



2014-15

# BUDGET

Paper No. 3

Economic and  
Fiscal Outlook

Presented to the  
Legislative Assembly on 8 May 2014



# **2014-15 BUDGET**

## **ECONOMIC AND FISCAL OUTLOOK**

**Budget Paper No. 3**

**PRESENTED TO THE LEGISLATIVE ASSEMBLY  
ON 8 MAY 2014**

## 2014-15 Economic and Fiscal Outlook

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Published May 2014  
John A. Strijk, Government Printer

ISSN 1448-2630

# 2014-15 BUDGET ECONOMIC AND FISCAL OUTLOOK

## TABLE OF CONTENTS

	Page
<b>UNDER TREASURER'S CERTIFICATION .....</b>	i
<b>CHAPTER 1: OVERVIEW.....</b>	1
<b>Introduction.....</b>	2
<i>Feature Box: Revenue and Savings Measures.....</i>	3
<b>Economic and Fiscal Outlook .....</b>	7
<b>Budget Objectives .....</b>	10
Securing Our Economic Future .....	10
The Efficient Delivery of Quality Services .....	10
Supporting and Protecting Our Community.....	11
Investing in Infrastructure to Support Our Growing State .....	12
<b>CHAPTER 2: THE WESTERN AUSTRALIAN ECONOMY.....</b>	15
<b>Introduction.....</b>	16
<b>Global Outlook.....</b>	19
Global Commodity Markets .....	21
<b>Household Sector .....</b>	23
Household Consumption .....	23
Housing Market.....	24
Dwelling Investment .....	25
<i>Feature Box: First Home Owner Grant.....</i>	26
<b>Business Investment.....</b>	27
<i>Feature Box: The Structure of the Western Australian Economy.....</i>	29
<b>Government Sector .....</b>	32
Government Consumption.....	32
Government Investment .....	32
<b>International Trade .....</b>	32
Exports.....	32
Imports.....	33
<b>Labour Market .....</b>	34
Employment.....	34
Unemployment and Participation.....	35
Population.....	36
Wages.....	37
<b>Prices .....</b>	38
Consumer Price Index .....	38
<b>Risks to the Outlook.....</b>	39
Global Risks.....	39
Domestic Risks .....	41
<b>CHAPTER 3: FINANCIAL PROJECTIONS AND FISCAL STRATEGY .....</b>	43
<b>Introduction.....</b>	44
<b>Summary of Financial Projections.....</b>	45
<i>General Government Sector.....</i>	45
<i>Summary .....</i>	45
<i>Operating Statement .....</i>	47
<i>Feature Box: Program Evaluation .....</i>	53

<i>Capital Investment</i> .....	54
<i>Balance Sheet</i> .....	56
<i>Cashflow Statement</i> .....	57
Total Public Sector.....	57
<i>Summary</i> .....	57
<i>Operating Statement</i> .....	58
<i>Capital Investment</i> .....	60
<i>Cashflow Statement</i> .....	62
Net Debt and Gross Borrowing.....	62
<b>Government Financial Strategy Statement</b> .....	64
Financial Targets.....	64
<b>Statement of Risks</b> .....	73
<b>CHAPTER 4: GENERAL GOVERNMENT REVENUE</b> .....	85
<b>Introduction</b> .....	86
2013-14 Estimated Actual.....	86
2014-15 and Beyond.....	87
<b>Revenue Measures</b> .....	90
<b>Taxation Revenue</b> .....	97
<b>Commonwealth Grants</b> .....	102
<i>Feature Box: Redistribution of Resources across States by the Commonwealth</i> .....	108
<b>Royalty Income</b> .....	111
<i>Feature Box: Iron Ore Price and Market Outlook</i> .....	114
<b>Other Revenue</b> .....	116
<b>CHAPTER 5: GENERAL GOVERNMENT EXPENSES</b> .....	119
<b>Introduction</b> .....	120
<i>Feature Box: Key Issues in Priority Services</i> .....	122
<b>Major Expense Changes by Portfolio</b> .....	125
Summary.....	125
Parliament.....	126
Premier; Minister for State Development; Science.....	127
Deputy Premier; Minister for Health; Training and Workforce Development.....	129
Minister for Regional Development; Lands; Minister Assisting the Minister for State Development.....	132
Minister for Education; Aboriginal Affairs; Electoral Affairs.....	135
Treasurer; Minister for Energy; Citizenship and Multicultural Interests.....	137
Minister for Planning; Culture and the Arts.....	139
Minister for Police; Tourism; Road Safety; Women’s Interests.....	141
Minister for Mental Health; Disability Services; Child Protection.....	143
Attorney General; Minister for Commerce.....	147
Minister for Mines and Petroleum; Housing.....	150
Minister for Sport and Recreation; Racing and Gaming.....	151
Minister for Agriculture and Food; Fisheries.....	153
Minister for Local Government; Community Services; Seniors and Volunteering; Youth.....	155
Minister for Environment; Heritage.....	157
Minister for Emergency Services; Corrective Services; Small Business; Veterans ...	159
Minister for Water; Forestry.....	160
Minister for Transport; Finance.....	162
Provisions.....	164

<b>CHAPTER 6: ASSET INVESTMENT</b> .....	165
<b>Introduction</b> .....	166
<b>Major Infrastructure Spending Changes by Portfolio</b> .....	172
Summary .....	172
Premier; Minister for State Development; Science.....	173
Deputy Premier; Minister for Health; Training and Workforce Development .....	174
Minister for Regional Development; Lands; Minister Assisting the Minister for State Development.....	177
Minister for Education; Aboriginal Affairs; Electoral Affairs .....	179
Treasurer; Minister for Energy; Citizenship and Multicultural Interests.....	181
Minister for Planning; Culture and the Arts.....	182
Minister for Police; Tourism; Road Safety; Women’s Interests .....	184
Minister for Water; Forestry .....	186
Minister for Mental Health; Disability Services; Child Protection.....	187
Attorney General; Minister for Commerce.....	188
Minister for Mines and Petroleum; Housing .....	189
Minister for Sport and Recreation; Racing and Gaming.....	190
Minister for Agriculture and Food; Fisheries.....	191
Minister for Transport; Finance.....	192
Minister for Environment; Heritage.....	195
Minister for Emergency Services; Corrective Services; Small Business; Veterans ...	196
Minister for Local Government; Community Services; Seniors and Volunteering; Youth .....	197
Provisions .....	198
<b>CHAPTER 7: ROYALTIES FOR REGIONS</b> .....	199
Introduction .....	199
Key Initiatives.....	200
<b>APPENDIX 1: DETAILED FINANCIAL PROJECTIONS</b> .....	215
<b>APPENDIX 2: GENERAL GOVERNMENT OPERATING REVENUE</b> .....	245
<b>APPENDIX 3: 2013-14 GENERAL GOVERNMENT OPERATING REVENUE</b> .....	249
<b>APPENDIX 4: THE TREASURER’S ADVANCE</b> .....	253
<b>APPENDIX 5: SPECIAL PURPOSE ACCOUNTS</b> .....	263
<b>APPENDIX 6: STATE GOVERNMENT SOCIAL CONCESSIONS EXPENDITURE STATEMENT</b> .....	269
<b>APPENDIX 7: ASSET INVESTMENT PROGRAM – SUMMARY OF EXPENDITURE AND SOURCE OF FUNDS</b> .....	281
<b>APPENDIX 8: PUBLIC CORPORATIONS – IMPACT ON GENERAL GOVERNMENT REVENUE AND EXPENSES</b> .....	287
<b>APPENDIX 9: TARIFFS, FEES AND CHARGES</b> .....	303
<b>APPENDIX 10: TAX AND ROYALTY EXPENDITURE STATEMENT</b> .....	311



# Under Treasurer's Certification

The *Government Financial Responsibility Act 2000* (GFRA) requires that the Treasurer release a Government Financial Strategy Statement at least once every year (section 11), and a Government Financial Projections Statement when the Budget Papers are tabled in the Legislative Assembly (section 12). The required content of these statements is detailed in sections 11 and 12 of the Act.

For the purposes of these GFRA requirements:

- the Government Financial Strategy Statement and associated financial targets disclosures are detailed in Chapter 3: *Financial Projections and Fiscal Strategy* in this Budget Paper;
- Chapters 1 to 6 and Appendix 1 in this Budget Paper, and the Government's summary budget strategy detailed in Budget Paper No 1: *Budget Speech*, together form the 2014-15 Government Financial Projections Statement required by section 12(1) and (2) of the GFRA. In particular:
  - Appendix 1 details the projections required by section 12(2)(a) of the GFRA;
  - Chapters 1, 2 and 3 detail the economic and other assumptions underlying the Budget projections (section 12(2)(b));
  - Chapter 3 details the compliance of the projections with the Government's financial targets (section 12(2)(c)); and
  - the Statement of Risks in Chapter 3 details the sensitivity of the projections to various economic and financial assumptions and other risks (sections 12(2)(d) and (e)); and
- this certification gives effect to the requirements of sections 12(2)(f) and 12(8).

The Government Financial Projections Statement presented in this Budget is based upon Government decisions that I was aware of or that were made available to me by the Treasurer, together with other relevant information known to Treasury, on or before the Budget planning cut-off date of 14 April 2014 and which have a material effect on the State'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 forecasts and assumptions outlined in Chapter 1: *Overview*, Chapter 2: *The Western Australian Economy* and Chapter 3: *Financial Projections and Fiscal Strategy*. These assumptions were finalised by Treasury, under my direction, on 14 April 2014.

A handwritten signature in black ink, appearing to read 'A. Barnes'.

Michael Barnes  
ACTING UNDER TREASURER

8 May 2014

# Overview

## HIGHLIGHTS

- Western Australia is experiencing a challenging fiscal environment, as:
  - business investment continues to moderate from its recent peak, resulting in overall economic growth (as measured by Gross State Product (GSP)) easing from 5.1% in 2012-13 to an estimated 3.75% in 2013-14 and 2.75% in 2014-15;
  - softer employment and wages growth is resulting in weaker growth in taxation collections, particularly payroll tax;
  - the State's share of national GST revenue continues to decline, with GST grants to Western Australia forecast to fall from \$2.5 billion in 2013-14 to just \$799 million by 2017-18; and
  - a rapidly expanding population continues to drive strong growth in demand for key government services.
- As a result, new revenue and savings measures totalling \$2 billion over the next four years have been implemented in this Budget, building on the Fiscal Action Plan announced in last year's Budget. These new measures have allowed:
  - additional resources to be allocated to front-line services, including health, education, disability and child protection services; and
  - the delivery of expected operating surpluses of \$183 million in 2013-14 and \$175 million in 2014-15 (a turnaround from the \$124 million operating deficit projected in the December 2013 Mid-year Review).
- At less than 1% of total general government revenue, these surpluses are modest, particularly in the context of the Government's Asset Investment Program, which totals \$6.7 billion in 2014-15 and \$23.7 billion over the next four years.

- Reflecting the need for increases in borrowings to fund the State's infrastructure investment, total public sector net debt is projected to increase from \$22 billion at 30 June 2014 to \$29.4 billion by 30 June 2018.
- These debt projections do not include the impact of potential asset sales over the next three years. Asset sales proceeds will only be brought to book upon successful completion of the sales transactions.

## Introduction

Western Australia is experiencing a challenging fiscal environment at a time when the economy is transitioning from business investment driven growth to production and export-driven growth. In recognition of financial capacity constraints, the 2014-15 Budget is focused on delivering the Government's existing commitments (including cost and demand pressures in front-line services) and continuing to reform the way government does business.

A new package of revenue and savings measures has been implemented in this Budget to ensure the delivery of general government operating surpluses and limit the growth in debt levels. These measures total \$2 billion in net debt terms over the next four years, and build on the Fiscal Action Plan announced in the 2013-14 Budget (see feature box).

The following table summarises the key financial aggregates for the 2014-15 Budget.

Table 1

**KEY BUDGET AGGREGATES**  
Western Australia

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
<b>GENERAL GOVERNMENT SECTOR</b>						
<b>Net Operating Balance (\$m)</b>	<b>249</b>	<b>183</b>	<b>175</b>	<b>5</b>	<b>50</b>	<b>283</b>
Revenue (\$m)	25,718	27,970	28,683	29,901	31,159	32,162
Revenue Growth (%)	2.0	8.8	2.6	4.2	4.2	3.2
Expenses (\$m)	25,468	27,787	28,508	29,896	31,109	31,879
Expense Growth (%)	3.7	9.1	2.6	4.9	4.1	2.5
<b>TOTAL PUBLIC SECTOR</b>						
Net Debt at 30 June (\$m)	18,188	22,042	24,918	26,190	27,556	29,378
Asset Investment Program (\$m)	7,355	7,095	6,728	5,391	5,479	6,083
Cash Position (\$m)	-3,888	-3,512	-2,668	-1,067	-1,131	-1,575
Gross Borrowings at 30 June (\$m)	39,740	42,570	43,473	45,012	47,189	49,559
<b>KEY FINANCIAL RATIOS <sup>(a)</sup></b>						
Cash Operating Surplus as a Share of Receipts (%)	5.9	5.1	5.3	5.4	5.3	5.7
Net Debt to Revenue (%)	50.6	56.8	61.2	60.8	60.4	61.5

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

## Revenue and Savings Measures

The new revenue and savings measures implemented in the 2014-15 Budget are expected to improve the State's net operating balance position by \$446 million in 2014-15, and reduce net debt by \$2 billion by the end of the forward estimates period.

Without these measures, the Budget would show a general government operating deficit of \$271 million in 2014-15. With the measures, a general government operating surplus of \$175 million is forecast for the budget year.

An estimated \$250 million of excess cash held in agency bank accounts is also to be returned to the Consolidated Account in 2014-15, reducing gross borrowings by an equivalent amount. A further \$2.7 billion reduction in gross borrowings has been included in the Budget forecasts by imposing a \$1 billion annual spending cap on the Royalties for Regions program and implementing the statutory \$1 billion cap on the balance of the Royalties for Regions Fund.

These measures respond to concerns about borrowing levels raised by credit ratings agency Standard & Poor's last year. The full financial impact of these measures is detailed later in this feature box.

### Agency Savings Measures

- In April 2014, the Government announced an immediate freeze on advertising and recruitment processes for all general government agencies effective until the end of 2013-14, delivering estimated savings of around \$29 million.
- In 2014-15, general government agencies will be required to reduce non-essential procurement by 15%, delivering estimated savings of \$169 million. Non-essential procurement includes spending on communications, consultants, consumables, and staff travel. The procurement savings do not apply to contracts and services purchased from the not-for-profit sector, nor to direct purchases by schools or patient support services in the health sector.
- A 5% reduction in most agencies' Asset Investment Programs has been implemented in recognition of the recent low growth in building and construction costs. The total impact of this measure is estimated at \$478 million over the four years to 2017-18, with individual project allocations to be reflected in the 2014-15 Mid-year Review.
- In addition to the above measure, a further \$243 million in infrastructure spending has been deferred beyond 2017-18 (see table later in this feature box for a full list of affected projects). These changes in timing build on the \$1.9 billion review of the Government's infrastructure program reflected in the 2013-14 Mid-year Review.
- Whilst largely net debt neutral, gross borrowing by the Consolidated Account will be reduced through the Royalties for Regions changes noted earlier in this feature box (reducing gross borrowings by \$2.7 billion by 30 June 2018).

- The Government has also approved the return of 'excess' cash balances totalling an estimated \$250 million from agencies in 2014-15, which will reduce pressure on central borrowings. This measure will still leave affected agencies with sufficient working capital to deliver services.

### **Revenue Measures**

Revenue measures approved in this Budget total \$289 million in 2014-15 and \$1,136 million across the four year period 2014-15 to 2017-18. In the absence of these new revenue measures, general government revenue was estimated to increase by just 1.5% in 2014-15.

- From 1 July 2014, the \$36 private motor vehicle registration fee concession will be abolished. This concession is poorly targeted (available for all vehicles used for non-business purposes regardless of the value of the vehicle, or how many kilometres are travelled), and its abolition is estimated to save \$189 million across the forward estimates period.
- The Perth Parking Levy will increase by \$365 (or around \$1 per day) phased in over the next two years across all Perth Parking Management Area fee-liable parking bays. This will raise an estimated \$73 million across the forward estimates period, with the additional revenue being applied to the building of the Perth Busport. The Government is also bringing forward expenditure of \$17 million from 2017-18 to 2015-16 and 2016-17 for the replacement of Central Area Transit buses.
- From 2014-15, the first home buyer transfer duty concession will be adjusted to provide a full exemption for house purchases of \$430,000 or less, down from the current exemption of \$500,000. The concession will then phase out between \$430,000 and \$530,000 (down from the current \$600,000). The new threshold better represents the value of houses being purchased by first home buyers. First home buyers will continue to be exempt from duty on purchases of vacant land valued up to \$300,000, phasing out at \$400,000 (unchanged from current arrangements). It is estimated that this measure will save \$222 million over the four years to 2017-18. Despite this change, Western Australia will continue to provide amongst the most generous support in the nation for first home buyers.
- A 10% increase in land tax rates from 2014-15 will offset lower than expected land tax and Metropolitan Region Improvement Tax resulting from weaker than forecast growth in land values. This measure is expected to generate additional revenue of \$72 million in 2014-15, and a total of \$334 million across the forward estimates period. The impact of the increase is expected to be minimal for most land tax payers, with around 80% experiencing an increase of no more than \$70 in their annual land tax bills. Even after the increase in rates, Western Australia's land tax will remain significantly below that of other jurisdictions for unimproved land valued up to \$10 million.

- The Government will introduce a 75% interim dividend for the State's port authorities, which will bring forward an estimated \$93 million in dividend payments into 2014-15. The payment of interim dividends does not affect port authorities' capacity to undertake functions and seeks to bring earlier recognition of revenue resulting from profit earned in 2014-15. This measure is subject to the passage of the Port Legislation Amendment Bill 2013, which is currently before the Parliament.
- From 1 January 2015, the landfill levy for putrescible waste<sup>1</sup> and inert waste will increase by \$27 and \$32 per tonne respectively, which is estimated to raise \$202 million across the four year budget period. Of this revenue, 25% will be paid into the Waste Avoidance and Resource Recovery Account to implement initiatives to manage, reduce or re-use waste. In addition, \$15 million will be provided to the Office of the Environmental Protection Authority to assist in service delivery. The remaining \$137 million will help fund other Government priorities.

Table 2

**FINANCIAL IMPACT OF ALL REVENUE AND SAVINGS MEASURES**

	2013-14	2014-15	2015-16	2016-17	2017-18	Total
	\$m	\$m	\$m	\$m	\$m	\$m
<b>General Government Net Operating Balance</b>						
Recruitment Freeze	21	-	-	-	-	21
Advertising Freeze	7	-	-	-	-	7
15% Procurement Reduction	-	169	-	-	-	169
Port Interim Dividend	-	93	18	5	-	116
Abolition of Motor Vehicle Registration Fee Concession	-	43	46	48	51	189
Increase Perth Parking Levy	-	10	20	20	22	73
Recovery of Excess Cash Balances <sup>(a)</sup>	-	-	-	-	-	-
Changes to the First Home Buyer Transfer Duty Concession	-	54	55	56	57	222
Changes to Land Tax Rates	-	72	79	87	96	334
Landfill Levy Increases	-	10	41	42	44	137
Management of Royalties for Regions <sup>(a)</sup>	-	-7	34	-24	54	56
Interest Savings from Measures	-	1	23	39	55	118
<b>Total Net Operating Balance</b>	<b>29</b>	<b>446</b>	<b>316</b>	<b>273</b>	<b>378</b>	<b>1,443</b>
<b>Asset Investment Program</b>						
5% AIP Efficiencies	-	-130	-113	-116	-119	-478
2017-18 AIP Deferral/Re-cashflow (see Table 3)	-	-	35	9	-287	-243
Management of Royalties for Regions	-	14	-5	-16	19	12
<b>Total AIP</b>	<b>-</b>	<b>-116</b>	<b>-83</b>	<b>-123</b>	<b>-387</b>	<b>-709</b>
<b>Impact on Net Debt at 30 June <sup>(b)</sup></b>	<b>-29</b>	<b>-498</b>	<b>-879</b>	<b>-1,270</b>	<b>-2,035</b>	

(a) The recovery of agency excess cash balances and changes to the management of the Royalties for Regions Fund are largely net debt neutral, but will reduce gross Consolidated Account borrowings. The excess cash measure is expected to reduce gross borrowings by \$250 million in 2014-15 and changes to the management of the Royalties for Regions Fund will reduce gross debt by \$295 million in 2014-15, \$636 million in 2015-16, \$865 million in 2016-17 and \$891 million in 2017-18. Combined, these two measures will reduce gross debt by \$2.9 billion by the end of the forward estimates period.

(b) Implementation of the interim dividend for port authorities does not impact total public sector net debt.

<sup>1</sup> Putrescible waste is organic waste that becomes putrid as it decomposes (e.g. food, sanitary and animal waste). Inert waste is waste that does not decompose (e.g. building materials).

Table 3

**2014-15 ASSET INVESTMENT PROGRAM REVIEW**

	Previous Spending Profile			Revised Spending Profile			Net debt saving at 30 June 2018 \$m
	2015-16 \$m	2016-17 \$m	2017-18 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	
<b>Central Institute of Technology</b>							
Capital Equipment Purchases and Minor Works Projects	3	2	3	3	2	2	-1
<b>Education</b>							
Additions and Improvements to District High Schools	-	-	8	-	-	6	-2
Additions and Improvements to Primary Schools	7	-	2	7	-	-	-2
Remote Community Schools	1	1	1	1	1	-	-1
Rural Integration Program	1	1	1	1	1	-	-1
Sewer Connections	1	1	1	1	1	-	-1
<b>Health</b>							
Sir Charles Gairdner Hospital - Redevelopment	3	4	34	3	4	9	-25
Kalamunda Hospital - Redevelopment Stage 2	-(a)	1	7	-(a)	1	2	-5
Bentley Hospital - Development	-(a)	-(a)	5	-(a)	-(a)	-(a)	-5
<b>Main Roads Western Australia</b>							
Northlink WA - Swan Valley Section	29	175	479	64	190	379	-50
<b>Port Hedland Port Authority</b>							
Minor Works - 2017-18 Program	-	-	7	-	-	5	-2
<b>Public Transport Authority</b>							
Rail Infrastructure Program	19	12	88	19	12	54	-35
Rail Station Program	-	-	24	-	-	-	-24
<b>Western Australia Police</b>							
Western Suburbs Police Station	-	6	9	-	-	6	-9
<b>Western Australian Planning Commission</b>							
Acquisition of Land - 2017-18 Program	-	-	117	-	-	36	-81
<b>Total</b>	<b>64</b>	<b>201</b>	<b>785</b>	<b>99</b>	<b>211</b>	<b>498</b>	<b>-243</b>

(a) Less than \$500,000.

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

## Economic and Fiscal Outlook

Following exceptionally strong growth of 7.3% in 2011-12 and 5.1% in 2012-13, the Western Australian economy is projected to expand at more modest rates as the economy transitions from business investment to export based growth.

Business investment is estimated to have peaked in 2012-13, and is forecast to decline in each year of the budget period as spending on the State's large iron ore and LNG projects winds down and completed projects move into their production phase.

Declining business investment is expected to flow through to a moderation in population growth and a softer labour market, which in turn is resulting in weaker growth in taxation collections, particularly payroll tax (the State's largest tax base).

Growth in GSP is forecast to ease to 3.75% in 2013-14 and 2.75% in 2014-15 as the economy adjusts back to more normal conditions after an unprecedented period of growth in resource investment. Across the forward estimates, economic growth is projected to increase steadily to reach 5% by 2017-18, driven by a significant lift in exports as large iron ore and LNG projects ramp up production levels. This forecast increase in production is expected to support growth in royalty income over the forward estimates period.

Table 4

### KEY BUDGET ASSUMPTIONS Western Australia

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Actual	Estimated	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
Real Gross State Product growth (%)	5.1	3.75	2.75	3.0	4.25	5.0
Real State Final Demand growth (%)	5.0	0.25	0.0	0.75	1.5	2.0
Employment growth (%)	3.5	1.5	1.5	1.75	1.75	2.0
Unemployment rate (%) <sup>(a)</sup>	4.4	5.0	5.5	5.25	5.0	4.75
Wage Price Index growth (%)	4.0	3.25	3.25	3.5	3.5	3.75
Perth Consumer Price Index growth (%)	2.3	3.0	2.75	2.5	2.5	2.5
'Headline' iron ore price (\$US/tonne CFR)	129.0	125.2	122.7	120.1	117.6	115.0
Effective iron ore price (\$US/tonne FOB) <sup>(b),(c)</sup>	121.1	114.4	111.3	109.6	107.1	104.7
Iron ore volumes (million tonnes)	513	597	634	694	741	777
Crude oil price (\$US per barrel) <sup>(c)</sup>	92.2	108.9	104.1	99.7	96.6	94.5
Exchange rate (US cents)	102.7	91.5	90.6	88.3	86.4	84.9
Population growth (%)	3.5	2.6	2.1	2.1	2.1	2.1
Interest rate assumptions (%):						
- Public Bank Account interest earnings <sup>(a)</sup>	3.4	2.8	2.9	3.7	4.3	4.3
- Consolidated Account borrowings <sup>(a)</sup>	4.0	4.0	4.1	4.5	4.7	4.8

(a) Average rate over the year.

(b) The 'headline' spot price minus the cost of freight (adjusted for moisture). In 2014-15, these factors total \$US11.4 per tonne. Thus the free on board (FOB) iron ore price of \$US111.3 per tonne in 2014-15 equates to a delivered benchmark price of \$US122.7 per tonne.

(c) Since the 2013-14 *Government Mid-year Financial Projections Statement*, Treasury has changed the source of the benchmark series for the iron ore price from Steel Home to The Steel Index and the benchmark for crude oil price from West Texas Intermediate to Brent Crude.

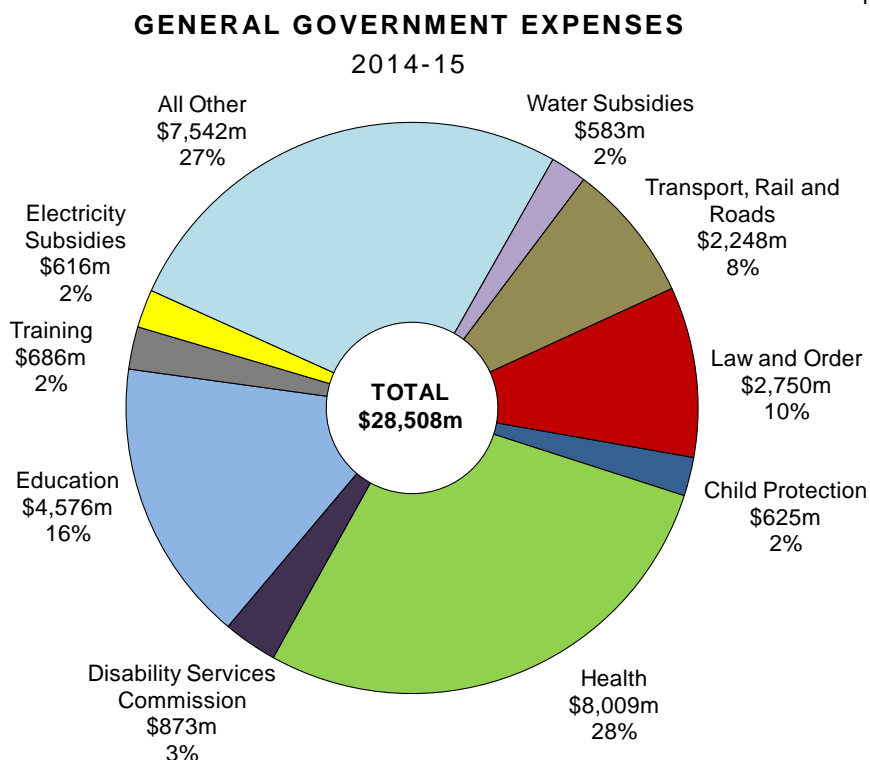


The State’s revenue outlook continues to be heavily influenced by a dramatic decline in GST payments from the Commonwealth. While GST revenue estimates have improved since the 2013-14 Mid-year Review, Western Australia’s share of national GST collections is still projected to decline from 44.6% of the State’s population share in 2013-14 to just 11.1% by 2017-18. This equates to a reduction in GST revenue from \$2.5 billion in 2013-14 to just \$799 million in 2017-18.

As a result of the State’s moderating domestic economy and rapidly declining GST share, general government revenue is forecast to grow by an average of just 3.6% per annum over the four years 2014-15 to 2017-18. This compares to average growth of 8.1% per annum over the past decade.

General government expenses are budgeted to increase by a relatively modest \$722 million or 2.6% in 2014-15, and by an average of 3.5% per annum over the four years 2014-15 to 2017-18 (in line with expected revenue growth). The key service delivery areas of health, education and law and order comprise over half of expenses for the sector (54%), and the proportion of general government sector spending for electricity subsidies (2%) and water subsidies (2%) is broadly equivalent to spending on training (2%) and child protection (2%).

Figure 1

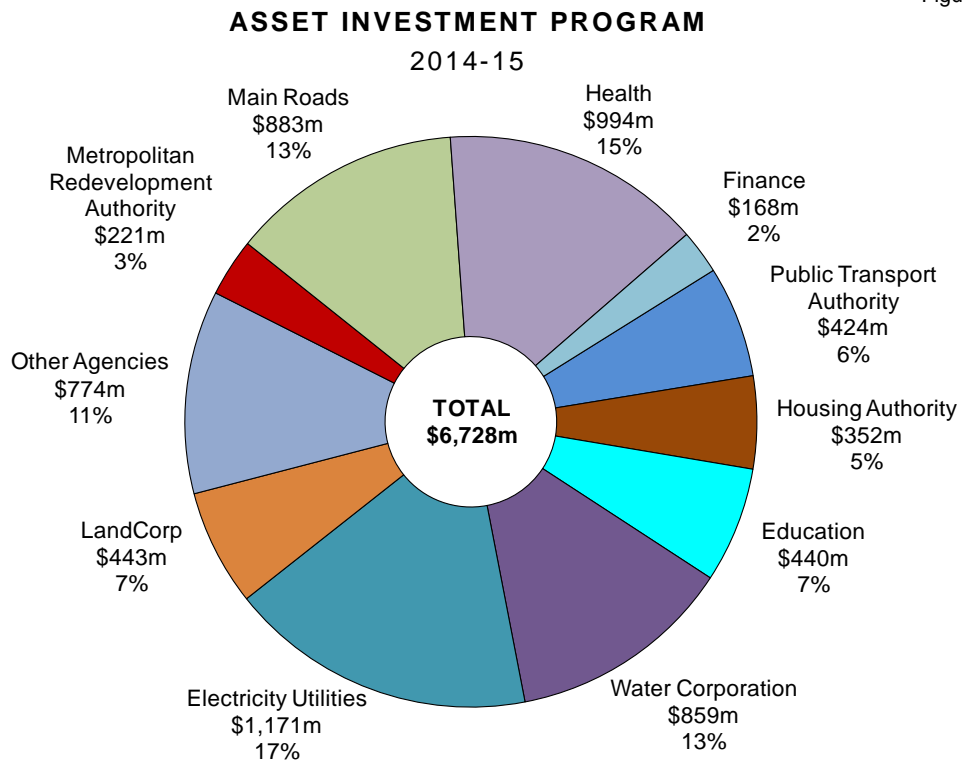


These expense growth projections are dependent on achieving the Government’s public sector workforce reforms (particularly the new wages policy that limits increases in wages and conditions to inflation), as well as other service delivery reforms, such as the progression to a national efficient price for health services by 2017-18 (see feature box in Chapter 5).

A general government operating surplus of \$175 million is forecast for 2014-15, following an estimated \$183 million surplus in 2013-14. At less than 1% of revenue, these operating surpluses provide a limited buffer against fluctuations in key revenue parameters such as the exchange rate or iron ore price, and provide a limited source of funding for the State’s infrastructure requirements.

Infrastructure investment is expected to ease slightly to \$6.7 billion in 2014-15, from \$7.1 billion in 2013-14, as a number of major health projects near completion. Nevertheless, the Government has approved an estimated \$993 million investment in hospitals and other health infrastructure in 2014-15, which represents 15% of the total Asset Investment Program.

Figure 2



Modest general government operating surpluses across the forward estimates period, combined with planned investment in infrastructure totalling \$23.7 billion over the next four years, will see borrowings continue to increase, with total public sector net debt projected to increase from \$22 billion at 30 June 2014 to \$29.4 billion by 30 June 2018.

Nevertheless, the State’s net debt burden remains affordable, with total public sector net interest costs expected to represent 2.7% of total public sector revenue in 2017-18, compared with 2.2% in 2013-14.

## Budget Objectives

New spending in this Budget is directed at meeting the following broad objectives<sup>2</sup>.

### Securing our Economic Future

Measures in the 2014-15 Budget aimed at securing the State's economic future centre on the \$2 billion in new revenue and savings measures outlined in the feature box above. This package of measures builds upon the reforms and initiatives contained in the Fiscal Action Plan announced in last year's Budget.

These measures are complemented by a range of initiatives that aim to contribute to the productive capacity of the State, including:

- an additional \$24 million over three years from 2015-16 for the Department of Agriculture and Food to continue the State Natural Resource Management Program, which will assist local catchment and community groups with on-the-ground activities that protect or improve the natural resources of Western Australia;
- support for the tourism sector with \$10 million over 2015-16 to 2016-17 for the continuation of events funding, \$4 million from 2015-16 to 2016-17 for increased tourism marketing, and \$3.9 million over three years from 2015-16 on cooperative marketing campaigns with airlines, travel agents and Tourism Australia to continue to attract visitors from China;
- \$15 million over the next four years to construct a new Specialist Engineering Training Centre at Challenger Institute of Technology; and
- support for the resources industry by expanding storage capacity of the Department of Mines and Petroleum's Perth Core Library in Carlisle, with total funding of \$5 million.

### The Efficient Delivery of Quality Services

The delivery of services at standards that meet community expectations whilst achieving value for money is a core priority of the Government. The 2014-15 Budget includes:

- additional spending of \$812 million over the next four years to meet increased demand for education services, which will fund an additional 1,458 full-time equivalent teachers over the next four years, including an extra 546 teachers in the 2015 school year. A further \$10 million has also been provided in the 2015 school year to assist the transition to the new Student-Centred Funding Model;
- an additional \$204 million in 2014-15 for growth in hospital services under the Activity Based Funding model, enabling approximately 15,000 additional patients to stay in hospital, approximately 33,000 additional patients to be treated in emergency departments, and over 60,000 additional patients to be treated as out-patients;

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<sup>2</sup> Further detail on spending changes can be found in Chapters 5 and 6, and in Budget Paper No. 2: *Budget Statements*.

- a \$60 million assistance package for the proposed metropolitan local government reforms, which comprises \$15 million in direct grant assistance over the next three years and access to low interest loans of up to \$45 million from the Western Australian Treasury Corporation from 2015-16;
- \$40 million for Fiona Stanley Hospital Information and Communication Technology (ICT) to facilitate the safe and efficient opening of the hospital;
- \$13 million over four years to reform driver and vehicle services by moving to a more online and outsourced business model;
- funding of \$5 million over four years to expand alcohol and other drug-related medical, nursing and psychology services in Joondalup; and
- \$5 million to be spent in 2014-15 to undertake critical refurbishment and upgrades on existing police facilities including those in regional areas.

## **Supporting and Protecting Our Community**

Key measures in the 2014-15 Budget to protect the community and support those who are at risk or vulnerable include:

- subsidising the costs of electricity and public transport delivery by \$616 million and \$747 million respectively in 2014-15;
- an additional \$180 million across the forward estimates to meet expected growth in demand for disability services, and a further \$58 million over two years from 2014-15 for the Perth Hills National Disability Insurance Scheme trial site;
- \$154 million over five years from 2013-14 for forecast growth in mental health hospital activity;
- \$100 million in road safety expenditure in 2014-15 funded from the Road Trauma Trust Account, up from \$76 million in the 2013-14 Budget;
- an additional \$90 million over the next four years to meet growth in demand for child protection services;
- \$25 million over four years for Western Australia Police to replace the existing Computer Aided Dispatch system, which automates triple-0 call taking, and coordinates, records and dispatches frontline police resources to respond to criminal and emergency incidents;
- an additional \$10 million will be provided over two years from 2015-16 to continue the Sport 4 All Program, including Kidsport; and
- \$6 million in 2014-15 for homelessness programs provided by the not-for-profit sector.

## Investing in Infrastructure to Support Our Growing State

This Budget continues the Government's Asset Investment Program that will significantly expand and enhance the State's productive and social capital through the completion of large infrastructure projects, including major hospital infrastructure, education facilities, electricity and water projects.

Projects that will underpin the export-driven economic growth expected over the forward estimates period include:

- Gateway WA, a landmark road infrastructure project around the Perth Airport and the freight and industrial hubs of Kewdale and Forresterfield (estimated total cost of \$1 billion);
- Ord irrigation scheme (\$301 million);
- Great Northern Highway Realignment Port Hedland (\$263 million); and
- Esperance Port Access Corridor Project (\$120 million).

Also included are major projects that will transform Perth into a more vibrant metropolis better able to attract and retain skilled workers and their families from elsewhere in Australia and overseas. These projects include the Perth City Link (\$764 million), Elizabeth Quay (\$441 million), New Museum (\$428 million) and New Perth Stadium (\$918 million plus \$359 million in transport-related infrastructure).

New infrastructure investment in this Budget includes:

- \$277 million (funded by Royalties for Regions) to implement major infrastructure projects across the Peel, Wheatbelt, South West and Great Southern regions, as part of a total commitment of \$515 million over the next four years for the Southern Investment Initiative;
- \$113 million (funded by Royalties for Regions) to implement State-wide major economic, social and community development projects that arise from the Regional Investment Blueprints, as part of a total \$169 million commitment over the forward estimates period;
- additional investment of \$113 million over four years (as part of a total \$1.2 billion program) in school infrastructure needed for anticipated growth in student enrolments, including investigating the use of Public Private Partnerships to enhance infrastructure delivery;
- \$113 million for Western Power in 2013-14 and 2014-15 to address infrastructure priorities relating to wood pole, conductor and overhead service connection replacements (as part of a total \$1.4 billion program);
- \$29 million over 2014-15 to 2016-17 for the establishment of a new career fire and rescue service (CFRS) station to the west of the Perth central business district (\$20 million) and the replacement of the 75 year old CFRS station in Albany (\$9 million);

- \$28 million for the replacement of PathWest's existing Laboratory Information Systems;
- \$19 million over two years from 2016-17 to upgrade, refurbish and replace infrastructure across State Training Provider campuses; and
- \$17 million in 2014-15 for stabilising the existing ICT platform across WA Health.



# The Western Australian Economy

## HIGHLIGHTS

- The Western Australian economy has grown well above average over the last two years, expanding by a record 7.3% in 2011-12 and 5.1% in 2012-13, fuelled by unprecedented investment in the State's resources sector. Business investment peaked at a record \$74.7 billion in 2012-13.
- As the State's economy transitions from the construction phase of major resource projects to the production and exports phase, Gross State Product (GSP) growth is forecast to moderate to 2.75% in 2014-15, after estimated growth of 3.75% in 2013-14.
- This transition is already resulting in a softening labour market, and is expected to see growth in the State's population ease back towards its long-run average.
- Dwelling investment is expected to be an important contributor to domestic economic activity, with forecast growth of 7% in 2014-15, following an estimated increase of 14% in 2013-14. However, as dwelling investment makes up only 4% of the State's economy, this growth will not be sufficient to fully offset the decline in business investment, which makes up around 30% of the economy.
- As major iron ore and liquefied natural gas (LNG) projects ramp up production, strong increases in export volumes are expected to support a lift in economic growth across the forward estimates, culminating in growth of 5% by 2017-18.
- Despite the forecasts of more moderate growth in the short-term, the Western Australian economy is expected to grow at a similar, or faster, pace than nationally across the forecast period.



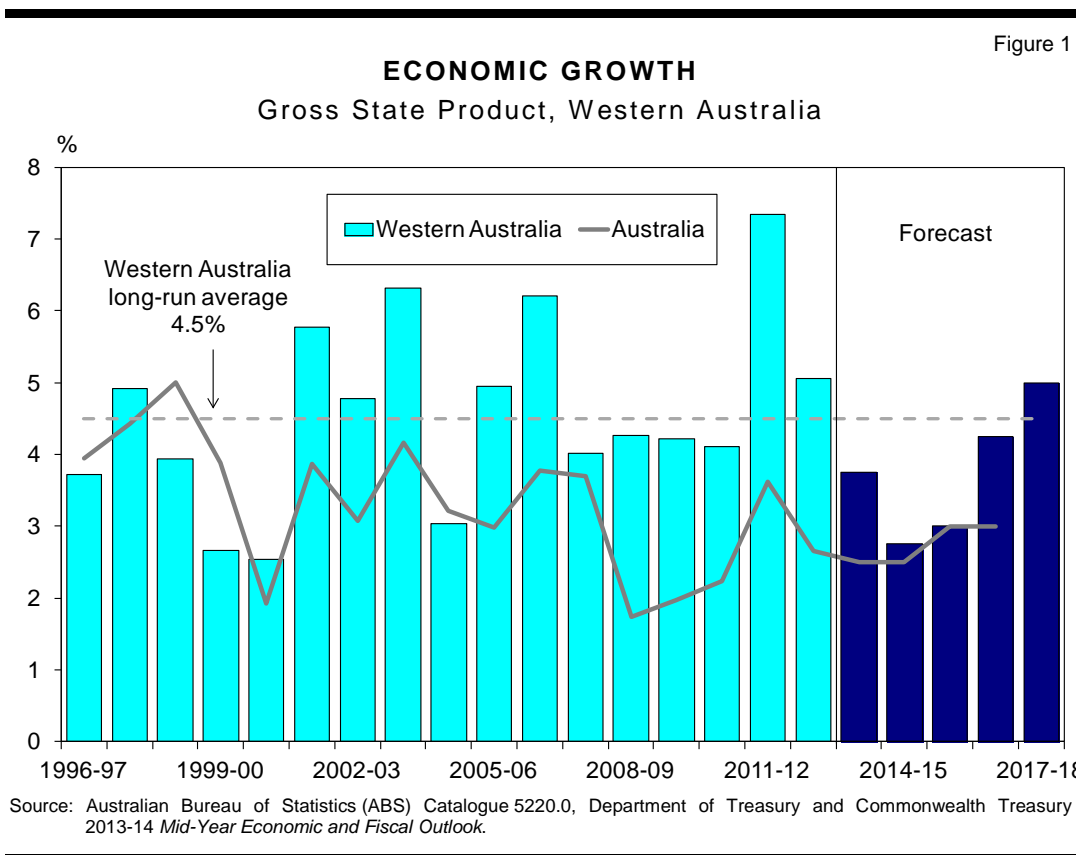
## Introduction

Following exceptional growth over the past two years, the Western Australian economy is projected to expand at more modest rates, as it transitions from business investment-led growth to export-driven growth.

This transition is expected to extend throughout most of the budget period. Notwithstanding this moderation, the Western Australian economy is expected to grow at a similar pace to, or faster than, nationally.

Record business investment has supported well above-trend economic growth in 2011-12 and 2012-13 of 7.3% and 5.1% respectively. However, the level of investment is expected to have peaked in 2012-13. While levels are still projected to remain historically high, investment is forecast to decline in each year of the budget period, as the construction of large resource projects is completed.

Declining levels of business investment are expected to result in soft domestic economic conditions, with State Final Demand (SFD, a measure of the domestic economy, which excludes net exports) estimated to grow by just 0.25% in 2013-14 and to remain flat in 2014-15, before increasing modestly in each of the forward estimate years.



These conditions are already flowing through to a softer labour market, including modest employment and wages growth and an accompanying lift in the unemployment rate, which is expected to peak at 5.5% in 2014-15. Population growth is also expected to slow in line with softer domestic activity, from growth of 3.5% (or 85,000 persons) in 2012-13 to forecast growth of 2.1% (or around 54,800 persons) in 2014-15.

Some of the moderation in the domestic economy will be offset by strong growth in dwelling investment, which is expected to increase by 14% in 2013-14 and 7% in 2014-15. However, dwelling investment comprises a much smaller share of the State economy (4%) than business investment (30%).

Over the forward estimates, the contribution of net exports is expected to pick up as resource projects move into their production phase. Overall, Western Australia's total exports are forecast to increase (in real terms) from \$142.1 billion in 2013-14 to \$182.3 billion in 2017-18 (an increase of 28%). This is projected to sustain overall economic growth, which is forecast to ease to 2.75% in 2014-15 before increasing progressively to 5% by 2017-18.

Table 1

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

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
<b>Demand and Output <sup>(a)</sup></b>						
Household Consumption	3.9	3.0	3.25	3.5	3.75	3.75
Dwelling Investment	-1.8	14.0	7.0	3.75	2.0	1.5
Business Investment	8.3	-7.5	-8.5	-6.0	-3.75	-1.25
Government Consumption	2.1	3.5	4.0	4.25	4.25	4.25
Government Investment	2.0	3.75	-0.75	0.5	1.5	1.0
State Final Demand	5.0	0.25	0.0	0.75	1.5	2.0
Merchandise Exports	9.1	7.0	4.5	5.5	7.25	8.5
Merchandise Imports	-2.1	-5.5	-7.75	-2.0	1.0	1.5
Net Exports <sup>(b)</sup>	14.0	11.75	8.25	7.5	9.0	10.0
Gross State Product <sup>(c)</sup>	5.1	3.75	2.75	3.0	4.25	5.0
<b>Labour market</b>						
Population	3.5	2.6	2.1	2.1	2.1	2.1
Working Age Population (15-64)	3.2	2.3	1.6	1.6	1.6	1.6
Employment	3.5	1.5	1.5	1.75	1.75	2.0
Unemployment Rate <sup>(d)</sup>	4.4	5.0	5.5	5.25	5.0	4.75
Participation Rate <sup>(d)</sup>	69.0	68.3	68.2	67.9	67.6	67.4
<b>Prices</b>						
Consumer Price Index	2.3	3.0	2.75	2.5	2.5	2.5
Wage Price Index	4.0	3.25	3.25	3.5	3.5	3.75
SFD Deflator	2.1	2.2	2.7	2.4	2.3	2.3
GSP Deflator	-4.1	3.8	1.4	1.7	1.5	1.3
Median House Price <sup>(e)</sup>	7.1	6.6	2.5	1.4	0.8	1.5
<b>Other key parameters <sup>(d)</sup></b>						
Exchange Rate \$US/\$A (cents)	102.7	91.5	90.6	88.3	86.4	84.9
Effective Iron Ore Price (\$US/t) free on board (FOB) <sup>(f)</sup>	121.1	114.4	111.3	109.6	107.1	104.7
Crude Oil Price (\$US/barrel)	92.2	108.9	104.1	99.7	96.6	94.5

(a) Based on 2012-13 State Accounts annual data, released on 28 November 2013, updated with the latest quarterly State Final Demand data (for the December quarter 2013, released on 5 March 2014).

(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) Refers to the median house price of the Real Estate Institute of Western Australia. Previously, house price forecasts were based on the Perth Established House Price Index published by the ABS, Catalogue 6416.0.

(f) The benchmark delivered price minus the cost of freight (adjusted for moisture). In 2014-15, the assumed moisture adjusted freight cost is \$US11.4 per tonne. Therefore, the FOB iron ore price of \$US111.3 per tonne in 2014-15 equates to a delivered benchmark price of \$US122.7 per tonne.

Note: Since the 2013-14 Government Mid-year Financial Projections Statement, Treasury has changed the source of the benchmark series for the iron ore price from Steel Home to The Steel Index and the benchmark for crude oil price from the West Texas Intermediate to Brent Crude.

## Global Outlook

Positive signs in global economic activity emerged over the latter part of 2013 and into 2014. In the April 2014 *World Economic Outlook*, the International Monetary Fund (IMF) projects the global economy to grow by 3.6% in 2014, following growth of 3% in 2013. Conditions in the global economy are expected to remain strong over 2015, with the IMF projecting activity to expand by 3.9%.

Economic activity in the US continued to gather pace in the second half of 2013, supported by improvements in the housing and labour markets. Following signs of strengthening economic activity, the US Federal Reserve announced in December 2013 that it would begin tapering its quantitative easing measures. Economic activity has moderated somewhat in recent months reflecting, in part, severe weather conditions experienced during the North American winter. Both the housing market and retail sales softened during this period. Notwithstanding this, economic conditions are expected to improve throughout 2014.

The risk of the US government defaulting on its budget and debt obligations, which was the focus of considerable debate through 2013, has subsided in the short to medium-term. In early 2014, Congress approved measures to suspend the debt ceiling until March 2015.

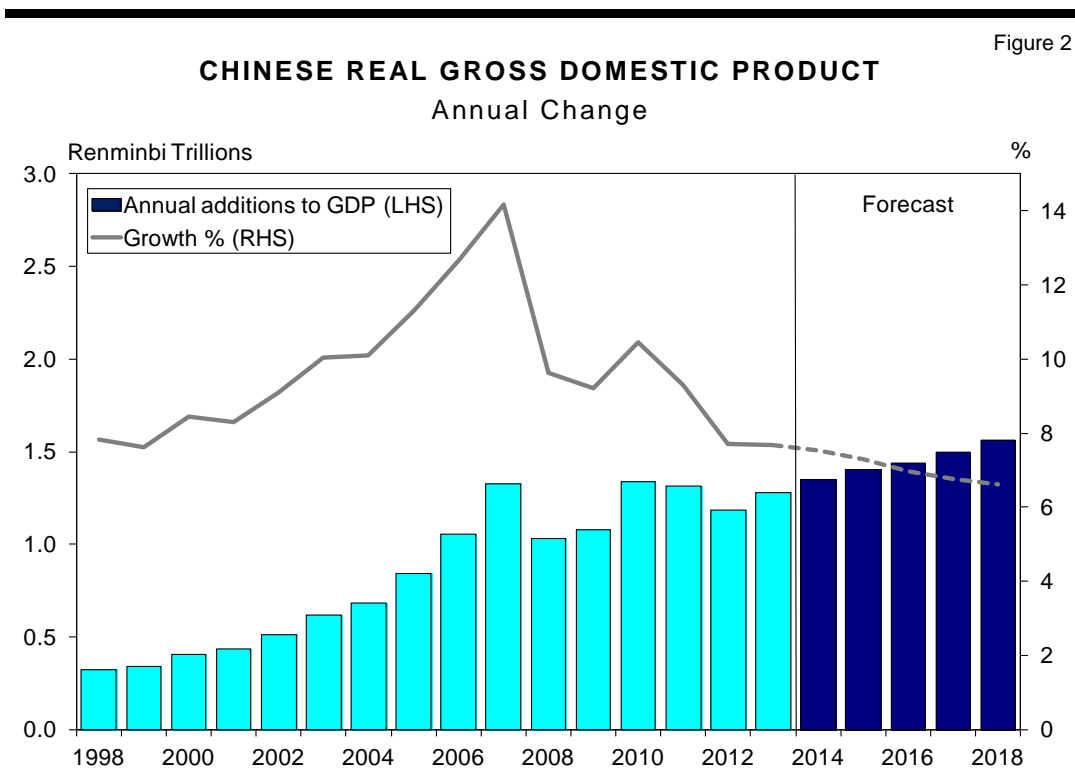
Positive signs have emerged out of the euro area recently, indicating that a gentle recovery is underway. The euro area ended an 18 month long recession in 2013 with the economy growing in the final three quarters of the year. Economic growth is not limited to 'core' countries such as Germany, but is also occurring in a number of 'peripheral'<sup>1</sup> countries where Europe's sovereign debt crisis was most severe. Notwithstanding this, fragilities in the euro area remain. Growth disparities between countries are still apparent with many countries still recording high levels of debt. Unemployment, while appearing to have stabilised over recent months, remains at historically high levels and inflation continues at a rate below the European Central Bank's medium-term 2% target, raising fears of deflation. As such, while positive signs have emerged, any recovery in the euro area is likely to be gradual and uneven over 2014.

Indicators of economic activity in China were somewhat weak over the first quarter of 2014. Notwithstanding indications by China's leadership that they will interpret growth targets more flexibly, this weaker activity led Chinese authorities to announce a modest economic stimulus in early April 2014, including the acceleration of rail construction projects. It is likely that Chinese authorities will continue to use stimulus measures in the near to medium-term, particularly if economic growth shows signs of falling below target rates.

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<sup>1</sup> Peripheral countries are generally considered to include Greece, Ireland, Italy, Portugal and Spain.

Figure 2



Source: IMF and Department of Treasury.

Despite weaker economic activity in China, trade between China and Western Australia remained solid throughout 2013 and into early 2014. While total Chinese imports from all countries increased by 8% over the year to February 2014<sup>2</sup>, Chinese imports sourced from Western Australia increased by 32.8%<sup>3</sup>.

Japan is expected to maintain a low level of economic growth over 2014, as the impact of a consumption tax increase, which came into effect on 1 April 2014, is not expected to be entirely offset by a stimulus package announced in late 2013. However, Japan’s ability to maintain economic growth is likely to depend on how successful the current government is at implementing structural reforms, including measures aimed at expanding Japan’s labour supply and encouraging more women into the workforce. As Western Australia’s second largest trading partner, demand for Western Australian goods may weaken if Japanese economic growth is not sustained.

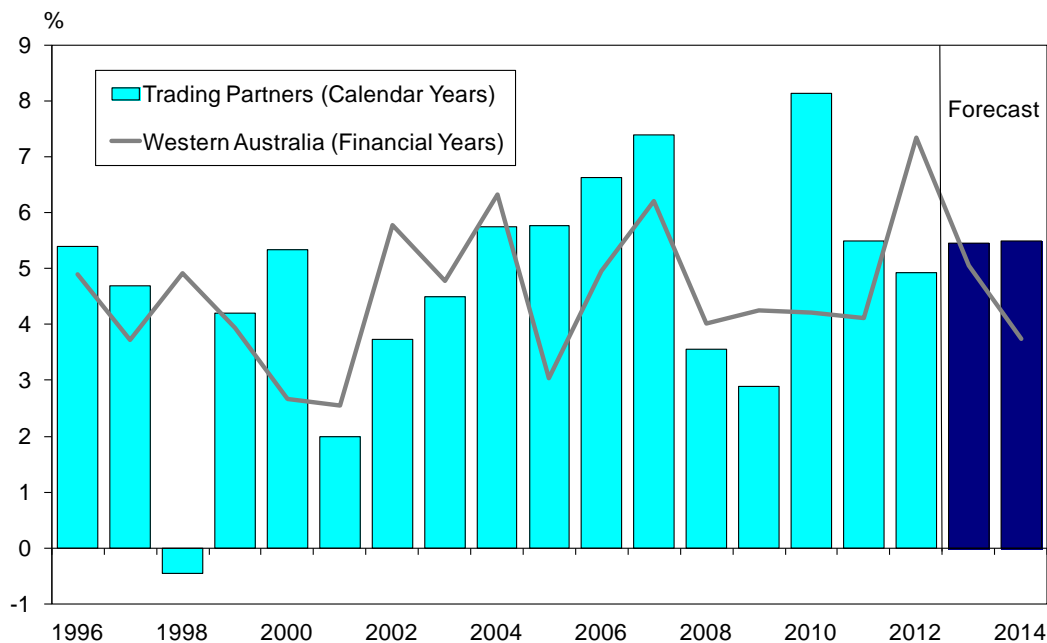
Overall, economic conditions in Western Australia’s major export markets are expected to be reasonably robust, with growth of 5.5% in both 2013 and 2014, following growth of 4.9% in 2012 (see figure below).

<sup>2</sup> Source: CEIC China Database.

<sup>3</sup> Source: ABS, customised report 2014.

**WESTERN AUSTRALIA'S MAJOR EXPORT MARKETS (a)**  
Annual Growth

Figure 3



(a) Includes China, Japan, South Korea, India and nine other countries. Together, these accounted for over 90% of the State's exports in 2013.

Source: IMF and Department of Treasury.

For a discussion of the key risks to the State's economy, see the *Risks to the Outlook* section later in this chapter.

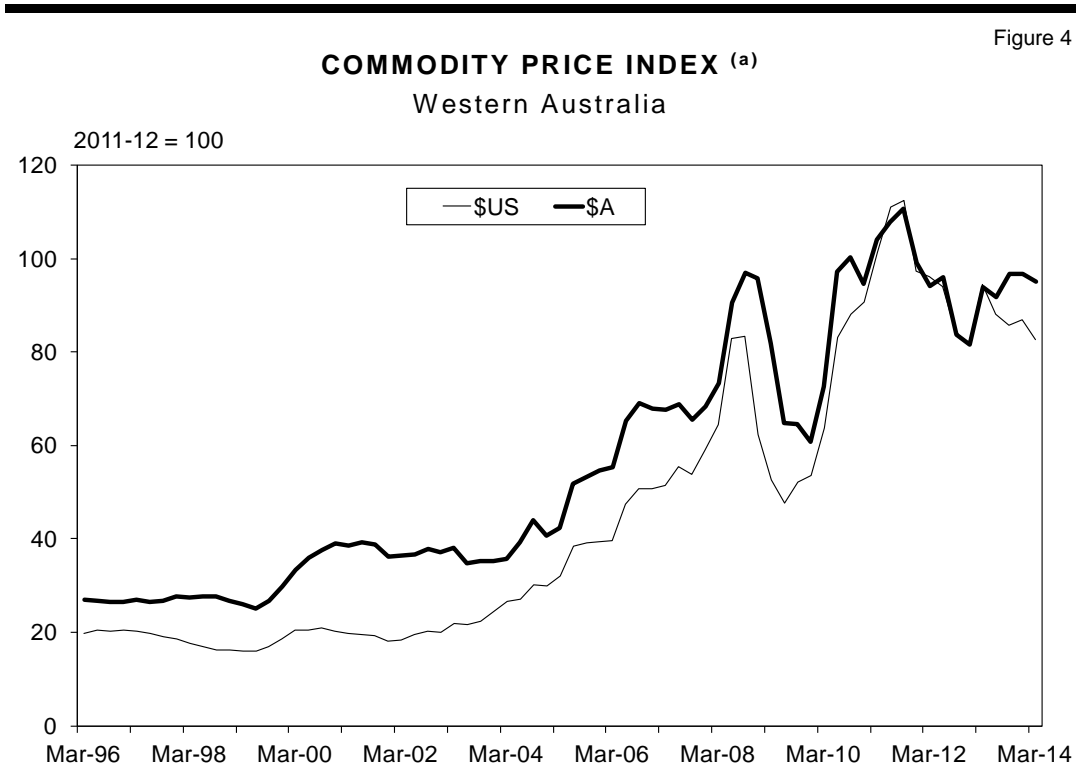
## Global Commodity Markets

After a sharp fall in the September quarter 2012, the iron ore price recovered in 2013. However, iron ore spot prices have declined by more than 17% (in monthly average terms) from December 2013 to March 2014, as a result of increased seaborne iron ore supply, particularly from Australia, outstripping growth in demand from Chinese steel mills. This has led to a rapid buildup in Chinese iron ore port inventories in the March quarter 2014 to levels exceeding those reached in the September 2012 quarter, when the iron ore price fell to \$US86.7/tonne.

Gold prices have rebounded in early 2014 following a fall in 2013. The rally in the gold price has been attributed to stronger demand from China and investors as a hedge against increased risk in emerging countries, and mixed indicators on US economic performance.

Oil prices rebounded after a trough in early November 2013 and have since remained relatively stable. This is a result of increased demand from emerging markets, geopolitical tension in the Ukraine and unrest in Venezuela being offset by increased supply, particularly from North America and Brazil.

Overall, prices for Western Australia’s commodity exports remain high compared to historical levels. However, over coming years prices for the State’s commodities are forecast to decline, largely driven by a projected decline in prices for iron ore, oil and LNG, which in turn reflects an increase in global supply of these commodities.



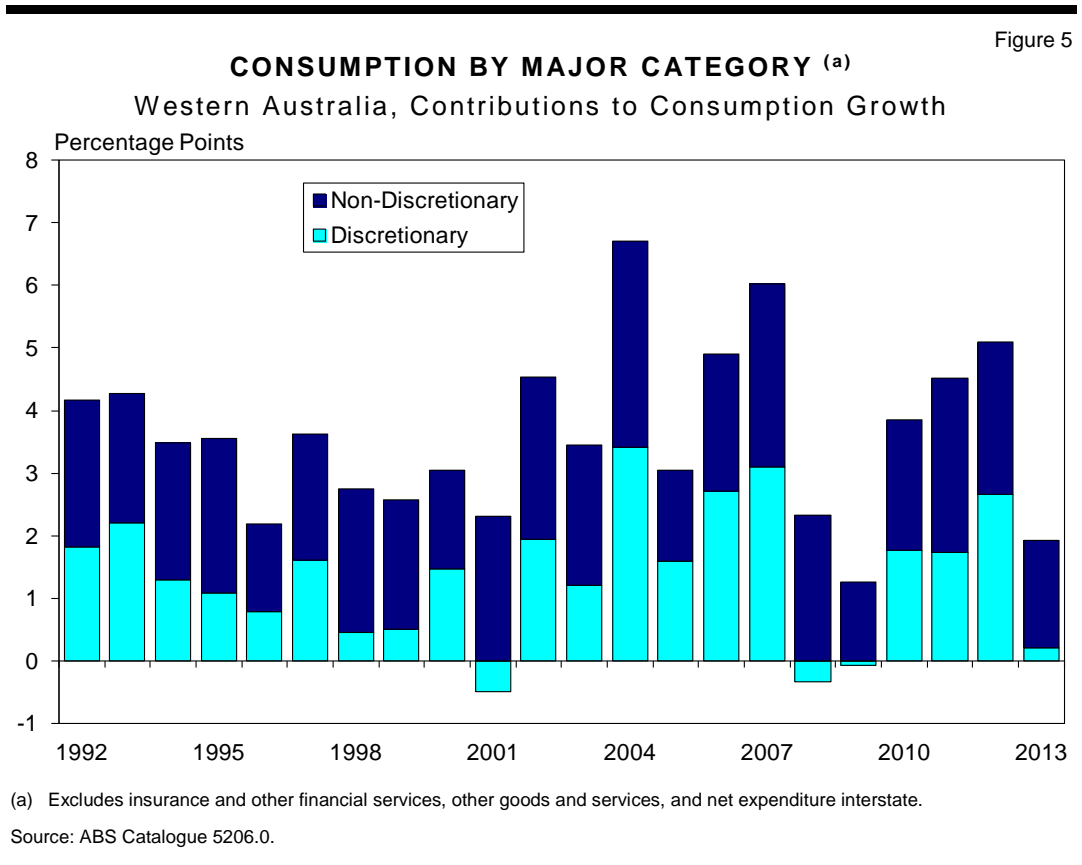
(a) A weighted index of prices for iron ore, gold, oil, LNG, copper, nickel, zinc and alumina.  
Source: Department of Treasury.

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

## Household Sector

### Household Consumption

After expanding by 3.9% in 2012-13, household spending has been relatively weak, growing by just 1.8% in annual average terms in the December quarter 2013. This was led by subdued growth in discretionary spending<sup>4</sup>, which contributed only 0.2 percentage points to consumption growth in 2013, down from 2.7 percentage points in 2012 (see figure below). In 2013, discretionary spending made its smallest contribution to growth in household consumption since the Global Financial Crisis and 2001. Annual average growth in retail trade<sup>5</sup>, a leading indicator of movements in household consumption, also moderated in the first half of 2013-14.



<sup>4</sup> Discretionary items include: cigarettes and tobacco; alcoholic beverages; clothing and footwear; furnishings and household equipment; purchase of vehicles; communications; recreation and culture; and hotels, cafes and restaurants. Non-discretionary items include: food; rent and other dwelling services; electricity, gas and other fuel; health; operation of vehicles; transport services; and education services.

<sup>5</sup> In real terms, retail trade accounted for 35.1% of household consumption in 2013.



Weak discretionary spending is consistent with recent declines in consumer confidence<sup>6</sup>, which likely reflects the softening of labour market conditions, with employment and wages growth moderating significantly in the first half of 2013-14 (see the *Labour Market* section). Recent increases in the unemployment rate may have also heightened concerns about job security and impacted adversely on consumer confidence. A more subdued outlook for spending in the near-term is also in line with forecast moderations in population growth.

In line with the softer conditions to date, growth in consumption is expected to moderate to 3% in 2013-14, below the long-run average of 4.2%. Consumption is expected to increase by 3.25% in 2014-15 before picking up to 3.75% by 2016-17, as labour market conditions and wages growth are forecast to improve across the forward estimates.

## Housing Market

Conditions in Perth's established housing market have been strong over the past two financial years. Demand has been supported by strong population growth, low interest rates and fast growing rents, which improved the affordability of purchasing a home (relative to renting) for first home buyers, and lifted potential rental returns for investors. This has flowed through to stronger activity in the overall market including trade-up buyers.

Higher demand coincided with lower supply, as investment in new dwellings declined over this period and the stock of properties listed for sale remained well below long-run average levels. These conditions supported strong growth in house prices, with the median house price increasing from \$467,000 in the December quarter 2011 to \$546,000 in the December quarter 2013.

However, drivers of housing demand are now beginning to moderate. The Perth rental market has softened, with a strong increase in the vacancy rate causing rents to fall in the second half of 2013, and while interest rates remain low, no further reductions are expected in the short-term.

The outlook of a softening in housing demand is in line with expectations of weaker labour market conditions and slowing population growth. High levels of household debt and the record high level of house prices are also expected to constrain demand.

At the same time, the supply of housing has recently begun to increase, with the total stock of properties listed for sale at the beginning of April 2014 standing above 10,000 for the first time since December 2012<sup>7</sup>. The overall stock of housing is expected to continue to expand in coming years as new dwelling construction is forecast to grow strongly in 2013-14 and 2014-15 (see the *Dwelling Investment* section below).

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<sup>6</sup> Based on 3 month average trends in the Westpac-Melbourne Institute Consumer Sentiment Index.

<sup>7</sup> Source: Real Estate Institute of Western Australia.

The softening in demand and lift in housing supply are expected to moderate pressure on prices, with growth in the Perth median house price expected to ease from a strong 7.1% in 2012-13 and 6.6% in 2013-14 to 2.5% in 2014-15. Across the forward estimates, prices are expected to grow modestly each year, to reach a median house price of \$572,000 by 2017-18.

## Dwelling Investment

After declining in 2011-12 (-10.7%) and 2012-13 (-1.8%), dwelling investment<sup>8</sup> increased by 14.6% in the first half of 2013-14 relative to the same period a year earlier. The recent pick up includes a strong lift in construction of homes for first home buyers relative to a year earlier. The lift to date in 2013-14 indicates that strong growth in demand for existing homes over the past two years has begun to translate into higher levels of new dwelling investment activity.

The number of houses under construction is now at its highest level in over six years. The number of homes under construction has been increasing as the rate at which construction has been commencing on new homes has exceeded the rate at which homes have been completed. This has been the case since September 2012<sup>9</sup> (see figure below).

In addition, current demand for new dwellings is strong, with building approvals reaching a record level of 2,749 in February 2014. Housing finance commitments for construction and newly erected dwellings increased by 21% over the year to February 2014, while first home owner grant applications for new dwellings were up 34% over the year to March 2014.

Overall, dwelling investment is projected to grow by 14% in 2013-14, with very strong growth in the construction of new housing moderated by more modest growth in spending on alterations and additions. This is well above long-run average growth of 3.7% per annum.

Dwelling investment is expected to remain strong in 2014-15, with forecast growth of 7% consistent with the recent trends in some leading indicators of demand (such as building approvals and housing finance commitments for new homes), which have started to stabilise, albeit at high levels.

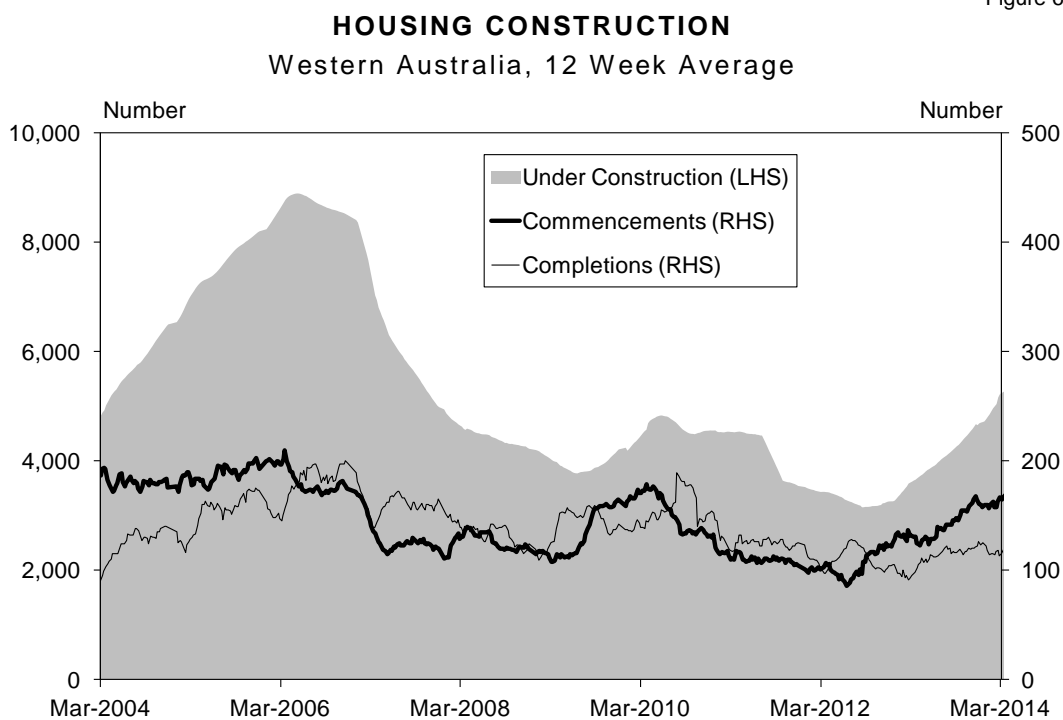
As housing demand softens further across the forward estimates, growth in dwelling investment is forecast to moderate to 3.75% in 2015-16 and 1.5% by 2017-18.

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<sup>8</sup> Dwelling investment consists of the construction of new dwellings (usually around 60% of overall dwelling investment) and residential alterations and additions (the remaining 40%).

<sup>9</sup> Housing Industry Association, *Weekly Trends*.

Figure 6



Source: Housing Industry Association, Weekly Trends.

#### First Home Owner Grant

In September 2013, changes were made to the First Home Owner Grant (FHOG), with grants paid for new homes increased to \$10,000 and grants for established homes reduced to \$3,000. Previously, grants of \$7,000 were paid for both established and new homes.

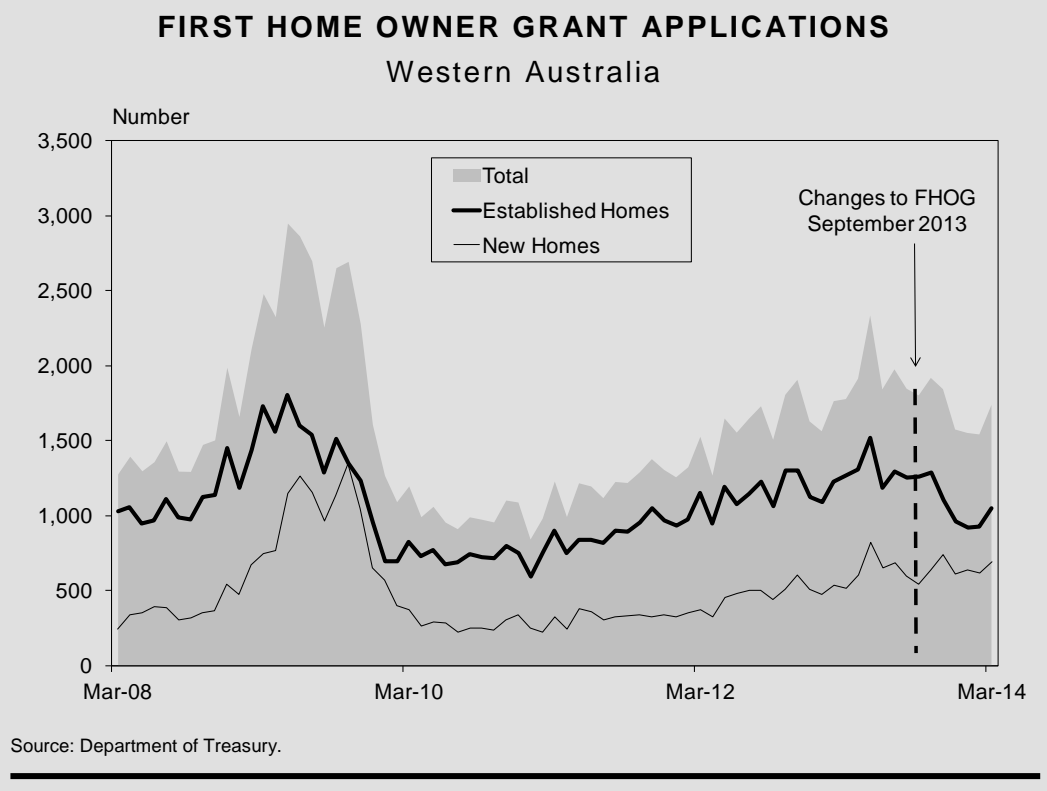
Since then, the number of FHOG applications for new homes has consistently remained above 600 per month (see figure below). This includes the three months from December 2013 to February 2014, a period of the year when applications for new (as well as established) homes tend to be weak. Over the three months to February 2014, FHOG applications for new homes were up 22.8% compared with a year earlier.

FHOG applications for established homes have declined substantially in the period December 2013 to February 2014 (declining by 18.4% relative to a year earlier). However, applications for established homes recovered to be above 1,000 in March 2014.

The share of FHOG applications for new homes has increased to 38.6% since the FHOG changes were made, higher than the 31.8% share over the year to September 2013 and well above the long-run average of 26.1%. Historically, the share of FHOG applications for new homes has been higher only during periods of temporary stimulus, such as the FHOG boost in 2008 and 2009.

While it is too early to be definitive about the impact of the September 2013 changes to the FHOG, the data to date suggest that the changes have encouraged more first home buyers to purchase newly constructed homes than would otherwise be the case, consistent with the policy intent of the changes.

Figure 7



## Business Investment

Business investment is estimated to have peaked as anticipated in 2012-13, with investment declining by 6.8% in the December quarter 2013, after modest growth of 1.6% in the September quarter 2013. Despite this decline, investment remained at a high level of \$69.6 billion in 2013, representing 26.4% of total business investment in Australia.

While record growth in business investment in recent years has been driven by the construction of major LNG and iron ore projects, spending on these projects is forecast to decline as projects move into their operational phase.

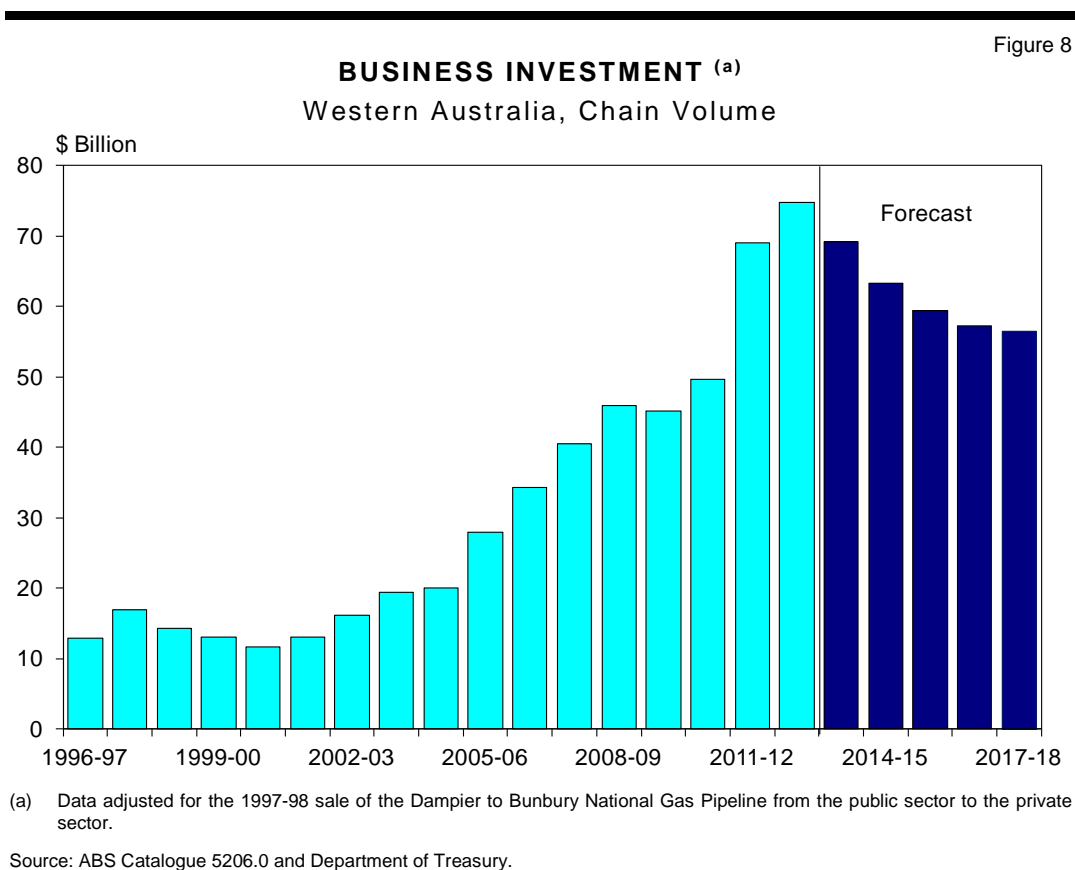
The fall in major project spending is expected to drive a decline in total business investment of 7.5% in 2013-14 and 8.5% in 2014-15, as the quantum of new projects is insufficient to maintain the record levels of investment.

The outlook for new major project investment is more subdued than in recent years. A shift in focus from expansion to efficiency and cost cutting in the iron ore sector has resulted in large declines in expected capital spending from BHP Billiton and Fortescue Metals Group in particular. While Rio Tinto is continuing to expand, it is pursuing lower cost brownfield expansions rather than new greenfield projects.

Spending on the State's largest ever resource project, the Gorgon LNG project (\$55 billion) has passed its peak, with construction around 80% complete. Construction on the Wheatstone LNG project (\$29 billion) is around 30% complete<sup>10</sup>.

Apart from the Roy Hill iron ore project (\$9.5 billion) receiving an official commitment from its joint venture partners in March 2014, no new major projects have been identified in recent months. Notwithstanding the large stock of potential LNG investment in the pipeline, it remains uncertain if these projects will proceed and add to investment activity over the forecast period.

Across the forward estimates, the decline in major project spending is expected to be partially offset by growth in investment from the non-resources sectors of the economy. Overall, total business investment is forecast to decline by 6% in 2015-16, with the pace of decline tapering to 1.25% by 2017-18. Despite these declines, investment is expected to remain at historically high levels throughout the forecast period, and well above the level of investment recorded in 2010-11 (\$49.6 billion).



<sup>10</sup> Source: Chevron Corporation, *2014 Security Analyst Meeting* (Transcript), 11 March 2014.

### The Structure of the Western Australian Economy

While the analysis of the Western Australian economy in this chapter focuses on the expenditure components of GSP<sup>11</sup>, an examination of economic output by industry highlights how rapid increases in business investment over recent years have not only fuelled strong growth in the economy but have also changed the State’s industry structure. Most notably, while rapid resources investment has increased the dominance of the State’s mining and petroleum industry, it has also supported growth in other industries with strong links to the resources sector (such as construction and manufacturing).

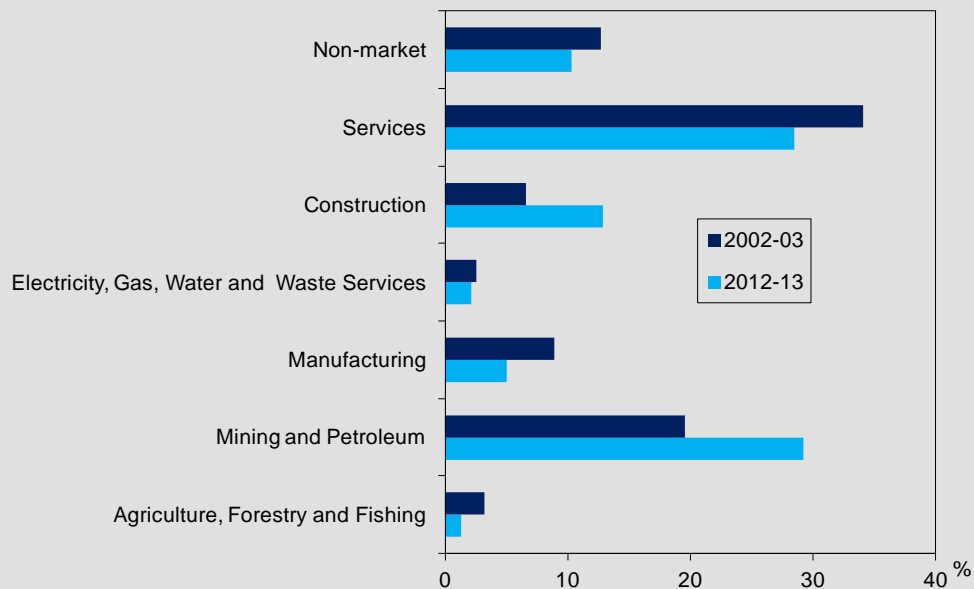
#### Key Trends in Selected Major Industries: 2002-03 to 2012-13

The structure of the Western Australian economy has changed significantly over the past decade. The fast growing demand for the State’s resources from emerging economies (particularly China) has increased the contribution of the mining and petroleum industry to total economic output. The share of this industry has increased from 19.5% of output in 2002-03 to 29.2% in 2012-13, making it the State’s largest industry (see figure below). This is in contrast to the national economy, where the mining industry represents only 8% of Australia’s Gross Domestic Product.

Figure 9

### SHARES OF GROSS STATE PRODUCT BY INDUSTRY (a)

Western Australia, Nominal



(a) The ‘non-market’ sector comprises those sectors whose outputs are predominantly supplied by the public sector (e.g. public administration and safety, health care and social assistance, and education and training).

Source: ABS Catalogue 5220.0.

<sup>11</sup> Economic output can be examined in terms of the components of expenditure (household consumption, dwelling investment, business investment, etc.) or in terms of production/output. Output refers to gross value-add, which deducts intermediate production.

While petroleum and iron ore production have been the primary drivers of growth in the Western Australian resources industry since 1999-00, iron ore became the main driver (in terms of production value) in 2007-08. From 2002-03 to 2012-13, the value of iron ore mining grew by 26.9% per annum, driven by a 172.2% increase in production volumes and a 298.4% increase in the iron ore price. This primarily reflected China's strong demand for steel as a result of its rapid and sustained urbanisation and industrialisation. The value of the petroleum sector has also shown strong average growth of 8.8% per annum over the last decade.

The rapid growth of the mining industry has also benefited other industries, particularly construction (through business investment and engineering construction) and manufacturing (through the downstream processing of minerals). The benefits to the construction sector are reflected in strong annual average growth of 6.8% per annum from 2002-03 to 2012-13. This saw the construction industry increase its share of total output from 6.6% in 2002-03 to 12.9% in 2012-13, to become the third largest industry in the State (after mining and services). The composition of the construction industry has also changed, as strong growth in business investment lifted the contribution of engineering construction<sup>12</sup> from 52% of total construction work done in 2002-03 to 78.2% in 2012-13.

Strong growth in the construction industry as a whole included strong increases in the compensation of employees in that industry over the decade. Wages growth in mining and construction was substantially higher than the average of all industries and as such, placed upward pressure on total wages over the period.

The manufacturing sector in Western Australia also benefited from strong growth in mining, increasing by an average of 4.1% per annum over the past decade. This was underpinned by metal product manufacturing<sup>13</sup>, which comprised 42.3% of the State's total manufacturing sales and service income in 2011-12 (latest data available). The stronger growth in manufacturing in Western Australia relative to Australia resulted in the State's share of national manufacturing output increasing from 8.9% to 11.9% over this period. However, as a proportion of State output, manufacturing declined from 8.9% in 2002-03 to 5% in 2012-13, as a result of stronger growth in the mining and petroleum industry.

While the services sector's share of the economy has also fallen over the past 10 years, strong growth in service industries connected to the resources sector has supported average growth of 4.8% per annum, above national services growth of 3.2% per annum. Strong growth in 'professional, scientific and technical services' resulted in it overtaking 'retail trade' to become the largest industry within the State's services sector in 2012-13. Western Australia also increased its share of national services output from 9% in 2002-03 to 11% in 2012-13.

<sup>12</sup> Engineering construction includes construction of road networks, heavy industry, telecommunications and electricity supply networks.

<sup>13</sup> Metal product manufacturing includes alumina smelting, gold refining and nickel smelting.

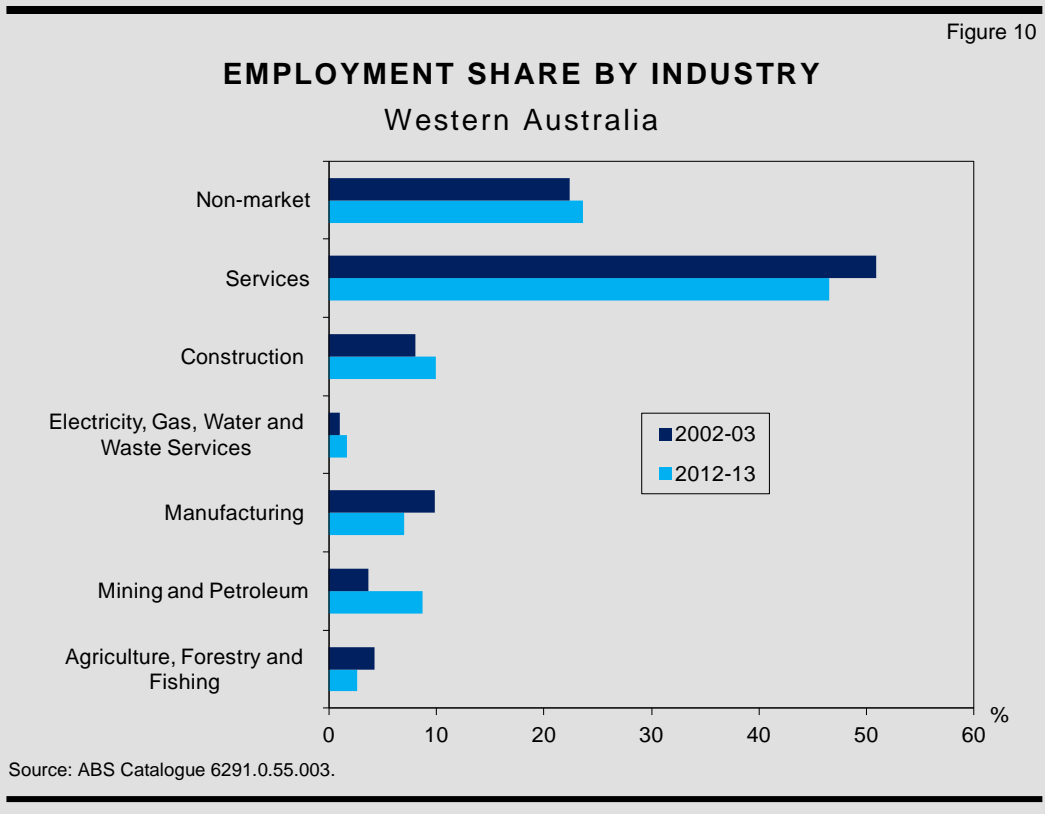
**Contributions to Employment**

The structure of the Western Australian economy is significantly different when measured by contributions to employment rather than output. Most notably, whilst the mining and petroleum industry accounted for almost one-third of Western Australia’s output, it comprised only 8.7% of the State’s total employment in 2012-13. This reflects the highly capital-intensive nature of the industry.

In contrast, the services industry accounted for a greater portion of the State’s total employment (46.5%) relative to total output (28.5%). The ‘wholesale trade’ and ‘retail trade’ industries employed almost one-third of total services industry employees, reflecting the highly labour-intensive nature of those industries.

Despite comprising a relatively small share of total employment, the mining industry’s share of employment more than doubled over the decade, from 3.6% to 8.7% (as shown in the figure below). The number of people employed in the mining industry increased from 34,600 persons to 114,600 over this period. Growth in the mining industry also supported employment in related industries. In particular, the number of people employed in the construction industry increased from around 76,400 people in 2002-03 to 130,500 in 2012-13.

Figure 10





## Government Sector

### Government Consumption

Public consumption, which includes recurrent expenditure by Commonwealth, State and local governments, is forecast to increase by 3.5% in 2013-14, following growth of 2.1% in 2012-13.

Government consumption is expected to grow by 4% in 2014-15 and by 4.25% per annum across the forward estimates. This is broadly 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 forecast to increase by 3.75% in 2013-14, following growth of 2% in 2012-13. Government investment is forecast to decline modestly in 2014-15 (-0.75%) driven by a moderation in State Government spending from recent record highs.

Government investment is expected to remain relatively flat across the forward estimates, in line with the Asset Investment Program projections provided in Chapter 6: *Asset Investment*. Some of the projects that will support State Government investment over the forward estimates include the Perth City Link, Elizabeth Quay, the New Museum, the New Perth Stadium and the Forrestfield Airport Link.

## International Trade

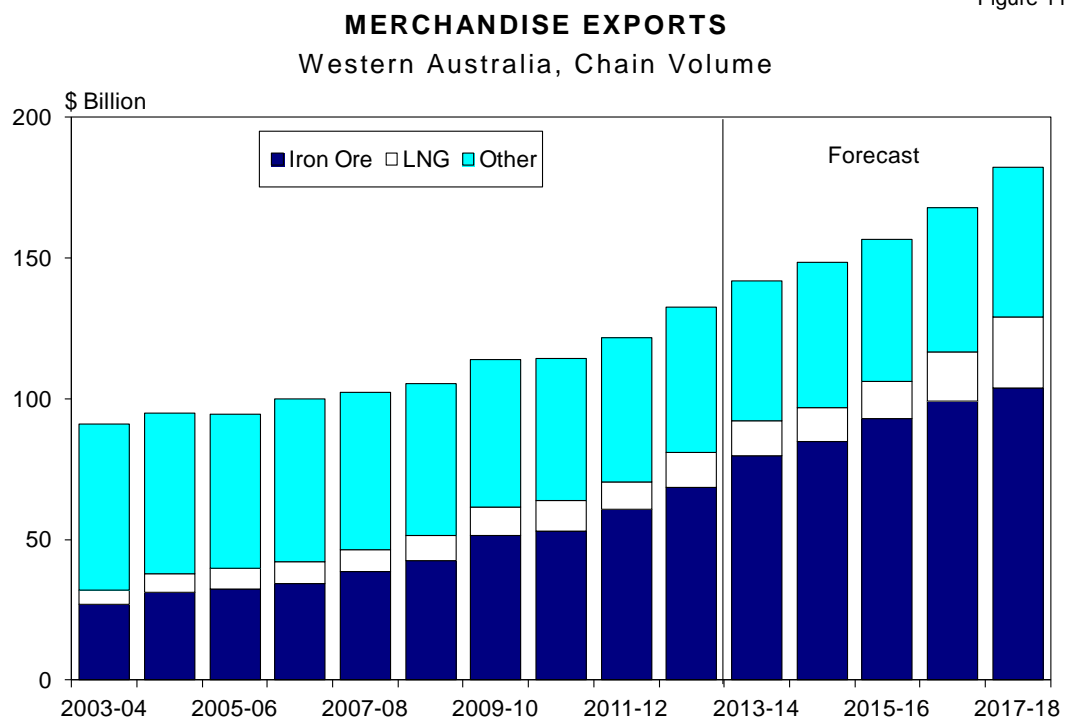
### Exports

Merchandise exports are forecast to increase strongly across the budget period, initially driven by large increases in iron ore production and subsequently by a strong ramp-up in LNG and condensate production. Iron ore exports are projected to increase by almost one-third (from around 600 to 780 million tonnes) and LNG exports are expected to more than double (from around 20 to 40 million tonnes) from 2013-14 to 2017-18.

Total merchandise exports are forecast to grow by 7% in 2013-14, as a substantial increase in the volume of iron ore sales is projected to more than offset declines in the volume of petroleum and gold exports. In 2014-15, growth in merchandise exports is expected to moderate to 4.5%, due to lower growth in iron ore exports relative to 2013-14 and declining production from other commodities such as gold. Despite this, almost 40 million additional tonnes of iron ore are expected to be exported in 2014-15, compared to 2013-14.

Across the forward estimates, exports are forecast to grow strongly, driven by continued increases in iron ore exports and a substantial lift in LNG and condensate exports as the large projects (Gorgon, Wheatstone and Prelude) commence production from 2015-16. Export volumes are forecast to rise by 5.5% in 2015-16, 7.25% in 2016-17 and 8.5% in 2017-18. In real terms, Western Australia’s exports are forecast to increase from \$142.1 billion in 2013-14 to \$182.3 billion in 2017-18 – an increase of around \$40 billion or 28% (see following figure).

Figure 11



Source: ABS Catalogue 5368.0 and Department of Treasury.

## Imports

Merchandise imports are projected to decrease by 5.5% in 2013-14, consistent with a forecast decline in business investment, which results in a reduction in the volume of imported capital goods. This trend is expected to continue with declines forecast in 2014-15 (-7.75%) and 2015-16 (-2%).

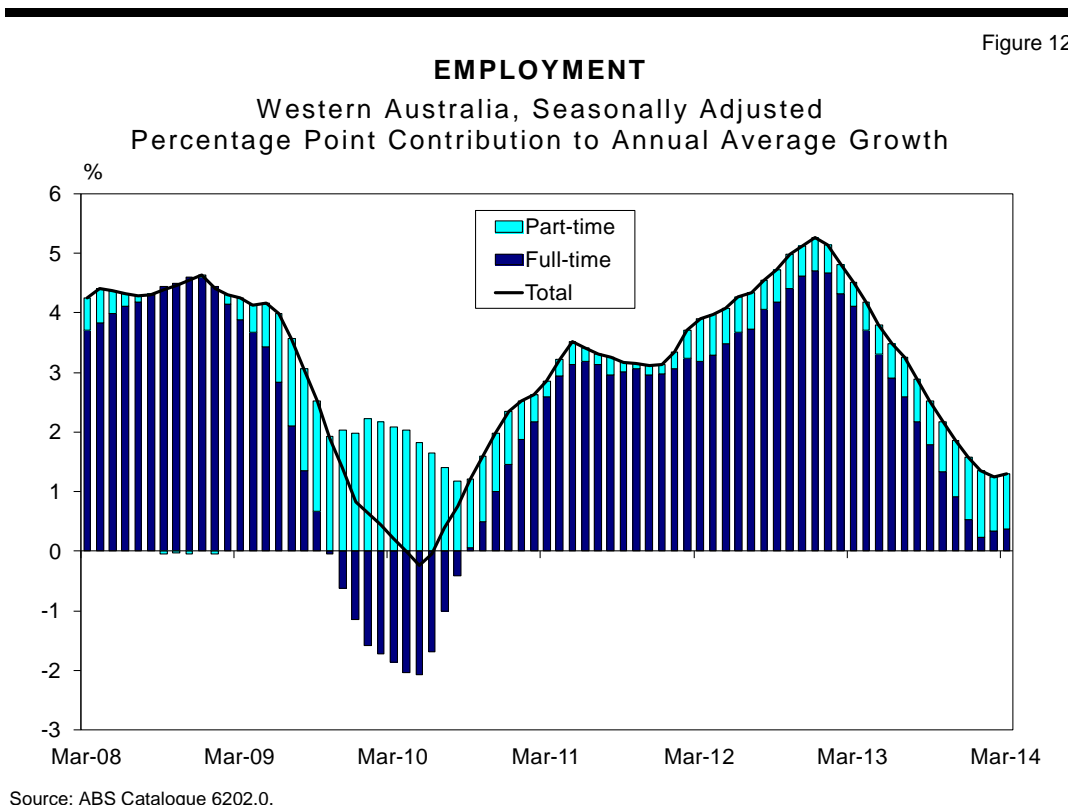
Merchandise imports are projected to increase modestly in 2016-17 (1%) and 2017-18 (1.5%) as imports of consumption goods are expected to offset smaller declines in capital goods imports, reflecting a moderation in the rate of decline in business investment<sup>14</sup>.

<sup>14</sup> The merchandise imports forecasts can differ from other forecasters, as Treasury assumes the historical series will be revised by the ABS to more accurately treat imports of large capital goods. Large capital goods are initially only recorded as imports when they pass through customs or enter territorial waters. However, as companies make payments for these capital goods, they are accrued as business investment. This means that merchandise imports will initially lag the related business investment. Over time, the ABS generally revises the merchandise imports series to better match business investment. This dynamic does not impact GSP estimates as the ‘balancing item’ accounts for this lag.

## Labour Market

### Employment

Following average growth of 3.7% per annum over the three years to 2012-13, employment growth has eased significantly in Western Australia, driven by a marked moderation in full-time hiring (see figure below). This is consistent with sustained weakness in leading indicators of labour demand, and a decline in business investment from its peak in 2012-13.

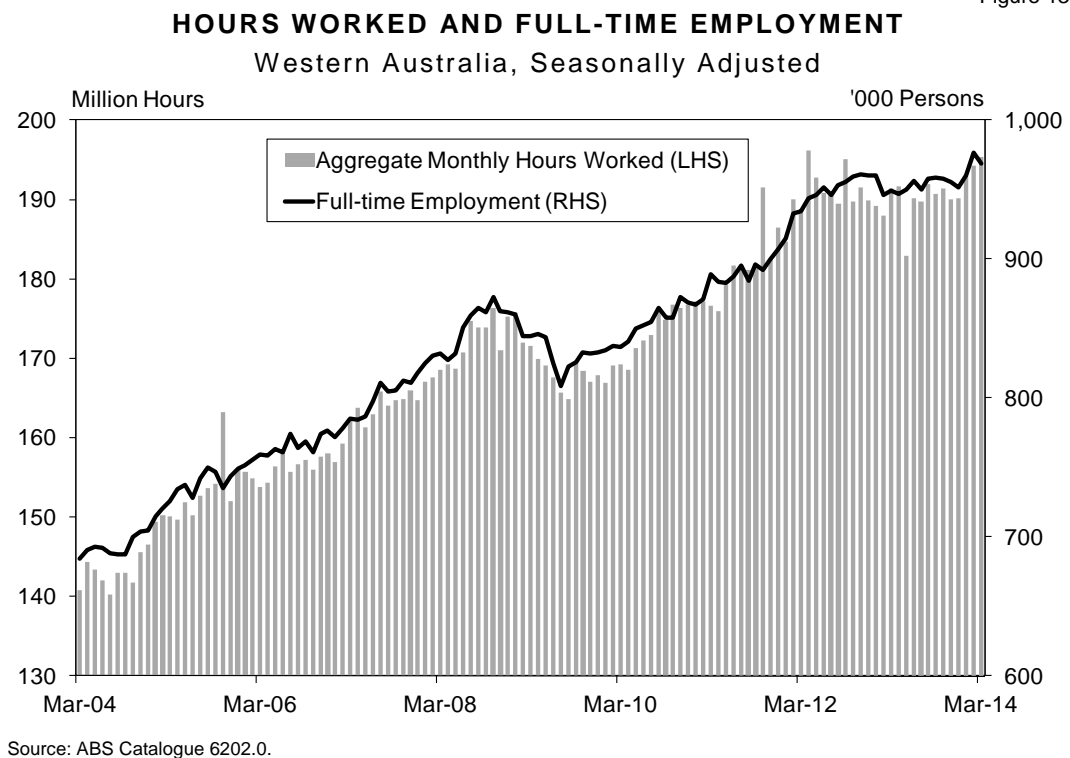


Weakness in employment growth is also in line with anecdotal evidence, which suggests that hiring has been restrained by employers' efforts to cut costs and improve productivity. Consistent with this, as well as a slowing in full-time hiring, the State's aggregate hours worked have broadly levelled off since mid 2012 (see following figure).

In light of this, employment is projected to increase by 1.5% in 2013-14 and 2014-15, moderating significantly from the 3.5% growth recorded in 2012-13. Over the forward estimates, employment growth is forecast to slowly strengthen to reach 2% by 2017-18, supported by a modest recovery in domestic economic activity.

Overall, employment growth is expected to remain moderate across the forecast period, consistent with more modest economic activity relative to the previous decade, and the transition of major resource projects into the operational phase (which tends to be significantly less labour-intensive than the construction phase).

Figure 13



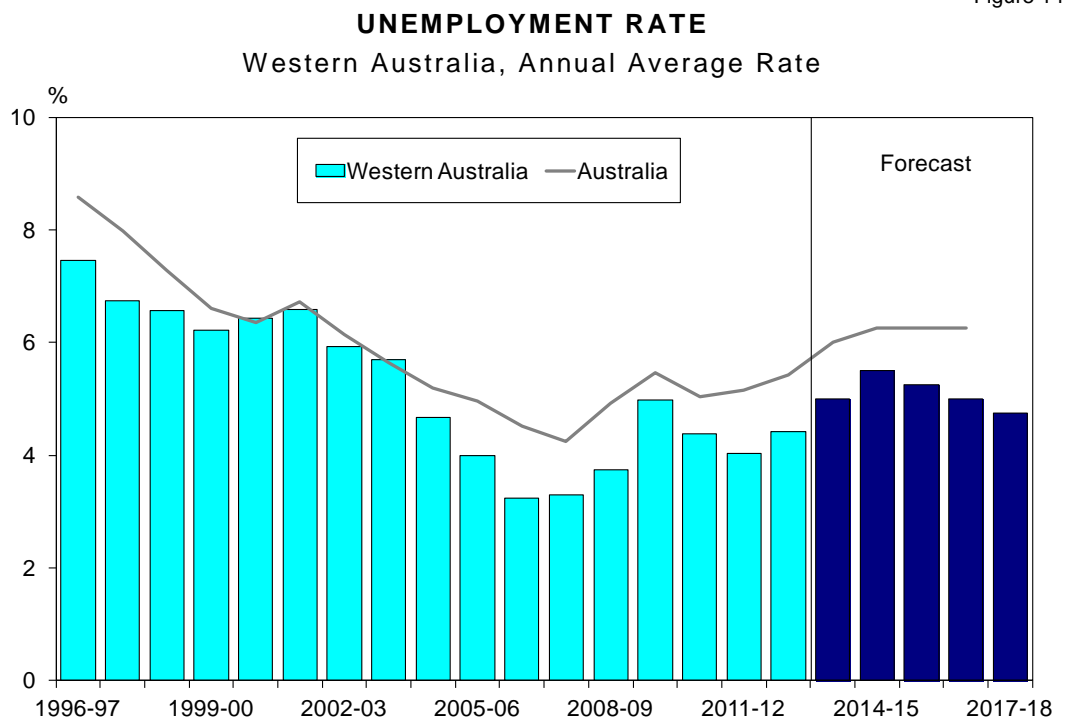
## Unemployment and Participation

Western Australia's unemployment rate has risen over recent months, averaging 4.8% over the first three quarters of 2013-14 (up from 4.4% over 2012-13). This is consistent with a slowdown in employment growth and a rise in the number of jobseekers, which has not been met with a commensurate increase in labour demand. Despite this rise, the State's unemployment rate has remained below the national rate, which averaged 5.8% over the first three quarters of 2013-14.

The unemployment rate is forecast to increase further over the short-term, as a moderation in domestic economic activity is expected to limit the creation of job opportunities. As such, the State's unemployment rate is expected to rise to 5% in 2013-14 and 5.5% in 2014-15. Beyond this, the unemployment rate is forecast to gradually ease to 4.75% by 2017-18, in line with a modest strengthening of economic conditions and a pick-up in labour demand.

The State's participation rate has broadly stabilised over recent months, after trending down steeply from a recent peak of 69.8% in October 2012, consistent with weaker labour market conditions. A moderation in the participation rate is likely to continue over coming years as employment growth remains subdued and the population ages (with a larger proportion of people reaching retirement age). Accordingly, the participation rate is expected to average 68.3% over 2013-14 (down from 69% in 2012-13), before gradually softening to 67.4% by 2017-18.

Figure 14



Source: ABS Catalogue 6202.0, Department of Treasury and Commonwealth Treasury 2013-14 *Mid-year Economic and Fiscal Outlook*.

## Population

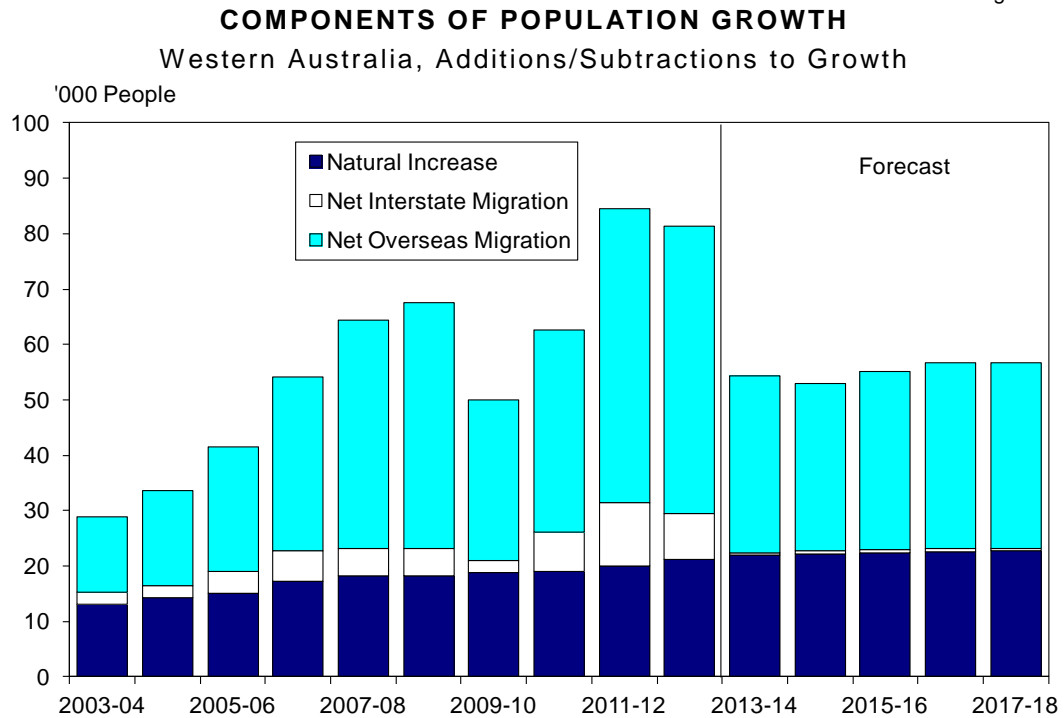
Following very strong growth of 3.5% in 2012-13, Western Australia’s population increased by 3.4% (or around 82,300 people) in annual average terms to the September quarter 2013<sup>15</sup>.

While strong population growth was driven by high levels of net overseas migration (NOM) to the State, NOM declined to 48,400 people over the year to the September quarter 2013 (down from around 55,500 people over the year to the September quarter 2012). This is the lowest level since December 2011.

Western Australia’s share of national NOM has also started to decline, falling from 21% in the June quarter 2013 to 17.9% in the September quarter 2013. Further declines in the State’s share of national NOM are expected, as labour market conditions soften and growth in the domestic economy moderates. This in turn is forecast to lead to a significant moderation in population growth to 2.6% in 2013-14 and 2.1% (or around an average of 55,500 people) per annum thereafter, broadly in line with long-run average population growth of 2.1% per annum.

<sup>15</sup> As at the September quarter 2013, Western Australia’s estimated resident population was 2,535,701 people.

Figure 15



Source: ABS Catalogue 3101.0 and Department of Treasury.

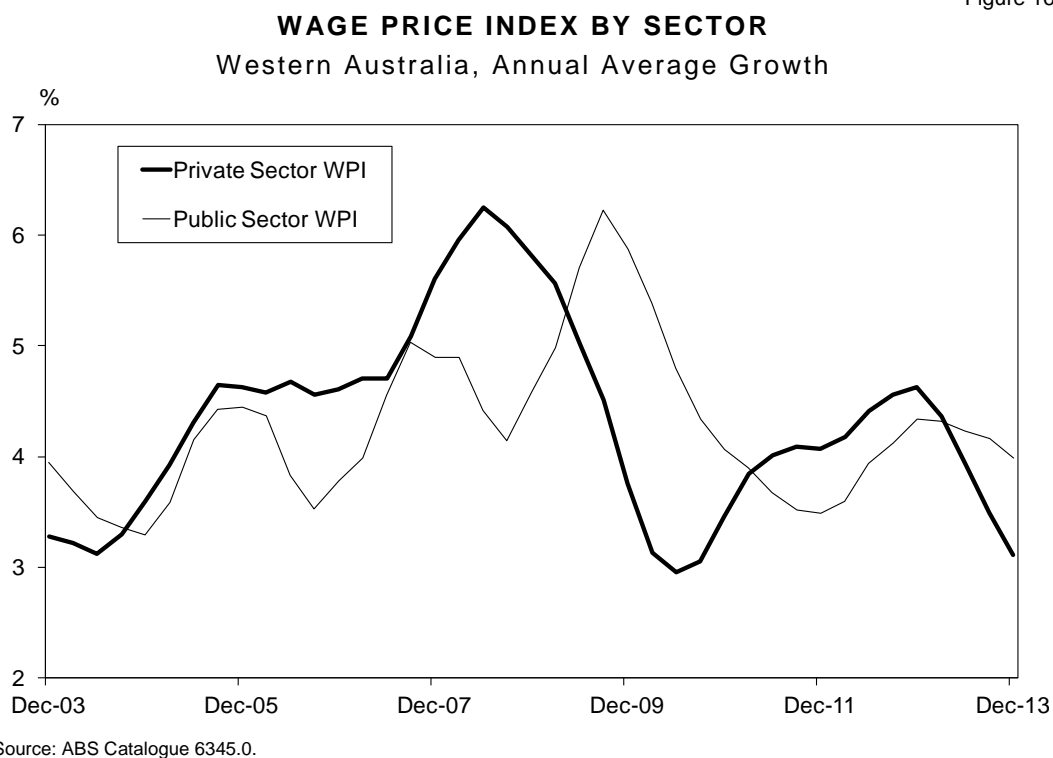
## Wages

Following an increase of 4% in 2012-13, growth in Western Australia’s Wage Price Index (WPI) has slowed in recent quarters. The State’s WPI increased by only 0.5% in the December quarter 2013 (the lowest quarterly growth in almost 10 years) after a 0.9% rise in the September quarter. Softer wages growth was led by a pronounced slowdown in the State’s private sector wages growth over the past year. Private sector wages grew by 3.1% over 2013, significantly lower than growth of 4% in public sector wages (see figure below).

Subdued wage growth is expected to continue over coming quarters, as capacity in the labour market continues to build and businesses focus on restraining cost growth. Anecdotal evidence suggests that this has adversely impacted wages growth, with some resource-related occupations in particular experiencing significant salary reductions.

Consequently, the State’s WPI is forecast to grow by 3.25% in 2013-14 and 2014-15, below the long-run average of 3.9% per annum. WPI growth is expected to strengthen over the forward estimates to reach 3.75% by 2017-18, consistent with a steady improvement in the labour market and domestic economic outlook.

Figure 16



## Prices

### Consumer Price Index

Perth's Consumer Price Index (CPI) increased by 0.7% in the December quarter 2013, following growth of 1.2% in the September quarter 2013, lifting annual average growth to 2.6% in 2013. The increase in inflation in the first half of 2013-14 was driven by rises in the 'holiday travel and accommodation' and 'automotive fuel' components of CPI, due to a lower exchange rate. In addition, the Commonwealth's decision to increase the tobacco excise rate by 12.5% on 1 December 2013 exerted upward pressure on inflation.

Perth's CPI is forecast to increase by 3% in 2013-14 and 2.75% in 2014-15, as a lower exchange rate and further increases to the tobacco excise rate<sup>16</sup> are expected to more than offset the effect of the softer outlook for wage growth. Across the forward estimates, the CPI is forecast to increase by 2.5% per annum, in line with the middle of the Reserve Bank of Australia's target band of 2-3%.

Given the uncertainties surrounding the future path of the carbon tax (see the risks section of Chapter 3: *Financial Projections and Fiscal Strategy*), the current CPI forecasts do not include any specific adjustments for potential changes to the carbon tax.

<sup>16</sup> Further increases in the tobacco excise rate of 12.5% are expected on 1 September in 2014, 2015 and 2016, with the Commonwealth Treasury estimating that these increases will add less than 0.25 percentage points to inflation through the year to both the June quarter 2014 and 2015.

## Risks to the Outlook

### **Global Risks**

Despite positive signs of global economic activity in late 2013 and into 2014, downside risks are still apparent, with economic conditions remaining fragile and uneven between advanced and emerging economies.

#### **China**

As Western Australia's largest trading partner, the growth prospects and economic conditions in China remain a key risk to the economic outlook of the State.

In recent years, the Chinese authorities have signalled their intent to transition the economy away from investment-led growth towards a more sustainable private consumption-led growth path. This transition has inherent risks as it requires broad economic reforms, particularly within the largely undeveloped and fragile financial sector.

The bail-out of a trust loan in January 2014 and the collapse of a real estate developer in March 2014 have again highlighted the instability of China's shadow banking sector. While the People's Bank of China (PBoC) has introduced measures to limit credit growth in an effort to improve the sustainability of economic growth, markets remain sensitive to developments in China's financial system. In the near-term, the PBoC may allow a number of defaults as a means of moving the market towards a system where risk is more accurately priced. The challenge for the PBoC in reforming the financial sector will be managing the pace (and sources) of credit growth to limit financial risks whilst ensuring the availability of sufficient credit to maintain economic growth. If Chinese economic growth slows significantly, demand for Western Australian commodities, in particular iron ore, may weaken.

In an attempt to restructure its growth path, China announced reforms designed to reduce excess capacity in certain industries, such as the steel industry. Part of the Government's plan will be to cut outdated steel production capacity, estimated to amount to a cut of 27 million tonnes in 2014. While these cuts are unlikely to dampen demand for iron ore in the short to medium-term, the potential for further cuts to steel production capacity in the future and the associated impact on demand for iron ore remains a risk. However, this must be balanced against China's continued urbanisation, which is expected to fuel further investment in infrastructure and construction. On the basis of United Nations estimates, the urban population of China is expected to increase by approximately 90 million people between 2014 and 2018.



## **Winding Up of Quantitative Easing Measures in the US**

The US Federal Reserve announced in December 2013 that it would begin winding up its quantitative easing measures, following strengthening economic activity in the latter part of 2013. However, this will require a fine policy balance. If the Federal Reserve acts too swiftly in winding up its monetary stimulus measures, the fragile economic recovery currently underway could be hampered. Conversely, if the Federal Reserve does not allow interest rates to increase from zero quickly enough, this could result in asset price inflation.

The pace of the economic recovery in the US presents a risk for the Western Australian economy through the impact it may have on the \$US/\$A exchange rate. The exchange rate may experience ongoing volatility as global financial markets respond to changes in US growth prospects and the speed of Federal Reserve bond tapering. Changes in the exchange rate will impact on royalties levied on Western Australian commodity sales, in particular iron ore, as most commodities are priced in US dollars.

The tapering of quantitative easing measures in the US will also have implications for global economies, including China. If the US Federal Reserve acts too swiftly in unwinding its monetary stimulus program, tighter financial conditions could place global financial sectors and economies under pressure as capital flows towards developing and emerging economies are redirected back toward higher yielding US bonds. Any consequent slowdown in China would have significant consequences for countries reliant on Chinese demand, including Australia. Assuming the adjustment to normalised global financial conditions is gradual and smooth, the impact is expected to be minimal.

## **The Euro Area**

Despite signs that the euro area is headed toward a slow but gradual recovery, a number of downside risks remain. Economic growth between ‘core’ and ‘peripheral’ countries remains uneven and inflation remains below the European Central Bank’s medium-term target of around 2%, raising fears of deflation in the area. The banking sector in the euro area is also an ongoing concern, with European banks continuing to hold a rising share of ‘peripheral’ economies’ sovereign debt, leaving the area susceptible to ongoing volatility in an environment of tightening global financial conditions. Persistently high levels of unemployment also remain a concern.

Compared to China and Japan, Western Australia has limited trade links with the euro area and Australian banks have very little exposure to European sovereign debt. However, if yields on euro area sovereign bonds were to rise significantly, this could increase the cost of borrowing for Australian banks. While these risks are significant, the impacts of a marked slowdown in the euro area will largely be felt through the impact they will have on economies more closely linked with the Western Australian economy, in particular China, which has strong trade linkages with the euro area.

## **Geopolitical Risks**

The annexation of Ukraine's Crimean region by Russia in March 2014 escalated tensions between the East and the West and created fears of a spreading conflict. Commodity prices rose in response to these tensions but have since eased. Nevertheless, uncertainty still remains in the region and any renewed conflict would likely impact on global commodity prices including the prices of gas, oil, gold, nickel and wheat. Western Australia's commodity exports could benefit from higher prices but could also be negatively impacted by higher prices in key inputs such as oil and increased volatility in financial markets.

## **Domestic Risks**

The key domestic risks to the economic outlook relate to the magnitude and timing of expected declines in business investment over the forecast period. This has flow-on implications for the timing of exports, and the outlook for labour demand and population growth.

### **Business Investment**

As investment in major iron ore expansions and large LNG projects declines, it is expected that these falls will be partially offset by growth in the non-resources sectors of the economy. It is also assumed that some new major project investment, that has yet to be identified, will proceed across the forward estimates. However, if this additional investment is not realised, the declines in business investment are likely to be larger than currently forecast, particularly in the final two years of the forecast period.

### **Exports**

The potential for project delays represents a significant risk to the projected ramp-up of LNG and condensate production and exports from the large LNG projects currently under construction. This is because complex operations are particularly susceptible to project delays and unplanned shutdowns. Larger than expected delays could result in lower export volumes and lower than forecast growth in GSP. However, it is also possible that exports from these projects will ramp up faster than currently expected.

### **Labour Demand**

Labour market conditions are expected to improve slightly from 2015-16, reflecting a modest pick-up in domestic economic activity. However, consistent with downside risks to the business investment outlook, labour market conditions are likely to be weaker than projected if the decline in resource investment is more pronounced than currently anticipated, and activity in the non-resource sectors of the economy fails to gain momentum.

### **Population Growth**

Growth in Western Australia's population is projected to slow rapidly in line with forecast declines in the State's share of NOM. Western Australia's share of national NOM declined in the September quarter 2013 in line with softening business activity and labour market conditions. However, if the State's share of NOM does not slow as quickly as forecast, population growth may be stronger than anticipated.

### **Dwelling Investment**

In the short-term, dwelling investment may be stronger for longer than the current outlook suggests if supply constraints (such as limited skilled labour and titled land) reduce the speed at which the demand for new housing translates into actual construction. However, across the forward estimates, growth in dwelling investment may be softer than forecast if housing supply meets demand sooner than expected. This risk will be heightened if forecast declines in business investment have a bigger than anticipated impact on other sectors of the economy.

# Financial Projections and Fiscal Strategy

## HIGHLIGHTS

- Moderate growth in the State's tax base is expected over the forward estimates period as the economy continues its transition from business investment-led growth to production and exports. This is occurring at the same time as the State's share of GST revenue declines sharply, and as population growth continues to drive demand for key services and infrastructure.
- The Government is meeting this demand with additional spending in priority areas, including health, education, disability services, and child protection. In addition, significant operating subsidies are being paid to public corporations due to services being delivered at prices below full cost recovery.
- To accommodate these priorities and still deliver general government operating surpluses, the Budget implements new revenue and savings measures totalling \$2 billion in net debt terms over the budget period. These measures build on the Fiscal Action Plan announced in last year's Budget, and help contain average expense growth over the forward estimates period to 3.5% per annum (in line with average revenue growth of 3.6%).
- As a result of these new measures, a general government operating surplus of \$175 million is forecast for 2014-15, following an estimated \$183 million surplus in 2013-14.
- These surpluses are very modest, particularly in the context of the Government's significant ongoing Asset Investment Program (AIP), which totals \$6.7 billion in 2014-15 and \$23.7 billion over the next four years.
- Consequently, net debt levels are projected to increase from an estimated \$22 billion at 30 June 2014 to \$29.4 billion by 30 June 2018.
- A number of financial targets are not expected to be met on the basis of the projections in this Budget. In particular, the net debt to revenue ratio is forecast to exceed the 55% target limit in each year of the budget period.

- However, these Budget projections do not include any provision for anticipated asset sales over the next three years. Asset sales proceeds will only be brought to book upon successful completion of the sales transactions.

## Introduction

As outlined in earlier chapters, economic growth in Western Australia is moderating from recent record highs. This is resulting in subdued growth in taxation collections, which is coinciding with the State's share of GST revenue declining sharply due to the lagged nature of the GST distribution process.

General government sector revenue growth is expected to average 3.6% per annum over the four year budget period (2014-15 to 2017-18), down from annual average growth over the past decade of 8.1%. Expense growth is expected to average 3.5% per annum over the same period. These projections are leading to very small general government sector operating surpluses that are insufficient to fund the Government's infrastructure investment. This is driving further increases in net debt and gross borrowing levels.

In recognition of the need to tackle these issues, the 2014-15 Budget includes a new package of revenue and savings measures that builds on the Fiscal Action Plan announced in the 2013-14 Budget, and is focused on delivering existing commitments (including cost and demand pressures in key government services), with limited funding for new spending initiatives.

The Government is also progressing reforms aimed at modernising service delivery, examining the potential for asset divestment, and containing growth in public sector wages.

The following table outlines the key budget aggregates, which are discussed in detail in this chapter.

Table 1

**KEY BUDGET AGGREGATES**  
Western Australia

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Actual	Estimated	Budget Estimate	Forw ard Estimate	Forw ard Estimate	Forw ard Estimate
<b>GENERAL GOVERNMENT SECTOR</b>						
<b>Net Operating Balance (\$m)</b>	<b>249</b>	<b>183</b>	<b>175</b>	<b>5</b>	<b>50</b>	<b>283</b>
Revenue (\$m)	25,718	27,970	28,683	29,901	31,159	32,162
Revenue Growth (%)	2.0	8.8	2.6	4.2	4.2	3.2
Expenses (\$m)	25,468	27,787	28,508	29,896	31,109	31,879
Expense Growth (%)	3.7	9.1	2.6	4.9	4.1	2.5
<b>TOTAL PUBLIC SECTOR</b>						
Net Debt at 30 June (\$m)	18,188	22,042	24,918	26,190	27,556	29,378
Asset Investment Program (\$m)	7,355	7,095	6,728	5,391	5,479	6,083
Cash Position (\$m)	-3,888	-3,512	-2,668	-1,067	-1,131	-1,575
Gross Borrowings at 30 June (\$m)	39,740	42,570	43,473	45,012	47,189	49,559
<b>KEY FINANCIAL RATIOS <sup>(a)</sup></b>						
Cash Operating Surplus as a Share of Receipts (%)	5.9	5.1	5.3	5.4	5.3	5.7
Net Debt to Revenue (%)	50.6	56.8	61.2	60.8	60.4	61.5

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

## Summary of Financial Projections

### General Government Sector

#### Summary

A general government operating surplus of \$175 million is forecast for 2014-15, following an expected \$183 million surplus in 2013-14. Very small operating surpluses are forecast in the forward estimate years. At less than 1% of revenue in each year of the budget period, these surplus outcomes provide a limited buffer against adverse movements in the exchange rate or other key revenue and expense parameters. They also provide a very limited source of funding for essential infrastructure investment, with further borrowings needed to fund the infrastructure required to service the State's expanding population.

Table 2

<b>GENERAL GOVERNMENT</b>						
Summary Financial Statements						
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
<b>OPERATING STATEMENT</b>						
Revenue	25,718	27,970	28,683	29,901	31,159	32,162
Change	497	2,252	714	1,217	1,258	1,003
Growth (%)	2.0	8.8	2.6	4.2	4.2	3.2
Expenses	25,468	27,787	28,508	29,896	31,109	31,879
Change	897	2,318	722	1,388	1,213	770
Growth (%)	3.7	9.1	2.6	4.9	4.1	2.5
<b>Net Operating Balance</b>	<b>249</b>	<b>183</b>	<b>175</b>	<b>5</b>	<b>50</b>	<b>283</b>
<b>BALANCE SHEET</b>						
Assets <sup>(a)</sup>	138,440	141,598	147,109	151,681	156,859	161,599
Liabilities <sup>(b)</sup>	25,513	25,474	27,815	29,086	30,959	32,147
<b>Net Worth</b>	<b>112,927</b>	<b>116,124</b>	<b>119,294</b>	<b>122,596</b>	<b>125,899</b>	<b>129,452</b>
<b>STATEMENT OF CASHFLOWS</b>						
Net Cash Flows from Operating Activities	1,077	1,230	1,256	1,201	1,436	1,765
Asset Investment Program	3,195	3,168	3,169	2,241	2,302	2,208
<b>Cash Position</b>	<b>-1,952</b>	<b>-1,738</b>	<b>-1,622</b>	<b>-737</b>	<b>-633</b>	<b>-321</b>
<i>Memorandum Item: Net Debt</i>	4,742	7,426	9,953	11,350	12,553	13,297
<p>(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.</p> <p>(b) Includes all general government sector financial obligations such as outstanding borrowings, unfunded superannuation and other employee entitlements, accounts payable, etc.</p> <p>Note: Columns may not add due to rounding.</p>						

Following expected growth of 8.8% in 2013-14, general government revenue is forecast to grow by just 2.6% in 2014-15. This is despite a number of revenue measures in this Budget, including a 10% increase in land tax rates and a reduction in the transfer duty concession for first home buyers. In the absence of these new revenue measures, general government revenue was estimated to increase by just 1.5% in 2014-15.

Relative to the 2013-14 Mid-year Review (and excluding the impact of new policy decisions implemented in this Budget), the revenue estimates for the general government sector have been revised up by just \$160 million (or 0.1%) over the period 2013-14 to 2016-17. This mainly reflects the net impact of:

- higher GST grants (up \$1.4 billion), due to a slightly higher than expected population share of national GST collections in 2014-15 (37.6% compared to the Mid-year Review forecast of 31.3%). Despite this improvement, Western Australia's population share of the GST is still expected to decline sharply to just 11.1% by 2017-18;
- lower taxation revenue estimates (down \$780 million), primarily due to lower payroll tax (down \$543 million) from softer labour market conditions, lower land tax and Metropolitan Region Improvement Tax (MRIT, down \$170 million) due to weaker than expected land values, lower vehicle licence duty (down \$91 million), and lower transfer duty estimates (down \$78 million);

- a \$473 million decrease in North West Shelf and condensate compensation grants from the Commonwealth (reflecting exchange rate, production volume and liquefied natural gas (LNG) price movements);
- higher agency goods and services revenue (up \$364 million), which is offset by increased agency expenditure;
- lower royalty revenue (down \$287 million), with higher prices for gold more than offset by lower prices for other commodities, particularly iron ore; and
- lower revenue from public corporations (down \$271 million), mainly reflecting lower forecast profitability for the Water Corporation and electricity entities.

A new round of revenue measures has been required in this Budget in order to meet the demand for growth in key government services. These measures total \$1.1 billion over the period 2014-15 to 2017-18, and include a 10% increase in land tax rates, changes to the first home buyers transfer duty concession, abolition of the \$36 private motor vehicle registration fee concession, a \$365 increase in the Perth Parking Levy phased in over two years, interim dividend payments for the port authorities, and an increase in the landfill levy.

Expense growth is forecast to be 2.6% in 2014-15, and to average 3.5% over the four year forward estimates period. This reflects the recurrent savings measures in this Budget, in particular reductions in non-essential procurement expenditure and a \$1 billion cap on annual Royalties for Regions expenditure, as well as the Fiscal Action Plan measures implemented last year. The key to meeting these modest rates of expenditure growth over the budget period is the Government's public sector workforce reforms, in particular the new public sector wages policy and the associated capping of agencies' salaries budgets to projected growth in the Perth Consumer Price Index (CPI).

General government net debt is forecast to rise to \$13.3 billion by 30 June 2018, representing around 45% of the \$29.4 billion total public sector net debt. This accommodates the net borrowing requirement needed to support the sector's infrastructure spending program, which is forecast to be \$3.2 billion in 2014-15 and a total of \$9.9 billion across the four year budget period.

### **Operating Statement**

A \$175 million operating surplus is forecast for the general government sector in 2014-15, an approximately \$300 million turnaround from the \$124 million operating deficit forecast in the December 2013 Mid-year Review. Modest operating surpluses are also forecast in each of the outyears to 2017-18.

The table below shows the impact of all changes on general government revenue and expenses since the Mid-year Review.



Table 3

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE  
VARIATIONS SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14	2014-15	2015-16	2016-17	2017-18	Total
	\$m	\$m	\$m	\$m	\$m	\$m
<b>2013-14 MID-YEAR REVIEW - NET OPERATING BALANCE</b>	<b>437</b>	<b>-124</b>	<b>263</b>	<b>10</b>		
<b>Revenue</b>						
<i>Impact of revenue measures</i>						
Increase Land Tax rates	-	72.0	79.0	87.0	96.0	334.0
Changes to first home buyers transfer duty concession	-	53.9	55.3	56.0	56.6	221.8
Abolition of private motor vehicle concession	-	43.5	45.9	48.4	51.1	188.9
Landfill Levy increase	-	16.6	60.4	61.2	64.2	202.4
Ports interim dividend	-	93.5	18.0	4.6	-	116.0
Increase Perth Parking Levy	-	9.9	20.4	20.4	22.0	72.6
<i>Total revenue measures</i>	-	<b>289.4</b>	<b>278.9</b>	<b>277.5</b>	<b>289.9</b>	<b>1,135.7</b>
<i>Other changes in revenue since the 2013-14 Mid-year Review</i>						
Taxation	-144.0	-170.2	-225.6	-240.2		-780.0
- Payroll tax	-113.3	-143.6	-146.1	-140.2		-543.2
- Transfer duty	-11.6	22.8	-33.1	-55.7		-77.6
- Land tax/MRIT	-	-50.6	-55.5	-63.4		-169.5
- Vehicle licence duty	-20.0	-21.3	-23.7	-26.1		-91.1
- Other taxes	0.9	22.5	32.8	45.3		101.5
Commonwealth grants	-38.7	457.3	456.5	298.1		1,173.2
- GST grants	-16.6	356.8	536.3	492.4		1,368.9
- North West Shelf/condensate compensation	45.3	-21.0	-174.8	-322.4		-472.9
- Non-government schools	43.6	52.4	54.3	55.7		206.0
- Health Activity Based Funding	-	6.1	29.3	54.6		90.0
- Other Commonwealth grants	-111.0	63.1	11.4	17.8		-18.8
Royalty income	-177.2	-203.0	-68.6	161.5		-287.3
- Iron ore	-182.1	-200.6	-71.5	168.0		-286.2
- Gold	30.5	30.8	33.4	22.4		117.1
- Other royalties	-25.6	-33.2	-30.5	-28.9		-118.2
Revenue from public corporations	-29.1	-117.1	-71.8	-52.9		-271.0
- Water Corporation	-26.0	-35.3	-37.6	-53.4		-152.3
- Electricity entities	-14.9	-73.9	-29.7	-41.4		-159.9
- Other public corporations revenue	11.7	-7.9	-4.5	41.9		41.2
Interest income	-9.0	-21.8	-18.4	-26.3		-75.6
Agency goods and services revenue	86.5	70.0	99.1	108.5		364.2
- School fees for children of 457 visa holders	-	6.7	13.4	13.4		33.5
- Other agency goods and services revenue	86.5	63.3	85.7	95.1		330.7
Other	14.6	0.0	-26.0	48.0		36.7
<i>Total Other Changes</i>	<b>-296.9</b>	<b>15.3</b>	<b>145.2</b>	<b>296.8</b>		<b>160.3</b>
<b>TOTAL REVENUE</b>	<b>-296.9</b>	<b>304.6</b>	<b>424.1</b>	<b>574.3</b>		<b>1,006.1</b>

Note: Columns may not add due to rounding.

Table 3 (cont.)

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE  
VARIATIONS SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14	2014-15	2015-16	2016-17	2017-18	Total
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Expenses</b>						
<i>Impact of savings measures</i>						
15% procurement reduction	-	-168.9	-	-	-	-168.9
Recruitment freeze	-21.4	-	-	-	-	-21.4
Advertising freeze	-7.4	-	-	-	-	-7.4
Management of Royalties for Regions	-	7.1	-33.7	24.0	-53.9	-56.5
Landfill levy - associated expense increases	-	4.2	15.1	15.3	16.1	50.6
<i>Total expense savings measures</i>	-28.8	-157.7	-18.6	39.3	-37.8	-203.6
<i>Other expense changes since the 2013-14 Mid-year Review</i>						
Education student enrolments	-	38.3	234.1	201.3		473.8
Health						
Activity and cost growth	-	206.8	101.2	-11.3		296.7
Leave liability	-	40.3	38.6	46.5		125.4
Footprints to Better Health	-	30.3	-	-		30.3
2013-14 cost pressures	105.8	-	-	-		105.8
Operating subsidy for lower Transperth fare revenue	20.5	40.5	71.2	95.5		227.7
On-passed non-government schools grants	43.6	52.4	54.3	55.7		206.0
Electricity tariff subsidies	-	39.3	45.3	47.7		132.3
Other electricity sector operating subsidies	-2.9	-55.5	-69.9	-69.8		-198.1
Disability services demand growth	-	25.3	49.9	51.5		126.6
Child protection demand growth	-	21.6	22.1	22.6		66.3
Water Corporation operating subsidies	-29.6	-51.8	-67.5	-77.1		-225.9
Albany Entertainment Centre delayed transfer	-	-70.0	70.0	-		-
Roads transferred to local governments	10.7	-59.8	47.0	-		-2.1
Removal of Ord asset transfer	-	-86.6	-	-		-86.6
Revised timing for South West Native Title Grants	-	-78.6	-10.4	-4.4		-93.4
Interest expenses	3.8	-18.9	-68.2	-79.8		-163.1
Other	-166.8	89.7	183.5	216.8		323.1
<i>Total Other Changes</i>	-14.9	163.5	701.1	495.3		1,344.9
<b>TOTAL EXPENSES</b>	-43.7	5.8	682.5	534.6		1,179.2
<b>TOTAL VARIANCE</b>	-253.2	298.8	-258.4	39.7		-173.0
<b>2014-15 BUDGET - NET OPERATING BALANCE</b>	<b>183</b>	<b>175</b>	<b>5</b>	<b>50</b>	<b>283</b>	

Note: Columns may not add due to rounding.

**2013-14 Estimated Actual <sup>1</sup>**

A general government sector operating surplus of \$183 million is estimated for 2013-14, lower than the \$437 million surplus expected at Mid-year Review. The weaker operating outcome is mainly due to lower revenue projections (down \$297 million), which have more than offset a small downward revision to recurrent spending (down \$44 million).

In 2013-14, general government operating revenue is estimated at \$28 billion, which is \$2.3 billion (or 8.8%) higher than 2012-13.

<sup>1</sup> Actual results for 2013-14 will be reported in the *Annual Report on State Finances*, which will be released by 28 September 2014.

Revenue growth in 2013-14 is underpinned by a strong increase in royalty revenue (up \$1.5 billion on 2012-13, including the impact of the increase in the royalty rate on iron ore ‘fines’ to 7.5% from 1 July 2013) and an increase in tax collections (up \$546 million), partly offset by a decline in GST grants (down \$463 million) reflecting Western Australia’s rapidly falling share of national GST revenue.

Relative to the forecasts in the 2013-14 Mid-year Review, the revenue outlook has deteriorated by an estimated \$297 million in 2013-14. This mainly reflects the net effect of:

- a decrease in royalty income (down \$177 million), mainly due to a decline in the forecast price of iron ore during the second half of the year;
- lower taxation revenue (down \$144 million), primarily due to lower payroll tax estimates (down \$113 million) and vehicle license duty (down \$20 million) as a result of softer domestic economic conditions;
- a decline in transport-related capital grants from the Commonwealth (down \$108 million);
- a projected increase in agency sales of goods and services (up \$87 million); and
- higher current grants and subsidies from the Commonwealth (up \$70 million), mainly due to higher non-government schools funding on-passed through the State.

Compared with 2012-13, general government expenses are expected to increase by \$2.3 billion (or 9.1%), to reach \$27.8 billion in 2013-14. This increase includes the \$158 million up-front cost of up to 1,200 voluntary separations targeted by the Government as part of last year’s Fiscal Action Plan<sup>2</sup>, the impact of policy measures to increase numbers of school health nurses and police officers, significant extra funding to meet cost and demand pressures in health and education, and increased Consolidated Account subsidies to public corporations.

The recruitment and advertising freezes on general government agencies, announced in April 2014 as part of the revenue and savings measures in this Budget, seek to limit expense growth during the later part of 2013-14 (with estimated savings of around \$29 million to 30 June 2014).

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<sup>2</sup> The 2013-14 Budget included \$100 million for the estimated cost of 1,000 voluntary separations as part of the Fiscal Action Plan. Reflecting the higher cost of these separations, this amount was increased to \$132 million at the time of the Mid-year Review. The Government approved a further \$26 million to bring total separations to 1,200 as part of this Budget. Since the budget cut-off date, the Public Sector Commission has indicated that both the cost and number of separations is likely to be slightly lower than the estimates in the 2014-15 Budget. The actual cost of the scheme will be reported in the September 2014 *Annual Report on State Finances*.

### **2014-15 and Beyond**

Small operating surpluses are in prospect for 2014-15 and the remainder of the outyears.

#### *Revenue*

Total general government revenue is forecast to slow significantly from growth of 8.8% in 2013-14 to 2.6% (or \$714 million) in 2014-15. Growth would have been only 1.5% in 2014-15 if the revenue measures outlined in this Budget were not implemented.

The modest increase in forecast revenue in 2014-15 reflects:

- the new revenue measures in this Budget (outlined above), which are forecast to raise around \$289 million in 2014-15;
- moderate growth in tax revenue. Excluding the new revenue measures, tax revenue is forecast to increase by \$296 million, or just 3.3%, due to the changing dynamics of the Western Australian economy (discussed in detail in Chapter 2 and Chapter 4);
- higher royalty income of \$265 million, which is a result of higher iron ore production volumes and a slightly lower (but still high) exchange rate, partially offset by a projected decline in iron ore prices; and
- lower GST grant revenue of \$258 million, with the Commonwealth Grants Commission (CGC) reducing Western Australia's population share of the GST from 44.6% in 2013-14 to 37.6% in 2014-15.

Revenue is forecast to grow by an average 3.6% per annum over the four years to 2017-18, below the average of 8.1% over the past decade. This modest growth is based on the expectation of a pick-up in payroll tax and steadier levels of transfer duty revenue as the domestic economy gradually improves. Royalty income is also forecast to rise over the forward estimates period due to further increases in iron ore production volumes.

Nevertheless, a continuing sharp decline in the State's GST grants from the Commonwealth significantly dampens revenue growth over the forward estimates, with the State's population share of the GST projected to decline to just 11.1% by 2017-18.

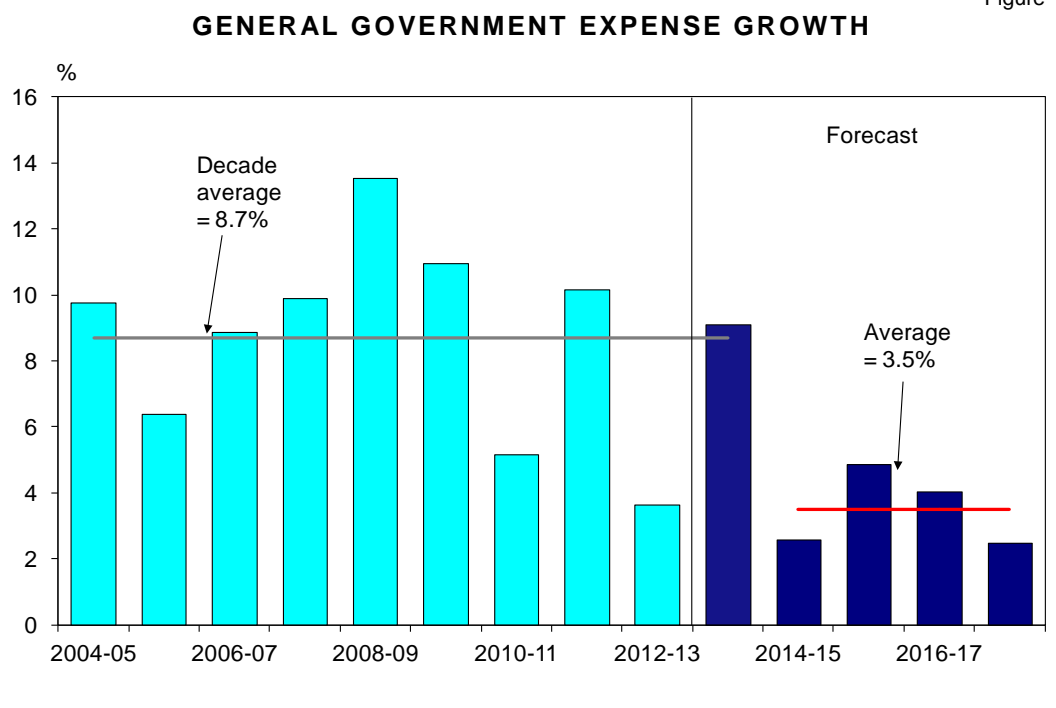
Further detail on the revenue projections for the general government sector can be found in Chapter 4: *General Government Revenue*.

#### *Expenses*

The revenue and savings measures introduced in this Budget have enabled the Government to allocate additional resources to meet cost and demand pressures for key government services, fund a limited number of new spending initiatives, while at the same time limiting overall growth in government expenses.

General government expenses are forecast to increase by \$722 million or 2.6% in 2014-15, consistent with forecast revenue growth of 2.6%, and well below the 8.7% average annual growth rate of the last decade.

Figure 1



Accommodated within the moderate overall rate of expense growth in 2014-15 are significant increases in expenditure for front-line services, including:

- an increase of \$447 million (or 5.9%) for WA Health to reflect revised activity and cost projections, primarily for hospital services;
- an increase of \$188 million (or 4.3%) for the Department of Education to meet forecast enrolment and cost growth;
- an increase of \$84 million (or 6.6%) for Western Australia Police to meet increasing demand for policing services, including the recruitment of additional officers in line with the Government’s commitments;
- an increase of \$73 million (or 9.1%) for the Disability Services Commission to meet forecast growth in demand for existing services and commence the My Way trial site for the National Disability Insurance Scheme in the lower South West;
- an increase of \$46 million (or 6.1%) for the Mental Health Commission to meet activity growth and continue the State-wide Specialist Aboriginal Mental Health Service; and
- an increase of \$34 million (or 5.7%) for the Department for Child Protection and Family Support to meet projected growth in demand, continue the Hardship Utilities Grant Scheme, and maintain the current level of homelessness services.

Achieving the expense growth projections contained in this Budget will require that previous savings targets are achieved, and important reforms are successfully implemented. This includes delivery of the Government's public sector workforce reforms, implementation of the program evaluation initiative announced in last year's Budget (see feature box below), and progression to a national efficient price for hospital services by WA Health over the next four years.

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

### **Program Evaluation**

The Government is committed to delivering programs and services that provide quality outcomes and value for money to the people of Western Australia. Recognising the key role evaluation plays in evidence-based policy and decision making, the Government announced a new, systematic approach to program and service evaluation in the 2013-14 Budget. This included establishing a Program Evaluation Unit within the Department of Treasury and identifying a number of priority areas of government service delivery for evaluation.

Since its formation in September 2013, the Unit has supported a number of Directors General Steering Committees to conduct robust evaluation in areas including information and communication technology (ICT); corrective services; grants and social concessions; and Government Regional Officer Housing (GROH).

These Steering Committees are considering whether there is still a genuine need for a particular program or service, and will identify opportunities for delivering the service more efficiently and effectively.

Better, smarter and more coordinated procurement, particularly with regard to ICT, can yield savings and efficiencies without affecting frontline service delivery. Public sector purchasing power can be maximised to achieve economies of scale and deliver value for money for telecommunication and software licence contracts, as well as optimise the use of data centres across government.

The GROH program is also being evaluated to ensure existing housing stock composition is the most appropriate mix for the housing market in regional areas, both now and into the future. A whole-of-government regional housing framework and agency regional housing models (which are distinct from GROH) will also be examined to ensure a consistent and coordinated approach to the provision of housing to public sector employees working in regional and remote areas of Western Australia.

Existing grants and social concessions will be evaluated to ensure they are allocated as efficiently as possible, are correctly targeted and are effective in meeting the Government's priorities. This evaluation will also consider the administration of grants and social concessions, to ensure that they are being administered in a coordinated and efficient manner.

Within the corrective services evaluation, opportunities will be identified to improve the effectiveness and efficiency of specific programs and services, including the management of very short-term prisoners, and options to expand the use of technology such as audio visual conferencing. Baseline data for the corrective services system will also be developed to enable benchmarking of services, programs and facilities.

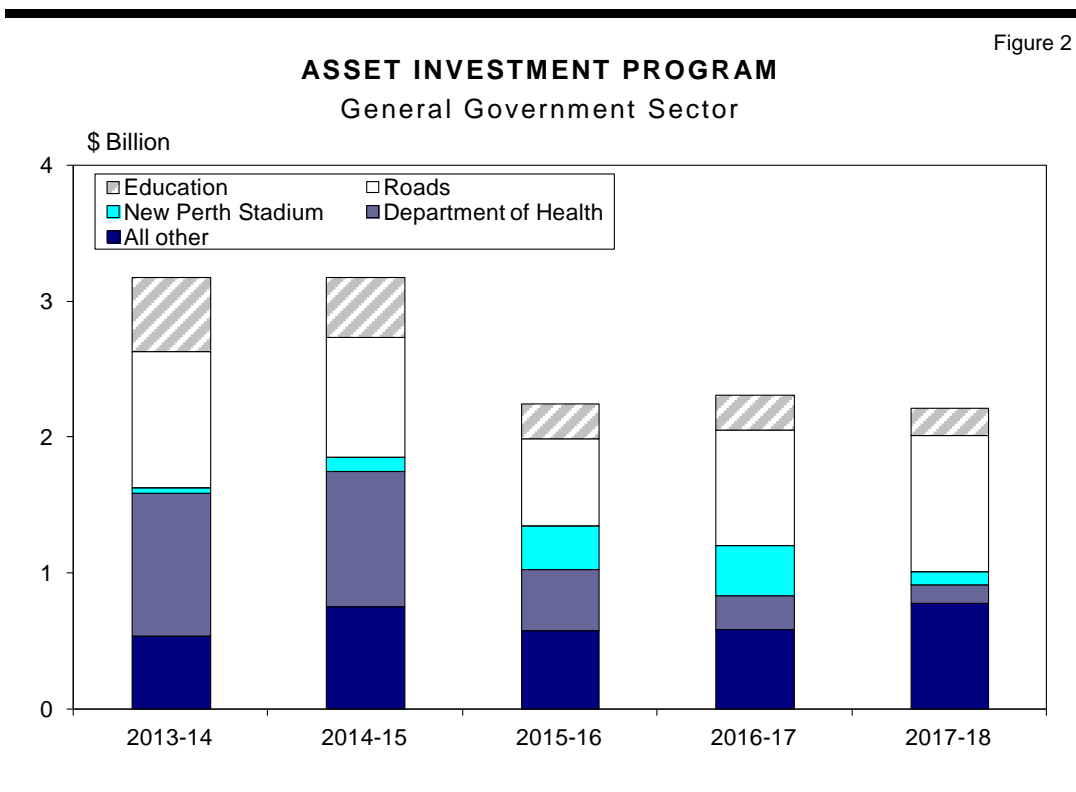
Savings in some of these areas are likely to be realised over the medium term given the size and complex nature of the programs or service. However, it is anticipated that efficiencies and savings can be achieved in the short-term, particularly in regards to ICT procurement.

In addition to progressing the priority area evaluations, the Unit has also focused on developing a culture of evaluation and continuous improvement across the Western Australian public sector. To assist in this, the Unit has created an evaluation network to assist with building evaluation capacity across the public sector, published a program evaluation guide and launched a new website ([www.programevaluation.wa.gov.au](http://www.programevaluation.wa.gov.au)) to improve consistency across evaluations and provide a platform for continuous learning.

### Capital Investment

The general government sector is forecast to invest \$3.2 billion in infrastructure in 2014-15. Infrastructure investment is expected to ease to around \$2.2 billion in 2015-16, and remain around this level for the remainder of the outyears. This decline in expected general government infrastructure investment from the highs of recent years reflects the completion, or nearing completion, of major hospital infrastructure and the retiming of a number of projects in light of fiscal constraints (including changes made to the timing of projects announced as part of the extended Fiscal Action Plan in the December 2013 Mid-year Review).

In total, the general government sector is forecast to invest \$9.9 billion in infrastructure over the period 2014-15 to 2017-18, representing 42% of the Government’s total AIP (\$23.7 billion) over this period.



This Budget includes limited new funding for general government sector infrastructure projects. New spending includes:

- \$277 million over four years for infrastructure projects across the Peel, Wheatbelt, South West and Great Southern regions (funded by Royalties for Regions);
- \$113 million over four years for economic, social and community development projects that arise from the preparation of Regional Investment Blueprints (funded by Royalties for Regions);
- \$33 million over five years to enhance and consolidate the revenue system of the Office of State Revenue;
- \$29 million between 2014-15 and 2016-17 for the establishment of a new career fire and rescue service (CFRS) station to the west of the Perth central business district (\$20 million) and the replacement of the 75 year old CFRS station in Albany (\$9 million);
- \$28 million over the next four years for the replacement of PathWest's existing Laboratory Information Systems;
- \$19 million over two years from 2016-17 to upgrade, refurbish and replace infrastructure across State Training Provider campuses;
- \$17 million in 2014-15 for stabilising the existing ICT platform across WA Health;
- \$15 million over the next four years to construct a new Specialist Engineering Training Centre at Challenger Institute of Technology; and
- \$14 million over three years commencing in 2014-15 (as part of a total \$25 million) to replace Western Australia Police's Computer Aided Dispatch system, which is the front-line response to triple-0 calls.

As part of the savings and revenue measures contained in this Budget, and building on the \$1.9 billion review of the Government's infrastructure program reflected in the 2013-14 Mid-year Review, a total of \$243 million in infrastructure spending has been deferred beyond 2017-18. In addition, a number of general government agencies will be expected to achieve a 5% saving in their four year infrastructure programs. Further information on these measures can be found in the feature box on revenue and savings measures contained in Chapter 1.

Consistent with previous budget rounds, this Budget includes a \$375 million provision in 2013-14 for yet to emerge slippage in the sector's infrastructure program.



## Balance Sheet

The net worth of the general government sector<sup>3</sup> is forecast to increase in each year of the forward estimates period, rising from \$112.9 billion at 30 June 2013 to a forecast \$129.5 billion by 30 June 2018<sup>4</sup>.

Table 4

**GENERAL GOVERNMENT**  
Balance Sheet at 30 June

	2013	2014	2015	2016	2017	2018
	\$m	\$m	\$m	\$m	\$m	\$m
<b>2014-15 BUDGET</b>						
Assets	138,440	141,598	147,109	151,681	156,859	161,599
Liabilities	25,513	25,474	27,815	29,086	30,959	32,147
<i>Net Worth</i>	112,927	116,124	119,294	122,596	125,899	129,452
<b>Net Debt</b>	<b>4,742</b>	<b>7,426</b>	<b>9,953</b>	<b>11,350</b>	<b>12,553</b>	<b>13,297</b>
<b>2013-14 MID-YEAR REVIEW</b>						
Assets	138,440	142,538	148,238	153,873	159,443	na
Liabilities	25,513	25,813	28,474	30,494	32,833	na
<i>Net Worth</i>	112,927	116,725	119,764	123,380	126,609	na
<b>Net Debt</b>	<b>4,742</b>	<b>7,478</b>	<b>9,554</b>	<b>10,787</b>	<b>12,038</b>	<b>na</b>
<b>VARIANCE</b>						
Assets	-	-940	-1,129	-2,192	-2,584	na
Liabilities	-	-339	-659	-1,408	-1,874	na
<i>Net Worth</i>	-	-601	-470	-784	-710	na
<b>Net Debt</b>	-	<b>-52</b>	<b>400</b>	<b>563</b>	<b>515</b>	<b>na</b>

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 17%) to \$161.6 billion by 30 June 2018. This is largely due to:

- an increase in the value of non-financial assets (up a forecast \$15.9 billion), underpinned by infrastructure investment across the sector and forecast increases in the value of land holdings;
- a forecast \$8.1 billion increase in the value of public corporations, reflecting operating surplus projections across both the financial and non-financial corporations sectors, and the impact of higher asset values over the forward estimates period; and
- a \$1.6 billion decline in cash and liquid asset holdings, mainly reflecting Government decisions to reduce borrowings through better use of available cash holdings.

<sup>3</sup> 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.

<sup>4</sup> 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.

General government liabilities are projected to increase by \$6.6 billion by 30 June 2018. 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 remain largely unchanged across the forward estimates period. With the last unfunded defined benefit scheme closed to new members in 1996, unfunded superannuation liabilities will gradually decline as these entitlements are paid out over the next two to three decades.

### **Cashflow Statement**

Cash deficits are forecast for the general government sector in each year of the forward estimates period. A \$1.6 billion cash deficit is in prospect for 2014-15, with smaller deficits across the outyears, reducing to a modest \$321 million by 2017-18.

This trend reflects growing cash surpluses from operating activities (rising from \$1.3 billion in 2014-15 to \$1.8 billion in 2017-18), and reducing net cash flows from investing activities (declining from \$2.9 billion in 2014-15 to \$2.1 billion in 2017-18 as large infrastructure projects delivered by the general government sector, such as the hospital replacement program, reach completion). The new revenue and savings measures implemented in this Budget also contribute to the declining cash deficit projections.

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

### **Summary**

Operating deficits are forecast for the total public sector in 2014-15 and in each year of the forward estimates period. These operating deficits, combined with the State's significant infrastructure program, are leading to net debt for the total public sector increasing from an estimated \$22 billion at 30 June 2014 to a projected \$29.4 billion by 30 June 2018.

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

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<sup>5</sup> The total public sector consolidates the general government sector (discussed above), the public non-financial corporations sector (which includes entities operating on a predominantly cost recovery basis like the State's ports, the Public Transport Authority 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, the Insurance Commission of Western Australia and Keystart).

Table 5

**TOTAL PUBLIC SECTOR**  
Summary Financial Statement

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
<b>OPERATING STATEMENT</b>						
Revenue	40,794	43,370	45,285	47,866	50,703	53,067
Expenses	41,003	43,973	45,523	48,256	51,099	53,164
<b>Net Operating Balance</b>	<b>-208</b>	<b>-603</b>	<b>-238</b>	<b>-390</b>	<b>-395</b>	<b>-97</b>
<b>BALANCE SHEET</b>						
Assets	174,904	181,526	185,640	190,683	196,805	203,342
Liabilities	61,977	65,402	66,346	68,088	70,906	73,890
<b>Net Worth</b>	<b>112,927</b>	<b>116,124</b>	<b>119,294</b>	<b>122,596</b>	<b>125,899</b>	<b>129,452</b>
<b>STATEMENT OF CASHFLOWS</b>						
Net Cash Flows from Operating Activities	2,565	2,336	2,708	2,890	2,978	3,377
Asset Investment Program	7,355	7,095	6,728	5,391	5,479	6,083
<b>Cash Position</b>	<b>-3,888</b>	<b>-3,512</b>	<b>-2,668</b>	<b>-1,067</b>	<b>-1,131</b>	<b>-1,575</b>
<i>Memorandum Item: Net Debt</i>	18,188	22,042	24,918	26,190	27,556	29,378

Note: Columns may not add due to rounding.

### Operating Statement

In addition to the general government sector operating outlook discussed earlier in this chapter:

- the public non-financial corporations (PNFC) sector is expected to be in a small (\$37 million) operating deficit position in 2013-14 before turning around to surplus outcomes in 2014-15 and each of the outyears; and
- the public financial corporations (PFC) sector is expected to be in an operating surplus position in 2013-14, 2014-15 and each year of the forward estimates period.

For the consolidated total public sector<sup>6</sup>, an operating deficit of \$238 million is forecast in 2014-15, a \$261 million improvement on the \$499 million deficit forecast in the 2013-14 Mid-year Review. Deficit outcomes in the order of \$390 million and \$395 million in 2015-16 and 2016-17 respectively are in prospect, with a smaller \$97 million deficit forecast for 2017-18.

<sup>6</sup> Consolidation of the sub-sectors of the public sector removes transactions between each part of government. In aggregate, the operating balance of the total public sector is equal to the sum of the general government and public corporations sectors' operating balances, less dividend revenue. Under Australian Accounting Standards, the dividend costs of the public corporations sectors are not classified as expenses, although the associated general government and PNFC sector dividend income is recognised as revenue.

Table 6

**TOTAL PUBLIC SECTOR OPERATING BALANCE****By Sector**

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
<b>Net Operating Balance</b>						
General government sector	249	183	175	5	50	283
Public non-financial corporations sector	304	-37	371	460	472	541
Public financial corporations sector	91	159	210	223	237	251
<i>less</i>						
General government dividend revenue	796	850	938	990	1,060	1,077
Public non-financial corporations dividend revenue <sup>(a)</sup>	56	58	56	87	94	95
<b>Total public sector net operating balance</b>	<b>-208</b>	<b>-603</b>	<b>-238</b>	<b>-390</b>	<b>-395</b>	<b>-97</b>

(a) Dividends received from Keystart (a PFC) by the Housing Authority (a PNFC).

Note: Columns may not add due to rounding.

**Public Non-Financial Corporations**

An operating surplus of \$371 million is forecast for the PNFC sector in 2014-15, following a very small \$37 million estimated deficit in 2013-14. Operating surpluses are forecast for the outyears, with a \$460 million outcome projected for 2015-16, increasing to a forecast \$541 million surplus by 2017-18.

Relative to the 2013-14 Mid-year Review, these operating outcomes are in aggregate \$93 million lower across the period 2014-15 to 2016-17. Both revenue and expenses have been substantially revised down since the Mid-year Review, particularly in 2014-15 which shows a \$1.4 billion reduction to both income and recurrent costs. This is mainly due to large reductions (of an almost equivalent magnitude) in revenue and expenses for the Gold Corporation, reflecting a decrease in the expected price and volumes of precious metals purchased and sold by the Corporation (which can be volatile from year to year due to market conditions impacting commodity price movements).

Other material changes to the PNFC outlook since the Mid-year Review include:

- a number of significant pricing decisions for key services provided by PNFC agencies, notably:
  - a 4.5% increase in residential electricity tariffs in 2014-15, followed by assumed increases of 7% each year thereafter, increasing subsidies paid to Synergy and Horizon Power by \$132 million over the period 2014-15 to 2016-17; and
  - a 4% increase in standard public transport fares, rounded to the nearest 10 cents, and an increase in the 50 cent student fare to 60 cents. Together with the impact of lower public transport patronage (based on recent passenger boarding data), which will more than offset the effect of fare increases, operating subsidies paid to the Public Transport Authority are forecast to increase by a total \$232 million between 2013-14 and 2016-17;

- lower operating expenditure by the Water Corporation due to lower growth and inflation forecasts, and savings through efficiencies. This has contributed to a reduction in forecast operating subsidies totalling \$226 million over the period 2013-14 to 2016-17;
- the impact of the merger between Synergy and Verve Energy from 1 January 2014, with a reduction in tax equivalent and dividend payments to the Consolidated Account reflecting the offsetting of Synergy losses against Verve Energy profits in the combined entity; and
- Horizon Power's Strategic Review Program has reduced its operating expenditure over the forward estimates period by approximately \$36 million per annum. Due to this reduction in expenditure, and other changes to its business parameters throughout 2013-14, Horizon's Tariff Equalisation Contribution for the period has also decreased. This in turn reduces Synergy's costs to supply electricity in the State's South West, which reduces tariffs for non-regulated customers and its operating subsidy requirements by \$181 million over the forward estimates period.

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

As was the case at the time of the Mid-year Review, operating surpluses are in prospect in each year of the forward estimates period for the PFC sector. A \$210 million surplus is forecast in 2014-15, following a \$159 million expected surplus in 2013-14, with surpluses gradually increasing to \$251 million by 2017-18.

Surpluses are stronger than forecast in the Mid-year Review, due mainly to the impact of lower projected claims expenses for the Insurance Commission of Western Australia (ICWA) (with actuarial forecasts of both the number and value of claims for ICWA revised down).

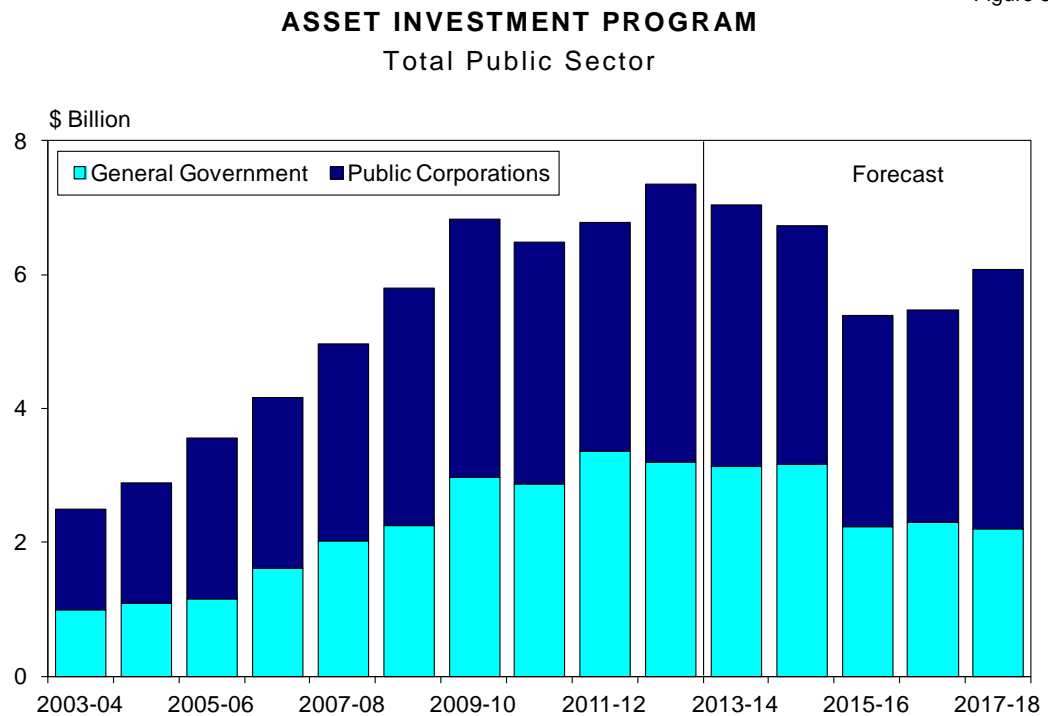
Large reductions in both gross revenue and expenses for the PFC sector relative to the Mid-year Review largely reflect lower net interest costs for the Western Australian Treasury Corporation, mainly reflecting lower than anticipated gross borrowings (discussed later in the chapter).

### **Capital Investment**

Spending on the State's AIP is forecast to be \$6.7 billion in 2014-15, down from an expected \$7.1 billion program for 2013-14. A total of \$23.7 billion is expected to be spent on infrastructure over the four years to 2017-18.

Movements in the general government sector's infrastructure investment program are detailed earlier in this chapter. The PNFC sector accounts for approximately 55% of the AIP in 2014-15, with this proportion expected to rise to around 64% of total infrastructure spending by 2017-18 as general government sector investment in new hospitals winds down and PNFC sector spending on new public transport projects (most notably the Forrestfield Airport Link) accelerates in the outyears.

Figure 3



Relative to the 2013-14 Mid-year Review, the total size of the AIP has increased by \$270 million across the period 2013-14 to 2016-17. Higher than previously anticipated spending in 2014-15 largely reflects the timing of spending previously expected to be incurred in 2013-14.

Reductions through contract efficiencies and the reprioritisation of projects included in this Budget largely offset agency spending increases, with these measures reducing infrastructure spending by a total of \$721 million for the period 2014-15 to 2017-18 (with \$378 million of this amount reflected in PNFC sector agencies).

Other significant changes to infrastructure spending for the PNFC sector include:

- a \$140 million reduction in spending by the Western Australian Land Authority (2013-14 to 2016-17), reflecting the Authority's strategic direction in terms of land sales, acquisitions and development expenditure. Of note, the Authority's forecasts of asset sales used to partly fund its spending program have been reduced by \$334 million across the same period and are predominantly related to the slowdown in resource-related business investment affecting activity across the regional and industry programs;
- an additional \$85 million for Western Power to reinforce and replace a total of 147,500 wood poles over 2013-14 and 2014-15, and a further \$28 million in 2014-15 for the replacement of conductors and overhead service connections; and
- the purchase by the Water Corporation of the Ord Irrigation M2 Channel from the Department of State Development (\$97 million).

As with the general government sector (discussed earlier), the PNFC sector includes a provision for slippage across the 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 \$375 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 \$2.7 billion is projected for the total public sector in 2014-15, with deficits ranging from \$1.1 billion in 2015-16 to \$1.6 billion in 2017-18 expected across the forward estimates period.

Operating cash surpluses ranging from \$2.7 billion (in 2014-15) to \$3.4 billion (in 2017-18) are not large enough to fully fund the Government's infrastructure program, resulting in annual cash deficits and increasing borrowings (to fund those cash deficits) over the forward estimates period.

### **Net Debt and Gross Borrowing**

Net debt for the total public sector is forecast to increase from \$18.2 billion at 30 June 2013 to \$29.4 billion by 30 June 2018. These estimates are higher than those at the time of the Mid-year Review, with the \$27.6 billion forecast now in prospect for 30 June 2017, standing \$663 million higher than the \$26.9 billion Mid-year Review estimate for that year (the latest outyear included in that publication).

Additional savings measures such as AIP efficiencies and deferrals, as well as revenue measures, have only partially offset weaker revenue collections and demand-driven spending increases in crucial areas such as health, education, child protection and disability services.

The following table provides a summary of the changes to projected net debt levels since the 2013-14 Mid-year Review.

Table 7

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

	2014 \$m	2015 \$m	2016 \$m	2017 \$m	2018 \$m
<b>2013-14 MID-YEAR REVIEW - TOTAL PUBLIC SECTOR NET DEBT</b>	<b>21,880</b>	<b>24,186</b>	<b>25,345</b>	<b>26,922</b>	
<i>Less</i> change in net cashflows from operating activities and dividends paid					
- general government	-179.9	-15.4	-14.7	179.4	
- public non-financial corporations	-98.8	-24.6	149.2	15.2	
- public financial corporations	-8.5	123.9	106.0	109.4	
<i>Total public sector</i>	<i>-287.3</i>	<i>83.8</i>	<i>240.5</i>	<i>304.0</i>	
<i>Plus</i> purchases of non-financial assets					
Savings Measures					
5% Asset Investment Program efficiencies	-	-130.3	-113.2	-115.8	-118.9
2017-18 Asset Investment Program deferrals	-	-	35.0	9.4	-287.0
Management of Royalties for Regions	-	14.0	-4.6	-16.4	19.0
Other Changes					
Main Roads	-107.5	155.4	31.4	23.4	
Public Transport Authority	-126.8	-4.0	21.8	56.2	
WA Health	-57.4	104.7	102.8	-48.5	
Western Power	-49.2	191.1	-13.4	-27.3	
Land Authority	-56.7	-21.3	-9.0	-52.9	
Water Corporation	-11.8	82.8	42.0	-9.0	
Changes to underspending and smoothing provisions	450.0	-125.0	-125.0	-	
All other	-272.1	190.9	106.0	150.1	
<i>Total purchase of non-financial assets</i>	<i>-231.7</i>	<i>458.3</i>	<i>73.9</i>	<i>-30.9</i>	
<i>Less</i> proceeds from sale of non-financial assets					
Land Authority	-71.4	-73.2	-175.6	-14.1	
Other agencies	-31.9	-11.0	-8.3	1.6	
<i>Total sales of non-financial assets</i>	<i>-103.3</i>	<i>-84.2</i>	<i>-183.9</i>	<i>-12.5</i>	
<i>Plus</i> all other financing					
All Other <sup>(a)</sup>	3.5	110.6	96.1	110.8	
<i>Cumulative impact on net debt at 30 June</i>	<i>162.4</i>	<i>731.6</i>	<i>845.0</i>	<i>633.3</i>	
<b>2014-15 BUDGET - TOTAL PUBLIC SECTOR NET DEBT</b>	<b>22,042</b>	<b>24,918</b>	<b>26,190</b>	<b>27,556</b>	<b>29,378</b>

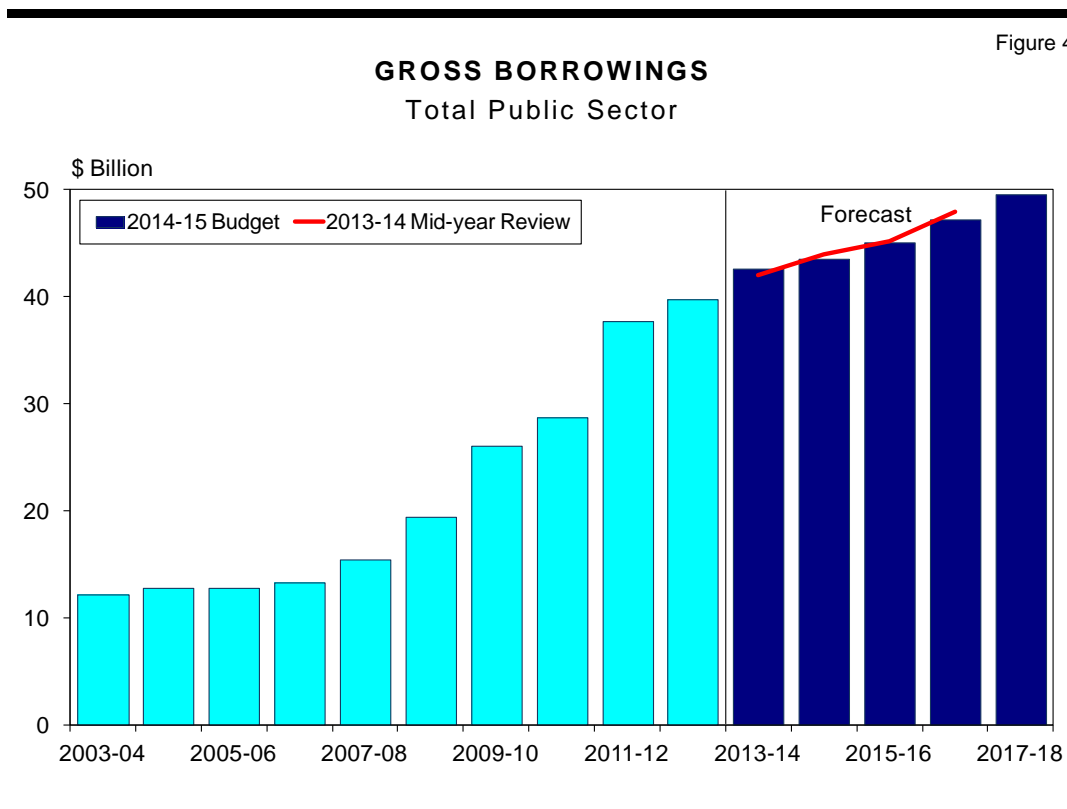
(a) Includes other movements in net debt attributable to issues such as revaluations of investment assets and debt liabilities, net acquisitions of financial assets for liquidity purposes, the acquisition of non-financial assets under finance leases and similar arrangements, etc. These transactions have no associated operating or infrastructure cash flows reflected in other items in this table.

Note: Columns may not add due to rounding.

Consistent with previous projections, the 2014-15 Budget includes a significant increase in projected borrowings over the forward estimates period. Based on current forecasts, total public sector gross borrowings will increase to an estimated \$47.2 billion by 30 June 2017 (down from a \$48 billion estimate at the time of Mid-year Review) and \$49.6 billion by 30 June 2018.



Figure 4



Relative to the Mid-year Review, the \$0.8 billion lower projection for gross borrowings at 30 June 2017 reflects the revenue and savings measures in this Budget, including the recovery of excess cash balances from agencies and the Government’s decision to change the way the Royalties for Regions Fund will be managed going forward, including the imposition of a \$1 billion per year limit on Royalties for Regions expenditure.

## Government Financial Strategy Statement

The Government is committed to increasing prosperity and securing the State’s economic future. Critical to this objective is the provision of high quality, cost-efficient government services and an infrastructure program that will substantially increase the State’s productive and social capital. The 2014-15 Budget contains savings and revenue measures that build on previous reforms and ensure the Government’s infrastructure and service priorities remain affordable.

The Government Financial Strategy Statement comprises the following financial targets, which are unchanged from the 2013-14 Budget.

### Financial Targets

Financial targets, and progress against these targets, are key components of the State’s financial strategy and are an important requirement of the *Government Financial Responsibility Act 2000*. The Government’s financial targets are to:

- ensure that general government sector expense growth does not exceed revenue growth;

- maintain a cash surplus from operating activities for the general government sector of at least 50% of infrastructure spend per year;
- maintain the total non-financial public sector (TNPS) net debt to revenue ratio at or below 55%;
- maintain a cash operating surplus for the TNPS of at least 5% of operating cash receipts; and
- provide a fair and efficient taxation system that is competitive with other Australian States.

The following table summarises compliance with these targets. A challenging budget environment, including increasing net debt and a weak revenue outlook, is evident in the overall performance against the Government's targets, particularly in the budget year. Projected performance improves in the outyears for most targets, reflecting the combined impact of a strengthening economy (flowing through to taxation revenue), the Government's measures to limit expenditure and debt growth, and an easing in infrastructure spending.

Table 8

<b>2014-15 BUDGET FINANCIAL TARGET COMPLIANCE</b>					
	2013-14 Estimated Actual	2014-15 Budget Estimate	2015-16 Forward Estimate	2016-17 Forward Estimate	2017-18 Forward Estimate
Ensure expense growth does not exceed revenue growth					
- Current estimate (revenue growth minus expense growth)	-0.3	-	-0.6	0.2	0.7
- Compliance	No	Yes	No	Yes	Yes
Maintain a cash surplus from operating activities for the general government sector of at least 50% of infrastructure spend					
- Current estimate	38.8	39.6	53.6	62.4	79.9
- Compliance	No	No	Yes	Yes	Yes
Maintain TNPS net debt at or below 55% of revenue					
- Current estimate	56.8	61.2	60.8	60.4	61.5
- Compliance	No	No	No	No	No
Maintain a TNPS cash operating surplus of at least 5% of receipts					
- Current estimate	5.1	5.3	5.4	5.3	5.7
- Compliance	Yes	Yes	Yes	Yes	Yes
Maintain the State's tax competitiveness					
- Compliance	Yes	Yes	Yes	Yes	Yes

Performance against the Government's financial targets is discussed in more detail below.

### Ensure that general government sector expense growth does not exceed revenue growth

Across the forward estimates period (2014-15 to 2017-18), general government expenses are forecast to grow by an average 3.5% per annum, just below average annual revenue growth over the same period of 3.6% per annum. However, the target is not expected to be met in 2013-14 or 2015-16 with expense growth in those years forecast to just exceed revenue growth.

As noted earlier in this chapter, modest growth in revenue across the budget period reflects a combination of moderating domestic economic conditions and the lagged nature of the GST distribution process, which is expected to see Western Australia’s GST revenue fall from \$2.5 billion in 2013-14 to just \$799 million by 2017-18.

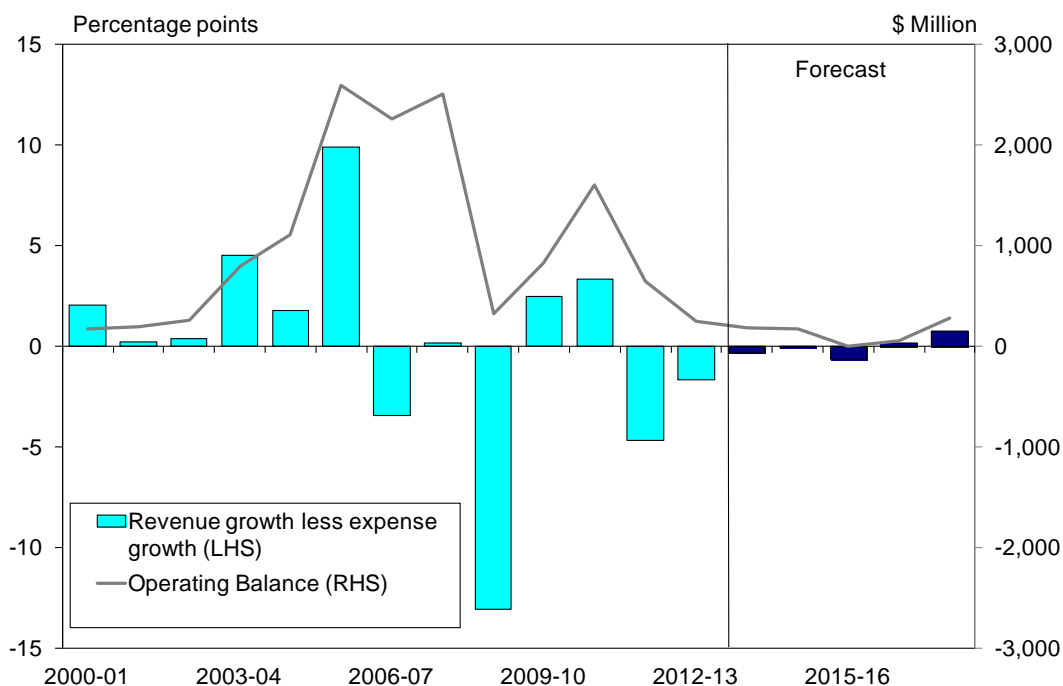
Given the subdued revenue outlook, the Government has put significant effort into containing salaries and total expenditure growth. This includes new recurrent savings measures in this Budget and the Fiscal Action Plan implemented last year, including limiting increases in public sector wages and conditions to projected growth in the Perth CPI.

Overall, projected revenue and expense growth rates are very similar over the forward estimates period and, in both cases, well below historical growth rates of the last 10 years. As a result, performance against this target is sensitive to relatively small variations in the revenue and expense outlook.

A more detailed discussion of general government sector revenue and expenses is available at the beginning of this chapter.

Figure 5

#### REVENUE GROWTH LESS EXPENSE GROWTH (a) AND OPERATING BALANCE General Government Sector



(a) Outcomes greater than zero are consistent with meeting the target.

**Maintain a cash surplus from operating activities for the general government sector of at least 50% of infrastructure spend per year**

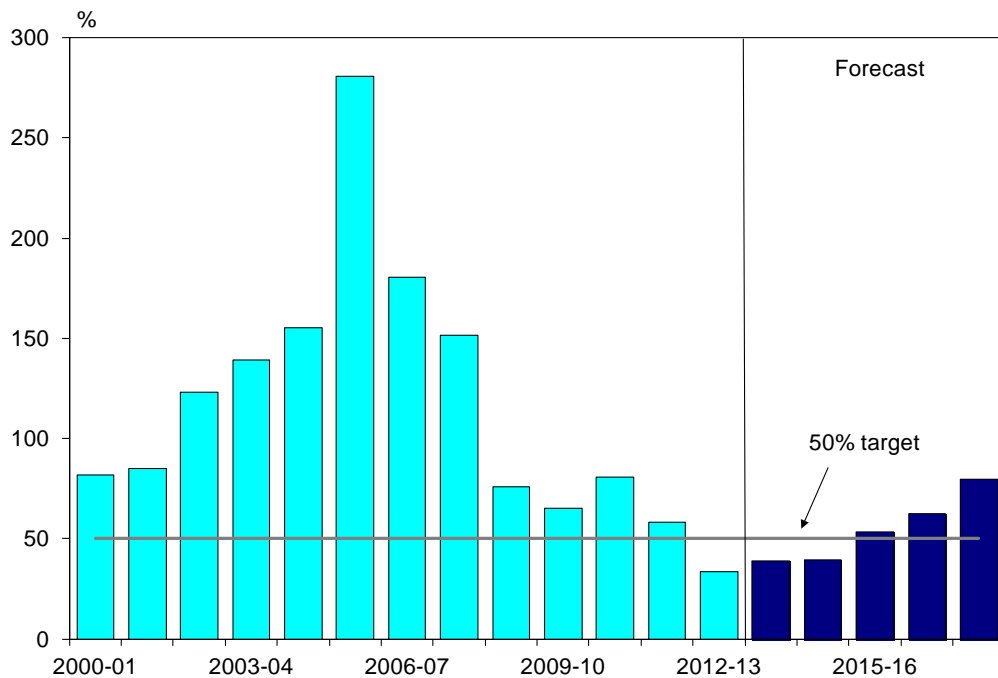
High levels of infrastructure expenditure, combined with modest cash surpluses from operating activities, are expected to result in this target not being met in 2013-14 or 2014-15. However, the target is projected to be met in each of the outyears.

Outcomes above the 50% target indicate that the general government sector is funding a substantial proportion of its infrastructure spend from cash generated from day-to-day (or operating) activities, which in turn limits the reliance on general government borrowings.

The expected improvement in performance against this target across the forward estimates period reflects the impact of an easing in the State’s AIP from recent record highs. This in turn reflects the results of recent Government decisions to ensure the State’s AIP comprises priority projects that can be realistically delivered in the forward estimates period. The completion, or nearing completion, of a number of major health infrastructure projects (including the Fiona Stanley Hospital in 2013-14 and Perth’s Children’s Hospital in late 2015) is also contributing to a moderation in the sector’s infrastructure spending.

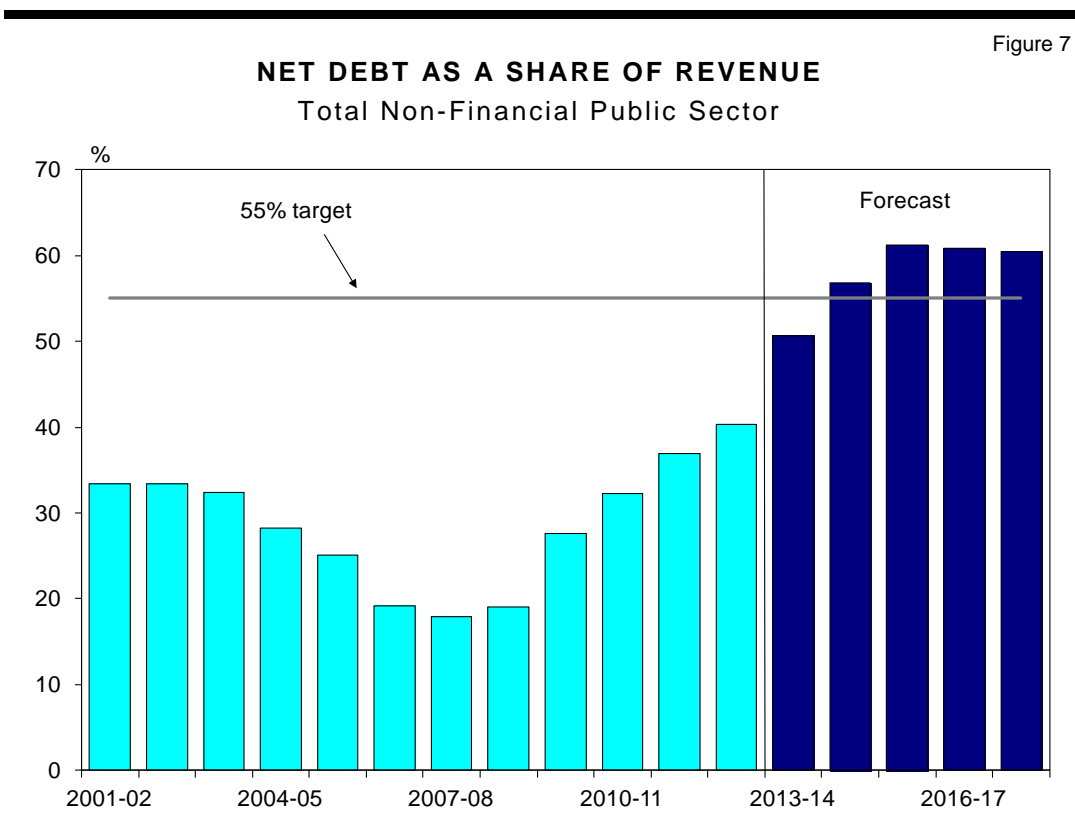
Figure 6

**CASH OPERATING SURPLUS AS A SHARE OF INFRASTRUCTURE SPENDING**  
General Government Sector



**Maintain TNPS net debt to revenue ratio at or below 55%**

This target is not expected to be met in the near term due to very small general government sector operating surpluses and the State’s \$23.7 billion infrastructure program over the next four years. Limiting growth in net debt, while still delivering the high quality services and infrastructure demanded by a growing population, remains a key budget challenge, with upward pressure on net debt exacerbated by the State’s soft revenue outlook.



Revenue and savings measures included in this Budget have reduced pressure on total public sector net debt levels by an estimated \$2 billion over the forward estimates period.

The Government has also responded to concerns about growth in gross borrowings that have been raised by ratings agency Standard & Poor’s. In this regard, Government decisions since the September 2013 downgrade of the State’s credit rating have slowed growth in gross borrowings to 30 June 2018 by around \$5.3 billion, reflecting:

- changes to the Consolidated Account borrowing levels detailed in the 2013-14 Mid-year Review (\$2.4 billion to 30 June 2018);
- the transfer of excess agency cash (beyond working capital and cash held for restricted purposes) to the Consolidated Account (estimated to be in the order of \$250 million based on agency balance sheet projections for 30 June 2014 submitted for this Budget); and

- the \$1 billion cap on annual spending by the Royalties for Regions program and implementation of the statutory \$1 billion cap on the balance of the Royalties for Regions Fund (\$2.7 billion to 30 June 2018).

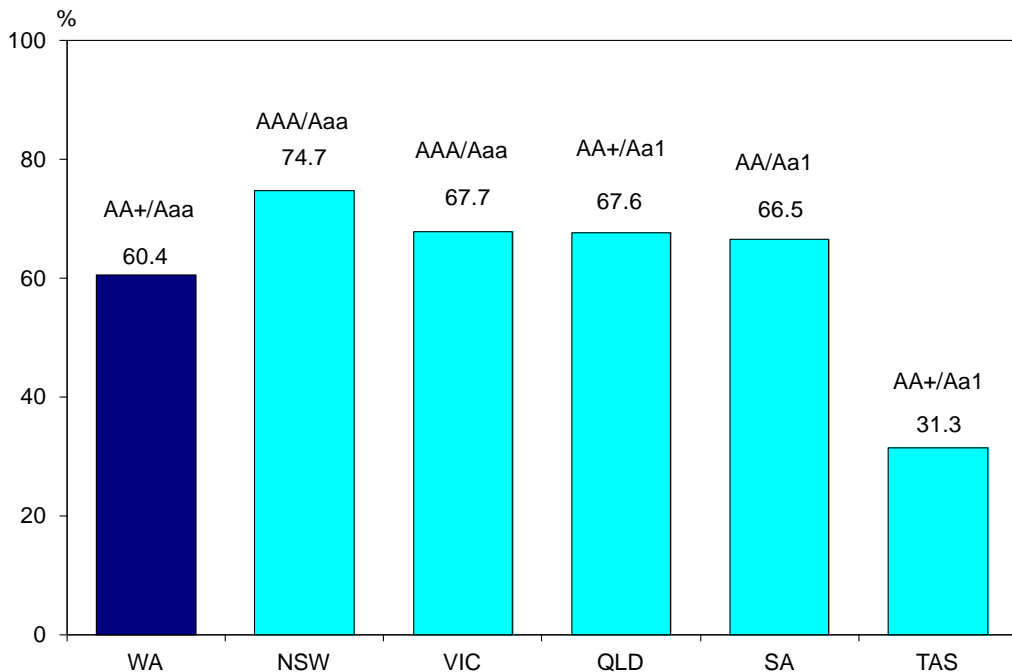
Although this target is not projected to be met in any year of the budget period, it remains an important objective for the Government, and further efforts aimed at reducing the State’s net debt burden, and improving debt affordability will be considered in the lead-up to the 2014-15 Mid-year Review and 2015-16 Budget.

In this regard, the Government is intending to pursue an orderly program of asset sales, and a number of assets have been identified that do not need to be in government ownership. The revenue generated from asset sales will be used to reduce debt levels (and in some cases, contribute to the costs of assets under construction).

Based on recent Mid-year Review projections of TNPS net debt to 30 June 2017 (the latest consistent data for other States), Western Australia’s projected net debt burden as a share of revenue is not substantially different to other Australian States and is below the levels forecast for New South Wales and Victoria, which are triple-A rated jurisdictions.

Figure 8

**STATES’ CREDIT RATING STATUS<sup>(a)</sup> AND  
NET DEBT AS A SHARE OF REVENUE – 2016-17<sup>(b)</sup>**  
Total Non-Financial Public Sector



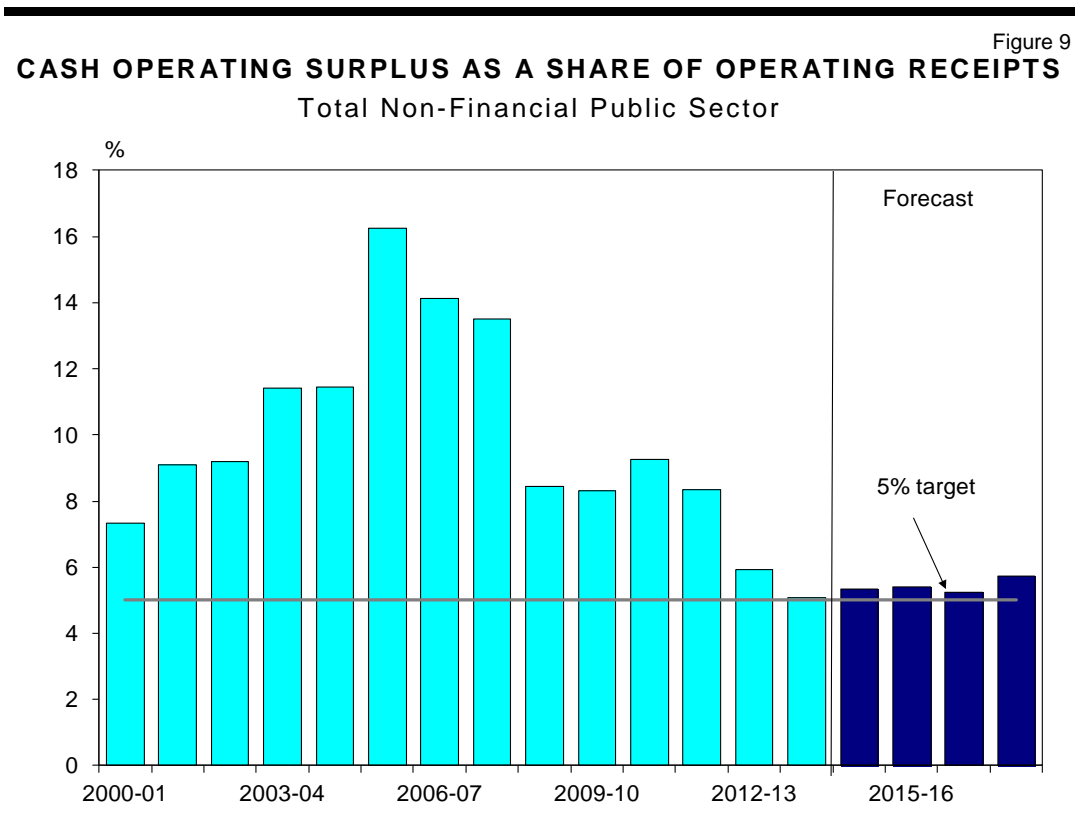
(a) Standard & Poor’s rating / Moody’s rating (e.g. Western Australia AA+ / Aaa).

(b) Based on 2013-14 Mid-year Review data for all jurisdictions except for Western Australia, which is based on 2014-15 Budget data.

**Maintain a cash operating surplus for the TNPS of at least 5% of operating cash receipts**

This target is expected to be met in 2013-14, 2014-15 and each outyear.

The ratio of TNPS cash operating surplus to operating cash receipts measures the extent to which the TNPS can finance its day-to-day costs from operating receipts, and fund infrastructure investments from sources other than just borrowings.



While this target is expected to be met over the medium term, operating surpluses are much lower than the outcomes achieved over the last decade. This reflects the modest operating projections (primarily due to the soft revenue outlook) detailed earlier in this chapter.

**Provide a fair and efficient tax system that is competitive with other States**

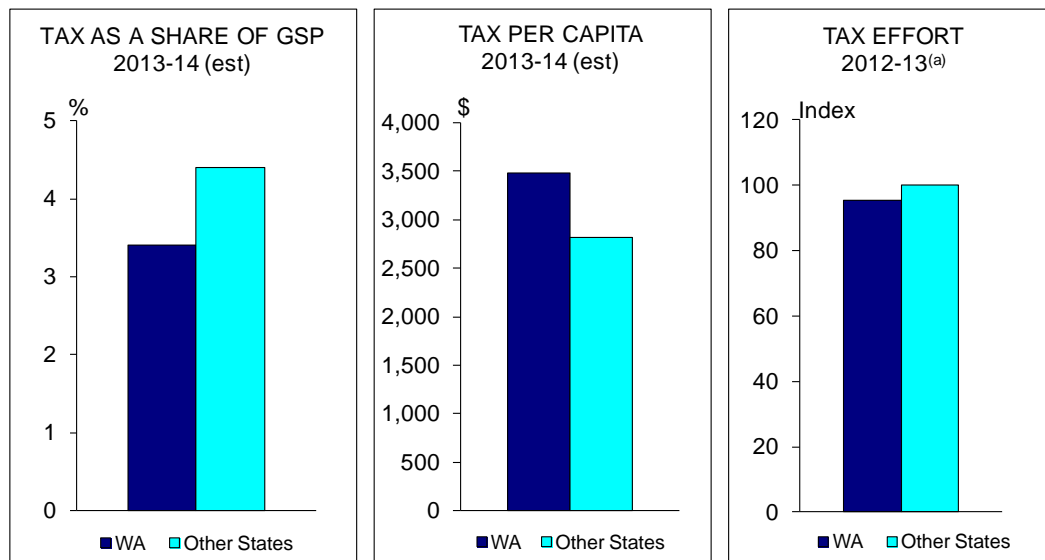
This target is expected to be met in 2013-14 and across each year of the forward estimates period.

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. The competitiveness of Western Australia’s tax system can be assessed against a variety of criteria, including:

- tax revenue as a share of Gross State Product (GSP);
- tax revenue on a per capita basis; and
- tax ‘effort’ calculated from CGC data.

Figure 10

**TAX COMPETITIVENESS**  
Various Measures



Source: CGC. Tax effort refers to the level of tax actually raised in a State, divided by a State’s ‘standardised’ tax revenue (i.e. the level of tax revenue that the CGC estimates the State would have raised had it applied national average State tax rates). 2012-13 is the latest year for which data are available.

Tax as a proportion of the economy (i.e. GSP) is an internationally recognised measure of tax competitiveness, which, unlike tax per capita, accounts for differences in the size and composition of the economic and revenue base in each jurisdiction. According to this measure, the tax burden in Western Australia is expected to be lower than the average of other States in 2013-14 (3.4% compared to an average of 4.4% for other States).

In contrast, per capita tax revenue in Western Australia is expected to exceed the average of other States in 2013-14. This mainly reflects the relative strength of the State’s economic base (and hence its revenue raising capacity), rather than higher average tax rates.



In this regard, and based on the latest available data compiled by the CGC, Western Australia's tax 'effort' (i.e. its average tax rate) was 4.6% lower than the national average in 2012-13.

Taken in aggregate, these outcomes are consistent with competitive tax policy settings in Western Australia.

## Statement of Risks

### Forecasting Uncertainties

The inherent uncertainties associated with producing forecasts for an approximately \$262 billion economy and \$29 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.

To illustrate the uncertainties associated with forecasting the State's finances, general government operating balances have been underestimated in nine out of the last 10 years, ranging from \$49 million in 2012-13 to \$1.7 billion in 2004-05 (reflecting unexpectedly high revenue growth in that year). The final outcome for 2008-09 was a \$1.5 billion overestimation due to the impact of the Global Financial Crisis. With the exception of 2013-14, net debt outcomes have been lower than Budget estimates by between \$131 million (2012-13) and \$3.4 billion (2010-11) over the same 10 year period.

### Estimating Assumptions

Key economic and revenue parameters underlying the 2014-15 Budget are detailed in the following table.

Table 9

<b>KEY BUDGET ASSUMPTIONS</b>						
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
Real Gross State Product growth (%)	5.1	3.75	2.75	3.0	4.25	5.0
Real State Final Demand growth (%)	5.0	0.25	0.0	0.75	1.5	2.0
Employment growth (%)	3.5	1.5	1.5	1.75	1.75	2.0
Unemployment rate (%) <sup>(a)</sup>	4.4	5.0	5.5	5.25	5.0	4.75
Wage Price Index growth (%)	4.0	3.25	3.25	3.5	3.5	3.75
Perth Consumer Price Index growth (%)	2.3	3.0	2.75	2.5	2.5	2.5
'Headline' iron ore price (\$US/tonne CFR)	129.0	125.2	122.7	120.1	117.6	115.0
Effective iron ore price (\$US/tonne FOB) <sup>(b),(c)</sup>	121.1	114.4	111.3	109.6	107.1	104.7
Iron ore volumes (million tonnes)	513	597	634	694	741	777
Crude oil price (\$US per barrel) <sup>(c)</sup>	92.2	108.9	104.1	99.7	96.6	94.5
Exchange rate (US cents)	102.7	91.5	90.6	88.3	86.4	84.9
Population growth (%)	3.5	2.6	2.1	2.1	2.1	2.1
Interest rate assumptions (%):						
- Public Bank Account interest earnings <sup>(a)</sup>	3.4	2.8	2.9	3.7	4.3	4.3
- Consolidated Account borrowings <sup>(a)</sup>	4.0	4.0	4.1	4.5	4.7	4.8

(a) Average rate over the year.

(b) The 'headline' spot price minus the cost of freight (adjusted for moisture). In 2014-15, these factors total \$US11.4 per tonne. Thus the free on board (FOB) iron ore price of \$US111.3 per tonne in 2014-15 equates to a delivered benchmark price of \$US122.7 per tonne.

(c) Since the 2013-14 *Government Mid-year Financial Projections Statement*, Treasury has changed the source of the benchmark series for the iron ore price from Steel Home to The Steel Index and the benchmark for crude oil price from West Texas Intermediate to Brent Crude.

## Revenue Estimates

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

Table 10

**APPROXIMATE PARAMETER SENSITIVITY OF REVENUE ESTIMATES**  
2014-15

	Variability (\$m)	Detail
Royalty income and North West Shelf grants	±80	For each US1 cent decrease/increase in the \$US/\$A exchange rate (royalty income is inversely related to the \$US/\$A exchange rate)
Iron ore royalties	±49	For each \$US1 per tonne increase/decrease in the price of iron ore
Petroleum royalties	±3	For each \$US1 increase/decrease in the price of a barrel of oil
Payroll tax	±38	For each one per cent increase/decrease in taxable wages or employment growth (i.e. the total wages bill)
Underlying transfer duty		
- Prices	±15	For each one per cent increase/decrease in average property prices
- Transactions	±14	For each one per cent increase/decrease in transaction levels
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)

Further to the revenue sensitivities above, specific risks to the revenue estimates are discussed below. Risks to the domestic economic outlook are discussed in Chapter 2: *The Western Australian Economy*.

### Royalty Income (\$6,176 million in 2014-15)

Royalty income is forecast to account for 21.5% of the State's total projected revenue in 2014-15. Royalty income estimates are particularly sensitive to movements in the \$US/\$A exchange rate and iron ore prices, with iron ore royalty income alone projected to account for 19.5% of total revenue. Since the 2013-14 Budget<sup>7</sup>:

- the \$A has traded from a low of US86.8 cents to a high of US97.1 cents; and
- the benchmark spot price of 62% iron ore (including the cost and freight) has ranged from a high of \$US142.8 per tonne to a low of \$US104.7 per tonne.

<sup>7</sup> The cut-off date for the 2013-14 Budget was 9 July 2013.

### ***Exchange Rate***

The \$US/\$A exchange rate potentially represents the largest 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), and large movements in the exchange rate have occurred on several occasions in recent times.

For illustrative purposes, the movement of the exchange rate from a low of US86.8 cents to a high of US97.1 cents since the 2013-14 Budget, if sustained for a full year, would result in a deterioration in royalty revenue of around \$824 million for the year.

Generally, the \$US/\$A exchange rate moves in the same direction as prices for Western Australia's key commodity exports – therefore offering what has historically been a 'natural hedge'. This is consistent with the budget forecasts, with both the \$US/\$A exchange rate and the iron ore price projected to decline across the forecast period. However, there have been periods over the past few years where prices for commodities, such as iron ore, have declined while the \$US/\$A exchange rate has not.

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

The benchmark 62% iron ore price is assumed to return to a free on board (FOB) price of \$US92 per tonne by 2022-23, consistent with the market consensus that additional 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. The increase in the supply of iron ore over the next few years is likely to be larger than the increase in demand, which could result in the displacement of high cost producers (mostly in China) by lower cost producers (mostly in Australia and Brazil). This transition is likely to cause periods of volatility in the market. Significant shutdown and start-up costs mean that many iron ore miners may continue to produce for a period of time, in the hope that prices will recover, even when prices are too low to cover operating costs.

A sustained movement in the iron ore price can have a very significant impact on royalty revenue. For illustrative purposes, the movement of the iron ore price from a high of \$US142.8 per tonne to a low of \$US104.7 per tonne, noted above, if sustained for a full year, would result in an estimated \$1.9 billion deterioration in royalty income for the year.

### ***Iron Ore Volumes***

Most of the iron ore produced in Western Australia comes from large capital-intensive operations that have relatively low operating costs when compared to producers from other countries. This means that production is largely unaffected by movements in price over the short-term. Previous episodes of sharp price declines during 2012 and the Global Financial Crisis had little impact on the volume of iron ore sales from Western Australia.

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, which could prompt project owners to slow mine expansions in an effort to save costs. On the other hand, production may ramp up faster than anticipated if projects proceed quicker than currently assumed.

The iron ore royalty estimates for this Budget are based on an expected increase in iron ore volumes from around 600 million tonnes in 2013-14 to around 780 million tonnes in 2017-18.

#### ***Mineral Royalty Rate Review***

The Government announced in the 2012-13 Budget that it would undertake a review of the State's existing mineral royalty rates in consultation with industry. Terms of reference for the review were released in August 2013, with the review due to the Government by December 2014.

The forward estimates currently include additional royalty income of \$180 million in 2015-16, \$187 million in 2016-17 and \$193 million in 2017-18 as a provision for the outcomes of this review. Given that the review is yet to be completed and considered by the Government, there is a significant degree of uncertainty associated with these royalty estimates.

#### ***North West Shelf Grants (\$1,055 million in 2014-15)***

North West Shelf grants are derived from sales of LNG, oil, condensate, liquefied petroleum gas and domestic gas, with LNG generating the largest amount of revenue from these commodities.

Most of the LNG from the North West Shelf is sold under contracts that are linked to the price of oil. Therefore, a large movement in the oil price represents the most significant risk to North West Shelf grants over the budget forecast period. Contracts typically range in length between five and 25 years and many contracts allow for periodic renegotiation of pricing. Currently, global demand for LNG is very strong, as much of the nuclear power capacity in Japan and Korea is shut down. Growing energy consumption in East Asia is also contributing to strong demand. Moreover, supply is not expected to increase significantly until the next wave of LNG projects, currently under construction in Australia and North America, add to supply later in the decade. Consequently, any contracts due for price renegotiation over the forecast period are unlikely to lead to downward price revisions relative to oil. At the same time, LNG cargoes sold on the spot market will likely continue to gain premium prices until more supply comes online.

Current royalty payments for the North Rankin B project are based on an interim arrangement between the Department of Mines and Petroleum and the North West Shelf joint venture representatives. The finalised royalty arrangement should be completed in 2014-15 and is likely to result in an adjustment to previous royalty payments and affect the level of ongoing royalty collections.

## **Commonwealth Grants (\$8,683 million in 2014-15)**

The estimates of Commonwealth grants (including GST, other general purpose grants and payments for specific purposes) in this Budget reflect assumptions that may differ from those of the Commonwealth. The Commonwealth Government had not released its 2014-15 Budget by the 14 April 2014 cut-off date for this Budget. Accordingly, any updates to the outlook for grants in the Commonwealth's Budget are not reflected in the financial projections contained in this Budget.

### ***Commonwealth Grants Commission Methodology Review***

The State's share of the national GST grant pool is recommended annually by the CGC. Its recommendations take account of States' costs of providing services and capacity to raise their own revenue.

For 2014-15, the GST revenue estimates incorporate the CGC's approved recommendation of Western Australia's GST relativity (i.e. 37.6% of an equal per capita share).

The Western Australian Treasury's projections of GST relativities for 2015-16 onwards take account of projected changes in economic circumstances that are expected to be reflected in the CGC's calculations.

The projections have been prepared on an assumption that the CGC will continue to use the same methods in its calculations (discussed further in the Commonwealth Grants section of Chapter 4). However, the CGC is currently undertaking a review of the methods underlying its calculations. This review is to be completed in February 2015 and will apply to the GST distribution from 2015-16 onwards.

This review could substantially alter Western Australia's GST grant share, in either direction. The preliminary views of the CGC Commissioners on proposed changes to its methodology will not be known until they release a planned draft report in June 2014.

## **Expiring National Partnership Agreements**

Western Australia is currently party to around 63 National Partnership (NP) agreements with the Commonwealth Government relating to the delivery of specific projects, improvements in service delivery or reform. These agreements are generally for a limited period and have specific conditions attached to funding.

The majority of NPs create increased service levels, which generates community expectation that such levels will continue despite the time-limited nature of NPs. Unless another source of Commonwealth funding is found at an NP's expiry, the State must either fund the increased service levels or allow service delivery to revert to pre-NP levels.

State Treasurers formally advise the Commonwealth Treasurer by the end of September each year of their views regarding whether expiring NPs should continue to be funded in some form, or lapse. This timeframe is intended to coincide with the early stages of the Commonwealth's annual budgetary process. However, despite regular requests for early notification, the Commonwealth had not responded to the States' report at the time of the Budget cut-off.

Specific NP agreements that will soon expire include:

- Improving Public Hospital Services – Subacute Care (\$166 million over four years);
- Early Childhood Education – Universal Access (\$71 million over 18 months);
- Indigenous Early Childhood Development – Element 1 (\$42 million over five years); and
- Financial Assistance for Long Stay Older Patients (\$39 million over three years).

Given the uncertainty about expiring NPs, in most cases the State Budget assumes no continued funding (either Commonwealth or State) past an NP's expiry date and that the additional or enhanced services generated by the NP will cease<sup>8</sup>.

## **State Taxes (\$9,346 million in 2014-15)**

### ***Transfer Duty***

While current demand for housing is relatively strong, sentiment in the market can change quickly. In particular, property transactions are susceptible to fluctuations in market sentiment and are therefore highly volatile and difficult to forecast.

Slowing population growth, rising interest rates, and a soft rental market can cause housing demand to subside, which could then lead to lower than expected price growth, or even declines in the median house price, compared to the moderate increases projected over the forecast period. Transaction volumes may also decline more rapidly than expected. However, if interest rates remain low and population growth is stronger than estimated, then house prices may appreciate by more than currently projected, and transaction volumes could remain high for longer than forecast.

A change in the number, or size, of high value commercial transactions, such as transfers of mining tenements or commercial property, represents both upside and downside risk to the outlook. Actual transfer duty revenue will depend on market responses to changing economic conditions.

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<sup>8</sup> Funding is assumed to continue in three cases: Legal Aid Services NP (Commonwealth); Joint Group Training Program NP (State); and Natural Disaster Resilience NP (Commonwealth and State). The Commonwealth has announced it will extend funding arrangements for the Homelessness NP for 2014-15.

### ***Payroll Tax***

Modest projected growth in payroll tax is consistent with relatively subdued conditions in the State's labour market over the budget period. However, in line with downside risks to the labour market outlook (due to the risk of a sharper decline in the business investment profile), payroll tax collections may be lower than anticipated. Conversely, stronger than expected employment and wages growth would translate into additional payroll tax revenue.

### **Commonwealth Carbon Tax**

Given the lack of clarity about the future of the Commonwealth's carbon tax, the budget assumptions for electricity tariffs and the CPI do not include any specific adjustments for potential changes to the tax.

### **Asset Sales**

The 2014-15 Budget estimates contain no new provisions for asset sales. Asset sale proceeds will only be reflected in the estimates upon execution of the sales transactions. While no decisions have yet been made on specific assets, the Government's intention to sell assets that no longer need to remain in public sector ownership presents an upside risk to the net debt projections contained in this Budget.

## **Spending Risks**

### **Asset Investment**

The estimates contained in this Budget are based on the latest infrastructure cost projections available to agencies. Infrastructure costs can fluctuate due to 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 State's AIP also includes some projects that are subject to confirmation of Commonwealth funding, further planning and definition of scope and design, finalisation of contract negotiations, and/or other events.

### **Fiscal Action Plan and Other Savings Measures**

The Fiscal Action Plan contained in the 2013-14 Budget (and extended in the December 2013 Mid-year Review) and the new revenue and savings measures implemented in this Budget are critical to the achievement of sustainable financial outcomes over the budget period and beyond.

Although considerable progress has been made to implement the Fiscal Action Plan, the key risks to fully realising the Plan include:

- successfully limiting wage and conditions increases to projected growth in the CPI, in accordance with the Government's public sector wages policy. The outcomes of upcoming enterprise bargaining agreements for police, fire fighters, health salaried officers and general public servants pose particular risks to this assumption;



- related to the above point, agencies managing to the CPI cap on salaries expenditure; and
- achievement of planned savings from the program evaluation initiative announced in last year's Budget. The forward estimates include recurrent savings totalling \$200 million, including \$50 million in 2014-15, from this initiative. Work is still underway to evaluate particular areas of government activity in order to identify and realise these planned savings.

The projections contained in this 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 general government sector operating balance and net debt estimates contained in this Budget.

### **Population Growth**

Demand for services and infrastructure provided by the public sector has been strong in recent years in Western Australia, with the State's population growing at a much faster pace than nationally, supported by strong levels of net overseas migration. This is consistent with record growth in the State's economy and the robust labour demand during the construction phase of major resource projects.

Population growth is expected to moderate over the forecast period, in line with softening labour market conditions as major resource sector projects transition from a construction phase to a less labour-intensive production phase. However, if migration to the State does not slow as quickly as expected, population growth will exceed current forecasts, further increasing the demand for government services and infrastructure.

### **Education**

Projections in this Budget are based on the assumption that the Department of Education's Student-Centred Funding Model (SCFM) will be implemented in time for the 2015 school year. Development and implementation of the SCFM could place pressure on the agency to remain within approved budget settings. However, this risk has been mitigated with the approval of \$10 million in transitional funding (\$5 million in 2014-15 and \$5 million in 2015-16) to assist in the implementation of the new funding model.

Additional pressures in 2015 that pose potential risks to the projections include:

- the transition in government schools of Year 7 students moving from primary school to secondary school settings;
- the implementation of reforms to the Western Australian Certificate of Education that may impact the delivery of Vocational Education and Training in Schools; and
- the impact of the next Teacher and Administrators' enterprise bargaining agreement (the current agreement expires in December 2014).

### ***Training Entitlement Model***

From 1 January 2014, the Department of Training and Workforce Development introduced a training entitlement model (Future Skills WA), as required under the National Partnership Agreement on Skills Reform. The entitlement model shifts training delivery towards a contestable, demand-driven funding model that directs public subsidies towards State priority qualifications. To ensure the State's contribution to training is sustainable, student tuition fees have increased. On average, it is anticipated that the level of fees will rise from 7% of the total cost of training in 2012-13 to 19% by 2016-17.

There are a number of risks associated with the entitlement model, including:

- uncertainty over the growth in training enrolments and the response of students to price increases; and
- the viability of the State Training Providers (STPs) as a result of increased competition.

The entitlement model has been designed to help mitigate these risks, including through reducing the number of lower priority training places to accommodate growth in entitlement qualifications, and the Department has the ability to manage training delivery by STPs and private providers.

### **Law and Order**

#### ***Criminal Law Amendment (Home Burglary and Other Offences) Bill 2014***

The Criminal Law Amendment (Home Burglary and Other Offences) Bill 2014 was introduced to Parliament on 12 March 2014. There is a risk that enactment of the proposed legislation will result in an increase to the State's custodial population, due to increased sentence lengths for applicable adult and juvenile offenders (although the legislation may also provide an offsetting deterrent effect).

The proposed legislation may also increase workload demands on prosecutions, potentially leading to increased costs for Western Australia Police and the Office of the Director of Public Prosecutions, with flow-on effects to the court system. The potential financial impact is uncertain at this time and has therefore not been reflected in the 2014-15 Budget.

#### ***Cathedral and Treasury Precinct***

In November 2011, the Government announced that the Western Australian Supreme Court Civil (Supreme Court Civil) and State Administrative Tribunal (SAT) would be incorporated into the redevelopment of the Old Treasury Buildings and St George's Cathedral Heritage Precinct (the Cathedral and Treasury Precinct).

The legal and commercial terms for the redevelopment have been approved by the Government. However, the Department of the Attorney General is expected to incur further costs as a result of the redevelopment. These costs, which are associated with the relocation of the Supreme Court Civil, SAT and justice administration to the Cathedral and Treasury Precinct, are still in the process of being quantified and, as such, are not reflected in this Budget.

## **Health**

### ***Activity Based Funding***

The key budget strategy for WA Health is to achieve convergence between the cost of delivering public hospital services in the State's health system and the national average cost of hospital services by 2017-18.

There is a significant differential between the cost of delivering hospital services in Western Australia and the national Projected Average Cost (PAC), as determined by the Independent Hospital Pricing Authority. Currently, Western Australia's cost of delivering services is 8% higher than the national average per each weighted unit of activity.

The 2014-15 State Budget recognises this higher State cost differential and provides for the payment to WA Health of a Community Service Subsidy (CSS) to ensure the sustainable delivery of health services, while the State's hospitals deliver the efficiencies needed to achieve national price settings. Over the forward estimates, the CSS is projected to decline, consistent with the budget strategy to converge State hospital costs to the national PAC by 2017-18.

Achieving convergence to the PAC will require substantial and sustained improvements to the efficiency and effectiveness of public hospital service delivery over 2014-15 and the forward estimates. Should these efficiency improvements not be fully realised, there is a risk that public hospital cost growth in Western Australia will outpace national price settings, requiring additional funding or adjustments to planned activity levels. This issue is discussed further in Chapter 5: *General Government Expenses*.

### ***Reconfiguration of the South Metropolitan Health Service***

In recognition of the scale of the service changes underway in the South Metropolitan Health Service (SMHS), funding of \$80.8 million in 2014-15 has been provided to assist in the commissioning and reconfiguration of services at Fiona Stanley Hospital (FSH) and SMHS.

Despite this funding, further upward pressure on activity costs could eventuate over the budget period. This could result from having service capacity in place across the reconfigured services that is in excess of approved service volumes. A further risk arises if reconfiguration of services does not deliver the efficiencies that are required to support convergence to the PAC. Operational service planning at each site is proceeding on the basis that activity and workforce profiles at each SMHS hospital, including FSH, will be consistent with the strategy of achieving convergence to the PAC by 2017-18. This clinical service planning work is scheduled to be completed in June 2014.

### ***Health Information and Communications Technology***

This Budget provides additional funding for targeted ICT priorities in WA Health (see Chapter 5: *General Government Expenses* and Chapter 6: *Asset Investment*).

The current ICT investment is aimed at ensuring the functionality of the Perth Children's Hospital, FSH, Busselton Health Campus, the Pathwest Laboratory Information System, and the upgrading and replacing of desk top computers and servers to ensure a stable ICT platform across WA Health.

Beyond the delivery of this 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 will be substantial. To inform future investment decisions, including priorities and benefits realisation, WA Health is preparing an overarching strategy for Health ICT.

### **Government Trading Enterprises**

Corporatised public corporations, also known as Government Trading Enterprises (GTEs), are an important source of revenue for the general government sector through income tax equivalent payments and dividend payments (\$1.5 billion, or 5.1% of general government revenue in 2014-15). In addition, some GTEs receive operating subsidies and other payments from the general government sector for specific purposes (\$2.3 billion, or 8.0% of general government expenditure in 2014-15). GTEs also undertake a significant proportion of the State's infrastructure investment (around 55% in 2014-15), with any required borrowings contributing to the State's net debt levels.

Projections for GTEs are complicated by a number of issues, including that important aspects of some entities are subject to independent regulatory processes (such as the Economic Regulation Authority regulation of Western Power's network tariff pricing), Government determinations (customer tariffs) and changing market conditions (cost and demand fluctuations).

In addition to these issues, other material risks to the operating outlook and AIP for GTEs include the following:

- Synergy Fuel Supply – the ongoing availability and reliability of fuel supplies has the potential to place upward pressure on Synergy's generation costs over the forward estimates period. If Synergy is unable to pass-through increases in its generation costs to its customers, a deterioration in its (and the State's) financial position can be expected;
- Horizon Power's generation costs in the Pilbara region – Horizon Power is undertaking a procurement process for electricity generation in the Pilbara. There will be greater certainty of generation costs once the tender process is complete. The outcome of this process will likely be reflected in the 2014-15 Mid-year Review; and

- Horizon Power's Onslow Power Infrastructure – under the Ashburton North State Development Agreement (SDA) between the State Government and Chevron for the Wheatstone LNG project, Horizon Power will be vested a 9 megawatt power station to own and operate in 2016-17. The associated impact on State finances of this transfer and other forecast expenditure in relation to the SDA will be considered as part of the 2014-15 Mid-year Review.

The Government reviews electricity tariff increases as part of its annual budget process, with assumed price increases built into the forward estimates. Accordingly, electricity tariffs included in the 2014-15 Budget forward estimates may differ from those subsequently decided by the Government in future budget processes. Any differences will impact the level of operating subsidy payments that are made to Synergy and Horizon Power, and will also impact the general government operating balance and total public sector net debt.

By way of illustration, if tariff increases were to remain at levels similar to the approved 2014-15 increase (i.e. 4.5% in each year over the forward estimates period), the general government sector operating balance would deteriorate by an estimated \$43 million in 2015-16, \$86 million in 2016-17 and \$135 million in 2017-18, and total public sector net debt would increase by around \$270 million over the forward estimates period.

### ***Bunbury to Albany Pipeline***

An allocation has been made for the planning 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. In addition, there is a risk that 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.

### **Contingent Assets and Liabilities**

Contingent liabilities are costs that the Government will have to meet should a particular event occur. Similarly, contingent assets offer an upside risk to the Government. 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.

Contingent liabilities were reported in the 2012-13 *Annual Report on State Finances*, and updated in the 2013-14 Mid-year Review. There have been no material changes to the State's potential obligations since the release of the 2013-14 Mid-year Review.

# General Government Revenue

## HIGHLIGHTS

- General government revenue in 2013-14 has been revised down by \$297 million since the Mid-year Review, primarily reflecting weaker than expected growth in payroll tax collections and the impact of a lower iron ore price on royalty income.
- In 2014-15, general government revenue has been revised up by \$305 million since the Mid-year Review. In net terms, virtually all of this increase is due to the new revenue policy measures implemented in this Budget, including a 10% increase in land tax rates, a lowering of the transfer duty exemption threshold for first home buyers, and the abolition of the motor vehicle registration fee concession for private vehicles.
- In the absence of these new revenue measures, general government revenue was estimated to increase by just 1.5% in 2014-15 – a rate of growth clearly insufficient to meet the growth in demand for key government services such as health, education, law and order, and disability and child protection services.
- Even with the new revenue measures, general government revenue is forecast to grow by an average of just 3.6% per annum across the four years 2014-15 to 2017-18, well down on average growth of 8.1% per annum over the last decade.
- This subdued growth in revenue reflects a combination of moderating domestic economic conditions and the lagged nature of the GST distribution process, which is expected to see Western Australia's GST revenue fall from \$2.5 billion in 2013-14 to just \$799 million by 2017-18.

## Introduction

In 2014-15, general government revenue is projected to be \$28.7 billion. This is \$714 million (or 2.6%) higher than the estimated actual for 2013-14. The increase in revenue is modest by historical standards, and compares to estimated growth of 8.8% in 2013-14 (revised down from 9.9% in the Mid-year Review). The modest growth in 2014-15 reflects moderating growth in taxation revenue as a result of softer domestic economic conditions, a projected decline in most commodity prices, and a further decline in GST revenue. Over the four years 2014-15 to 2017-18, general government operating revenue is projected to grow by an average 3.6% per annum, significantly below the rate of growth experienced over the past decade (8.1% per annum).

This modest rate of revenue growth incorporates the impact of a number of new revenue measures implemented in this Budget, including changes to the first home buyer transfer duty concession and a 10% across-the-board increase in land tax rates. These new measures increase general government revenue by an estimated \$289 million in 2014-15 and a total of \$1,136 million over the budget period.

### 2013-14 Estimated Actual

In 2013-14, total general government revenue is estimated at \$28 billion, which represents growth of 8.8% on 2012-13.

Growth in 2013-14 is underpinned by strong growth in royalty revenue (including the impact of an increase in the royalty rate on iron ore 'fines' to 7.5% from 1 July 2013), as well as relatively moderate growth in tax collections. Specifically, royalty revenue is estimated to increase by \$1.5 billion (or 33.6%) in 2013-14, with tax revenue up by \$546 million (or 6.6%).

The substantial increase in estimated royalty income is predominantly attributable to an increase in iron ore royalties, with a projected 16.4% increase in production volumes from 2012-13 and an estimated 10.9% depreciation in the \$US/\$A exchange rate. This is offset to some extent by a lower benchmark free on board (FOB) iron ore price, which is expected to average \$US114.4 per tonne in 2013-14, compared to \$US121.1 per tonne in 2012-13.

Relatively moderate growth in taxation revenue in 2013-14 reflects a softening labour market over the year, with expected growth in payroll tax collections easing to just 4.1% in 2013-14, down from growth of 12.3% in 2012-13. This has been counterbalanced to some extent by a pick-up in the housing market, leading to relatively strong transfer duty collections for 2013-14 (up an estimated 8.8%).

Revenue from Commonwealth grants in 2013-14 is estimated to decline by 2.1%, underpinned by an estimated \$463 million or 15.8% decline in GST grants reflecting Western Australia's rapidly falling share of national GST revenue.

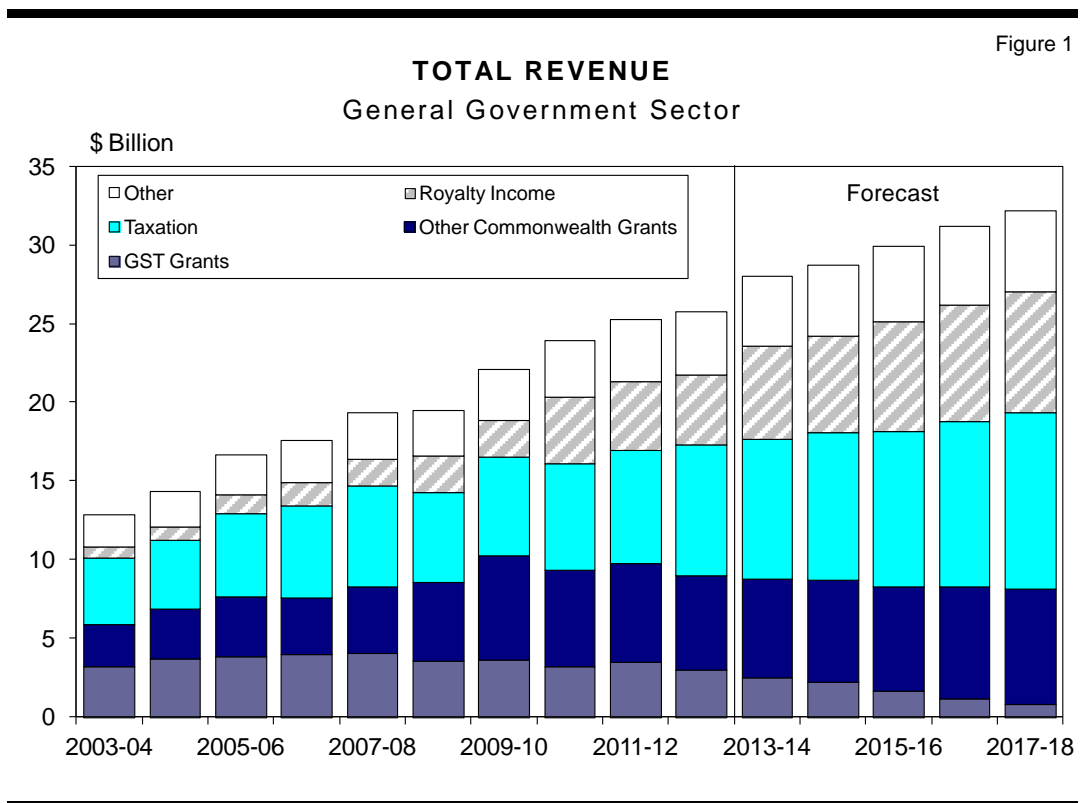
## 2014-15 and Beyond

Total general government revenue is forecast to grow by just 2.6% (or \$714 million) in 2014-15, a significant slowdown from growth of 8.8% in 2013-14. Abstracting from the revenue measures implemented in this Budget, ‘underlying’ revenue growth is forecast at just 1.5% in 2014-15.

With further increases in iron ore production volumes, royalty income will remain a significant driver of revenue growth in 2014-15, increasing by a projected \$265 million (or 4.5%) to \$6.2 billion, representing 22% of total general government revenue.

Taxation revenue is forecast to increase by \$465 million (or 5.2%) in 2014-15, supported by fairly moderate growth in payroll tax and the implementation of new revenue measures, but tempered to some extent by an expected decline in transfer duty collections. Excluding the taxation revenue measures implemented in this Budget, taxation revenue is estimated to grow by just 3.3% in 2014-15.

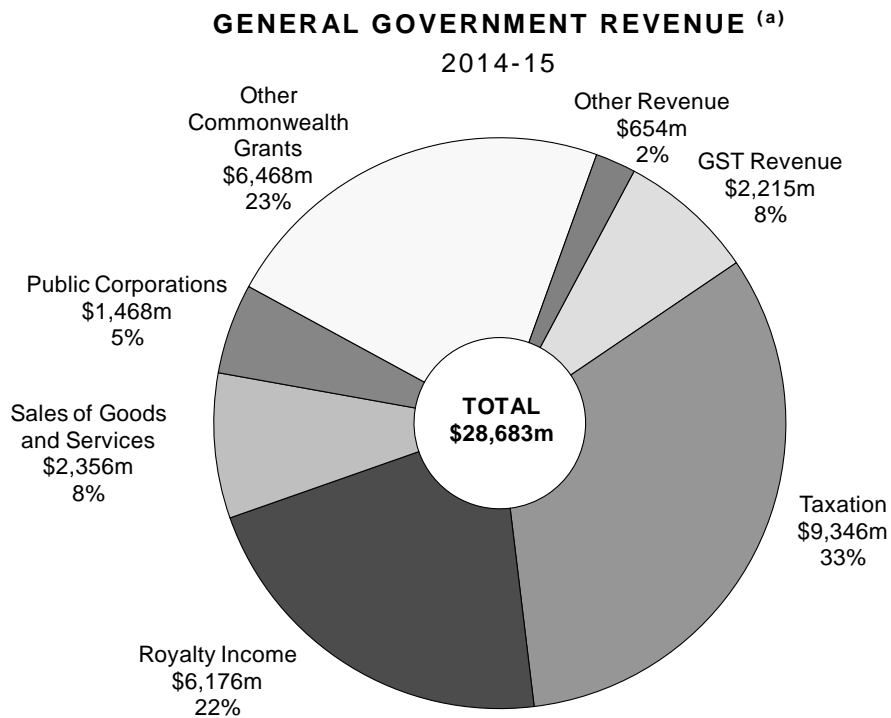
In contrast, the State’s GST revenue is expected to fall by a further \$258 million in 2014-15, with Western Australia’s share of national GST revenue falling to just 37.6% of our population share – an all-time low for any State or Territory.



The State’s four largest sources of revenue in 2014-15 are expected to be taxation (33%), Commonwealth grants other than GST revenue (23%), royalties (22%) and GST grants (8%). The remaining 14% of revenue comprises sales of goods and services, revenue from public corporations, and other sources of revenue such as interest income (see following figure).



Figure 2



(a) Numbers may not add due to rounding.

The composition of State revenue has changed significantly in recent years, with an increasing reliance on State taxes and royalty income. For instance, royalty income as a share of total revenue has increased from 6% in 2004-05 to an estimated 22% in 2014-15, with this share expected to grow to around 24% by 2017-18. In stark contrast, GST revenue is projected to fall from a peak of 25% of total revenue in 2004-05 to an estimated 8% of revenue in 2014-15, and to just 2% by 2017-18.

Table 1

<b>GENERAL GOVERNMENT</b>						
Operating Revenue						
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
Taxation (\$m)	8,335	8,881	9,346	9,841	10,475	11,220
<i>Growth (%)</i>	16.2	6.6	5.2	5.3	6.4	7.1
GST revenue grants (\$m)	2,935	2,473	2,215	1,616	1,118	799
<i>Growth (%)</i>	-15.0	-15.8	-10.4	-27.0	-30.8	-28.5
PSPs 'through' the State <sup>(a)</sup> (\$m)	1,157	1,245	1,338	1,448	1,560	1,681
<i>Growth (%)</i>	2.6	7.6	7.5	8.2	7.7	7.8
Other Commonwealth grants (\$m)	4,845	5,031	5,130	5,199	5,585	5,647
<i>Growth (%)</i>	-6.4	3.8	2.0	1.3	7.4	1.1
Sales of goods and services (\$m)	2,089	2,267	2,356	2,542	2,660	2,792
<i>Growth (%)</i>	8.3	8.5	3.9	7.9	4.7	5.0
Interest income (\$m)	255	212	210	240	269	272
<i>Growth (%)</i>	-16.0	-16.7	-1.2	14.4	11.9	1.5
Revenue from public corporations (\$m)	1,177	1,374	1,468	1,551	1,656	1,691
<i>Growth (%)</i>	8.5	16.7	6.9	5.6	6.8	2.1
Royalty income (\$m)	4,425	5,911	6,176	6,978	7,393	7,665
<i>Growth (%)</i>	1.9	33.6	4.5	13.0	6.0	3.7
Other (\$m)	499	576	444	485	442	395
<i>Growth (%)</i>	-20.3	15.3	-22.9	9.3	-8.9	-10.6
<b>Total (\$m)</b>	<b>25,718</b>	<b>27,970</b>	<b>28,683</b>	<b>29,901</b>	<b>31,159</b>	<b>32,162</b>
<b><i>Growth (%)</i></b>	<b>2.0</b>	<b>8.8</b>	<b>2.6</b>	<b>4.2</b>	<b>4.2</b>	<b>3.2</b>

(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.

Over the forward estimates period, a pick-up in payroll tax as the domestic economy and labour market begin to improve is expected to be accompanied by steadier levels of transfer duty revenue. As a result, growth in taxation revenue is predicted to increase from 5.2% in 2014-15 to 7.1% by 2017-18. However, this remains below average growth of 7.8% per annum over the last decade.

Royalty income is forecast to rise over the forward estimates period, largely due to further increases in iron ore production volumes, with total royalty revenue expected to rise from \$6.2 billion in 2014-15 to \$7.7 billion by 2017-18. Nevertheless, growth in royalty income over the forward estimates of 7.5% per annum is less than half the pace of growth experienced over the past decade (24.2% per annum). Royalty income is forecast on the basis of increased commodity production volumes and a steady depreciation in the \$US/\$A exchange rate over the forward estimates, more than offsetting gradual declines in commodity prices over the period.

A continuing substantial decline in GST grants from the Commonwealth will place significant pressure on the State's revenue position over the forward estimates, with Western Australia's share of national GST collections projected to fall from 37.6% of the State's population share in 2014-15 to just 11.1% by 2017-18.

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

The remainder of this chapter focuses on the new revenue measures implemented in this Budget, and the detailed basis for the revenue estimates through to 2017-18 in each of the major revenue categories.

## Revenue Measures

New revenue measures implemented in the 2014-15 Budget include changes to the first home buyer transfer duty concession, an across-the-board increase in land tax rates, the removal of the private use vehicle registration concession, an increase in the landfill levy from 1 January 2015 and an increase in the Perth Parking Levy from 1 July 2014.

These measures are estimated to raise additional revenue of \$1,135.7 million over the next four years (including \$289.4 million in 2014-15), as set out in the following table.

Table 2

**SUMMARY OF REVENUE MEASURES IN THE 2014-15 BUDGET**

	2014-15 Budget Estimate \$m	2015-16 Forward Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m	Total \$m
<b>TAX MEASURES</b>					
<b>Taxes on Employers' Payroll</b>					
Limit scope of State tax exemptions for charitable organisations	-	-	-	-	-
<b>Taxes on Property</b>					
Adjust property value thresholds for first home buyer transfer duty concession	53.9	55.3	56.0	56.6	221.8
Land tax rate increase	72.0	79.0	87.0	96.0	334.0
<b>Motor Vehicle Taxes</b>					
Remove the private use vehicle registration concession	43.5	45.9	48.4	51.1	188.9
Improve vehicle licence duty exemption for motor vehicle dealers trading stock	-	-	-	-	-
<b>Tax Measures Sub Total</b>	169.4	180.2	191.4	203.7	744.7
<b>NON-TAX MEASURES</b>					
Perth Parking Levy increase	9.9	20.4	20.4	22.0	72.6
Landfill Levy increase	16.6	60.4	61.2	64.2	202.4
Port interim dividend	93.5	18.0	4.6	-	116.0
<b>Non-tax Measures Sub Total</b>	120.0	98.7	86.1	86.2	391.0
<b>Total</b>	289.4	278.9	277.5	289.9	1,135.7

Note: Columns may not add due to rounding.

Details of the new revenue measures are provided below.

## **Taxes on Employers' Payroll**

### **Limit the Scope of State Tax Exemptions for Charitable Organisations**

The previous Treasurer announced in Parliament on 15 May 2013 the State Government's intention to legislate to narrow the scope of State tax exemptions for charitable organisations. This was in response to concerns that the State Administrative Tribunal's decision that the Chamber of Commerce and Industry of Western Australia would qualify for a payroll tax exemption for charitable organisations could set a costly precedent in relation to similar organisations.

The proposal is a revenue protection measure that seeks to exclude certain business, professional and industry organisations from accessing the payroll tax, transfer duty and land tax exemptions for charitable organisations. As such, it is expected that only a small number of organisations would be affected by this measure, with no impact on the forward estimates.

Legislation to give effect to this measure is expected to be introduced into Parliament in the second half of the 2014 calendar year.

## **Taxes on Property**

### **Transfer Duty – Adjust Property Value Thresholds for First Home Buyer Transfer Duty Concession**

The first home buyer transfer duty concession will be adjusted to provide a full exemption for home purchases of \$430,000 or less, down from the current exemption threshold of \$500,000. The exemption will phase out for homes valued between \$430,000 and \$530,000 (down from the current \$600,000).

The new thresholds better represent the value of homes being purchased by first home buyers and will commence from 1 July 2014, subject to the timely passage of the necessary legislative amendments.

The property value thresholds at which the concession currently applies for purchases of vacant land will not change, with a full exemption continuing to be available on land valued up to \$300,000, phasing out at \$400,000.

This measure is expected to increase revenue by \$53.9 million in 2014-15 and \$221.8 million over the four years to 2017-18.

The duty payable by first home buyers at various prices under the new concessional arrangements is outlined in the following table.

Table 3

**TRANSFER DUTY PAYABLE FOR FIRST HOME BUYERS**

Property value	Duty payable by first home buyers before 1 July 2014	Duty payable by first home buyers from 1 July 2014	Duty payable by other home buyers	Saving relative to other home buyers
	\$	\$	\$	\$
\$430,000	-	-	14,440	14,440
\$440,000	-	1,919	14,915	12,996
\$450,000	-	3,838	15,390	11,552
\$460,000	-	5,757	15,865	10,108
\$470,000	-	7,676	16,340	8,664
\$480,000	-	9,595	16,815	7,220
\$490,000	-	11,514	17,290	5,776
\$500,000	-	13,433	17,765	4,332
\$510,000	2,251	15,352	18,240	2,888
\$520,000	4,502	17,271	18,715	1,444
\$530,000	6,753	19,190	19,190	-

It is estimated that around 64% of first home buyers will be unaffected by the changes, as the purchase price of their properties would either be below the new exemption threshold of \$430,000, above the previous concessional scale threshold limit of \$600,000, or they qualify for the concession for vacant land (which will not change).

An interstate comparison of the duty payable by first home buyers on the purchase of an established home, under both the current and new concessional arrangements in Western Australia, is outlined in the table below.

Table 4

**TRANSFER DUTY PAYABLE FOR FIRST HOMEBUYERS**

Property Value	WA	WA	NSW <sup>(a)</sup>	VIC	QLD	SA	TAS	ACT	NT
	Current	New							
	\$	\$	\$	\$	\$	\$	\$	\$	\$
\$100,000	0	0	1,990	1,290	0	2,830	2,435	2,200	2,157
\$200,000	0	0	5,490	3,822	0	6,830	5,935	4,400	5,628
\$300,000	0	0	8,990	6,822	0	11,330	9,935	8,100	10,414
\$400,000	0	0	13,490	9,822	0	16,330	13,998	12,600	16,514
\$450,000	0	3,838	15,740	11,382	0	18,830	16,123	14,850	20,057
\$500,000	0	13,433	17,990	13,182	0	21,330	18,248	17,100	23,928
\$550,000	11,255	20,140	20,240	14,982	10,600	24,080	20,373	19,600	27,225
\$600,000	22,510	22,515	22,490	18,642	12,850	26,830	22,498	22,100	29,700
\$750,000	29,740	29,740	29,240	40,070	19,600	35,080	28,935	29,600	37,125

(a) New South Wales provides a duty concession for new homes, which exempts from duty homes valued up to \$550,000 phasing out at \$650,000.

## Land Tax – Increase in Rates

A 10% increase in land tax rates from 2014-15 will offset lower than expected land values and generate net additional revenue of \$26 million in 2014-15 compared to forecasts in the 2013-14 Mid-year Review. The following table shows the new tax scale relative to last year's scale.

Table 5

**LAND TAX SCALES IN THE 2014-15 BUDGET**

Threshold \$	2013-14 Scale		2014-15 Scale	
	Tax at Threshold \$	Marginal Rate on Excess %	Tax at Threshold \$	Marginal Rate on Excess %
300,000	0	0.1	0	0.11
1,000,000	700	0.53	770	0.58
2,200,000	7,060	1.37	7,730	1.51
5,500,000	52,270	1.64	57,560	1.8
11,000,000	142,470	2.43	156,560	2.67

In total, this measure is estimated to raise \$72 million in 2014-15 and a total of \$334 million over the budget period.

Despite the increase in rates, Western Australia's land tax will remain significantly below that of other jurisdictions for unimproved land valued up to \$10 million, as shown in the table below.

For example, for a landholding with an unimproved value of \$1 million, land tax payable in Western Australia will increase from \$700 to \$770, substantially below the amount payable in New South Wales (\$9,508), Victoria (\$2,975), Queensland (\$4,500) and all other jurisdictions that levy land tax.

Table 6

**LAND TAX PAYABLE**

Land Value \$	WA Current \$	WA New \$	NSW \$	VIC \$	QLD \$	SA \$	TAS \$	ACT \$
100,000	-	-	-	-	-	-	463	625
200,000	-	-	-	-	-	-	1,013	1,420
300,000	-	-	-	375	-	-	1,563	2,538
400,000	100	110	-	575	-	420	2,588	4,338
500,000	200	220	1,508	775	-	920	4,088	6,138
1,000,000	700	770	9,508	2,975	4,500	9,447	11,588	15,138
3,000,000	18,020	19,810	43,432	24,975	37,500	82,771	41,588	51,138
5,000,000	45,420	50,010	83,432	69,975	62,500	156,771	71,588	87,138
10,000,000	126,070	138,560	183,432	182,475	150,000	341,771	146,588	177,138
15,000,000	239,670	263,360	283,432	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 example, land tax payers with unimproved land valued up to \$1 million (around 80% of all land tax payers) will experience an increase of no more than \$70. Those with unimproved land valued up to \$500,000 (just under half of all land tax payers) will experience an increase of \$20 or less.

Table 7

**LAND TAX INCREASE BY AMOUNT AND NUMBER OF TAXPAYERS<sup>(a)</sup>**

Threshold \$	Tax Payable		Tax Increase <sup>(b)</sup> \$	No of Taxpayers	Share of Taxpayers %
	Current \$	New \$			
300,000	0	0	0	0	0.0%
400,000	100	110	10	38,334	30.3%
500,000	200	220	20	21,676	17.1%
600,000	300	330	30	14,494	11.4%
700,000	400	440	40	10,184	8.0%
800,000	500	550	50	7,486	5.9%
900,000	600	660	60	5,543	4.4%
1,000,000	700	770	70	4,319	3.4%
2,000,000	6,000	6,570	570	16,293	12.9%
3,000,000	18,020	19,810	1,790	3,891	3.1%
4,000,000	31,720	34,910	3,190	1,528	1.2%
5,000,000	45,420	50,010	4,590	825	0.7%
10,000,000	126,070	138,560	12,490	1,324	1.0%
Over 10m				712	0.6%
				126,609	100.0%

(a) Based on data for the 2013-14 land tax assessment year.

(b) Due to the necessary rounding of land tax rates, the increase is not a uniform 10% across all thresholds.

## Motor Vehicle Taxes

### Motor Vehicle Registration Fees – Removal of Discount for Private Vehicles

From 1 July 2014, the licence fee discount for privately used motor vehicles will be abolished. The discount of \$36 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.

This measure is estimated to raise additional revenue of \$188.9 million over the next four years, including \$43.5 million in 2014-15.

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

### Vehicle Licence Duty – Motor Vehicle Dealers Trading Stock Exemption

A vehicle licence duty exemption is currently available for trading stock vehicles acquired by motor vehicle dealers. The exemption extends to trading stock vehicles that are used for minor incidental purposes.

Following concerns raised by industry that the operation of the minor incidental purposes concession may be causing compliance difficulties for vehicle dealers, a review of this concession was undertaken in consultation with industry.

To reduce compliance costs for motor vehicle dealers, the State Government intends to introduce legislation to replace the minor incidental purposes concession with clear rules about which types of vehicles and uses would be eligible for the trading stock exemption. The proposed legislation will also seek to provide more guidance around the existing exemption for motor vehicle dealers for trading stock vehicles loaned to charitable organisations, schools and for philanthropic purposes, and extend this exemption to other not-for-profit community groups. It is intended to introduce these measures after further targeted industry consultation.

This measure was approved by the State Government in 2013. As such, the estimated total cost of up to \$1 million each year was included in the 2013-14 Mid-year Review.

## Perth Parking Levy

The *Perth Parking Management Act 1999* requires that all non-residential parking bays within the Perth Parking Management Area (PPMA) be licensed, with a fee paid where liable (Perth Parking Levy).

Revenue collected from the Perth Parking Levy can only be used within the PPMA to fund or improve the Central Area Transit (CAT) bus system, improve public transport access, enhance the pedestrian environment, support bicycle access to the city, and fund other initiatives that support a balanced transport system to, from and within the PPMA.

From 1 July 2014, the Perth Parking Levy will increase by \$182.50 per bay across all PPMA fee liable parking bays. An additional increase of \$182.50 per bay is scheduled for 2015-16. These increases roughly translate to an extra 50 cents a day per parking bay in 2014-15 and a total of \$1 per day from 2015-16.

A comparison of Perth's highest parking fee (tenant parking) with annual parking bay licence fees being charged by other capital cities indicates that Perth will move from having the lowest fees to the second lowest (behind Adelaide) after the changes, but fees will still remain substantially below those in Sydney and Melbourne.

<b>INTER-STATE COMPARISON OF PARKING FEES<sup>(a)</sup></b>				
	Perth	Sydney	Melbourne	Adelaide
Current rates (2013-14)	\$728.70	\$2,160	\$1,300	No current levy
Increase Perth rates by \$182.50 (2014-15)	\$911.20	\$2,160	\$1,300	\$750 <sup>(b)</sup>

(a) Other capital cities do not have a parking levy scheme in place.  
 (b) A levy scheme is proposed to be implemented in Adelaide on 1 July 2014, set at an initial level of \$750.



Additional revenue from these increases of \$73 million across the four year budget period will be used to fund the Perth Busport (already partially funded from existing Perth Parking Levy revenue). The Government is also bringing forward expenditure of \$17 million from 2017-18 to 2015-16 and 2016-17 for the replacement of CAT buses.

## Landfill Levy

The *Waste Avoidance and Resource Recovery (WARR) Levy Act 2007* provides for a landfill levy to be applied to metropolitan waste received at all landfills (metropolitan and otherwise). The purpose of the levy is to act as an incentive to reduce waste disposed of in landfills and to generate funds for a range of environmental purposes.

From 1 January 2015, the landfill levy rate will increase from \$28 per tonne to \$55 per tonne for putrescible waste<sup>1</sup>, and from \$8 per tonne to \$40 per tonne for inert waste. These increases are estimated to raise \$16.6 million in 2014-15, and a total of \$202.4 million over the four year budget period.

Of this revenue, 25% (\$51 million) will be paid into the WARR Account to implement initiatives to manage, reduce, re-use or recycle waste, and to monitor or measure waste. In addition, \$15 million will be provided to the Office of the Environmental Protection Authority to assist in service delivery. The remaining \$137 million will help fund other government priorities.

Western Australia's landfill levy after these increases will still be less (in 2014-15) for general metropolitan waste disposal than all other jurisdictions that charge a landfill levy. In New South Wales the charge is \$121 per tonne, in Victoria \$58.50 per tonne and in South Australia \$52 per tonne.

## Port Authority Dividends – Introduction of Interim Dividends

From 2014-15, Port Authorities will be required to make an interim dividend payment<sup>2</sup> of 75% of each financial year's estimated dividend in the year that profit accrues, with the balance to be determined in the following year, once audited financial reports have been prepared.

Currently, Port Authorities do not pay interim dividends. This measure will align the payment of dividends by Port Authorities with payments by the Water Corporation, which already pays a proportion (98%) of its annual profits in the year the profit is generated as an interim dividend. Setting an interim dividend at 75% of profit provides an adequate buffer in the event that the forecast dividend is overstated.

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<sup>1</sup> Putrescible waste is organic waste that becomes putrid as it decomposes (e.g. food, sanitary and animal waste). Inert waste is waste that does not decompose (e.g. building materials).

<sup>2</sup> This interim dividend payment is subject to the enactment of the Ports Legislation Amendment Bill 2013, which is currently being considered by the Legislative Council.

The introduction of this measure is estimated to raise \$93.5 million in 2014-15, \$18 million in 2015-16 and \$4.6 million in 2016-17. The revenue raised is largest in the first year as the measure brings forward a full 75% of the revenue by one year. In the following years, the additional revenue represents the net amount of the interim dividend for that year, less the amount that would have otherwise been received as a full and final payment.

## Taxation Revenue

### Summary

Taxation revenue is estimated to increase by \$546 million (or 6.6%) in 2013-14 to \$8.9 billion. Growth is expected to moderate to 5.2% in 2014-15 and to gradually increase to 7.1% by 2017-18 as the domestic economy recovers. Nevertheless, these rates of growth remain well below average growth of 7.8% per annum over the past decade.

Table 9

<b>TAXATION REVENUE</b>						
Western Australia						
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
<b>TAXES ON EMPLOYERS' PAYROLL</b>						
Payroll tax	3,476	3,617	3,834	4,147	4,488	4,859
<i>Growth (%)</i>	12.3	4.1	6.0	8.2	8.2	8.3
<b>TAXES ON PROPERTY</b>						
Land tax	568	662	755	830	913	1,014
MRIT <sup>(a)</sup>	85	89	93	102	112	123
Transfer duty	1,654	1,839	1,823	1,749	1,764	1,826
Landholder duty	216	196	123	120	121	123
Other	346	375	399	414	428	444
<i>Total</i>	2,869	3,162	3,192	3,214	3,339	3,530
<i>Growth (%)</i>	27.9	10.2	1.0	0.7	3.9	5.7
<b>TAXES ON GAMBLING</b>						
Lotteries Commission	151	148	155	162	170	178
Casino tax	112	118	123	127	131	135
Betting tax	41	42	44	45	46	47
Other	0	1	1	1	1	1
<i>Total</i>	304	309	322	334	347	361
<i>Growth (%)</i>	-0.3	1.4	4.2	3.9	3.9	3.8
<b>TAXES ON INSURANCE</b>						
Insurance duty	555	593	638	688	745	808
Other	22	23	25	25	25	26
<i>Total</i>	576	616	663	713	770	834
<i>Growth (%)</i>	13.2	7.0	7.5	7.6	7.9	8.4
<b>MOTOR VEHICLE TAXES</b>						
Vehicle licence duty	404	396	442	489	536	587
Motor vehicle registrations	650	725	834	879	924	972
Other	56	57	60	65	71	78
<i>Total</i>	1,109	1,178	1,336	1,433	1,531	1,636
<i>Growth (%)</i>	8.9	6.2	13.4	7.2	6.9	6.8
<b>TOTAL TAXES</b>	<b>8,335</b>	<b>8,881</b>	<b>9,346</b>	<b>9,841</b>	<b>10,475</b>	<b>11,220</b>
<i>Growth (%)</i>	<b>16.2</b>	<b>6.6</b>	<b>5.2</b>	<b>5.3</b>	<b>6.4</b>	<b>7.1</b>

(a) Metropolitan Region Improvement Tax.

Note: Columns may not add due to rounding.

**Detail**

**Payroll Tax**

Payroll tax growth has been subdued to date in 2013-14, in line with weaker employment and wages growth. As such, payroll tax revenue is estimated to grow by just 4.1% in 2013-14, a significant moderation from the 12.3% growth achieved in 2012-13.

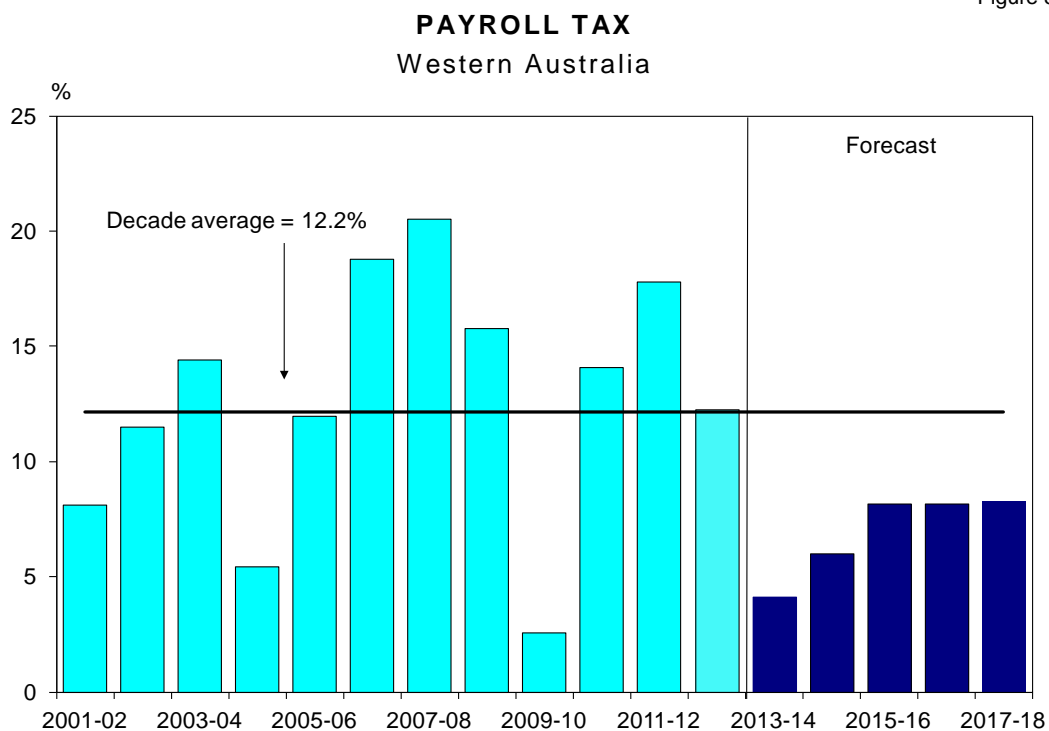
As detailed in Chapter 2: *The Western Australian Economy*, labour market conditions are expected to remain soft in 2014-15, reflecting weakness in domestic economic activity as resource investment tapers from a peak in 2012-13. Accordingly, payroll tax is expected to increase by a modest 6% in 2014-15.

The payroll tax estimates incorporate the increase in the payroll tax threshold from \$750,000 to \$800,000 from 1 July 2014 and to \$850,000 from 1 July 2016, as announced in the 2013-14 Budget.

Payroll tax growth is projected to average 8.2% per annum over the forward estimates period, underpinned by a modest improvement in the labour market and broader domestic economy, and additional revenue from more efficient and effective administration under the Revenue Systems and Enhancements Program.

Notwithstanding this improvement, growth is expected to remain below the decade annual average of 12.2%, reflecting weaker economic conditions relative to the previous decade and a slowdown in employment and wage growth in the mining and related industries (historically the largest contributors to payroll tax).

Figure 3



## Taxes on Property

Taxes on property include transfer duty (the State's second largest tax base after payroll tax), landholder duty, land tax, the Metropolitan Region Improvement Tax (MRIT), the emergency services levy, and loan guarantee fees.

### *Transfer Duty*<sup>3</sup>

Transfer duty is expected to raise \$2 billion in 2013-14, an increase of \$165 million (or 8.8%) on 2012-13. This growth reflects a stronger housing market and the impact of the Tax Administration Package announced in the 2013-14 Budget, offsetting declines in duty from high value commercial transactions.

Transfer duty estimates for 2014-15 and beyond are based on the State's housing market returning to more stable conditions. Housing transaction volumes<sup>4</sup> are expected to revert to around long-run average levels (see figure below), with growth in residential property prices set to slow from 6.6% in 2013-14 to 2.5% in 2014-15. Growth in prices is expected to remain moderate across the forward estimates, with the median house price expected to reach \$572,000 by 2017-18 (see Chapter 2: *The Western Australian Economy*).

Duty from high value commercial property transactions is expected to decline by over 50% in 2013-14 based on year-to-date collections. A recovery in revenue from these transactions is expected in 2014-15 and across the forward estimates, with duty forecast to return to around the average level of the past five years. The changes introduced to the thresholds for first home buyer transfer duty concessions starting in 2014-15 will also add to duty revenue across the forecast period.

In total, transfer duty is expected to decline in 2014-15 and 2015-16 as the impact of lower transaction volumes exceeds modest growth in house prices. Duty is then expected to grow from 2016-17 as transaction levels begin to increase.

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<sup>3</sup> This section discusses total duty on transfers, which is the sum of transfer duty and landholder duty.

<sup>4</sup> The number of housing finance commitments excluding refinancing and first home buyer commitments is a proxy for transaction volumes.

Figure 4

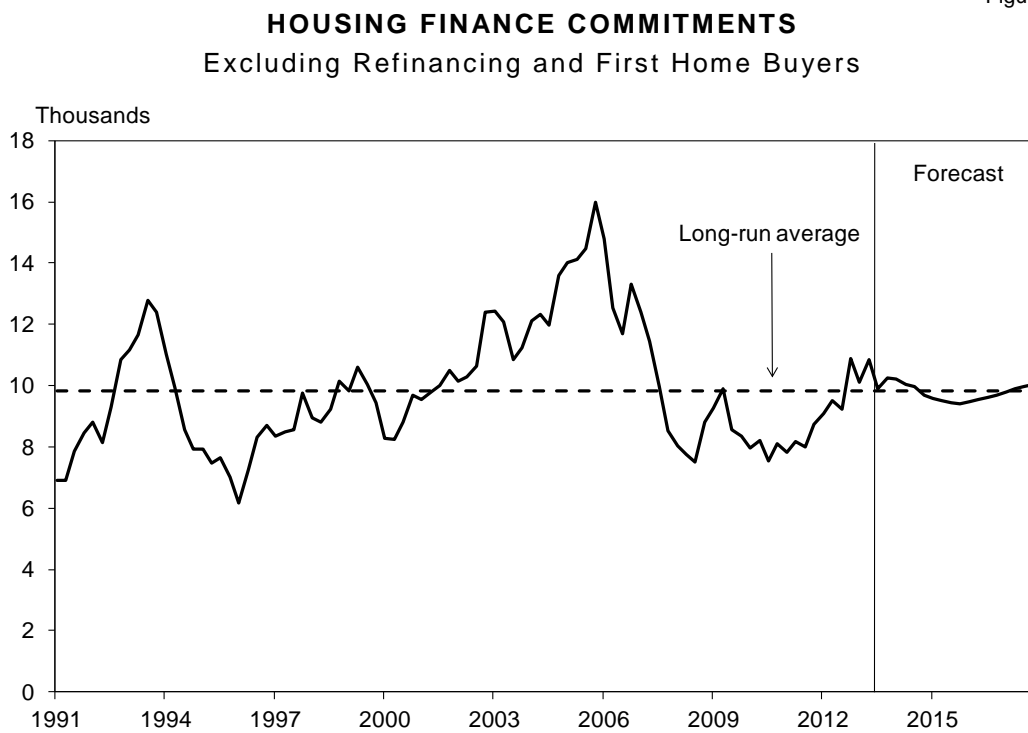
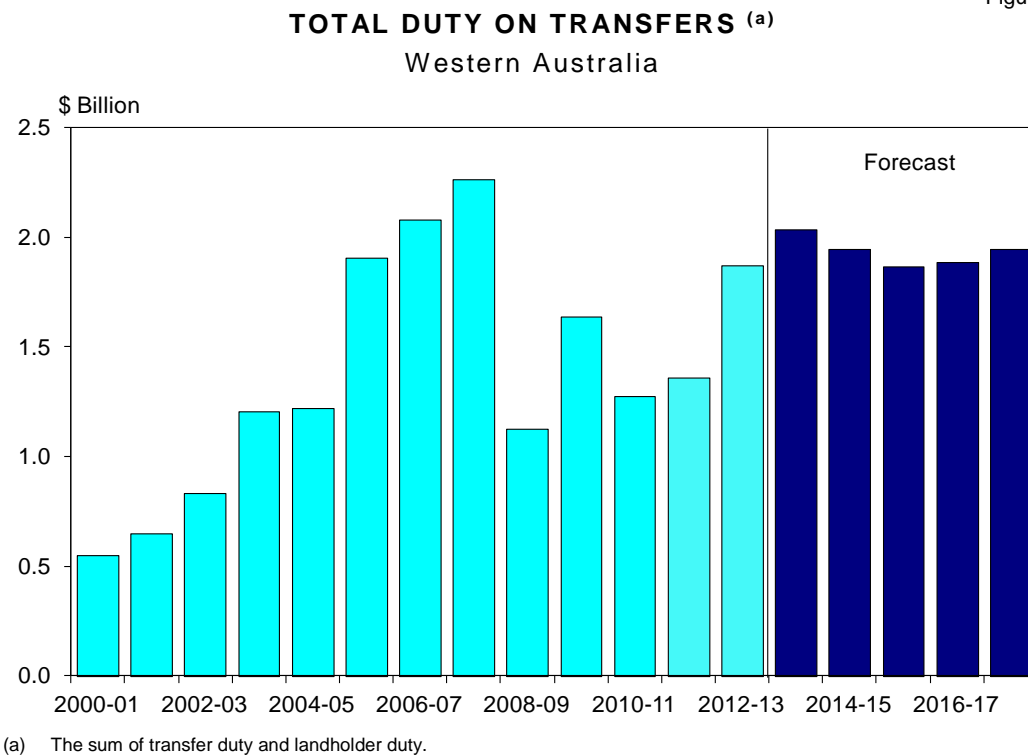


Figure 5



### **Land Tax**

Land tax is estimated to increase by \$94 million (or 16.5%) to \$662 million in 2013-14, reflecting higher land values and the 12.5% increase in land tax rates announced in the 2013-14 Budget. Land tax is projected to increase by \$93 million (or 14%) in 2014-15, reflecting a further 10% increase in land tax rates, as well as modest growth in the value of unimproved land between August 2012 and August 2013<sup>5</sup>. Across the forward estimates, growth in land tax is assumed to return to its long-run average of around 10% per annum.

### **Taxes on Gambling**

Taxes on gambling mainly comprise lotteries, casino and betting taxes. Due to the prohibition of gaming machines in hotels and clubs in Western Australia, gambling taxes account for a much smaller share of total taxes than in other jurisdictions.

Gambling taxes are forecast to grow by 1.4% in 2013-14 and 4.2% in 2014-15, following a decline of 0.3% in 2012-13. Growth in gambling taxes is projected to average 3.9% 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). Following estimated growth of 6.9% in 2013-14, insurance duty is forecast to increase by 7.6% to \$638 million in 2014-15. Over the forward estimates, insurance duty is forecast to grow by an average of 8.2% per annum, slightly above the decade annual average of 7.8%.

### **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 is forecast to grow by 11.8% in 2014-15, following an estimated decline of 2.1% in 2013-14. Over the forward estimates period, growth is forecast to average 9.9% per annum.

Total motor vehicle taxes are forecast to grow by 6.2% in 2013-14, 13.4% in 2014-15, and by an average of 7% per annum over the forward estimates.

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<sup>5</sup> Land tax revenue in 2014-15 is based on the unimproved value of land as assessed by the Valuer General's Office as at August 2013.

## Commonwealth Grants

Commonwealth grants are expected to total \$8.7 billion in 2014-15, accounting for 30.3% of the State's total revenue (down from 31.3% in 2013-14). These grants take three forms:

- GST revenue grants – which carry no restrictions on how the money can be spent, and comprise around 25.5% (\$2.2 billion) of forecast total Commonwealth grants to Western Australia in 2014-15 (a much smaller proportion than in other States);
- North West Shelf grants – which also carry no spending restrictions, and comprise around 12.8% (\$1.1 billion) of forecast total Commonwealth grants to Western Australia in 2014-15; and
- Payments for Specific Purposes (PSPs) – which must be spent on specific activities (e.g. health, education, roads and social housing). These comprise around 61.7% (\$5.4 billion) of forecast total Commonwealth grants to Western Australia in 2014-15.

Total Commonwealth grants are projected to continue falling in each of the forward estimate years, due to Western Australia's dramatically declining share of GST revenue.

Table 10

<b>COMMONWEALTH GRANTS TO WESTERN AUSTRALIA</b>						
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
<b>General Purpose Grants</b>						
GST revenue (\$m)	2,935	2,473	2,215	1,616	1,118	799
<i>Growth (%)</i>	-15.0	-15.8	-10.4	-27.0	-30.8	-28.5
North West Shelf grants <sup>(a)</sup> (\$m)	1,093	1,197	1,113	1,082	1,079	1,013
<i>Growth (%)</i> <sup>(b)</sup>	9.4	9.4	-7.0	-2.8	-0.3	-6.1
<b>Total General Purpose Grants</b>	<b>4,029</b>	<b>3,669</b>	<b>3,328</b>	<b>2,698</b>	<b>2,197</b>	<b>1,812</b>
<b>Payments for Specific Purposes (PSPs)</b>						
PSPs 'to' the State <sup>(b)</sup> (\$m)	3,752	3,834	4,017	4,117	4,506	4,634
<i>Growth (%)</i>	-10.2	2.2	4.8	2.5	9.5	2.8
PSPs 'through' the State (\$m)	1,157	1,245	1,338	1,448	1,560	1,681
<i>Growth (%)</i>	2.6	7.6	7.5	8.2	7.7	7.8
<b>TOTAL COMMONWEALTH GRANTS (\$m)</b>	<b>8,937</b>	<b>8,748</b>	<b>8,683</b>	<b>8,263</b>	<b>8,263</b>	<b>8,127</b>
<i>Growth (%)</i>	<b>-8.4</b>	<b>-2.1</b>	<b>-0.7</b>	<b>-4.8</b>	<b>-</b>	<b>-1.7</b>

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

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

Note: Columns may not add due to rounding.

## GST Revenue

The Commonwealth's national GST collections are distributed among the States (and Territories) according to the recommendations of the Commonwealth Grants Commission (CGC).

GST revenue grants to Western Australia are expected to decline by \$258 million (or 10.4%) in 2014-15<sup>6</sup>. Growth in the national pool of GST revenue will be more than offset by a decrease in Western Australia's share of GST collections, from 4.9% in 2013-14 to 4.2% in 2014-15 (compared to the State's population share of 11.1%).

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 more than offsetting growth in national collections. Overall, GST grants are forecast to decline from \$2.5 billion in 2013-14 to just \$799 million in 2017-18, mainly due to the significant increase in Western Australia's mining royalties in recent years and the CGC's full 'equalisation' of these royalties across all States over time (i.e. with lags).

### GST Grant Shares in 2014-15

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 (and vice versa).

The CGC reported on its latest annual update (the '2014 Update') in March 2014. Its recommendations have been accepted by the Commonwealth Treasurer and therefore determine States' GST relativities in 2014-15.

The 2014 Update includes a cut in Western Australia's GST share from 44.6% of its population share in 2013-14 to 37.6% of its population share in 2014-15 – significantly lower than all other States and Territories (see the following table). This reduces Western Australia's GST grants in 2014-15 by \$411 million compared to if there had been no change in the State's relativity.

2014-15 GST RELATIVITIES								
	NSW	Vic	Qld	WA	SA	TAS	NT	ACT
GST Relativity (%)	97.5	88.3	107.9	37.6	128.8	163.5	566.1	123.6

Source: CGC's 2014 Update.

<sup>6</sup> Calculated after including in 2012-13 grants an amount of \$91 million that was underpaid in 2011-12 and carried over.



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 was a lesser decline than forecast in Western Australia's 2013-14 Mid-year Review, due to the CGC making substantial revisions to the historical data on which it bases its assessments. Nevertheless, this decline 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<sup>7</sup>. Western Australia's forecast GST revenue grant for 2014-15 includes a \$133.4 million increase on account of growth in the GST pool and a \$41.8 million increase on account of the State's increasing population share. In addition, Western Australia's GST revenue grant in 2013-14 had been adjusted (upwards) to account for a \$22 million underpayment in 2012-13.

After allowing for growth in the GST pool and the increase in its population share, Western Australia's GST revenue in 2014-15 is expected to be a net \$257.9 million less than in 2013-14.

<b>ESTIMATED CHANGE IN WESTERN AUSTRALIA'S GST GRANT</b>	
2013-14 to 2014-15	
	\$m
<b>Estimated 2013-14 GST grant</b>	<b>2,472.6</b>
Exclude adjustment for underpayment in 2012-13	-22.0
Increase in the national GST pool	133.4
Increase in population share	41.8
Decrease in GST relativity	-411.1
<b>Total Change</b>	<b>-257.9</b>
<b>Estimated 2014-15 GST grant</b>	<b>2,214.7</b>

Table 12

<sup>7</sup> GST grants are paid during the budget year on the basis of estimated GST collections and population shares, with a reconciliation the following year once actual GST collections and population shares are known.

## **Commonwealth Grants Commission 2015 Methodology Review**

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

The Commonwealth Government's terms of reference for the 2015 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 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 Review<sup>8</sup> 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 then Commonwealth Government did not accept this recommendation.

The relativity projections in these forward estimates assume no method changes as a result of the CGC's 2015 Review. However, the results of the 2015 Review could have significant impacts on Western Australia's GST grants 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).

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<sup>8</sup> 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 then Commonwealth Government on 30 November 2012.

The reform vision also included a reduction in Australia's vertical fiscal imbalance (VFI)<sup>9</sup>, which would be achieved by reducing the level of specific purpose funding to the States, and more closely aligning 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.

### **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 the Commonwealth's projections of the national pool of GST grants and State populations.

In line with the CGC's process, the GST relativity projections for each of the forward estimate years (2015-16 to 2017-18) are based on a rolling average of the Western Australian Treasury's assessments of Western Australia's revenue capacity and expenditure requirements, relative to other States, for three preceding years.

For example, the relativity projections for 2017-18 are based on projected assessments of States' revenue capacities and expenditure requirements for the years 2013-14 to 2015-16.

Western Australia's projections (shown in the table below) will differ significantly from those published by the Commonwealth, due to our more detailed forecasting methodology and associated differences in assumptions. The Commonwealth publishes essentially 'mechanical' projections, which assume little change in States' relative fiscal capacities after the latest data year used by the CGC (currently 2012-13).

The CGC currently measures States' relative capacities to collect royalty revenue from onshore minerals under 'low royalty rate' and 'high royalty rate' groups, with iron ore 'fines' classified to the 'low rate' group and 'lump' iron ore classified to the 'high rate' group.

Reflecting that Western Australia's iron ore 'fines' royalty rate has been aligned with the 'lump' royalty rate from 1 July 2013, the relativity projections assume that, under its current methods, the CGC will reclassify 'fines' to the 'high rate' group from the 2013-14 data year onwards. This is projected to cost the State \$227 million in 2015-16, rising to \$806 million in 2017-18, compared to if 'fines' remain in the 'low rate' group.

However, as part of the 2015 Review (and consistent with the GST Distribution Review's findings), Western Australia is advocating that the current 'high rate/low rate' methodology be replaced with a method that avoids excessively large GST impacts from changes in State royalty rates.

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<sup>9</sup> 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).

Table 13

**PROJECTED GST RELATIVITY AND SHARE**

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
WA population share (%)	10.8	11.0	11.1	11.3	11.4	11.5
WA relative per capita share of GST grants <sup>(a) (b)</sup>	0.551	0.446	0.376	0.256	0.165	0.111
WA GST share (%) <sup>(c)</sup>	6.1	4.9	4.2	2.9	1.9	1.3

(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.

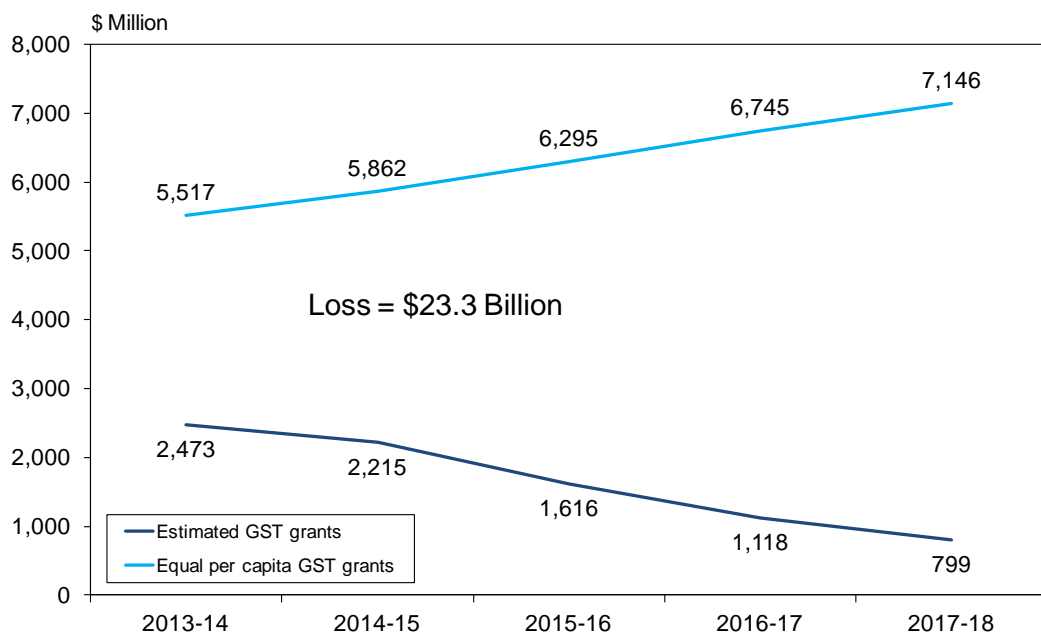
(b) These relativity projections differ from those published in the Commonwealth Budget Papers, as they incorporate projected changes in the relative revenue raising capacity of the States and Territories, which are not included in the equivalent Commonwealth projections.

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

Over the period from 2013-14 to 2017-18, the Department of Treasury estimates Western Australia will lose \$23.3 billion compared to if it received an equal per capita share of GST revenue (see following figure).

Figure 6

**REDUCTION IN WESTERN AUSTRALIA'S GST GRANTS**



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 (2012-13) 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 2014-15, Western Australia will effectively contribute around \$3.6 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 37.6% of its population share of national GST revenue in 2014-15.

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 14

#### NET REDISTRIBUTION OF RESOURCES

2012-13<sup>(a)</sup>

	GST Only <sup>(b)</sup>		Total Resources	
	\$m	\$ per capita	\$m	\$ per capita
New South Wales	961	131	1,975	268
Victoria	1,373	242	-264	-46
Queensland	-438	-95	-7,231	-1,567
<b>Western Australia</b>	<b>2,520</b>	<b>1,016</b>	<b>20,426</b>	<b>8,237</b>
South Australia	-1,375	-827	-6,609	-3,974
Tasmania	-818	-1,596	-4,451	-8,683
Northern Territory	-2,223	-9,330	-3,847	-16,146
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

(b) The 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. Results using the latest available data (for 2012-13) 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).

Apart from Western Australia, New South Wales is the only other net contributor to the Federation. However, Western Australia's net contribution is 10 times greater than that of New South Wales in absolute terms and more than 30 times greater on a per capita basis.

The following table shows the estimated breakdown of Western Australia's net contribution in 2012-13, 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 mineral 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 substantially in future updates).

Overall, in 2012-13 it is estimated that the Commonwealth derived \$51.9 billion in revenue from Western Australia, while expenditure for the benefit of the State (including the State's share of the Commonwealth deficit) totalled only \$31.4 billion, yielding a net contribution to the federation from Western Australia of \$20.4 billion.

Table 15

### COMPONENTS OF WESTERN AUSTRALIA'S NET CONTRIBUTION

Relative to Western Australia's Population Share

	2012-13 (preliminary) \$m
Personal Income Tax	3,848
Company Tax	7,106
Fuel Excise (Net of Rebates)	-6
Taxes and Royalties on Mineral Extraction <sup>(a)</sup>	1,917
Commonwealth Services <sup>(b)</sup>	2,202
Personal Benefit Payments	2,869
Net impact of GST	2,520
<i>GST Collections</i>	206
<i>GST Grants</i>	2,313
Other Grants to State and Local Governments <sup>(c)</sup>	164
Other	-194
<b>Total</b>	<b>20,426</b>

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

(b) Departmental expenditures, including defence.

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

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

## Payments for Specific Purposes

PSPs are grants from the Commonwealth to the States for specific activities. They currently comprise National Specific Purpose Payments (NSPPs), Students First education payments, National Health Reform (NHR) hospital payments, National Partnership (NP) payments, and payments under some of the Commonwealth's own-purpose spending programs.

The Intergovernmental Agreement on Federal Financial Relations (IGA FFR), agreed by the Council of Australian Governments (COAG) in December 2008, seeks to reduce Commonwealth influence over service delivery in favour of increased flexibility for States to allocate funding, with increased accountability from the States to the public for the achievement of outcomes which benefit the community. However, since the IGA FFR was signed, and contrary to its spirit, many agreements have been put in place that fund specific State outputs and/or impose significant controls on State spending.

Of the original five NSPPs, three remain, for vocational education and training, disability services, and housing. These payments are ongoing, and sum to an estimated \$459 million for Western Australia in 2014-15. They grow in line with agreed indexation arrangements. The only condition attached to these funds is the requirement to spend them in the relevant sector.

The Healthcare NSPP was replaced by NHR funding. NHR payments (comprising one third of PSPs paid to Western Australia) are ongoing payments that 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. Western Australia will receive an estimated \$1.7 billion in 2014-15.

Funds under the Schools NSPP were replaced by Students First payments from January 2014. Students First payments fund commitments by the previous Commonwealth Government in relation to States that signed its National Education Reform Agreement (NERA). The payments provide NERA-equivalent funding to States, including Western Australia, that did not sign the NERA. Details of the new arrangements remain to be clarified. Western Australia will receive Students First payments in 2014-15 estimated at \$528 million.

The NSPP for disability services will eventually be replaced by the Commonwealth's National Disability Insurance Scheme. However, the State Budget assumes that Western Australia will continue to receive the disability services NSPP over the forward estimates period.

NP payments are provided for one-off reforms and a range of infrastructure and service delivery projects. They 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 \$1.3 billion for Western Australia in 2014-15.

In 2014-15, Western Australia expects to receive around \$4 billion in PSPs 'to' the State (i.e. payments that fund State programs), an increase of 4.8% compared with 2013-14. Over the forward estimates period, PSPs 'to' the State are projected to increase by an average of 4.9% per annum (the largest contributor to growth being NHR payments).

PSPs that pass 'through' the State to other bodies (e.g. funding for local governments and private schools) are expected to grow by 7.5% in 2014-15 and by an average of 7.9% per annum over the forward estimates period, mainly driven by payments to non-government schools.

Table 16

**PAYMENTS FOR SPECIFIC PURPOSES**  
Western Australia

	2014-15	
	Budget Estimate	Share of total PSPs
	\$m	%
<b>Payments 'To' the State</b>		
<b><i>National Specific Purpose Payments</i></b>		
Skills and Workforce Development	159	3.0
Disability Services	155	2.9
Affordable Housing	145	2.7
<b><i>Health Reform Funding</i></b>		
Health Reform Payments	1,730	32.3
<b><i>Student First Funding</i></b>		
Student First Payments	528	9.9
<b><i>Other Payments 'To' the State</i></b>		
Health	363	6.8
Housing	181	3.4
Transport	486	9.1
Other <sup>(a)</sup>	269	5.0
<b>Payments 'Through' the State</b>		
Non-government Schools Assistance	1,048	19.6
Local Government Financial Assistance Grants	179	3.3
Local Government Roads	111	2.1
<b>Total Payments for Specific Purposes</b>	<b>5,355</b>	<b>100.0</b>

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

## Royalty Income

### Summary

Total royalty income is estimated to increase by 33.6% to \$5.9 billion in 2013-14, underpinned by strong growth in iron ore production volumes and an increase in the iron ore 'fines' royalty rate more than offsetting a decline in the iron ore price.

Royalty income is forecast to increase by a more modest 4.5% (or \$265 million) in 2014-15 to \$6.2 billion. Over the forward estimates period, additional iron ore volumes from project expansions and new mines are expected to drive further growth in royalty income to a projected \$7.7 billion by 2017-18.

Alumina royalties are forecast to improve over the forward estimates on the expectation that the alumina price will increase over the period. Royalties from diamonds are also forecast to increase as a result of the underground expansion of the Argyle diamond mine. Royalty income from gold and nickel is expected to decline due to reduced output from existing projects.

The royalty estimates include a provision of \$180 million in 2015-16, followed by similar amounts in subsequent years, pending the outcome of the previously announced mining royalty rate review.



Iron ore royalty revenue remains by far the largest source of royalty income for Western Australia, accounting for about 90% of total royalty income across the forecast period. At the same time, royalty income as a share of total general government revenue is projected to increase from 21% in 2013-14 to 24% in 2017-18.

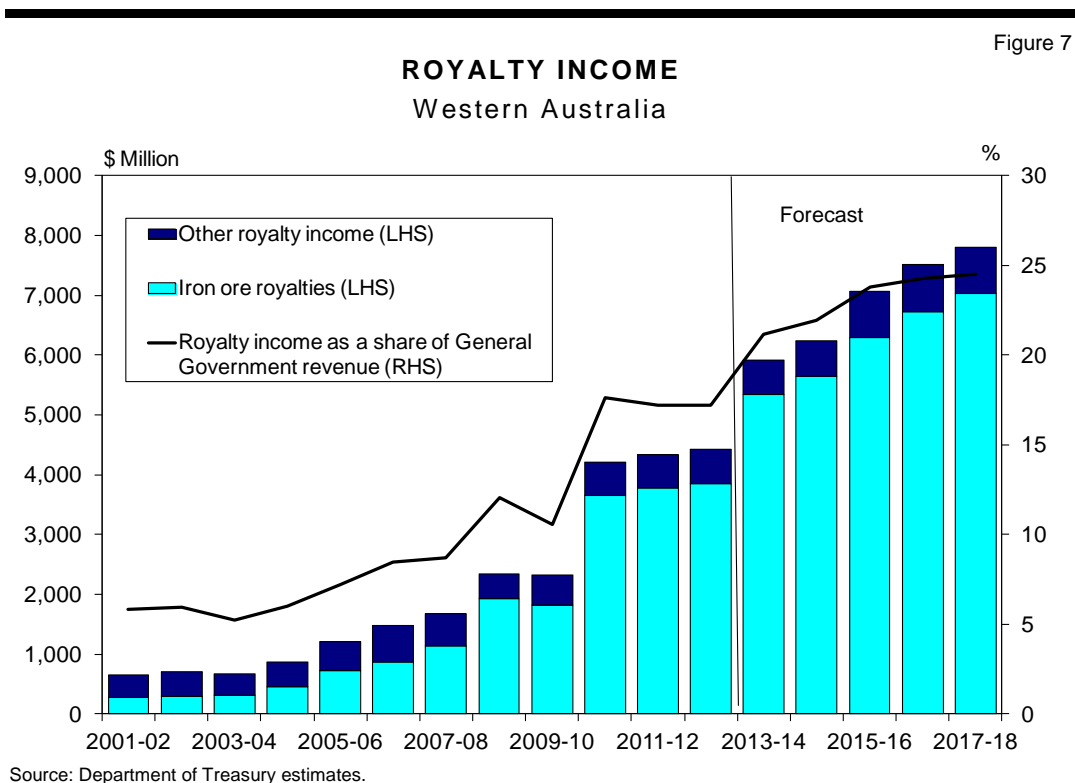


Table 17

### ROYALTY INCOME Western Australia

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	Estimate	Estimate	Estimate
Iron Ore	3,853	5,337	5,598	6,215	6,623	6,899
Petroleum	18	10	8	9	9	8
Alumina	65	75	81	88	94	98
Diamonds	18	21	19	32	36	35
Mineral Sands	26	14	14	12	15	16
Nickel	88	83	92	89	89	86
Gold	214	208	203	200	185	178
Other	143	163	162	154	157	152
Royalty rate analysis	-	-	-	180	187	193
<b>TOTAL ROYALTY INCOME</b>	<b>4,425</b>	<b>5,911</b>	<b>6,176</b>	<b>6,978</b>	<b>7,393</b>	<b>7,665</b>

Note: Columns may not add due to rounding.

## Assumptions

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

Table 18

<b>KEY ASSUMPTIONS</b>						
Royalty Income Estimates						
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Actual	Estimated	Budget	Forward	Forward	Forward
		Actual	Estimate	Estimate	Estimate	Estimate
\$US/\$A Exchange Rate (cents)	102.7	91.5	90.6	88.3	86.4	84.9
'Headline' Iron Ore Price (Cost and Freight (CFR), \$US per tonne)	129.0	125.2	122.7	120.1	117.6	115.0
Effective Iron Ore Price (FOB, \$US per tonne)	121.1	114.4	111.3	109.6	107.1	104.7
Iron Ore Volumes (million tonnes)	513.0	597.0	634.0	694.0	741.0	777.0
Crude Oil Price (\$US per barrel)	92.2	108.9	104.1	99.7	96.6	94.5

Note: Since the 2013-14 *Government Mid-year Financial Projections Statement*, Treasury has changed the source of the benchmark series for the iron ore price from Steel Home to The Steel Index and the benchmark for crude oil price from the West Texas Intermediate to Brent Crude.

The \$US/\$A exchange rate assumptions that underpin the royalty forecasts are derived using a 20 day (four week) average of market quoted monthly forward contracts<sup>10</sup>, ranging in maturity from one month to five years.

The iron ore 62% spot price, which is inclusive of cost and freight from Australia to China, is used as the benchmark series to derive the effective iron ore price assumptions. Iron ore royalty revenue is based on the FOB price, which is calculated by subtracting the cost of freight from the benchmark CFR price. Freight cost is an allowable deduction in the calculation of royalty payments and is estimated based on the 20 day average of forward freight agreements. Freight cost is adjusted for the moisture content in iron ore cargoes to derive a dry FOB price per tonne.

The mining production volume estimates are informed by a survey of producers undertaken by the Department of Mines and Petroleum and independent (external) analysis. 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 any new project or project expansion having received both final investment approval by the company and formal government approval.

<sup>10</sup> The market quoted forward rates as reported by Datastream, which 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.

### Iron Ore Price and Market Outlook

The iron ore price has become highly volatile after the annual benchmark pricing system (involving annual prices being negotiated directly between the major producers and buyers) broke down over the period 2008 to 2010. Since then, iron ore contracts have been linked to daily benchmark price assessments. A derivative market has also emerged, reflecting the industry’s need to manage price risk.

In 2013-14 to date, the daily benchmark iron ore price has fluctuated between a maximum of \$US142.8 per tonne in August 2013 and a low of \$US104.7 per tonne in March 2014. This follows particularly high volatility during 2012-13 when the benchmark price varied between \$US158.9 per tonne and \$US86.7 per tonne.

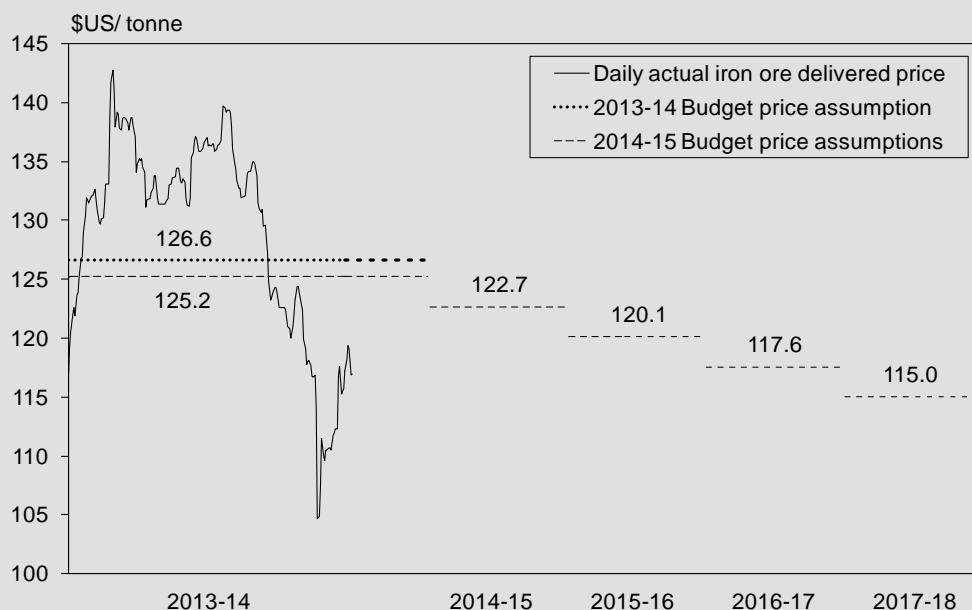
The Department of Treasury forecasts the benchmark iron ore price over the budget period by assuming that the price declines in a linear fashion from a starting point price assumption to a long-term price assumption. This approach provides a balance between:

- stability in forecasts required for budget planning, by removing the impact of short-term price volatility; and
- price assumptions that are reflective of current market conditions and the outlook for iron ore supply and demand.

As illustrated in the following chart, in the short-run the iron ore price is likely to fluctuate above and below the linear price path forecast by Treasury. However, these fluctuations are expected to smooth out over the longer run.

Figure 8

#### AUSTRALIA TO CHINA IRON ORE ‘FINES’ 62% IRON CONTENT SPOT CFR, Daily



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

The easing of the iron ore price over the long-run is supported by expectations of future market conditions. Global demand is expected to continue to grow, particularly from China, the largest consumer of iron ore. However, prices are projected to ease as low-cost seaborne supply, particularly from Australia and Brazil, expands. This is anticipated to displace a proportion of higher cost Chinese domestic production and ‘non-traditional’ producers (such as Malaysia, Indonesia and Iran).

### **Demand**

China’s rapid urbanisation and industrialisation has been the key driver underlying growth in Western Australian iron ore exports in the last decade. Over this period, the Chinese economy grew by an average of 10.2% per annum. Annual crude steel output increased from 222.3 million tonnes (Mt) in 2003 to 779Mt in 2013, equating to average growth of 13.4% per annum. This has generated additional iron ore demand of more than 750Mt per annum with China’s proportion of global iron ore demand increasing from around 30% to just below 60% over the decade. China’s iron ore demand is expected to grow by 3.2% per annum over the budget period, to reach 1.2 billion tonnes by 2017-18. Over the same period, demand from the rest of the world is projected to rise by about 3.5% per year to around 940Mt<sup>11</sup>.

The continued urbanisation of China is likely to be a key driver of domestic consumption and new investment. In 1990, urban Chinese accounted for just over a quarter of the total population, but now they account for over half of the population. By 2030, it is estimated that urban Chinese will account for about 70% of the total population.

Based on United Nations data, around 90 million additional people are projected to move to cities between 2014 and 2018. The Chinese government is encouraging this migration trend and is expected to accommodate it through significant investment in additional and improved social housing, transport systems and other urban amenities. Continued urbanisation and urban regeneration is expected to sustain Chinese demand for Western Australian iron ore as building and infrastructure construction together with rail and energy investment, currently account for around 65% of Chinese steel consumption<sup>12</sup>. Based on these trends, Chinese steel production is expected to peak in the mid-2020s.

Higher living standards are also likely to drive additional demand for steel and iron ore. Chinese GDP per capita is currently only about a quarter of the US. As China’s economy expands, Chinese steel consumption per capita is expected to follow a similar path to Japan and South Korea. Rising incomes are likely to increase spending on discretionary items, such as automobiles and household appliances. Even small increases in China’s per capita consumption, given its large population size, are likely to translate to large increases in total steel use.

<sup>11</sup> Derived from *Iron Ore Market Outlook*, CRU Limited, April 2014.

<sup>12</sup> Source: *Global Research*, Standard and Chartered, 16 April 2014.

### **Global Supply**

Global supply of iron ore is expected to increase over coming years as expansion projects and new mines are commissioned, particularly in Australia and Brazil. Western Australia's iron ore exports are forecast to grow by an average of 6.8% per annum, from around 600Mt in 2013-14 to around 780Mt by 2017-18. Western Australia's share of Chinese iron ore imports, currently close to 50%, is also projected to continue to rise. Brazilian production is anticipated to grow from around 336Mt in 2013-14 to 406Mt in 2017-18. Small increases in tonnage are also anticipated from Africa and India over the budget period. Overall, global production is expected to increase at about 2.8% per annum between 2013-14 and 2017-18, to around 2.2 billion tonnes<sup>13</sup>.

Growth in low-cost supply is anticipated to place downward pressure on price. However, as prices ease, a substantial proportion of higher cost Chinese domestic iron ore production and output from 'non-traditional' producers may become unprofitable and withdraw from the market. Chinese iron ore tends to have a lower grade of iron content and therefore requires additional processing, which adds to the cost of production. It is estimated that about 50% of Chinese domestic production is uneconomic at an iron ore price of \$US110 per tonne (based on Shanghai Metals Markets data). Chinese State-owned enterprises and integrated steel and iron ore producers may continue to produce at a loss for sometime before cutting output. This may result in volatility in the short-term, although as supply is gradually withdrawn, this should provide a floor to the price.

### **Price Outlook**

In the short-run, prices are expected to remain volatile. The Chinese steel sector currently faces a number of issues including declining profitability, overcapacity, stricter environmental controls, and tightening access to credit. There is likely to be some price volatility in the short-term as the sector adjusts to meet these challenges.

Over the long-run, iron ore prices are expected to gradually ease as additional low-cost output from Australia and Brazil comes on stream. On balance, Western Australia's increasing share of Chinese imports and expanding global demand are predicted to have a positive impact on royalty returns from iron ore over the foreseeable future.

## Other Revenue

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

Following expected growth of 8.5% in 2013-14, sales of goods and services revenue are forecast to increase by \$89 million (or 3.9%) in 2014-15. However, the rate of growth for 2013-14 includes a one-off \$55 million increase in revenue for WA Health relating to the receipt of funds for services provided on behalf of the Commonwealth in previous years. Abstracting from this, growth rates for 2013-14 and 2014-15 are 5.9% and 6.5% respectively.

<sup>13</sup> Derived from *Iron Ore Market Outlook*, CRU Limited, April 2014.

Across the forward estimates, sales of goods and services are projected to grow by around 5.8% per annum, broadly in line with growth in population and prices, as well as a number of new fees and increases to existing fees, such as:

- an increase in the Perth Parking Levy of \$365 phased-in over 2014-15 and 2015-16, across all Perth Parking Management Area fee-liable parking bays;
- an increase in the landfill levy from 1 January 2015, with the charge for putrescible waste to almost double (from \$28 per tonne to \$55 per tonne), and the charge for inert waste increasing from \$8 per tonne to \$40 per tonne; and
- new school fees for the first school-aged child of 457 visa holders, to be collected by the Department of Training and Workforce Development.

## Interest Income

The general government sector earns interest from investments of cash and other liquid assets. In 2014-15, interest revenue is forecast to be \$210 million, down slightly from an estimated \$212 million in 2013-14. Beyond 2014-15, interest revenue is forecast to rise, reaching \$272 million by 2017-18, 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 that are liable for dividends and income tax and local government rate equivalent payments<sup>14</sup>.

Revenue from public corporations in 2014-15 is forecast to total \$1.5 billion, comprising \$938 million in dividends, \$512 million in income tax equivalent payments and \$18 million in local government rate equivalent payments. This is \$94 million (or 6.9%) higher than the estimated outturn for 2013-14, and includes the impact of a 75% interim dividend from the State's port authorities (\$93.5 million).

<b>REVENUE FROM PUBLIC CORPORATIONS</b>						
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	Actual	Estimate	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
Dividends	796	850	938	990	1,060	1,077
Income Tax Equivalent	364	508	512	543	578	596
Local Government Rate Equivalent	17	16	18	18	18	18
<b>Total</b>	<b>1,177</b>	<b>1,374</b>	<b>1,468</b>	<b>1,551</b>	<b>1,656</b>	<b>1,691</b>

Note: Columns may not add due to rounding.

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

The revenue sources detailed above are more than offset by subsidies from the general government sector to the public corporations. In 2014-15, \$2 billion of operating subsidies are forecast to be provided to the public corporations, including \$747 million for the Public Transport Authority, \$616 million to the electricity corporations and \$583 million to the Water Corporation.

A detailed overview of revenue from, and payments to, individual public corporations is available at Appendix 8: *Public Corporations – Impact on General Government Revenue and Expenses*.

## **Other Revenue**

‘Other’ revenue includes a range of revenue items that are not elsewhere classified, such 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. In 2014-15, ‘other’ revenue is forecast to total \$444 million, including \$168 million for fines, contributions from third parties such as industry funding (\$119 million), \$86 million of mining-related lease rentals, and revenue from donations (\$25 million).

# General Government Expenses

## HIGHLIGHTS

- Relative to the 2013-14 Mid-year Review estimates, general government expenses in 2013-14 have been revised down by \$44 million, mainly reflecting the impact of the previously announced recruitment and advertising freezes.
- Overall, expenses in 2014-15 are virtually unchanged (up a net \$6 million) relative to the Mid-year Review, with new expenditure savings measures and timing changes offsetting the impact of additional expenditure for front-line services.
- Relative to the estimated outturn for 2013-14, recurrent expenditure in 2014-15 is up:
  - \$446.7 million (or 5.9%) for WA Health to reflect revised activity and cost projections, primarily for hospital services;
  - \$187.7 million (or 4.3%) for the Department of Education to meet forecast enrolment and cost growth;
  - \$83.5 million (or 6.6%) for Western Australia Police to meet the Government's commitments for additional police officers;
  - \$72.9 million (or 9.1%) for the Disability Services Commission to meet growth in demand for existing services and commence the My Way trial site for the National Disability Insurance Scheme (NDIS) in the lower South West;
  - \$45.7 million (or 6.1%) for the Mental Health Commission to meet activity growth and continue the State-wide Specialist Aboriginal Mental Health Service; and
  - \$33.5 million (or 5.7%) for the Department for Child Protection and Family Support to meet projected growth in demand, continue the Hardship Utilities Grant Scheme, and maintain the current level of homelessness services.
- Operating subsidies for electricity, water and public transport services total \$1.9 billion in 2014-15, reflecting fees and charges being set below the cost of providing these services.

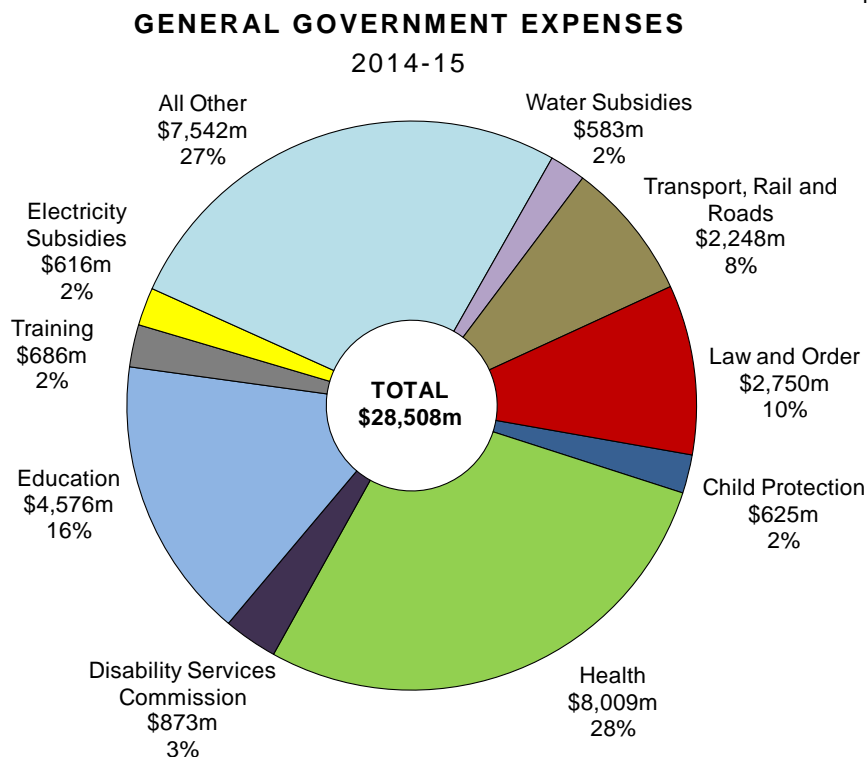


- Expense growth over the four years 2014-15 to 2017-18 is projected to average 3.5% per annum, in line with projected revenue growth of 3.6% per annum. Achieving this rate of growth is dependent on transitioning to the national efficient price for hospital services over the next four years and limiting increases in public sector wages and conditions to projected growth in the Perth Consumer Price Index (CPI).

## Introduction

General government expenses are forecast to be \$28.5 billion in 2014-15, \$722 million or 2.6% higher than the estimated outturn for 2013-14. This modest rate of growth follows an estimated increase of 9.1% in 2013-14 (down slightly from the 9.3% forecast at the time of the 2013-14 Mid-year Review).

Figure 1



The Government’s public sector reforms, which began during the last year, are critical to achieving sustainable general government expense growth. Key among these reforms are efforts to contain wage increases to projected growth in the Perth CPI in accordance with the Government’s new wages policy.

In addition, a new package of revenue and savings measures has been required to enable the Government to allocate additional spending to meet cost and demand pressures in front-line services, as well as a limited number of new policy initiatives. Major recurrent expenditure initiatives in the 2014-15 Budget include:

- additional spending of \$812 million over the next four years to meet increased demand for education services, which will fund an additional 1,458 full-time equivalent teachers, including an extra 546 teachers in the 2015 school year. A further \$10 million has also been provided in the 2015 school year to assist the transition to the new Student-Centred Funding Model;
- \$204 million in 2014-15 for growth in hospital services, enabling approximately 15,000 additional patients to stay in hospital, approximately 33,000 additional patients to be treated in emergency departments, and over 60,000 additional patients to be treated as out-patients;
- an additional \$180 million across the forward estimates to meet expected growth in demand for disability services, plus a further \$58 million over the next two years for the cost of running the Perth Hills NDIS trial site;
- \$154 million over five years from 2013-14 for forecast growth in mental health hospital activity;
- an additional \$90 million from 2014-15 to 2017-18 to meet growth in demand for child protection services; and
- a \$60 million assistance package for metropolitan local government reforms, which includes \$15 million in direct grant assistance to local governments over the next three years, and a subsidised loan facility of up to \$45 million to assist with the costs of implementing these reforms.

Substantial expenditure continues to be made to subsidise electricity, water and public transport. Electricity operating subsidies are forecast to total \$2.5 billion over the next four years, and water and public transport operating subsidies are forecast to total a further \$2.5 billion and \$3.2 billion, respectively.

### Key Issues in Priority Services

#### Health

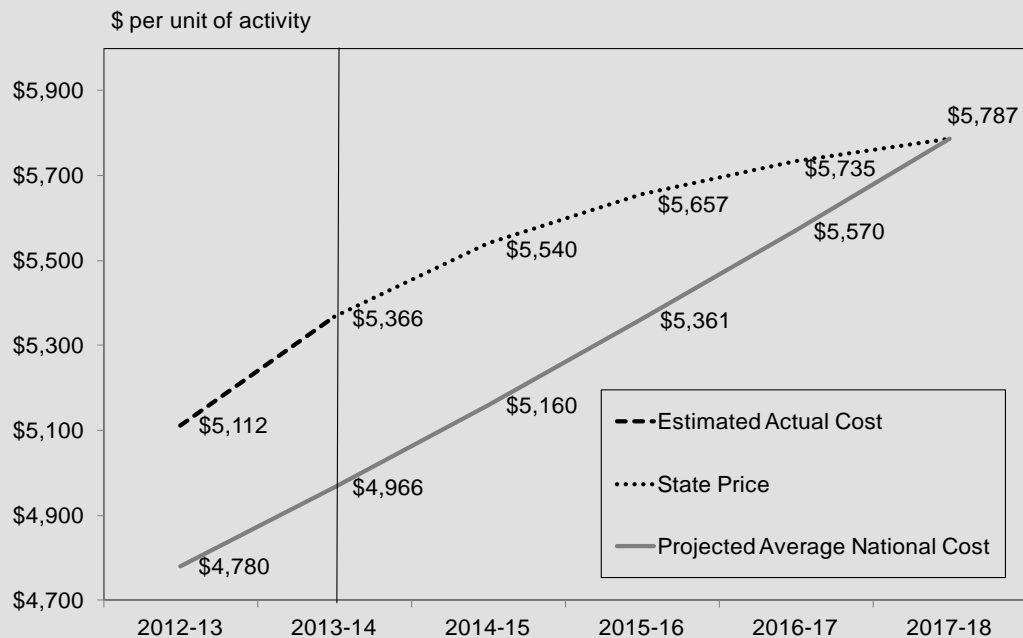
The Western Australian health system is currently in a major reform phase with the Government's \$7 billion capital program to build new hospitals nearing completion and the commissioning and integrating of these hospitals into the broader health system well underway.

The phased opening of the new Fiona Stanley Hospital (commencing in October 2014), a reconfiguration of the South Metropolitan Health Service and the commissioning of the Perth Children's Hospital in late 2015 provide a unique opportunity to deliver high quality health care more efficiently across the whole health system.

These new hospitals and reforms to the broader system will provide the catalyst to reduce the unit cost of service delivery in Western Australian hospitals. Currently, these costs of service delivery are 8% above the national average cost. The forward estimates in this Budget are predicated on the State Price of delivering hospital activity converging to the national average cost by 2017-18, as illustrated in the following figure.

Figure 2

#### ACTIVITY BASED FUNDING PRICE SETTINGS 2014-15 Budget

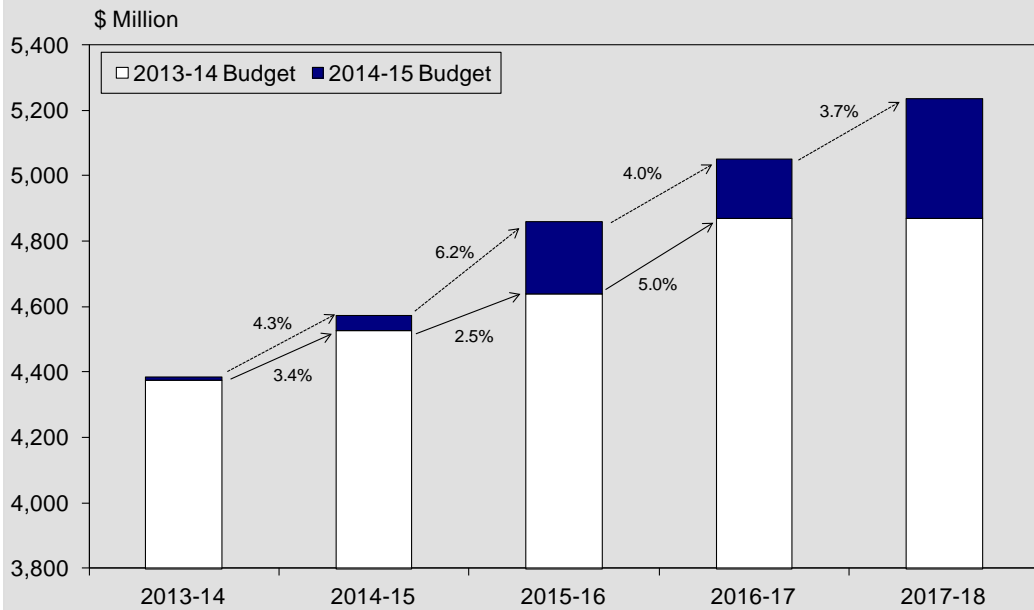


**Education**

This Budget allocates additional spending of \$812 million over the next four years to meet projected growth in student enrolments (including the half-year cohort impact in 2015) and costs. This results in expense growth of 4.3% in 2014-15 (up from 3.4% in last year’s Budget) and 6.2% in 2015-16 (up substantially from 2.5% in last year’s Budget), as illustrated in the following figure.

Figure 3

**DEPARTMENT OF EDUCATION – RECURRENT EXPENDITURE  
2014-15 Budget**



The Government is also delivering a significant program of education reform over the course of the 2015 school year.

Heading this reform program will be the implementation of a new Student-Centred Funding Model. This new funding methodology reflects the principles of the *Teese Report* into schools funding arrangements and will allocate resources to schools in a way that is both equitable and transparent, with funding provided to schools based on the specific needs of each student enrolled. An additional \$10 million in the 2015 school year will be spent to support schools in the implementation of the new model.

In addition, amendments to the Western Australian Certificate of Education (WACE) will enable students to qualify for their WACE by attaining an Australian Tertiary Admissions Rank and/or gaining a Certificate II (or higher) through the completion of units of Vocational Education and Training in Schools. This reform will enable students to leave school better prepared to enter higher education or the workforce.

Furthermore, Year 7 students will be schooled in secondary settings for the first time in 2015, bringing the State into line with the non-government school sector and with schools in most other jurisdictions. In addition, the 2014 school year will see the graduation of the half-year cohort of Year 12 students. This will result in a permanent, structural increase of around 5,700 student enrolments in the 2015 school year.

### **Social Services**

Total expenditure on key social services (comprising the Department for Child Protection and Family Support, the Disability Services Commission and the Mental Health Commission) continues to grow strongly, reflecting growth in demand and a number of significant reforms.

Total expenditure across these agencies is estimated to be \$2.3 billion in 2014-15, an increase of \$152 million (or 7%) on 2013-14 levels. This is an increase of \$1 billion (or 82%) since 2008-09.

The growth in demand for child protection services remains high, with the number of children in care increasing by an average of 6% per annum since 2008-09, and forecast to grow at a similar rate in 2013-14 and 2014-15.

The number of clients receiving disability services is expected to increase by 1,145 to around 24,000 in 2014-15, with a further 1,927 new clients expected to benefit from the commencement of NDIS and My Way trial sites from 1 July 2014.

To complement the NDIS, the Commonwealth Government has proposed a National Injury Insurance Scheme to provide lifetime care and support to people who sustain a catastrophic injury from a motor vehicle, workplace, medical treatment injury or general accident. The State Government has provided in principle support for the introduction of a no fault insurance scheme for motor vehicle accidents. The State Government will issue a Green Paper in 2014 to inform the community about the proposed changes to motor vehicle personal injury insurance cover and seek community feedback before making a final decision.

Mental health reforms include increasing the availability of 'Step-up/Step-down' treatment facilities to relieve the pressure on hospitals. Suicide prevention and mental health court diversion programs have also been extended for a further year.

## Major Expense Changes by Portfolio

### Summary

The following tables provide details of major changes in general government expenses by agency since the 2013-14 Mid-year Review. For a number of reasons, the disclosures in this chapter may not match those in the Spending Changes table for the relevant agency in Budget Paper No. 2: *Budget Statements*.

Timing changes are generally net debt neutral across the forward estimates and consequently are not included in this chapter. 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*.

This Budget implements a 15% reduction in non-essential procurement expenditure in 2014-15, which includes expenditure on consultants, staff travel, consumables and administration<sup>1</sup>. Savings from this measure total \$168.9 million, with specific agency impacts detailed in the following tables. Additionally, the Government has implemented a freeze on both recruitment and advertising expenditure by general government sector agencies effective from 16 April 2014 to 30 June 2014. These measures are expected to result in savings of \$21.4 million and \$7.4 million respectively in 2013-14, and have been reflected in this Budget at a 'global' level.

The Government also allocated a further \$26.4 million in 2013-14 following the Mid-year Review to expand the Enhanced Voluntary Separation Scheme from 1,000 to a maximum of 1,200 applications. Latest indications are that 1,114 people will accept offers of voluntary separation at an estimated cost of \$146.7 million. This additional expense will help ensure achievement of CPI salary cap savings of over \$800 million under the Government's public sector workforce reforms, relative to the Mid-year Review projections. In addition, the Western Australia Police has implemented a police-only voluntary separation scheme within its current expense limit, in which 190 non-operational officers have left the police force and will be replaced over time by operational officers.

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<sup>1</sup> The procurement savings do not apply to contracts and services purchased from the not-for-profit sector, nor to direct purchases by schools or patient support services in the health sector.

## PARLIAMENT

Table 1

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Parliamentary Services</b>					
- Continuation of Upgraded Security at Parliament House	0.3	0.3	0.3	0.3	0.3

### Parliamentary Services

#### Continuation of Upgraded Security at Parliament House

A total of \$1.4 million will be spent from 2013-14 to 2017-18 to continue providing additional security personnel at Parliament House.

**PREMIER; MINISTER FOR STATE DEVELOPMENT; SCIENCE**

Table 2

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Premier and Cabinet</b>					
- Parkerville Bushfire Disaster Relief	2.6	-	-	-	-
- Resolution of Native Title in the South West of Western Australia (Settlement)	2.9	0.6	-	-	-
- Surf Lifesaving WA	-	0.2	0.2	0.2	0.2
- 2014-15 Procurement Savings	-	-0.9	-	-	-
<b>State Development</b>					
- Office Lease Costs	-	0.4	1.6	1.6	1.6
- Browse and Oakajee Projects – Project Development	-	-1.9	2.1	1.8	-
- Dampier Bulk Liquids Berth Subsidy (Administered)	-	-3.7	2.2	-0.6	0.8
- LNG 18 Conference	-	-	3.4	-	-
- 2014-15 Procurement Savings	-	-0.4	-	-	-
<b>Chemistry Centre (WA)</b>					
- 2014-15 Procurement Savings	-	-0.4	-	-	-

**Premier and Cabinet****Parkerville Bushfire Disaster Relief**

The Government has committed \$2.6 million in 2013-14 on Parkerville Bushfire Disaster Relief, consisting of a \$1 million donation to the Lord Mayor's Distress Relief Fund and clean-up costs of \$1.6 million for properties destroyed or damaged in the bushfire.

**Resolution of Native Title in the South West of Western Australia (Settlement)**

An additional \$3.5 million will be spent on the Settlement, consisting of a transitional grant payment of \$2.4 million in 2013-14 to the Noongar Boodja Trust to finalise negotiations of the Settlement and establish the Noongar governance structure, and the Department's implementation costs of \$472,000 in 2013-14 and \$589,000 in 2014-15.

**Surf Lifesaving WA**

An additional \$700,000 will be spent from 2014-15 to 2017-18 for the upkeep and maintenance of jet skis.

**State Development****Office Lease Costs**

An additional \$5.4 million will be spent between 2014-15 and 2017-18 to meet increases in rental costs that will be incurred after renewal of the current office lease in March 2015.



### **Browse and Oakajee Projects – Project Development**

An additional \$2 million will be spent between 2014-15 and 2016-17 to progress the Browse and Oakajee projects by way of completing relevant environmental and other approval processes, reconfiguring and redesigning infrastructure plans, and engaging with industry proponents for the development of the projects.

### **Dampier Bulk Liquids Berth Subsidy (Administered)**

A reduction in expenses of \$1.3 million between 2014-15 and 2017-18 is expected due to a lower forecast subsidy as revenue estimates for the Bulk Liquids Berth have been revised upwards and operating costs have been reduced.

### **LNG 18 Conference**

Up to \$3.4 million will be spent in 2015-16 on temporary infrastructure, including structures that will seat 1,500 people for meals and a registration marquee, required to host the LNG 18 conference at the Perth Convention and Exhibition Centre. The Department of State Development will be seeking industry contributions to fund this expenditure.

## DEPUTY PREMIER; MINISTER FOR HEALTH; TRAINING AND WORKFORCE DEVELOPMENT

Table 3  
MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>WA Health</b>					
- 2013-14 Cost Pressures	105.8	-	-	-	-
- Activity and Cost Growth – Hospital Services	-	204.1	98.3	-14.4	-233.8
- Activity and Cost Growth – Non-Hospital Services	-	2.7	2.9	3.1	3.3
- Aboriginal Health Services	-	30.3	-	-	-
- Laboratory Information Systems Replacement	-	-	-	1.5	0.3
- Leave Liability	-	40.3	38.6	46.5	-
- Mental Health Programs					
▪ Continuation of State-wide Specialist Aboriginal Mental Health Service	-	8.4	8.7	9.0	-
▪ Continuation of State-wide Suicide Prevention Program	-	1.1	-	-	-
▪ Extension of Pilot Mental Health Court Diversion Program	-	1.1	-	-	-
- Procurement Savings	-	-41.1	-	-	-
- Royalties for Regions – Busselton Hospital Information and Communication Technology (ICT)	6.5	4.2	-	-	-
- Royalties for Regions – Royal Flying Doctor Replacement Aircraft	8.0	-	-	-	-
- Stabilising ICT Platform	0.6	1.7	0.9	0.6	0.5
<b>Training and Workforce Development</b>					
- 2014-15 Procurement Savings	-	-2.2	-	-	-
<b>State Training Providers</b>					
- 2014-15 Procurement Savings	-	-9.0	-	-	-

### WA Health

#### 2013-14 Cost Pressures

Additional expenditure of \$105.8 million will be incurred in 2013-14 to meet cost pressures experienced mainly in the North Metropolitan Health Service and Western Australian Country Health Service. Hospital services in total will cost an additional \$149.2 million, which will be partly offset by underspends in other services. The 2013-14 estimated outturn also includes lower than expected depreciation and leave liability costs (\$31.3 million and \$15.5 million, respectively).

#### Activity and Cost Growth – Hospital Services

An additional \$204.1 million will be spent in 2014-15 to reflect revised activity and expenditure projections in preparation for the commencement of Activity Based Funding as part of the National Health Reform Agreement (NHRA).

Consistent with the 2014-15 Independent Hospital Pricing Authority (IHPA) framework and age-weighted population growth projections, hospital activity is expected to increase by 2.8% in 2014-15 and an average of 2.7% in each year of the forward estimates.

The unit cost of providing health services in Western Australian hospitals, known as the State Price, has been re-based to reflect the 2013-14 estimated outturn and the 2014-15 IHPA framework. Reflecting higher costs of service delivery in Western Australia compared to the national average, the State Price is currently 8% higher than the national average cost (and is also increasing at a higher rate than observed nationally). To facilitate reduced cost growth and deliver a more sustainable expenditure base for hospital services, the forward estimates are predicated on transitioning the cost per unit of activity (i.e. the State Price) to the national average cost by 2017-18.

From 1 July 2014, in line with the NHRA, the Commonwealth will pay for 45% of the efficient growth in activity each year from 2014-15 to 2016-17 (and 50% of the efficient growth in activity from 2017-18) at a price per unit of activity equal to IHPA's National Efficient Price for that year. This additional revenue will offset some of the increase in expenditure required to meet the level of activity growth.

In 2014-15, approved hospital expenditure growth of 5.7% will provide for approximately 15,000 additional patients to stay and be treated in hospital, approximately 33,000 additional patients to be treated in emergency departments, and over 60,000 additional patients to be treated as out-patients.

### **Activity and Cost Growth – Non-Hospital Services**

An additional \$12 million will be spent from 2014-15 to 2017-18 to meet growth in activity of non-hospital services, including Community and Home Care Services, Dental Services and Health Care Delivery Programs.

### **Aboriginal Health Services**

Additional expenditure of \$30.3 million in 2014-15 has been approved for the continuation of Aboriginal health programs and services previously delivered under the Closing the Gap and Indigenous Early Childhood Development programs. An independent review of the program will be undertaken prior to the 2015-16 Budget to provide assurance that it is delivering effective outcomes and providing value for money.

### **Laboratory Information Systems Replacement**

Recurrent expenditure of \$1.8 million over 2016-17 to 2017-18 will be incurred to provide application, software and hardware support required to sustain the new \$27.6 million capital investment for the replacement of the Laboratory Information Systems for PathWest.

### **Leave Liability**

WA Health's expense limit has been increased by \$125.4 million from 2014-15 to 2016-17 to reflect the expectation that the leave liability cap set in 2012-13 will not be achieved, primarily as a result of the need to maintain hospital services. Growth in leave liabilities is set at around 4.5% per annum.

WA Health is implementing a number of strategies to constrain leave liability growth, including the capping of growth in annual leave hours.

### **Mental Health Programs**

An additional \$28.4 million will be spent over the next three years on three Mental Health programs that are delivered through WA Health. These programs are the continuation of the State-wide Specialist Aboriginal Mental Health Service; the continuation of the State-wide Suicide Prevention Program; and the extension of the pilot for Mental Health Court Diversion Programs. Further details on these programs are reflected in the Mental Health Commission section of this chapter.

### **Royalties for Regions – Busselton Hospital Information and Communication Technology**

Recurrent expenditure of \$10.7 million over 2013-14 and 2014-15 will enable information and communication technology (ICT) functionality at the Busselton Hospital, including patient administration, medical records, mother-baby tagging and other supporting information systems.

### **Royalties for Regions – Royal Flying Doctor Replacement Aircraft**

A grant of \$8 million in 2013-14 will be provided to the Royal Flying Doctor Service (RFDS) to assist with the acquisition of four replacement aircraft, consistent with the aircraft replacement plan for the RFDS.

### **Stabilising ICT Platform**

Recurrent expenditure of \$4.3 million over 2013-14 to 2017-18 will provide the operational and management support required to sustain the new \$17.3 million capital investment associated with upgrading operating systems and software applications across all personal computers within WA Health.

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

Table 4

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Department of Regional Development</b>					
- Royalties for Regions – Living Lakes Stage 3	-	-	-	2.0	2.0
- Royalties for Regions – Regional Groupings of Local Governments	- (a)	20.0	-	-	-
- Royalties for Regions – Southern Investment Initiative	-	15.0	18.0	20.0	184.8
- Royalties for Regions – State-wide Regional Blueprint Initiative	-	2.0	13.0	13.0	28.0
- Royalties for Regions – The Quarter	-	-	6.0	-	-
- 2014-15 Procurement Savings	-	-0.5	-	-	-
<b>Western Australian Land Information Authority (Landgate)</b>					
- Strategic Development Plan	-0.4	-0.6	-3.9	-12.1	-4.1
- 2014-15 Procurement Savings	-	-1.0	-	-	-
<b>Lands</b>					
- Reform Program	-	7.4	7.4	6.0	5.4
- Anketell Port and Strategic Industrial Area – Compensation for Land Acquisition	4.1	1.8	1.8	1.8	1.8
- South West Native Title Settlement	-	4.7	-	-	-

(a) Amount less than \$50,000

### Department of Regional Development

#### Royalties for Regions – Living Lakes Stage 3

A Royalties for Regions provisional allocation of \$4 million over two years, commencing in 2016-17, has been provided to continue the Living Lakes Program, which aims to develop innovative ways to enhance inland lakes and create economic opportunities for recreation, tourism and regional development.

#### Royalties for Regions – Regional Groupings of Local Governments

An allocation of \$20 million in 2014-15 has been approved to assist country local governments to address local infrastructure requirements, improve asset management and build capacity.

#### Royalties for Regions – Southern Investment Initiative

A provisional allocation of \$237.8 million for recurrent expenditure over four years, commencing in 2014-15, has been approved to implement initiatives across the Peel, Wheatbelt, South West and Great Southern Regions, enabling a more sustainable social and economic base. Including capital investment in infrastructure, the total allocation to this initiative over the next four years is \$515 million.

### **Royalties for Regions – State-wide Regional Blueprint Initiative**

A provisional allocation of \$56 million for recurrent expenditure over four years, commencing in 2014-15, has been approved to implement State-wide major economic, social and community development projects that arise from Regional Investment Blueprints. Including capital investment in infrastructure, the total allocation to this initiative over the forward estimates period is \$169 million.

### **Royalties for Regions – The Quarter**

A provisional allocation of \$6 million in 2015-16 has been provided to meet the fit-out costs of proposed new government office accommodation in Karratha.

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

### **Strategic Development Plan**

A reduction in total spending of \$21.1 million between 2013-14 and 2017-18 will be achieved through a combination of business reforms associated with the Council of Australian Governments' National Electronic Conveyancing Initiative and Landgate's internal transformation agenda.

## **Lands**

### **Reform Program**

The reform program for the Department of Lands is intended to focus on its role in the management, administration and provision of policy advice to Government on all aspects of Crown land and property. To achieve this, additional expenditure of \$26.2 million has been allocated over the period 2014-15 to 2017-18 to provide increased capability in the Department's management of Crown land, pastoral leases and Native Title determinations.

This includes the establishment of a Land Management Unit to provide a coordinated and targeted approach to the determination and organisation of the sale, lease and development of government-owned land and property in recognition of the need to manage its best use and optimise returns.

### **Anketell Port and Strategic Industrial Area – Compensation for Land Acquisition**

An amount of \$11.3 million will be spent between 2013-14 and 2017-18 to provide compensation to the Ngarluma Aboriginal Corporation (on behalf of the Ngarluma people who are the Native Title holders) for the acquisition of land required for the Anketell Port and Strategic Industrial Area Project.

### **South West Native Title Settlement**

An additional \$4.7 million will be spent in 2014-15 to meet costs related to the identification and assessment of Crown land suitable for transfer to Native Title holders, in order to resolve Native Title in the South West of Western Australia.

## MINISTER FOR EDUCATION; ABORIGINAL AFFAIRS; ELECTORAL AFFAIRS

Table 5

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Education</b>					
- Additional Funding for Student Enrolment Growth	-	38.3	234.1	201.3	338.4
- Student-Centred Funding Model Transitional Funding	-	5.0	5.0	-	-
- Amendments to the WACE	-	2.0	1.1	-	-
- 2014-15 Procurement Savings	-	-25.0	-	-	-
<b>Education Services</b>					
- Amendments to the WACE (Administered)	-	0.8	0.6	-	-
- Curriculum and Re-engagement in Education Schools (Administered)	-	1.0	1.0	1.0	-
<b>School Curriculum and Standards Authority</b>					
- 2014-15 Procurement Savings	-	-0.2	-	-	-
<b>Country High School Hostels Authority</b>					
- Adjustment to Salaries Cap	0.3	1.0	1.1	1.0	1.0
- 2014-15 Procurement Savings	-	-0.5	-	-	-
<b>Aboriginal Affairs</b>					
- Community Patrols	-	1.7	1.6	1.8	2.0
- 2014-15 Procurement Savings	-	-0.2	-	-	-

### Education

#### Additional Funding for Student Enrolment Growth

Over the period 2014-15 to 2017-18, an additional \$812.2 million will be spent to address the continued cost and demand pressures driven by student enrolment growth. Between the 2014 and 2018 school years, student enrolments are expected to increase by approximately 11.6% (33,000 students). Total expenditure is budgeted to increase by 19.4% over four years, resulting in the average cost per student increasing from \$15,675 in 2013-14 to \$16,767 in 2017-18.

#### Student-Centred Funding Model Transitional Funding

Additional expenditure of \$10 million for the 2015 school year (\$5 million in each of 2014-15 and 2015-16) has been allocated to facilitate the transition of schools to the new Student-Centred Funding Model.

#### Amendments to the WACE

An additional \$3.1 million will be spent from 2014-15 to 2015-16 on teacher training costs associated with the implementation of amendments to the WACE.



## **Education Services**

### **Amendments to the WACE (Administered)**

An additional \$1.4 million will be spent in 2014-15 and 2015-16 on non-government school teacher training costs associated with the implementation of amendments to the WACE.

### **Curriculum and Re-engagement in Education Schools (Administered)**

A total of \$3 million will be spent from 2014-15 to 2016-17 to increase funding for specialised schools that deliver education programs to students with social, emotional or behavioural difficulties.

## **Country High School Hostels Authority**

### **Adjustment to Salaries Cap**

Previously harvested salaries cap savings totalling \$4.5 million from 2013-14 to 2017-18 have been reinstated to account for positions funded from sources external to the State government.

## **Aboriginal Affairs**

### **Community Patrols**

An additional \$7.1 million will be spent over the next four years to maintain the current Aboriginal Community Patrols Program in 14 existing locations. The program removes at-risk Aboriginal people from potential harmful situations involving alcohol, drugs and violence. The Department evaluated the program during 2013-14 and found a high level of stakeholder approval and cultural acceptance for these services.

## TREASURER; MINISTER FOR ENERGY; CITIZENSHIP AND MULTICULTURAL INTERESTS

Table 6

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Treasury</b>					
- Superannuation Administration Outsourcing Project (Administered)	-	5.5	-	-	-
- NDIS – Perth Hills Trial Site (Administered)	-	9.6	48.3	-	-
<b>Office of the Auditor General</b>					
- 2014-15 Procurement Savings	-	-0.2	-	-	-
<b>Independent Market Operator</b>					
- 2014-15 Procurement Savings	-	-0.4	-	-	-
<b>Economic Regulation Authority</b>					
- Licensing Functions	1.2	-	-	-	-
<b>Horizon Power<sup>(a)</sup></b>					
- Operating Subsidy for Electricity Tariffs – 2014-15 Tariff Decision	-	3.5	3.9	4.2	-5.2
- Operating Subsidy for Electricity Tariffs – Cost and Demand Changes	-	-1.8	-1.9	-1.9	-3.6
<b>Synergy<sup>(a)</sup></b>					
- Operating Subsidy for Electricity Tariffs – 2014-15 Tariff Decision	-	35.8	41.4	43.5	47.0
- Operating Subsidy for Electricity Tariffs – Cost and Demand Changes	2.6	-46.6	-60.0	-58.7	-39.1
- Operating Subsidy for Electricity Concessions and Rebates	-5.5	-7.1	-8.0	-9.3	-8.6

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

### Treasury

#### Superannuation Administration Outsourcing Project (Administered)

Up to \$5.5 million will be spent in 2014-15 to provide for transition and redundancy payments for employees of the Government Employees Superannuation Board as a result of the State's superannuation reforms.

#### NDIS – Perth Hills Trial Site (Administered)

Under NDIS trial agreements with the Commonwealth Government, the Department will make payments totalling \$57.9 million to the National Disability Insurance Agency (NDIA) in 2014-15 and 2015-16 to meet the State's funding contribution for the NDIA-managed trial in the Perth Hills.

### Economic Regulation Authority

#### Licensing Functions

An additional \$1.2 million will be spent in 2013-14 to support the Economic Regulation Authority's licensing, monitoring and customer protection functions for regulated industries.

## **Horizon Power**

### **Operating Subsidy for Electricity Tariffs**

The operating subsidy, which provides for the difference between the cost of providing electricity and the prices that are paid by consumers, will increase by \$6.3 million over 2014-15 to 2017-18. This increase reflects 2014-15 residential and small business electricity tariff increases of 4.5% relative to the previous forecast of 7%.

This increase is offset by a \$9.3 million operating subsidy reduction over 2014-15 to 2017-18, which is the result of lower forecast demand for electricity.

## **Synergy**

### **Operating Subsidy for Electricity Tariffs**

The operating subsidy, which provides for the difference between the cost of providing electricity and the prices that are paid by consumers, will increase by \$167.7 million over 2014-15 to 2017-18. This increase reflects 2014-15 residential and small business electricity tariff increases of 4.5% relative to the previous forecast of 7%.

This increase is offset by a \$201.9 million operating subsidy reduction over 2013-14 to 2017-18, which is the result of lower capacity and network costs (driven by Horizon Power's strategic review), partially offset by increased renewable energy costs.

### **Operating Subsidy for Electricity Concessions and Rebates**

The forecast value of electricity concessions and rebates has been revised down by \$38.5 million over 2013-14 to 2017-18. This reflects lower than anticipated uptake of concessions and rebates, particularly in relation to the Cost of Living Assistance scheme.

## MINISTER FOR PLANNING; CULTURE AND THE ARTS

Table 7

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Department of Planning</b>					
- Land Development Applications Processing	-	1.9	1.9	1.9	2.0
- Land Use Planning Initiative – Bushfire Risk Mitigation	0.1	0.4	-	-	-
- 2014-15 Procurement Savings	-	-0.4	-	-	-
<b>Western Australian Planning Commission</b>					
- 2014-15 Procurement Savings	-	-1.5	-	-	-
<b>Culture and the Arts</b>					
- Service Delivery Infrastructure – Fit-for-Purpose Improvements	-	0.5	1.5	2.0	-
- Museum of Modern Art Exhibition Series Deficit	1.5	-	-	-	-
- Museum of Modern Art Exhibition Series	-4.0	-	-	-	-
- Depreciation	0.8	-1.8	-1.2	0.2	2.2
- Projects Funded from External Revenue	6.7	3.9	3.5	3.7	4.9
- Venue Management Review	-	-(a)	-0.5	-1.0	-0.5
- Albany Entertainment Centre	-	-68.2	70.0	-	-
- 2014-15 Procurement Savings	-	-1.7	-	-	-

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

### Department of Planning

#### Land Development Applications Processing

An additional \$7.7 million will be spent from 2014-15 to 2017-18 to meet processing costs associated with an increasing number of applications for land development. This will be funded by fees and charges.

#### Land Use Planning Initiative – Bushfire Risk Mitigation

An additional \$439,000 will be spent over 2013-14 and 2014-15 on measures to mitigate the risk of bushfires in future land developments and further investigate options to mitigate the risk of bushfire impacts on existing homes in bushfire-prone areas.

### Culture and the Arts

#### Service Delivery Infrastructure – Fit-for-Purpose Improvements

Additional expenditure of \$4 million between 2014-15 and 2016-17 has been approved to address gaps in service delivery infrastructure, ensuring continuity of service delivery and attraction of world-class touring exhibitions and performances.

#### Museum of Modern Art Exhibition Series Deficit

Following the decision to cancel the final three Museum of Modern Art Exhibition series, \$1.5 million will be spent in 2013-14 to meet the net operational shortfall.

### **Museum of Modern Art Exhibition Series**

Revenue-backed expenses associated with the Museum of Modern Art Exhibitions have been revised downwards by \$4 million in 2013-14, primarily reflecting lower than expected ticket sales and the early cancellation of the series.

### **Depreciation**

Annual depreciation and amortisation expenses have been revised from 2013-14 to 2017-18 (resulting in a net increase of \$102,000 over the period) following a review of portfolio assets.

### **Projects Funded from External Revenue**

An additional \$22.6 million will be spent from 2013-14 to 2017-18, mainly on project and production grants, primarily reflecting additional grant income of \$14.4 million to ScreenWest.

### **Venue Management Review**

As part of the transition to a revised service delivery model, the Perth Theatre Trust will reduce its expenses by \$2 million over the period 2014-15 to 2017-18.

### **Albany Entertainment Centre**

The proposed transfer of the Albany Entertainment Centre to the City of Albany has been deferred from July 2014 to July 2015. The delayed asset transfer will reduce general government expenses by \$70 million in 2014-15 and increase expenses by the same amount in 2015-16. The reduction in expenses in 2014-15 is partially offset by an increase in expenditure of \$1.8 million to meet depreciation and operating expenses that will be incurred due to the delay in transferring the Centre.

## MINISTER FOR POLICE; TOURISM; ROAD SAFETY; WOMEN'S INTERESTS

Table 8

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Western Australia Police</b>					
- Closed Circuit Television Network	-	1.3	-	-	-
- Computer Aided Dispatch System	-	4.3	0.4	3.9	3.0
- 2014-15 Procurement Savings	-	-12.0	-	-	-
<b>Western Australian Tourism Commission</b>					
- Increased Tourism Marketing	-	1.0	1.0	2.0	-
- China Marketing Program	-	-	1.3	1.3	1.3
- Continuation of Events Funding	-	-	5.0	5.0	-
- Royalties for Regions – Aboriginal Tourism Development	-	1.2	1.2	1.2	1.2
- 2014-15 Procurement Savings	-	-0.7	-	-	-
<b>Main Roads</b>					
- Office of Road Safety	-	3.8	-	-	-

### Western Australia Police

#### Closed Circuit Television Network

A total of \$1.3 million will be spent in 2014-15 to provide grants to local governments to improve closed circuit television (CCTV) infrastructure and complete the business case for the State CCTV Strategy.

#### Computer Aided Dispatch System

As part of a \$25.4 million total commitment, additional recurrent expenditure of \$11.5 million over 2014-15 to 2017-18 has been approved to replace and operate the Computer Aided Dispatch System, which automates 'triple-0' call-taking and co-ordinates, records and dispatches front-line police resources to respond to criminal and emergency incidents.

### Western Australian Tourism Commission

#### Increased Tourism Marketing

Additional tourism marketing expenditure of \$4 million over 2014-15 to 2016-17 has been approved to increase visitation in key tourism destinations throughout Western Australia.

#### China Marketing Program

An amount of \$3.9 million will be spent over 2015-16 to 2017-18 on cooperative marketing campaigns with airlines, travel agents and Tourism Australia to continue to attract visitors from China.

### **Continuation of Events Funding**

Additional expenditure of \$10 million over 2015-16 to 2016-17 has been approved to enable the Commission to continue delivering a balanced and diverse internationally competitive calendar of events that increases the appeal of Western Australia.

### **Royalties for Regions – Aboriginal Tourism Development**

An amount of \$4.6 million will be spent between 2014-15 and 2017-18 to ensure continuation of support for the development of Aboriginal tourism businesses in regional Western Australia.

## **Main Roads**

### **Office of Road Safety**

An additional \$3.8 million will be spent in 2014-15 on a variety of road safety initiatives, including repeat drink driving strategy implementation, community education programs targeting drug and alcohol-induced driving, and WA Health road trauma support services. This additional spending forms part of a road safety expenditure program totalling \$100.1 million in 2014-15, funded from the Road Trauma Trust Account.

## MINISTER FOR MENTAL HEALTH; DISABILITY SERVICES; CHILD PROTECTION

Table 9

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Mental Health Commission</b>					
- Mental Health Hospital Activity	9.8	32.9	35.4	35.8	40.0
- Continuation of State-wide Specialist Aboriginal Mental Health Service	-	9.4	9.7	10.0	-
- Mental Health Sub-acute (Step-up, Step-down) Services	-	-	-	0.8	6.7
- Extension of Pilot Mental Health Court Diversion Program	-	3.5	-	-	-
- Continuation of State-wide Suicide Prevention Strategy	-	3.0	-	-	-
- Expansion of Alcohol and Other Drug Integrated Services in the Metropolitan Area	-	0.1	1.6	1.7	1.8
- Fresh Start Recovery Program	-	1.1	-	-	-
- 2014-15 Procurement Savings	-	-0.8	-	-	-
<b>Disability Services Commission</b>					
- Growth Funding	-	25.3	49.9	51.5	53.2
- Continence Management Aids Support Scheme	-	2.5	-	-	-
- Young People in Residential Aged Care	-	-	-	-	3.0
- NDIS – Trial Sites	-	6.5	23.7	-	-
- 2014-15 Procurement Savings	-	-1.4	-	-	-
<b>Child Protection and Family Support</b>					
- Growth in Demand for Child Protection Services	-	21.6	22.1	22.6	23.2
- Hardship Utilities Grant Scheme	-	7.8	-	-	-
- Busselton Women's Refuge	-	0.5	-	-	-
- Homelessness Services	-	6.3	-	-	-
- 2014-15 Procurement Savings	-	-2.8	-	-	-

### Mental Health Commission

#### Mental Health Hospital Activity

An additional \$153.9 million will be spent from 2013-14 to 2017-18 on mental health hospital activity delivered by WA Health to meet the ongoing demand for services.

The increase in expenditure is due to new activity-based funding settings, including a new classification and pricing framework released by the Independent Hospital Pricing Authority and an increase to the State Price assigned for hospital activity.

#### Continuation of State-wide Specialist Aboriginal Mental Health Service

Additional expenditure of \$29.1 million from 2014-15 to 2016-17 has been approved to continue the State-wide Specialist Aboriginal Mental Health Service for a further three years. Multidisciplinary teams operating in both the metropolitan and country regions will provide culturally-informed support and clinical case management to Aboriginal people with severe mental illness.



### **Mental Health Sub-acute (Step-up, Step-down) Services**

Additional expenditure of \$7.4 million over 2016-17 and 2017-18 will support the provision of mental health sub-acute services in Joondalup, Rockingham and Broome. This will provide increased assistance to people in their re-establishment in the community following a period of acute mental health care, and in managing adverse changes to mental health conditions.

### **Extension of Pilot Mental Health Court Diversion Program**

An additional \$3.5 million will be spent in 2014-15 to extend the pilot of the mental health court diversion program in both the adult and juvenile courts for one year. An evaluation of the program will be undertaken prior to any further extension of funding.

### **Continuation of State-wide Suicide Prevention Strategy**

Expenditure of \$3 million in 2014-15 has been approved to continue the delivery of local suicide prevention and mental health services for school-aged children.

### **Expansion of Alcohol and Other Drug Integrated Services in the Metropolitan Area**

An additional \$5.2 million will be spent from 2014-15 to 2017-18 to provide clinical alcohol and other drug (AOD) services in Joondalup. Clinical teams will provide medical, nursing and psychological services, and will be co-located with non-government services.

### **Fresh Start Recovery Program**

Additional expenditure of \$1.1 million in 2014-15 will sustain existing levels of AOD services delivered through the Fresh Start Recovery Program. Services include administering naltrexone implants, counselling and temporary accommodation.

## **Disability Services Commission**

### **Growth Funding**

An additional \$179.8 million will be spent from 2014-15 to 2017-18 to meet expected growth in demand for existing services outside the NDIS trial sites. These services mainly comprise accommodation support services, individual support, individual coordination, and family and carer support. The expenditure will allow a further 1,145 individuals to start receiving support services, as well as accommodate increasing demand for services from the Commission's existing clients.

### **Continence Management Aids Support Scheme**

An additional \$2.5 million will be spent in 2014-15 to extend the existing Continence Management Aids Support Scheme. The expenditure will provide an additional 467 individuals with assistance to purchase continence products, and increased subsidies to people with very high support needs and spinal cord injury.

### **Young People in Residential Aged Care**

Additional expenditure of \$3 million in 2017-18 has been approved to support 25 young people at risk of entering, or currently residing in, residential aged care. The Young People in Residential Aged Care program provides alternative purpose-built housing and enhancements to current support arrangements.

### **NDIS – Trial Sites**

Under NDIS trial agreements with the Commonwealth Government, the Department of Treasury will make a payment of \$58 million to the NDIA to meet the State's funding contribution to the Perth Hills trial site. The Commission's expenditure will also increase by approximately \$30.2 million over 2014-15 and 2015-16. This reflects higher expenditure in My Way trial sites (including the Commonwealth's funding contribution) and the net impact of a gradual transfer of responsibility for disability services in the Perth Hills trial site from the Commission to the NDIA.

## **Child Protection and Family Support**

### **Growth in Demand for Child Protection Services**

An additional \$89.5 million will be spent from 2014-15 to 2017-18 to meet growth in demand for child protection services. In 2014-15, the Department will provide support to over 4,000 children and young people in care, assess the safety of an estimated 18,500 children who are the subject of child protection concerns, and support an estimated 80,000 at-risk and vulnerable families.

### **Hardship Utilities Grant Scheme**

An additional \$7.8 million has been allocated in 2014-15 to assist households in financial hardship to pay their utility bills, resulting in a total allocation of \$11.9 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. In addition, the portion of the Scheme's budget being spent on financial counselling will be capped at 20% in 2014-15, ensuring that at least 80% of total Scheme funding is paid in grants to households in financial hardship.

### **Busselton Women's Refuge**

An additional \$500,000 has been allocated in 2014-15 as part of the Government's commitment to support the operation of a new women's refuge service in Busselton. The refuge will provide crisis accommodation for women and children at risk of homelessness due to family and domestic violence or other life crisis.

### **Homelessness Services**

Additional expenditure of \$6.3 million in 2014-15 has been approved for homelessness programs provided by the not-for-profit sector. This primarily reflects an additional State Government allocation of \$5.9 million to ensure existing levels of homelessness services under both the National Partnership Agreement on Homelessness (NPAH) and the National Affordable Housing Agreement are maintained. There is also a small increase in the Commonwealth funding contribution under the NPAH.

## ATTORNEY GENERAL; MINISTER FOR COMMERCE

Table 10

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Attorney General</b>					
- Corporate Services	-	-	-	-7.1	-7.3
- Extension of Pilot Mental Health Court Diversion Program	-	0.6	-	-	-
- State Solicitor's Office – Royal Commission into Institutional Responses to Child Sexual Abuse	0.9	0.6	-	-	-
- 2014-15 Procurement Savings	-	-4.8	-	-	-
<b>Commerce</b>					
- Accommodation	-	-1.9	1.0	0.7	0.9
- Depreciation	1.8	3.6	4.3	3.5	1.9
- Deregulation of Travel Agents <sup>(a)</sup>	-	-	-0.2	-0.2	-0.2
- EnergySafety – 2013-14 Business Plan	1.9	-	-	-	-
- EnergySafety – 2014-15 Business Plan	-	6.5	6.7	6.9	7.0
- Innovation Centre of Western Australia	-	0.3	-	-	-
- Labour Relations Division	-	0.5	-	-	-
- Land Use Planning Initiative – Bushfire Risk Mitigation	-	0.2	0.2	0.2	0.2
- Royalties for Regions – Regional Telecommunications Project	-	5.0	10.0	10.0	20.0
- 2014-15 Procurement Savings	-	-1.2	-	-	-
<b>Legal Aid Commission of Western Australia</b>					
- Extension of Pilot Mental Health Court Diversion Program	-	0.2	-	-	-
- 2014-15 Procurement Savings	-	-0.8	-	-	-
<b>Corruption and Crime Commission of Western Australia</b>					
- 2014-15 Procurement Savings	-	-0.3	-	-	-
<b>Work Cover Western Australia Authority</b>					
- 2014-15 Procurement Savings	-	-0.7	-	-	-
<b>Office of the Director of Public Prosecutions</b>					
- 2013-14 Estimated Outturn	1.2	-	-	-	-

(a) Includes the net impact of movements in agency expenses and costs administered on behalf of government.

### Attorney General

#### Corporate Services

Spending will be reduced by a total of \$14.4 million over 2016-17 and 2017-18, reflecting the cessation of corporate services provided to the Department of Corrective Services.

#### Extension of Pilot Mental Health Court Diversion Program

An additional \$637,000 will be spent in 2014-15 to extend the pilot of the Mental Health Court Diversion Program in the Perth Magistrates Court for one year. This program provides individualised support, treatment and ongoing judicial monitoring.

### **State Solicitor's Office – Royal Commission into Institutional Responses to Child Sexual Abuse**

A total of \$1.5 million will be spent over 2013-14 and 2014-15 to enable the State Solicitor's Office to comply with requests of the Commonwealth Royal Commission into Institutional Responses to Child Sexual Abuse.

## **Commerce**

### **Accommodation**

A reduction of \$1.9 million in 2014-15 and an additional \$2.6 million over the three years to 2017-18 has been allocated to assist the Department to relocate its office accommodation, ensuring better utilisation of the State Government's existing leased office accommodation at the Mason Bird building in Cannington and Gordon Stephenson House in Perth.

### **Depreciation**

Additional expenditure of \$15.1 million over the five years to 2017-18 has been approved to meet increased depreciation and amortisation expenses associated with the Department's existing Asset Investment Program.

### **Deregulation of Travel Agents**

Additional expenditure of \$206,000 in 2014-15 has been approved to allow the Department's Consumer Protection Division to meet up-front costs associated with the repeal of the *Travel Agents Act 1985* (the Act). This increase in expenditure is largely offset by a reduction in the Division's operating expenses of \$188,000 per annum from 2014-15 onwards, reflecting the Division's reduced regulatory function as a result of the repeal of the Act.

### **EnergySafety – 2013-14 Business Plan**

Additional expenditure of \$1.9 million in 2013-14, funded through own-source revenue and cash balances, has been approved to allow the Department's EnergySafety Division to meet its regulatory functions (including the administration and regulation of gas and electrical licence holders) as detailed in the Division's 2013-14 Business Plan.

### **EnergySafety – 2014-15 Business Plan**

Additional expenditure of \$27.1 million over the four years to 2017-18, funded through own-source revenue and cash balances, has been approved to allow the Department's EnergySafety Division to continue to deliver its regulatory functions as detailed in the Division's 2014-15 Business Plan.

### **Innovation Centre of Western Australia**

Additional expenditure of \$300,000 in 2014-15 has been approved to allow the Department to continue to fund the Innovation Centre of Western Australia, which provides innovation and support services to the Western Australian community.

### **Labour Relations Division**

Additional expenditure of \$500,000 in 2014-15 has been approved to allow the Department's Labour Relations Division to continue to fulfil its responsibility for the coordination and governance of public sector labour relations, including providing technical advice to Government in relation to Public Sector Wages Policy.

### **Land Use Planning Initiative – Bushfire Risk Mitigation**

Additional expenditure of \$670,000 over the four years to 2017-18, primarily funded through own-source revenue, has been approved to assist the Department to implement a package of measures (in coordination with the Department of Planning) to mitigate the risk of bushfires to the Western Australian community. This includes the development of a licensing and regulation system for bushfire risk and hazard assessors in Western Australia.

### **Royalties for Regions – Regional Telecommunications Project**

Additional expenditure of \$45 million over the four years to 2017-18, funded through the Royalties for Regions program, has been approved to assist the Department to build on the existing Regional Mobile Communications Project. The additional funding will further improve telecommunication services in regional Western Australia.

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

### **Extension of Pilot Mental Health Court Diversion Program**

An additional \$163,000 will be spent in 2014-15 to provide duty lawyer services as part of the Mental Health Court Diversion Program.

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

### **2013-14 Estimated Outturn**

Approved expenditure has been increased by \$1.2 million in 2013-14 to reflect the estimated outturn at the end of the financial year. This was driven by increased spending on legal briefs and other services funded from the Confiscation Proceeds Account.

## MINISTER FOR MINES AND PETROLEUM; HOUSING

Table 11

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Mines and Petroleum</b>					
- Perth Core Library Expansion	-	-	0.1	0.2	0.2
- Relocation of the Resources Safety Division	0.7	1.7	2.8	3.0	3.1
- State Environmental, Water and Cultural Heritage Library	-	0.3	-	-	-
- 2014-15 Procurement Savings	-	-2.5	-	-	-
<b>Housing Authority<sup>(a)</sup></b>					
- Remote Area Essential Services Program	-	15.0	-	-	-

(a) Represented in general government expenses as grants and subsidies, sourced from the Consolidated Account and/or Royalties for Regions, paid through the Department of Treasury.

### Mines and Petroleum

#### Perth Core Library Expansion

Additional recurrent expenditure of \$528,000 will be incurred over three years from 2015-16, related to the expansion of the Perth Core Library's sample storage area, as part of a total commitment of \$5.3 million.

#### Relocation of the Resources Safety Division

An additional \$11.2 million will be spent over five years from 2013-14 to meet increased leasing costs related to the Resources Safety Division's (RSD's) relocation to East Perth. The increased expenditure will be offset by an increase in the RSD's fees and charges.

#### State Environmental, Water and Cultural Heritage Library

Additional expenditure of \$250,000 in 2014-15 has been approved for the development of a publicly available online biodiversity, water and cultural heritage database and library.

### Housing Authority

#### Remote Area Essential Services Program

Additional recurrent expenditure of \$15 million in 2014-15 has been approved to continue to replace and rectify power, water and wastewater infrastructure in remote Aboriginal communities.

## MINISTER FOR SPORT AND RECREATION; RACING AND GAMING

Table 12

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Sport and Recreation</b>					
- City of Cockburn	-	2.0	1.0	1.0	-
- East Dalyellup Clubrooms	-	0.3	-	-	-
- Eaton Oval Pavilion	3.0	-	-	-	-
- Ellenbrook Sports Hub	0.3	-	-	-	-
- Sport 4 All Program – Kidsport	-	-	5.0	5.0	-
- Western Australian Football Commission Inc. Debt Repayment	3.0	-	-	-	-
- 2014-15 Procurement Savings	-	-0.3	-	-	-
<b>Gaming and Wagering Commission of Western Australia</b>					
- Racing Bets Levy	10.5	10.5	10.4	11.5	12.5
<b>Western Australian Sports Centre Trust</b>					
- Perth Stadium Governance	-	1.1	1.1	1.8	1.6
- Venue Management – Compensation Payment	8.0	-	-	-	-
- 2014-15 Procurement Savings	-	-0.4	-	-	-
<b>Western Australian Greyhound Racing Association</b>					
- 2014-15 Procurement Savings	-	-0.3	-	-	-
<b>Burswood Park Board</b>					
- 2014-15 Procurement Savings	-	-0.9	-	-	-

### Sport and Recreation

#### City of Cockburn

The Government will contribute \$10 million to the City of Cockburn from 2014-15 to 2016-17. This includes additional funding of \$4 million, with \$6 million to be contributed from existing Community Sporting and Recreation Facilities Fund allocations. The investment will contribute to the development of the new Cockburn Aquatic and Sports Complex at Cockburn Central that also supports the relocation of the Fremantle Football Club.

#### East Dalyellup Clubrooms

An amount of \$300,000 will be spent in 2014-15 towards the construction of change rooms, meeting rooms, a kiosk and storage at East Dalyellup Oval.

#### Eaton Oval Pavilion

A total of \$3 million will be spent in 2013-14 towards the costs of upgrading the Eaton Oval Pavilion in Dardanup, including floodlighting and car parking.



### **Ellenbrook Sport Hub**

An amount of \$250,000 in 2013-14 has been approved to develop a business case for the proposed Ellenbrook Sports Hub.

### **Sport 4 All Program – Kidsport**

An additional \$10 million will be provided over two years from 2015-16 to continue the Sport 4 All Program, which includes Kidsport. The program includes a number of initiatives to provide more young Western Australians with the opportunity to play, learn and connect with positive peers whilst simultaneously building the capacity of the sport and recreation sector.

### **Western Australian Football Commission Inc. Debt Repayment**

An amount of \$3 million will be spent in 2013-14 to partially extinguish the \$10.4 million debt of the Western Australian Football Commission.

## **Gaming and Wagering Commission of Western Australia**

### **Racing Bets Levy**

An additional \$55.4 million over the five years to 2017-18 in product fee payments will be made to Racing and Wagering Western Australia (RWWA). This increase in fee payments is offset by an equal increase in Racing Bets Levy revenues collected by the Gaming and Wagering Commission of Western Australia on behalf of RWWA.

## **Western Australian Sports Centre Trust**

### **Perth Stadium Governance**

An additional \$5.6 million will be spent over the four years to 2017-18 to enable the Trust to undertake its role as governance agency and owner (on behalf of the State) of the new Perth Stadium and Sports Precinct, including responsibility for performance evaluation and the operating strategy of each component of this development.

### **Venue Management – Compensation Payment**

Under the Heads of Agreement (HoA) between the State and Allia Venue Management Pty Ltd (Allia) for the management of the Perth Rectangular Stadium (nib Stadium), Allia is entitled to an Early Surrender Right of the HoA without cause and will receive compensation of an agreed value of its business at nib Stadium. On 19 March 2014, Allia provided an Early Surrender Notice to the State terminating the HoA effective on 22 September 2014. Under the HoA an amount of \$8 million will be paid to Allia as compensation, reflecting the agreed value of Allia's business at nib Stadium.

## MINISTER FOR AGRICULTURE AND FOOD; FISHERIES

Table 13

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Agriculture and Food</b>					
- European House Borer	-	1.2	1.2	1.3	1.3
- Abolition of Seed Inspection Fees	-	-2.0	-2.0	-2.0	-2.0
- Royal Agricultural Society	-	2.0	-	-	-
- Royalties for Regions – State Natural Resource Management Program (Administered)	-	-	8.0	8.0	8.0
- 2014-15 Procurement Savings	-	-3.6	-	-	-
<b>Rural Business Development Corporation</b>					
- Commonwealth Farm Finance Concessional Loans Scheme – Interest Paid to the Commonwealth	0.2	1.3	2.2	2.3	2.3
<b>Fisheries</b>					
- Aquatic Biosecurity	-	-	-7.9	-8.1	-8.3
- 2014-15 Procurement Savings	-	-2.3	-	-	-

### Agriculture and Food

#### European House Borer

A total of \$5 million will be spent from 2014-15 to 2017-18 on surveillance and regulatory activities to contain the European House Borer pest.

#### Abolition of Seed Inspection Fees

A reduction in total spending of \$8 million will be realised between 2014-15 and 2017-18 due to the abolition of quarantine inspection fees on seed imports by individuals under the *Biosecurity and Agriculture Management Act 2007*.

#### Royal Agricultural Society

Expenditure has been increased by \$2 million in 2014-15 to support the Royal Agricultural Society.

#### Royalties for Regions – State Natural Resource Management Program (Administered)

A total of \$24 million will be spent from 2015-16 to 2017-18 to continue the State Natural Resource Management Program. This includes \$19.2 million over the same period from the Royalties for Regions Program to assist local catchment and community groups with ‘on-the-ground’ activities that protect or improve the natural resources of Western Australia.

## **Rural Business Development Corporation**

### **Commonwealth Farm Finance Concessional Loans Scheme – Interest Paid to the Commonwealth**

A total of \$8.3 million will be remitted to the Commonwealth in interest paid by farmers on concessional loans made under the Commonwealth Farm Finance Concessional Loans Scheme over a five year period. Loans under this Scheme aim to build the ongoing financial resilience of farm businesses.

## **Fisheries**

### **Aquatic Biosecurity**

Expenses and associated revenue will be reduced by \$24.3 million between 2015-16 and 2017-18 as the Department will not undertake additional aquatic biosecurity activities (such as producing biosecurity plans for particular ports and marinas) beyond core services delivered currently. The additional activities are expected to be undertaken by relevant ports and marinas as part of their normal operations, ensuring the achievement of aquatic biosecurity outcomes.

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

Table 14  
MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Department of Local Government and Communities</b>					
- Metropolitan Local Government Reform	-	6.0	5.8	5.6	-
- Education and Care Regulatory Unit	-	0.3	0.3	-	-
- Seniors Safety and Security Rebate	-	1.0	1.0	1.0	-
- Royalties for Regions – Regional Community Childcare Development Fund	-	-	-	1.5	1.5
- Country High School Hostels Ex Gratia Scheme	-2.6	-	-	-	-
- Grandcarers Respite Scheme Wanslea	-	0.1	0.1	0.1	0.1
- 2014-15 Procurement Savings	-	-0.4	-	-	-

### Department of Local Government and Communities

#### Metropolitan Local Government Reform

A total package of \$60 million has been approved to facilitate the reform of metropolitan local governments. This includes \$15 million over the next three years to provide direct grant assistance to local governments impacted by the reforms, and a subsidised loan facility of up to \$45 million (comprising a 2% subsidy on loan interest payments) to assist local governments to meet the costs of the reforms. The loan interest subsidy is expected to cost \$2.2 million from 2015-16 to 2017-18, and will be paid to the Western Australian Treasury Corporation from the Consolidated Account. A further \$2.3 million has been allocated to the Department to coordinate and plan the reform process.

#### Education and Care Regulatory Unit

An additional \$586,000 has been allocated over two years from 2014-15 for the Department's Education and Care Regulatory Unit, which is responsible for the assessment, rating and monitoring of childcare services in accordance with the National Quality Framework for Early Childhood Education and Care.

#### Seniors Safety and Security Rebate

An additional \$1 million per annum has been allocated in each year from 2014-15 to 2016-17 for the continuation of the revised Seniors Safety and Security Rebate scheme, which was introduced in 2013-14. The scheme allows Seniors Card holders to claim rebates for personal safety devices and upgrade or replace security items if they have previously received a security rebate and subsequently experienced a break-in.

### **Royalties for Regions – Regional Community Childcare Development Fund**

A total of \$3 million has been allocated over 2016-17 and 2017-18 to continue the development of sustainable models of regional community-managed childcare that meet the needs of families living in regional Western Australia.

### **Country High School Hostels Ex Gratia Scheme**

A \$2.6 million reduction in spending in 2013-14 reflects the return of surplus grant (ex gratia) funding for the Country High School Hostels Ex Gratia Scheme that closed in December 2013.

### **Grandcarers Respite Scheme Wanslea**

A total of \$500,000 will be spent from 2014-15 to 2017-18 to continue the Wanslea Grandcarer Respite Scheme, which provides support services including respite, an information line and support groups to grandparents who care full-time for their grandchildren.

## MINISTER FOR ENVIRONMENT; HERITAGE

Table 15

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Parks and Wildlife</b>					
- 2014-15 Procurement Savings	-	-4.5	-	-	-
<b>Environment Regulation</b>					
- Waste Avoidance and Resource Recovery Account	-	4.2	15.1	15.3	16.1
- 2014-15 Procurement Savings	-	-0.5	-	-	-
<b>Heritage Council of Western Australia</b>					
- Heritage Revolving Fund	-	0.3	0.3	-	-
<b>Zoological Parks Authority</b>					
- 2014-15 Procurement Savings	-	-0.6	-	-	-
<b>Botanic Gardens and Parks Authority</b>					
- Revision of External Revenue and Associated Expenses	1.3	-0.1	0.2	-0.1	0.5
- 2014-15 Procurement Savings	-	-0.5	-	-	-
<b>Swan River Trust</b>					
- Perth Water Foreshore Works	-	1.0	1.0	1.0	-

### Environment Regulation

#### Waste Avoidance and Resource Recovery Account

An additional \$50.6 million will be spent over the period 2014-15 to 2017-18 from the Waste Avoidance and Resource Recovery Account on a range of waste management initiatives, in compliance with the *Waste Avoidance and Resource Recovery Act 2007*. This will be funded by increases in the landfill levy on putrescible<sup>2</sup> and inert waste, which will take effect on 1 January 2015.

### Heritage Council of Western Australia

#### Heritage Revolving Fund

An amount of \$550,000 will be spent over two years from 2014-15 to facilitate the identification of under-utilised heritage properties owned by the State or local governments that could be suitable for possible disposal, adaptive re-use and transition to new ownership. A further \$3.5 million in capital expenditure will be undertaken on relevant projects (see Chapter 6).

<sup>2</sup> Putrescible waste is organic waste that becomes putrid as it decomposes (e.g. food, sanitary and animal waste). Inert waste is waste that does not decompose (e.g. building materials).

## **Botanic Gardens and Parks Authority**

### **Revision of External Revenue and Associated Expenses**

An increase of \$1.8 million in both revenue and expenses over the period 2013-14 to 2017-18 reflects updated projections of external revenue (primarily from research projects and concerts) and an associated increase in expenses.

## **Swan River Trust**

### **Perth Water Foreshore Works**

An amount of \$3 million over 2014-15 to 2016-17 has been approved to maintain, replace and repair priority foreshore areas within the Swan-Canning Riverpark.

## MINISTER FOR EMERGENCY SERVICES; CORRECTIVE SERVICES; SMALL BUSINESS; VETERANS

Table 16  
MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Fire and Emergency Services</b>					
- Career Fire and Rescue Service: Perth West Fire Station	-	-	-	4.6	4.9
- 2014-15 Procurement Savings	-	-5.1	-	-	-
<b>Corrective Services</b>					
- Corporate Services	-	0.7	5.2	7.1	7.3
- 2014-15 Procurement Savings	-	-19.1	-	-	-

### Fire and Emergency Services

#### Career Fire and Rescue Service: Perth West Fire Station

An amount of \$9.5 million will be spent over 2016-17 to 2017-18 to meet operating costs for a new career fire and rescue service station to the west of the Perth CBD. This additional facility is expected to become operational in 2016-17 and will lend support to the existing fire station on Wellington Street (East Perth), which provides coverage to the Perth CBD.

### Corrective Services

#### Corporate Services

A total of \$20.2 million will be spent from 2014-15 to 2017-18 as the Department progressively transitions from shared corporate services with the Department of the Attorney General to a stand-alone service. Expenditure will be focused on procuring financial, human resource management and ICT services, in preparation for commencement of full stand-alone corporate services in May 2016. This increase is to be partly offset by associated spending reductions for the Department of the Attorney General.



## MINISTER FOR WATER; FORESTRY

Table 17

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Water</b>					
- Collie River Salinity Recovery Project – Repayment of Commonwealth Funds	7.1	-7.1	-	-	-
- 2014-15 Procurement Savings	-	-1.5	-	-	-
<b>Water Corporation<sup>(a)</sup></b>					
- Operating Subsidies	-29.6	-51.8	-67.5	-77.1	-97.3
<b>Bunbury Water Corporation (Aqwest)<sup>(a)</sup></b>					
- Operating Subsidy	-	0.4	0.4	0.4	0.4
<b>Busselton Water Corporation<sup>(a)</sup></b>					
- Operating Subsidy	-	0.4	0.5	0.5	0.5

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

### Water

#### Collie River Salinity Recovery Project – Repayment of Commonwealth Funds

A total of \$7.1 million has been brought forward from 2014-15 to 2013-14 to return unspent Commonwealth funds for the Collie River Salinity Recovery Project to the State Natural Resource Management Office, as requested by the Commonwealth Government.

### Water Corporation

#### Operating Subsidies

Expenditure from 2013-14 to 2017-18 on the Water Corporation's operating subsidy, which reflects the difference between the cost of service provision and charges paid by customers, has been revised down by \$323 million to \$3,014 million. This reflects a downward revision to both inflation and growth forecasts and the introduction of an efficiency initiative, while a number of new projects (mainly for water quality improvements, wastewater treatment and pump station upgrades) have been identified as being eligible for an operating subsidy.

### Bunbury Water Corporation (Aqwest)

#### Operating Subsidy

A total of \$1.7 million will be spent from 2014-15 to 2017-18 on operating subsidies that reflect the difference between the cost of service provision and the charges paid by customers. In November 2013, amendments to the *Water Corporations Act 1995* to enhance the operations of Bunbury Water Board and bring it under the same legislative framework and governance arrangements as the Water Corporation took effect. These amendments enable the Bunbury Water Corporation to receive operating subsidy payments, commencing from 1 July 2014.

## **Busselton Water Corporation**

### **Operating Subsidy**

A total of \$1.9 million will be spent from 2014-15 to 2017-18 on operating subsidies that reflect the difference between the cost of service provision and the charges paid by customers. In November 2013, amendments to the *Water Corporations Act 1995* to enhance the operations of Busselton Water Board and bring it under the same legislative framework and governance arrangements as the Water Corporation took effect. These amendments enable the Busselton Water Corporation to receive operating subsidy payments, commencing from 1 July 2014.

## MINISTER FOR TRANSPORT; FINANCE

Table 18

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Transport</b>					
- 2014-15 Procurement Savings	-	-4.8	-	-	-
<b>Public Transport Authority<sup>(a)</sup></b>					
- Operating Subsidy for Lower Transperth Fare Revenue	20.5	40.5	71.2	95.5	88.1
<b>Main Roads</b>					
- Depreciation Review	-1.8	-3.9	-1.9	6.7	31.0
- Road Transfer Update	10.7	-59.8	47.0	-	-
- 2014-15 Procurement Savings	-	-7.9	-	-	-
<b>Department of Finance</b>					
- Multi-tenanted Government-owned Office Buildings Portfolio	-	0.8	1.2	2.1	2.9
- Fremantle Prison	-	1.5	-	-	-
- State Fleet	-7.6	-5.4	-3.2	-1.0	0.2
- Public Utilities Office	-	-1.8	-1.9	-1.9	-2.0
- Electricity Market Review	-	2.5	-	-	-
- 2014-15 Procurement Savings	-	-2.4	-	-	-

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

### Public Transport Authority

#### Operating Subsidy for Lower Transperth Fare Revenue

The operating subsidy paid to the Authority will increase by \$315.8 million between 2013-14 and 2017-18, reflecting revised Transperth fare revenue estimates. The revision is due to lower patronage forecasts and smaller fare increases, relative to those assumed in the 2013-14 Budget.

### Main Roads

#### Depreciation Review

Following a review of the Asset Investment Program, depreciation expense has been reduced by a net \$992,000 across the period 2013-14 to 2016-17. The increase of \$31 million in 2017-18 reflects the deferral of \$254.5 million in asset investment expenditure beyond 2016-17 as part of the 2013-14 Mid-year Review.

#### Road Transfer Update

Based on the latest financial estimates, the total value of approved road transfers to and from the State has been reduced by a net \$2.1 million over the period 2013-14 to 2015-16. In addition, the timing of the following two road transfers to local government has been changed based on the current status of negotiations between the parties:

- the transfer of Eneabba-Coolimba Road to the Shire of Carnamah has been brought forward from 2014-15 to 2013-14; and

- the transfer of South Street west of Stock Road to the City of Fremantle has been deferred from 2014-15 to 2015-16.

## **Department of Finance**

### **Multi-tenanted Government-owned Office Buildings Portfolio**

An additional \$7 million will be spent from 2014-15 to 2017-18 on high priority maintenance of 20 government-owned buildings.

### **Fremantle Prison**

An additional \$1.5 million will be spent in 2014-15 to undertake high priority restoration work at the Fremantle Prison.

### **State Fleet**

Following a review of the State Fleet leasing program, resulting in a move to smaller and more cost-effective replacement vehicles, longer lease terms and the extension of existing lease terms, expenditure is expected to reduce by \$17 million from 2013-14 to 2017-18.

### **Public Utilities Office**

A reduction in full-time equivalent staff numbers, and an associated shift in focus from transactional, resource-intensive programs to the provision of policy advice has resulted in reduced spending of \$7.6 million over 2014-15 to 2017-18.

### **Electricity Market Review**

An amount of \$2.5 million in 2014-15 has been approved for Phase 1 of the Electricity Market Review to identify strengths and weaknesses of the current industry structure, market institutions and regulatory arrangements, and develop options for reform.

## PROVISIONS

Table 19

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Provisions</b>					
- My Way NDIS Trial Sites (Lower South West and Cockburn-Kwinana)	-	-10.5	-47.6	-	-
- NDIA NDIS Trial Site (Perth Hills)	-	-3.1	-14.2	-	-
- NDIS Comparative Evaluation – State Share	-	-0.3	-0.3	-	-
- Royalties for Regions Underspend Provision	-114.9	-15.8	-30.4	-58.3	-

### NDIS – Trial Sites

The 2013-14 Mid-year Review included a provision for additional spending of \$76 million (including \$39 million of Commonwealth funding) over two years for the operation of Perth Hills and My Way trial sites for the NDIS. Estimates of additional recurrent spending required for the trial have been updated, based on detailed agreements with the Commonwealth. Reflecting this, the 2013-14 Mid-year Review provision has been removed and replaced by updated adjustments to spending incorporated into relevant agencies' budgets.

### Royalties for Regions Underspend Provision

The Royalties for Regions program includes an underspend provision for unforeseen slippages. This allows individual project budgets to exceed the approved expenditure limit, while planning for typical underspends due to delays in project approvals, resourcing issues and contractual delays. Responsible cashflow management will be undertaken to ensure the approved expenditure limit is not breached, including an annual review of the appropriateness of the underspend provision.

# Asset Investment

## HIGHLIGHTS

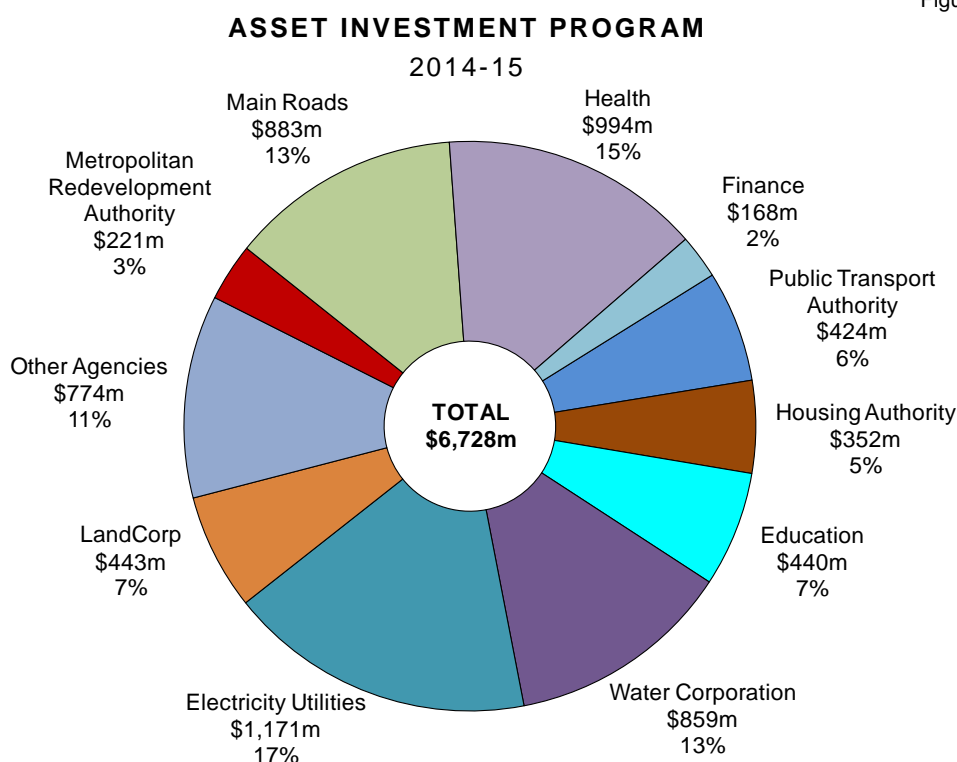
- The State's Asset Investment Program (AIP) totals \$6.7 billion in 2014-15 and \$23.7 billion over the four year forward estimates period.
- The 2014-15 AIP is lower than the 2013-14 (\$7.1 billion) and 2012-13 (\$7.4 billion) programs, due to a number of major projects having reached or nearing completion (such as the Fiona Stanley Hospital and the Mid West Energy Project), as well as the AIP savings implemented by the Government in the 2013-14 Mid-year Review and this Budget to reduce growth in net debt.
- The AIP savings measures implemented in this Budget total \$721 million over the next four years and comprise a 5% reduction in the infrastructure programs of most agencies (\$478 million) to reflect a softening in construction costs, as well as specific project deferrals totalling \$243 million.
- Additional AIP spending approved as part of this Budget includes:
  - \$147 million on school and State Training Provider infrastructure to support the learning environment of Western Australian students, including investigating the use of Public Private Partnerships to enhance infrastructure delivery;
  - \$113 million for Western Power in 2013-14 and 2014-15 to address safety priorities relating to wood pole, conductor and overhead service connection replacements;
  - \$85 million for major health infrastructure, including information and communications technology (ICT) at Fiona Stanley Hospital;
  - \$33 million over five years to enhance and consolidate the revenue system of the Office of State Revenue;
  - \$29 million between 2014-15 and 2016-17 for the establishment of a new career fire and rescue service (CFRS) station to the west of the Perth CBD (\$20 million) and the replacement of the 75 year old CFRS station in Albany (\$9 million); and

– \$14 million to replace Western Australia Police’s Computer Aided Dispatch System, as part of a \$25 million total commitment.

## 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 \$23.7 billion over the next four years, including \$6.7 billion in 2014-15. The chart below outlines the composition of the AIP in 2014-15.

Figure 1



## Health

The Government has invested heavily in health infrastructure across the State, with an AIP totalling \$7 billion and involving more than 110 projects to upgrade and redevelop Western Australia’s hospitals and health services, incorporating spending on three new hospitals for the Perth metropolitan area, four new major health campuses and six other new healthcare facilities in regional Western Australia. Of this spending, \$5 billion is expected to have been incurred by 30 June 2014, with a further \$1.8 billion allocated over the next four years (including \$994 million in 2014-15). Major projects include:

- \$1.8 billion for the Fiona Stanley Hospital (including the State Rehabilitation Service), which will commence operations in October 2014;
- \$1.2 billion for the Perth Children’s Hospital (expected to open in late 2015);

- \$360 million for the Midland Public Hospital (construction 50% complete);
- \$218 million for the Joondalup Health Campus (substantially completed);
- \$207 million for the Karratha Health Campus (construction to commence in late 2015);
- \$168 million for the Albany Health Campus (completed in March 2013); and
- \$120 million for the Busselton Health Campus (due for completion in late 2014).

Beyond 2014-15, the forward estimates highlight a moderation in expenditure on health infrastructure, as large infrastructure projects are completed. Construction of the Fiona Stanley Hospital was completed in 2013-14 and two others (Carnarvon and Kalgoorlie) are expected to be completed in 2014-15. Seven other major hospital/health campus redevelopments are expected to be completed in 2015-16 and 2016-17 (Busselton, Harvey, Midland, Perth Children's Hospital, Joondalup and Esperance) and Karratha Health Campus scheduled for completion in 2018-19.

## Education

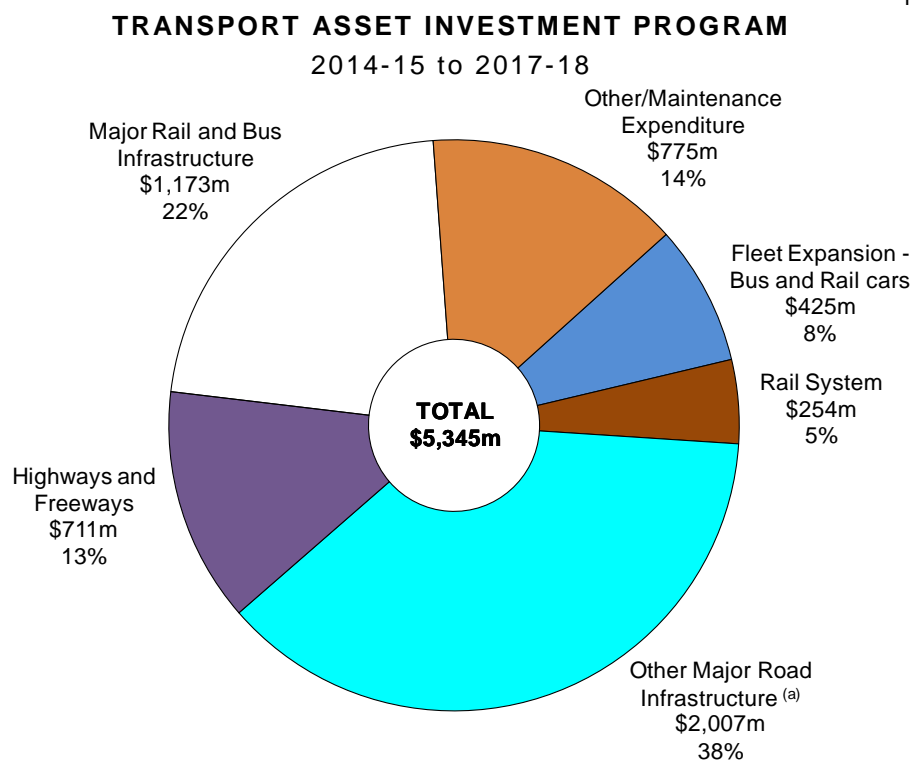
Western Australia is currently experiencing unprecedented student enrolment growth. An estimated 33,000 additional students are expected to enter the government school system between 2014 and 2018. In recognition of this significant growth, the Government is making a substantial investment in school infrastructure to ensure that students have access to high quality education facilities. Over the next four years, the Department of Education will invest \$1.2 billion to increase the capacity of current schools and build new schools, including \$440 million in 2014-15. This includes the completion of additional classrooms and facilities at 29 secondary schools (total cost \$230 million) throughout the State, to cater for the relocation of Year 7 students into secondary schools in 2015.

## Transport

With a number of major hospital projects moving towards completion, the Government is shifting its focus to transport infrastructure priorities and is investing heavily in road and rail. Since 2009-10, transport infrastructure investment has averaged over \$1 billion a year and this trend will accelerate with more than \$1.3 billion committed in 2014-15 and a total of \$5.3 billion over the next four years.



Figure 2



(a) Nation Building projects.

An emphasis has been placed on projects that reduce congestion and improve the speed and efficiency of freight and vehicles moving across the State. Major road infrastructure expenditure includes:

- \$642 million towards the NorthLink WA – Swan Valley Section. Due for completion in 2018-19, the new high standard highway from the existing Reid Highway/Tonkin Highway intersection in West Swan to Brand Highway near Muchea will improve transportation and separate regional traffic (particularly heavy vehicles) from local traffic;
- \$547 million to complete the Gateway WA project in 2016-17. Gateway WA’s total project cost is in excess of \$1 billion and will deliver a safer and more efficient network of roads and bridges to the new Perth Airport precinct, the surrounding businesses and residential areas; and
- \$354 million for the Great Northern Highway – Muchea to Wubin Stage 2 project. When completed in 2018-19, this project will significantly improve safety for all road users, reduce heavy vehicle operating costs and improve freight transport efficiency.

Major rail and bus infrastructure projects designed to expand the transport network and meet the needs of a growing population include:

- \$683 million to 2017-18 for the Forrestfield Airport Link project. With an estimated cost of more than \$2 billion, this major expansion to the State’s rail network is scheduled for completion in 2020;

- \$331 million over four years for an integrated transport package to service the new Perth Stadium (due for completion in 2017-18 at a total estimated project cost of \$359 million); and
- \$141 million for the Perth City Link Project and construction of the underground Perth Busport (to be completed in mid-2016).

This Budget also includes \$415 million (over four years) for rail car and bus procurement. In 2014-15 alone, 123 new buses will be delivered to both replace and increase the Transperth and Regional Town Bus Service fleet.

## Utilities

The AIP includes substantial investment of \$7.7 billion over the forward estimates period for power and water infrastructure, including \$2 billion in 2014-15. Major areas of forecast expenditure include:

- \$1.4 billion to address Western Power's wood pole management, bushfire mitigation and management of overhead customer service connections;
- a provision of \$1.2 billion for allocation to Western Power's customer-driven works, which includes the connection of transmission and distribution customers to the network;
- \$263 million to maintain Synergy's generation assets across the South West Interconnected System;
- \$120 million to mitigate risks associated with Horizon's energy and non-energy assets, ensuring regulatory compliance, reliability and capacity of systems to support the safety, development and enhancement of communities throughout regional Western Australia;
- \$350 million in 2014-15 to deliver water and wastewater projects for regional Western Australia to address growing community needs;
- \$106 million across the next three years to deliver the first stage of the groundwater replenishment project, which provides the next climate independent water source for Perth; and
- \$30 million over 2014-15 and 2015-16 to continue the State's infill sewerage program.

## Law and Order and Community Safety

Investment in infrastructure projects that support law and order and community safety totals \$467 million over the next four years, including \$239 million in 2014-15. This includes:

- \$36 million in 2014-15 to complete the expansion of Acacia Prison to provide an additional 387 beds and associated infrastructure;

- \$29 million over 2014-15 to 2016-17 for the establishment of a new CFRS station to the west of the Perth CBD (\$20 million) and the replacement of the 75 year old CFRS station in Albany (\$9 million);
- \$27 million in 2014-15 to complete construction of new courthouses at Fitzroy Crossing and Kununurra and a justice complex at Carnarvon;
- \$14 million over 2014-15 to 2016-17 to replace the Western Australia Police Computer Aided Dispatch System, as part of a total commitment of \$25 million (including recurrent expenditure); and
- \$5 million in 2014-15 to undertake critical refurbishment and upgrades on existing police facilities.

## Housing

The Government will invest \$352 million in 2014-15 and a total of \$1.5 billion over the forward estimates period for the provision of affordable housing and land in Western Australia. This includes:

- \$220 million in 2014-15 on residential land acquisition and development to enable the production of up to 2,214 housing lots;
- \$38 million in 2014-15 for the continuation of the Royalties for Regions Housing for Workers Program to provide affordable, available and appropriate housing for key workers in regional Western Australia; and
- \$33 million between 2013-14 and 2016-17 to deliver up to 60 new houses in Broome (40) and Derby (20) to facilitate the transition of selected Indigenous tenants from public housing to independent housing options.

## Sporting and Cultural Infrastructure

The Government has invested in significant sporting infrastructure in recent Budgets. This includes \$97 million for the redevelopment of the Perth Rectangular Stadium, which is now complete, \$34 million for the Western Australian Institute of Sport High Performance Centre and \$26 million for the State Netball Centre, both of which are expected to be completed during 2014-15.

The Government continues to make a significant investment in the 2014-15 Budget, with \$1.4 billion over the next four years to be invested in new sporting and cultural facilities.

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 large investment in the new Perth Stadium and Sports Precinct will form an integral part of the Burswood Peninsula and, alongside other local major developments, will enhance Perth's reputation as a world-class city.

This Budget also includes \$225 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 is expected to be completed in 2019-20.

### **Asset Investment Program Savings and Deferrals**

To reflect the Government's focus on delivering priority infrastructure within sustainable financial parameters, the following AIP savings measures have been undertaken as part of the 2014-15 Budget:

- in response to lower than anticipated tender outcomes for a range of government projects, a 5% savings measure has been enacted across most agencies, saving \$478 million between 2014-15 and 2017-18. Individual program savings will be detailed in the 2014-15 Mid-year Review, following agency investigation of individual AIPs and projects; and
- deferral of a number of specific projects (totalling \$243 million) beyond the forward estimates period.

Agency specific information on these measures can be found later in this chapter.

## 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 2013-14 Mid-year Review was released in December 2013. These include policy decisions made between the cut-off date for the 2013-14 Mid-year Review (3 December 2013) and the cut-off date for this Budget (14 April 2014), and other changes of a material nature affecting agency infrastructure spending over the forward estimates period.

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 1

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Lotteries Commission</b>					
– Critical Building Works	-	0.9	1.0	-	0.5
– Sales and Retailer Support Program of Works	-	1.7	0.1	1.1	0.1
<b>Gold Corporation</b>					
– Asset Investment Program Efficiency Measure	-	-0.3	-0.3	-0.2	-0.2

### Lotteries Commission

#### Critical Building Works

The Commission will spend \$2.4 million over the forward estimates period on a range of critical building maintenance works at its head office facilities. This includes major works to the roof, air conditioning replacement, urgent structural repairs and office layout redesign.

#### Sales and Retailer Support Program of Works

The Commission will spend \$3 million over the forward estimates period to complete the sales and retailer support program of works. This includes updates to the gaming operating system (such as replacing 'end of life' wide area network routers and online transaction processing services) and further development of mobile access applications for customers.

## DEPUTY PREMIER; MINISTER FOR HEALTH; TRAINING AND WORKFORCE DEVELOPMENT

Table 2

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Central Institute of Technology</b>					
– Asset Investment Program Deferral – Capital Equipment and Minor Works	-	-	-	-	-1.3
<b>Training and Workforce Development</b>					
– Campus Remedial Works Program for State Training Providers	-	-	-	4.0	15.3
– Specialist Engineering Training Centre	-	2.0	1.4	11.3	0.3
– Asset Investment Program Efficiency Measure	-	-1.9	-0.8	-0.1	-
<b>WA Health</b>					
– Asset Investment Program Deferrals including:					
• Bentley Hospital Development	-	-	-	-	-5.0
• Kalamunda Hospital Redevelopment Stage 2	-	-	-	-	-5.0
• Sir Charles Gairdner Hospital Redevelopment Stage 1	-	-	-	-	-25.0
– Asset Reprioritisation, including:					
• Joondalup Health Campus Redevelopment Stage 1	-	-3.7	-	-	-
• Osborne Park Hospital Reconfiguration Stage 1	-	-	-	-	-14.3
• Princess Margaret Hospital Works Provision	-	-0.5	-	-	-
– Fiona Stanley Hospital ICT	12.4	27.7	-	-	-
– Harvey Hospital Redevelopment	0.6	3.8	9.2	-	-
– Laboratory Information Systems Replacement	-	2.9	12.1	10.7	1.8
– Stabilising Existing ICT Platform	-	17.3	-	-	-
– Asset Investment Program Efficiency Measure	-	-8.2	-8.2	-10.8	-10.0

### Central Institute of Technology

#### Asset Investment Program Deferral – Capital Equipment and Minor Works

An amount of \$1.3 million in 2017-18 to meet capital equipment and minor works costs has been deferred beyond the current forward estimates period.

### Training and Workforce Development

#### Campus Remedial Works Program for State Training Providers

An additional \$19.3 million will be spent over two years from 2016-17 on State Training Provider campuses to upgrade, refurbish and replace ageing infrastructure, including student training equipment.

## **Specialist Engineering Training Centre**

The Department will invest \$15 million over the next four years to construct a new Specialist Engineering Training Centre at Challenger Institute of Technology's Australian Centre for Energy Process Training (ACEPT) campus. The new Centre will build on ACEPT's reputation as the leading oil and gas training provider in the southern hemisphere, doubling the current annual training capacity from 900 students to over 1,800 students.

## **WA Health**

### **Asset Investment Program Deferral**

A total of \$35 million in capital expenditure has been deferred beyond the current forward estimates period for:

- Sir Charles Gairdner Hospital (\$25 million);
- Bentley Hospital (\$5 million); and
- Kalamunda Hospital (\$5 million).

### **Asset Investment Program Reprioritisation**

Reprioritisation of WA Health's existing AIP will redirect a total of \$18.5 million to partially meet the additional ICT costs for Fiona Stanley Hospital. Reprioritised projects include:

- \$14.3 million from Osborne Park Hospital Reconfiguration Stage 1;
- \$3.7 million from Joondalup Health Campus Redevelopment Stage 1; and
- \$0.5 million from the Princess Margaret Hospital Works Provision.

### **Fiona Stanley Hospital ICT**

An additional \$40.1 million will be invested over 2013-14 and 2014-15 to meet ICT costs to facilitate the phased opening of Fiona Stanley Hospital. This includes:

- \$20.4 million for ICT work streams for clinical, solution design, delivery and commissioning;
- \$9.6 million for Pharmacy Automation;
- \$4.7 million for ICT infrastructure;
- \$4.2 million for an Intensive Care Clinical Information System; and
- \$1.2 million for Anaesthetics Alert Management.



### **Harvey Hospital Redevelopment**

A total of \$13.6 million will be spent between 2013-14 and 2015-16 on the redevelopment of Harvey Hospital. This includes the redesign of the Emergency Department (ED), co-location of the ED and the Inpatient Ward, consolidation of ambulatory care services and the incorporation of Telehealth programs with other ICT facilities.

### **Laboratory Information Systems Replacement**

WA Health will invest \$27.6 million over the next four years to replace PathWest's existing Laboratory Information Systems, improving system stability and ensuring the timely delivery of pathology services to patients.

### **Stabilising Existing ICT Platform**

A total of \$17.3 million will be invested to roll out updated operating system and software applications to approximately 25,000 personal computers across WA Health.

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

Table 3

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Lands</b>					
– Workflow Management System	-	1.4	1.0	1.0	-
<b>Regional Development</b>					
– Royalties for Regions – Southern Investment Initiative	-	-	10.0	45.3	222.0
– Royalties for Regions – State-wide Regional Blueprint Initiatives	-	-	5.0	32.0	76.0
– Asset Investment Program Efficiency Measure	-	-0.3	-0.6	-(a)	-
<b>Western Australian Land Authority</b>					
– Asset Investment Program Review	-	-6.8	-4.8	-15.7	-5.9
– Strategic Development Plan	-0.6	-35.7	-31.6	-48.5	-64.1
– Asset Investment Program Efficiency Measure	-	-14.4	-10.2	-13.5	-14.9
<b>Western Australian Land Information Authority (Landgate)</b>					
– ICT Systems	-3.1	-1.0	4.2	-0.7	-3.0

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

## Lands

### Workflow Management System

An additional \$3.4 million will be spent from 2014-15 to 2016-17 to implement a workflow management system as part of the Department's reform program.

## Regional Development

### Royalties for Regions – Southern Investment Initiative

As part of a total allocation of \$515 million over the next four years, capital spending of \$277 million has been approved to implement major infrastructure projects across the Peel, Wheatbelt, South West and Great Southern regions to enable a more sustainable social and economic base for the regions.

### Royalties for Regions – State-wide Regional Blueprint Initiatives

As part of a total allocation of \$169 million over the next four years, capital spending of \$113 million has been approved to implement major State-wide economic, social and community development projects that arise from Regional Investment Blueprints. These Blueprints will be prepared by the relevant Regional Development Commission, and will identify key socio-economic development strategies, regional growth and development aspirations, transformative strategies and investment opportunities.

## **Western Australian Land Authority**

### **Asset Investment Program Review**

As part of the \$33.2 million in asset savings and deferrals included in its Asset Investment Program Review, the Authority has deferred capital expenditure of \$10 million in relation to the Port Hedland Spoilbank Marina. The remainder of the savings is attributable to a 2% reduction in development expenditure across all program areas expected to be achieved through contract efficiencies.

### **Strategic Development Plan**

The 2014-15 to 2017-18 Strategic Development Plan reflects the Authority's strategic direction in terms of land sales, acquisitions and development expenditure. It contains a range of measures such as reducing and deferring expenditure on a number of projects (such as Karratha Support Industrial and Port Hedland General Industrial), to offset the impact of lower than expected land sales revenue.

### **Asset Investment Program Efficiency Measure**

As part of the AIP savings measures implemented in this Budget, a 5% saving for lower growth in infrastructure costs has been applied to most agencies. In recognition of the Asset Investment Program Review savings noted above, further savings of 3% (or \$53 million over 2014-15 to 2017-18) have been applied to the Authority.

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

### **ICT Systems**

The Authority's reassessment of its level of asset investment required for ICT systems and related infrastructure has resulted in a net reduction of \$3.6 million from 2013-14 to 2017-18.

## MINISTER FOR EDUCATION; ABORIGINAL AFFAIRS; ELECTORAL AFFAIRS

Table 4

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Country High Schools Hostels Authority</b>					
– Royalties for Regions – Esperance Residential College – Stage 2	1.7	0.6	-	-	-
– Royalties for Regions – Merredin Residential College – Stage 2	3.7	0.2	-	-	-
– Royalties for Regions – Narrogin Residential College	1.4	-	-	-	-
– Asset Investment Program Efficiency Measure	-	-0.6	-0.5	-(a)	-(a)
<b>Education</b>					
– Asset Investment Program Deferrals including:					
• Additions and Improvements to District High Schools	-	-	-	-	-2.0
• Additions and Improvements to Primary Schools	-	-	-	-	-2.0
• Remote Community Schools	-	-	-	-	-1.0
• Rural Integration Program	-	-	-	-	-0.6
• Sewer Connections	-	-	-	-	-0.6
– Investment in School Infrastructure	-	11.1	17.9	32.4	51.7
– Asset Investment Program Efficiency Measure	-	-20.7	-12.4	-11.7	-8.4

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

### Country High School Hostels Authority

#### Royalties for Regions – Esperance Residential College – Stage 2

A total of \$2.3 million will be invested over 2013-14 and 2014-15 for enhancements at the Esperance Residential College to increase the number of individual student bedrooms from 50 to 94 and provide 20 shared rooms for younger students.

#### Royalties for Regions – Merredin Residential College – Stage 2

An amount of \$3.9 million will be invested over 2013-14 and 2014-15 for upgrades to increase the boarding capacity of Merredin Residential College from 48 to 72 places.

#### Royalties for Regions – Narrogin Residential College

An additional \$1.4 million will be invested in 2013-14 for improvements to the Narrogin Residential College. This will allow for an increase in the number of individual bedrooms for female students and an upgrade of indoor recreational facilities.

## **Education**

### **Asset Investment Program Deferral**

Expenditure of \$6.2 million in 2017-18 for various projects has been deferred beyond the current forward estimates period.

### **Investment in School Infrastructure**

The Department will invest an additional \$113.1 million over the next four years for the commencement and completion of the following school infrastructure projects:

- \$43.4 million for two new Senior High Schools (total cost \$118 million), plus a further \$17.2 million for associated land acquisitions;
- an additional \$24.7 million over the forward estimates period for construction and completion of four new primary schools opening in 2018;
- \$18.4 million for the Byford Senior High School Stage 3 (total cost \$22.4 million);
- \$8.0 million for Harrisdale Senior High School Stage 2 (total cost \$36.8 million); and
- \$1.5 million for the Ellenbrook North Senior High School Stage 2 (total cost \$52 million).

## TREASURER; MINISTER FOR ENERGY; CITIZENSHIP AND MULTICULTURAL INTERESTS

Table 5

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Horizon Power</b>					
– Asset Investment Program Efficiency Measure	-	-3.7	-2.2	-2.1	-2.1
<b>Synergy</b>					
– Asset Investment Program Efficiency Measure	-	-	-3.5	-5.0	-5.0
<b>Western Australian Treasury Corporation</b>					
– Information Technology Systems Upgrade	-	1.3	0.8	0.1	-0.1
<b>Western Power</b>					
– Conductor and Overhead Service Replacement Program	-	27.5	-	-	-
– Wood Pole Treatment Program	24.5	60.9	-	-	-
– Asset Investment Program Efficiency Measure	-	-31.7	-27.0	-31.4	-32.3
<b>Western Power Provisions</b>					
– Asset Investment Program Efficiency Measure	-	-11.4	-18.1	-17.4	-17.8

### Western Australian Treasury Corporation

#### Information Technology Systems Upgrade

An additional \$2 million over the forward estimates period will be spent upgrading and maintaining Western Australian Treasury Corporation's information technology hardware and software to ensure it meets industry standards in financial markets.

### Western Power

#### Conductor and Overhead Service Replacement Program

An additional \$27.5 million will be spent in 2014-15 on the replacement of conductors and overhead service connections, doubling the previously approved program.

#### Wood Pole Treatment Program

An additional \$85.4 million in asset investment expenditure will be provided to reinforce and replace a total of 73,000 wood poles in 2013-14 and 74,500 in 2014-15. This will result in around 65% of the total population of 689,000 poles being treated from 2008-09 to 2016-17.

## MINISTER FOR PLANNING; CULTURE AND THE ARTS

Table 6

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Culture and the Arts</b>					
- Service Delivery Infrastructure – Fit-for-Purpose Improvements	-	-	1.0	1.0	1.8
- Western Australian Museum – Kalgoorlie-Boulder Storage Facility	0.2	-	-	-	-
<b>Metropolitan Redevelopment Authority</b>					
- 2014-15 Business Plan	-33.5	8.9	46.9	3.3	-13.0
- Asset Investment Program Efficiency Measure	-	-2.2	-2.2	-2.0	-1.8
<b>Western Australian Planning Commission</b>					
- Asset Investment Program Deferrals – Acquisition of Land	-	-	-	-	-80.6
- Asset Investment Program Efficiency Measure	-	-0.3	-0.3	-0.3	-2.4

### Culture and the Arts

#### Service Delivery Infrastructure – Fit-for-Purpose Improvements

A total of \$3.8 million will be spent from 2015-16 to 2017-18 on various projects (such as replacement of obsolete plant and equipment) to address gaps in service delivery infrastructure, ensuring the continuity of service delivery and the attraction of world-class touring exhibitions and performances.

#### Western Australian Museum – Kalgoorlie-Boulder Storage Facility

As part of the re-location of the Goldfields collections, an amount of \$200,000 will be spent in 2013-14 for the construction and fit-out of a storage facility at the Western Australian Museum's Kalgoorlie-Boulder site.

### Metropolitan Redevelopment Authority

#### 2014-15 Business Plan

The revised AIP for the Authority reflects updated financial forecasts for all of its major projects, including:

- Armadale – land sales at Champion Lakes have been revised in line with market conditions;
- Riverside – reduction in costs attributable to a revised scope of works required for electricity network and infrastructure requirements; and
- Corporate – increased capital investment on the refurbishment of the Armadale office, the fit-out of the Authority's central Perth office, and continuing development of key information systems.

## **Western Australian Planning Commission**

### **Asset Investment Program Deferral – Acquisition of Land**

An amount of \$80.6 million in 2017-18 for metropolitan land acquisition has been deferred beyond the current forward estimates period. This leaves a land acquisition program of \$36 million in 2017-18, broadly similar to the approved 2016-17 program.



## MINISTER FOR POLICE; TOURISM; ROAD SAFETY; WOMEN'S INTERESTS

Table 7

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Western Australia Police</b>					
- Asset Investment Program Deferral – Western Suburbs Police Station	-	-	-	-5.6	-3.3
- Computer Aided Dispatch System	-	3.8	8.4	1.7	-
- Police Facilities Major Refurbishment and Upgrade Program	-	5.0	-	-	-
- Asset Investment Program Efficiency Measure	-	-5.6	-2.5	-2.0	-0.9
<b>Main Roads</b>					
- Office of Road Safety	-	17.5	-	-	-
<b>Rottneest Island Authority</b>					
- Minor Works Program	-	-	3.7	-	-
- Wastewater Treatment Plant	-	0.4	4.6	1.1	-

### Western Australia Police

#### Asset Investment Program Deferral – Western Suburbs Police Station

An amount of \$8.9 million for the Western Suburbs Police Station has been deferred beyond the current forward estimates period.

#### Computer Aided Dispatch System

Capital expenditure of \$13.9 million from 2014-15 to 2016-17 (and a further \$11.5 million in recurrent expenditure) has been approved to replace the Computer Aided Dispatch System, which automates 'triple-0' call-taking and co-ordinates, records and dispatches front-line police resources to respond to criminal and emergency incidents.

#### Police Facilities Major Refurbishment and Upgrade Program

An additional \$5 million will be spent in 2014-15 to undertake critical refurbishment and upgrades for existing metropolitan and regional police facilities to ensure they remain operationally fit-for-purpose.

### Main Roads

#### Office of Road Safety

Additional capital expenditure of \$17.5 million in 2014-15 from the Road Trauma Trust Account has been approved to continue the installation of road safety treatments at priority metropolitan intersections, to reduce the incidence and severity of vehicular crashes.

## **Rottnest Island Authority**

### **Minor Works Program**

An additional \$3.7 million will be spent in 2015-16 on minor works that are critical to the Island's operations, including to ensure compliance with occupational health and safety standards.

### **Wastewater Treatment Plant**

The Authority will invest \$6.1 million over 2014-15 to 2016-17 to replace and upgrade the wastewater treatment plant, which will ensure there is adequate capacity to treat and recycle water for future growth on the Island.

## MINISTER FOR WATER; FORESTRY

Table 8

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Busselton Water Corporation</b>					
– Revision to Asset Investment Program	-	1.0	-0.5	0.8	0.8
<b>Water</b>					
– Kent Street Weir	-	0.8	4.0	-	-
– Asset Investment Program Efficiency Measure	-	-1.1	-0.8	-0.6	-0.6
<b>Water Corporation</b>					
– Revision to Base Asset Investment Program	-	66.7	41.2	-9.0	-129.2

### Busselton Water Corporation

#### Revision to Asset Investment Program

The Corporation's AIP has been increased by \$2.1 million over the forward estimates period to meet water quality requirements and maintain customer service levels relating to continuity of pressure and flow. It is also deferring projects associated with the commercial supply of bulk water based on reduced water demand forecasts.

### Water

#### Kent Street Weir

The Department of Water will spend \$4.8 million over 2014-15 to 2015-16 to repair the Kent Street Weir and ensure continued public safety.

### Water Corporation

#### Revision to Base Asset Investment Program

The Corporation's base AIP has been reviewed and adjusted to align with current growth, inflation and borrowing cost forecasts. This has led to a net \$30.3 million reduction across the forward estimates period.

## MINISTER FOR MENTAL HEALTH; DISABILITY SERVICES; CHILD PROTECTION

Table 9

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Child Protection and Family Support</b>					
– Service Delivery Accommodation	-	-	2.5	-	-
<b>Disability Services Commission</b>					
– Capital Works Program 2016-17 and 2017-18	-	-	-	1.3	1.2
– Disability Justice Centre	-5.9	6.7	-	-	-
– National Disability Insurance Scheme – Information Technology Systems	-	3.0	-	-	-

### Child Protection and Family Support

#### Service Delivery Accommodation

An additional \$2.5 million will be spent in 2015-16 to relocate the Department's District Office in Mirrabooka.

### Disability Services Commission

#### Capital Works Program 2016-17 and 2017-18

An additional \$2.5 million over 2016-17 to 2017-18 has been approved for the Commission's rolling capital works program. The program will fit out offices in Beaconsfield, Alkimos, Busselton and Mandurah, and upgrade information technology infrastructure across the State.

#### Disability Justice Centre

The Commission will spend \$6.7 million in 2014-15 to construct a disability justice centre (DJC) in Caversham. The Caversham DJC will include significantly enhanced security features, maximising resident and community safety. A decision regarding the construction of a second DJC has been deferred until the Caversham facility is operational.

#### National Disability Insurance Scheme – Information Technology Systems

The Commission will spend \$3 million in 2014-15 on new information technology systems for use with the My Way trial site for the National Disability Insurance Scheme (NDIS), providing a high standard of actuarial reporting and enabling accurate expense tracking and forecasting.

## ATTORNEY GENERAL; MINISTER FOR COMMERCE

Table 10

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Attorney General</b>					
– Asset Investment Program Efficiency Measure	-	-0.7	-0.5	-0.5	-0.4
<b>Commerce</b>					
– EnergySafety – Compliance Management System	-	1.3	1.3	-	-
– ICT	3.0	-	-	-	-
<b>Corruption and Crime Commission</b>					
– Asset Investment Plan Realignment	-8.0	2.2	0.9	-	-1.6
<b>WorkCover WA</b>					
– Asset Investment Program Review	0.4	0.4	1.2	0.8	0.6

### Commerce

#### EnergySafety – Compliance Management System

The Department's EnergySafety Division will spend a total of \$2.5 million over 2014-15 to 2015-16 on the development and implementation of a new Compliance Management System, providing improved functionality in relation to EnergySafety's regulatory functions.

#### ICT

A total of \$3 million will be spent in 2013-14 on the purchase of new ICT infrastructure to support the relocation and consolidation of the Department's office accommodation.

### Corruption and Crime Commission

#### Asset Investment Plan Realignment

A realignment of the Commission's AIP due to revised capital requirements to maintain existing business systems, building upgrades and workspace functionality, has resulted in a net \$6.5 million reduction over the forward estimates period.

### WorkCover WA

#### Asset Investment Program Review

An additional \$3.4 million will be spent from 2013-14 to 2017-18 on replacement of business systems, information technology infrastructure upgrades and building maintenance, ensuring a sustainable asset investment and building maintenance program for WorkCover WA.

## MINISTER FOR MINES AND PETROLEUM; HOUSING

Table 11

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Mines and Petroleum</b>					
– Perth Core Library Expansion	-	0.4	2.6	1.9	-
– Relocation of the Resources Safety Division	0.5	1.5	0.1	-	-

### Mines and Petroleum

#### Perth Core Library Expansion

Additional expenditure of \$4.8 million over the next three years has been approved to expand the Perth Core Library's sample storage area.

#### Relocation of the Resources Safety Division

An amount of \$2.1 million will be spent over three years from 2013-14 on fit-out costs related to the Resources Safety Division's relocation to East Perth.

## MINISTER FOR SPORT AND RECREATION; RACING AND GAMING

Table 12

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Racing and Wagering WA</b>					
– Asset Investment Program Efficiency Measure	-	-0.8	-0.4	-0.5	-0.5
<b>Western Australian Sports Centre Trust</b>					
– Perth Arena Settlement – BGC Construction Pty Ltd	-(a)	-	-	-	-
– Asset Investment Program Efficiency Measure	-	-0.8	-0.8	-0.6	-0.6

(a) Commercial in Confidence.

### Western Australian Sports Centre Trust

#### Perth Arena Settlement – BGC Construction Pty Ltd

An amount will be paid to BGC Construction Pty Ltd (BGC) in 2013-14 for the final settlement of all outstanding commercial matters relating to the construction contract for Perth Arena. The settlement amount cannot be reported as it is commercial-in-confidence under the terms of the settlement agreement between the State and BGC.

## MINISTER FOR AGRICULTURE AND FOOD; FISHERIES

Table 13

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Agriculture and Food</b>					
– Asset Investment Program Efficiency Measure	-	-0.8	-0.5	-0.2	-0.2
<b>Fisheries</b>					
– Watermans Bay Research Facility	-	4.0	-	-	-

### Fisheries

#### Watermans Bay Research Facility

The State will contribute \$4 million towards the \$11 million Watermans Bay Research Facility, to establish the Indian Ocean Marine Research Centre in partnership with the University of Western Australia and the Commonwealth Government. The facility will enhance research relating to climate change, sustainable use of marine resources and conservation of marine biodiversity.



## MINISTER FOR TRANSPORT; FINANCE

Table 14

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Broome Port Authority</b>					
– Asset Investment Program Efficiency Measure	-	-0.6	-0.6	-0.1	-0.1
<b>Bunbury Port Authority</b>					
– Inner Harbour Road Network	-	1.0	1.0	-	-
<b>Dampier Port Authority</b>					
– Asset Investment Program Efficiency Measure	-	-0.3	-0.3	-0.3	-0.3
<b>Esperance Port Authority</b>					
– Hughes Road Upgrade	-4.7	11.2	-	-	-
– Minor Works Increase	-	-	1.2	2.0	2.0
<b>Fremantle Port Authority</b>					
– Asset Investment Program Review	-	-	-	-	-65.0
– Asset Investment Program Efficiency Measure	-	-1.8	-3.2	-1.3	-1.7
<b>Geraldton Port Authority</b>					
– Asset Investment Program Efficiency Measure	-	-0.3	-0.3	-0.3	-0.3
<b>Finance</b>					
– Relocation of the Department of Commerce and Realignment of Agencies within Gordon Stephenson House	2.9	2.4	1.0	2.1	-
– Revenue Systems Consolidation and Enhancement Program	-	6.8	9.0	8.5	6.5
– State Fleet	2.0	2.0	-	-	-
– Asset Investment Program Efficiency Measure	-	-8.2	-7.5	-6.6	-6.4
<b>Main Roads</b>					
– Asset Investment Program Deferral – NorthLink WA – Swan Valley Section	-	-	35.0	15.0	-100.0
<b>Port Hedland Port Authority</b>					
– Asset Investment Program Deferral – Minor Works	-	-	-	-	-2.0
– Strategic Development Plan	-4.2	-	-	-	-
– Asset Investment Program Efficiency Measure	-	-0.4	-0.4	-0.4	-0.3
<b>Public Transport Authority</b>					
– Asset Investment Program Deferrals including:					
• Rail Infrastructure Program	-	-	-	-	-34.5
• Rail Stations Program	-	-	-	-	-24.2
– Revised Project Budgets	-29.9	-24.2	-9.4	3.5	-
– Asset Investment Program Efficiency Measure	-	-8.3	-6.2	-4.4	-9.0
<b>Transport</b>					
– Transport Executive and Licensing Information System (TRELIS) Upgrades	-	2.3	-	-	-
– Asset Investment Program Efficiency Measure	-	-2.0	-0.7	-1.0	-0.9

## **Bunbury Port Authority**

### **Inner Harbour Road Network**

An amount of \$2 million will be spent from 2014-15 to 2015-16 on the construction of an inner harbour road network to increase transport efficiency and prepare the road network for future berth development. The construction cost will be fully offset by expected increases in revenue from existing and future leaseholders of port land.

## **Esperance Port Authority**

### **Hughes Road Upgrade**

An amount of \$11.2 million will be spent in 2014-15 to upgrade Hughes Road to achieve compliance with Australian road design standards and provide port users with functional and safe heavy vehicle access.

### **Minor Works Increase**

An additional \$5.2 million over 2015-16 to 2017-18 has been approved for minor works, including replacement of plant and equipment and upgrades to the Port's infrastructure necessary for the maintenance of port assets to acceptable standards.

## **Fremantle Port Authority**

### **Asset Investment Program Review**

As part of a review of its AIP, the Fremantle Port Authority has removed \$32 million in expenditure relating to the Kwinana Bulk Terminal and deferred \$33 million in planned expenditure for various other projects, resulting in savings totalling \$65 million in 2017-18.

## **Finance**

### **Relocation of the Department of Commerce and Realignment of Agencies within Gordon Stephenson House**

An amount of \$8.4 million will be spent between 2013-14 and 2016-17 on fit-out costs and ICT requirements for the Department of Commerce's relocation to the Mason Bird Building in Cannington and the realignment of agencies within Gordon Stephenson House.

### **Revenue Systems Consolidation and Enhancement Program**

Capital expenditure of \$33.4 million over five years to 2018-19 will enhance and consolidate the revenue systems for the Office of State Revenue, resulting in increased efficiency in revenue collection, improved debt management and removal of red tape. These enhancements will generate an estimated \$17.5 million per annum in additional revenue from 2016-17 onwards.

## **State Fleet**

An additional \$4 million will be spent between 2013-14 and 2014-15 for the acquisition of vehicles to maintain the State's vehicle fleet.

## **Main Roads**

### **Asset Investment Program Deferral – NorthLink WA – Swan Valley Section**

A net amount of \$50 million over 2015-16 to 2017-18 for the NorthLink WA – Swan Valley Section has been deferred beyond the current forward estimates period. The revised cashflows do not affect the scheduled completion date in 2018-19.

## **Port Hedland Port Authority**

### **Asset Investment Program Deferral – Minor Works**

An amount of \$2 million in 2017-18 for minor works has been deferred beyond the forward estimates period.

### **Strategic Development Plan**

The Authority's minor works program has been reduced by \$4.2 million in 2013-14, consistent with its Strategic Development Plan.

## **Public Transport Authority**

### **Asset Investment Program Deferral**

An amount of \$58.7 million in 2017-18 for the Rail Infrastructure and Rail Stations programs has been deferred beyond the forward estimates period.

### **Revised Project Budgets**

Capital expenditure will be reduced by \$60 million over 2013-14 to 2016-17, reflecting lower than budgeted costs for the underground Perth Busport and the extension of the northern railway line to Butler. These revisions do not affect the scope or timing of project works.

## **Transport**

### **Transport Executive and Licensing Information System Upgrades**

An additional \$2.3 million will be spent in 2014-15 on Transport Executive and Licensing Information System (TRELIS) core architecture that will enhance and extend the current system's life and enable its future redevelopment. TRELIS is a system that manages driver licence and vehicle registration business processes, handling more than six million transactions annually.

## MINISTER FOR ENVIRONMENT; HERITAGE

Table 15

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Heritage Council of Western Australia</b>					
– Heritage Revolving Fund	-	1.8	1.7	-	-
<b>Parks and Wildlife</b>					
– Bunbury Headquarters and Related Interpretation and Public Access Facilities	-	0.3	-	-	-
– Asset Investment Program Efficiency Measure	-	-1.3	-1.1	-1.1	-0.8

### Heritage Council of Western Australia

#### Heritage Revolving Fund

The Council will invest \$3.5 million over the next two years in heritage property pre-sale improvement works (which includes conservation, repair and remediation works) and to purchase property on a short-term basis. This includes an amount of \$1 million in each of 2014-15 and 2015-16 to be spent directly on development of the Warders' Cottages in Fremantle.

### Parks and Wildlife

#### Bunbury Headquarters and Related Interpretation and Public Access Facilities

A total of \$250,000 will be spent in 2014-15 to develop a business plan for the proposed Bunbury Headquarters and related interpretation and public access facilities.

## MINISTER FOR EMERGENCY SERVICES; CORRECTIVE SERVICES; SMALL BUSINESS; VETERANS

Table 16

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Corrective Services</b>					
– Asset Investment Program Efficiency Measure	-	-0.6	-0.6	-0.6	-0.6
<b>Fire and Emergency Services</b>					
– CFRS – Albany Fire Station	-	1.2	3.9	4.0	-
– CFRS – Perth West Fire Station	-	11.1	3.8	5.4	-
– Minor Works	-	4.2	4.3	4.4	4.6
– Asset Investment Program Efficiency Measure	-	-0.6	-0.5	-0.5	-0.3

### Fire and Emergency Services

#### CFRS – Albany Fire Station

A total of \$9.1 million will be spent over 2014-15 to 2016-17 to replace the 75 year old CFRS station in Albany. The strategic relocation of the new facility will improve functional capacity by reducing response times to house fires and other emergencies.

#### CFRS – Perth West Fire Station

The Government has approved spending of \$20.3 million over 2014-15 to 2016-17 to establish a new CFRS station to the west of the Perth CBD. This additional facility, which is expected to become operational in 2016-17, will strengthen and complement the existing fire station in East Perth, which provides coverage to the Perth CBD.

#### Minor Works

A total of \$17.5 million over the next four years has been approved for urgent minor works to various career and volunteer fire stations and appliances to ensure that the Department's operational capability and occupational health and safety standards are not compromised.

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

Table 17

**MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Metropolitan Cemeteries Board</b>					
– Asset Investment Program Efficiency Measure	-	-0.5	-0.2	-0.4	-0.4

## PROVISIONS

Table 18

<b>MAJOR SPENDING CHANGES SINCE THE 2013-14 MID-YEAR REVIEW</b>					
	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
<b>Provisions</b>					
– NDIS Trial Sites – Information Technology Systems	-	-5.0	-	-	-
– Royalties for Regions Underspend Provision	-141.6	-6.9	-18.1	23.4	-

### Provisions

#### **NDIS Trial Sites – Information Technology Systems**

The 2013-14 Mid-year Review included a provision to spend \$5 million on a new information technology system for the My Way trial site for the NDIS. The provision is no longer necessary and additional spending of \$3 million has been incorporated in the Disability Service Commission's AIP.

#### **Royalties for Regions Underspend Provision**

The total Royalties for Regions program includes an underspend provision for unforeseen slippage across this very large program. This allows individual project budgets to exceed the overall approved expenditure limit, while planning for typical underspends due to delays in project approvals, resourcing issues and contractual delays. Responsible cashflow management will be undertaken to ensure the approved expenditure limit is not breached.

# Royalties for Regions

## Introduction

The Royalties for Regions program underpins the State Government's long-term focus to facilitate economic, business and social development in regional Western Australia. This investment in infrastructure and community services is financed by the Royalties for Regions Fund, which receives up to 25% of the State's mining and onshore petroleum royalties, as directed by the *Royalties for Regions Act 2009*.

In addition to the \$1 billion legislated cap on the balance of the Royalties for Regions Fund, starting in 2014-15 and across the forward estimates there will be an expenditure limit of \$1 billion each year that will be reviewed annually. On current budget estimates, this will mean that the appropriation to the Royalties for Regions Fund will decline below the current 25% of mining royalties across the forward estimates period, to as low as 12.4% in 2016-17.

In line with the Government's decision in the 2012-13 Budget to establish the Western Australian Future Fund, an amount of \$246.8 million will be transferred from the Royalties for Regions Fund into the Future Fund in 2014-15. This brings the total amount transferred to \$807 million.

Government priority commitments in 2014-15 provide for investment in each of the nine regions to facilitate their respective growth and development aspirations. The investment of these funds is consistent with the whole-of-government State Planning and Development Framework, including alignment to the State Planning Strategy, Regional Development Commission Regional Investment Blueprints and local government planning. Detailed business cases are developed for the Government's consideration prior to the commencement of projects.



## Key Initiatives

A major component of the Royalties for Regions program in 2014-15 is the delivery of major infrastructure projects and ensuring economic development of regional communities. This year's initiatives are in the key areas of agriculture, regional development, regional health, community support services, education, sport and recreation, business development, transport, tourism, aboriginal initiatives and regional strategic projects.

### 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 focused research and development, expert skills and above all, significant investment. A total of \$300 million will be invested in agriculture over five years, including \$51 million in 2014-15, 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, and 'Buy West Eat Best'.

## Regional Development

### State-wide Regional Blueprint Initiative

The Regional Investment Blueprint initiative is a new State-wide program that will receive \$292 million over five years (\$169 million from 2014-15 to 2017-18), including \$2 million in 2014-15, to develop major State-wide economic, social and community development projects.

In response to the Duncan Review '*Structuring Regional Development for the Future*', each Regional Development Commission will prepare regional socio-economic development strategies, or 'Blueprints', which will outline regional growth and development aspirations, transformative strategies, priority implementation actions and investment opportunities. The Blueprints, along with subsequent analysis and review, will support future funding decisions on projects identified in this initiative. It is intended that these Blueprints will also inform and influence government and non-government action and investment beyond the Royalties for Regions program.

### **Southern Investment Initiative**

Western Australia's southern regions will benefit from a new investment of \$600 million in Royalties for Regions funding over five years (\$515 million between 2014-15 and 2017-18).

The successful submission of detailed business cases will support the future release of funding to implement major projects, aimed at achieving more sustainable social and economic outcomes across the Peel, Wheatbelt, South West and the Great Southern regions. This will mean all of the State's nine regional areas will have access to similar social and economic development funds.

### **West Kimberley Revitalisation**

The West Kimberley Revitalisation initiative continues and has an allocation of \$61 million over the forward estimates, including \$28 million in 2014-15. Projects include the West Kimberley Transitional Housing Program (which will provide transitional housing for Indigenous families), Fitzroy Crossing Courthouse, Broome Road Industrial Area and the Chinatown redevelopment to reinvigorate the Broome central business district.

### **Mid West Investment Plan**

The \$220 million Mid West Investment Plan continues with an allocation of \$159 million over the forward estimates, including \$29.2 million in 2014-15, for projects such as the Wubin-Mullewa Roads and the Murchison Radio-Astronomy Observatory Power Supply Project.

### **Gascoyne Revitalisation**

The \$150 million Gascoyne Revitalisation initiative continues with an allocation of \$80 million over the forward estimates, including \$53.3 million in 2014-15, for projects such as the Exmouth Health Clinic and Carnarvon Health Campus.

### **Goldfields Esperance Revitalisation**

The Goldfields Esperance Revitalisation initiative has an allocation of \$173 million over the forward estimates, including \$14 million in 2014-15. Projects allocated funding include the Goldfields Arts Centre (which has a commitment of \$5.7 million over three years to assist with an upgrade and additional operational funding), the Kalgoorlie-Boulder Community High School (which has a total of \$45 million allocated to support stage one of the school's redevelopment that started in 2013-14), and \$26 million across the forward estimates to support the construction of 15 overtaking lanes on the Great Eastern Highway between Southern Cross and Kalgoorlie.

## **Pilbara Cities Initiative**

Funding of the Pilbara Cities Initiative continues with \$832 million allocated across the forward estimates, including \$189 million in 2014-15, for major strategic infrastructure projects across the Pilbara region. Projects include transforming Karratha and Port Hedland into cities through the promotion of quality regional living with modern services and facilities, and the revitalisation of the Newman and Tom Price town centres.

In 2014-15, Pilbara Cities Strategic Infrastructure has an allocation of \$147 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) commenced in 2013-14 and includes the creation of key sites for development and public infrastructure.

## **Health**

Investment in improving health outcomes in regional Western Australia will continue, with \$252 million allocated in 2014-15 towards priority projects and initiatives.

The North West Health Initiative is a commitment of \$161 million, with \$126 million across the forward estimates, commencing with an allocation of \$1 million in 2014-15. 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 continuing health initiatives include:

- Wheatbelt Renal Dialysis (\$3.5 million total) – \$3.4 million from 2014-15 to 2017-18, including \$800,000 in 2014-15, to allow dialysis patients to receive treatment in their homes or communities. This complements the Regional Dialysis Service Expansion that has \$6.8 million allocated across the forward estimates period, including \$1.2 million in 2014-15;
- Fitzroy Kids Health (\$400,000) – \$300,000 for research into foetal alcohol spectrum disorder in the Fitzroy area, with \$100,000 to be spent in 2014-15;
- Goldfields Emergency Telehealth (\$8 million) – \$7.5 million from 2014-15 to 2017-18, with \$2.5 million to be spent in 2014-15, for greater access to quality healthcare for residents in the Eastern Goldfields;
- Regional Palliative Care (\$4 million) – \$3.5 million from 2014-15 to 2017-18, with \$1 million to be spent in 2014-15, to help patients transition from acute care services to palliative care services. This improves the comfort and quality of life for patients with life limiting illnesses;

- Ear Health (\$6 million) – \$5.5 million from 2014-15 to 2017-18, with \$1.5 million in 2014-15, to screen children living in remote Indigenous communities for ear disease and to help manage treatment;
- Southern Inland Health Initiative – \$146 million has been allocated in 2014-15 with a total commitment of \$475 million over the forward estimates to continue the roll out of the initiative, which aims to improve access to health care services in the regions. This initiative focuses on the southern inland area of the Western Australian Country Health Service, including localities to the north and east of the metropolitan area, stretching from Kalbarri and Meekatharra in the State’s north west, to Laverton in the east, down to Esperance in the south east;
- Regional Hospital and Health Campus upgrades – \$20 million has been allocated in 2014-15 to upgrade the Esperance Hospital, and to enable information and communication technology functionality at Busselton Hospital. This funding is intended to improve patient administration, medical records, mother-baby tagging and other supporting information services;
- Patient Assisted Travel Scheme – \$10 million will be spent in 2014-15 as a contribution to WA Health from the Royalties for Regions Fund towards the total cost of this scheme;
- Rural Generalist (Practice) Pathways – \$3 million has been allocated in 2014-15 for the continuation of the program, which supports the training of junior doctors in regional areas;
- St John Ambulance Services – \$8.6 million has been allocated in 2014-15 to continue support of St John Ambulance Services in regional locations;
- Royal Flying Doctor Service – \$4 million has been allocated in 2014-15 to continue the support of the service; and
- Regional Men’s Health – \$800,000 has been allocated to the Department of Agriculture and Food in 2014-15 to further support the program.

## **Community Support Services**

Royalties for Regions continues to support essential community services in regional areas with \$157 million allocated in 2014-15. A number of the Government’s priority commitments will support continuing community programs and schemes.

- 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 scheme has been allocated \$126 million across the forward estimates.
- 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 \$7 million is allocated to the program from 2014-15 to 2017-18.

- The Community Pool Revitalisation Program begins in 2014-15 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 \$3.3 million.
- Regional Police Incentives – a total of \$8 million is allocated over the forward estimates, including \$2.5 million in 2014-15, to provide incentives that will support the placement of police staff in difficult to recruit regional locations.
- Emergency Services Helicopter – a commitment of \$20 million over the forward estimates for a second emergency rescue helicopter to service the communities of the South West and Great Southern.
- Fire Crew Protection (\$12.3 million) – \$8.8 million over the forward estimates, with \$3.7 million in 2014-15, to improve fire crew protection systems for vehicles that operate in high to extreme bushfire risk environments.
- Continuing support will be provided with Regional Workers Incentives worth \$39 million in 2014-15. Improvements to existing district allowance payments aim to attract and retain public sector workers in the regions who provide essential government services.
- Community Resource Centres are allocated \$55 million over the next four years and provide access to government information and services. The Centres are established through partnerships with a range of not-for-profit agencies and provide links to services via video-conferencing, as well as comprehensive education and training sessions to build the capacity of regional people. These activities build on existing services including access to computers and high speed internet. The network has been developed to reflect the expanded role and service delivery function for the 110 individual member centres, of which 28 are in remote communities.
- The Community Safety Network will receive \$47.2 million over the next four years to provide a trunked and conventional digital regional radio communications network, and will assist communications between the Western Australia Police, Department of Corrective Services and the Department of Fire and Emergency Services (DFES).

## Education

The Regional Skills and Training Initiative will receive \$22.8 million in 2014-15 to continue improving access to trade training in regional areas of the State through upgrades to facilities at various institutions such as the Durack Institute of Technology, Pilbara Institute and the Challenger Institute of Technology.

Other education projects to receive funding in 2014-15 include \$14.9 million for building works at a number of regional schools to assist with the relocation of Year 7 students to secondary settings, and \$11.4 million for residential college upgrades.

## **Sport and Recreation**

Sport is a vital part of regional communities and this is recognised with greater support for local sporting clubs and athletes.

The Supporting Community Sport Program has a commitment of \$2.7 million over the next four years, commencing with \$752,000 in 2014-15. 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.

## **Business Development**

The Regional Buy Local Initiative is allocated \$9 million across the forward estimates. This program will boost the capacity of regional small businesses and industry in Western Australia to prosper and develop into the future.

## **Transport**

An allocation of \$15.1 million will be provided to purchase replacement road coaches for regional routes. A further 23 road coaches will be purchased over a three year period to replace the existing ageing road coach fleet.

A total of \$2.7 million in 2014-15 has been provided for the PortLink Inland Freight Corridor Planning project for the development of planning, design and engineering for the PortLink project. PortLink is an ambitious infrastructure initiative involving the development of new transport corridors. The project will link the ports of Esperance, Geraldton/Oakajee, Port Hedland and Fremantle through road and rail corridors with a strategic intermodal freight logistics hub constructed in Kalgoorlie.

The Regional Airports Development Scheme will continue to be supported with \$8.2 million in 2014-15, which will ensure regional aviation infrastructure and airport services are developed and maintained to facilitate air access and enhance economic growth in Western Australia.

The Augusta Boat Harbour, with funding of \$5.3 million in 2014-15, 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.

## **Tourism**

Tourism is a key part of the State's economy. Royalties for Regions will see the continuance of projects such as the New Kimberley National Park, Regional Visitor Centres and the Caravan and Camping/Parks for People initiatives.

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 \$38 million, \$14.6 million is budgeted for 2014-15. 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 2014-15.

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 \$3.2 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, \$11.8 million from 2014-15 will be provided for the Great Kimberley Marine Park to expand the marine park network to the Western Australian/Northern Territory border.

Marine Parks Management will also receive \$10.4 million from 2014-15 to 2015-16 to continue the establishment, management and compliance implementation associated with the Ngari Capes Marine Park (South West), Dampier Archipelago Marine Park and Regnard Marine Management Area (Pilbara).

The Regional Visitor Centre program has been allocated \$4.2 million for 2014-15 to 2017-18 to support the continued development of the Visitor Centre Network in regional areas and broaden the appeal of regional tourism.

## **Aboriginal Initiatives**

Royalties for Regions continues to provide funding for initiatives that improve outcomes and support Aboriginal economic development and participation. An allocation of \$104 million across the forward estimates, including \$43 million in 2014-15, for specialist Aboriginal programs is contained in this Budget.

Initiatives include improvements to infrastructure through the 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.

A new tourism initiative has been developed to increase the number and availability of Aboriginal Tourism products (via the Western Australian Indigenous Tourism Operators Council) by the creation of a dedicated product development and marketing program, with funding of \$1.2 million in 2014-15.

## Other Initiatives

The Country Local Government Fund has seen the implementation of over 1,500 individual town-based projects. The funds helped local governments with a number of projects needed to improve the appeal of rural towns and helped to revitalise communities. Funding of \$50 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 Development Commissions' Regional Blueprints and the whole-of-government State Planning and Development Framework.

The Regional Arts Centre Sustainability initiative commences in 2014-15 with funding of \$24 million over the forward estimates to provide support for the ongoing development of regional arts centres.

Regional Development Water and Natural Resource Management initiatives will receive \$26 million across the forward estimates for a program of work that will contribute to achieving outcomes in water for industry and economic development, and regional economic development opportunities. The initiative has a strategic focus to deliver greater online public access to water information around water availability and supply options, and to manage the demand and supply balance for water needs for regional economic development priorities of the Government.

The Regional Telecommunications Project Stage 2 will receive funding of \$45 million to build on the \$40 million Stage 1 Regional Mobile Communications Project (RMCP). This program is providing 113 new or upgraded telecommunications towers that provide near continuous mobile telephone coverage on regional highways and into 15 remote and regional communities. The project represents a significant investment in regional telecommunications to maximise the safety, social and economic benefits for the public from appropriate mobile telecommunication services in regional Western Australia. Stage 2 will move towards broadband accessibility in regional and remote communities.

Construction of the Kununurra Courthouse will be completed with an allocation of \$8.7 million in 2014-15.

Housing for Workers will receive \$162 million across the forward estimates, with \$41 million in 2014-15, to deliver increased affordable housing options for key workers in regional Western Australia. The overarching objectives of the initiative are the provision of affordable purchase and rental opportunities targeted to key workers in the regions, to deliver a wide range of housing types into the marketplace with a focus on one and two bedroom dwellings, and to provide support to private sector development in regional areas to grow local businesses. Ultimately the program seeks to increase the number of households living in regional areas.



## **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 \$78 million has been allocated from 2014-15 to 2017-18, with \$30.7 million in 2014-15, to support effective forward planning and implementation of State-wide and regionally significant projects. Grants for specific projects are allocated on an annual basis and dependent on the successful submission of a detailed business case. A key focus will be those that link to the priorities outlined in the Regional Development Commissions' Regional Blueprints (discussed earlier) and also align with the whole-of-government State Planning and Development Framework.

Included in this funding is \$10 million per year across the forward estimates (starting in 2014-15) 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 and State-Wide Initiatives**

An amount of \$168.1 million has been included for a number of strategic projects currently under development. Final project funding is still subject to Government approval and is conditional on the provision of compelling business cases.

## **Administering the Royalties for Regions Fund**

Royalties for Regions funds the operations of the Department of Regional Development, which has the responsibility to administer the Royalties for Regions Fund, and the nine Regional Development Commissions. An allocation of \$52 million is provided in 2014-15 and a total of \$219 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	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Total
	Actual	Estimated	Budget	Forward	Forward	Forward	Four
	\$m	\$m	\$m	\$m	\$m	\$m	Years
							\$m
<b>COUNTRY LOCAL GOVERNMENT FUND (CLGF)</b>							
Local Government - Local Infrastructure Asset Renewal and New Assets	34.0	0.0	-	-	-	-	-
Administration of CLGF	0.0	1.0	1.0	1.0	1.0	-	3.0
Regional Centres Development Plan	-	1.0	5.0	5.0	5.0	-	15.0
Regional Groupings of Local Governments	41.4	-	-	-	-	-	-
Regional Groupings and Individuals	-	40.0	50.0	-	-	-	50.0
Support to Regional Groupings of Local Governments	1.0	0.7	-	-	-	-	-
Local Government Facilitation	-	0.9	0.6	-	-	-	0.6
Capacity Building - Regional Governance Services and Asset Management Tools	1.9	1.3	2.0	4.9	4.8	-	11.7
<b>TOTAL - COUNTRY LOCAL GOVERNMENT FUND</b>	<b>78.2</b>	<b>44.9</b>	<b>58.5</b>	<b>10.9</b>	<b>10.8</b>	<b>-</b>	<b>80.2</b>
<b>REGIONAL COMMUNITY SERVICES FUND</b>							
<b>Regional Community Programs and Schemes</b>							
Country Age Pension Fuel Card	22.5	25.5	28.5	30.4	32.4	34.6	125.9
Volunteer Fuel Card	-	-	1.8	1.8	1.8	1.8	7.0
Regional Workers Incentives	52.3	63.4	39.1	22.5	23.3	26.2	111.0
Regional Police Incentives	-	2.5	2.5	2.8	2.8	-	8.0
Fire Crew Protection (Operating)	-	2.5	2.6	2.0	2.1	-	6.7
Fire Crew Protection (Asset Investment)	-	1.0	1.1	0.5	0.5	-	2.1
Boarding Away From Home	1.3	1.5	1.6	1.7	1.8	2.0	7.1
Community Resource Centres	12.9	12.3	13.2	14.0	14.0	14.0	55.2
Wild Dogs Management Plan	0.3	0.7	0.7	0.5	0.4	-	1.6
Performing Arts Regional Tours Boost	-	0.3	0.3	0.4	-	-	0.7
Regional Arts Centre Sustainability	-	-	2.0	11.0	11.0	-	24.0
Community Pool Revitalisation	-	-	3.3	3.3	3.3	3.3	13.2
Regional Visitor Centres	-	-	0.3	1.3	1.3	1.3	4.2
Caravan and Camping (Operating)	-	1.0	6.5	3.7	4.2	2.0	16.4
Caravan and Camping (Asset Investment)	-	3.9	8.2	7.5	5.9	0.8	22.3
WA Regional Small Business Awards	-	-	0.2	0.2	0.2	0.2	0.8
Community Sporting and Recreation Facilities Fund	-	14.4	-	-	-	-	-
Supporting Community Sport	-	0.5	0.8	0.8	0.7	0.5	2.7
Foodbank	0.2	0.2	0.2	0.2	0.2	0.2	0.9
Better Beginnings - Early Literacy	0.7	0.8	0.9	0.8	0.8	0.8	3.4
Responsible Parenting Support Services	7.4	11.0	10.5	-	-	-	10.5
Rangelands Reform Program	0.5	0.6	0.2	-	-	-	0.2
Orange School Bus Initiatives	2.4	3.0	-	-	-	-	-
New Kimberley National Parks (Operating)	-	0.3	0.6	0.8	0.9	-	2.2
New Kimberley National Parks (Asset Investment)	-	0.1	0.4	0.4	0.1	-	1.0
Great Kimberley Marine Park (Operating)	-	2.0	1.8	2.4	6.0	-	10.2
Great Kimberley Marine Park (Asset Investment)	-	1.3	-	0.1	1.5	-	1.6
Royal Agricultural Society Show Concessions - Free Entry for Children	-	0.8	0.8	-	-	-	0.8
DFES Helicopter (Operating)	-	0.3	3.3	4.0	5.0	5.0	17.3
DFES Helicopter (Asset Investment)	-	-	1.7	1.0	-	-	2.7
Exploration Incentive Scheme	13.3	24.4	-	-	-	-	-
Public Sector Regional Leadership	0.4	1.0	0.7	0.3	-	-	1.0
Regional Buy Local Initiatives	0.3	1.6	3.0	3.0	3.0	-	9.0
Regional Events Program (Operating)	9.9	11.5	11.6	11.6	10.0	-	33.2
Regional Events Program (Asset Investment)	1.6	0.1	-	-	-	-	-
Kimberley Science and Conservation Strategy (Asset Investment)	0.6	1.2	1.3	-	-	-	1.3
Kimberley Science and Conservation Strategy (Operating)	1.0	1.4	1.0	-	-	-	1.0
Marine Parks Management (Asset Investment)	1.5	0.8	0.4	0.2	-	-	0.6
Marine Parks Management (Operating)	0.6	2.5	4.9	4.9	-	-	9.8
Support for Racecourse Infrastructure Grants Program	1.2	4.4	1.0	-	-	-	1.0
<b>Regional Community Programs and Schemes Subtotal</b>	<b>130.9</b>	<b>198.4</b>	<b>156.8</b>	<b>134.0</b>	<b>133.2</b>	<b>92.7</b>	<b>516.7</b>
<b>Regional Health Programs</b>							
Fitzroy Kids Health	-	0.1	0.1	0.1	0.1	-	0.3
Regional (Kalgoorlie Esperance) Telehealth	-	0.5	2.5	2.5	2.5	-	7.5
Wheatbelt Renal Dialysis (Operating)	-	-	-	-	0.6	0.9	1.5
Wheatbelt Renal Dialysis (Asset Investment)	-	0.2	0.8	0.8	0.3	-	1.9
Regional Palliative Care	-	0.5	1.0	1.3	1.3	-	3.5
Patient Assisted Travel Scheme	9.4	9.7	10.1	10.6	10.6	11.0	42.2
Royal Flying Doctor Service	5.1	12.1	4.0	4.0	4.0	-	12.0
Rural Generalist (Practice) Pathways	1.7	2.1	3.0	-	-	-	3.0
St John Ambulance Services in Country WA (Asset Investment)	1.1	0.3	0.5	-	-	-	0.5
St John Ambulance Services in Country WA (Operating)	5.5	6.9	8.1	8.0	4.7	-	20.8
Pilbara Cardiovascular Screen Program	0.3	0.4	0.5	-	-	-	0.5
Regional Patient Accommodation Facility	-	2.5	2.5	-	-	-	2.5
Regional Men's Health	0.8	0.5	0.8	0.8	0.8	0.8	3.2
<b>Regional Health Programs Subtotal</b>	<b>24.0</b>	<b>35.8</b>	<b>33.9</b>	<b>28.0</b>	<b>24.8</b>	<b>12.7</b>	<b>99.4</b>

Table 1 (cont.)

INITIATIVE	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Total
	Actual	Estimated	Budget	Forward	Forward	Forward	Four
	\$m	\$m	\$m	\$m	\$m	\$m	Years
							\$m
<b>Aboriginal Initiatives</b>							
Regional Youth Justice Strategy Kimberley and Pilbara Expansion (Asset Investment)	0.7	-	-	-	-	-	-
Regional Youth Justice Strategy Kimberley and Pilbara Expansion (Operating)	12.7	16.0	15.0	15.0	15.0	-	45.0
Clontarf Colleges	1.0	1.3	1.4	1.4	1.5	-	4.3
WA Indigenous Tourism Operators Committee	0.3	0.3	1.2	1.2	1.2	1.2	4.6
Aboriginal Justice Program - Enhanced Driver Training and Education for Regional and Remote Communities	0.5	0.6	1.5	1.5	1.5	1.5	5.9
Within Regional and Remote Communities							
Aboriginal Justice Program - Enhanced Services for Victims of Crime	0.2	0.7	1.1	1.1	1.1	1.1	4.2
Remote Area Essential Services Program	-	30.0	-	-	-	-	-
Aboriginal Community Emergency Response Fund	2.5	10.0	-	-	-	-	-
NorthWest Drug and Alcohol Support Program (Asset Investment)	1.9	2.1	-	-	-	-	-
NorthWest Drug and Alcohol Support Program (Operating)	2.7	5.4	5.8	5.6	5.6	-	17.1
Improving Water Quality in Remote Aboriginal Communities	3.3	5.8	1.6	-	-	-	1.6
Governance and Leadership Development Program	-	0.2	1.0	1.1	-	-	2.1
Indigenous Visitor Hostels (Asset Investment)	0.2	9.8	1.3	-	-	-	1.3
Indigenous Visitor Hostels (Operating)	0.4	0.2	1.4	1.5	1.5	1.3	5.7
Jigalong Essential Services Pilot	-	6.0	4.0	-	-	-	4.0
Remote Indigenous Health Clinics (Asset Investment)	4.0	6.6	8.4	-	-	-	8.4
Remote Indigenous Health Clinics (Operating)	0.9	0.2	-	-	-	-	-
<b>Aboriginal Initiatives Subtotal</b>	<b>31.4</b>	<b>95.1</b>	<b>43.6</b>	<b>28.3</b>	<b>27.3</b>	<b>5.0</b>	<b>104.2</b>
<b>Regional Strategic Projects</b>							
Regional Strategic Projects	40.0	54.3	30.7	18.2	14.8	14.8	78.5
<b>Regional Strategic Projects Subtotal</b>	<b>40.0</b>	<b>54.3</b>	<b>30.7</b>	<b>18.2</b>	<b>14.8</b>	<b>14.8</b>	<b>78.5</b>
<b>Seizing the Opportunity Agriculture</b>							
Seizing the Opportunity Agriculture	-	5.8	51.5	91.8	124.0	27.0	294.3
<b>Seizing the Opportunity Agriculture</b>	<b>-</b>	<b>5.8</b>	<b>51.5</b>	<b>91.8</b>	<b>124.0</b>	<b>27.0</b>	<b>294.3</b>
<b>TOTAL - REGIONAL COMMUNITY SERVICES FUND</b>	<b>226.2</b>	<b>389.4</b>	<b>316.4</b>	<b>300.3</b>	<b>324.1</b>	<b>152.2</b>	<b>1,093.0</b>
<b>REGIONAL INFRASTRUCTURE AND HEADWORKS FUND</b>							
<b>Regional Capital Works Initiative</b>							
Regional Capital Works Initiative	14.8	19.2	9.0	1.2	-	-	10.2
<b>Regional Capital Works Initiative Subtotal</b>	<b>14.8</b>	<b>19.2</b>	<b>9.0</b>	<b>1.2</b>	<b>-</b>	<b>-</b>	<b>10.2</b>
<b>Pilbara Cities Initiative</b>							
Nickol Bay Hospital Upgrade (Asset Investment)	2.3	0.1	-	-	-	-	-
Nickol Bay Hospital Upgrade (Operating)	0.2	-	-	-	-	-	-
Karratha Health Campus	0.7	4.2	14.3	70.0	80.0	36.4	200.7
Pilbara Health Partnership (Asset Investment)	0.2	4.5	-	-	-	-	-
Pilbara Health Partnership (Operating)	5.3	6.8	7.0	-	-	-	7.0
Pilbara Underground Power (Asset Investment)	32.9	-	-	-	-	-	-
Pilbara Underground Power (Operating)	0.3	0.9	-	-	-	-	-
Pilbara Water Opportunities	0.4	0.0	-	-	-	-	-
Northern Towns Development Fund	7.2	10.9	5.5	-	-	-	5.5
Pilbara Cities Strategic Infrastructure (Asset Investment)	44.2	141.8	32.3	34.5	49.0	0.5	116.3
Pilbara Cities Strategic Infrastructure (Operating)	34.1	68.2	115.0	102.2	118.9	65.3	401.5
Pilbara Cities Community Projects (Asset Investment)	0.4	7.6	8.0	-	-	-	8.0
Pilbara Cities Community Projects (Operating)	5.8	12.4	7.6	28.0	28.0	24.0	87.6
Pilbara Fabrication and Services Common Use Facility	1.8	3.2	-	-	-	-	-
The Quarter	-	-	-	6.0	-	-	6.0
<b>Pilbara Cities Initiative Subtotal</b>	<b>135.7</b>	<b>260.5</b>	<b>189.8</b>	<b>240.7</b>	<b>275.9</b>	<b>126.2</b>	<b>832.5</b>
<b>Regional Housing</b>							
Housing for Workers (Asset Investment)	133.3	68.7	38.2	40.0	30.0	51.0	159.2
Housing for Workers (Operating)	-	0.7	2.9	-	-	-	2.9
<b>Regional Housing Subtotal</b>	<b>133.3</b>	<b>69.3</b>	<b>41.2</b>	<b>40.0</b>	<b>30.0</b>	<b>51.0</b>	<b>162.2</b>
<b>East Kimberley Revitalisation</b>							
Ord-East Kimberley Expansion Project (Asset Investment)	108.4	-	-	-	-	-	-
Ord-East Kimberley Expansion Project - Phase 2 (Asset Investment)	39.1	51.9	-	-	-	-	-
Kununurra Courthouse	6.5	20.5	8.7	-	-	-	8.7
<b>East Kimberley Revitalisation Subtotal</b>	<b>154.0</b>	<b>72.4</b>	<b>8.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8.7</b>

Table 1 (cont.)

INITIATIVE	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Total
	Actual	Estimated	Budget	Forward	Forward	Forward	Four
	\$m	\$m	\$m	\$m	\$m	\$m	Years
<b>West Kimberley Revitalisation</b>							
China Town Redevelopment	-	-	2.0	8.0	-	-	10.0
West Kimberley Transitional Housing Program	-	2.0	13.5	13.5	4.0	-	31.0
West Kimberley Strategic Development Unit	-	0.2	0.4	0.3	-	-	0.7
Fitzroy Crossing Courthouse	0.2	0.3	4.7	-	-	-	4.7
Broome Boating Facility	1.2	1.0	-	-	-	-	-
Broome Wharf Extension of Life	-	3.0	-	-	-	-	-
Broome Road Industrial Area	-	-	8.0	6.9	-	-	14.9
<b>West Kimberley Revitalisation Subtotal</b>	<b>1.4</b>	<b>6.4</b>	<b>28.6</b>	<b>28.7</b>	<b>4.0</b>	<b>-</b>	<b>61.3</b>
<b>Goldfields Esperance Revitalisation</b>							
Goldfields Esperance Revitalisation	-	1.5	5.0	25.0	52.3	15.0	97.3
Kalgoorlie-Boulder Community High School	-	1.0	4.0	20.0	20.0	-	44.0
Great Eastern Highway Passing Lanes	-	-	-	2.0	12.0	12.0	26.0
Goldfields Arts Centre	-	0.5	5.0	0.7	-	-	5.7
<b>Goldfields Esperance Revitalisation Subtotal</b>	<b>-</b>	<b>3.0</b>	<b>14.0</b>	<b>47.7</b>	<b>84.3</b>	<b>27.0</b>	<b>173.0</b>
<b>Southern Investment Initiative</b>							
Southern Investment Initiative (Operating)	-	-	15.0	18.0	20.0	184.8	237.8
Southern Investment Initiative (Asset Investment)	-	-	-	10.0	45.3	222.0	277.3
<b>Southern Investment Initiative Subtotal</b>	<b>-</b>	<b>-</b>	<b>15.0</b>	<b>28.0</b>	<b>65.3</b>	<b>406.8</b>	<b>515.1</b>
<b>Gascoyne Revitalisation</b>							
Gascoyne Development Plan	9.0	17.5	26.1	12.0	-	-	38.1
Camarvon Police and Justice Complex	5.0	-	-	-	-	-	-
Exmouth Health Clinic (Asset Investment)	0.0	3.3	4.5	-	-	-	4.5
Exmouth Health Clinic (Operating)	0.1	0.0	-	-	-	-	-
Camarvon Health Campus	0.4	3.4	16.8	-	-	-	16.8
Coral Bay Seasonal Staff Accommodation (Asset Investment)	-	-	0.4	-	-	-	0.4
Coral Bay Seasonal Staff Accommodation (Operating)	0.2	0.2	0.2	0.2	0.1	-	0.5
Gascoyne Irrigation Pipeline	0.3	-	-	-	-	-	-
Exmouth Boat Harbour	-	-	5.4	14.6	-	-	20.0
<b>Gascoyne Revitalisation Subtotal</b>	<b>14.9</b>	<b>24.4</b>	<b>53.4</b>	<b>26.8</b>	<b>0.1</b>	<b>-</b>	<b>80.3</b>
<b>Mid West Revitalisation</b>							
Midwest Investment Plan (Asset Investment)	2.7	17.4	12.1	-	-	-	12.1
Midwest Investment Plan (Operating)	6.8	30.7	16.1	35.8	39.2	53.8	144.9
Brand Highway - Greenough River Bridge	-	1.5	-	-	-	-	-
Midwest Unit	0.2	0.6	1.0	0.8	0.7	-	2.4
Midwest Solar Farm - Midwest Initiative	5.0	-	-	-	-	-	-
<b>Mid West Revitalisation Subtotal</b>	<b>14.7</b>	<b>50.2</b>	<b>29.2</b>	<b>36.5</b>	<b>39.9</b>	<b>53.8</b>	<b>159.4</b>
<b>Regional Health Infrastructure</b>							
Kalgoorlie Hospital	2.4	-	-	-	-	-	-
Albany Hospital	20.3	-	-	-	-	-	-
Esperance Health Campus	0.7	2.0	15.6	-	-	-	15.6
North West Health Initiative (Asset Investment)	-	-	0.3	2.6	35.3	74.2	112.3
North West Health Initiative (Operating)	-	-	0.7	2.4	4.8	5.8	13.7
Busselton Health Campus	23.1	12.7	-	-	-	-	-
Busselton ICT	-	6.5	4.2	-	-	-	4.2
<b>Regional Health Infrastructure Subtotal</b>	<b>46.5</b>	<b>21.2</b>	<b>20.8</b>	<b>5.0</b>	<b>40.0</b>	<b>80.0</b>	<b>145.8</b>
<b>Southern Inland Health Initiative</b>							
District Medical Workforce Investment Program (Operating)	14.9	22.6	54.9	51.0	-	-	105.9
District Medical Workforce Investment Program (Asset Investment)	-	-	-	26.0	-	-	26.0
District Hospital Investment Program (Asset Investment)	2.6	5.1	16.0	69.0	51.5	-	136.5
District Hospital Investment Program (Operating)	5.3	4.6	8.1	8.0	-	-	16.1
Primary Health Centres Demonstration Program	0.1	0.3	2.5	15.3	25.0	-	42.8
Small Hospital and Nursing Post Refurbishment Program (Asset Investment)	6.3	7.5	43.5	47.0	4.4	-	94.9
Small Hospital and Nursing Post Refurbishment Program (Operating)	0.1	-	-	-	-	-	-
Telehealth Investment Program (Asset Investment)	0.1	1.3	1.4	-	-	-	1.4
Telehealth Investment Program (Operating)	1.6	3.0	8.6	17.5	-	-	26.0
Residential Aged and Dementia Care Investment Program	0.0	0.5	10.0	9.5	-	-	19.5
Renal Dialysis Service Expansion	-	0.3	1.2	2.4	3.1	-	6.7
<b>Southern Inland Health Initiative Subtotal</b>	<b>31.0</b>	<b>45.3</b>	<b>146.1</b>	<b>245.7</b>	<b>83.9</b>	<b>-</b>	<b>475.7</b>

Table 1 (cont.)

INITIATIVE	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Total
	Actual	Estimated	Budget	Forward	Forward	Forward	Four
	\$m	\$m	\$m	\$m	\$m	\$m	Years
							\$m
<b>Regional Skills and Training</b>							
<u>Skills Training Initiative (Asset Investment)</u>							
- Broome West Kimberley Trade Training Centre	1.2	8.8	0.4	-	-	-	0.4
- Derby Extension and Workshop Facilities	0.7	5.3	0.2	-	-	-	0.2
- Kimberley Training Institute - Halls Creek Campus Upgrade	1.4	1.3	-	-	-	-	-
- Pilbara Institute - Upgrade and Expansion of South Hedland and Karratha campus	0.5	8.5	5.0	1.5	-	-	6.5
- Durack Institute of Technology - Centre for Health Industries Training and Workforce Development	0.7	8.4	5.6	0.4	-	-	6.0
- Durack Institute of Technology - Centre for Resource Sector Workforce Training	0.5	4.5	3.6	0.5	-	-	4.1
- Great Southern Institute of Technology - Community Services and Health Science Block	0.8	4.8	0.2	-	-	-	0.2
- Busselton Sustainability	-	0.5	-	-	-	-	-
- Challenger Institute of Technology							
- Peel Health and Community Training Centre	0.3	3.8	1.6	0.2	-	-	1.8
- State Training Provider Critical ICT Capital Infrastructure (Regional)	1.7	3.7	-	-	-	-	-
- Future Development of Muresk	-	2.0	2.9	-	-	-	2.9
<u>Skills Training Initiative (Operating)</u>							
- Future Development of Muresk	-	3.3	1.9	-	-	-	1.9
- Agricola Residential College	-	20.0	-	-	-	-	-
- Aboriginal Workforce Development Pilot	-	1.0	1.0	-	-	-	1.0
- Project Management - Planning	0.5	0.5	0.5	-	-	-	0.5
Regional Work Camp Enhancement Program (Asset Investment)	2.8	12.2	-	-	-	-	-
Regional Work Camp Enhancement Program (Operating)	-	0.8	2.8	0.5	-	-	3.3
<b>Regional Skills and Training Subtotal</b>	<b>11.0</b>	<b>89.4</b>	<b>25.6</b>	<b>3.1</b>	<b>-</b>	<b>-</b>	<b>28.7</b>
<b>Regional Schools</b>							
Regional Schools Plan - Esperance Primary School	8.6	-	-	-	-	-	-
Regional Schools Plan - Derby District High School	4.1	10.4	-	-	-	-	-
Regional Schools Plan - Broome Senior High School	1.7	7.9	-	-	-	-	-
Regional Schools Plan - Carnarvon Senior High School	-	7.0	-	-	-	-	-
Regional Schools Plan - Hedland Senior High School	1.1	4.8	-	-	-	-	-
Regional Schools Plan - Karratha Senior High School	8.7	0.8	-	-	-	-	-
Regional Schools Plan - Pinjarra Senior High School	3.9	1.7	-	-	-	-	-
Regional Schools Plan - Collie Senior High School	2.5	0.2	-	-	-	-	-
Regional Schools Plan - Northam Senior High School	1.1	8.5	-	-	-	-	-
Regional Schools Plan - Narrogin Senior High School	1.7	4.7	-	-	-	-	-
Regional Schools Plan - Katanning Senior High School	1.8	0.1	-	-	-	-	-
Regional Schools Plan - Denmark Senior High School	4.2	2.3	-	-	-	-	-
Regional Schools Plan - Administration Cost	0.4	0.4	-	-	-	-	-
Relocation of Year 7 Students - Broome Senior High School	3.7	3.3	-	-	-	-	-
Relocation of Year 7 Students - John Willcock College	-	1.6	1.8	-	-	-	1.8
Relocation of Year 7 Students - Halls Head Community College	-	4.8	5.6	-	-	-	5.6
Relocation of Year 7 Students - Australind Senior High School	-	6.4	1.4	-	-	-	1.4
Relocation of Year 7 Students - Bunbury Senior High School	-	2.6	2.7	-	-	-	2.7
Relocation of Year 7 Students - Cape Naturaliste College	-	1.9	1.6	-	-	-	1.6
Relocation of Year 7 Students - Margaret River Senior High School	-	3.4	1.8	-	-	-	1.8
Regional Residential College Upgrades	5.9	12.0	11.4	9.7	-	-	21.1
<b>Regional Schools Subtotal</b>	<b>49.3</b>	<b>84.9</b>	<b>26.3</b>	<b>9.7</b>	<b>-</b>	<b>-</b>	<b>35.9</b>
<b>Portlink Inland Freight Corridor</b>							
Portlink Inland Freight Corridor Planning	0.5	1.8	2.7	-	-	-	2.7
<b>Portlink Inland Freight Corridor Subtotal</b>	<b>0.5</b>	<b>1.8</b>	<b>2.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.7</b>
<b>Regional Development - Water and Natural Resource Management (NRM) Initiatives</b>							
Regional Development Water and NRM Initiatives	9.0	19.2	21.2	4.7	-	-	26.0
Natural Resources Investment Program	-	-	-	6.4	6.4	6.4	19.2
Peel Recycled Water Scheme	0.3	0.2	-	-	-	-	-
Regional Natural Resource Management - State Barrier Fence	2.2	3.0	3.2	1.5	-	-	4.7
<b>Regional Development - Water and NRM Initiatives Subtotal</b>	<b>11.5</b>	<b>22.3</b>	<b>24.4</b>	<b>12.6</b>	<b>6.4</b>	<b>6.4</b>	<b>49.8</b>
<b>Regional Centres Development Plan (SuperTowns)</b>							
SuperTowns Development Planning Fund	0.2	-	-	-	-	-	-
<b>Regional Centres Development Plan (SuperTowns) Subtotal</b>	<b>0.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Table 1 (cont.)

INITIATIVE	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Total
	Actual	Estimated	Budget	Forward	Forward	Forward	Four
	\$m	\$m	\$m	\$m	\$m	\$m	Years
<b>Regional Infrastructure Projects</b>							
Regional Mobile Communications Project	14.8	17.6	-	-	-	-	-
Regional Telecommunications Project - Stage 2	-	-	5.0	10.0	10.0	20.0	45.0
Community Safety Network (Asset Investment)	8.8	16.5	19.1	8.0	1.0	-	28.1
Community Safety Network (Operating)	3.7	3.3	6.4	4.3	4.3	4.1	19.1
Recreational Boating Facilities Scheme (Asset Investment)	0.3	-	-	-	-	-	-
Recreational Boating Facilities Scheme (Operating)	1.9	3.9	4.3	4.5	1.7	-	10.5
Regional Airports Development Scheme	2.8	4.4	8.2	-	-	-	8.2
South Coast Highway - Ravensthorpe Heavy Vehicle Route	-	7.5	-	-	-	-	-
Regions Infill Sewerage	-	4.9	-	-	-	-	-
Conservation Parks Infrastructure and Roads	2.7	10.7	1.8	-	-	-	1.8
SuperTowns - Avon Train	-	0.4	-	-	-	-	-
Bunbury to Albany Gas Pipeline (Operating)	-	1.0	4.0	2.0	-	-	6.0
Bunbury to Albany Gas Pipeline (Asset Investment)	-	-	5.0	7.5	-	-	12.5
Living Lakes	0.2	1.1	2.0	2.0	2.0	2.0	8.0
Collie Water Plan (Operating)	0.1	0.4	-	-	-	-	-
Road Coach Capital Replacement Program	-	-	5.0	5.2	4.9	-	15.1
Regional Bus Acquisition	-	3.4	-	-	-	-	-
ANZAC Centenary - Mt Clarence Memorial	2.8	-	-	-	-	-	-
<b>Regional Infrastructure Projects Subtotal</b>	<b>38.0</b>	<b>75.1</b>	<b>60.9</b>	<b>43.5</b>	<b>23.8</b>	<b>26.1</b>	<b>154.3</b>
<b>TOTAL - REGIONAL INFRASTRUCTURE AND HEADWORKS FUND</b>	<b>656.8</b>	<b>845.6</b>	<b>695.5</b>	<b>769.2</b>	<b>653.6</b>	<b>777.2</b>	<b>2,895.6</b>
<b>NEW REGIONAL AND STATEWIDE INITIATIVES</b>							
New Regional and Statewide Initiatives (Asset Investment)	-	9.0	8.6	13.0	11.7	21.8	55.1
New Regional and Statewide Initiatives (Operating)	-	3.1	9.4	10.0	51.4	42.2	113.0
Statewide Regional Blueprint Initiatives (Asset Investment)	-	-	-	5.0	32.0	76.0	113.0
Statewide Regional Blueprint Initiatives (Operating)	-	-	2.0	13.0	13.0	28.0	56.0
<b>TOTAL - NEW REGIONAL AND STATEWIDE INITIATIVES</b>	<b>-</b>	<b>12.1</b>	<b>20.0</b>	<b>41.0</b>	<b>108.1</b>	<b>168.0</b>	<b>337.1</b>
<b>Administering the Royalties for Regions Fund</b>	<b>14.6</b>	<b>53.0</b>	<b>52.3</b>	<b>53.0</b>	<b>56.2</b>	<b>58.0</b>	<b>219.6</b>
<b>Over Programming Provision</b>	<b>-</b>	<b>-345.0</b>	<b>-142.9</b>	<b>-174.4</b>	<b>-152.8</b>	<b>-155.4</b>	<b>-625.5</b>
<b>TOTAL - ROYALTIES FOR REGIONS FUND <sup>(a)</sup></b>	<b>975.8</b>	<b>1,000.0</b>	<b>1,000.0</b>	<b>1,000.0</b>	<b>1,000.0</b>	<b>1,000.0</b>	
<b>FUTURE FUND CONTRIBUTION <sup>(b)</sup></b>	<b>297.7</b>	<b>262.5</b>	<b>246.8</b>	<b>273.6</b>	<b>-</b>	<b>-</b>	<b>520.4</b>

(a) Columns and Rows may not add due to rounding.

(b) Total Royalties for Regions Future Fund contributions are forecast to be \$1,080.6 million.



# 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*.



## Contents

### Financial Projections

<b>General Government</b>	<b>Page</b>
Table 1.1: Operating Statement	217
Table 1.2: Balance Sheet at 30 June	218
Table 1.3: Cashflow Statement	219
<b>Public Non-Financial Corporations</b>	
Table 1.4: Operating Statement	220
Table 1.5: Balance Sheet at 30 June	221
Table 1.6: Cashflow Statement	222
<b>Total Non-Financial Public Sector</b>	
Table 1.7: Operating Statement	223
Table 1.8: Balance Sheet at 30 June	224
Table 1.9: Cashflow Statement	225
<b>Public Financial Corporations</b>	
Table 1.10: Operating Statement	226
Table 1.11: Balance Sheet at 30 June	227
Table 1.12: Cashflow Statement	228
<b>Total Public Sector</b>	
Table 1.13: Operating Statement	229
Table 1.14: Balance Sheet at 30 June	230
Table 1.15: Cashflow Statement	231
<b>Notes to the Financial Projections</b>	
Note 1: Statement of Compliance	232
Note 2: Summary of Significant Accounting Policies	232
Note 3: General Government Operating Revenue	233
Note 4: General Government Transfer Expenses	233
Note 5: General Government Expenses and Spending on the Purchase of Non-Financial Assets by Government Purpose Classification	234
Note 6: Convergence Differences	234
Note 7: Loan Council Allocations	240
Note 8: Composition of Sectors	241

Table 1.1

**GENERAL GOVERNMENT**  
Operating Statement

	Note	2012-13 Actual \$m	2013-14 Estimated Actual \$m	2014-15 Budget Estimate \$m	2015-16 Forw ard Estimate \$m	2016-17 Forw ard Estimate \$m	2017-18 Forw ard Estimate \$m
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Taxation		8,335	8,881	9,346	9,841	10,475	11,220
Current grants and subsidies		8,316	8,133	8,006	7,767	7,689	7,563
Capital grants		622	615	677	496	575	564
Sales of goods and services		2,089	2,267	2,356	2,542	2,660	2,792
Interest income		255	212	210	240	269	272
Revenue from public corporations							
Dividends from other sector entities		796	850	938	990	1,060	1,077
Tax equivalent income		381	524	530	561	596	615
Royalty income		4,425	5,911	6,176	6,978	7,393	7,665
Other		499	576	444	485	442	395
<b>Total</b>	3	<b>25,718</b>	<b>27,970</b>	<b>28,683</b>	<b>29,901</b>	<b>31,159</b>	<b>32,162</b>
<b>EXPENSES</b>							
Salaries		10,154	11,038	11,345	11,773	12,273	12,498
Superannuation							
Concurrent costs		965	1,065	1,118	1,211	1,317	1,397
Superannuation interest cost		369	344	354	369	381	393
Other employee costs		446	473	472	503	511	518
Depreciation and amortisation		1,108	1,248	1,289	1,395	1,442	1,447
Services and contracts		1,902	2,227	2,337	2,229	2,229	2,351
Other gross operating expenses		4,725	4,820	5,036	5,369	5,595	5,817
Other interest		442	508	538	652	801	897
Current transfers	4	4,895	5,259	5,454	5,754	6,108	6,121
Capital transfers	4	462	804	565	641	454	440
<b>Total</b>	5	<b>25,468</b>	<b>27,787</b>	<b>28,508</b>	<b>29,896</b>	<b>31,109</b>	<b>31,879</b>
<b>NET OPERATING BALANCE</b>	6	<b>249</b>	<b>183</b>	<b>175</b>	<b>5</b>	<b>50</b>	<b>283</b>
<i>Other economic flows</i>							
Net gains on assets/liabilities		-63	-51	12	37	7	4
Net actuarial gains - superannuation		895	183	5	-30	-79	-121
Provision for doubtful debts		-28	-4	-4	-4	-4	-4
All other		-	-	-	-	-	-
<b>Total other economic flows</b>		<b>804</b>	<b>128</b>	<b>13</b>	<b>3</b>	<b>-76</b>	<b>-121</b>
<b>OPERATING RESULT</b>		<b>1,053</b>	<b>311</b>	<b>188</b>	<b>8</b>	<b>-26</b>	<b>162</b>
<i>All other movements in equity</i>							
Revaluations		-424	1,696	2,093	2,122	2,070	2,057
Gains recognised directly in equity		-4	-1	-1	-1	-1	-1
Changes in accounting policy/correction of prior period errors		-72	-	-	-	-	-
Change in net worth of the public corporations sectors		898	1,190	890	1,173	1,260	1,335
All other		-	-	-	-	-	-
<b>Total all other movements in equity</b>		<b>398</b>	<b>2,886</b>	<b>2,982</b>	<b>3,294</b>	<b>3,330</b>	<b>3,391</b>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>1,452</b>	<b>3,197</b>	<b>3,170</b>	<b>3,302</b>	<b>3,304</b>	<b>3,553</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	6	<b>249</b>	<b>183</b>	<b>175</b>	<b>5</b>	<b>50</b>	<b>283</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	5	3,195	3,168	3,169	2,241	2,302	2,208
Changes in inventories		14	-5	-	-	-	-
Other movement in non-financial assets		167	196	216	-112	-	-
<i>less:</i>							
Sales of non-financial assets		166	200	291	303	233	122
Depreciation		1,108	1,248	1,289	1,395	1,442	1,447
<b>Total net acquisition of non-financial assets</b>		<b>2,102</b>	<b>1,910</b>	<b>1,804</b>	<b>432</b>	<b>628</b>	<b>639</b>
<b>NET LENDING/-BORROWING</b>	6	<b>-1,852</b>	<b>-1,727</b>	<b>-1,629</b>	<b>-427</b>	<b>-578</b>	<b>-356</b>

Note: Columns may not add due to rounding.

Table 1.2

**GENERAL GOVERNMENT**  
Balance Sheet at 30 June

	Note	2013	2014	2015	2016	2017	2018
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		688	611	586	589	590	608
Advances paid		665	681	721	728	734	711
Investments, loans and placements		5,722	3,370	3,187	3,373	3,930	4,198
Receivables		2,870	3,093	3,264	3,375	3,551	3,612
Investment property		8	8	8	-	-	-
Shares and other equity							
Investments in other public sector entities - equity method		44,287	45,477	46,367	47,539	48,799	50,134
Investments in other public sector entities - direct injections		6,156	6,430	7,083	7,590	8,093	8,417
Investments in other entities		8	11	11	11	11	11
Other financial assets		-	-	-	-	-	-
<b>Total financial assets</b>		<b>60,403</b>	<b>59,681</b>	<b>61,226</b>	<b>63,206</b>	<b>65,709</b>	<b>67,692</b>
<i>Non-financial assets</i>							
Land		36,222	36,926	37,719	38,551	39,425	40,343
Property, plant and equipment		40,850	44,131	47,314	49,102	50,967	52,842
Biological assets		2	2	2	2	2	2
Inventories							
Land inventories		84	70	55	41	27	25
Other inventories		77	72	72	72	72	72
Intangibles		554	504	502	482	442	403
Non-current assets held for sale		39	14	14	14	14	14
Other		208	200	205	212	200	206
<b>Total non-financial assets</b>		<b>78,037</b>	<b>81,918</b>	<b>85,882</b>	<b>88,476</b>	<b>91,149</b>	<b>93,907</b>
<b>TOTAL ASSETS</b>		<b>138,440</b>	<b>141,598</b>	<b>147,109</b>	<b>151,681</b>	<b>156,859</b>	<b>161,599</b>
<b>LIABILITIES</b>							
Deposits held		362	388	470	625	584	453
Advances received		439	449	459	443	427	410
Borrowings		11,104	11,339	13,607	14,972	16,795	17,951
Unfunded superannuation		8,000	7,683	7,556	7,499	7,516	7,654
Other employee benefits		3,043	3,184	3,257	3,012	3,081	3,097
Payables		884	837	833	831	829	864
Other liabilities		1,682	1,595	1,634	1,705	1,726	1,719
<b>TOTAL LIABILITIES</b>		<b>25,513</b>	<b>25,474</b>	<b>27,815</b>	<b>29,086</b>	<b>30,959</b>	<b>32,147</b>
<b>NET ASSETS</b>		<b>112,927</b>	<b>116,124</b>	<b>119,294</b>	<b>122,596</b>	<b>125,899</b>	<b>129,452</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		10,579	11,061	11,279	11,317	11,321	11,484
Other reserves		102,348	105,063	108,015	111,279	114,578	117,968
<b>NET WORTH</b>	6	<b>112,927</b>	<b>116,124</b>	<b>119,294</b>	<b>122,596</b>	<b>125,899</b>	<b>129,452</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		<i>34,890</i>	<i>34,206</i>	<i>33,411</i>	<i>34,120</i>	<i>34,750</i>	<i>35,545</i>
<i>Net financial liabilities</i>		<i>15,552</i>	<i>17,701</i>	<i>20,038</i>	<i>21,010</i>	<i>22,143</i>	<i>23,007</i>
<i>Net debt</i>							
Gross debt liabilities		11,905	12,176	14,536	16,039	17,807	18,814
less: liquid financial assets		7,075	4,662	4,494	4,689	5,254	5,517
less: convergence differences impacting net debt		88	88	88	-	-	-
<b>Net debt</b>		<b>4,742</b>	<b>7,426</b>	<b>9,953</b>	<b>11,350</b>	<b>12,553</b>	<b>13,297</b>

Note: Columns may not add due to rounding.

Table 1.3

**GENERAL GOVERNMENT**  
**Cashflow Statement**

	Note	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Taxes received		8,156	8,898	9,361	9,861	10,490	11,234
Grants and subsidies received		8,934	8,723	8,689	8,268	8,264	8,139
Receipts from sales of goods and services		2,120	2,301	2,395	2,570	2,701	2,846
Interest receipts		249	202	199	229	258	262
Dividends and tax equivalents		1,215	1,289	1,447	1,575	1,586	1,673
Other receipts		6,068	7,367	7,594	8,428	8,878	9,121
<b>Total cash received</b>		<b>26,742</b>	<b>28,779</b>	<b>29,685</b>	<b>30,931</b>	<b>32,178</b>	<b>33,276</b>
<i>Cash Paid</i>							
Wages, salaries and supplements, and superannuation		-11,304	-12,490	-12,874	-13,694	-13,973	-14,265
Payments for goods and services		-7,336	-7,623	-7,814	-7,975	-8,261	-8,641
Interest paid		-439	-517	-523	-608	-757	-862
Grants and subsidies paid		-5,144	-5,671	-5,841	-6,037	-6,361	-6,358
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-1,441	-1,249	-1,377	-1,416	-1,390	-1,385
<b>Total cash paid</b>		<b>-25,664</b>	<b>-27,549</b>	<b>-28,429</b>	<b>-29,730</b>	<b>-30,741</b>	<b>-31,512</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>1,077</b>	<b>1,230</b>	<b>1,256</b>	<b>1,201</b>	<b>1,436</b>	<b>1,765</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-3,195	-3,168	-3,169	-2,241	-2,302	-2,208
Sales of non-financial assets		166	200	291	303	233	122
<b>Total cash flows from investments in non-financial assets</b>		<b>-3,029</b>	<b>-2,968</b>	<b>-2,878</b>	<b>-1,938</b>	<b>-2,069</b>	<b>-2,085</b>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		7	-	-	-	-	-
For liquidity purposes		1	-	-	8	-	-
<i>Cash paid</i>							
For policy purposes		-619	-548	-597	-486	-479	-338
For liquidity purposes		-18	-	-	-	-	-
<b>Total cash flows from investments in financial assets</b>		<b>-629</b>	<b>-548</b>	<b>-597</b>	<b>-478</b>	<b>-479</b>	<b>-338</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-3,657</b>	<b>-3,516</b>	<b>-3,475</b>	<b>-2,416</b>	<b>-2,549</b>	<b>-2,424</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		15	40	40	16	16	16
Borrowings		2,425	146	2,271	1,556	2,015	1,395
Deposits received		-	-	-	-	-	-
Other financing receipts		35	37	39	57	38	50
<b>Total cash receipts from financing activities</b>		<b>2,475</b>	<b>223</b>	<b>2,351</b>	<b>1,629</b>	<b>2,070</b>	<b>1,461</b>
<i>Cash paid</i>							
Advances paid		-15	-15	-15	-16	-16	-16
Borrowings repaid		-322	-179	-127	-129	-125	-160
Deposits paid		-	-	-	-	-	-
Other financing payments		-91	-163	-217	-195	-201	-191
<b>Total payments for financing activities</b>		<b>-428</b>	<b>-357</b>	<b>-360</b>	<b>-339</b>	<b>-341</b>	<b>-368</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>2,047</b>	<b>-134</b>	<b>1,991</b>	<b>1,290</b>	<b>1,728</b>	<b>1,093</b>
<b>Net increase in cash and cash equivalents</b>		<b>-533</b>	<b>-2,420</b>	<b>-228</b>	<b>74</b>	<b>616</b>	<b>434</b>
Cash and cash equivalents at the beginning of the year		6,796	6,263	3,843	3,615	3,689	4,305
Cash and cash equivalents at the end of the year		6,263	3,843	3,615	3,689	4,305	4,739
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		1,077	1,230	1,256	1,201	1,436	1,765
Net cash flows from investing in non-financial assets		-3,029	-2,968	-2,878	-1,938	-2,069	-2,085
<b>Cash surplus/-deficit</b>	6	<b>-1,952</b>	<b>-1,738</b>	<b>-1,622</b>	<b>-737</b>	<b>-633</b>	<b>-321</b>

Note: Columns may not add due to rounding.

Table 1.4

**PUBLIC NON-FINANCIAL CORPORATIONS**  
Operating Statement

	Note	2012-13 Actual \$m	2013-14 Estimated Actual \$m	2014-15 Budget Estimate \$m	2015-16 Forw ard Estimate \$m	2016-17 Forw ard Estimate \$m	2017-18 Forw ard Estimate \$m
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Current grants and subsidies		1,934	2,378	2,416	2,401	2,497	2,434
Capital grants		116	227	199	153	115	110
Sales of goods and services		15,727	16,156	17,429	18,770	20,368	21,695
Interest income		191	163	204	240	274	288
Other		490	526	487	510	534	550
<i>Total</i>		<i>18,459</i>	<i>19,450</i>	<i>20,734</i>	<i>22,073</i>	<i>23,788</i>	<i>25,077</i>
<b>EXPENSES</b>							
Salaries		1,110	1,177	1,206	1,220	1,278	1,305
Superannuation							
Concurrent costs		102	114	119	126	137	146
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		61	44	42	43	45	46
Depreciation and amortisation		1,899	2,011	2,077	2,094	2,131	2,185
Services and contracts		875	847	833	764	821	786
Other gross operating expenses		11,791	12,616	13,475	14,648	16,014	17,023
Other interest		914	993	1,046	1,105	1,197	1,305
Tax equivalents		374	505	498	522	553	567
Current transfers		948	992	1,032	1,082	1,135	1,173
Capital transfers		82	189	35	10	5	-
<i>Total</i>		<i>18,156</i>	<i>19,487</i>	<i>20,363</i>	<i>21,613</i>	<i>23,316</i>	<i>24,536</i>
<b>NET OPERATING BALANCE</b>	6	<b>304</b>	<b>-37</b>	<b>371</b>	<b>460</b>	<b>472</b>	<b>541</b>
<i>Other economic flows</i>							
Net gains on assets/liabilities		-118	183	96	195	258	253
Net actuarial gains - superannuation		-16	-	-	-	-	-
Provision for doubtful debts		-18	-20	-19	-19	-20	-21
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		<i>-151</i>	<i>163</i>	<i>76</i>	<i>176</i>	<i>238</i>	<i>233</i>
<b>OPERATING RESULT</b>		<b>152</b>	<b>126</b>	<b>448</b>	<b>636</b>	<b>709</b>	<b>774</b>
<i>Other non-owner movements in equity</i>							
Revaluations		571	1,814	1,283	1,451	1,531	1,549
Gains recognised directly in equity		528	-53	-57	-60	-64	-67
Changes in accounting policy/correction of prior period errors		-31	-	-	-	-	-
All other		-	-	-	-	-	-
<i>Total other non-owner movements in equity</i>		<i>1,068</i>	<i>1,761</i>	<i>1,226</i>	<i>1,391</i>	<i>1,467</i>	<i>1,481</i>
<i>Movements in owner equity</i>							
Dividends		-785	-775	-893	-943	-1,009	-1,025
Capital injections		612	274	653	508	503	324
<i>Total movements in owner equity</i>		<i>-173</i>	<i>-501</i>	<i>-240</i>	<i>-435</i>	<i>-507</i>	<i>-701</i>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>1,047</b>	<b>1,386</b>	<b>1,434</b>	<b>1,592</b>	<b>1,670</b>	<b>1,555</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	6	<b>304</b>	<b>-37</b>	<b>371</b>	<b>460</b>	<b>472</b>	<b>541</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		4,171	3,970	3,681	3,150	3,170	3,869
Changes in inventories		-668	792	-93	253	270	195
Other movement in non-financial assets		48	112	35	47	54	57
<i>less:</i>							
Sales of non-financial assets		751	1,096	1,189	1,138	1,137	1,008
Depreciation		1,899	2,011	2,077	2,094	2,131	2,185
<i>Total net acquisition of non-financial assets</i>		<i>901</i>	<i>1,768</i>	<i>356</i>	<i>218</i>	<i>227</i>	<i>927</i>
<b>NET LENDING/-BORROWING</b>	6	<b>-597</b>	<b>-1,806</b>	<b>16</b>	<b>243</b>	<b>245</b>	<b>-386</b>

Note: Columns may not add due to rounding.

Table 1.5

**PUBLIC NON-FINANCIAL CORPORATIONS**  
Balance Sheet at 30 June

	Note	2013	2014	2015	2016	2017	2018
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
				\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		1,100	792	913	993	888	832
Advances paid		-	-	-	-	-	-
Investments, loans and placements		3,871	4,999	5,614	5,649	5,750	5,732
Receivables		1,272	1,319	1,381	1,407	1,561	1,662
Investment property		26	23	23	23	23	23
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		37	-	-	-	-	-
Other financial assets		1,003	946	910	860	818	759
<b>Total financial assets</b>		<b>7,308</b>	<b>8,079</b>	<b>8,840</b>	<b>8,932</b>	<b>9,041</b>	<b>9,008</b>
<i>Non-financial assets</i>							
Land		14,313	15,029	15,780	16,569	17,398	18,268
Property, plant and equipment		48,006	49,888	50,908	51,699	52,763	54,507
Biological assets		322	319	319	321	322	324
Inventories							
Land inventories		1,944	2,022	2,110	2,098	2,162	2,269
Other inventories		2,711	3,503	3,410	3,663	3,933	4,128
Intangibles		551	486	461	430	406	386
Non-current assets held for sale							
Other		31	31	31	31	31	31
Other		298	239	247	254	261	263
<b>Total non-financial assets</b>		<b>68,177</b>	<b>71,516</b>	<b>73,266</b>	<b>75,064</b>	<b>77,276</b>	<b>80,174</b>
<b>TOTAL ASSETS</b>		<b>75,485</b>	<b>79,595</b>	<b>82,107</b>	<b>83,995</b>	<b>86,317</b>	<b>89,182</b>
<b>LIABILITIES</b>							
Deposits held		1	-	-	-	-	-
Advances received		439	424	409	393	377	360
Borrowings		20,037	22,081	23,299	23,421	23,721	24,881
Unfunded superannuation		133	102	71	42	18	-
Other employee benefits		414	441	450	455	465	484
Payables		3,768	4,501	4,346	4,549	4,859	5,048
Other liabilities		1,999	1,967	2,019	2,031	2,103	2,079
<b>TOTAL LIABILITIES</b>		<b>26,791</b>	<b>29,515</b>	<b>30,593</b>	<b>30,890</b>	<b>31,542</b>	<b>32,852</b>
<b>NET ASSETS</b>		<b>48,694</b>	<b>50,080</b>	<b>51,513</b>	<b>53,105</b>	<b>54,775</b>	<b>56,330</b>
<i>Of which:</i>							
Contributed equity		6,156	6,430	7,083	7,590	8,093	8,417
Accumulated surplus		18,757	18,660	18,109	17,685	17,262	16,877
Other reserves		23,782	24,990	26,322	27,830	29,419	31,036
<b>NET WORTH</b>	6	<b>48,694</b>	<b>50,080</b>	<b>51,513</b>	<b>53,105</b>	<b>54,775</b>	<b>56,330</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		-68,177	-71,516	-73,266	-75,064	-77,276	-80,174
<i>Net debt</i>							
Gross debt liabilities		20,477	22,505	23,708	23,814	24,097	25,241
less: liquid financial assets		4,971	5,791	6,527	6,642	6,639	6,564
less: convergence differences impacting net debt		-	-	-	-	-	-
<b>Net debt</b>		<b>15,507</b>	<b>16,714</b>	<b>17,181</b>	<b>17,172</b>	<b>17,459</b>	<b>18,677</b>

Note: Columns may not add due to rounding.

Table 1.6

**PUBLIC NON-FINANCIAL CORPORATIONS**  
**Cashflow Statement**

	Note	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
		Actual	Estimated	Budget	Forw ard	Forw ard	Forw ard
		\$m	\$m	\$m	Estimate	Estimate	Estimate
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Grants and subsidies received		2,049	2,610	2,620	2,558	2,614	2,552
Receipts from sales of goods and services		15,885	16,227	17,289	18,728	20,264	21,480
Interest receipts		206	163	204	240	274	288
Dividends and tax equivalents		56	58	56	87	94	95
Other receipts		1,741	1,303	1,229	1,179	1,236	1,303
<i>Total cash received</i>		<i>19,937</i>	<i>20,362</i>	<i>21,399</i>	<i>22,792</i>	<i>24,482</i>	<i>25,718</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-1,187	-1,326	-1,375	-1,431	-1,448	-1,482
Payments for goods and services		-11,350	-11,660	-12,402	-13,171	-14,611	-15,421
Interest paid		-884	-904	-965	-1,014	-1,118	-1,210
Grants and subsidies paid		-702	-730	-766	-810	-856	-881
Tax equivalents		-416	-432	-495	-557	-493	-549
Other payments		-3,190	-3,535	-3,316	-3,451	-3,698	-3,851
<i>Total cash paid</i>		<i>-17,728</i>	<i>-18,587</i>	<i>-19,319</i>	<i>-20,434</i>	<i>-22,225</i>	<i>-23,393</i>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>2,209</b>	<b>1,774</b>	<b>2,080</b>	<b>2,358</b>	<b>2,257</b>	<b>2,325</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-4,171	-3,970	-3,681	-3,150	-3,170	-3,869
Sales of non-financial assets		751	1,096	1,189	1,138	1,137	1,008
<i>Total cash flows from investments in non-financial assets</i>		<i>-3,420</i>	<i>-2,874</i>	<i>-2,491</i>	<i>-2,012</i>	<i>-2,033</i>	<i>-2,860</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		416	80	70	147	71	197
<i>Cash paid</i>							
For policy purposes		-5	-	-4	-21	-	-11
For liquidity purposes		-528	-56	-14	-80	-141	-156
<i>Total cash flows from investments in financial assets</i>		<i>-117</i>	<i>24</i>	<i>52</i>	<i>46</i>	<i>-71</i>	<i>30</i>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-3,537</b>	<b>-2,850</b>	<b>-2,440</b>	<b>-1,965</b>	<b>-2,104</b>	<b>-2,830</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrow ings		23,157	17,468	14,459	13,140	12,406	13,313
Deposits received		-	-	-	-	-	-
Other financing receipts		622	873	634	535	522	397
<i>Total cash received</i>		<i>23,780</i>	<i>18,341</i>	<i>15,092</i>	<i>13,676</i>	<i>12,928</i>	<i>13,710</i>
<i>Cash paid</i>							
Advances paid		-15	-15	-15	-16	-16	-16
Borrow ings repaid		-21,647	-16,755	-13,715	-13,006	-12,104	-12,135
Deposits paid		-	-	-	-	-	-
Other financing payments		-7	-55	-59	-62	-64	-63
Dividends paid		-788	-775	-887	-938	-1,003	-1,029
<i>Total cash paid</i>		<i>-22,457</i>	<i>-17,601</i>	<i>-14,677</i>	<i>-14,022</i>	<i>-13,187</i>	<i>-13,242</i>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>1,323</b>	<b>740</b>	<b>415</b>	<b>-346</b>	<b>-260</b>	<b>468</b>
<b>Net increase in cash and cash equivalents</b>		<b>-4</b>	<b>-335</b>	<b>55</b>	<b>47</b>	<b>-107</b>	<b>-37</b>
Cash and cash equivalents at the beginning of the year		1,523	1,519	1,184	1,239	1,286	1,179
Cash and cash equivalents at the end of the year		1,519	1,184	1,239	1,286	1,179	1,142
<b>KEY FISCAL AGGREGATES</b>							
Net cash flow s from operating activities		2,209	1,774	2,080	2,358	2,257	2,325
Net cash flow s from investing in non-financial assets		-3,420	-2,874	-2,491	-2,012	-2,033	-2,860
Dividends paid		-788	-775	-887	-938	-1,003	-1,029
<b>Cash surplus/-deficit</b>	<b>6</b>	<b>-1,998</b>	<b>-1,875</b>	<b>-1,299</b>	<b>-591</b>	<b>-779</b>	<b>-1,564</b>

Note: Columns may not add due to rounding.

Table 1.7

**TOTAL NON-FINANCIAL PUBLIC SECTOR**  
**Operating Statement**

	Note	2012-13 Actual \$m	2013-14 Estimated Actual \$m	2014-15 Budget Estimate \$m	2015-16 Forw ard Estimate \$m	2016-17 Forw ard Estimate \$m	2017-18 Forw ard Estimate \$m
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Taxation		7,897	8,424	8,876	9,355	9,972	10,701
Current grants and subsidies		8,316	8,133	8,006	7,767	7,689	7,563
Capital grants		622	615	677	496	575	564
Sales of goods and services		17,361	17,918	19,268	20,777	22,481	23,924
Interest income		413	348	386	450	510	529
Royalty income		4,425	5,911	6,176	6,978	7,393	7,665
Dividend and tax equivalents		74	152	133	173	187	195
Other		896	1,008	845	878	851	818
<i>Total</i>		<i>40,004</i>	<i>42,509</i>	<i>44,366</i>	<i>46,874</i>	<i>49,659</i>	<i>51,958</i>
<b>EXPENSES</b>							
Salaries		11,264	12,215	12,551	12,993	13,551	13,803
Superannuation							
Concurrent costs		1,068	1,179	1,237	1,337	1,454	1,543
Superannuation interest cost		369	344	354	369	381	393
Other employee costs		313	272	261	287	289	288
Depreciation and amortisation		3,007	3,259	3,367	3,489	3,573	3,632
Services and contracts		2,770	3,078	3,174	2,997	3,054	3,142
Other gross operating expenses		16,064	16,971	18,041	19,526	21,104	22,319
Other interest		1,322	1,473	1,556	1,726	1,965	2,171
Current transfers		3,630	3,580	3,771	4,129	4,433	4,538
Capital transfers		428	766	401	498	344	330
<i>Total</i>		<i>40,235</i>	<i>43,138</i>	<i>44,713</i>	<i>47,352</i>	<i>50,147</i>	<i>52,158</i>
<b>NET OPERATING BALANCE</b>	6	<b>-232</b>	<b>-629</b>	<b>-347</b>	<b>-478</b>	<b>-488</b>	<b>-201</b>
<i>Other economic flows</i>							
Net gains on assets/liabilities		-181	132	107	232	264	257
Net actuarial gains - superannuation		879	183	5	-30	-79	-121
Provision for doubtful debts		-45	-24	-23	-23	-24	-25
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		<i>653</i>	<i>291</i>	<i>89</i>	<i>179</i>	<i>162</i>	<i>111</i>
<b>OPERATING RESULT</b>		<b>421</b>	<b>-338</b>	<b>-258</b>	<b>-298</b>	<b>-326</b>	<b>-89</b>
<i>All other movements in equity</i>							
Revaluations		147	3,510	3,376	3,572	3,601	3,605
Gains recognised directly in equity		524	-54	-57	-60	-65	-68
Changes in accounting policy/correction of prior period errors		-103	-	-	-	-	-
Change in net worth of the public financial corporations sector		462	79	109	89	93	104
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		<i>1,030</i>	<i>3,535</i>	<i>3,427</i>	<i>3,600</i>	<i>3,630</i>	<i>3,642</i>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>1,452</b>	<b>3,197</b>	<b>3,170</b>	<b>3,302</b>	<b>3,304</b>	<b>3,553</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	6	<b>-232</b>	<b>-629</b>	<b>-347</b>	<b>-478</b>	<b>-488</b>	<b>-201</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		7,350	7,089	6,720	5,384	5,472	6,076
Changes in inventories		-654	787	-93	253	270	195
Other movement in non-financial assets		215	308	251	-64	54	57
<i>less:</i>							
Sales of non-financial assets		901	1,246	1,351	1,435	1,370	1,130
Depreciation		3,007	3,259	3,367	3,489	3,573	3,632
<i>Total net acquisition of non-financial assets</i>		<i>3,003</i>	<i>3,678</i>	<i>2,160</i>	<i>649</i>	<i>854</i>	<i>1,566</i>
<b>NET LENDING/-BORROWING</b>	6	<b>-3,234</b>	<b>-4,308</b>	<b>-2,507</b>	<b>-1,127</b>	<b>-1,342</b>	<b>-1,766</b>

Note: Columns may not add due to rounding.



Table 1.8

**TOTAL NON-FINANCIAL PUBLIC SECTOR**  
Balance Sheet at 30 June

	Note	2013	2014	2015	2016	2017	2018
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		1,570	1,199	1,213	1,141	1,078	1,171
Advances paid		226	258	313	335	358	351
Investments, loans and placements		9,592	8,366	8,798	9,019	9,677	9,928
Receivables		4,019	4,186	4,401	4,560	4,821	4,968
Investment property		33	31	31	23	23	23
Shares and other equity							
Investments in other public sector entities - equity method		1,748	1,827	1,936	2,025	2,118	2,222
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		45	11	11	11	11	11
Other financial assets		-	-	-	-	-	-
<b>Total financial assets</b>		<b>17,234</b>	<b>15,878</b>	<b>16,703</b>	<b>17,114</b>	<b>18,086</b>	<b>18,674</b>
<i>Non-financial assets</i>							
Land		50,536	51,955	53,499	55,121	56,823	58,611
Property, plant and equipment		88,857	94,019	98,222	100,801	103,730	107,349
Biological assets		324	320	321	322	324	326
Inventories							
Land inventories		2,028	2,091	2,166	2,139	2,189	2,294
Other inventories		2,789	3,575	3,482	3,735	4,005	4,200
Intangibles		1,105	990	963	912	848	789
Non-current assets held for sale		70	44	44	44	44	44
Other		506	439	452	466	461	469
<b>Total non-financial assets</b>		<b>146,214</b>	<b>153,434</b>	<b>159,149</b>	<b>163,539</b>	<b>168,425</b>	<b>174,081</b>
<b>TOTAL ASSETS</b>		<b>163,448</b>	<b>169,312</b>	<b>175,851</b>	<b>180,653</b>	<b>186,511</b>	<b>192,755</b>
<b>LIABILITIES</b>							
Deposits held		145	181	181	181	181	181
Advances received		439	449	459	443	427	410
Borrowings		31,141	33,420	36,906	38,393	40,516	42,831
Unfunded superannuation		8,133	7,783	7,624	7,536	7,528	7,645
Other employee benefits		3,456	3,624	3,707	3,467	3,547	3,581
Payables		4,531	5,117	4,941	5,165	5,404	5,618
Other liabilities		2,676	2,613	2,741	2,873	3,009	3,037
<b>TOTAL LIABILITIES</b>		<b>50,521</b>	<b>53,188</b>	<b>56,558</b>	<b>58,058</b>	<b>60,612</b>	<b>63,303</b>
<b>NET ASSETS</b>		<b>112,927</b>	<b>116,124</b>	<b>119,294</b>	<b>122,596</b>	<b>125,899</b>	<b>129,452</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		29,343	29,729	29,395	29,009	28,590	28,368
Other reserves		83,584	86,395	89,899	93,587	97,309	101,084
<b>NET WORTH</b>	6	<b>112,927</b>	<b>116,124</b>	<b>119,294</b>	<b>122,596</b>	<b>125,899</b>	<b>129,452</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		-33,287	-37,310	-39,855	-40,944	-42,526	-44,629
<i>Net financial liabilities</i>		35,080	39,148	41,803	42,980	44,655	46,863
<i>Net debt</i>							
Gross debt liabilities		31,725	34,050	37,546	39,017	41,124	43,423
less: liquid financial assets		11,389	9,822	10,323	10,495	11,113	11,450
less: convergence differences impacting net debt		88	88	88	-	-	-
<b>Net debt</b>		<b>20,248</b>	<b>24,140</b>	<b>27,134</b>	<b>28,522</b>	<b>30,012</b>	<b>31,973</b>

Note: Columns may not add due to rounding.

Table 1.9

**TOTAL NON-FINANCIAL PUBLIC SECTOR**  
**Cashflow Statement**

	Note	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Taxes received		7,733	8,432	8,887	9,370	9,985	10,713
Grants and subsidies received		8,934	8,723	8,689	8,268	8,264	8,139
Receipts from sales of goods and services		17,561	18,028	19,173	20,768	22,422	23,767
Interest receipts		422	338	375	439	500	519
Dividends and tax equivalents		67	139	121	167	184	191
Other receipts		7,468	8,222	8,527	9,364	9,844	10,153
<i>Total cash received</i>		<i>42,184</i>	<i>43,881</i>	<i>45,772</i>	<i>48,376</i>	<i>51,199</i>	<i>53,481</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-12,490	-13,815	-14,249	-15,125	-15,421	-15,747
Payments for goods and services		-17,934	-18,359	-19,433	-20,398	-22,085	-23,258
Interest paid		-1,289	-1,393	-1,460	-1,593	-1,843	-2,041
Grants and subsidies paid		-3,770	-3,768	-3,964	-4,265	-4,578	-4,662
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-4,203	-4,316	-4,217	-4,375	-4,582	-4,713
<i>Total cash paid</i>		<i>-39,686</i>	<i>-41,653</i>	<i>-43,324</i>	<i>-45,756</i>	<i>-48,509</i>	<i>-50,421</i>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>2,499</b>	<b>2,229</b>	<b>2,448</b>	<b>2,621</b>	<b>2,690</b>	<b>3,061</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-7,350	-7,089	-6,720	-5,384	-5,472	-6,076
Sales of non-financial assets		901	1,246	1,351	1,435	1,370	1,130
<i>Total cash flows from investments in non-financial assets</i>		<i>-6,448</i>	<i>-5,842</i>	<i>-5,369</i>	<i>-3,950</i>	<i>-4,102</i>	<i>-4,946</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		12	-	-	-	-	-
For liquidity purposes		417	80	70	155	71	197
<i>Cash paid</i>							
For policy purposes		-12	-	-	-	-	-
For liquidity purposes		-546	-56	-14	-80	-141	-156
<i>Total cash flows from investments in financial assets</i>		<i>-129</i>	<i>24</i>	<i>56</i>	<i>75</i>	<i>-71</i>	<i>41</i>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-6,577</b>	<b>-5,818</b>	<b>-5,313</b>	<b>-3,875</b>	<b>-4,173</b>	<b>-4,904</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		-	25	25	-	-	-
Borrowings		25,583	17,614	16,730	14,696	14,421	14,708
Deposits received		-	-	-	-	-	-
Other financing receipts		30	304	35	37	38	39
<i>Total cash received</i>		<i>25,613</i>	<i>17,944</i>	<i>16,790</i>	<i>14,733</i>	<i>14,459</i>	<i>14,747</i>
<i>Cash paid</i>							
Advances paid		-15	-15	-15	-16	-16	-16
Borrowings repaid		-21,969	-16,934	-13,842	-13,135	-12,229	-12,295
Deposits paid		-	-	-	-	-	-
Other financing payments		-87	-161	-240	-208	-223	-195
<i>Total cash paid</i>		<i>-22,071</i>	<i>-17,110</i>	<i>-14,098</i>	<i>-13,358</i>	<i>-12,467</i>	<i>-12,506</i>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>3,541</b>	<b>834</b>	<b>2,692</b>	<b>1,375</b>	<b>1,992</b>	<b>2,240</b>
<b>Net increase in cash and cash equivalents</b>		<b>-537</b>	<b>-2,756</b>	<b>-173</b>	<b>121</b>	<b>509</b>	<b>397</b>
Cash and cash equivalents at the beginning of the year		8,319	7,781	5,026	4,853	4,973	5,483
Cash and cash equivalents at the end of the year		7,781	5,026	4,853	4,973	5,483	5,879
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		2,499	2,229	2,448	2,621	2,690	3,061
Net cash flows from investing in non-financial assets		-6,448	-5,842	-5,369	-3,950	-4,102	-4,946
<b>Cash surplus/-deficit</b>	6	<b>-3,950</b>	<b>-3,613</b>	<b>-2,921</b>	<b>-1,329</b>	<b>-1,412</b>	<b>-1,885</b>

Note: Columns may not add due to rounding.

Table 1.10

**PUBLIC FINANCIAL CORPORATIONS**  
**Operating Statement**

	Note	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
		Actual	Estimated	Budget	Forw ard	Forw ard	Forw ard
		\$m	\$m	\$m	Estimate	Estimate	Estimate
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Current grants and subsidies		-	-	-	-	-	-
Capital grants		-	-	-	-	-	-
Sales of goods and services		871	1,013	1,062	1,141	1,226	1,318
Interest income		1,648	1,845	1,989	2,239	2,518	2,756
Other		-	1	-	-	-	-
<b>Total</b>		<b>2,519</b>	<b>2,859</b>	<b>3,052</b>	<b>3,380</b>	<b>3,745</b>	<b>4,074</b>
<b>EXPENSES</b>							
Salaries		44	49	51	53	55	57
Superannuation							
Concurrent costs		4	5	5	6	6	6
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		2	2	2	2	2	2
Depreciation and amortisation		17	19	16	15	16	16
Services and contracts		11	11	11	11	12	12
Other gross operating expenses		700	921	938	1,003	1,073	1,149
Other interest		1,641	1,664	1,780	2,021	2,293	2,526
Tax equivalents		7	19	32	39	43	48
Current transfers		4	5	4	4	4	4
Capital transfers		-	6	3	3	3	3
<b>Total</b>		<b>2,428</b>	<b>2,700</b>	<b>2,843</b>	<b>3,157</b>	<b>3,508</b>	<b>3,823</b>
<b>NET OPERATING BALANCE</b>	<b>6</b>	<b>91</b>	<b>159</b>	<b>210</b>	<b>223</b>	<b>237</b>	<b>251</b>
<i>Other economic flows</i>							
Net gains on assets/liabilities		496	-	-	-	-	-
Net actuarial gains - superannuation		1	-	-	-	-	-
Provision for doubtful debts		-61	-	-	-	-	-
All other		-	-	-	-	-	-
<b>Total other economic flows</b>		<b>437</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OPERATING RESULT</b>		<b>527</b>	<b>159</b>	<b>210</b>	<b>223</b>	<b>237</b>	<b>251</b>
<i>Other non-owner movements in equity</i>							
Revaluations		2	53	-	1	-	-
Gains recognised directly in equity		32	-	-	-	-	-
Changes in accounting policy/correction of prior period errors		-32	-	-	-	-	-
All other		-	-	-	-	-	-
<b>Total other non-owner movements in equity</b>		<b>2</b>	<b>53</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>
<i>Movements in owner equity</i>							
Dividends		-67	-133	-101	-135	-144	-147
Capital injections		-	-	-	-	-	-
<b>Total movements in owner equity</b>		<b>-67</b>	<b>-133</b>	<b>-101</b>	<b>-135</b>	<b>-144</b>	<b>-147</b>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>462</b>	<b>79</b>	<b>109</b>	<b>89</b>	<b>93</b>	<b>104</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	<b>6</b>	<b>91</b>	<b>159</b>	<b>210</b>	<b>223</b>	<b>237</b>	<b>251</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		5	6	8	7	6	6
Changes in inventories		-	-	-	-	-	-
Other movement in non-financial assets		-	-	-	-	-	-
<i>less:</i>							
Sales of non-financial assets		-	-	-	-	-	-
Depreciation		17	19	16	15	16	16
<b>Total net acquisition of non-financial assets</b>		<b>-12</b>	<b>-14</b>	<b>-9</b>	<b>-8</b>	<b>-9</b>	<b>-9</b>
<b>NET LENDING/-BORROWING</b>	<b>6</b>	<b>103</b>	<b>173</b>	<b>218</b>	<b>231</b>	<b>246</b>	<b>260</b>

Note: Columns may not add due to rounding.

Table 1.11

**PUBLIC FINANCIAL CORPORATIONS**  
Balance Sheet at 30 June

	Note	2013	2014	2015	2016	2017	2018
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
				\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		28	18	24	32	41	50
Advances paid		3,330	4,408	5,039	5,044	5,055	5,064
Investments, loans and placements		40,450	43,284	44,394	46,234	48,726	51,341
Receivables		646	638	634	631	629	628
Investment property		538	573	621	670	718	768
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		1,341	1,426	1,553	1,692	1,845	2,016
Other financial assets		24	24	24	24	24	24
<b>Total financial assets</b>		<b>46,358</b>	<b>50,373</b>	<b>52,289</b>	<b>54,327</b>	<b>57,038</b>	<b>59,892</b>
<i>Non-financial assets</i>							
Land		118	118	118	118	118	118
Property, plant and equipment		243	248	248	249	248	248
Biological assets		-	-	-	-	-	-
Inventories							
Land inventories		-	-	-	-	-	-
Other inventories		-	-	-	-	-	-
Intangibles		13	11	10	10	10	11
Non-current assets held for sale		-	-	-	-	-	-
Other		3	62	64	67	70	72
<b>Total non-financial assets</b>		<b>376</b>	<b>438</b>	<b>440</b>	<b>444</b>	<b>446</b>	<b>449</b>
<b>TOTAL ASSETS</b>		<b>46,734</b>	<b>50,811</b>	<b>52,729</b>	<b>54,771</b>	<b>57,484</b>	<b>60,341</b>
<b>LIABILITIES</b>							
Deposits held		-	-	-	-	-	-
Advances received		3	2	2	2	2	2
Borrowings		41,745	45,612	47,239	48,977	51,364	53,859
Unfunded superannuation		11	11	12	13	14	15
Other employee benefits		9	9	9	9	9	9
Payables		17	47	81	106	125	145
Other liabilities		3,201	3,302	3,451	3,640	3,853	4,089
<b>TOTAL LIABILITIES</b>		<b>44,985</b>	<b>48,983</b>	<b>50,793</b>	<b>52,746</b>	<b>55,366</b>	<b>58,118</b>
<b>NET ASSETS</b>		<b>1,748</b>	<b>1,827</b>	<b>1,936</b>	<b>2,025</b>	<b>2,118</b>	<b>2,222</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		1,511	1,580	1,681	1,762	1,847	1,941
Other reserves		237	248	255	263	271	281
<b>NET WORTH</b>	6	<b>1,748</b>	<b>1,827</b>	<b>1,936</b>	<b>2,025</b>	<b>2,118</b>	<b>2,222</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		-376	-438	-440	-444	-446	-449
<i>Net debt</i>							
Gross debt liabilities		41,748	45,614	47,240	48,979	51,365	53,861
less: liquid financial assets		43,808	47,711	49,457	51,311	53,822	56,455
less: convergence differences impacting net debt		-	-	-	-	-	-
<b>Net debt</b>		<b>-2,060</b>	<b>-2,098</b>	<b>-2,217</b>	<b>-2,332</b>	<b>-2,456</b>	<b>-2,595</b>

Note: Columns may not add due to rounding.

Table 1.12

**PUBLIC FINANCIAL CORPORATIONS**  
**Cashflow Statement**

	Note	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
		Actual	Estimated	Budget	Forw ard	Forw ard	Forw ard
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Grants and subsidies received		-	7	5	5	5	5
Receipts from sales of goods and services		977	1,012	1,102	1,183	1,266	1,358
Interest receipts		1,665	1,845	1,989	2,239	2,518	2,756
Dividends and tax equivalents		-	-	-	-	-	-
Other receipts		130	103	107	113	120	128
<i>Total cash received</i>		<i>2,772</i>	<i>2,968</i>	<i>3,204</i>	<i>3,540</i>	<i>3,910</i>	<i>4,248</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-48	-53	-56	-58	-60	-63
Payments for goods and services		-739	-843	-821	-849	-897	-952
Interest paid		-1,672	-1,664	-1,780	-2,021	-2,293	-2,526
Grants and subsidies paid		-	-	-	-	-	-
Tax equivalents		-	-6	-20	-33	-40	-44
Other payments		-180	-161	-165	-176	-188	-201
<i>Total cash paid</i>		<i>-2,639</i>	<i>-2,728</i>	<i>-2,842</i>	<i>-3,136</i>	<i>-3,478</i>	<i>-3,784</i>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>134</b>	<b>240</b>	<b>361</b>	<b>404</b>	<b>432</b>	<b>463</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-5	-6	-8	-7	-6	-6
Sales of non-financial assets		-	-	-	-	-	-
<i>Total cash flows from investments in non-financial assets</i>		<i>-5</i>	<i>-6</i>	<i>-7</i>	<i>-7</i>	<i>-6</i>	<i>-6</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		6,819	1,506	1,585	1,648	1,716	1,789
<i>Cash paid</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		-5,855	-2,711	-2,409	-1,862	-1,953	-2,047
<i>Total cash flows from investments in financial assets</i>		<i>964</i>	<i>-1,205</i>	<i>-824</i>	<i>-214</i>	<i>-237</i>	<i>-258</i>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>959</b>	<b>-1,211</b>	<b>-831</b>	<b>-221</b>	<b>-243</b>	<b>-264</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		53,398	45,874	45,116	44,242	44,232	40,585
Deposits received		-	-	-	-	-	-
Other financing receipts		-	-	-	-	-	-
<i>Total cash received</i>		<i>53,398</i>	<i>45,874</i>	<i>45,116</i>	<i>44,242</i>	<i>44,232</i>	<i>40,585</i>
<i>Cash paid</i>							
Advances paid		-	-	-	-	-	-
Borrowings repaid		-54,658	-44,723	-44,512	-44,240	-44,230	-40,583
Deposits paid		-	-	-	-	-	-
Other financing payments		-	-	-	-	-	-
Dividends paid		-67	-133	-101	-135	-144	-147
<i>Total cash paid</i>		<i>-54,725</i>	<i>-44,856</i>	<i>-44,613</i>	<i>-44,375</i>	<i>-44,375</i>	<i>-40,730</i>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>-1,327</b>	<b>1,019</b>	<b>503</b>	<b>-133</b>	<b>-142</b>	<b>-145</b>
<b>Net increase in cash and cash equivalents</b>		<b>-234</b>	<b>48</b>	<b>33</b>	<b>50</b>	<b>46</b>	<b>54</b>
Cash and cash equivalents at the beginning of the year		3,664	3,430	3,477	3,510	3,560	3,606
Cash and cash equivalents at the end of the year		3,430	3,477	3,510	3,560	3,606	3,660
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		134	240	361	404	432	463
Net cash flows from investing in non-financial assets		-5	-6	-7	-7	-6	-6
Dividends paid		-67	-133	-101	-135	-144	-147
<b>Cash surplus/-deficit</b>	<b>6</b>	<b>62</b>	<b>101</b>	<b>253</b>	<b>262</b>	<b>281</b>	<b>310</b>

Note: Columns may not add due to rounding.

Table 1.13

**TOTAL PUBLIC SECTOR**  
**Operating Statement**

	Note	2012-13 Actual \$m	2013-14 Estimated Actual \$m	2014-15 Budget Estimate \$m	2015-16 Forw ard Estimate \$m	2016-17 Forw ard Estimate \$m	2017-18 Forw ard Estimate \$m
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Taxation		7,894	8,420	8,872	9,351	9,968	10,697
Current grants and subsidies		8,316	8,133	8,006	7,767	7,689	7,563
Capital grants		622	615	677	496	575	564
Sales of goods and services		17,955	18,613	20,007	21,579	23,348	24,860
Interest income		687	670	702	817	880	901
Royalty income		4,425	5,911	6,176	6,978	7,393	7,665
Other		896	1,007	845	878	851	818
<i>Total</i>		<i>40,794</i>	<i>43,370</i>	<i>45,285</i>	<i>47,866</i>	<i>50,703</i>	<i>53,067</i>
<b>EXPENSES</b>							
Salaries		11,307	12,264	12,602	13,046	13,606	13,861
Superannuation							
Concurrent costs		1,071	1,184	1,242	1,342	1,460	1,549
Superannuation interest cost		369	344	354	369	381	393
Other employee costs		315	274	263	289	291	290
Depreciation and amortisation		3,024	3,278	3,383	3,504	3,588	3,648
Services and contracts		2,782	3,078	3,174	2,997	3,054	3,142
Other gross operating expenses		16,487	17,584	18,665	20,201	21,829	23,098
Other interest		1,588	1,614	1,664	1,876	2,110	2,312
Current transfers		3,631	3,581	3,772	4,129	4,433	4,538
Capital transfers		428	772	404	501	347	334
<i>Total</i>		<i>41,003</i>	<i>43,973</i>	<i>45,523</i>	<i>48,256</i>	<i>51,099</i>	<i>53,164</i>
<b>NET OPERATING BALANCE</b>	6	<b>-208</b>	<b>-603</b>	<b>-238</b>	<b>-390</b>	<b>-395</b>	<b>-97</b>
<i>Other economic flows</i>							
Net gains on assets/liabilities		315	132	107	232	264	257
Net actuarial gains - superannuation		881	183	5	-30	-79	-121
Provision for doubtful debts		-106	-24	-23	-23	-24	-25
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		<i>1,089</i>	<i>291</i>	<i>89</i>	<i>179</i>	<i>162</i>	<i>111</i>
<b>OPERATING RESULT</b>		<b>881</b>	<b>-312</b>	<b>-149</b>	<b>-210</b>	<b>-234</b>	<b>15</b>
<i>All other movements in equity</i>							
Revaluations		149	3,563	3,376	3,573	3,602	3,606
Gains recognised directly in equity		556	-54	-57	-60	-65	-68
Changes in accounting policy/correction of prior period errors		-135	-	-	-	-	-
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		<i>571</i>	<i>3,509</i>	<i>3,319</i>	<i>3,512</i>	<i>3,537</i>	<i>3,538</i>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>1,452</b>	<b>3,197</b>	<b>3,170</b>	<b>3,302</b>	<b>3,304</b>	<b>3,553</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	6	<b>-208</b>	<b>-603</b>	<b>-238</b>	<b>-390</b>	<b>-395</b>	<b>-97</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		7,355	7,095	6,728	5,391	5,479	6,083
Changes in inventories		-654	787	-93	253	270	195
Other movement in non-financial assets		215	308	251	-64	54	57
<i>less:</i>							
Sales of non-financial assets		902	1,247	1,351	1,435	1,370	1,130
Depreciation		3,024	3,278	3,383	3,504	3,588	3,648
<i>Total net acquisition of non-financial assets</i>		<i>2,991</i>	<i>3,664</i>	<i>2,151</i>	<i>641</i>	<i>845</i>	<i>1,556</i>
<b>NET LENDING/-BORROWING</b>	6	<b>-3,199</b>	<b>-4,268</b>	<b>-2,390</b>	<b>-1,031</b>	<b>-1,240</b>	<b>-1,653</b>

Note: Columns may not add due to rounding.

Table 1.14

**TOTAL PUBLIC SECTOR**  
**Balance Sheet at 30 June**

	Note	2013	2014	2015	2016	2017	2018
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		1,598	1,217	1,236	1,172	1,118	1,221
Advances paid		3,552	4,664	5,350	5,378	5,411	5,414
Investments, loans and placements		16,896	15,188	12,520	12,896	13,712	14,137
Receivables		4,286	4,520	4,704	4,835	5,071	5,199
Investment property		571	604	652	693	741	791
Equity - Investments in other entities		1,386	1,437	1,564	1,704	1,857	2,027
Other financial assets		24	24	24	24	24	24
<i>Total financial assets</i>		<i>28,314</i>	<i>27,655</i>	<i>26,051</i>	<i>26,701</i>	<i>27,935</i>	<i>28,813</i>
<i>Non-financial assets</i>							
Land		50,653	52,073	53,617	55,238	56,941	58,729
Property, plant and equipment		89,100	94,267	98,470	101,049	103,979	107,597
Biological assets		324	320	321	322	324	326
Inventories							
Land inventories		2,028	2,091	2,166	2,139	2,189	2,294
Other inventories		2,789	3,575	3,482	3,735	4,005	4,200
Intangibles		1,118	1,001	973	922	858	800
Non-current assets held for sale		70	44	44	44	44	44
Other		509	500	515	532	530	540
<i>Total non-financial assets</i>		<i>146,590</i>	<i>153,871</i>	<i>159,588</i>	<i>163,982</i>	<i>168,870</i>	<i>174,529</i>
<b>TOTAL ASSETS</b>		<b>174,904</b>	<b>181,526</b>	<b>185,640</b>	<b>190,683</b>	<b>196,805</b>	<b>203,342</b>
<b>LIABILITIES</b>							
Deposits held		144	181	181	181	181	181
Advances received		439	449	459	443	427	410
Borrowings		39,740	42,570	43,473	45,012	47,189	49,559
Unfunded superannuation		8,143	7,794	7,635	7,548	7,541	7,660
Other employee benefits		3,465	3,633	3,716	3,476	3,556	3,590
Payables		4,486	5,100	4,946	5,190	5,446	5,675
Other liabilities		5,560	5,675	5,936	6,238	6,567	6,815
<i>TOTAL LIABILITIES</i>		<i>61,977</i>	<i>65,402</i>	<i>66,346</i>	<i>68,088</i>	<i>70,906</i>	<i>73,890</i>
<b>NET ASSETS</b>		<b>112,927</b>	<b>116,124</b>	<b>119,294</b>	<b>122,596</b>	<b>125,899</b>	<b>129,452</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		30,855	31,308	31,076	30,771	30,437	30,309
Other reserves		82,072	84,816	88,218	91,825	95,462	99,143
<b>NET WORTH</b>	6	<b>112,927</b>	<b>116,124</b>	<b>119,294</b>	<b>122,596</b>	<b>125,899</b>	<b>129,452</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		<i>-33,663</i>	<i>-37,747</i>	<i>-40,295</i>	<i>-41,387</i>	<i>-42,971</i>	<i>-45,077</i>
<i>Net financial liabilities</i>		<i>35,049</i>	<i>39,184</i>	<i>41,859</i>	<i>43,090</i>	<i>44,828</i>	<i>47,105</i>
<i>Net debt</i>							
Gross debt liabilities		40,323	43,200	44,112	45,636	47,796	50,150
less: liquid financial assets		22,046	21,070	19,106	19,446	20,241	20,772
less: convergence differences impacting net debt		88	88	88	-	-	-
<i>Net debt</i>		<i>18,188</i>	<i>22,042</i>	<i>24,918</i>	<i>26,190</i>	<i>27,556</i>	<i>29,378</i>

Note: Columns may not add due to rounding.

Table 1.15

**TOTAL PUBLIC SECTOR**  
**Cashflow Statement**

	Note	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Taxes received		7,678	8,371	8,823	9,302	9,913	10,636
Grants and subsidies received		8,934	8,723	8,689	8,268	8,264	8,139
Receipts from sales of goods and services		18,205	18,716	19,931	21,593	23,313	24,728
Interest receipts		811	689	737	870	920	952
Dividends and tax equivalents		-	-	-	-	-	-
Other		7,594	8,320	8,630	9,473	9,960	10,277
<b>Total cash received</b>		<b>43,223</b>	<b>44,819</b>	<b>46,809</b>	<b>49,506</b>	<b>52,370</b>	<b>54,731</b>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-12,538	-13,868	-14,304	-15,182	-15,481	-15,809
Payments for goods and services		-18,339	-18,879	-19,910	-20,890	-22,607	-23,812
Interest paid		-1,687	-1,564	-1,614	-1,806	-2,039	-2,244
Grants and subsidies paid		-3,770	-3,761	-3,960	-4,260	-4,573	-4,657
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-4,324	-4,411	-4,314	-4,479	-4,693	-4,833
<b>Total cash paid</b>		<b>-40,658</b>	<b>-42,483</b>	<b>-44,101</b>	<b>-46,616</b>	<b>-49,393</b>	<b>-51,354</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>2,565</b>	<b>2,336</b>	<b>2,708</b>	<b>2,890</b>	<b>2,978</b>	<b>3,377</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-7,355	-7,095	-6,728	-5,391	-5,479	-6,083
Sales of non-financial assets		902	1,247	1,351	1,435	1,370	1,130
<b>Total cash flows from investments in non-financial assets</b>		<b>-6,453</b>	<b>-5,848</b>	<b>-5,376</b>	<b>-3,957</b>	<b>-4,109</b>	<b>-4,952</b>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		12	-	-	-	-	-
For liquidity purposes		7,236	1,586	1,655	1,803	1,787	1,986
<i>Cash paid</i>							
For policy purposes		-12	-	-	-	-	-
For liquidity purposes		-6,401	-2,768	-2,423	-1,942	-2,094	-2,202
<b>Total cash flows from investments in financial assets</b>		<b>835</b>	<b>-1,181</b>	<b>-768</b>	<b>-139</b>	<b>-308</b>	<b>-216</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-5,618</b>	<b>-7,029</b>	<b>-6,144</b>	<b>-4,096</b>	<b>-4,416</b>	<b>-5,168</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		-	25	25	-	-	-
Borrowings		31,930	28,556	31,214	31,014	31,907	28,285
Deposits received		-	-	-	-	-	-
Other financing receipts		30	304	35	37	38	39
<b>Total cash received</b>		<b>31,960</b>	<b>28,886</b>	<b>31,275</b>	<b>31,050</b>	<b>31,945</b>	<b>28,324</b>
<i>Cash paid</i>							
Advances paid		-15	-15	-15	-16	-16	-16
Borrowings repaid		-29,576	-26,725	-27,723	-29,450	-29,712	-25,870
Deposits paid		-	-	-	-	-	-
Other financing payments		-87	-161	-240	-208	-223	-195
<b>Total cash paid</b>		<b>-29,678</b>	<b>-26,900</b>	<b>-27,979</b>	<b>-29,673</b>	<b>-29,951</b>	<b>-26,081</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>2,282</b>	<b>1,985</b>	<b>3,296</b>	<b>1,377</b>	<b>1,994</b>	<b>2,242</b>
<b>Net increase in cash and cash equivalents</b>		<b>-771</b>	<b>-2,708</b>	<b>-140</b>	<b>170</b>	<b>556</b>	<b>451</b>
Cash and cash equivalents at the beginning of the year		11,981	11,210	8,502	8,361	8,532	9,087
Cash and cash equivalents at the end of the year		11,210	8,502	8,361	8,532	9,087	9,538
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		2,565	2,336	2,708	2,890	2,978	3,377
Net cash flows from investing in non-financial assets		-6,453	-5,848	-5,376	-3,957	-4,109	-4,952
<b>Cash surplus/-deficit</b>	6	<b>-3,888</b>	<b>-3,512</b>	<b>-2,668</b>	<b>-1,067</b>	<b>-1,131</b>	<b>-1,575</b>

Note: Columns may not add due to rounding.



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## NOTE 1: STATEMENT OF COMPLIANCE

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The projected public sector financial statements presented in this appendix have been prepared in accordance with Australian Accounting Standards and the Australian Bureau of Statistics' *Government Finance Statistics Concepts, Sources and Methods 2005*.

The presentation in this appendix is consistent with AASB 1049: *Whole of Government and General Government Sector Financial Reporting*.

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## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The financial statements constitute general purpose financial reports for the total public sector (also known as the whole-of-government), general government sector, and each of the subsidiary public corporations sectors. The financial projections of the consolidated general government (centrally funded agencies such as the Department of Education and WA Health) 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 *2012-13 Annual Report on State Finances (ARSF)*, which are described in detail in Note 3: *Summary of Significant Accounting Policies* in Appendix 1 of the 2012-13 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 audited.

*(d) Comparative figures*

Comparative information has been restated where necessary to match the adoption of AASB 1049 presentation formats.

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### NOTE 3: GENERAL GOVERNMENT OPERATING REVENUE

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A detailed dissection of general government revenue (which includes the UPF taxation disclosure) is included at Appendix 2: *General Government Operating Revenue*.

A comparison of estimated outturn to previous projected operating revenue for 2013-14 is shown at Appendix 3: *2013-14 General Government Operating Revenue*.

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### NOTE 4: GENERAL GOVERNMENT TRANSFER EXPENSES

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Transfer expenses are defined as the provision of something of value for no specific return or consideration and include grants, subsidies, donations, transfers of assets free of charge, etc.

The following table provides detail of current and capital transfer expenses of the general government sector, in line with UPF disclosure requirements.

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#### TRANSFER EXPENSES <sup>(a)</sup> General Government

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
<i>CURRENT TRANSFERS</i>						
Local government	322	304	383	344	309	222
Local government on-passing	158	170	179	190	201	212
Private and not-for-profit sector	1,590	1,456	1,446	1,693	1,882	1,932
Private and not-for-profit sector on-passing	873	940	1,018	1,110	1,203	1,304
Other sectors of government	1,952	2,389	2,427	2,417	2,513	2,450
<i>Total Current Transfers</i>	<i>4,895</i>	<i>5,259</i>	<i>5,454</i>	<i>5,754</i>	<i>6,108</i>	<i>6,121</i>
<i>CAPITAL TRANSFERS</i>						
Local government	65	294	94	195	64	59
Local government on-passing	101	107	111	116	121	126
Private and not-for-profit sector	155	148	130	143	118	106
Private and not-for-profit sector on-passing	25	27	30	33	36	39
Other sectors of government	116	228	200	154	116	111
<i>Total Capital Transfers</i>	<i>462</i>	<i>804</i>	<i>565</i>	<i>641</i>	<i>454</i>	<i>440</i>

(a) Includes grants, subsidies and other transfer expenses.

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## NOTE 5: GENERAL GOVERNMENT EXPENSES AND SPENDING ON THE PURCHASE OF NON-FINANCIAL ASSETS BY GOVERNMENT PURPOSE CLASSIFICATION<sup>(a)</sup>

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
<i>Expenses</i>						
General public services	569	675	489	666	755	1,019
Public order and safety	2,940	3,080	3,193	3,333	3,467	3,506
Education	6,154	6,512	6,850	7,248	7,537	7,856
Health	6,903	7,504	7,930	8,200	8,548	8,604
Social security and welfare	1,787	1,946	2,079	2,193	2,230	2,220
Housing and community amenities <sup>(b)</sup>	1,534	1,740	1,884	1,885	1,958	1,959
Recreation and culture	851	904	879	957	885	879
Fuel and energy	543	723	683	668	712	696
Agriculture, forestry, fishing and hunting	376	347	331	317	317	316
Mining and mineral resources other than fuels; manufacturing; and construction	194	251	227	224	224	213
Transport and communications	1,929	2,262	2,208	2,314	2,427	2,527
Other economic affairs	719	821	683	684	654	584
Other purposes	969	1,022	1,073	1,210	1,394	1,502
<b>Total General Government Expenses</b>	<b>25,468</b>	<b>27,787</b>	<b>28,508</b>	<b>29,896</b>	<b>31,109</b>	<b>31,879</b>
<i>Purchases of new non-financial assets</i>						
General public services	161	160	176	205	155	134
Public order and safety	216	280	247	102	86	51
Education	506	590	466	277	263	208
Health	901	1,012	956	431	243	136
Social security and welfare	53	61	59	25	13	9
Housing and community amenities <sup>(c)</sup>	107	-33	53	70	155	338
Recreation and culture	181	223	200	405	462	277
Fuel and energy	8	5	5	3	2	1
Agriculture, forestry, fishing and hunting	23	30	25	16	18	17
Mining and mineral resources other than fuels; manufacturing; and construction	2	2	3	4	3	1
Transport and communications	852	1,058	924	666	867	1,018
Other economic affairs	185	155	55	38	35	17
Other purposes	-	-375	-	-	-	-
<b>Total Purchases of Non-financial Assets</b>	<b>3,195</b>	<b>3,168</b>	<b>3,169</b>	<b>2,241</b>	<b>2,302</b>	<b>2,208</b>

- (a) Data in this table are for consolidated general government aggregates and exclude internal transactions within the sector. In relation to purchases of non-financial assets, the information in this table represents spending by function on fixed assets by general government agencies, which may be different to agency totals in the Asset Investment Program.
- (b) Includes an underspend provision for unforeseen slippages in the Royalties for Regions operating program that typically emerges during the year. This provision is worth \$188 million in 2013-14, \$97 million in 2014-15, \$111 million in 2015-16, \$129 million in 2016-17 and \$89 million in 2017-18.
- (c) Includes an underspend provision for unforeseen slippages in the Royalties for Regions Asset Investment Program that typically emerges during the year. This provision is worth \$157 million in 2013-14, \$45 million in 2014-15, \$64 million in 2015-16, \$24 million in 2016-17 and \$67 million in 2017-18.

## 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

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
<u>General government</u>						
AASB1049 net operating balance	249	183	175	5	50	283
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Dampier to Bunbury Natural Gas Pipeline - extinguish loan asset	-	-	-	88	-	-
Total GFS expense adjustments	-	-	-	88	-	-
Total GFS adjustments to AASB 1049 net operating balance	-	-	-	-88	-	-
<b>GFS net operating balance</b>	<b>249</b>	<b>183</b>	<b>175</b>	<b>-83</b>	<b>50</b>	<b>283</b>
<u>Public non-financial corporations</u>						
AASB1049 net operating balance	304	-37	371	460	472	541
Less GFS expense adjustments						
Capitalised interest	27	46	25	37	35	36
Dividends	785	775	893	943	1,009	1,025
Total GFS expense adjustments	811	821	918	979	1,044	1,060
Total GFS adjustments to AASB 1049 net operating balance	-811	-821	-918	-979	-1,044	-1,060
<b>GFS net operating balance</b>	<b>-507</b>	<b>-859</b>	<b>-547</b>	<b>-519</b>	<b>-573</b>	<b>-519</b>
<u>Total non-financial public sector</u>						
AASB1049 net operating balance	-232	-629	-347	-478	-488	-201
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	27	46	25	37	35	36
Dampier to Bunbury Natural Gas Pipeline - extinguish loan asset	-	-	-	88	-	-
Total GFS expense adjustments	27	46	25	125	35	36
Total GFS adjustments to AASB 1049 net operating balance	-27	-46	-25	-125	-35	-36
<b>GFS net operating balance</b>	<b>-258</b>	<b>-675</b>	<b>-372</b>	<b>-603</b>	<b>-523</b>	<b>-236</b>
<u>Public financial corporations</u>						
AASB1049 net operating balance	91	159	210	223	237	251
Less GFS expense adjustments						
Dividends	67	133	101	135	144	147
Total GFS expense adjustments	67	133	101	135	144	147
Total GFS adjustments to AASB 1049 net operating balance	-67	-133	-101	-135	-144	-147
<b>GFS net operating balance</b>	<b>23</b>	<b>26</b>	<b>108</b>	<b>88</b>	<b>93</b>	<b>104</b>
<u>Total public sector</u>						
AASB1049 net operating balance	-208	-603	-238	-390	-395	-97
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	27	46	25	37	35	36
Dampier to Bunbury Natural Gas Pipeline - extinguish loan asset	-	-	-	88	-	-
Total GFS expense adjustments	27	46	25	125	35	36
Total GFS adjustments to AASB 1049 net operating balance	-27	-46	-25	-125	-35	-36
<b>GFS net operating balance</b>	<b>-235</b>	<b>-649</b>	<b>-264</b>	<b>-515</b>	<b>-430</b>	<b>-133</b>

## AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

### Net Lending

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB1049 net lending/-borrowing	-1,852	-1,727	-1,629	-427	-578	-356
Plus Net operating balance convergence difference (noted above)	-	-	-	-88	-	-
<b>GFS net lending/-borrowing</b>	<b>-1,852</b>	<b>-1,727</b>	<b>-1,629</b>	<b>-515</b>	<b>-578</b>	<b>-356</b>
<u>Public non-financial corporations</u>						
AASB1049 net lending/-borrowing	-597	-1,806	16	243	245	-386
Plus Net operating balance convergence difference (noted above)	-811	-821	-918	-979	-1,044	-1,060
<b>GFS net lending/-borrowing</b>	<b>-1,408</b>	<b>-2,627</b>	<b>-903</b>	<b>-737</b>	<b>-799</b>	<b>-1,446</b>
<u>Total non-financial public sector</u>						
AASB1049 net lending/-borrowing	-3,234	-4,308	-2,507	-1,127	-1,342	-1,766
Plus Net operating balance convergence difference (noted above)	-27	-46	-25	-125	-35	-36
<b>GFS net lending/-borrowing</b>	<b>-3,261</b>	<b>-4,354</b>	<b>-2,532</b>	<b>-1,252</b>	<b>-1,377</b>	<b>-1,802</b>
<u>Public financial corporations</u>						
AASB1049 net lending/-borrowing	103	173	218	231	246	260
Plus Net operating balance convergence difference (noted above)	-67	-133	-101	-135	-144	-147
<b>GFS net lending/-borrowing</b>	<b>35</b>	<b>40</b>	<b>117</b>	<b>96</b>	<b>102</b>	<b>113</b>
<u>Total public sector</u>						
AASB1049 net lending/-borrowing	-3,199	-4,268	-2,390	-1,031	-1,240	-1,653
Plus Net operating balance convergence difference (noted above)	-27	-46	-25	-125	-35	-36
<b>GFS net lending/-borrowing</b>	<b>-3,226</b>	<b>-4,314</b>	<b>-2,415</b>	<b>-1,156</b>	<b>-1,275</b>	<b>-1,689</b>

## AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

### Net Worth at 30 June

	2013 Actual \$m	2014 Estimated Actual \$m	2015 Budget Estimate \$m	2016 Forward Estimate \$m	2017 Forward Estimate \$m	2018 Forward Estimate \$m
<u>General government</u>						
AASB1049 net worth	112,927	116,124	119,294	122,596	125,899	129,452
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	-	-	-
Provision for doubtful debts						
General government sector	208	207	208	208	208	208
Impact on public corporations net worth	97	24	25	26	27	28
Total GFS net worth adjustments	393	320	321	234	235	235
<b>GFS net worth</b>	<b>113,320</b>	<b>116,444</b>	<b>119,615</b>	<b>122,830</b>	<b>126,134</b>	<b>129,687</b>
<u>Public non-financial corporations</u>						
AASB1049 net worth	48,694	50,080	51,513	53,105	54,775	56,330
<i>Plus</i>						
Impact of general government equity injections	-5,846	-6,393	-6,987	-7,473	-7,952	-8,280
Provision for doubtful debts	29	14	15	16	17	17
Total GFS net worth adjustments	-5,817	-6,379	-6,972	-7,457	-7,936	-8,263
<b>GFS net worth</b>	<b>42,878</b>	<b>43,700</b>	<b>44,541</b>	<b>45,648</b>	<b>46,839</b>	<b>48,067</b>
<u>Total non-financial public sector</u>						
AASB1049 net worth	112,927	116,124	119,294	122,596	125,899	129,452
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	-	-	-
Provision for doubtful debts						
Total non-financial public sector	237	221	222	223	224	224
Impact on public corporations net worth	68	10	11	11	11	11
Total GFS net worth adjustments	393	320	321	234	235	235
<b>GFS net worth</b>	<b>113,320</b>	<b>116,444</b>	<b>119,615</b>	<b>122,830</b>	<b>126,134</b>	<b>129,687</b>
<u>Public financial corporations</u>						
AASB1049 net worth	1,748	1,827	1,936	2,025	2,118	2,222
<i>Plus</i>						
Provision for doubtful debts	68	10	11	11	11	11
Total GFS net worth adjustments	68	10	11	11	11	11
<b>GFS net worth</b>	<b>1,816</b>	<b>1,838</b>	<b>1,947</b>	<b>2,035</b>	<b>2,129</b>	<b>2,233</b>
<u>Total public sector</u>						
AASB1049 net worth	112,927	116,124	119,294	122,596	125,899	129,452
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	-	-	-
Provision for doubtful debts	305	232	233	234	235	235
Total GFS net worth adjustments	393	320	321	234	235	235
<b>GFS net worth</b>	<b>113,320</b>	<b>116,444</b>	<b>119,615</b>	<b>122,830</b>	<b>126,134</b>	<b>129,687</b>

## AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

### Cash Surplus/-Deficit

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB1049 cash surplus/-deficit	-1,952	-1,738	-1,622	-737	-633	-321
Less Acquisitions under finance leases and similar arrangements	104	267	216	5	-	-
<b>GFS cash surplus/-deficit</b>	<b>-2,056</b>	<b>-2,006</b>	<b>-1,838</b>	<b>-743</b>	<b>-633</b>	<b>-321</b>
<u>Public non-financial corporations</u>						
AASB1049 cash surplus/-deficit	-1,998	-1,875	-1,299	-591	-779	-1,564
Less Acquisitions under finance leases and similar arrangements	-	265	1	-	-	-
<b>GFS cash surplus/-deficit</b>	<b>-1,998</b>	<b>-2,140</b>	<b>-1,299</b>	<b>-592</b>	<b>-779</b>	<b>-1,564</b>
<u>Total non-financial public sector</u>						
AASB1049 cash surplus/-deficit	-3,950	-3,613	-2,921	-1,329	-1,412	-1,885
Less Acquisitions under finance leases and similar arrangements	104	532	216	5	-	-
<b>GFS cash surplus/-deficit</b>	<b>-4,054</b>	<b>-4,146</b>	<b>-3,137</b>	<b>-1,334</b>	<b>-1,412</b>	<b>-1,885</b>
<u>Public financial corporations</u>						
AASB1049 cash surplus/-deficit	62	101	253	262	281	310
Less Acquisitions under finance leases and similar arrangements	-	-	-	-	-	-
<b>GFS cash surplus/-deficit</b>	<b>62</b>	<b>101</b>	<b>253</b>	<b>262</b>	<b>281</b>	<b>310</b>
<u>Total public sector</u>						
AASB1049 cash surplus/-deficit	-3,888	-3,512	-2,668	-1,067	-1,131	-1,575
Less Acquisitions under finance leases and similar arrangements	104	532	216	5	-	-
<b>GFS cash surplus/-deficit</b>	<b>-3,992</b>	<b>-4,045</b>	<b>-2,884</b>	<b>-1,072</b>	<b>-1,131</b>	<b>-1,575</b>

**AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)**  
Change in Net Worth

	2013 Actual \$m	2014 Estimated Actual \$m	2015 Budget Estimate \$m	2016 Forw ard Estimate \$m	2017 Forw ard Estimate \$m	2018 Forw ard Estimate \$m
<u>General government</u>						
AASB1049 change in net worth	1,452	3,197	3,170	3,302	3,304	3,553
Plus change in:						
Dampier to Bunbury Natural Gas Pipeline loan asset	-	-	-	-88	-	-
Provision for doubtful debts						
General government sector	6	-1	-	-	-	-
Impact on public corporations net worth	75	-73	1	1	1	-
Total GFS change in net worth adjustments	82	-73	1	-87	1	-
<b>GFS change in net worth</b>	<b>1,533</b>	<b>3,124</b>	<b>3,171</b>	<b>3,215</b>	<b>3,304</b>	<b>3,553</b>
<u>Public non-financial corporations</u>						
AASB1049 change in net worth	1,047	1,386	1,434	1,592	1,670	1,555
Plus change in:						
Impact of general government equity injections	-607	-548	-593	-486	-479	-327
Provision for doubtful debts	7	-15	1	1	1	-
Total GFS change in net worth adjustments	-600	-563	-592	-485	-478	-327
<b>GFS change in net worth</b>	<b>448</b>	<b>823</b>	<b>841</b>	<b>1,107</b>	<b>1,191</b>	<b>1,228</b>
<u>Total non-financial public sector</u>						
AASB1049 change in net worth	1,452	3,197	3,170	3,302	3,304	3,553
Plus						
Dampier to Bunbury Natural Gas Pipeline loan asset	-	-	-	-88	-	-
Provision for doubtful debts						
Total non-financial public sector	14	-16	1	1	1	-
Impact on public corporations net worth	68	-57	-	-	-	-
Total GFS change in net worth adjustments	82	-73	1	-87	1	-
<b>GFS change in net worth</b>	<b>1,533</b>	<b>3,124</b>	<b>3,171</b>	<b>3,215</b>	<b>3,304</b>	<b>3,553</b>
<u>Public financial corporations</u>						
AASB1049 change in net worth	462	79	109	89	93	104
Plus						
Provision for doubtful debts	68	-57	-	-	-	-
Total GFS change in net worth adjustments	68	-57	-	-	-	-
<b>GFS net worth</b>	<b>530</b>	<b>21</b>	<b>109</b>	<b>89</b>	<b>93</b>	<b>104</b>
<u>Total public sector</u>						
AASB1049 change in net worth	1,452	3,197	3,170	3,302	3,304	3,553
Plus						
Dampier to Bunbury Natural Gas Pipeline loan asset	-	-	-	-88	-	-
Provision for doubtful debts	82	-73	1	1	1	-
Total GFS change in net worth adjustments	82	-73	1	-87	1	-
<b>GFS change in net worth</b>	<b>1,533</b>	<b>3,124</b>	<b>3,171</b>	<b>3,215</b>	<b>3,304</b>	<b>3,553</b>



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## NOTE 7: LOAN COUNCIL ALLOCATIONS

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The Australian Loan Council oversees State, Territory and Commonwealth governments' public sector borrowings using a system of Loan Council Allocations (LCAs). LCAs are based on net borrowings as indicated by a government's deficit position<sup>1</sup>.

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### LOAN COUNCIL ALLOCATIONS Western Australia

	2013-14 Estimated Actual \$m	2014-15 Nomination \$m	2014-15 Budget Estimate \$m
General government cash surplus/deficit	1,738	1,446	1,622
Public non-financial corporations sector cash surplus/deficit	1,875	894	1,299
<i>Total non-financial public sector cash surplus/deficit</i>	<i>3,613</i>	<i>2,340</i>	<i>2,921</i>
Acquisitions under finance leases and similar arrangements	532	217	216
<i>GFS cash surplus/deficit</i>	<i>4,146</i>	<i>2,557</i>	<i>3,137</i>
Less: Non-financial public sector net cash flows from investments in financial assets for policy purposes	-	-	-
Plus: Memorandum items <sup>(a)</sup>	498	56	36
<b>Loan Council Allocation</b>	<b>4,644</b>	<b>2,612</b>	<b>3,173</b>
<i>Tolerance Limit <sup>(b)</sup></i>		<i>942</i>	

(a) Memorandum items are used to adjust the ABS deficit/surplus to include in LCAs certain transactions (e.g. operating leases) that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. Where appropriate, they are also used to deduct from the deficit/surplus certain transactions that Loan Council has agreed should not be included in LCAs (e.g. the funding of more than emerging costs under public superannuation schemes).

(b) The tolerance limit is defined as 2% total non-financial public sector receipts and reflects a band of variability above and below the original LCA nomination.

Note: Columns may not add due to rounding.

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<sup>1</sup> For the purposes of LCAs, deficits are positive and surpluses are negative.

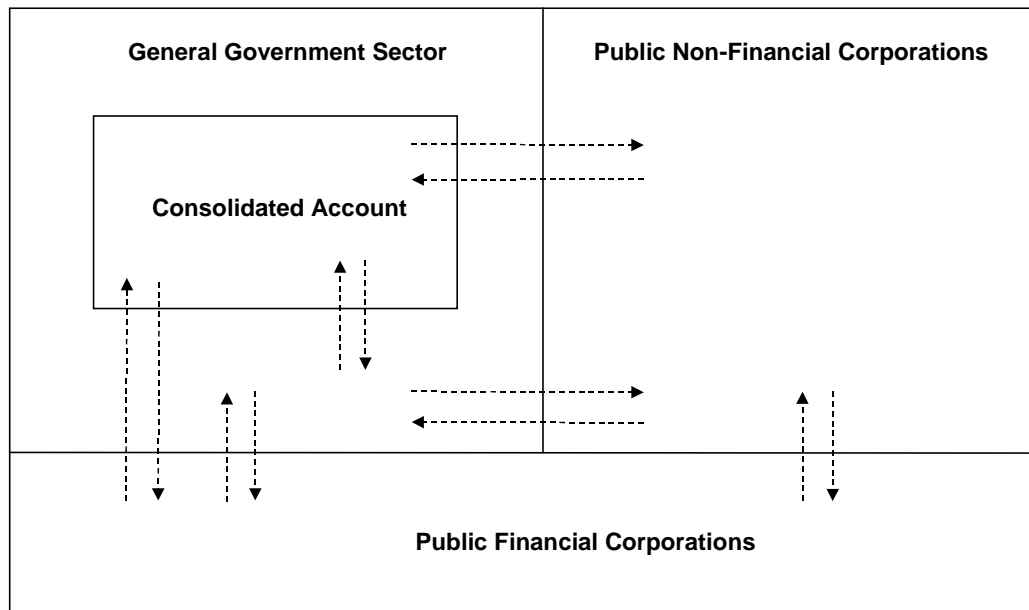
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## NOTE 8: COMPOSITION OF SECTORS

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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	Gascoyne Development Commission
Agricultural Produce Commission	Goldfields Esperance Development Commission
Botanic Gardens and Parks Authority	Governor's Establishment
Building and Construction Industry Training Board	Great Southern Development Commission
Central Institute of Technology	Great Southern Institute of Technology
Challenger Institute of Technology	Health and Disability Services Complaints Office
Chemistry Centre (WA)	Heritage Council of Western Australia
Combat Sports Commission	Independent Market Operator
Commissioner for Children and Young People	Keep Australia Beautiful Council (W.A.)
Commissioner of Equal Opportunity	Kimberley Training Institute
Commissioner of Main Roads	Kimberley Development Commission
Corruption and Crime Commission	Law Reform Commission of Western Australia
Country High School Hostels Authority	Legal Aid Commission of Western Australia
C.Y. O'Connor Institute	Legal Costs Committee
Department of Aboriginal Affairs	Local Health Authorities Analytical Committee
Department of Agriculture and Food	Mental Health Commission
Department of Child Protection and Family Support	Mid West Development Commission
Department of Commerce	Minerals and Energy Research Institute of Western Australia <sup>(a)</sup>
Department of Corrective Services	Minerals Research Institute of Western Australia <sup>(a)</sup>
Department of Culture and the Arts	Office of the Auditor General
Department of Education	Office of the Director of Public Prosecutions
Department of Education Services	Office of the Environmental Protection Authority
Department of Environment Regulation	Office of the Information Commissioner
Department of Finance	Office of the Inspector of Custodial Services
Department of Fire and Emergency Services	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 Lands	Peel Development Commission
Department of Local Government and Communities	Perth Theatre Trust
Department of Mines and Petroleum	Pilbara Development Commission
Department of Planning	Pilbara Institute
Department of Parks and Wildlife	Polytechnic West
Department of Racing, Gaming and Liquor	Professional Standards Council
Department of Regional Development	Public Sector Commission
Department of Sport and Recreation	Racing Penalties Appeal Tribunal of Western Australia
Department of State Development	Rural Business Development Corporation
Department of Training and Workforce Development	Salaries and Allowances Tribunal
Department of Transport	School Curriculum Standards Authority
Department of Treasury	Screen West (Inc.)
Department of the Attorney General	Small Business Development Corporation
Department of the Legislative Assembly	South West Development Commission
Department of the Legislative Council	South West Institute of Technology
Department of the Premier and Cabinet	State Emergency Management Committee Secretariat
Department of the Registrar, Western Australian Industrial Relations Commission	Swan River Trust
Department of Water	The Aboriginal Affairs Planning Authority
Disability Services Commission	The ANZAC Day Trust
Durack Institute of Technology	The Board of the Art Gallery of Western Australia
Economic Regulation Authority	The Burswood Park Board
Gaming and Wagering Commission of Western Australia	

(a) Agency which has been either created, abolished, amalgamated or renamed since the 8 August 2013 presentation of the 2013-14 Budget.

## General Government (cont.)

The Coal Miners' Welfare Board of Western Australia	Western Australian Greyhound Racing Association
The Library Board of Western Australia	Western Australian Health Promotion Foundation
The National Trust of Australia (W.A.)	Western Australian Institute of Sport
The Queen Elizabeth II Medical Centre Trust	Western Australian Land Information Authority
The Western Australia Museum	Western Australian Meat Industry Authority
Trustees of the Public Education Endowment	Western Australian Planning Commission
West Coast Institute of Training	Western Australian Sports Centre Trust
Western Australia Police	Western Australian Tourism Commission
Western Australian Alcohol and Drug Authority	Wheatbelt Development Commission
Western Australian Building Management Authority	WorkCover Western Australia Authority
Western Australian Electoral Commission	Zoological Parks Authority
Western Australian Energy Disputes Arbitrator	

## Public Non-Financial Corporations

Albany Port Authority	Geraldton Port Authority
Animal Resources Authority	Gold Corporation and its subsidiaries
Broome Port Authority	Housing Authority
Bunbury Port Authority	Lotteries Commission
Bunbury Water Board <sup>(a)</sup>	Metropolitan Cemeteries Board
Bunbury Water Corporation <sup>(a)</sup>	Metropolitan Redevelopment Authority
Busselton Water Board <sup>(a)</sup>	Perth Market Authority
Busselton Water Corporation <sup>(a)</sup>	Port Hedland Port Authority
Dampier Port Authority	Potato Marketing Corporation of Western Australia
Electricity Generation Corporation (Verve Energy) <sup>(a)</sup>	Public Transport Authority of Western Australia
Electricity Networks Corporation (Western Power)	Racing and Wagering Western Australia
Electricity Retail Corporation (Synergy) <sup>(a)</sup>	Regional Power Corporation (Horizon Power)
Electricity Retail and Generation Corporation (Synergy) <sup>(a)</sup>	Rottneest Island Authority
Esperance Port Authority	Water Corporation
Forest Products Commission	Western Australian Coastal Shipping Commission
Fremantle Port Authority	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

(a) Agency which has been either created, abolished, amalgamated or renamed since the 8 August 2013 presentation of the 2013-14 Budget.

## Agencies Outside the State's Public Sector

Some State agencies are not covered in the whole-of-government reporting framework as defined under Australian Accounting Standards and/or the GFS framework. The entities listed below, which administer superannuation and like funds and/or hold private funds in trust or fidelity type funds, are examples of such agencies not included in the definition of the public sector used in the budget. This is because the assets are not available for the benefit of, and/or are not controlled by, the State.

Coal Industry Superannuation Board  
Construction Industry Long Service Leave Payments Board  
Curtin University of Technology and its subsidiaries  
Edith Cowan University  
Fire and Emergency Services Superannuation Board  
Government Employees Superannuation Board  
Legal Contribution Trust  
Murdoch University and its subsidiaries  
Public Trustee  
Parliamentary Superannuation Board  
The University of Western Australia and its subsidiaries

## APPENDIX 2

# General Government Operating Revenue

This appendix contains general government revenue estimates prepared on an accrual basis consistent with Australian Accounting Standards and Government Finance Statistics frameworks.

Table 2.1

**OPERATING REVENUE**  
General Government

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Actual	Estimated	Budget	Forw ard	Forw ard	Forw ard
	\$m	\$m	\$m	\$m	\$m	\$m
<b>TAXATION</b>						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	3,476	3,617	3,834	4,147	4,488	4,859
Property taxes						
<i>Land tax</i>	568	662	755	830	913	1,014
Transfer duty	1,654	1,839	1,823	1,749	1,764	1,826
Landholder duty	216	196	123	120	121	123
<i>Total duty on transfers</i>	1,870	2,035	1,946	1,869	1,885	1,949
Other stamp duties	5	-	-	-	-	-
Metropolitan Region Improvement Tax	85	89	93	102	112	123
Emergency Services Levy	237	256	274	285	298	311
Loan guarantee fees	104	119	125	129	130	133
<i>Total other property taxes</i>	431	464	491	516	541	567
Taxes on provision of goods and services						
Lotteries Commission	151	148	155	162	170	178
Video lottery terminals	-	1	1	1	1	1
Casino tax	112	118	123	127	131	135
Betting tax	41	42	44	45	46	47
Other	-	-	-	-	-	-
<i>Total taxes on gambling</i>	304	309	322	334	347	361
Insurance duty	555	593	638	688	745	808
Other	22	23	25	25	25	26
<i>Total taxes on insurance</i>	576	616	663	713	770	834
Taxes on use of goods and performance of activities						
Vehicle licence duty	404	396	442	489	536	587
Permits - oversize vehicles and loads	8	8	8	9	9	9
Motor vehicle recording fee	48	49	52	57	62	69
Motor vehicle registrations	650	725	834	879	924	972
<i>Total motor vehicle taxes</i>	1,109	1,178	1,336	1,433	1,531	1,636
<b>Total Taxation</b>	<b>8,335</b>	<b>8,881</b>	<b>9,346</b>	<b>9,841</b>	<b>10,475</b>	<b>11,220</b>

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

**OPERATING REVENUE**  
General Government

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
<b>CURRENT GRANTS AND SUBSIDIES</b>						
<i>General Purpose Grants</i>						
GST grants	2,935	2,473	2,215	1,616	1,118	799
North West Shelf grants	1,031	1,134	1,055	1,026	1,023	960
Commonwealth compensation for changed crude oil excise arrangements	63	62	58	56	56	53
<i>Grants Through the State</i>						
Schools assistance – non-government schools	873	940	1,018	1,110	1,203	1,304
Local government financial assistance grants	158	170	179	190	201	212
Local government roads	101	107	111	116	121	126
First Home Owners Boost	-	-	-	-	-	-
<i>National Specific Purpose Payment Agreement Grants</i>						
National Schools	406	469	528	598	665	665
National Skills and Workforce Development	146	152	159	164	170	174
National Disability Services	127	146	155	163	172	172
National Affordable Housing	135	139	145	150	154	157
<i>National Health Reform</i>	1,398	1,535	1,730	1,962	2,218	2,363
<i>National Partnerships/Other Grants</i>						
Health	474	403	363	365	367	356
Housing	6	15	15	-	-	-
Transport	69	76	70	70	69	70
Other	394	311	203	181	152	152
<b>Total Current Grants and Subsidies</b>	<b>8,316</b>	<b>8,133</b>	<b>8,006</b>	<b>7,767</b>	<b>7,689</b>	<b>7,563</b>
<b>CAPITAL GRANTS</b>						
<i>Grants Through the State</i>						
Schools assistance – non-government schools	25	27	30	33	36	39
<i>National Partnerships/Other Grants</i>						
Housing	93	200	166	124	97	99
Transport	445	300	416	324	425	411
Other	59	88	66	15	17	15
<b>Total Capital Grants</b>	<b>622</b>	<b>615</b>	<b>677</b>	<b>496</b>	<b>575</b>	<b>564</b>

Note: Columns may not add due to rounding.



Table 2.1 (cont.)

<b>OPERATING REVENUE</b>						
<b>General Government</b>						
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Actual	Estimated	Budget	Forw ard	Forw ard	Forw ard
	\$m	\$m	\$m	\$m	\$m	\$m
<b>SALES OF GOODS AND SERVICES</b>						
WA Health	494	610	546	575	574	574
Department of Transport	198	211	216	231	234	239
Department of Education	160	145	152	156	157	157
State Training Providers	120	139	163	175	178	186
Department of Training and Workforce Development	43	51	58	62	62	62
Western Australian Land Information Authority	125	134	132	144	159	154
Department of Parks and Wildlife	39	44	44	46	46	46
Department of the Attorney General	101	107	107	108	112	114
Department of Commerce	81	86	82	76	77	78
Department of Mines and Petroleum	60	94	101	122	124	123
All Other	667	646	754	847	938	1,060
<b>Total Sales of Goods and Services</b>	<b>2,089</b>	<b>2,267</b>	<b>2,356</b>	<b>2,542</b>	<b>2,660</b>	<b>2,792</b>
<b>INTEREST INCOME</b>	<b>255</b>	<b>212</b>	<b>210</b>	<b>240</b>	<b>269</b>	<b>272</b>
<b>REVENUE FROM PUBLIC CORPORATIONS</b>						
Dividends	796	850	938	990	1,060	1,077
Tax Equivalent Regime	381	524	530	561	596	615
<b>Total Revenue from Public Corporations</b>	<b>1,177</b>	<b>1,374</b>	<b>1,468</b>	<b>1,551</b>	<b>1,656</b>	<b>1,691</b>
<b>ROYALTY INCOME</b>	<b>4,425</b>	<b>5,911</b>	<b>6,176</b>	<b>6,978</b>	<b>7,393</b>	<b>7,665</b>
<b>OTHER</b>						
Lease rentals	91	89	86	88	90	90
Fines	157	169	168	168	168	168
Revenue not elsew here counted	252	318	190	229	184	137
<b>Total Other</b>	<b>499</b>	<b>576</b>	<b>444</b>	<b>485</b>	<b>442</b>	<b>395</b>
<b>TOTAL REVENUE</b>	<b>25,718</b>	<b>27,970</b>	<b>28,683</b>	<b>29,901</b>	<b>31,159</b>	<b>32,162</b>

Note: Columns may not add due to rounding.

## 2013-14 General Government Operating Revenue

This appendix contains general government revenue estimates for the 2013-14 financial year, comparing the original 2013-14 Budget estimates, 2013-14 Mid-year Review and the estimated outturn contained in this Budget.

For total general government revenue in 2013-14, the difference between the estimated outturn included in this Budget (\$27,970 million) and the original 2013-14 Budget estimate is just \$8 million, a forecast error of less than 0.1%. This is the net result of a \$296 million downward revision to taxation revenue, a \$154 million upward revision to royalty income and North West Shelf grants, and a net \$134 million upward revision across all other sources of general government revenue.

Table 3.1

**2013-14 OPERATING REVENUE**  
General Government

	2013-14 Budget Estimate \$m	2013-14 Mid-Year Revision \$m	2013-14 Estimated Actual \$m
<b>TAXATION</b>			
Taxes on employers' payroll and labour force			
<i>Payroll tax</i>	3,730	3,730	3,617
Property taxes			
<i>Land tax</i>	657	662	662
Transfer duty	1,866	1,799	1,839
Landholder duty	309	248	196
<i>Total duty on transfers</i>	2,174	2,047	2,035
Other stamp duties	-	-	-
Metropolitan Region Improvement Tax	87	89	89
Emergency Services Levy	257	256	256
Loan guarantee fees	120	119	119
<i>Total other property taxes</i>	464	464	464
Taxes on provision of goods and services			
Lotteries Commission	147	147	148
Video lottery terminals	1	1	1
Casino tax	130	118	118
Betting tax	42	42	42
<i>Total taxes on gambling</i>	320	308	309
Insurance duty	593	593	593
Other	24	23	23
<i>Total taxes on insurance</i>	617	616	616
Taxes on use of goods and performance of activities			
Vehicle licence duty	436	416	396
Permits - oversize vehicles and loads	6	8	8
Motor vehicle recording fee	49	49	49
Motor vehicle registrations	725	725	725
<i>Total motor vehicle taxes</i>	1,216	1,198	1,178
<b>Total Taxation</b>	<b>9,177</b>	<b>9,025</b>	<b>8,881</b>

Note: Columns may not add due to rounding.

**2013-14 OPERATING REVENUE**  
General Government

Table 3.1 (cont.)

	2013-14 Budget Estimate \$m	2013-14 Mid-Year Revision \$m	2013-14 Estimated Actual \$m
<b>CURRENT GRANTS AND SUBSIDIES</b>			
<i>General Purpose Grants</i>			
GST grants	2,458	2,489	2,473
North West Shelf grants	1,067	1,091	1,134
Commonwealth compensation for changed crude oil excise arrangements	59	60	62
<i>Grants Through the State</i>			
Schools assistance – non-government schools	897	897	940
Local government financial assistance grants	170	170	170
Local government roads	107	107	107
First Home Owners' Boost	-	-	-
<i>National Specific Purpose Payment Agreement Grants</i>			
National Schools	457	457	469
National Skills and Workforce Development	151	151	152
National Disability Services	146	146	146
National Affordable Housing	139	139	139
<i>National Health Reform</i>	1,535	1,535	1,535
<i>National Partnerships/Other Grants</i>			
Health	392	407	403
Housing	15	15	15
Transport	76	76	76
Other	347	323	311
<b>Total Current Grants and Subsidies</b>	<b>8,015</b>	<b>8,062</b>	<b>8,133</b>
<b>CAPITAL GRANTS</b>			
<i>Grants Through the State</i>			
Schools assistance – non-government schools	29	29	27
<i>National Partnerships/Other Grants</i>			
Housing	200	200	200
Transport	392	408	300
Other	89	88	88
<b>Total Capital Grants</b>	<b>709</b>	<b>724</b>	<b>615</b>

Note: Columns may not add due to rounding.

Table 3.1 (cont.)

**2013-14 OPERATING REVENUE**  
General Government

	2013-14 Budget Estimate \$m	2013-14 Mid-Year Revision \$m	2013-14 Estimated Actual \$m
<b>SALES OF GOODS AND SERVICES</b>			
WA Health	517	517	610
Department of Transport	207	207	211
Department of Education	179	162	145
State Training Providers	144	125	139
Department of Training and Workforce Development	51	51	51
Western Australian Land Information Authority	134	134	134
Department of Parks and Wildlife	49	45	44
Department of the Attorney General	107	107	107
Department of Commerce	68	86	86
Department of Mines and Petroleum	95	93	94
All Other	624	653	646
<b>Total Sales of Goods and Services</b>	<b>2,175</b>	<b>2,181</b>	<b>2,267</b>
<b>INTEREST INCOME</b>	<b>201</b>	<b>221</b>	<b>212</b>
<b>REVENUE FROM PUBLIC CORPORATIONS</b>			
Dividends	832	857	850
Tax Equivalent Regime	502	546	524
<b>Total Revenue from Public Corporations</b>	<b>1,334</b>	<b>1,403</b>	<b>1,374</b>
<b>ROYALTY INCOME</b>	<b>5,824</b>	<b>6,089</b>	<b>5,911</b>
<b>OTHER</b>			
Lease rentals	84	84	89
Fines	169	169	169
Revenue not elsew here counted	290	308	318
<b>Total Other</b>	<b>543</b>	<b>561</b>	<b>576</b>
<b>TOTAL REVENUE</b>	<b>27,978</b>	<b>28,267</b>	<b>27,970</b>

Note: Columns may not add due to rounding.

## The Treasurer's Advance

The Treasurer's Advance is a requirement of the *Financial Management Act 2006* (FMA) and provides the Treasurer with authorisation to make short-term recoverable advances to agencies for the temporary financing of works and services (referred to as 'net unrecouped balances'). In addition, new or supplementary funding can be provided during the year for extraordinary or unforeseen matters (known as 'excesses and new items'), up to an approved limit.

The total amount expected to be drawn against recoverable advances, excesses and new items for 2013-14 (\$378.2 million) remains well within the \$595.7 million limit authorised by the FMA.

Table 4.1 shows the projected position of the Treasurer's Advance at 30 June 2014.

<b>TREASURER'S ADVANCE AT 30 JUNE</b>			Table 4.1
	2012-13 Actual \$m	2013-14 Projection <sup>(a)</sup> \$m	
<b>AUTHORISED LIMIT</b>	<b>651.5</b>	<b>595.7</b>	
<i>Total projected to be drawn against Treasurer's Advance authorisation</i>	<i>346.5</i>	<i>378.2</i>	
Comprising:			
Net recoverable advances as at 30 June	6.8	20.0	
Overdrawn Special Purpose Account <sup>(b)</sup>	0.1	-	
Excesses and New Items			
- recurrent	329.7	290.0	
- capital	9.9	68.2	
(a) Detailed disclosure of the final audited outcome for 2013-14 will be available in the 2013-14 <i>Annual Report on State Finances</i> , to be released by 28 September 2014.			
(b) The Treasurer gave approval to the Department of Mines and Petroleum to overdraw a Special Purpose Account (SPA) in 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

Table 4.4 details transfers, excesses and/or new items that are projected to occur during 2013-14, and the expected impact of these on the Treasurer's Advance under the authority of section 27 of the FMA.

The projections shown in Table 4.4 are subject to movements in agencies' appropriations through the remainder of 2013-14. Funding in excess of budget for appropriation items shown in the table will only occur if management responses do not achieve compensating shortfalls in other spending supported by these items prior to 30 June 2014.

A number of appropriations that were originally allocated in the 2013-14 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 2013-14, appropriation transfers included:

- \$31.8 million that was centrally provisioned in Treasury has been transferred to WA Health (\$31.4 million) and the Mental Health Commission (\$0.4 million) for 'Closing the Gap' programs;
- \$2.6 million was transferred from the Department of Fire and Emergency Services to the Department of the Premier and Cabinet to reflect the transfer of responsibility for the administration of the Western Australian Natural Disaster Relief and Recovery Arrangements from 1 April 2014;
- \$2 million of capital appropriation was transferred from the Department of Child Protection and Family Support to the Housing Authority for the construction of a new domestic violence refuge;
- \$1.7 million of recurrent (\$1.3 million) and capital (\$0.4 million) appropriation was transferred from the Western Australian Land Information Authority to the Department of Planning for the Regional and Urban Scenario Planning Initiative of the Location Information Strategy Program;
- \$1.1 million from the Department of Education to the Department of Local Government and Communities for the transfer of the Community Languages Program;
- \$0.5 million transfer from the Department of the Premier and Cabinet to the State Emergency Management Committee for the relocation of the Office of State Security to Dumas House;
- \$0.3 million transfer of parking and travel demand management planning functions from the Department of Planning to the Department of Transport;
- \$0.2 million transfer of certain corporate services functions from the Department of Finance to the Department of Treasury;

- \$9.6 million transfer (including both recurrent and capital appropriations) of transition costs relating to the decommissioning of the Office of Shared Services to various agencies (these costs were provisioned in a central appropriation at the time of the 2013-14 Budget). Table 4.2 below details the allocation by agency for 2013-14; and

Table 4.2

<b>DECOMMISSIONING OF SHARED SERVICES AGENCY TRANSITION COSTS</b>		
Item	Agency	Amount \$m
<i>Recurrent Appropriations</i>		
77	Commissioner for Equal Opportunity	- (a)
79	Office of the Director of Public Prosecutions	0.4
93	Racing, Gaming and Liquor	0.7
98	Finance	3.2
109	Heritage Council of Western Australia	- (a)
114	Corrective Services	1.1
<i>Total Recurrent</i>		<b>5.4</b>
<i>Capital Appropriations</i>		
155	Water	1.5
160	Commissioner for Equal Opportunity	- (a)
166	Finance	2.3
167	Local Government and Communities	0.3
<i>Total Capital</i>		<b>4.1</b>
<b>TOTAL</b>		<b>9.6</b>

(a) Amount less than \$50,000.  
Note: Columns may not add due to rounding.

- a total transfer to agencies of \$58 million provisioned for the voluntary separation of government employees. Table 4.3 below details the allocation by agency for 2013-14. The total cost of the scheme is estimated at up to \$158 million, comprising the \$57.7 million in agency transfers shown below, \$13 million of separations funded from within existing agency budgets, and up to \$87 million to be transferred from the central provision by 30 June 2014.



Table 4.3

**2013-14 ENHANCED VOLUNTARY SEPARATION SCHEME**

Item	Agency	Amount \$m
11	Chemistry Centre (WA)	0.5
20	Peel Development Commission	0.3
22	South West Development Commission	0.2
29	School Curriculum and Standards Authority	0.3
30	Country High School Hostels Authority	0.2
33	Treasury	1.1
62	Culture and the Arts: Delivery of Services	0.6
63	Culture and the Arts: Art Gallery of WA	0.3
64	Culture and the Arts: Library Board of WA	0.4
66	Culture and the Arts: Western Australian Museum	0.7
67	Western Australia Police	1.4
69	Training and Workforce Development	10.4
70	Water	3.5
72	Mental Health Commission	0.3
73	Disability Services Commission	3.3
74	Child Protection and Family Support	3.9
77	Commissioner for Equal Opportunity	0.6
83	Commerce	7.0
92	Western Australian Sports Centre Trust	0.5
95	Agriculture and Food	9.2
98	Finance	6.2
103	Parks and Wildlife	4.5
104	Environment Regulation	1.8
105	Botanic Gardens and Parks Authority	0.2
108	Zoological Parks Authority	0.2
	<b>TOTAL</b>	<b>57.7</b>

Note: Columns may not add due to rounding.

Table 4.4

**2013-14 TRANSFERS, EXCESSES AND NEW ITEMS**

	Treasurer's Advance					Drawn against Treasurer's Advance to date \$m
	Budget \$m	Transfers <sup>(a)</sup> \$m	New Items \$m	Approved Excesses \$m	Revised Appropriation Limit \$m	
<b>Recurrent Appropriations</b>						
<i>Parliamentary Services</i>						
Item 3: Delivery of Services	15.2	-	-	0.3	15.5	-
<i>Premier and Cabinet</i>						
Item 5: Delivery of Services	233.6	-0.4	-	-	233.2	-
New Item: Administered Grants, Subsidies and Other Transfer Payments	-	2.6	-	-	2.6	-
<i>Public Sector Commission</i>						
Item 6: Delivery of Services	25.4	-	-	0.1	25.5	-
<i>Chemistry Centre (WA)</i>						
Item 11: Delivery of Services	7.7	0.5	-	1.2	9.4	-
<i>WA Health</i>						
Item 12: Delivery of Services	4,080.1	31.4	-	-	4,111.6	-
<i>Peel Development Commission</i>						
Item 20: Delivery of Services	- <sup>(b)</sup>	0.3	-	-	0.3	-
<i>South West Development Commission</i>						
Item 22: Delivery of Services	- <sup>(b)</sup>	0.2	-	-	0.2	-
<i>Lands</i>						
Item 24: Delivery of Services	19.8	-	-	7.4	27.2	-
<i>Western Australian Land Information Authority</i>						
Item 25: Delivery of Services	29.3	-1.3	-	-	28.0	-
<i>Education</i>						
Item 26: Delivery of Services	3,599.2	-1.1	-	3.1	3,601.3	-
<i>Education Services</i>						
Item 27: Delivery of Services	16.5	-	-	2.2	18.7	-
<i>School Curriculum and Standards Authority</i>						
Item 29: Delivery of Services	34.4	0.3	-	0.7	35.4	-
<i>Country High School Hostels Authority</i>						
Item 30: Delivery of Services	6.0	0.2	-	0.7	6.9	-
<i>Treasury</i>						
Item 33: Delivery of Services	37.7	1.3	-	1.5	40.5	-
Item 34: Electricity Retail Corporation (Synergy)	489.3	-	-	102.7	592.0	-
Item 37: Public Transport Authority	683.8	-	-	28.3	712.1	-
Item 39: Western Australian Land Authority	47.4	-	-	0.7	48.1	-
Item 40: Closing the Gap	31.8	-31.8	-	-	-	-
Item 42: Decommissioning of the Office of Shared Services	2.4	-5.4	-	3.0	-	-
Item 47: Provision for Voluntary Separations	100.0	-57.7	-	44.9	87.2	-

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

Table 4.4 (cont.)

**2013-14 TRANSFERS, EXCESSES AND NEW ITEMS**

	Treasurer's Advance					Draw n against Treasurer's Advance to date \$m
	Budget \$m	Transfers <sup>(a)</sup> \$m	New Items \$m	Approved Excesses \$m	Revised Appropriation Limit \$m	
<i>Economic Regulation Authority</i>						
Item 54: Delivery of Services	4.1	-	-	1.2	5.3	-
<i>Office of the Auditor General</i>						
Item 55: Delivery of Services	6.1	-	-	- <sup>(b)</sup>	6.1	-
<i>Transport</i>						
Item 56: Delivery of Services	147.8	0.3	-	9.8	157.9	-
<i>Fisheries</i>						
Item 59: Delivery of Services	50.0	-	-	10.1	60.1	-
<i>Planning</i>						
Item 60: Delivery of Services	37.0	1.1	-	0.5	38.5	-
<i>Culture and the Arts</i>						
Item 62: Delivery of Services	36.9	0.6	-	0.7	38.2	-
Item 63: Art Gallery of Western Australia	11.1	0.3	-	3.8	15.2	-
Item 64: Library Board of Western Australia	30.1	0.4	-	1.9	32.4	-
Item 66: Western Australian Museum	21.1	0.7	-	8.5	30.2	-
<i>Western Australia Police</i>						
Item 67: Delivery of Services	1,177.4	1.4	-	-	1,178.8	-
<i>Small Business Development Corporation</i>						
Item 68: Delivery of Services	11.3	-	-	0.1	11.4	-
<i>Training and Workforce Development</i>						
Item 69: Delivery of Services	456.4	10.4	-	0.1	466.9	-
<i>Water</i>						
Item 70: Delivery of Services	69.1	3.5	-	4.1	76.8	-
<i>Mental Health Commission</i>						
Item 72: Delivery of Services	556.1	0.7	-	8.8	565.6	-
<i>Disability Services Commission</i>						
Item 73: Delivery of Services	636.5	3.3	-	-	639.8	-
<i>Child Protection and Family Support</i>						
Item 74: Delivery of Services	526.3	3.9	-	-	530.1	-
<i>Attorney General</i>						
Item 75: Delivery of Services	249.0	-	-	0.7	249.7	-
<i>Commissioner for Equal Opportunity</i>						
Item 77: Delivery of Services	3.7	0.6	-	0.5	4.9	-
<i>Office of the Director of Public Prosecutions</i>						
Item 79: Delivery of Services	29.9	0.4	-	1.4	31.7	-

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

Table 4.4 (cont.)

**TRANSFERS, EXCESSES AND NEW ITEMS**

	Treasurer's Advance					Draw n against Treasurer's Advance to date \$m
	Budget \$m	Transfers <sup>(a)</sup> \$m	New Items \$m	Approved Excesses \$m	Revised Appropriation Limit \$m	
<i>Office of the Information Commissioner</i>						
Item 81: Delivery of Services	1.8	-	-	0.1	1.9	-
<i>Commerce</i>						
Item 83: Delivery of Services	74.1	7.0	-	2.8	84.0	-
<i>Registrar, Western Australian Industrial Relations Commission</i>						
Item 85: Delivery of Services	9.0	-	-	0.1	9.1	-
<i>Mines and Petroleum</i>						
Item 86: Delivery of Services	76.2	-	-	3.3	79.6	-
<i>Sport and Recreation</i>						
Item 89: Delivery of Services	33.0	-	-	6.3	39.3	-
Item 90: Contribution to Community Sporting and Recreation Facilities Fund	12.8	-	-	1.6	14.4	-
<i>Western Australian Sports Centre Trust</i>						
Item 92: Delivery of Services	36.1	0.5	-	1.3	37.8	-
<i>Racing, Gaming and Liquor</i>						
Item 93: Delivery of Services	4.8	0.7	-	-	5.5	-
<i>Agriculture and Food</i>						
Item 95: Delivery of Services	135.6	9.2	-	-	144.8	-
<i>Finance</i>						
Item 98: Delivery of Services	274.1	9.3	-	-	283.4	-
<i>Local Government and Communities</i>						
Item 100: Delivery of Services	129.8	1.1	-	-	130.9	-
<i>Parks and Wildlife</i>						
Item 103: Delivery of Services	201.5	4.5	-	3.1	209.1	-
<i>Environment Regulation</i>						
Item 104: Delivery of Services	0.4	1.8	-	1.9	4.2	-
<i>Botanic Gardens and Parks Authority</i>						
Item 105: Delivery of Services	12.5	0.2	-	1.5	14.3	-
<i>Office of the Environmental Protection Authority</i>						
Item 106: Delivery of Services	9.7	-	-	4.8	14.5	2.0
<i>Zoological Parks Authority</i>						
Item 108: Delivery of Services	10.7	0.2	-	0.1	11.0	-
<i>Heritage Council of Western Australia</i>						
Item 109: Delivery of Services	7.1	- <sup>(b)</sup>	-	-	7.1	-

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

Table 4.4 (cont.)

<b>TRANSFERS, EXCESSES AND NEW ITEMS</b>						
	Budget \$m	Transfers <sup>(a)</sup> \$m	Treasurer's Advance			Draw n against Treasurer's Advance to date \$m
			New Items \$m	Approved Excesses \$m	Revised Appropriation Limit \$m	
<i>Fire and Emergency Services</i>						
Item 111: Delivery of Services	35.5	-0.1	-	0.8	36.1	-
Item 112: Administered Grants, Subsidies and Other Transfer Payments	15.0	-2.6	-	-	12.4	-
<i>State Emergency Management Committee Secretariat</i>						
Item 113: Delivery of Services	3.9	0.5	-	0.2	4.6	-
<i>Corrective Services</i>						
Item 114: Delivery of Services	753.6	1.1	-	12.9	767.6	-
		-	-	<b>290.0</b>		<b>2.0</b>
<b>Capital Appropriations</b>						
<i>WA Health</i>						
Item 118: Capital Appropriation	312.6	-	-	16.9	329.4	-
<i>Western Australian Land Information Authority</i>						
Item 122: Capital Appropriation	2.7	-0.4	-	-	2.3	-
<i>Treasury</i>						
Item 130: Decommissioning of the Office of Shared Services	8.9	-4.1	-	-	4.7	-
<i>Fisheries</i>						
Item 147: Capital Appropriation	4.0	-	-	8.8	12.8	-
<i>Planning</i>						
Item 148: Capital Appropriation	7.4	0.4	-	-	7.8	-
<i>Water</i>						
Item 155: Capital Appropriation	8.4	1.5	-	-	9.9	-
<i>Child Protection and Family Support</i>						
Item 157: Capital Appropriation	10.6	-2.0	-	-	8.6	-
<i>Commissioner for Equal Opportunity</i>						
Item 160: Capital Appropriation	0.1	- <sup>(b)</sup>	-	-	0.1	-
<i>Housing Authority</i>						
Item 161: Capital Appropriation	111.2	2.0	-	-	113.2	-
<i>Sport and Recreation</i>						
Item 162: Capital Appropriation	39.6	-	-	1.9	41.5	-
<i>Western Australian Sports Centre Trust</i>						
Item 163: Capital Appropriation	2.8	-	-	9.6	12.4	-
<i>Finance</i>						
Item 166: Capital Appropriation	27.0	2.3	-	-	29.3	-

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

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**TRANSFERS, EXCESSES AND NEW ITEMS**

Table 4.4 (cont.)

	Treasurer's Advance					Draw n against Treasurer's Advance to date \$m
	Budget \$m	Transfers <sup>(a)</sup> \$m	New Items \$m	Approved Excesses \$m	Revised Appropriation Limit \$m	
<i>Local Government and Communities</i>						
Item 167 : Capital Appropriation	0.3	0.3	-	-	0.6	-
<i>Parks and Wildlife</i>						
Item 168 : Capital Appropriation	2.4	-	-	3.2	5.6	-
<i>Fire and Emergency Services</i>						
Item 173 : Capital Appropriation	0.9	-	-	24.1	25.0	-
<i>Premier and Cabinet</i>						
New Item: Capital Appropriation	-	-	0.3	-	0.3	-
<i>Lands</i>						
New Item: Capital Appropriation	-	-	0.5	-	0.5	-
<i>Commerce</i>						
New Item: Capital Appropriation	-	-	3.0	-	3.0	-
<b>Total Capital</b>		-	<b>3.8</b>	<b>64.4</b>		-
<b>TOTAL</b>			<b>3.8</b>	<b>354.1</b>		<b>2.0</b>

(a) Authorised under section 25 of the FMA.

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

Note: Columns/rows 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) or by a statute (e.g. the Fiona Stanley Hospital Construction Account and the Royalties for Regions Fund). Accounts established by statute are governed by the relevant provisions of the statute while accounts that are established administratively are governed by a special purpose statement (operating accounts) or a trust statement (trust accounts) that outlines the purpose of the account.

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 14 April 2014 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 2014-15 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.

Funds from the account have almost been fully drawn down to pay for construction work, with the new facility achieving practical completion in December 2013. Receipts reflect \$15 million appropriated by Parliament in 2013-14, with a further \$10 million to be appropriated in 2014-15 for minor works. The remaining receipts reflect interest revenue earned on the account balance. A small cash balance is expected to remain at the end of 2014-15 to provide for project close out activities. Following final completion, any remaining funds will be returned to the Consolidated Account.



Table 5.1

**FIONA STANLEY HOSPITAL CONSTRUCTION ACCOUNT**

	2013-14 \$m	2014-15 \$m
<i>Balance at 1 July</i>	104	9
Receipts	17	11
Payments	112	18
<b>Closing Balance</b>	<b>9</b>	<b>2</b>

Note: Columns may not add due to rounding.

## Perth Children's Hospital Account<sup>1</sup>

This SPA was established in October 2010 to hold money for the construction and start-up of the Perth Children's Hospital. The hospital is expected to be completed by mid-2015.

A total of \$645 million (or 55%) of the construction costs was funded from one-off royalty revenue and Consolidated Account surplus outcomes recorded over the period 2009-10 to 2011-12 (including \$70 million from the 2011-12 year, paid into the Account in 2013-14). The remaining 45% of the hospital's funding, including receipts of \$350 million in 2014-15 as part of this Budget, represent Consolidated Account capital contributions to meet the scheduled construction work. Funds are drawn from the SPA and paid to WA Health as payments for construction work fall due.

A small cash balance is expected to remain following completion of the hospital as a contingency for defects and any minor residual works.

Table 5.2

**PERTH CHILDREN'S HOSPITAL ACCOUNT**

	2013-14 \$m	2014-15 \$m
<i>Balance at 1 July</i>	277	50
Receipts	182	350
Payments	409	391
<b>Closing Balance</b>	<b>50</b>	<b>9</b>

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.

<sup>1</sup> Previously the New Children's Hospital Account. The Account was renamed on 30 January 2014 following the 30 September 2013 announcement by the State Government that Perth Children's Hospital would be the official name for the new children's hospital.

Receipts consist of application fees, licence 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*.

Additional receipts of \$9.9 million are expected in 2014-15 as a result of a \$182.50 increase in licence fees for all fee-liable Perth Parking Management Area parking bays, announced as part of the revenue and savings measures included in this Budget (see Chapter 1: *Overview*). The increase in licence fees is expected to generate an additional \$73 million in revenue over the forward estimates period. The additional revenue will be used to assist in funding the construction of the \$209 million Perth Busport. This is in addition to \$70 million already funded from this account.

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### PERTH PARKING LICENSING ACCOUNT

Table 5.3

	2013-14 \$m	2014-15 \$m
<i>Balance at 1 July</i>	70	48
Receipts	38	48
Payments	59	88
<b>Closing Balance</b>	<b>48</b>	<b>8</b>

Note: Columns may not add due to rounding.

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## Road Trauma Trust Account

This account was established to provide for road safety initiatives. Receipts reflect prescribed penalties paid during the year, other funds collected under the *Road Traffic Act 1974*, and interest revenue earned on the account balance.

Key initiatives funded from the account in 2014-15 include improvements to metropolitan intersections to reduce the incidence and severity of vehicle crashes, continuation of the electronic school zone sign project, safety improvements to sections of the Wubin-Mullewa Road and the Coalfields and Albany regional Highways, strategic traffic enforcement and increased breath and drug testing by Western Australia Police, community and school education programs and continued support for 'Roadwise' (the Local Government and Community Road Safety Program).

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### ROAD TRAUMA TRUST ACCOUNT

Table 5.4

	2013-14 \$m	2014-15 \$m
<i>Balance at 1 July</i>	65	80
Receipts	97	93
Payments	82	100
<b>Closing Balance</b>	<b>80</b>	<b>73</b>

Note: Columns may not add due to rounding.

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## Royalties for Regions Fund

The Royalties for Regions Fund was established in December 2008 to set aside a share of the State's annual royalty income to fund investment in regional Western Australia.

Based on approved expenditure and revenue estimates, and taking into consideration the statutory \$1 billion cap for the limit on balances held by the Fund, the proportion of royalty income appropriated to the Fund is expected to be below 25% in 2014-15, the first time the annual royalty allocation has fallen below this level since the program began.

As part of the revenue and savings measures included in this Budget, changes have been made to Royalties for Regions funding arrangements that will establish a \$1 billion expenditure limit on the program, which will be reviewed annually.

Payments from the Fund also include internal government transfers to the Future Fund, transfers to agencies that deliver some parts of the program, and transfers to other SPAs (such as the Southern Inland Health Initiative SPA disclosed below). Accordingly, aggregate payments from the Royalties for Regions Fund can thus exceed the \$1 billion spending cap imposed as part of this Budget. However, portions of the transfers are retained in the Future Fund, other SPAs and agency accounts and remain unspent, consistent with the \$1 billion expenditure cap applying to the program.

<b>ROYALTIES FOR REGIONS FUND</b>		
	2013-14	2014-15
	\$m	\$m
<i>Balance at 1 July</i>	881	939
Receipts	1,479	1,148
Payments	1,421	1,087
<b>Closing Balance</b>	<b>939</b>	<b>1,000</b>

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*.

Funds drawn from the SPA will be applied to support improved access to core health services through the provision of additional resources, improvements to local hospitals and health facilities, and telehealth services in the Great Southern, Mid West, Goldfields, South West and Wheatbelt regions. Royalties for Region funding of \$300 million is expected to be paid into the account in 2013-14 to provide ongoing payments for these initiatives.

Table 5.6

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**ROYALTIES FOR REGIONS SOUTHERN INLAND HEALTH INITIATIVE**

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	2013-14 \$m	2014-15 \$m
<i>Balance at 1 July</i>	211	456
Receipts	300	-
Payments	56	145
<b>Closing Balance</b>	<b>456</b>	<b>311</b>

Note: Columns may not add due to rounding.

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## 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 and associated transport infrastructure. The stadium is expected to be completed by 2018 and utilise all available funds in the SPA as part of the funding to support 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 falls due.

Table 5.7

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**THE NEW PERTH STADIUM ACCOUNT**

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	2013-14 \$m	2014-15 \$m
<i>Balance at 1 July</i>	95	47
Receipts	15	145
Payments	63	182
<b>Closing Balance</b>	<b>47</b>	<b>11</b>

Note: Columns may not add due to rounding.

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## 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 \$1.1 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. Receipts for 2014-15 include the Royalties for Regions 'seed capital' contribution (\$247 million) and interest receipts (\$30 million).

The Future Fund is projected to accumulate \$1.5 billion in funds by 30 June 2017-18 and \$5.4 billion by 30 June 2032.

Table 5.8

<b>WESTERN AUSTRALIAN FUTURE FUND</b>		
	2013-14	2014-15
	\$m	\$m
<i>Balance at 1 July</i>	306	589
Receipts	283	277
Payments	-	-
<b>Closing Balance</b>	<b>589</b>	<b>865</b>

Note: Columns may not add due to rounding.

## Waste Avoidance and Resource Recovery Account

The Waste Avoidance and Resource Recovery (WARR) Account was established in 2008 under section 79 of the *Waste Avoidance and Resource Recovery Act 2007* to hold revenue allocated from the landfill levy. The purpose of the Account is to fund nominated programs and other waste management initiatives approved by the Minister for Environment on the advice of the Waste Authority of Western Australia. This includes implementing initiatives related to the management, reduction, reuse, recycling, monitoring or measurement of waste.

Receipts in 2014-15 reflect an additional \$4.2 million in the WARR Account as a result of an increase in the landfill levy rates, to take effect on 1 January 2015.

Table 5.9

<b>WASTE AVOIDANCE AND RESOURCE RECOVERY ACCOUNT</b>		
	2013-14	2014-15
	\$m	\$m
<i>Balance at 1 July</i>	18	15
Receipts	12	16
Payments	15	19
<b>Closing Balance</b>	<b>15</b>	<b>12</b>

Note: Columns may not add due to rounding.

# State Government Social Concessions Expenditure Statement

## Introduction

The State government provides social concessions in the form of rebates, discounts and subsidies to improve the affordability of services and help reduce the cost of living for individuals and families<sup>1</sup>.

In the past, reporting of social concessions has focused on rebates, discounts and waivers for services based on eligibility criteria such as age, income and/or special needs. However, this does not take into account the subsidies provided by the State government to reduce the price paid by consumers for services such as public transport, electricity and water. This is an important part of the Government's contribution to ensuring affordable services for all Western Australians.

Accordingly, a new format for reporting social concessions is contained in this Budget. This appendix reports the entire range of social concessions provided by State government agencies.

The information provided in this appendix reflects actual expenditure on each social concession, by agency, in 2012-13 and estimated expenditure in 2013-14 and 2014-15.

Because of the expanded range of concessions reported in this year's Budget, comments on each individual concession have not been included.

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<sup>1</sup> Information on the private motor vehicle registration fee concession is disclosed in Appendix 10: *Tax and Royalty Expenditure Statement*.

Under the expanded definition, the total value of State public sector concessions in 2014-15 is estimated at \$2.8 billion (including \$1.9 billion in operating subsidies for electricity, water and public transport services<sup>2</sup>). This compares to an estimated total value of public sector concessions of \$2.4 billion in 2012-13 and \$2.8 billion in 2013-14 (including operating subsidies).

## General Notes on the Statement

For the purposes of this appendix, social concessions are defined as:

- discounts, rebates and subsidies to improve access to, and affordability of, a range of services based on eligibility criteria related to factors such as age, income and special needs or disadvantage; and
- concessional prices for services provided by public non-financial corporations where the price charged to all consumers is less than the full cost of service provision, and grants paid to private and State training providers to subsidise the cost of training services.

The information in this appendix is compiled from information provided by relevant government agencies.

The method of estimating the value of concessions varies. 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.

The estimated number of recipients is recorded against each social concession. Where the number of unique recipients is not recorded, the number of occasions the concession has been accessed is used instead.

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<sup>2</sup> Operating subsidies for social concessions purposes form the vast bulk of operating subsidies reported in Table 8.7 in Appendix 8.

Table 6.1

**SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS**  
Western Australia

Concession	2012-13 Actual \$'000	2012-13 No. of Recipients	2013-14 Estimated Actual \$'000	2013-14 Estimated No. of Recipients	2014-15 Budget Estimate \$'000	2014-15 Estimated No. of Recipients
<b>ATTORNEY GENERAL</b>						
Legal Aid Concessions	24,390	76,976	23,782	75,615	24,393	77,158
Public Trustee Discount Fees	276	1,415	252	1,350	270	1,400
Court and Tribunal Concessions <sup>(a)</sup>	2,442	12,482	2,953	14,584	2,966	14,202
<b>Sub-Total</b>	<b>27,108</b>		<b>26,988</b>		<b>27,629</b>	
<b>BUNBURY WATER CORPORATION</b>						
Pensioners and Seniors Supply Charge Rebate	150	4,271	168	4,314	170	4,357
Pensioners and Seniors Consumption Rebate	183	4,271	199	4,314	201	4,357
Pensioners Tenant Rebate	7	132	8	133	9	135
Ex-Gratia Water (Leak) Allowance	54	74	42	75	43	77
<b>Sub-Total</b>	<b>394</b>		<b>417</b>		<b>422</b>	
<b>BUSSELTON WATER CORPORATION</b>						
Pensioners Supply Charge and Consumption Rebate	276	1,633	303	1,633	328	1,633
Seniors Supply Charge and Consumption Rebate	59	694	65	694	70	694
Ex-Gratia Water (Leak) Allowance	41	35	42	35	44	35
<b>Sub-Total</b>	<b>375</b>		<b>411</b>		<b>442</b>	
<b>COMMUNITIES</b>						
Seniors Cost of Living Rebate	37,123	276,898	39,850	289,119	42,750	302,507
Safety and Security Rebate <sup>(b)</sup>	2,234	12,245	1,393	7,500	1,000	4,634
<b>Sub-Total</b>	<b>39,356</b>		<b>41,243</b>		<b>43,750</b>	
<b>CULTURE AND THE ARTS</b>						
Art Gallery Concessions <sup>(c)</sup>	447	58,164	275	38,550	12	6,800
Perth Theatre Trust Concessions	74	4,196	76	4,301	78	4,409
WA Museum Concessions <sup>(d)</sup>	306	59,966	265	51,465	236	45,617
<b>Sub-Total</b>	<b>827</b>		<b>616</b>		<b>326</b>	

Note: Columns may not add due to rounding.

There is no sub-total for recipient numbers due to the different methods used to calculate these values.

Footnotes on last page of the table.



Table 6.1 (cont.)

**SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS**  
Western Australia

Concession	2012-13 Actual \$'000	2012-13 No. of Recipients	2013-14 Estimated Actual \$'000	2013-14 Estimated No. of Recipients	2014-15 Budget Estimate \$'000	2014-15 Estimated No. of Recipients
<b>EDUCATION</b>						
Secondary Assistance Scheme – Education Program Allowance	4,743	20,369	4,682	20,106	5,150	22,098
Secondary Assistance Scheme – Clothing	2,365	20,565	2,312	20,145	2,497	21,710
Boarding Away from Home Allowance	3,566	1,732	3,587	1,742	3,752	1,821
Boarding Away from Home Allowance – Agriculture College	485	238	488	239	511	250
Boarding Away from Home – Gifted and Talented	90	48	90	48	94	51
Secondary Assistance Scheme – Abstudy Supplement	19	237	18	234	18	231
<b>Sub-Total</b>	<b>11,267</b>		<b>11,177</b>		<b>12,022</b>	
<b>FINANCE</b>						
Council Rates Concession for Pensioners:	91,795	405,453	102,900	414,373	111,700	423,074
• Rates and Charges Rebate – Local Government	79,124	205,543	88,000	210,065	95,500	214,476
• Rates and Charges Rebate – Emergency Services Levy	12,671	199,910	14,900	204,308	16,200	208,598
Energy Concession Extension Scheme <sup>(f)</sup>	120	600	2,506	na	2,788	na
Land Tax Concession – War Widows	2	44	2	43	2	43
Thermoregulatory Dysfunction Energy Subsidy	950	1,750	1,009	1,789	1,101	1,826
Life Support Equipment Energy Subsidy	1,005	1,639	1,067	1,675	1,164	1,710
<b>Sub-Total</b>	<b>93,872</b>		<b>107,484</b>		<b>116,755</b>	

Note: Columns may not add due to rounding.

There is no sub-total for recipient numbers due to the different methods used to calculate these values. Footnotes on last page of the table.

Table 6.1 (cont.)

**SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS**  
Western Australia

Concession	2012-13 Actual \$'000	2012-13 No. of Recipients	2013-14 Estimated Actual \$'000	2013-14 Estimated No. of Recipients	2014-15 Budget Estimate \$'000	2014-15 Estimated No. of Recipients
<b>FISHERIES</b>						
Concessional Abalone Fishing Licence	93	4,652	85	4,228	84	4,200
Concessional Net Fishing Licence	121	6,066	130	6,519	130	6,500
Concessional Marron Fishing Licence	70	3,522	51	2,563	72	3,600
Concessional Rock Lobster Fishing Licence	227	11,351	242	12,090	240	12,000
Concessional South West Freshwater Angling Licence	60	2,997	68	3,402	68	3,400
Concessional Recreational Fishing from a Boat Licence	535	35,673	583	38,894	585	39,000
<b>Sub-Total</b>	<b>1,107</b>		<b>1,159</b>		<b>1,179</b>	
<b>GOLDCORP</b>						
Concession Admission <sup>(9)</sup>	30	2,330	-	-	80	4,000
<b>Sub-Total</b>	<b>30</b>		<b>-</b>		<b>80</b>	
<b>HEALTH</b>						
Spectacle Subsidy Scheme <sup>(h)</sup>	2,426	48,963	2,500	50,000	2,500	50,000
Subsidised Dental Care <sup>(i)</sup>	16,319	55,193	17,257	67,651	17,257	67,651
Subsidised Dental Care - Oral Health Care Centre of WA <sup>(i)</sup>	11,307	14,851	11,533	15,000	11,763	15,150
Country Patients Dental Subsidy Scheme	2,408	8,964	2,680	13,585	2,000	10,140
Metropolitan Patients Dental Subsidy Scheme	326	866	180	675	117	435
WA Country Health Service Patient Assisted Travel Scheme <sup>(j)</sup>	33,237	na	35,360	na	38,100	na
Home Haemodialysis	18	26	21	31	25	37
Ambulance Services for Seniors	26,134	81,605	30,285	83,412	32,239	85,247
<b>Sub-Total</b>	<b>92,174</b>		<b>99,816</b>		<b>104,001</b>	

Note: Columns may not add due to rounding.

There is no sub-total for recipient numbers due to the different methods used to calculate these values.

Footnotes on last page of the table.

Table 6.1 (cont.)

**SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS**  
Western Australia

Concession	2012-13	2012-13	2013-14	2013-14	2014-15	2014-15
	Actual \$'000	No. of Recipients	Estimated Actual \$'000	Estimated No. of Recipients	Budget Estimate \$'000	Estimated No. of Recipients
<b>HORIZON POWER</b>						
Supply Charge Rebate <sup>(k)</sup>	235	5,077	-	-	-	-
Cost of Living Allowance <sup>(e)(k)</sup>	610	5,698	1,498	8,037	1,090	5,581
Dependent Child Rebate <sup>(e)</sup>	372	2,069	295	1,031	607	2,026
Tariff Migration (Caravan Park subsidy) <sup>(e)</sup>	290	19 <sup>(l)</sup>	421	19 <sup>(l)</sup>	379	19 <sup>(l)</sup>
Tariff Migration (Government Entities) <sup>(e)(m)</sup>	8,376	828	9,642	828	-	-
Account Establishment Fee Rebate <sup>(n)</sup>	22	606	na	na	na	na
Aboriginal and Remote Communities Project – Stage 1 <sup>(e)</sup>	9,833	658	12,471	549	12,537	554
Aboriginal and Remote Communities Project – Stage 2 <sup>(e)</sup>	2,334	50	3,105	259	3,198	274
Air Conditioning Allowance (North of 26th Parallel) <sup>(e)</sup>	463	2,210	412	1,451	696	2,175
Feed-In Tariff <sup>(e)</sup>	40	na	40	na	40	na
Tariff Adjustment Payment – Operating Subsidy <sup>(e)</sup>	30,091	38,882	31,359	41,574	28,308	44,431
<b>Sub-Total</b>	<b>52,666</b>		<b>59,243</b>		<b>46,856</b>	
<b>HOUSING</b>						
Rental Subsidy	209,359	32,769	213,965	32,769	218,672	32,769
Amenities Fee Discount	647	10,767	661	10,681	676	10,600
Cash Assistance Grant	9	4	21	8	22	8
Rental Sales Scheme Subsidy	45	12	45	12	45	12
Bond Assistance Loans Interest Foregone	309	7,786	354	8,340	424	10,000
Centenarian Initiative <sup>(o)</sup>	49	10	65	13	107	21
<b>Sub-Total</b>	<b>210,417</b>		<b>215,111</b>		<b>219,947</b>	
<b>LANDS</b>						
Pension Protection Plan Fees and Charges <sup>(p)</sup>	24	3	24	3	24	3
<b>Sub-Total</b>	<b>24</b>		<b>24</b>		<b>24</b>	

Note: Columns may not add due to rounding.

There is no sub-total for recipient numbers due to the different methods used to calculate these values.

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Table 6.1 (cont.)

**SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS**  
Western Australia

Concession	2012-13 Actual \$'000	2012-13 No. of Recipients	2013-14 Estimated Actual \$'000	2013-14 Estimated No. of Recipients	2014-15 Budget Estimate \$'000	2014-15 Estimated No. of Recipients
<b>PARKS AND WILDLIFE</b>						
National Park Entrance Fee Reduction	388	35,622	388	35,622	388	35,622
Tree Top Walk Entry Concession	51	16,053	62	16,053	66	16,053
Geike Gorge Boat Trip Concession	39	5,075	39	5,075	39	5,075
Camping Concession	215	39,407	236	39,407	244	39,407
Monkey Mia Park Entry Fee Concessions	19	10,257	19	10,257	20	10,257
Concession Annual All Park Pass	96	3,514	103	3,514	105	3,514
Dryandra Woodland Barna Mia Concession Tour Fee	1	299	1	299	1	299
Cave Concessions	15	3,998	15	3,998	15	3,998
Penguin Island Concessions	5	4,958	5	4,958	5	4,958
Perth Observatory Tour Concessions	20	2,467	20	2,467	20	2,467
<b>Sub-Total</b>	<b>848</b>		<b>889</b>		<b>902</b>	
<b>PERTH MARKET AUTHORITY</b>						
Discount for Sunday/Community Market Entry Price	23	45,015	21	41,241	22	43,264
<b>Sub-Total</b>	<b>23</b>		<b>21</b>		<b>22</b>	
<b>PUBLIC TRANSPORT AUTHORITY<sup>(q)</sup></b>						
Transperth - General <sup>(e)(r)</sup>	410,588	105,702,000	473,091	101,542,000	513,210	106,088,000
Transperth - Concession Fares <sup>(e)(s)</sup>	68,436	33,794,000	53,355	34,789,000	48,175	31,872,000
Transperth - Pensioners, Seniors and Carers Free Travel <sup>(e)(t)</sup>	16,135	5,299,000	15,836	5,592,000	16,183	5,816,000
Transperth - Free Transit Zone <sup>(u)</sup>	14,519	4,902,000	15,178	5,318,000	15,293	5,898,000
Regional Town Bus Services <sup>(e)</sup>	15,753	2,492,500	15,853	2,520,000	16,036	2,533,400
Regional School Bus Services <sup>(e)(v)(w)</sup>	108,872	29,153	116,866	28,675	118,174	28,975
Regional School Bus Services - Student Conveyance Allowance <sup>(e)(v)</sup>	1,204	4,356	3,771	4,434	3,888	4,514
Transwa - General <sup>(e)(r)(x)</sup>	26,661	308,939	27,669	300,045	28,407	287,204
Transwa - Concession Fares <sup>(e)</sup>	3,836	105,228	4,062	106,100	4,163	107,760
Transwa - Annual Free Trip for Pensioners <sup>(e)(v)</sup>	2,582	28,664	2,626	30,135	2,691	30,675
<b>Sub-Total</b>	<b>668,587</b>		<b>728,307</b>		<b>766,220</b>	

Note: Columns may not add due to rounding.

There is no sub-total for recipient numbers due to the different methods used to calculate these values.

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Table 6.1 (cont.)

**SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS**  
Western Australia

Concession	2012-13 Actual \$'000	2012-13 No. of Recipients	2013-14 Estimated Actual \$'000	2013-14 Estimated No of Recipients	2014-15 Budget Estimate \$'000	2014-15 Estimated No. of Recipients
<b>ROTTNEST ISLAND AUTHORITY</b>						
Train/Bus/Bike Concessions	42	10,667	44	11,248	53	12,980
Tour Concessions	11	3,327	10	3,200	16	3,390
<b>Sub-Total</b>	<b>53</b>		<b>54</b>		<b>69</b>	
<b>SPORT AND RECREATION</b>						
Children's Camp Prices	13	226	14	230	15	250
<b>Sub-Total</b>	<b>13</b>		<b>14</b>		<b>15</b>	
<b>SYNERGY</b>						
Supply Charge Rebate <sup>(y)</sup>	11,527	261,576	-	-	-	-
Cost of Living Assistance <sup>(e)(y)</sup>	36,512	263,634	53,037	274,185	57,862	280,893
Dependent Child Rebate <sup>(e)</sup>	11,446	47,892	16,478	51,059	17,641	52,309
Permanent Caravan Park Residents Energy and Air Conditioning Subsidies <sup>(e)</sup>	277	1,594	317	1,594	333	1,594
Account Establishment Fee Rebate <sup>(e)</sup>	753	26,600	935	27,664	982	28,204
Air Conditioning Rebate <sup>(e)</sup>	26	565	29	590	31	605
Late Payment Waiver <sup>(e)</sup>	464	65,754	564	70,822	578	72,555
Feed-In Tariff <sup>(e)</sup>	30,300	75,630	30,300	75,630	30,300	75,630
Tariff Adjustment Payment – Operating Subsidy <sup>(e)</sup>	338,076	992,552	495,868	1,010,881	461,081	1,034,224
<b>Sub-Total</b>	<b>429,380</b>		<b>597,528</b>		<b>568,808</b>	
<b>TRAINING AND WORKFORCE DEVELOPMENT</b>						
Total Grants including <sup>(z)</sup> :	343,642	146,028	320,315	na	298,247	na
• Tuition Fees – Vocational Educational Training (VET) Courses – 50% Course Fee Concession	6,659	24,577	7,950	27,114	15,246	31,641
• Tuition Fees – VET Courses – 100% Course Fee Concession	2,754	6,332	393	858	113	277
South West Bus Service	598	154	460	125	500	125
<b>Sub-Total</b>	<b>344,240</b>		<b>320,775</b>		<b>298,747</b>	

Note: Columns may not add due to rounding.

There is no sub-total for recipient numbers due to the different methods used to calculate these values.

Footnotes on last page of the table.

Table 6.1 (cont.)

**SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS**  
Western Australia

Concession	2012-13 Actual \$'000	2012-13 No. of Recipients	2013-14 Estimated Actual \$'000	2013-14 Estimated No. of Recipients	2014-15 Budget Estimate \$'000	2014-15 Estimated No. of Recipients
<b>TRANSPORT</b>						
Pensioner/Senior Inter-Town Travel Scheme <sup>(aa)</sup>	209	13,503	350	14,178	350	14,887
Pensioner/Senior Intra-Town Travel Scheme <sup>(aa)</sup>	83	47,448	162	49,820	162	52,311
Students Subsidised Travel Scheme	1,537	2,221	1,241	2,342	1,241	2,459
Taxi Users' Subsidy Scheme	10,165	16,435	10,785	17,257	10,785	18,120
Motor Drivers Licence (50% + 100%) <sup>(bb)</sup>	10,486	338,442	11,236	345,633	11,812	352,991
Motor Vehicle Licence (50% + 100%) <sup>(cc)</sup>	28,773	188,596	30,488	190,791	31,709	193,015
Pensioner Annual Free Trip Perth Parking Management Exemptions	948	1,150	1,077	1,208	1,077	1,268
<b>Sub-Total</b>	<b>58,242</b>		<b>62,297</b>		<b>67,239</b>	
<b>WA GREYHOUND RACING ASSOCIATION</b>						
Veterans, Disabled and Aged Discount – Greyhound	5	2,108	5	2,100	5	2,100
<b>Sub-Total</b>	<b>5</b>		<b>5</b>		<b>5</b>	
<b>WA SPORTS CENTRE TRUST – VENUESWEST</b>						
Aquatic Centre Entry Concession – Total <sup>(dd)</sup>	30	25,045	32	26,311	32	27,577
Aquatic Concession Aqua Card – Total <sup>(ee)</sup>	44	1,868	48	1,974	50	1,974
Fitness Membership	25	292	33	366	33	367
<b>Sub-Total</b>	<b>100</b>		<b>112</b>		<b>115</b>	
<b>WATER CORPORATION<sup>(ff)</sup></b>						
Pensioners Service Charge Rebate	41,603	120,233	48,970	128,004	53,528	134,811
Pensioners Consumption Concession <sup>(gg)</sup>	13,710	153,572	20,055	163,498	17,684	172,193
Seniors Service Charge Rebate	12,949	58,663	16,905	65,160	16,661	68,625
Retirement Unit Concession <sup>(gg)</sup>	15	107	33	169	19	178
Interest on Rates Deferred for Pensioners <sup>(gg)</sup>	455	7,887	348	8,397	355	8,843
Country Water <sup>(e)(hh)</sup>	241,570	210,916	316,946	215,135	327,414	218,490
Country Drainage <sup>(e)</sup>	11,829	7,442	14,530	7,561	14,249	7,667
Country Wastewater <sup>(e)</sup>	38,591	157,167	68,313	160,625	73,125	163,375
Infill Sewerage Program <sup>(e)</sup>	28,187	91,739	31,811	95,768	27,401	97,978
Leaks and Bursts	2,314	6,597	6,445	5,081	5,470	6,597
<b>Sub-Total</b>	<b>391,222</b>		<b>524,355</b>		<b>535,906</b>	

Note: Columns may not add due to rounding.

There is no sub-total for recipient numbers due to the different methods used to calculate these values.

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Table 6.1 (cont.)

**SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS**  
Western Australia

Concession	2012-13	2012-13	2013-14	2013-14	2014-15	2014-15
	Actual \$'000	No. of Recipients	Estimated Actual \$'000	Estimated No. of Recipients	Budget Estimate \$'000	Estimated No. of Recipients
<b>ZOOLOGICAL PARKS AUTHORITY</b>						
Children's Discount – Zoo Children Under 4 – Free Zoo Entry	1,128	100,676	1,228	100,676	1,409	100,676
Education Excursion Discount	1,936	86,046	2,108	86,046	2,323	86,046
Seniors Discount and Concession Card – Zoo	446	36,909	507	36,909	589	36,909
Carers Free Entry	239	59,868	239	59,868	359	59,868
	54	2,414	59	2,414	65	2,414
<b>Sub-Total</b>	<b>3,803</b>		<b>4,142</b>		<b>4,746</b>	
<b>TOTAL</b>	<b>2,426,134</b>		<b>2,802,186</b>		<b>2,816,226</b>	

- (a) This includes the State Administrative Tribunal (WA), Magistrates Courts and Tribunal, Supreme Court, Children's Court, Coroner's Court, District Court, and Family Court.
- (b) A revised scheme was introduced on 1 January 2014.
- (c) The Museum of Modern Art (MoMA) first and second exhibitions were the major exhibitions in 2012-13, and the MoMA third exhibition occurred in 2013-14. Cost and recipients decreased from 2012-13 to 2013-14 due to the termination of the MoMA series in November 2013. There is no major exhibition planned for 2014-15.
- (d) The declines in cost and recipients are due to the museum having two major exhibitions in 2012-13, compared to one exhibition in 2013-14. There will be only one major exhibition in 2014-15, and no concession will be provided for special exhibition entry charges.
- (e) Operating subsidies are reported in Appendix 8.
- (f) This is an extension of the existing Cost of Living Assistance (CoLA) payment to eligible households that receive electricity charges through on-selling arrangements. This includes those living in retirement villages or apartment buildings where the electricity costs are recouped from the tenants by the owner, as the owner is billed directly by Synergy or Horizon Power on behalf of the residential complex. It also applied to households that receive electricity charges direct from a retailer other than Synergy or Horizon Power. As this is a new scheme introduced in 2012-13, recipient numbers for 2013-14 and 2014-15 cannot be accurately estimated. The cost values for 2013-14 and 2014-15 are extrapolated based on the actual payments made to eligible customers in 2012-13.
- (g) There are no concessions in 2013-14 as GoldCorp was setting up the exhibition and charged a flat \$5 for all visitors.
- (h) The values for 2013-14 and 2014-15 are difficult to estimate, so the assumption is based on 50,000 claims at \$50 each.
- (i) The programs are run by different organisations and are considered to be distinct. Subsidised Dental Care is provided to socially disadvantaged Western Australian residents and is administered by Dental Health Services (a budget holder of the Department of Health). Subsidised Dental Care – Oral Health Care Centre of WA is funding provided to the University of Western Australia for the socially disadvantaged on a fee for service basis.
- (j) Data on the number of recipients are not collected, only the number of trips is recorded. A single recipient may make multiple trips in a year.
- (k) The Supply Charge Rebate ceased on 30 September 2012 and was replaced by the CoLA, which commenced on 1 October 2012. The CoLA recipient value for 2013-14 is based on the mid-year review estimate, which is overstated.
- (l) This is the number of caravan parks, as there are no data on individual recipients at this stage.
- (m) This is ceasing in 2014-15.
- (n) Horizon Power is unable to forecast values for 2013-14 and 2014-15.
- (o) Rent-free housing is provided to public housing tenants aged one hundred years or older.
- (p) Land rent is deferred until the sale or transfer of the property by a pensioner or the pensioner dies or otherwise becomes ineligible for the concession.
- (q) The number of recipients is based on the total number of boardings in each concession category, except where otherwise indicated.
- (r) This is the difference between total cost and revenue. Revenue is calculated as the total value if all passengers paid the standard fare, rather than paying a concession fare or travelling for free.
- (s) The values are an aggregation of Transperth concession fares and school children fares. This breakdown can be seen in Table 8.7 in Appendix 8.
- (t) This is the total value of revenue that could have been collected if passengers paid a concession fare, rather than travelling for free.
- (u) This is funded by the Department of Transport through the Perth Parking Levy.
- (v) This reflects the number of unique recipients accessing the concession.
- (w) The values are an aggregation of Regional School Bus Services, Royalties for Regions funding for the Orange School Bus Initiative and Intensive English Centre grants from the Department of Education. This breakdown can be seen in Table 8.7 in Appendix 8.
- (x) The values are an aggregation of Transwa General and Royalties for Regions funding for the AvonLink. This breakdown can be seen in Table 8.7 in Appendix 8.

Table 6.1 (cont.)

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**SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS**  
Western Australia

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- (y) The Supply Charge Rebate ceased in October 2012, and was replaced by the CoLA. The Supply Charge Rebate was \$147 per annum compared to the new CoLA. The CoLA payment was initially set at \$200 per annum for each eligible recipient in 2012-13, increasing to \$208 in 2013-14 and \$217 in 2014-15.
- (z) Number of recipients is calculated using the Vocational Education Training enrolment numbers. These are historical figures based on calendar years, so only a value for 2012-13 can be estimated. The Commonwealth Government's contribution to the funding of training concessions has been excluded.
- (aa) Subsidies are costed based on the number of trips taken.
- (bb) Age pensioners and pensioners holding both a Western Australian Seniors Card (WASC) and a Commonwealth Seniors Health Card (CSHC) receive a 100% concession on their annual drivers licence fee. Holders of a Pensioner Concession Card (PCC), WASC or a CSHC receive a 50% concession.
- (cc) 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.
- (dd) Number of recipients is based on the number of visits.
- (ee) Number of recipients is the number of multi-visit aqua cards purchased.
- (ff) Pensioner and senior concessions are reported as an operating subsidy in Appendix 8 (Table 8.7). The operating subsidy also includes non-rated properties, Aboriginal reserves and leaks and bursts. The values for pensioner and senior concessions in Table 8.7 aggregates the total cost of concession for each concession, with the corresponding administrative cost.
- (gg) In relation to pensioners and other concession card holders, the values of rebates and recipient numbers vary substantially from year to year and are difficult to forecast with accuracy as a result.
- (hh) Includes the rural irrigation schemes operating subsidy.

Note: Columns may not add due to rounding.

There is no sub-total for recipient numbers due to the different methods used to calculate these values.

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## 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

<b>ASSET INVESTMENT PROGRAM</b>					
	2013-14 Estimated Actual \$m	2014-15 Budget Estimate \$m	2015-16 Forward Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m
<b>PARLIAMENT</b>					
Legislative Council	-	-	-	-	-
Legislative Assembly	-	-	-	-	-
Parliamentary Services	2.0	1.0	1.0	1.0	1.0
Parliamentary Commissioner for Administrative Investigations	0.2	0.2	0.2	0.2	0.2
<b>PREMIER; MINISTER FOR STATE DEVELOPMENT; SCIENCE</b>					
Premier and Cabinet	1.3	5.1	2.0	1.2	1.1
Public Sector Commission	0.3	0.2	0.2	0.2	0.1
Gold Corporation	24.2	19.0	5.2	4.3	4.3
Governor's Establishment	0.2	0.8	0.2	_(a)	-
Lotteries Commission	6.9	11.9	4.6	4.1	0.6
Salaries and Allowances Tribunal	0.1	_(a)	-	-	-
State Development	51.9	-	-	-	-
Chemistry Centre (WA)	1.9	1.9	1.0	1.0	1.0
<b>DEPUTY PREMIER; MINISTER FOR HEALTH; TRAINING AND WORKFORCE DEVELOPMENT</b>					
WA Health	1,048.7	993.6	447.4	252.5	141.2
Western Australia Health Promotion Foundation	0.1	0.1	0.1	0.1	0.1
Animal Resources Authority	1.1	0.2	0.2	0.2	0.2
Training and Workforce Development	90.6	47.6	32.1	28.9	15.6
State Training Providers	26.6	14.5	8.8	7.2	6.3
<b>MINISTER FOR REGIONAL DEVELOPMENT; LANDS; MINISTER ASSISTING THE MINISTER FOR STATE DEVELOPMENT</b>					
Regional Development	9.4	6.5	26.0	77.7	298.0
Royalties for Regions – Regional and State-wide Initiatives <sup>(b)</sup>	-147.8	-36.8	-50.7	-12.3	-44.8
Gascoyne Development Commission	-	-	-	-	-
Goldfields-Esperance Development Commission	-	-	-	-	-
Great Southern Development Commission	0.1	-	-	-	-
Kimberley Development Commission	-	-	-	-	-
Mid West Development Commission	-	_(a)	_(a)	-	_(a)
Peel Development Commission	-	-	-	-	-
Pilbara Development Commission	_(a)	_(a)	_(a)	_(a)	_(a)
South West Development Commission	_(a)	_(a)	_(a)	_(a)	_(a)
Wheatbelt Development Commission	_(a)	_(a)	_(a)	_(a)	_(a)
Lands	0.5	1.4	1.0	1.4	_(a)
Western Australian Land Authority	346.9	442.8	320.3	382.2	411.5
Western Australian Land Information Authority	17.1	15.2	19.0	16.9	13.9

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**ASSET INVESTMENT PROGRAM**

Table 7.1 (cont.)

	2013-14 Estimated Actual \$m	2014-15 Budget Estimate \$m	2015-16 Forward Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m
<b>MINISTER FOR EDUCATION; ABORIGINAL AFFAIRS; ELECTORAL AFFAIRS</b>					
Education	546.1	440.3	258.4	255.8	201.9
Education Services	1.7	0.1	0.1	0.1	0.1
School Curriculum and Standards Authority	2.9	0.7	0.2	-	-
Country High Schools Hostels Authority	14.5	11.3	9.7	0.5	0.5
Aboriginal Affairs	1.8	0.4	0.7	0.5	0.6
Western Australian Electoral Commission	0.3	0.1	0.1	0.1	0.1
<b>MINISTER FOR PLANNING; CULTURE AND THE ARTS</b>					
Planning	11.4	2.9	12.5	17.2	17.4
Metropolitan Redevelopment Authority	143.7	220.8	201.8	76.6	37.0
Western Australian Planning Commission	49.1	44.1	42.1	41.8	39.4
Culture and the Arts	21.8	33.1	38.8	52.8	153.8
<b>MINISTER FOR POLICE; TOURISM; ROAD SAFETY; WOMEN'S INTERESTS</b>					
Western Australia Police	63.7	112.7	56.6	37.5	17.9
Western Australian Tourism Commission	0.7	0.6	0.6	0.6	0.6
Rottnest Island Authority	5.0	3.4	10.3	4.3	3.2
<b>MINISTER FOR MENTAL HEALTH; DISABILITY SERVICES; CHILD PROTECTION</b>					
Mental Health Commission	2.7	0.4	-	-	-
Disability Services Commission	2.9	12.5	2.9	1.3	1.2
Child Protection and Family Support	13.9	7.3	3.7	1.2	1.2
<b>ATTORNEY GENERAL; MINISTER FOR COMMERCE</b>					
Attorney General	75.5	34.9	8.7	10.3	7.2
Corruption and Crime Commission	2.1	5.4	2.4	1.5	2.3
Commissioner for Equal Opportunity	0.2	0.1	0.1	0.1	0.1
Office of the Director of Public Prosecutions	0.7	0.5	0.3	0.6	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	1.5	1.8	1.2	1.2	1.2
Commerce	11.1	5.3	4.2	4.3	-
Registrar, Western Australian Industrial Relations Commission	0.2	0.2	0.2	0.2	0.2
WorkCover WA Authority	2.2	0.8	1.3	0.9	0.7

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Table 7.1 (cont.)

<b>ASSET INVESTMENT PROGRAM</b>					
	2013-14 Estimated Actual \$m	2014-15 Budget Estimate \$m	2015-16 Forward Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m
<b>MINISTER FOR MINES AND PETROLEUM; HOUSING</b>					
Mines and Petroleum	2.0	2.8	3.7	2.8	1.0
Housing Authority	711.3	352.2	346.1	297.1	543.6
Keystart Housing Scheme Trust	1.2	1.2	1.1	1.1	1.1
<b>MINISTER FOR SPORT AND RECREATION; RACING AND GAMING</b>					
Sport and Recreation	104.0	114.5	319.4	367.2	92.4
Western Australian Sports Centre Trust	33.8	17.2	18.3	17.1	11.2
Western Australian Institute of Sport	0.3	0.3	0.2	0.1	0.1
Racing, Gaming and Liquor	5.0	0.4	0.2	0.1	0.3
Racing and Wagering Western Australia	12.7	14.8	8.5	9.2	8.7
Western Australian Greyhound Racing Authority	0.0	0.1	0.1	0.6	0.6
Burswood Park Board	1.0	0.9	0.4	0.4	0.4
<b>MINISTER FOR AGRICULTURE AND FOOD; FISHERIES</b>					
Agriculture and Food	17.5	16.2	10.3	12.8	12.9
Rural Business Development Corporation	-	-	-	-	-
Western Australian Meat Industry Authority	0.4	0.4	0.3	0.3	0.3
Perth Market Authority	8.7	7.0	1.0	1.0	1.3
Fisheries	12.1	9.5	3.6	3.4	3.3
<b>TREASURER; MINISTER FOR ENERGY; CITIZENSHIP AND MULTICULTURAL INTERESTS</b>					
Treasury	-	-	-	-	-
Economic Regulation Authority	-	0.3	-	-	0.3
Insurance Commission of Western Australia	3.2	4.7	4.7	4.7	4.7
Office of the Auditor General	0.6	0.6	0.6	0.6	1.1
Western Australian Treasury Corporation	1.6	1.8	1.5	0.7	0.6
Independent Market Operator	3.2	2.6	2.4	0.9	-
Horizon Power	192.5	88.1	41.9	39.1	40.1
Synergy	147.8	69.5	67.7	61.5	95.0
Western Power Networks	1,190.8	792.7	499.5	568.5	613.9
Western Power Provisions	-	216.4	343.1	330.4	338.6
Electricity Sector Provisions	-	4.4	-	-	-
<b>MINISTER FOR LOCAL GOVERNMENT; COMMUNITY SERVICES; SENIORS AND VOLUNTEERING; YOUTH</b>					
Local Government and Communities	0.8	0.1	0.1	0.1	0.1
Metropolitan Cemeteries Board	7.2	10.3	4.7	6.7	6.7

## ASSET INVESTMENT PROGRAM

Table 7.1 (cont.)

	2013-14 Estimated Actual \$m	2014-15 Budget Estimate \$m	2015-16 Forward Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m
<b>MINISTER FOR ENVIRONMENT; HERITAGE</b>					
Parks and Wildlife	34.0	24.2	20.7	21.1	15.3
Environment Regulation	0.9	0.9	0.9	0.9	0.9
Botanic Gardens and Parks Authority	4.9	1.0	1.0	1.0	1.0
Office of the Environmental Protection Authority	0.1	0.1	0.4	-	0.2
Swan River Trust	0.1	0.2	0.3	0.1	0.4
Zoological Parks Authority	8.7	5.5	5.0	2.7	2.5
Heritage Council of Western Australia	0.6	1.8	1.7	_(a)	_(a)
National Trust of Australia (WA)	8.7	0.7	0.7	0.7	0.7
<b>MINISTER FOR EMERGENCY SERVICES; CORRECTIVE SERVICES; SMALL BUSINESS; VETERANS</b>					
Fire and Emergency Services	34.1	42.5	21.4	23.9	10.2
State Emergency Management Committee Secretariat	-	-	-	-	-
Corrective Services	102.6	48.9	11.6	10.9	11.2
Office of the Inspector of Custodial Services	_(a)	_(a)	_(a)	_(a)	_(a)
Small Business Development Corporation	0.2	0.1	0.1	0.1	0.1
<b>MINISTER FOR WATER; FORESTRY</b>					
Water	26.4	18.2	18.7	11.4	12.0
Water Corporation	971.6	858.5	763.4	915.0	963.5
Bunbury Water Corporation	3.2	3.3	3.3	2.3	2.9
Busselton Water Corporation	2.6	3.3	3.0	2.8	2.8
Forest Products Commission	0.6	1.3	0.8	0.6	0.6
<b>MINISTER FOR TRANSPORT; FINANCE</b>					
Transport	59.6	41.3	26.7	19.5	17.0
Commissioner of Main Roads	998.2	883.0	639.0	847.6	1001.1
Public Transport Authority of Western Australia	431.2	424.5	385.3	365.8	694.0
Albany Port Authority	1.2	4.8	1.0	1.0	1.0
Broome Port Authority	5.4	11.6	11.3	1.3	1.5
Bunbury Port Authority	8.6	4.8	3.0	3.0	3.0
Dampier Port Authority	8.4	9.8	16.8	15.8	8.2
Esperance Port Authority	7.0	16.2	5.0	5.0	5.0
Fremantle Port Authority	60.4	49.3	60.0	25.3	33.0
Geraldton Port Authority	10.8	5.7	4.8	4.8	4.8
Port Hedland Port Authority	35.1	34.2	37.4	42.3	43.8
Finance	155.2	167.7	192.0	143.3	127.9

Table 7.1 (cont.)

<b>ASSET INVESTMENT PROGRAM</b>					
	2013-14 Estimated Actual \$m	2014-15 Budget Estimate \$m	2015-16 Forward Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m
Provision for Resolution of Native Title in the South West of Western Australia	-	-	8.1	8.4	2.4
Provision for Underspend	-750.0	-	-	-	-
Inter-agency Purchases	-50.9	-129.6	-7.1	-0.4	-
<b>TOTAL</b>	<b>7,094.7</b>	<b>6,727.7</b>	<b>5,391.3</b>	<b>5,478.6</b>	<b>6,082.6</b>
<i>Funded by:</i>					
<b>APPROPRIATIONS</b>					
Capital Appropriation	1,176.4	1,037.4	611.3	526.4	855.3
<b>OTHER FUNDING</b>					
Holding Account	251.2	202.8	208.2	194.8	209.3
Agency Borrowings	11,730.9	11,338.8	10,857.7	11,031.0	11,510.6
Royalties for Regions	391.1	381.4	398.0	415.1	419.4
Commonwealth Grants	583.8	647.2	463.5	539.0	525.2
Land and Property Sales	647.8	634.8	637.1	592.8	482.4
Internal Funds and Balances	-8,108.8	-8,342.9	-8,482.1	-8,466.1	-8,075.2
Special Purpose Accounts <sup>(c)</sup>	627.0	732.6	542.9	517.8	143.3
Other	-204.7	95.5	154.9	127.8	12.3
<b>TOTAL</b>	<b>7,094.7</b>	<b>6,727.7</b>	<b>5,391.3</b>	<b>5,478.6</b>	<b>6,082.6</b>

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

(b) Includes a provision for emerging underspending across the Royalties for Regions program, detailed in Chapter 6: *Asset Investment*.

(c) Funding held at the Department of Treasury for the Fiona Stanley Hospital, New Children's Hospital, New Perth Stadium, and other projects funded from the Treasurer's Special Purpose Accounts.

Note: Columns may not add due to rounding.

# Public Corporations – Impact on General Government Revenue and Expenses

## Introduction

Corporatised public corporations (also known as Government Trading Enterprises or GTEs) 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 public corporations also receive operating subsidies, mainly to keep prices down for consumers of electricity, water and public transport services. Some of these operating subsidies are available to all households, while others are targeted at only particular groups such as pensioners, seniors or consumers in regional areas.

The general government sector will pay public corporations net subsidies totalling \$814 million in 2014-15 (see Table 8.1). That is, gross subsidy payments to public corporations (\$2.3 billion) are expected to exceed tax equivalent and dividend revenue received from these corporations (\$1.5 billion) by \$814 million.



Table 8.1

<b>PUBLIC CORPORATIONS</b>		
Revenue to and Expenses from the General Government Sector <sup>(a)(b)</sup>		
	2013-14 Estimated Actual \$m	2014-15 Budget Estimate \$m
<b>Electricity Corporations</b>		
<b>Dividends, Tax Equivalents, and Rates</b>		
Horizon	64.0	58.6
Synergy	104.5	128.6
Western Power	125.9	86.7
<b>TOTAL</b>	<b>294.3</b>	<b>273.9</b>
<b>Operating Subsidies</b>		
Horizon Power	59.2	46.9
Synergy	597.5	568.8
Western Power	-	-
<i>Subtotal</i>	<i>656.8</i>	<i>615.7</i>
Other Subsidies	4.8	5.0
<i>Net Electricity Corporations</i>	<i>-367.3</i>	<i>-346.7</i>
<b>Water Corporation</b>		
Dividends, Tax Equivalents, and Rates	729.7	753.3
Operating Subsidies	565.9	582.5
Other Subsidies	44.6	20.6
<i>Net Water Corporation</i>	<i>119.2</i>	<i>150.2</i>
<b>Public Transport Authority<sup>(c)</sup></b>		
Operating Subsidies	712.5	747.4
Other Subsidies	24.2	21.8
<i>Net Public Transport Authority</i>	<i>-736.6</i>	<i>-769.1</i>
<b>Other Public Corporations</b>		
Dividends, Tax Equivalents, and Rates	349.9	440.8
Operating Subsidies	54.6	50.7
Other Subsidies	167.4	238.8
<i>Net Other Public Corporations</i>	<i>127.9</i>	<i>151.3</i>
<b>Total revenue from Public Corporations</b>	<b>1,373.9</b>	<b>1,468.1</b>
Dividends	850.2	938.4
Tax Equivalents	507.6	512.2
Local Government Rate Equivalents	16.1	17.5
<b>Total expense to Public Corporations</b>	<b>2,230.8</b>	<b>2,282.5</b>
Operating Subsidies	1,989.8	1,996.3
Other Subsidies	241.0	286.2
<b>Net impact on General Government Sector<sup>(d)</sup></b>	<b>-856.8</b>	<b>-814.4</b>

(a) Revenue includes dividends, tax equivalent payments and local government rates. Expenses include operating subsidies funded from the Consolidated Account and other subsidies funded from other sources such as Royalties for Regions (capital appropriations to public corporations are not included). More detailed information on revenues and expenses can be found in Table 8.5 and Table 8.7.

(b) This table is not directly comparable to disclosures in previous budgets. 'Other Public Corporations' now includes Racing and Wagering Western Australia (TAB), the Housing Authority, Bunbury Water Corporation (Aqwest) and Busselton Water Corporation. Also, information on subsidies now includes both operating subsidies funded from the Consolidated Account, and other subsidies funded from other accounts such as Royalties for Regions. Previously, only operating subsidies from the Consolidated Account were included.

(c) The Public Transport Authority does not pay dividends or tax equivalent payments.

(d) The negative total for the net impact on the general government sector means that the sector is subsidising public corporations in net terms.

## Revenue

General government sector revenue from public corporations in 2014-15 is estimated to be \$1.5 billion, an increase of \$94 million (or 6.9%) from 2013-14. This comprises \$512 million in income tax equivalent payments, \$18 million in local government rate equivalent payments, and \$938 million in dividend payments.

A detailed list of revenue from individual public corporations to the general government sector is provided in Table 8.5.

## Expenses

Subsidies provided to public corporations in 2014-15 are estimated to total \$2.3 billion, an increase of \$52 million (or 2.3%) from 2013-14. The general government sector is forecast to pay a total of \$9.2 billion across the four year forward estimates period to subsidise the activities of public corporations. A detailed list of these subsidies is provided in Table 8.7.

The size of the operating subsidies paid to public corporations is affected by the Government's decisions on the tariffs, fees and charges to be paid by consumers. The Government has approved the following increases to key tariffs, fees and charges in 2014-15:

- residential electricity tariffs – 4.5%;
- residential water charges – 6%; and
- public transport fares – 4%.

Despite these increases, electricity tariffs and public transport fares will continue to fall well short of the actual cost of electricity and public transport provision, and water tariffs in regional areas will also fall short of the actual cost of providing water to those areas. In this regard:

- the expected cost recovery rate for metropolitan public transport services is 31.5% in 2013-14, and is anticipated to rise to 32.1% in 2014-15;
- despite the assumed increases of 7% per year across the outyears, residential electricity tariffs still fall an estimated 24.7% short of cost-reflectivity by 2017-18; and
- the Water Corporation is expected to receive operating subsidies totalling \$583 million in 2014-15, most of which (\$415 million) is to support the ongoing commitment to provide water at the same cost for country residential users as for metropolitan residents.

## Electricity Tariffs

The Government has approved the following increases to electricity tariffs from 1 July 2014:

- residential tariffs – 4.5%;
- small business tariffs – 4.5%;
- street lighting tariffs – 5.0%; and
- medium to large business tariffs – 10%.

Approved increases for 2014-15, and assumed increases for budget planning purposes from 2015-16 onwards, are outlined in Table 8.2.

Table 8.2

<b>NON-CONTESTABLE TARIFF INCREASES</b>				
Tariff	2014-15 %	2015-16 %	2016-17 %	2017-18 %
Residential (A1/A2)	4.5	7	7	7
Residential Hot Water (B1)	4.5	7	7	7
Community and Charitable Organisations (C1/C2)	4.5	7	7	7
Charitable Organisation Providing Residential Accommodation (D1/D2)	4.5	7	7	7
Combined Residential/Business (K1/K2)	4.5	7	7	7
Small Business (L1/L2)	4.5	7	7	7
Small Business Time of Use (R1)	4.5	7	7	7
Unmetered Supply (UMS)	3.18	5.38 <sup>(a)</sup>	8.49	3.34
Traffic Lighting (w 1/W2)	3.21	5.39 <sup>(a)</sup>	8.32	3.52
Street Lighting (Z)	5	36.82 <sup>(a)</sup>	8.15	2.92

<b>CONTESTABLE TARIFF INCREASES</b>				
Tariff	2014-15 %	2015-16 %	2016-17 %	2017-18 %
Medium Business (L3/L4)	10	0.37	8.32	3.74
Medium Business Time of Use (R3)	10	10.18	9.21	3.73
Large Business (M1/M2)	9.9	-5.03	7.3	3.71
Large Business Low Voltage (S1)	10	28.11	8.89	3.9
Large Business High Voltage (T1)	10	12.86	9.71	4.01

(a) Streetlight, traffic light, unmetered supply, and all contestable tariffs are assumed to be at full cost-reflectivity in 2015-16.

## Water Tariffs

The Government has approved a 6% increase in tariffs for a range of services provided by the Water Corporation in 2014-15. A selection of key tariff changes from 2013-14 to 2014-15 is provided in Table 8.3.

Table 8.3			
<b>WATER CORPORATION'S 2014-15 TARIFF CHANGES</b>			
	2013-14	2014-15	% Change
<b>Metropolitan Residential Tariffs</b>			
<b>Water</b>			
Standard fixed service charge (\$)	205.71	218.05	6
<i>Consumption charges (c/kL) <sup>(a)</sup></i>			
0-150kL	138.10	146.40	6
151-500kL	184.10	195.10	6
Over 500kL	260.70	276.30	6
<b>Wastewater (c in \$GRV) <sup>(b)(c)</sup></b>			
First \$16,700 Gross Rental Value (GRV)	4.47	na <sup>(d)</sup>	6
Over \$16,700 GRV	0.83	na <sup>(d)</sup>	6
<b>Drainage</b>			
Drainage charge (c in \$GRV) <sup>(b) (h)</sup>	0.545	na <sup>(d)</sup>	6
<b>Metropolitan Non-Residential Tariffs</b>			
<b>Water</b>			
Standard fixed service charge (\$)			
Minimum charge (15, 20 mm) <sup>(e)</sup>	205.71	218.05	6
Consumption charges (c/kL) <sup>(f)</sup>	204.30	205.60	0.6
<b>Wastewater <sup>(g)</sup></b>			
First fixture (\$)	772.10	818.43	6
Volumetric charge (c/kL)	283.76	300.79	6
<b>Drainage</b>			
Drainage charge (c in \$GRV) <sup>(b) (h)</sup>	0.279	na <sup>(d)</sup>	6
(a) Country residential water consumption charges are the same as metropolitan charges for the first 300kL, after which the charges reflect the cost of providing services.			
(b) These factors are subject to change following receipt of GRV data.			
(c) Country residential wastewater charges reflect the cost of delivering services with minimum and maximum charges applied.			
(d) Not available: tariffs will be determined in May 2014 when GRV data are available.			
(e) The charge varies depending upon the size of the meter.			
(f) Country non-residential water consumption charges are based on the cost of delivering services.			
(g) Non-residential wastewater charges are uniform across the State.			
(h) Drainage is not charged in the country.			

For budget planning purposes, water tariffs are assumed to increase by 6% per annum from 2015-16 onwards.

## Public Transport Fares

The Government has approved the following public transport fare changes from 1 July 2014:

- a 4% increase to public transport fares (rounded to the nearest 10 cents);
- increasing the student fare from 50 cents to 60 cents;
- concession fares remaining at 40% of standard fares; and
- no change in the \$2.00 per day parking fee.

Seniors, disability and age pensioner cardholders, and carers will continue to be eligible for free travel on weekdays between 9.00am and 3.30pm and anytime on weekends and public holidays.

The Public Transport Authority's budget projections assume Transperth fares will increase by 3% per annum from 2015-16 to 2017-18. Table 8.4 details the change in cash fares for various journey lengths between 2013-14 and 2014-15.

A \$2.00 per day parking fee will commence being charged from 1 July 2014 for all parking bays at major train stations.

Table 8.4

<b>TRANSPERTH FARES 2014-15</b>				
Standard Cash Fare <sup>(a)</sup>	2013-14	\$ increase	% increase <sup>(b)</sup>	2014-15
2 sections	\$2.00	\$0.10	5	\$2.10
1 zone	\$2.80	\$0.10	3.6	\$2.90
2 zones	\$4.20	\$0.20	4.8	\$4.40
3 zones	\$5.10	\$0.20	3.9	\$5.30
4 zones	\$6.10	\$0.20	3.3	\$6.30
5 zones	\$7.50	\$0.30	4	\$7.80
6 zones	\$8.50	\$0.30	3.5	\$8.80
7 zones	\$9.90	\$0.40	4	\$10.30
8 zones	\$10.70	\$0.40	3.7	\$11.10
9 zones	\$11.60	\$0.50	4.3	\$12.10
Day Rider	\$11.60	\$0.50	4.3	\$12.10
Family Rider	\$11.60	\$0.50	4.3	\$12.10
Student	\$0.50	\$0.10	20	\$0.60

(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

**GENERAL GOVERNMENT REVENUE FROM PUBLIC CORPORATIONS**

Details of Payment	2013-14 Estimated Actual \$m	2014-15 Budget Estimate \$m	2015-16 Forw ard Estimate \$m	2016-17 Forw ard Estimate \$m	2017-18 Forw ard Estimate \$m
<b>Horizon Power <sup>(a)</sup></b>					
Income tax expense	30.4	13.1	12.9	11.0	11.6
Local Government Rates expense	0.3	0.3	0.3	0.3	0.3
Dividends	33.3	45.2	20.9	19.3	17.1
<i>Subtotal</i>	<u>64.0</u>	<u>58.6</u>	<u>34.1</u>	<u>30.7</u>	<u>29.0</u>
<b>Synergy</b>					
Income tax expense	65.1	70.5	55.8	35.1	13.5
Local Government Rates expense	0.5	0.5	0.5	0.5	0.5
Dividends	38.8	57.6	60.0	53.0	21.7
<i>Subtotal</i>	<u>104.5</u>	<u>128.6</u>	<u>116.4</u>	<u>88.6</u>	<u>35.7</u>
<b>Western Power <sup>(b)</sup></b>					
Local Government Rates expense	1.5	1.5	1.6	1.6	1.7
Dividends	124.4	85.2	130.7	127.5	135.9
<i>Subtotal</i>	<u>125.9</u>	<u>86.7</u>	<u>132.3</u>	<u>129.1</u>	<u>137.5</u>
<b>Water Corporation</b>					
Income tax expense	284.2	278.7	304.6	330.7	359.0
Local Government Rates expense	5.1	5.3	5.4	5.5	5.7
Dividends	440.4	469.3	536.4	583.6	638.0
<i>Subtotal</i>	<u>729.7</u>	<u>753.3</u>	<u>846.4</u>	<u>919.8</u>	<u>1,002.6</u>
<b>Bunbury Water Corporation (Aqwest)</b>					
Income tax expense	0.4	0.5	0.6	0.6	0.6
Dividends	-	0.9	1.0	0.4	0.9
<i>Subtotal</i>	<u>0.4</u>	<u>1.4</u>	<u>1.6</u>	<u>1.0</u>	<u>1.5</u>
<b>Busselton Water Corporation</b>					
Income tax expense	0.5	0.7	0.6	0.6	0.6
Dividends	-	1.6	1.4	1.0	0.9
<i>Subtotal</i>	<u>0.5</u>	<u>2.3</u>	<u>2.0</u>	<u>1.7</u>	<u>1.6</u>
<b>Western Australian Land Authority (LandCorp)</b>					
Income tax expense	28.4	28.8	24.2	37.6	39.4
Local Government Rates expense	6.0	6.5	6.7	6.8	7.0
Dividends	31.9	32.4	31.7	50.0	31.1
<i>Subtotal</i>	<u>66.3</u>	<u>67.8</u>	<u>62.6</u>	<u>94.4</u>	<u>77.4</u>
<b>Albany Port Authority</b>					
Income tax expense	1.5	0.9	1.1	1.2	1.2
Local Government Rates expense	0.1	0.1	0.1	0.1	0.1
Dividends	2.9	3.4	1.6	1.8	1.8
<i>Subtotal</i>	<u>4.5</u>	<u>4.4</u>	<u>2.8</u>	<u>3.1</u>	<u>3.2</u>
<b>Broome Port Authority</b>					
Income tax expense	0.8	1.5	1.5	1.7	2.0
Local Government Rates expense	0.1	0.2	0.2	0.2	0.2
Dividends	2.6	3.9	2.8	3.0	3.1
<i>Subtotal</i>	<u>3.5</u>	<u>5.5</u>	<u>4.5</u>	<u>4.9</u>	<u>5.2</u>

Table 8.5 (cont.)

<b>GENERAL GOVERNMENT REVENUE FROM PUBLIC CORPORATIONS</b>					
Details of Payment	2013-14	2014-15	2015-16	2016-17	2017-18
	Estimated	Budget	Forward	Forward	Forward
	Actual	Estimate	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Bunbury Port Authority</b>					
Income tax expense	4.2	3.7	5.1	6.1	7.6
Local Government Rates expense	0.2	0.2	0.2	0.3	0.3
Dividends	7.0	10.5	7.2	8.9	9.2
<i>Subtotal</i>	<u>11.3</u>	<u>14.4</u>	<u>12.5</u>	<u>15.2</u>	<u>17.1</u>
<b>Dampier Port Authority</b>					
Income tax expense	15.2	6.5	7.6	7.1	6.7
Local Government Rates expense	0.3	0.5	0.5	0.5	0.5
Dividends	12.7	15.7	11.1	11.0	10.8
<i>Subtotal</i>	<u>28.3</u>	<u>22.7</u>	<u>19.2</u>	<u>18.6</u>	<u>18.1</u>
<b>Esperance Port Authority</b>					
Local Government Rates expense	0.1	0.2	0.2	0.2	0.2
Dividends	-	3.0	4.2	4.7	4.8
<i>Subtotal</i>	<u>0.1</u>	<u>3.1</u>	<u>4.4</u>	<u>4.9</u>	<u>5.0</u>
<b>Fremantle Port Authority</b>					
Income tax expense	12.9	13.1	13.5	15.4	15.7
Local Government Rates expense	0.6	0.6	0.7	0.7	0.7
Dividends	18.8	27.2	16.5	17.8	18.1
<i>Subtotal</i>	<u>32.3</u>	<u>41.0</u>	<u>30.6</u>	<u>33.9</u>	<u>34.6</u>
<b>Geraldton Port Authority</b>					
Income tax expense	6.2	10.0	13.3	17.5	14.9
Local Government Rates expense	0.4	0.7	0.7	0.7	0.8
Dividends	11.2	30.2	24.9	23.6	22.6
<i>Subtotal</i>	<u>17.8</u>	<u>40.9</u>	<u>38.9</u>	<u>41.8</u>	<u>38.2</u>
<b>Port Hedland Port Authority</b>					
Income tax expense	26.3	41.5	49.6	55.6	63.0
Local Government Rates expense	0.3	0.3	0.3	0.3	0.4
Dividends	29.8	89.0	74.3	82.5	84.2
<i>Subtotal</i>	<u>56.4</u>	<u>130.9</u>	<u>124.2</u>	<u>138.5</u>	<u>147.6</u>
<b>Gold Corporation</b>					
Income tax expense	12.3	10.9	13.5	14.6	13.1
Local Government Rates expense	0.7	0.7	0.7	0.7	-
Dividends	19.3	15.8	17.6	20.3	23.4
<i>Subtotal</i>	<u>32.2</u>	<u>27.3</u>	<u>31.8</u>	<u>35.6</u>	<u>36.5</u>
<b>Western Australian Treasury Corporation</b>					
Income tax expense	6.2	6.8	7.7	8.5	9.1
Dividends	10.4	9.4	10.3	11.6	12.9
<i>Subtotal</i>	<u>16.6</u>	<u>16.2</u>	<u>18.0</u>	<u>20.2</u>	<u>22.0</u>

Note: Columns may not add due to rounding.

Table 8.5 (cont.)

**GENERAL GOVERNMENT REVENUE FROM PUBLIC CORPORATIONS**

Details of Payment	2013-14	2014-15	2015-16	2016-17	2017-18
	Estimated Actual	Budget Estimate	Forw ard Estimate	Forw ard Estimate	Forw ard Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Insurance Commission of Western Australia</b>					
Income tax expense	13.0	25.0	31.1	34.4	38.4
Dividends	64.5 <sup>(c)</sup>	35.9	37.2	38.9	39.0
<i>Subtotal</i>	<i>77.6</i>	<i>60.9</i>	<i>68.3</i>	<i>73.3</i>	<i>77.4</i>
<b>Forest Products Commission</b>					
Dividends	2.1	2.1	0.5	1.1	1.0
<i>Subtotal</i>	<i>2.1</i>	<i>2.1</i>	<i>0.5</i>	<i>1.1</i>	<i>1.0</i>
<b>Subtotal Amounts</b>					
Income tax expense <sup>(d)</sup>	507.6	512.2	542.7	577.9	596.3
Local Government Rates expense	16.1	17.5	18.0	18.5	18.3
Dividends	850.2	938.4	990.3	1,059.9	1,076.5
<b>TOTAL</b>	<b>1,373.9</b>	<b>1,468.1</b>	<b>1,551.0</b>	<b>1,656.3</b>	<b>1,691.2</b>

(a) This includes dividend and tax expense impacts associated with the electricity sector provisions in the Asset Investment Program.

(b) This includes dividend tax expense impacts associated with the Western Power sector provision in the Asset Investment Program.

(c) The forecast dividend of \$64.5 million includes \$46.8 million for 2012–13.

(d) Some general government sector agencies (e.g. the Chemistry Centre (WA), or ChemCentre, and the Western Australian Land Information Authority (Landgate)) pay income tax equivalent payments. These agencies are not in the public non-financial corporations or public financial corporations sectors, and so are not reflected in this table.

Note: Columns may not add due to rounding.



## Dividends

Table 8.6 summarises the dividend payout ratios for the public corporations.

Table 8.6

**REVENUE FROM PUBLIC CORPORATIONS**  
Dividend Payout Ratios

	2013-14	2014-15	2015-16	2016-17	2017-18
	%	%	%	%	%
Horizon Power	65	65	65	65	65
Synergy <sup>(a)</sup>	65	65	65	65	65
Western Power	65	65	65	65	65
Water Corporation	85	85	85	85	85
Busselton Water Corporation	-	65	65	65	65
Bunbury Water Corporation	-	65	65	65	65
Western Australian Land Authority <sup>(b)</sup>	65	65	65	65	65
Insurance Commission of Western Australia <sup>(c)</sup>	65	65	65	65	65
Gold Corporation	75	75	75	75	75
Western Australian Treasury Corporation	65	65	65	65	65
State Port Authorities	65	65	65	65	65
Forest Products Commission <sup>(d)</sup>	65	65	65	65	65

(a) A 65% dividend payout ratio is reflected in the State Budget for Synergy, noting that Synergy's final dividend payout ratio cannot be determined until after the Board makes its recommendation following the conclusion of the 2013-14 financial year.

(b) Adjusted for the need to maintain adequate land stocks.

(c) Dividend payout ratios may be adjusted based on the need to maintain appropriate capital adequacy and any other factors or circumstances taken into account by the Board of the Insurance Commission of Western Australia.

(d) Adjusted for native forest (natural resource asset) revaluations.

In November 2013, amendments to the *Water Corporations Act 1995* brought the Bunbury and Busselton Water Boards under the same legislative framework and governance arrangements as the Water Corporation. These changes corporatised the water boards, enabling them to make a profit (and hence pay a dividend), adopt a more commercial approach to service provision consistent with the principles of competitive neutrality, and to receive operating subsidy payments where applicable. These obligations commence from 1 July 2014.

**EXPENSES FROM THE GENERAL GOVERNMENT SECTOR TO PUBLIC CORPORATIONS**

Table 8.7

Details of Payment	Funding Department	2013-14 Estimated Actual \$m	2014-15 Budget Estimate \$m	2015-16 Forward Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m
<b>Horizon Power</b>						
<i>Operating Subsidies<sup>(a)</sup></i>						
Aboriginal and Remote Communities Project – Stage 1	Treasury	12.5	12.5	12.5	12.4	12.4
Aboriginal and Remote Communities Project – Stage 2	Treasury	3.1	3.2	3.3	3.4	3.6
Air Conditioning Allowance (North of 26 <sup>th</sup> Parallel)	Treasury	0.4	0.7	0.8	0.8	0.9
Dependent Child Rebate	Treasury	0.3	0.6	0.6	0.7	0.7
Cost of Living Assistance	Treasury	1.5	1.1	1.2	1.2	1.3
Feed-in Tariff	Treasury	_(b)	_(b)	_(b)	_(b)	_(b)
Tariff Adjustment Payment – Operating Subsidy	Treasury	31.4	28.3	28.9	26.3	39.3
Tariff Migration – Movement to L2 and A2 Tariff	Treasury	10.1	0.4	0.4	0.4	0.4
<i>Subtotal</i>		<u>59.2</u>	<u>46.9</u>	<u>47.7</u>	<u>45.4</u>	<u>58.6</u>
<b>Synergy</b>						
<i>Operating Subsidies<sup>(a)</sup></i>						
Air Conditioning Allowance	Treasury	_(b)	_(b)	_(b)	_(b)	_(b)
Permanent Caravan Park Resident	Treasury	0.3	0.3	0.4	0.4	0.4
Late Payment Waiver	Treasury	0.6	0.6	0.6	0.6	0.7
Account Establishment Fee Rebate	Treasury	0.9	1.0	1.1	1.1	1.2
Dependent Child Rebate	Treasury	16.5	17.6	19.3	21.2	23.2
Cost of Living Assistance	Treasury	53.0	57.9	63.4	69.4	76.0
Feed-in Tariff	Treasury	30.3	30.3	30.3	30.3	30.3
Tariff Adjustment Payment – Operating Subsidy	Treasury	495.9	461.1	434.3	472.2	433.7
<i>Subtotal</i>		<u>597.5</u>	<u>568.8</u>	<u>549.4</u>	<u>595.2</u>	<u>565.5</u>
<b>Western Power</b>						
<i>Other Subsidies</i>						
State Underground Power Program	Finance	4.8	5.0	5.0	5.0	5.0
<i>Subtotal</i>		<u>4.8</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>

Table 8.7 (cont.)

<b>EXPENSES FROM THE GENERAL GOVERNMENT SECTOR TO PUBLIC CORPORATIONS</b>						
Details of Payment	Funding Department	2013-14 Estimated Actual \$m	2014-15 Budget Estimate \$m	2015-16 Forward Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m
<b>Water Corporation</b>						
<i>Operating Subsidies</i> <sup>(a)</sup>						
Country Water, Sewerage and Drainage Operations	Treasury	399.8	414.8	421.1	442.8	449.5
Infill Sewerage Program	Treasury	31.9	27.5	24.9	24.1	20.2
Pensioner and Senior Concessions	Treasury	134.2	140.2	150.0	160.5	171.9
<i>Other Subsidies</i>						
Royalties for Regions – Various Projects	Treasury	35.2	-	-	-	-
Burrup Water Supply System	DSD <sup>(c)</sup>	9.1	9.4	9.6	9.8	10.1
Onslow Wastewater Treatment and Conveyance	DSD <sup>(c)</sup>	0.3	11.3	0.8	-	-
<i>Subtotal</i>		<u>610.5</u>	<u>603.1</u>	<u>606.4</u>	<u>637.2</u>	<u>651.7</u>
<b>Bunbury Water Corporation (Aqwest)</b>						
<i>Operating Subsidies</i> <sup>(a)</sup>						
Pensioner and Senior Concessions	Treasury	-	0.4	0.4	0.4	0.4
<i>Subtotal</i>		<u>-</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>
<b>Busselton Water Corporation</b>						
<i>Operating Subsidies</i> <sup>(a)</sup>						
Pensioner and Senior Concessions	Treasury	-	0.4	0.5	0.5	0.5
<i>Subtotal</i>		<u>-</u>	<u>0.4</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>
<b>Western Australian Land Authority (LandCorp)</b>						
<i>Operating Subsidies</i> <sup>(a)</sup>						
Australian Marine Complex – Rate of Return Stages 1 and 2	Treasury	19.0	19.0	19.0	19.0	19.0
Australian Marine Complex Technology Precinct	Treasury	0.5	0.5	0.6	0.6	0.6
Browse LNG Precinct – Native Title Agreements	Treasury	9.5	-	-	-	-
Collie – Shotts Industrial Park – Infrastructure Upgrades	Treasury	1.7	0.2	-	-	-
Hope Valley/Wattleup Redevelopment – Land Acquisition	Treasury	6.7	6.7	7.7	7.7	7.7
Karratha/Burrup Service Corridor	Treasury	2.3	2.3	2.3	2.3	2.3
Kemerton Core – Land Acquisition	Treasury	2.0	-	-	-	-
Kwinana Land – Holding Costs	Treasury	1.4	1.5	1.5	1.6	1.6
Strategic Asset Management	Treasury	1.0	1.0	1.0	1.0	1.0
Townsite Development Program	Treasury	4.0	4.0	4.0	4.0	4.0
<i>Other Subsidies</i>						
Rockingham Kwinana Development Office	Planning	0.4	-	-	-	-
Royalties for Regions – Various Projects	Treasury	49.1	105.7	65.3	35.7	-
Western Trade Coast Office (formerly Rockingham Kwinana Development Office)	DSD <sup>(c)</sup>	-	0.4	-	-	-
<i>Subtotal</i>		<u>97.6</u>	<u>141.2</u>	<u>101.4</u>	<u>71.9</u>	<u>36.3</u>

(Table 8.7 cont.)

**EXPENSES FROM THE GENERAL GOVERNMENT SECTOR TO PUBLIC CORPORATIONS**

Details of Payment	Funding Department	2013-14 Estimated Actual \$m	2014-15 Budget Estimate \$m	2015-16 Forward Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m
<b>Metropolitan Redevelopment Authority</b>						
<i>Operating Subsidies<sup>(a)</sup></i>						
Chinatown Improvement	Treasury	1.0	1.0	-	-	-
Elizabeth Quay	Treasury	1.0	2.4	5.0	0.6	-
Wungong Developer Contribution Scheme – Management Costs	Treasury	0.2	-	-	-	-
Scarborough Beach Redevelopment Area	Treasury	1.9	10.5	11.1	6.5	-
<i>Other subsidies</i>						
Elizabeth Quay – Capital Grant	WAPC <sup>(d)</sup>	2.4	-	-	-	-
<i>Subtotal</i>		<u>6.4</u>	<u>13.9</u>	<u>16.1</u>	<u>7.0</u>	<u>0.0</u>
<b>Bunbury Port Authority</b>						
<i>Other subsidies</i>						
Inner Harbour Expansion Design – Royalties for Regions		1.5	-	-	-	-
<i>Subtotal</i>		<u>1.5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Dampier Port Authority</b>						
<i>Other subsidies</i>						
Burru Port Infrastructure – Subsidy	DSD <sup>(c)</sup>	7.2	7.9	11.2	7.8	9.1
<i>Subtotal</i>		<u>7.2</u>	<u>7.9</u>	<u>11.2</u>	<u>7.8</u>	<u>9.1</u>
<b>Esperance Port Authority</b>						
<i>Other subsidies</i>						
Minerals Concentrate Circuit Unit - Debt Servicing	Treasury	0.9	0.8	0.7	0.6	0.4
<i>Subtotal</i>		<u>0.9</u>	<u>0.8</u>	<u>0.7</u>	<u>0.6</u>	<u>0.4</u>

(Table 8.7 cont.)

**EXPENSES FROM THE GENERAL GOVERNMENT SECTOR TO PUBLIC CORPORATIONS**

Details of Payment	Funding Department	2013-14 Estimated Actual \$m	2014-15 Budget Estimate \$m	2015-16 Forward Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m
<b>Public Transport Authority <sup>(e)</sup></b>						
<i>Operating subsidies <sup>(a)</sup></i>						
Transperth and Regional Town Services						
Transperth – General <sup>(f)</sup>	Treasury	473.1	513.2	559.0	597.2	605.9
Transperth – Concession Fares	Treasury	47.8	43.3	41.8	45.6	48.1
Transperth – Pensioners, Seniors and Carers Free Travel <sup>(g)</sup>	Treasury	15.8	16.2	16.5	16.9	17.2
Transperth – School Children Fares	Treasury	5.5	4.9	5.6	5.7	6.3
Regional Town Bus Services <sup>(h)</sup>	Treasury	15.9	16.0	16.4	17.1	17.7
Regional School Bus Services						
School Bus Services	Treasury	109.5	113.3	114.1	117.3	121.8
Conveyance Allowance	Treasury	3.8	3.9	4.1	4.1	4.2
Transwa						
General <sup>(f)</sup>	Treasury	27.3	28.4	29.1	30.0	30.4
Concession Fares	Treasury	4.1	4.2	4.3	4.4	4.4
Annual Free Trip for Pensioners	Treasury	2.6	2.7	2.8	2.8	2.8
Freight Network - general	Treasury	7.1	1.3	1.7	1.9	2.4
<i>Other subsidies</i>						
‘Orange’ School Bus Initiative – Royalties for Regions	Treasury	2.7	-	-	-	-
District Allowance Payments – Royalties for Regions	Treasury	_(b)	_(b)	_(b)	_(b)	_(b)
AvonLink – Royalties for Regions	Treasury	0.4	-	-	-	-
Transperth Free Transit Zone – Recurrent Grant	Transport	15.2	15.3	15.3	15.3	15.3
Inner City Transport Plan – Recurrent Grant	Transport	1.2	1.6	-	-	-
Regional School Bus Services – Intensive English Centres and Other Services – Recurrent Grant	Education	4.7	4.9	5.1	5.3	5.3
<i>Subtotal</i>		<u>736.6</u>	<u>769.1</u>	<u>815.8</u>	<u>863.5</u>	<u>881.7</u>
Racing and Wagering Western Australia						
<i>Other subsidies</i>						
Regional Community Services – Royalties for Regions	Treasury	4.4	1.0	-	-	-
Direct grants – Various Racing Funding	Various <sup>(i)</sup>	35.5	36.8	38.2	39.5	41.0
<i>Subtotal</i>		<u>39.9</u>	<u>37.8</u>	<u>38.2</u>	<u>39.5</u>	<u>41.0</u>

(Table 8.7 cont.)

**EXPENSES FROM THE GENERAL GOVERNMENT SECTOR TO PUBLIC CORPORATIONS**

Details of Payment	Funding Department	2013-14 Estimated Actual \$m	2014-15 Budget Estimate \$m	2015-16 Forward Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m
Housing Authority						
<i>Other subsidies<sup>(j)</sup></i>						
Aboriginal Housing and Essential Remote Services (Various Programs)	Treasury	17.0	62.0	47.0	47.0	17.0
Various Programs	Treasury	6.6	10.9	17.9	18.9	-
Various Projects – Royalties for Regions	Treasury	42.2	7.1	0.6	0.6	0.6
Mental Health Dwellings-Broome	MHC <sup>(k)</sup>	2.5	-	-	-	-
Onslow Social and Critical Infrastructure Project (Wheatstone)	DSD <sup>(c)</sup>	0.2	7.0	-	-	-
<i>Subtotal</i>		<i>68.5</i>	<i>87.0</i>	<i>65.5</i>	<i>66.5</i>	<i>17.6</i>
<b>Total</b>		<b>2,230.8</b>	<b>2,282.5</b>	<b>2,258.3</b>	<b>2,340.6</b>	<b>2,268.0</b>

(a) Details of operating subsidies contained in this appendix may differ to those disclosed in Budget Paper No. 2. Details contained in this Appendix 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. Further breakdown of some of these operating subsidies are contained as part of the Appendix 6: *State Government Social Concessions Expenditure Statement*.

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

(c) Department of State Development.

(d) Western Australian Planning Commission.

(e) Includes service appropriations authorised under the *Salaries and Allowances Act 1975*.

(f) Represents the difference between total cost and revenue assumed if all passengers paid the standard fare, rather than paying concession fare or travelling for free.

(g) Represents the revenue foregone if passengers paid concession fare, rather than travelling for free.

(h) Includes payments to provide concessional fares to eligible passengers.

(i) Gaming and Wagering Commission and the Department of Racing, Gaming and Liquor.

(j) The Housing Authority also receives funding from the Commonwealth for affordable housing programs (\$511 million across the forward estimates) and indigenous housing programs (\$486 million over the forward estimates), which are not included here as they have no net impact on the general government sector. All payments made by the Department of Treasury to the Housing Authority for these programs are matched by payments from the Commonwealth.

(k) Mental Health 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 government goods and services. The model’s parameters are outlined in this appendix.

It is noted that calculating the effects of changes in 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 public sector goods and services.

The model seeks to highlight the impact of changes in major government tariffs, fees and charges on a particular hypothetical household reflecting current average electricity and water consumption, an assumed level of public transport use, and specified consumption of a range of other public sector goods and services (including some specific taxes).



## Key Government Charges Affecting Households

The model covers the following annual government charges affecting the ‘representative’ household:

- water, including both consumption and annual supply charges;
- wastewater;
- 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 government charges relating to one-off events such as property transfer duty.

## Results

Table 9.1 shows the impact of the changes in government tariffs, fees and charges on the 'representative' household in 2014-15.

Table 9.1

<b>ESTIMATED IMPACT ON THE STANDARD 'REPRESENTATIVE' HOUSEHOLD</b>				
	2013-14 \$ level	% change	\$ change	2014-15 \$ level
<b>Motor Vehicles</b>				
Vehicle licence charge <sup>(a)</sup>	\$255.32	24.71	\$63.08	\$318.40
Recording fee	\$13.05	0.00	\$0.00	\$13.05
CTP insurance	\$255.06	3.70	\$9.44	\$264.50
Drivers licence <sup>(b)</sup>	\$79.00	3.00	\$2.37	\$81.37
<i>Total</i>	<i>\$602.43</i>	<i>12.43</i>	<i>\$74.89</i>	<i>\$677.32</i>
<b>Utility Charges <sup>(c) (d)</sup></b>				
Electricity	\$1,397.39	4.50	\$62.88	\$1,460.28
Water, sewerage and drainage	\$1,406.78	6.00	\$84.41	\$1,491.19
<i>Total</i>	<i>\$2,804.17</i>	<i>5.25</i>	<i>\$147.29</i>	<i>\$2,951.46</i>
<b>Public Transport</b>				
Student fares	\$260.00	20.00	\$52.00	\$312.00
Standard fares (2 zones) <sup>(e)</sup>	\$819.00	4.76	\$39.00	\$858.00
<i>Total</i>	<i>\$1,079.00</i>	<i>8.43</i>	<i>\$91.00</i>	<i>\$1,170.00</i>
<b>ESL<sup>(f)</sup></b>	<b>\$220.00</b>	<b>5.00</b>	<b>\$11.00</b>	<b>\$231.00</b>
<b>Stamp Duty</b>				
Stamp duty on general insurance	\$168.30	0.00	\$0.00	\$168.30
Stamp duty on CTP insurance	\$26.45	0.00	\$0.00	\$26.45
<i>Total</i>	<i>\$194.75</i>	<i>0.00</i>	<i>\$0.00</i>	<i>\$194.75</i>
<b>Total Expenditure (Nominal)</b>	<b>\$4,900.35</b>	<b>6.62</b>	<b>\$324.18</b>	<b>\$5,224.53</b>

(a) The effective increase in motor vehicle licence expenditure for the 'representative' household takes into account the abolition of the private vehicle concession. The \$63.08 increase includes \$18 resulting from a decision in the 2013-14 Budget to halve the existing private vehicle discount to \$36, effective from 1 January 2014. The remaining increase of \$45.03 reflects 2014-15 Budget decisions.

(b) Drivers licence expenditure is for two drivers.

(c) Assumes no access to concessions, rebates or hardship packages.

(d) Excludes Commonwealth carbon emissions charge.

(e) This Transperth fare increase is greater than 4%, due to rounding such increases to the nearest 10 cents.

(f) The actual impact of the ESL on household charges is to be confirmed by the Department of Fire and Emergency Services in June 2014, after property valuation data are finalised.

Note: Columns may not add due to rounding.

On the basis of the assumptions below and the 2014-15 levels of government tariffs, fees and charges, the total expenditure of the 'representative' household on this basket of public sector goods and services is \$5,224.53. This represents an increase of \$324.18 (or 6.62%) on 2013-14 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:
  - 5,267 kW hours of electricity per annum, based on the forecast 2013-14 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;
- 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 4.5% from 1 July 2014. Based on the forecast 2013-14 average level of consumption of 5,267 kW hours of electricity, it is estimated that household electricity charges will total \$1,460.28 in 2014-15. This is a \$62.88 (or 4.5%) increase on 2013-14.

In order for residential electricity tariffs to be fully cost-reflective in 2014-15, a further increase of around 30% (above the approved 4.5% from 1 July 2014) would be required.

Charges for the full range of services (water supply and consumption, wastewater and drainage) provided by the Water Corporation to the 'representative' household will increase by \$84.41 (or 6.0%) in 2014-15.

Transperth two zone standard fares will increase by 4.8%<sup>1</sup>, amounting to an additional cost of \$39.00 to the 'representative' household. Student fares will increase to 60 cents, amounting to an additional \$52.00 per annum in household expenditure. In total, the 'representative' household's expenditure on public transport will increase by \$91.00 (or 8.4%) in 2014-15.

In 2014-15, motor vehicle registration fees will increase by \$63.08 (or 24.7%) on the 2013-14 level. This increase is largely driven by the abolition of the \$36 private vehicle concession for motor vehicle registrations.

Drivers licence fees will increase by \$2.37 (or 3%) in 2014-15.

The average metropolitan residential ESL will increase by \$11.00 (or 5%).

Compulsory third party insurance premiums, which remain the lowest in the nation, will increase by \$9.44 (or 3.7%).

Fees and charges that remain unchanged in 2014-15 include:

- motor vehicle recording fees; and
- stamp duty rates on insurance policies.

## Interjurisdictional Comparison

A comparison of Western Australia's household tariffs, fees and charges with those of other jurisdictions highlights that:

- household expenditure is amongst the lowest in Australia based on the assumptions of the model;
- Western Australia's 2014-15 utility charges remain below the 2013-14 national average;
- based on the comparison provided by the Public Transport Authority, public transport fares are significantly below those of New South Wales and Queensland, and highly competitive with all other jurisdictions; and
- motor vehicle charges are also amongst the lowest in Australia, particularly with respect to compulsory third party insurance premiums.

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<sup>1</sup> Transperth fares will increase by 4%, rounded to the nearest 10 cents, from 1 July 2014.

## Other Tariffs, Fees and Charges

Agencies subject to the *Financial Management Act 2006* 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 in compliance with the Government's pricing and costing guidelines. The annual review has been completed as part of the 2014-15 Budget process. In most instances, fees and charges have increased by the CPI reference rate of 2.6%. The following is a selection of fees and charges that are either new or involve increases in excess of the reference rate of inflation.

### Health

A total of 126 tariffs, fees and charges will increase by greater than CPI in 2014-15. The main fees include hospital accommodation charges payable by patients, and staff and visitor car parking fees.

Hospital accommodation charges will increase by 10% where full cost recovery is not being achieved. In relation to private patients, where hospital accommodation charges are not achieving full cost recovery, charges will increase at much lower rates (of between 2.5% to 4.9%) in accordance with Commonwealth regulation.

Three car parking fees will increase at a rate above CPI. Two of the car parking fees are in relation to staff parking at the Royal Perth Hospital and Queen Elizabeth II Medical Centre, and are consistent with the decision made last year during Parliament's consideration of the regulations to change the staff parking fee. The Parliament's decision was to increase the parking fees by 70 cents per annum until the charge reaches \$7.50 per day in 2017.

Other fees that will increase at a rate above CPI include licence and registration fees for food safety, pesticide safety, septic tanks, radioactive substances, reproductive technology, therapeutic poisons, and tobacco. These changes will facilitate greater cost recovery.

### Transport

The Perth Parking Levy (PPL) will increase by \$365 (or around \$1 per day) phased-in over the next two years. Revenue raised from this increase will assist in funding the underground Perth Busport (already partly funded from existing PPL revenue).

A Driver and Vehicle Services Regional Price Index will be applied to vehicle examination fees so that higher rates are charged to reflect the higher cost of providing this service in regional areas. The initial inspection fees in 2014-15 range from \$88.45 to \$104.90 for light vehicles and from \$143.60 to \$170.30 for heavy vehicles (subsequent inspection fees are lower than initial inspection fees). This represents increases ranging between 2.5% to 21.6% when compared to the 2013-14 fees.

## Education

The Department is progressing towards full cost recovery for fee paying overseas students, with increases ranging from 4.4% to 15% across a number of the fees relating to this client group:

- twelve fees at Canning College will increase by between 4.4% and 10.1%, to ensure full cost recovery for 2015. A total of 379 students will be affected by at least one of these fee increases;
- the fees for educating and training international overseas students on section 571 visas will increase by 15% in 2015, in addition to the 15% increase in 2014. The fees payable by this group remain below full cost recovery (80%) despite the combined yearly increases. A total of 619 students will be affected by these fee increases;
- the proposed fees for overseas students already enrolled have been increased by 15% for 2015, in addition to a 15% increase in 2014. Similarly, the fees payable by this group remain below full cost recovery (53.4%) despite the combined yearly increases. A total of 818 students will be affected by these fee increases; and
- from the 2015 school year, section 457 visa holders with dependents at government schools will be required to make a contribution towards the cost of their children's education. A fee of \$4,000 per annum will apply to the first child only in families holding section 457 visas (subsequent children will not attract a fee). Around 3,300 students are expected to be affected.

## Child Protection and Family Support

Fees will increase by 25% across the Department's adoption services, including for adoption education session (\$243), registration (\$956), first assessment report (\$1,258), subsequent assessment report (\$829) and for Court Reports, currently applicable where a child is to be adopted by a step-parent (\$563). The Department proposes to extend this charge to relative and carer adoption, where the child is not in the Chief Executive Officer's care.

The fees for Working with Children Checks for paid persons will increase by 48% to \$80.00. There will be a 2.9% increase for Working with Children Checks for volunteers (\$10.80) and for replacement cards (\$10.80).

The increased fees will facilitate greater cost recovery and are comparable with current fees in other jurisdictions.

## Country High School Hostels Authority

Residential College boarding fees will increase by 7.5% in 2015 (by \$880 to \$12,660). The fees relate to a forecast enrolment of around 660 students at nine residential colleges across the State in 2015. International boarding fees will also increase by 7.5% in 2015 (by \$1,315 to \$18,865). No international students have utilised the boarding service to date.

## Department of Environment Regulation

From 1 January 2015, the landfill levy rate on putrescible waste<sup>2</sup> will increase from \$28 per tonne to \$55 per tonne, and on inert waste from \$8 per tonne to \$40 per tonne. These increases are estimated to raise \$16.6 million in 2014-15, and a total of \$202.4 million over the forward estimates period.

Under section 79 of the *Waste Avoidance and Resource Recovery Act 2007*, 25% of the additional revenue will be credited to the Waste Avoidance and Resource Recovery Account, to implement initiatives related to the management, reduction, reuse, recycling, monitoring or measurement of waste. The balance of the additional revenue will be credited to the Consolidated Account, to help implement other government initiatives.

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<sup>2</sup> Putrescible waste is organic waste that becomes putrid as it decomposes (e.g. food, sanitary and animal waste). Inert waste is waste that does not decompose (e.g. building materials).

# Tax and Royalty Expenditure Statement

## Purpose

The purpose of this tax and royalty expenditure statement is to provide information about the cost or value of tax and royalty concessions that would not otherwise be reported in the Budget Papers in the years after the concessions were introduced.

## What is a tax or royalty expenditure?

Tax and royalty expenditures include revenue forgone by government, and financial benefits to taxpayers (or mineral producers), from exemptions and other concessions that depart from the general tax or royalty treatment. 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 2012-13 and 2013-14.

Table 10.1

**SUMMARY OF MAJOR TAX AND ROYALTY EXPENDITURES**  
Western Australia

	2012-13 Estimated Actual \$m	2013-14 Estimated \$m
<b>PAYROLL TAX</b>		
Tax-free threshold <sup>(a)</sup>	1,316.7	1,287.8
Schools/colleges exemption (public and private) <sup>(b)</sup>	219.8	225.4
Public hospitals exemption <sup>(b)</sup>	159.7	170.4
Other State government departments exemption <sup>(b) (c)</sup>	246.6	266.6
Local government exemption	65.0	67.1
Apprentices and trainees exemption	77.2	79.1
Charitable body exemption	28.0	30.4
<b>LAND TAX AND METROPOLITAN REGION IMPROVEMENT TAX</b>		
Principal place of residence exemption	233.2	253.0
Primary production exemption/concession	67.0	70.2
Developers' concession <sup>(d)</sup>	9.3	7.3
Land value growth cap	16.7	8.1
Religious bodies exemption	21.6	24.6
Educational institutions exemption <sup>(b)</sup>	17.7	19.8
Public charitable or benevolent institution exemption	10.5	14.7
Public or religious hospitals exemption <sup>(b)</sup>	1.5	1.7
Caravan parks exemption	2.1	2.5
Club or sporting association exemption/concession	5.6	6.3
Aged care facilities exemption	2.1	2.6
Retirement villages exemption	6.4	6.8
<b>TRANSFER DUTY AND LANDHOLDER DUTY</b>		
Connected entities restructure exemption <sup>(e)</sup>	836.0	149.0
First home owners' exemption/concession	196.0	156.4
Concessional scale for residential property	98.6	98.0
Family farm exemption	8.8	5.2
<b>INSURANCE DUTY</b>		
Health insurance policies exemption	176.2	192.0
Life insurance exemption	69.0	74.4
Workers' compensation insurance exemption	67.5	70.7
Marine hulls exemption	6.4	6.5
Reinsurance exemption	5.1	5.4
<b>VEHICLE LICENCE FEES</b>		
Private vehicle concession	82.3	65.7
Pensioner and Seniors vehicle concession	28.5	29.9
Primary producer vehicle concession	9.5	9.9
<b>VEHICLE LICENCE DUTY</b>		
Heavy vehicle concession	65.3	67.2
Caravan and camper trailer exemption	17.1	17.1
<b>MINING ROYALTIES</b>		
Iron ore 'fines' concessions <sup>(f)</sup>	409.0	-
Gold royalty-free threshold	5.0	4.1
Salt State Agreement Acts concession	3.2	3.0
<b>TOTAL</b>	<b>4,590.3</b>	<b>3,498.8</b>

(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 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. The property value threshold for houses will reduce from 2014-15.

### **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 (\$69 in 2012-13, \$72 from 1 July 2013 to 31 December 2013, \$36 from 1 January 2014 to 30 June 2014) applies to cars and wagons of up to three tonnes used solely for private purposes. This discount is indexed to the Perth Consumer Price Index. The discount for privately used motor vehicles will cease from 1 July 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 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 37 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 2012-13 (estimated actual) and 2013-14 (estimated) include:

- a decrease of 21.5% (or \$2 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 2013 that were eligible for the concession;
- a decrease of 51.7% (or \$8.7 million) in the value of the 50% cap on land value growth for land tax and MRIT purposes, reflecting a reduction in the number of land items which increased in value by more than 50% over the previous year;
- an increase of 13.9% (or \$3 million) in the value of the land tax and MRIT exemption for religious bodies, primarily reflecting the increase in land tax rates announced in the 2013-14 Budget;

- an increase of 40% (or \$4.2 million) in the value of the public charitable or benevolent institutions land tax and MRIT exemption, reflecting an increase in the number of land items eligible for the exemption and an increase in land tax rates in 2013-14;
- an increase of 11.9% (or \$2.1 million) in the educational institutions land tax and MRIT exemption, attributable to the increase in land tax rates in 2013-14;
- a decrease of 82.2% (or \$687 million) in the value of the connected entities restructure transfer duty exemption, attributable to significantly less activity in 2013-14 than in 2012-13;
- a decrease of 41.3% (or \$3.7 million) in the value of the family farm transfer duty exemption, reflecting that the large number of transactions in 2012-13 have not been repeated in 2013-14;
- a decrease of 20.2% (or \$39.6 million) in the value of the first home owners' transfer duty exemption and concession, attributable to strong growth in house prices (resulting in fewer applicants being eligible for the transfer duty exemption);
- a decrease of 20.2% (or \$16.6 million) in the value of the private motor vehicle licence fee concession, reflecting a decrease in the private motor vehicle licence fee concession from \$72 to \$36 from 1 January 2014; and
- a decrease of 100% (or \$409 million) in the value of the iron ore 'fines' concession, reflecting an increase in the iron ore 'fines' royalty rate from 6.5% to 7.5% from 1 July 2013 (i.e. the concession ceased from 1 July 2013).