<i>895</i>	<i>1,440</i>	<i>3,349</i>	<i>3,753</i>	<i>4,062</i>
Bunbury Port Authority					
Income tax expense	3,567	4,031	4,373	6,387	10,177
Local Government Rates expense	175	150	185	220	220
Dividends	4,374	5,412	6,051	6,565	9,612
<i>Subtotal</i>	<i>8,116</i>	<i>9,593</i>	<i>10,609</i>	<i>13,172</i>	<i>20,009</i>
Dampier Port Authority					
Income tax expense	4,344	15,240	6,279	7,134	5,895
Local Government Rates expense	285	305	313	320	328
Dividends	8,029	6,588	8,373	9,523	10,819
<i>Subtotal</i>	<i>12,658</i>	<i>22,133</i>	<i>14,965</i>	<i>16,977</i>	<i>17,042</i>
Esperance Port Authority					
Local Government Rates expense	130	134	138	142	146
Dividends	-	-	-	479	778
<i>Subtotal</i>	<i>130</i>	<i>134</i>	<i>138</i>	<i>621</i>	<i>924</i>
Fremantle Port Authority					
Income tax expense	11,049	10,592	11,419	13,193	14,919
Local Government Rates expense	559	587	616	647	680
Dividends	10,903	16,052	15,357	16,611	19,299
<i>Subtotal</i>	<i>22,511</i>	<i>27,231</i>	<i>27,392</i>	<i>30,451</i>	<i>34,898</i>
Geraldton Port Authority					
Income tax expense	7,655	11,149	12,170	12,887	12,887
Local Government Rates expense	160	160	160	160	160
Dividends	6,703	11,624	16,923	18,472	19,559
<i>Subtotal</i>	<i>14,518</i>	<i>22,933</i>	<i>29,253</i>	<i>31,519</i>	<i>32,606</i>
Port Hedland Port Authority					
Income tax expense	14,872	46,646	56,825	62,926	67,938
Local Government Rates expense	296	306	316	326	337
Dividends	21,014	22,557	70,747	86,184	95,438
<i>Subtotal</i>	<i>36,182</i>	<i>69,509</i>	<i>127,888</i>	<i>149,436</i>	<i>163,713</i>

Table 8.5 (cont.)

REVENUE TO GOVERNMENT FROM PUBLIC CORPORATIONS

Details of Payment	2012-13 Estimated Actual \$'000	2013-14 Budget Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Gold Corporation					
Income tax expense	9,193	11,645	14,005	15,282	15,894
Local Government Rates expense	650	650	650	650	650
Dividends	20,703	16,087	20,378	24,509	26,744
<i>Subtotal</i>	<u>30,546</u>	<u>28,382</u>	<u>35,033</u>	<u>40,441</u>	<u>43,288</u>
Western Australian Treasury Corporation					
Income tax expense	5,158	5,709	6,045	6,454	6,066
Dividends	11,378	7,823	8,659	9,168	9,788
<i>Subtotal</i>	<u>16,536</u>	<u>13,532</u>	<u>14,704</u>	<u>15,622</u>	<u>15,854</u>
Insurance Commission of Western Australia					
Income tax expense	-	-	10,247	21,917	23,401
Dividends	-	63,448	28,303	24,888	25,038
<i>Subtotal</i>	<u>-</u>	<u>63,448</u>	<u>38,550</u>	<u>46,805</u>	<u>48,439</u>
Potato Marketing Corporation of Western Australia					
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>
Forest Products Commission					
Dividends	2,891	578	1,211	3,154	3,513
<i>Subtotal</i>	<u>2,891</u>	<u>578</u>	<u>1,211</u>	<u>3,154</u>	<u>3,513</u>
Subtotal Amounts					
Income tax expense	349,382	487,680	551,604	602,790	635,980
Local Government Rates expense	13,884	14,162	14,314	14,980	13,753
Dividends	795,634	832,195	890,463	1,019,504	1,114,686
TOTAL	<u>1,158,900</u>	<u>1,334,037</u>	<u>1,456,381</u>	<u>1,637,274</u>	<u>1,764,419</u>

Note: Columns may not add due to rounding.

The following table summarises the dividend payout ratios for the public corporations. The Insurance Commission of Western Australia will have a payout ratio of 65%, subject to enactment of the Insurance Commission of Western Australia Amendment Bill 2013.

Table 8.6

REVENUE FROM PUBLIC CORPORATIONS
Dividend Payout Ratios

	2012-13	2013-14	2014-15	2015-16	2016-17
	%	%	%	%	%
Horizon Power	65	65	65	65	65
Synergy	75	75	75	75	75
Verve Energy	65	65	65	65	65
Western Power	65	65	65	65	65
Water Corporation ^(a)	85	85	85	85	85
Western Australian Land Authority ^(b)	65	65	65	65	65
Insurance Commission of Western Australia ^(c)	-	65	65	65	65
Gold Corporation	75	75	75	75	75
Western Australian Treasury Corporation	65	65	65	65	65
State Port Authorities	65	65	65	65	65
Forest Products Commission ^(d)	65	65	65	65	65

(a) 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) Subject to enactment of Insurance Commission of Western Australia Amendment Bill 2013.

(d) Adjusted for native forest (natural resource asset) revaluations.

EXPENSES FROM GOVERNMENT TO PUBLIC CORPORATIONS

Table 8.7

Details of Payment	Funding Department	2012-13 Estimated Actual \$'000	2013-14 Budget Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Horizon Power						
<i>Operating Subsidies</i> ^(a)						
Aboriginal and Remote Communities Project – Stage 1	Treasury	12,675	12,471	12,537	12,497	12,430
Aboriginal and Remote Communities Project – Stage 2	Treasury	3,025	3,105	3,198	3,347	3,443
Air Conditioning Allowance (North of 26 th Parallel)	Treasury	437	468	513	560	612
Dependent Child Rebate	Treasury	313	350	390	438	494
Cost of Living Assistance ^(b)	Treasury	641	685	751	824	900
Feed-In Tariff	Treasury	40	40	40	40	40
Tariff Adjustment Payment – Operating Subsidy	Treasury	29,063	31,944	27,134	27,388	24,322
Tariff Migration – Movement to L2 and A2 Tariff	Treasury	12,840	11,098	556	546	525
<i>Subtotal</i>		<u>59,034</u>	<u>60,161</u>	<u>45,119</u>	<u>45,640</u>	<u>42,766</u>
Synergy						
<i>Operating Subsidies</i> ^(a)						
Air Conditioning Allowance (North of 26 th Parallel)	Treasury	101	108	119	131	144
Charitable Organisations Rebate	Treasury	1,160	1,209	1,265	1,201	1,311
Dependent Child Rebate	Treasury	11,453	14,021	15,467	17,063	18,824
Cost of Living Assistance ^(b)	Treasury	50,998	61,521	67,672	74,392	81,733
Feed-In Tariff	Treasury	30,300	24,362	15,207	15,207	15,207
Tariff Adjustment Payment – Operating Subsidy	Treasury	334,116	388,088	331,668	330,274	297,233
<i>Subtotal</i>		<u>428,128</u>	<u>489,309</u>	<u>431,398</u>	<u>438,268</u>	<u>414,452</u>
Western Power						
<i>Other subsidies</i>						
State Underground Power Program	Finance	9,820	4,820	5,000	5,000	5,000
<i>Subtotal</i>		<u>9,820</u>	<u>4,820</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>

Table 8.7 (cont.)

EXPENSES FROM GOVERNMENT TO PUBLIC CORPORATIONS

Details of Payment	Funding Department	2012-13 Estimated Actual \$'000	2013-14 Budget Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Water Corporation						
<i>Operating Subsidies</i> ^(a)						
Country Water, Sewerage and Drainage Operations	Treasury	291,962	433,231	460,667	477,273	504,829
Infill Sewerage Program	Treasury	28,276	35,198	34,800	35,013	33,821
Pensioner and Senior Concessions	Treasury	116,437	132,267	138,538	151,094	165,722
Rural Irrigation Schemes	Treasury	28	655	288	139	144
<i>Other subsidies</i>						
Royalties for Regions – various projects	Treasury	8,500	10,927	11,985	10,000	-
Burrup Water Supply System	DSD ^(c)	8,911	9,133	9,362	9,736	10,007
Reimbursement of Land Sales	Treasury	-	200	200	200	200
Statewide Water Efficiency Measures	Water	262	40	-	-	-
<i>Subtotal</i>		454,376	621,651	655,480	683,455	714,723
Western Australian Land Authority (LandCorp)						
<i>Operating Subsidies</i> ^(a)						
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	464	355	366	376	387
Browse LNG Precinct – Native Title Agreements	Treasury	-	8,900	600	-	-
Collie – Shotts Industrial Park – Infrastructure Upgrades	Treasury	-	1,715	188	-	-
Hope Valley/Wattleup Redevelopment – Land Acquisition	Treasury	6,640	6,655	6,670	6,685	6,703
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	1,405	1,470	1,515	1,560	1,607
Strategic Asset Management	Treasury	938	1,000	1,000	1,000	1,000
Townsite Development Program	Treasury	4,110	4,000	4,000	4,000	4,000
<i>Other subsidies</i>						
Royalties for Regions – various projects	Treasury	33,787	123,718	74,843	26,213	30,000
North West Planning Strategy	DRD ^(d)	50	-	-	-	-
Project Ready Heavy Use Industrial Land	DSD ^(c)	1,250	-	-	-	-
Rockingham Kwinana Development Office	Planning	200	360	-	-	-
<i>Subtotal</i>		70,145	171,451	110,483	61,135	64,998

Table 8.7 cont.)

EXPENSES FROM GOVERNMENT TO PUBLIC CORPORATIONS

Details of Payment	Funding Department	2012-13 Estimated Actual \$'000	2013-14 Budget Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Metropolitan Redevelopment Authority						
<i>Operating subsidies^(a)</i>						
Administration and Operating Costs	Treasury	625	-	-	-	-
Chinatown Improvement	Treasury	-	1,000	1,000	-	-
Wungong Developer Contribution Scheme – Management Costs	Treasury	110	180	-	-	-
Elizabeth Quay	Treasury	597	4,038	4,870	-	-
Scarborough Beach Redevelopment Area	Treasury	-	1,250	11,250	11,250	6,250
<i>Other subsidies</i>						
Elizabeth Quay – Capital Grant	WAPC ^(e)	3,050	2,360	-	-	-
Subtotal		4,382	8,828	17,120	11,250	6,250
Broome Port Authority						
<i>Other subsidies</i>						
Jetty Extension – Subsidy	Treasury	324	-	-	-	-
Subtotal		324	-	-	-	-
Dampier Port Authority						
<i>Other subsidies</i>						
Burrup Port Infrastructure – Subsidy	DSD ^(c)	8,148	7,223	11,644	8,992	8,330
Subtotal		8,148	7,223	11,644	8,992	8,330
Public Transport Authority						
<i>Operating subsidies^(a)</i>						
Operating Subsidy	Treasury	646,184	683,790	703,234	721,542	743,012
<i>Other subsidies</i>						
'Orange' School Bus Initiative – <i>Royalties for Regions</i>	Treasury	3,286	2,693	-	-	-
District Allowance Payments – <i>Royalties for Regions</i>	Treasury	7	8	10	10	10
Subtotal		649,477	686,491	703,244	721,552	743,022
Total		1,683,834	2,049,934	1,979,848	1,975,292	1,999,541

(a) Details of operating subsidies contained in this appendix may differ to those disclosed in Budget Paper No. 2. Details contained in Appendix 8 are accrual in nature, while appropriations detailed in Budget Paper 2 are on a cash basis. Funding is from the Consolidated Account and other general government agencies.

(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.

(e) Western Australian Planning Commission.

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 for the ‘representative’ 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 9.1 shows the impact of the changes in State government tariffs, fees and charges on the 'representative' household in 2013-14.

Table 9.1

ESTIMATED IMPACT ON THE STANDARD 'REPRESENTATIVE' HOUSEHOLD

	2012-13 \$	2013-14 \$	\$ change	% change
Motor Vehicles				
Vehicle Licence Charge ^(a)	\$225.92	\$255.32	\$29.40	13.01
Recording Fee	\$13.05	\$13.05	-	-
CTP insurance	\$245.01	\$255.06	\$10.04	4.10
Drivers licence ^(b)	\$75.20	\$79.00	\$3.80	5.00
<i>Total</i>	<i>\$559.18</i>	<i>\$602.43</i>	<i>\$43.24</i>	<i>7.73</i>
Utility Charges ^{(c) (d)}				
Electricity	\$1,452.28	\$1,510.37	\$58.09	4.00
Water, Sewerage and Drainage	\$1,327.20	\$1,406.85	\$79.65	6.00
<i>Total</i>	<i>\$2,779.48</i>	<i>\$2,917.22</i>	<i>\$137.74</i>	<i>4.96</i>
Public Transport				
Student fares	\$260.00	\$260.00	-	-
Standard fares (2-zones)	\$780.00	\$819.00	\$39.00	5.00
<i>Total</i>	<i>\$1,040.00</i>	<i>\$1,079.00</i>	<i>\$39.00</i>	<i>3.75</i>
Emergency Services Levy	\$205.00	\$220.00	\$15.00	7.32
Stamp Duty				
Stamp duty on general insurance	\$160.16	\$160.16	-	-
Stamp duty on CTP insurance	\$25.51	\$25.51	-	-
<i>Total</i>	<i>\$185.67</i>	<i>\$185.67</i>	<i>-</i>	<i>-</i>
Total Expenditure (Nominal)	\$4,769.33	\$5,004.31	\$234.98	4.93

(a) The effective increase in motor vehicle licence expenditure for the 'representative' household is 13.01% taking into account the private vehicle concession increase to \$72 between 1 July 2013 and 31 December 2013 before declining to \$36 from 1 January 2014. The discount under the concession was \$69 in 2012-13.

(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.

Note: Columns may not add due to rounding.

On the basis of the assumptions below and the 2013-14 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 \$5,004.31. This represents an increase of \$234.98 (or 4.93%) on 2012-13 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:
 - 5,747 kW hours of electricity per annum, based on the forecast 2012-13 average level of consumption for a household provided by Synergy; and
 - 250 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 vehicle licence charge);
- has two drivers in the household;
- pays average home and contents and motor vehicle insurance, based on information from the insurance industry (for the purposes of calculating stamp duty payable on insurance policies); and
- owns and occupies a property that has an average gross rental value (for calculation of sewerage, drainage and ESL charges).

Discussion

Residential electricity tariffs will increase by 4.0% from 1 July 2013. Based on the forecast 2012-13 average level of consumption of 5,747 kW hours of electricity, it is estimated that household electricity charges will total \$1,510.37¹ in 2013-14. This is a \$58.09 (or 4.0%) increase on 2012-13.

For the full range of services provided by the Water Corporation to the ‘representative’ household, charges will increase by \$79.65 (or 6.0%) in 2013-14.

Transperth 2-zone standard fares will increase by 5.0%, amounting to an additional cost of \$39.00 to the ‘representative’ household. There will be no increase to the 50 cent student fares.

In 2013-14, motor vehicle registration fees will increase by \$29.40 (or 13.0%) on the 2012-13 level. This increase is largely driven by a reduction in the private vehicle concession for motor vehicle registrations (the private vehicle concession has risen from \$69 to \$72 between 1 July 2013 and 31 December 2013 but will then decline to \$36 from 1 January 2014 onwards).

Drivers licence fees will increase by \$3.80 (or 5%) in 2013-14.

The average metropolitan residential ESL will increase by \$15.00 (or 7.3%).

CTP insurance premiums, which remain the lowest in the nation, will increase by \$10.04 (or 4.1%).

Fees and charges that remain unchanged in 2013-14 include:

- motor vehicle recording fees;
- Transperth 50 cent student fares; and
- stamp duty rates on insurance policies.

¹ Excluding carbon.

Interjurisdictional Comparison

A comparison of Western Australia's household tariffs, fees and charges with those of other jurisdictions highlights:

- household expenditure is amongst the lowest in Australia based on the assumptions of the model;
- Western Australia's 2013-14 utility charges remain below the 2012-13 national average;
- based on the comparison provided by the Public Transport Authority, public transport fares are significantly below those of New South Wales and Victoria, and highly competitive with all other jurisdictions; and
- motor vehicle charges are also amongst the lowest in Australia, particularly with respect to CTP insurance premiums.

Other Tariffs, Fees and Charges

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 they are reflective of costs and are in compliance with the Government's pricing and costing guidelines. The annual review has been completed as part of the 2013-14 Budget process. In most instances fees and charges have increased by the CPI reference rate of 2%². Many of these increases came into effect from 1 July 2013.

Health

There will be a progressive increase to 11 hospital accommodation fees that are payable by patients. Fee increases range from 5.1% to 10.5%. Staff and visitor car parking fees are also included as part of this process. Changes will facilitate greater cost recovery.

Transport

The Perth Parking Levy will increase between 5% and 15% to provide a more meaningful price differential between short stay, long stay and tenant parking.

Dealer's plate annual fees and motor driver's licence fees (other than those included in the household model) will also increase by between 3.36% and 5.75% to increase levels of cost recovery.

² 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 2011 to September 2012). For the 2013-14 Budget, the reference rate of inflation is 2%.

Western Australia Police

Eighteen fees associated with firearms licensing functions will increase ranging from 3.5% to 147% to achieve full cost recovery for these services. The most significant increase is for the firearms collectors licence fee which will increase from \$72.50 to \$179.20 (i.e. an increase of 147%).

Increases for 10 fees associated with security and licensing functions will range from 3% to 19% to maintain full cost recovery for these services.

The fee relating to an application to obtain a copy of a person's traffic infringement notice record will increase by 4.9% to achieve full cost recovery for this service.

Western Australian Planning Commission

Land development application fees will increase between 54% and 243% to achieve full cost recovery from 2013-14. The most significant increase is the land development application fee which will increase from \$33.00 to \$113.22 (i.e. an increase of 243%).

Attorney General

A variety of new and existing fees for services provided by the Public Trustee, Court and Tribunal Services and Family Court of Western Australia will be introduced or will increase between 11% and 261%, improving cost recovery. The most significant increase is for producing subsequent titles in securities lodged at the same time with the Public Trustee, which will increase from \$8.00 to \$28.86 (i.e. an increase of 261%).

Department of Mines and Petroleum

The mines safety and inspection levy will increase by 4.2% from \$0.12 per hour worked to \$0.125 per hour worked (i.e. 0.5 cents per hour).

Increases from Dangerous Goods, Safety fees and State Explosive Reserves Tonnage fees will range from 6.3% to 13.3%, to maintain full cost recovery.