



2015-16

BUDGET

Paper No. 3

Economic and Fiscal Outlook

2015-16 Budget Paper set includes:

Budget Paper No. 1 – Budget Speech

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

Budget Paper No. 3 – Economic and Fiscal Outlook

Reader's Guide to the 2015-16 Budget Statements (Available electronically from <http://www.ourstatebudget.wa.gov.au>)



2015-16 BUDGET

ECONOMIC AND FISCAL OUTLOOK

Budget Paper No. 3

**PRESENTED TO THE LEGISLATIVE ASSEMBLY
ON 14 MAY 2015**

2015-16 Economic and Fiscal Outlook

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ECONOMIC AND FISCAL OUTLOOK

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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 2015-16 Government Financial Projections Statement required by sections 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 21 April 2015 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 21 April 2015.

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

Michael Barnes
UNDER TREASURER

14 May 2015

Overview

HIGHLIGHTS

- The 2015-16 Budget has been framed in the most challenging economic and fiscal environment the State has faced in the last two to three decades.
 - Economic growth is being driven by strong export performance, but is expected to moderate from 3.25% in 2014-15 to 2% in 2015-16, which will be the lowest rate of growth since 1990-91.
 - The general government revenue estimates have been revised down by an unprecedented \$10.2 billion (excluding revenue policy measures) since the 2014-15 Budget, driven by sharp declines in iron ore and crude oil prices.
 - At the same time, Western Australia's GST revenue continues to decline (by a further \$328 million in 2015-16), exacerbating the State's revenue volatility.
 - Reflecting the above factors, general government revenue in 2015-16 is estimated to be \$1.6 billion or 5.8% lower than in 2013-14.
- The Commonwealth Government has acknowledged these revenue challenges and agreed to provide Western Australia with additional funding for roads of \$499 million in 2014-15 (although this was not finalised until after the cut-off date for this Budget).
- The Government has responded in this Budget with new revenue and savings measures totalling \$1.3 billion, including a revised land tax scale, Agency Expenditure Reviews, and reforms to social concessions.
- The Government has also expanded its asset sales program.
- Limited additional expenditure in this Budget has been targeted to key service priorities in areas such as health, child protection, mental health and social housing. Expense growth has been contained to an average of just 2.5% per annum over the period 2015-16 to 2018-19.

- Notwithstanding this low expense growth, a general government sector operating deficit of \$2.7 billion is projected for 2015-16, following an expected \$1.3 billion operating deficit for 2014-15. In the current revenue environment, these deficits are unavoidable.
- The Government is continuing to support jobs and growth in the State's economy through its significant ongoing investment in infrastructure, which is expected to total \$6.3 billion in 2015-16 and \$24.1 billion over the next four years.
- This infrastructure investment, together with the substantial reduction in revenue, will see net debt increase from an estimated \$25.5 billion at 30 June 2015 to a forecast peak of \$36.3 billion by 30 June 2018, before declining to \$35.8 billion by the end of the forward estimates period.
 - These estimates do not include any provision for anticipated asset sale proceeds, which will only be reflected in the estimates upon finalisation of the associated transactions.

Introduction

In recognition of the challenging fiscal environment, the 2015-16 Budget is focused on consolidation, as the Government continues to implement key service delivery reforms, tightly manage expenses, and deliver existing commitments.

The Budget also includes new revenue and savings measures totalling \$1.3 billion in net debt terms over the budget period (see feature box below). This builds on previous savings and reform measures implemented by the Government.

The following table summarises the key financial aggregates for the 2015-16 Budget.

Table 1

KEY BUDGET AGGREGATES
Western Australia

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
GENERAL GOVERNMENT SECTOR						
Net Operating Balance (\$m)	719	-1,287	-2,708	-1,148	874	2,209
Revenue (\$m)	27,956	27,045	26,325	28,496	31,075	33,517
Revenue Growth (%)	8.7	-3.3	-2.7	8.2	9.0	7.9
Expenses (\$m)	27,236	28,332	29,033	29,644	30,201	31,308
Expense Growth (%)	6.9	4.0	2.5	2.1	1.9	3.7
TOTAL PUBLIC SECTOR						
Net Debt at 30 June (\$m)	20,754	25,455	30,996	34,443	36,289	35,753
Asset Investment Program (\$m)	6,814	6,555	6,284	5,963	6,081	5,757
Cash Position (\$m)	-2,465	-4,140	-5,090	-3,139	-1,147	790
Gross Borrowings at 30 June (\$m)	41,216	44,610	46,930	49,866	52,874	54,626
KEY FINANCIAL RATIOS ^(a)						
Cash Operating Surplus as a Share of Receipts (%)	7.5	2.1	-0.6	3.0	6.7	9.5
Net Debt to Revenue (%)	55.2	67.9	80.5	83.3	81.8	75.4

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

New Revenue and Savings Measures

In response to the unprecedented decline in the general government revenue estimates since the 2014-15 Budget, the Government has included a new package of revenue and savings measures in this Budget that build on existing fiscal repair strategies. These new measures lower net debt by an estimated \$1.3 billion by 30 June 2019.

The Government is also reforming social concessions, to ensure assistance is sustainable and targeted to those most in need. The social concessions reform package delivers \$199 million in estimated savings over the forward estimates, with detailed information contained in Chapter 5: *General Government Expenses*.

Table 2

FINANCIAL IMPACT OF NEW REVENUE AND SAVINGS MEASURES

	Net Operating Balance				Net Debt At 30 June 2019
	2015-16	2016-17	2017-18	2018-19	
	\$m	\$m	\$m	\$m	\$m
Remove Cellar Door Subsidy	2	3	3	3	-11
Remove First Home Owner Grant for Established Homes	25	28	28	28	-109
Agency Expenditure Reviews	33	35	36	34	-137
Revised Land Tax Scale	184	198	213	230	-826
Increase the Loan Guarantee Fee for Local Governments, Universities and Keystart	36	37	38	38	-24
Total Revenue and Savings Measures	280	300	318	333	-1,106
Reform of Social Concessions	41	52	53	53	-199
Total of Above Measures	321	353	370	387	-1,305

Remove Cellar Door Subsidy

The cellar door subsidy is a State Government rebate of Federal taxes on cellar door wine sales. Producers can claim the subsidy once they have exhausted the Federal Government's Wine Equalisation Tax (WET) rebate. With the increase in the WET rebate to \$500,000 in 2006, most wine producers no longer require the State subsidy. The Government will therefore remove the cellar door subsidy from 1 July 2015, which is estimated to save \$11 million over the forward estimates. This will bring Western Australia into line with most other States.

Remove First Home Owner Grant for Established Homes

In line with all other jurisdictions, the \$3,000 First Home Owner Grant (FHOG) for established homes will be removed from 2015-16 (following passage of the required legislative amendments), generating estimated savings of \$109 million over the forward estimates. No changes are proposed to the \$10,000 FHOG for new homes, and first home buyers will continue to benefit from an exemption of transfer duty on the purchase of a new or established home up to the value of \$430,000 (and vacant land valued up to \$300,000).

Agency Expenditure Reviews

In the 2014-15 Mid-year Review, the Government announced that Agency Expenditure Reviews (AERs) would be undertaken in respect of eight agencies. The objective of the AERs is to ensure that, as circumstances change over time, the programs delivered by agencies remain a priority for Government, and are delivered in an efficient and effective manner. As part of the 2015-16 Budget, six agencies (the Departments of the Attorney General, Commerce, Agriculture and Food, Fisheries, Parks and Wildlife, and Training and Workforce Development) reviewed spending programs and identified savings. These savings result in an estimated \$137 million net debt improvement by 30 June 2019. A breakdown of the savings measures can be found in the agencies' 2015-16 Budget Statements (Budget Paper No. 2).

The remaining two agencies (the Department of Finance and the Culture and the Arts portfolio) will progress to stage two of the AER process, which consists of a review of the entirety of the agency's operations overseen by an independent project board. It is expected that stage two savings measures will be included in the 2015-16 Mid-year Review.

Revised Land Tax Scale

From 2015-16, a flat dollar amount of \$300 will be introduced for taxable land with an unimproved value between \$300,000 and \$420,000, and land tax rates (except the top rate) will be increased. Despite these changes, Western Australia's land tax will remain very competitive with other jurisdictions. The revised land tax scale will result in an estimated net debt improvement of \$826 million by 30 June 2019.

Increase Loan Guarantee Fees

The Western Australian Treasury Corporation charges its clients a Loan Guarantee Fee in exchange for an explicit Government guarantee on liabilities incurred in raising loan funds for agencies, local governments and universities (in accordance with the *Western Australian Treasury Corporation Act 1986*).

From 1 July 2015, local governments, universities and Keystart will be charged the same Loan Guarantee Fee (0.7%) as Government Trading Enterprises such as Western Power and the Water Corporation. This measure will result in an estimated operating benefit totalling \$149 million by 30 June 2019 (but a net debt benefit of only \$24 million, reflecting that Keystart is internal to the State's public sector).

Economic and Fiscal Outlook

The Western Australian economy continues to transition from a period of rapid growth in business investment into a more moderate growth phase driven by a large expansion in resource exports.

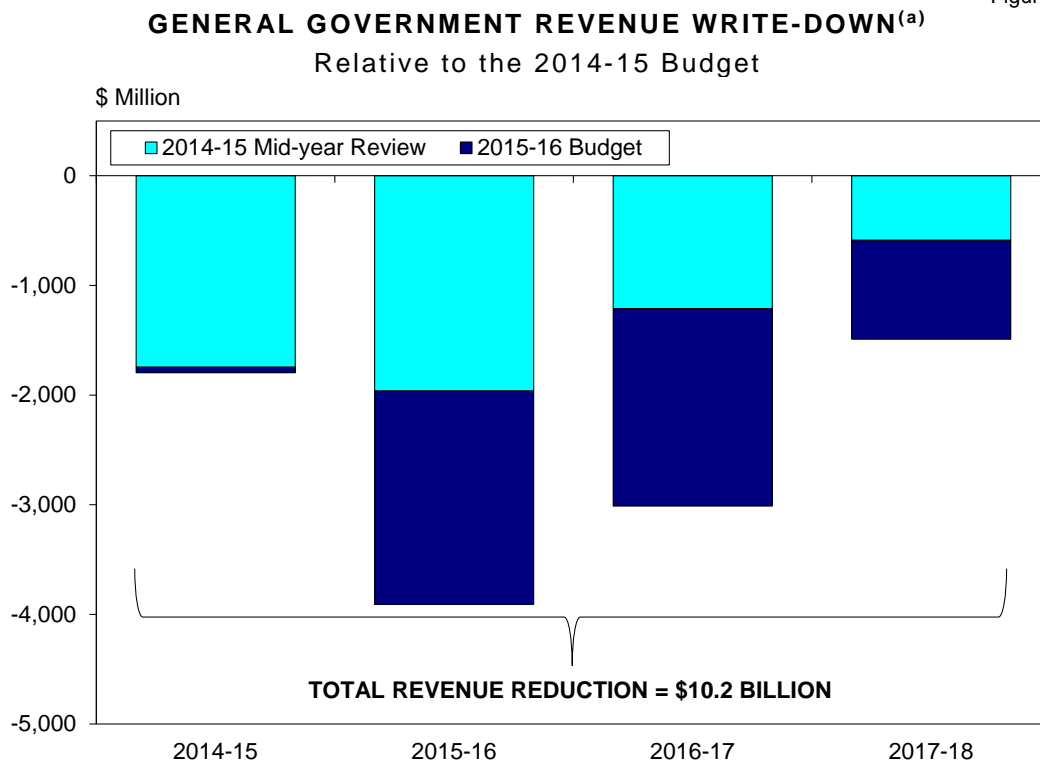
Domestic economic activity is expected to contract in the short term as business investment continues to decline towards its long-run share of output. This reflects a thinning investment pipeline, as construction on major iron ore and LNG projects comes to an end and recent falls in commodity prices reduce the likelihood of new resource projects proceeding over the budget period.

Resource exports are expected to lift strongly and support growth in the economy as iron ore and LNG production ramp up. However, with business investment continuing to decline from its record level in 2012-13, growth in the State's economy is expected to moderate to 2% in 2015-16, before lifting to 3.5% in 2016-17 and stabilising at 2.75% per annum thereafter.

Weak domestic activity is translating into softer labour market conditions, with the unemployment rate expected to peak at 6.25% in 2015-16 before gradually declining to 5.25% by 2018-19. Wages growth and inflation are also expected to be subdued, reflecting softer domestic economic conditions.

The combination of a softer domestic economy and recent sharp declines in commodity prices has also resulted in unprecedented downward revisions to the general government revenue estimates, as shown in the following chart. The revenue write-down in 2015-16 alone is \$3.9 billion, equivalent to 13% of the State's total revenue base.

Figure 1



(a) Excludes the impact of revenue policy measures since the 2014-15 Budget.

The key economic parameters and other assumptions underlying the 2015-16 Budget estimates are outlined in the following table. These assumptions were finalised on the 21 April 2015 cut-off date for this Budget.

Table 3

KEY BUDGET ASSUMPTIONS
Western Australia

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
Real Gross State Product growth (%)	5.5	3.25	2.0	3.5	2.75	2.75
Real State Final Demand growth (%)	-2.2	-2.5	-1.25	0.0	1.0	2.0
Employment growth (%)	1.1	2.5	1.75	1.75	2.0	2.0
Unemployment rate (%) ^(a)	4.8	5.5	6.25	6.0	5.75	5.25
Wage Price Index growth (%)	2.8	2.25	2.75	3.0	3.25	3.5
Perth Consumer Price Index growth (%)	3.0	2.0	2.25	2.5	2.5	2.5
'Headline' iron ore price (\$US/tonne CFR)	122.8	68.8	47.5	50.7	56.3	61.8
Iron ore volumes (million dry tonnes)	632	716	748	772	797	799
Crude oil price (\$US per barrel)	109.4	75.1	64.2	68.2	70.4	71.9
Exchange rate (US cents)	91.8	83.3	75.9	75.0	74.3	73.9
Population growth (%)	2.6	1.9	2.0	2.1	2.2	2.2
Interest rate assumptions (%):						
- Public Bank Account interest earnings ^(a)	2.8	2.6	2.1	2.1	2.1	2.1
- Consolidated Account borrowings ^(a)	4.0	3.9	3.4	3.2	3.1	3.1

(a) Average rate over the year.

Reflecting the unprecedented decline in the State’s revenue outlook (driven in large part by the substantial decline in the iron ore price to an assumed \$US47.50 per tonne), general government revenue is forecast to contract by \$720 million or 2.7% in 2015-16. General government expenses are forecast to increase by \$701 million or 2.5% in 2015-16, with this low rate of expense growth reflecting the impact of previous and new savings and reform measures.

Following an estimated operating deficit of \$1,287 million in 2014-15 (unchanged from the 2014-15 Mid-year Review estimate), the general government sector is forecast to record an operating deficit of \$2,708 million in 2015-16. Given the extent of the revenue write-down noted earlier, a further deficit is also in prospect for 2016-17, before a return to surplus from 2017-18 due to the cumulative nature of the Government’s savings measures and a lagged increase in the State’s share of GST revenue in response to the current weakness in royalty income.

The deterioration in the operating outlook increases the need for new borrowings to support the Government’s infrastructure investment. Total public sector net debt is therefore forecast to increase from an estimated \$25.5 billion at 30 June 2015 to a peak of \$36.3 billion by 30 June 2018, before declining to \$35.8 billion by 30 June 2019.

Budget Objectives

New spending has been limited in this Budget, and is directed at meeting the following broad objectives¹.

Securing our Economic Future

The Government is continuing to implement a number of important savings and reform measures across the public sector, including the Workforce Renewal Policy announced in the 2014-15 Mid-year Review, Agency Expenditure Reviews, and Information and Communications Technology reform. This Budget includes a further \$1.3 billion in new revenue and savings measures over the period 2015-16 to 2018-19 (see feature box earlier in this chapter).

In addition to these measures, the 2015-16 Budget contains a number of initiatives that aim to secure the economic future of the State, including:

- continued support for tourism, with additional recurrent expenditure of:
 - \$20 million over the next four years for State-wide tourism events;
 - \$11 million over 2015-16 and 2016-17 through Royalties for Regions for new tourism marketing campaigns to boost and extend the Regional Tourism Marketing Program; and
 - \$6 million over 2016-17 to 2018-19 to assist the Perth Convention Bureau in bringing business events into the State;

¹ Further detail on spending changes can be found in Chapters 5 and 6, and in Budget Paper No. 2: *Budget Statements*.

- an additional \$13 million over three years from 2016-17 for the Pawsey Supercomputing Centre, which provides world-class facilities and expertise in high performance computing and visualisation technologies; and
- continuation of the \$300 million Seizing the Opportunity program, including \$63 million for current approved projects in 2015-16, to capture opportunities for Western Australian agriculture to capitalise on the economic growth of Asia and the desire of Asian countries to ensure their food security.

The Efficient Delivery of Quality Services

Continuing strong demand for quality services will be addressed in this Budget with:

- an additional \$417 million in hospital activity funding for WA Health across the forward estimates period to reflect revised activity and cost settings for public hospital services. This will see spending on public hospital services increase by \$243 million or 4.6% in 2015-16 (relative to 2014-15);
- spending on education services in 2015-16 to increase by \$294 million or 6.5% relative to 2014-15, with a continued focus on reform in the education sector to ensure improved student outcomes;
- spending on policing to increase by \$53 million or 4.1% in 2015-16 (relative to 2014-15), with Western Australia Police on track to meet the Government's commitment to an additional 550 officers by the end of 2016-17; and
- a strong focus on mental health initiatives, including a new \$26 million suicide prevention strategy over the next four years and two new sub-acute services in Karratha and Bunbury. Overall, spending on mental health services is up \$43 million or 5.4% in 2015-16.

Supporting and Protecting Our Community

The 2015-16 Budget will continue to support and protect those who are at risk or vulnerable in our community, with initiatives including:

- the introduction of a no-fault catastrophic injury compulsory third party insurance scheme from 1 July 2016;
- an additional \$172 million over the next four years to meet growth in demand for child protection services;
- a \$98 million or 11.3% increase in expenditure on disability services in 2015-16 (relative to 2014-15);
- an additional \$35 million over 2015-16 and 2016-17 to continue the National Partnership Agreement on Homelessness for a further two years;
- \$27 million in 2015-16 on the provision of essential and municipal services for Western Australian remote Aboriginal communities;

- an additional \$8 million for grants under the Hardship Utility Grant Scheme in 2015-16; and
- an additional \$8 million from 2014-15 to 2016-17 to ensure every public school that applied will receive funding for an in-school chaplain, with a total of 500 schools to benefit from the program in the 2015 and 2016 school years.

Key infrastructure spending in this Budget to support our community includes:

- \$308 million in capital expenditure as part of a \$560 million new Social Housing Investment Package, which will deliver 1,000 new social housing dwellings over 2015-16 and 2016-17, and halve the number of seniors and families with children on the priority waitlist by 30 June 2017; and
- \$11 million in capital expenditure by the Mental Health Commission over 2015-16 and 2016-17 to establish new sub-acute services in Karratha (a six bed service) and Bunbury (a ten bed service), with additional recurrent expenditure of \$17 million from 2016-17 to operate these services.

Investing in Infrastructure to Support Our Growing State

The Government's Asset Investment Program will total \$6.3 billion in 2015-16 and \$24.1 billion over the four years to 2018-19, providing crucial support to jobs and growth across the State.

This Budget includes capital investment for key road, public transport and electricity projects that will support the State's growing population, including:

- \$1.6 billion for the Perth Freight Link project over the next four years. This project will provide a strategic urban transport corridor that facilitates the seamless movement of road freight between Fremantle, Perth Airport and the Kewdale industrial precinct, and northwards to Muchea;
- a \$1.4 billion four year program to address Western Power's wood pole management, bushfire mitigation and management of overhead customer service connections;
- \$1.3 billion over the next four years for the \$2 billion Forrestfield Airport Link project;
- the procurement of the next generation of railcars for Perth, with 50 six-car sets (or 300 railcars) to be delivered over 10 years from 2019 at an estimated cost of \$1.2 billion. This Budget includes \$5 million in 2015-16 for necessary planning;
- \$777 million over 2015-16 to 2018-19 for the NorthLink WA – Swan Valley Section (due for completion in 2018-19);
- \$304 million over 2015-16 to 2018-19 for Horizon Power to maintain the adequacy and quality of electricity supplies to communities throughout regional Western Australia; and

- \$163 million over the next two years to complete the Gateway WA project, which will deliver a safer and more efficient network of roads and bridges to the new Perth Airport precinct and the surrounding businesses and residential areas.

New investments are also provided in this Budget to meet core service delivery needs in areas such as education, health, transport, law and order, and fire and emergency services, including:

- \$60 million for the construction of South Baldivis Senior High School;
- \$57 million for the construction of Yanchep Senior High School;
- \$53 million over the next four years towards a complete replacement of the Public Transport Authority's analogue radio system used for rail services;
- \$30 million for the amalgamation of Hamilton Senior High School and South Fremantle Senior High School into the new Fremantle College;
- \$28 million over the forward estimates period to install a number of physical network improvements to alleviate traffic congestion on metropolitan roads;
- \$25 million over 2015-16 and 2016-17 to enhance accessibility for vehicles, cyclists, pedestrians and public transport to the Aubin Grove Train Station (due to be completed by the end of 2016);
- \$22 million across 2014-15 to 2018-19 to upgrade the Department of Education's Student Information System to a centralised, web-enabled system which will provide real-time student and school information;
- \$22 million over 2014-15 to 2016-17 for the New Women's Custodial Centre, to address growth in the female prisoner population;
- up to \$20 million over the forward estimates period for a new primary health care centre and six independent living units to support the delivery of comprehensive primary and aged care at the Laverton Hospital;
- \$18 million provided under Royalties for Regions for Stage 2 of the redevelopment of Carnarvon Community College;
- an additional \$17 million over the next four years for critical maintenance and upgrades to existing metropolitan and regional Police facilities to ensure they remain operationally fit-for-purpose;
- an additional \$17 million over 2015-16 to 2018-19 on the replacement of incident control vehicles, road crash rescue trailers and special purpose vehicles for the Department of Fire and Emergency Services; and
- an additional \$12 million in 2015-16 (bringing the total investment to \$19 million) to meet key infrastructure needs and support the operation of Royal Perth Hospital following the transition of some services to the newly completed Fiona Stanley Hospital.

The Western Australian Economy

HIGHLIGHTS

- The Western Australian economy has grown by an average of 5.9% per annum over the past three years (double national growth), lifting the size of the State's economy to \$256 billion in 2013-14. This growth was supported by unprecedented levels of investment, which lifted the productive capacity of the economy and laid the foundation for the export phase of growth.
- Strong export growth is expected to continue in 2014-15, with export volumes forecast to lift by 10% on the back of a large expansion of iron ore production. A ramp-up of activity in the Liquefied Natural Gas (LNG) sector is also expected to provide a further boost to exports over the forward estimates period.
- However, excluding net exports, Western Australia's domestic economy (as measured by State Final Demand) contracted in 2013-14 (by -2.2%), and is expected to contract further in 2014-15 (-2.5%) and 2015-16 (-1.25%). This reflects declining levels of business investment from its peak in 2012-13, subdued growth in household consumption, and moderating growth in dwelling investment.
- These softer domestic conditions are flowing through to the State's labour market, resulting in slower employment growth, a forecast increase in the unemployment rate to 6.25% in 2015-16, and modest wages growth.
- Overall, growth in the State's economy (as measured by Gross State Product) is forecast to slow to just 2% in 2015-16. This will be the slowest rate of growth since 1990-91.

Introduction

The Western Australian economy has expanded significantly in recent years, driven by a rapid increase in business investment, which also provided the building blocks for exports to drive future growth.

The economic outlook is now being shaped by a normalisation of investment from historically high levels, with business investment expected to decline across the budget period towards its historical share of total output (around 16%).

As the economy continues into the export-driven phase, Gross State Product (GSP) growth is expected to slow to just 2% in 2015-16, before lifting to 3.5% in 2016-17 and stabilising at 2.75% per annum thereafter (see figure below). The decline in business investment is expected to impact on other key areas of the domestic economy in the short-term, with State Final Demand (SFD) forecast to contract over 2014-15 and 2015-16.

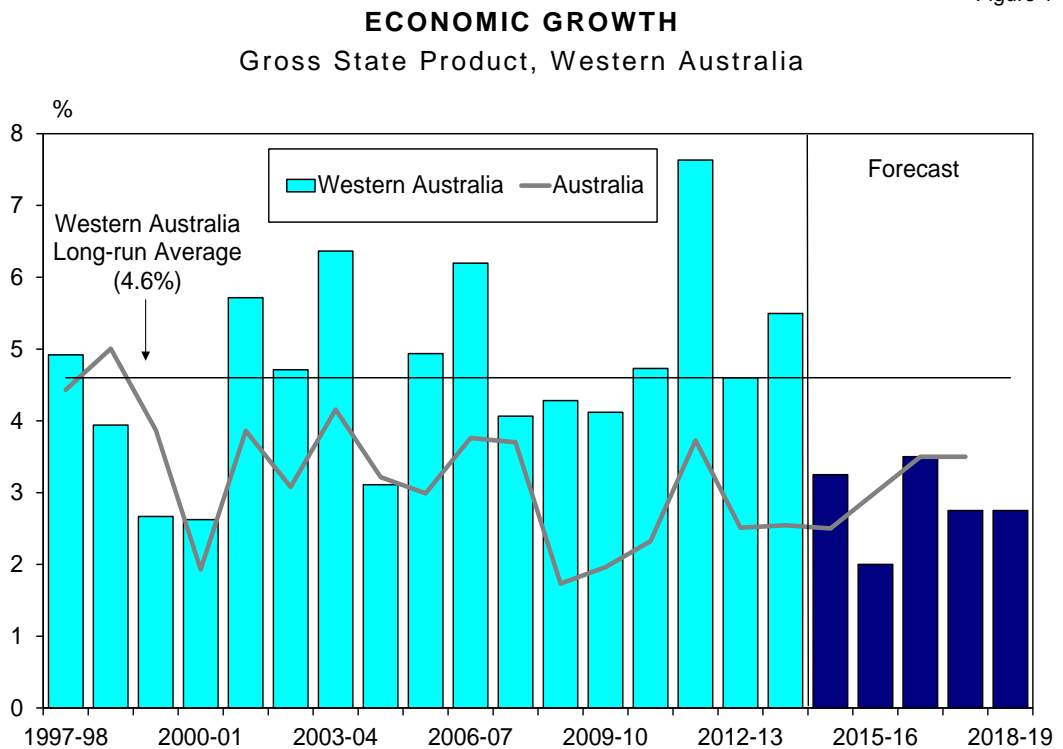
Substantial declines in the price of iron ore and crude oil have led to a significant weakening in the terms of trade. The lower commodity prices are also resulting in substantially weaker government revenue, and a reduction in revenue for mineral and energy producers (leading to cost cutting and flowing through to lower growth in household incomes). The subsequent impact on household and business behaviour is contributing to softer conditions in the domestic economy.

While growth in consumer spending is expected to soften in the short-term, the low interest rate environment is anticipated to provide opportunities for financial consolidation, with an improvement in household balance sheets and a lift in real wages providing support for consumption growth in future years.

After a strong rise of 11.6% in 2013-14, growth in dwelling investment is forecast to ease over the budget period, consistent with a slowdown in building approvals and housing finance commitments from recent high rates.

Employment is expected to grow at a more moderate pace than in recent years in line with a softer domestic economy, to average around 2% per annum across the budget period. The unemployment rate is forecast to peak at 6.25% in 2015-16, well above the decade average rate of 4.1%. Wages growth is projected to remain modest in line with a soft labour market.

Figure 1



Source: Australian Bureau of Statistics (ABS) Catalogue 5220.0, Department of Treasury and Commonwealth Treasury 2014-15 Mid-Year Economic and Fiscal Outlook.

Whilst having moderated sharply from its peak of 3.6% in 2012-13, population growth is expected to remain a driver of the State’s economy, with growth forecast to average 2.1% (or around 57,000 people) per annum across the forecast period.

Notwithstanding the moderation in the rate of economic growth compared to recent years, it is worth noting that the total size of the State’s economy is still projected to increase by almost \$40 billion across the forecast period, to reach \$294.8 billion by 2018-19.

Table 1

ECONOMIC FORECASTS
Western Australia, Annual Growth (%)

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
Demand and Output ^(a)						
Household Consumption	1.9	1.5	2.75	3.25	3.5	3.5
Dwelling Investment	11.6	3.25	2.0	-0.5	-0.5	3.5
Business Investment	-11.6	-10.5	-12.0	-7.5	-4.25	-3.0
Government Consumption	3.2	4.25	3.75	3.25	3.25	3.25
Government Investment	2.2	-11.0	2.0	-3.0	-2.5	-1.0
State Final Demand	-2.2	-2.5	-1.25	0.0	1.0	2.0
Merchandise Exports	7.7	10.0	4.75	7.25	4.25	3.25
Merchandise Imports	2.9	-3.75	-3.75	-1.0	0.5	1.0
Net Exports ^(b)	11.7	17.25	8.5	10.25	5.25	4.25
Gross State Product ^(c)	5.5	3.25	2.0	3.5	2.75	2.75
Labour market						
Population	2.6	1.9	2.0	2.1	2.2	2.2
Working Age Population (15-64)	2.4	1.7	1.6	1.6	1.6	1.6
Employment	1.1	2.5	1.75	1.75	2.0	2.0
Unemployment Rate ^(d)	4.8	5.5	6.25	6.0	5.75	5.25
Participation Rate ^(d)	68.2	68.9	69.2	68.9	68.7	68.3
Prices						
Consumer Price Index	3.0	2.0	2.25	2.5	2.5	2.5
Wage Price Index	2.8	2.25	2.75	3.0	3.25	3.5
SFD Deflator	3.1	2.0	1.9	1.9	1.8	1.7
GSP Deflator	3.3	-7.9	-3.7	3.1	3.9	2.7
Median House Price ^(e)	6.9	2.5	1.4	0.8	1.5	2.6
Other key parameters ^(d)						
Exchange Rate \$US/\$A (cents)	91.8	83.3	75.9	75.0	74.3	73.9
Iron Ore Price (\$US/t) cost and freight inclusive (CFR)	122.8	68.8	47.5	50.7	56.3	61.8
Crude Oil Price (\$US/barrel)	109.4	75.1	64.2	68.2	70.4	71.9

(a) Based on 2013-14 State Accounts annual data, released on 21 November 2014, updated with the latest quarterly State Final Demand data (for the December quarter 2014, released on 4 March 2015).

(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 (REIWA).

Global Outlook

Global economic growth was weaker than expected in 2014, with increasingly divergent growth trends among major economies and downside risks heightening. As such, the outlook for global economic growth in 2015 is weaker than previously expected.

In its April 2015 *World Economic Outlook*, the International Monetary Fund (IMF) projected growth in the global economy to continue at a moderate 3.5% in 2015, before picking up slightly to 3.8% in 2016, as prospects across the major economies remain uneven. The World Bank, in its January *Global Economic Prospects* publication, projected the global economy to grow by 3% in 2015 (down from 3.4%), before increasing to 3.3% in 2016.

In contrast to a number of other major global economies, sentiment surrounding the outlook for economic growth in the US remains positive. After a slow start to 2014, the US economy rebounded strongly, fuelled by strong consumer spending and improvements in the labour and housing markets. The US economy is expected to continue on its path to recovery throughout 2015, with a possible normalisation of monetary policy, which would include a rise in interest rates, by end-2015.

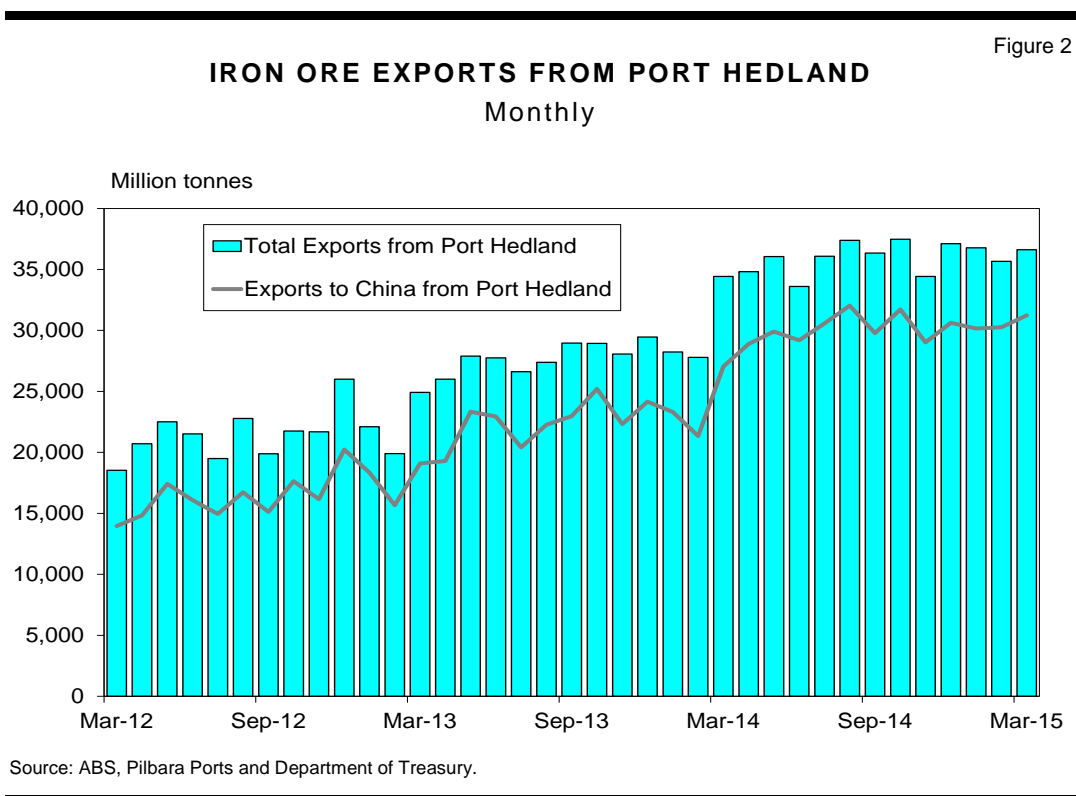
Economic growth and conditions throughout the euro area remain weak. Deflation is a key concern and the unemployment rate remains at a historically high level. The European Central Bank announced the implementation of a quantitative easing program in early 2015 to stimulate economic growth. In early signs that the stimulus program may be starting to have an effect, deflation slowed to -0.1% in March. Furthermore, consumer confidence is slowly rising (assisted by lower oil prices), providing a boost to consumer spending. Nonetheless, only a gradual recovery in the area is expected in the short-term.

The Chinese economy grew by 7.4% over 2014, the slowest pace of growth since 1990 and marginally below the Government's target rate of 7.5%. However, this rate of growth added an extra RMB1.32 trillion in real terms to China's Gross Domestic Product (GDP) in 2014. To put this in context, RMB1.33 trillion was added to GDP in 2007 when the economy grew by 14.2%. If China's annual growth were to slow to 6.8% and 6.3% in 2015 and 2016, as forecast by the IMF, this would still add another RMB1.3 trillion, in real terms, to China's economy in each of the next two years.

Over recent months, economic conditions in China have stayed relatively subdued with softness in a range of indicators including retail sales, industrial production, fixed asset investment and surveys of manufacturing expectations. The property sector, a key area of concern for the Chinese economy, has also continued to show signs of weakness in recent months.

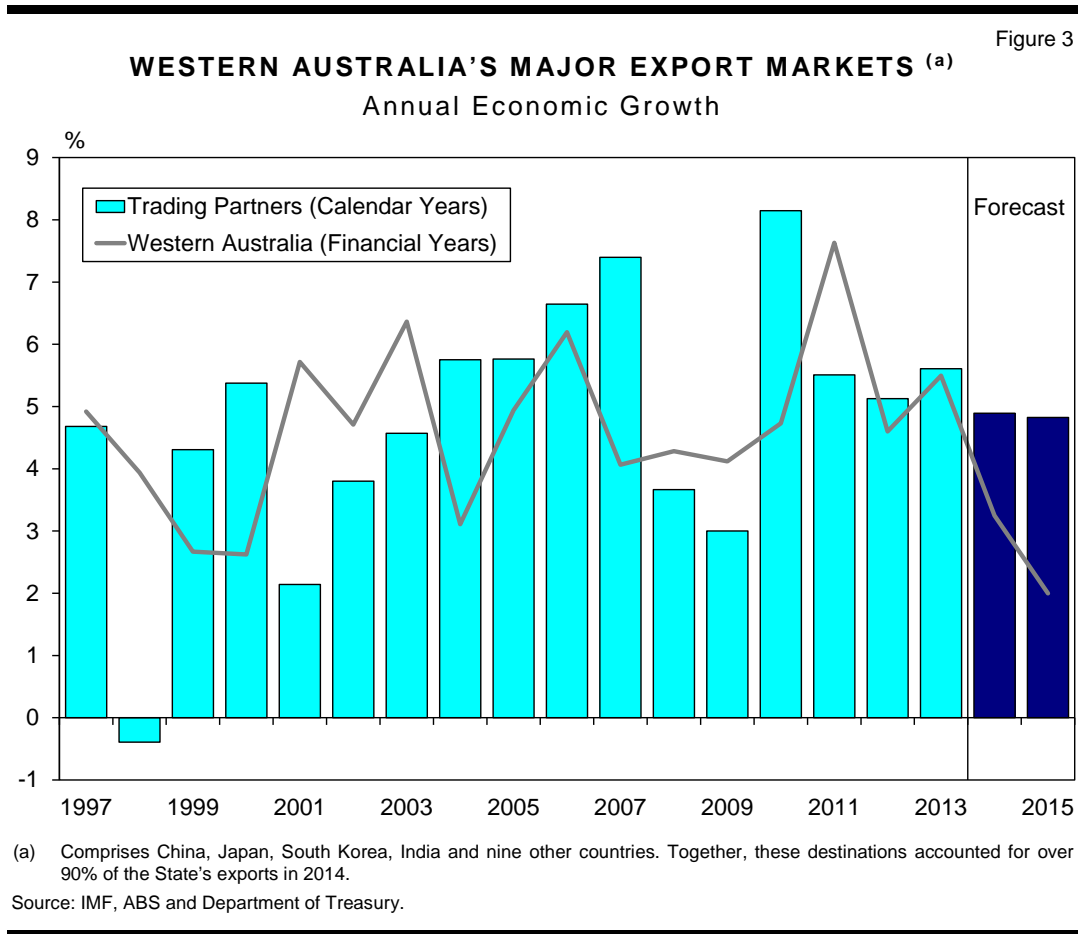
Notwithstanding the Chinese authorities’ stated intention to transition the economy to a more sustainable and consumption-led growth path, the recent easing in economic activity has prompted a number of targeted stimulus measures. These include tax breaks for certain businesses, acceleration of infrastructure projects, interest rate reductions and cutting loan volume restrictions on banks. It is expected that Chinese authorities will consider further targeted stimulus measures over 2015 if economic indicators remain weak and economic growth shows signs of falling below target rates.

Despite softer growth in China, demand for iron ore imports, including imports from Western Australia, is yet to be substantially impacted (in volume terms). Iron ore producers appear to be operating at full capacity, with shipments from Port Hedland (the largest exit point for such exports) appearing to have stabilised at near record levels in recent months (see figure below).



The outlook for growth in Japan remains weak. Despite emerging from recession in the final quarter of 2014, ongoing weakness in consumer spending is a key factor continuing to constrain growth. Nonetheless, the implementation of new fiscal stimulus measures in late 2014, combined with a continuation of its quantitative monetary easing program, are expected by the Japanese Government to support slightly stronger growth in 2015. As the State’s second-largest trading partner, demand for Western Australian goods remains susceptible to changes in Japan’s economic growth prospects.

Overall, economic conditions in Western Australia’s major export markets are expected to be reasonably robust, with growth of 4.9% in 2014 and 4.8% in 2015, following growth of 5.6% in 2013 (see figure below).



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

Commodity prices have declined in 2014-15 against a stronger US dollar, softer economic conditions in key markets and factors specific to individual commodities.

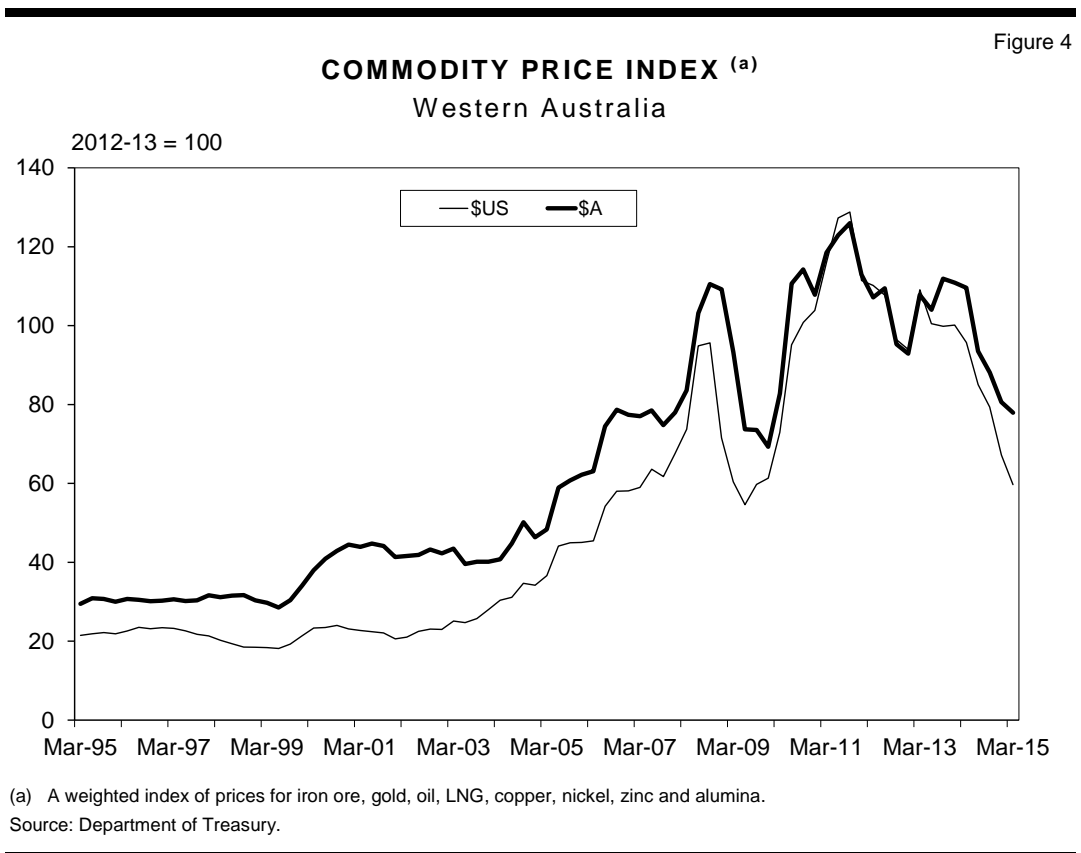
The iron ore price has declined by 46% between July 2014 and April 2015¹. This is primarily due to substantial expansions of low-cost supply by the largest iron ore producers, as well as weaker Chinese demand, mostly the result of slowing residential property construction. The slow exit of higher-cost iron ore production in China has maintained supply at high levels and consequently placed significant downward pressure on price.

The oil price has also fallen over 2014-15 (by around 45%), with the decline attributed to weaker demand from emerging countries and growth in supply of unconventional sources of oil (such as shale oil from the US). LNG contract prices, which are typically linked to the oil price, have also declined considerably so far in 2014-15.

¹ The Budget cut-off date was 21 April 2015.

Gold prices have declined by around 8% since July 2014. Movements in the gold price have been largely determined by changes in the outlook for US monetary policy and the US economy more generally.

Overall, prices for Western Australia’s commodity exports have declined due to the falls in key commodities, predominantly iron ore, oil and LNG. While US dollar commodity prices are returning toward the levels of the mid-2000s, Australian dollar prices have remained higher given that the \$US/\$A exchange rate has depreciated since early 2015 (see figure below).

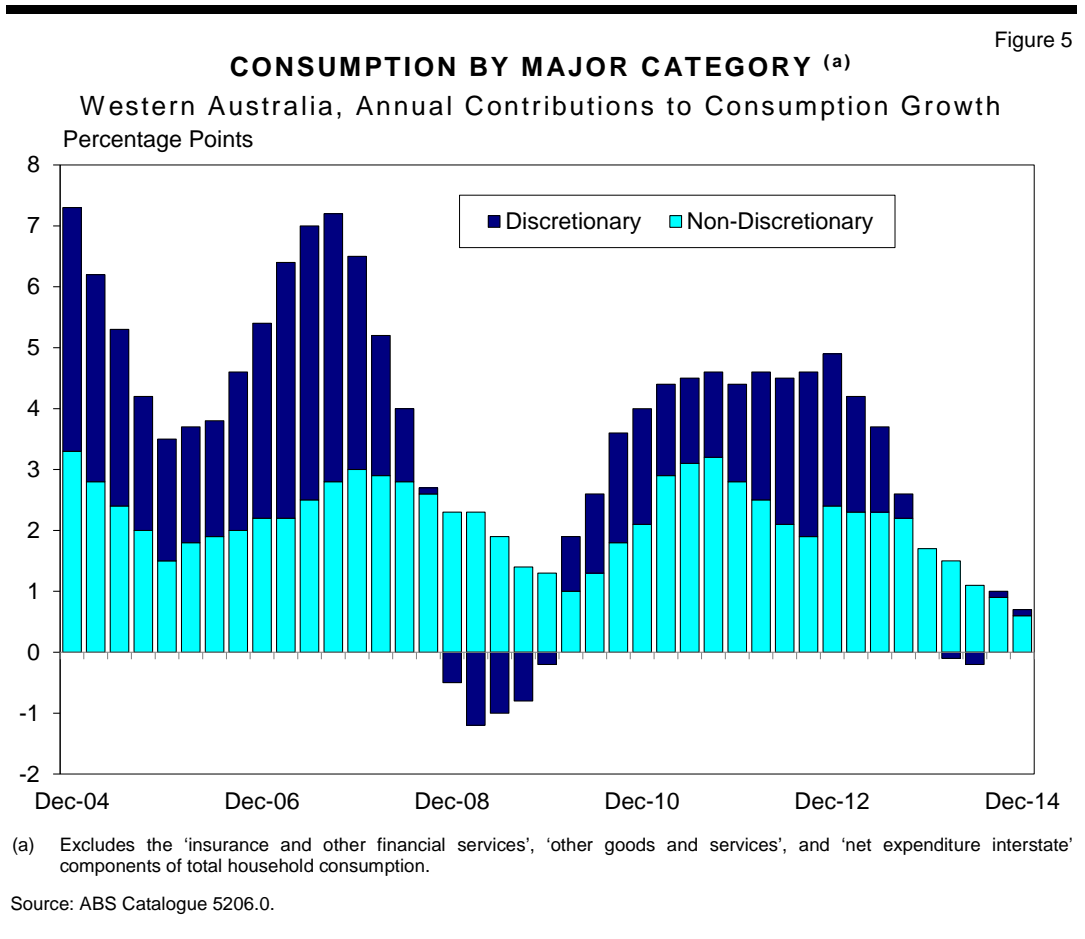


More information on the outlook for commodity prices is contained in Chapter 4: *General Government Revenue*.

Household Sector

Household Consumption

Following an increase of only 1.9% in 2013-14, household expenditure growth slowed further to 1.6% in the 2014 calendar year – the weakest annual growth since 2009. This slowdown was primarily in discretionary expenditure², which contributed only 0.1 percentage points to growth in household spending in 2014. This continues the downward trend in the annual contribution of discretionary spending to growth in household consumption since 2012 (see figure below). This is consistent with continued weakness in retail trade³ and sales of new motor vehicles, which have been growing below their decade averages since late 2013.



² 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.

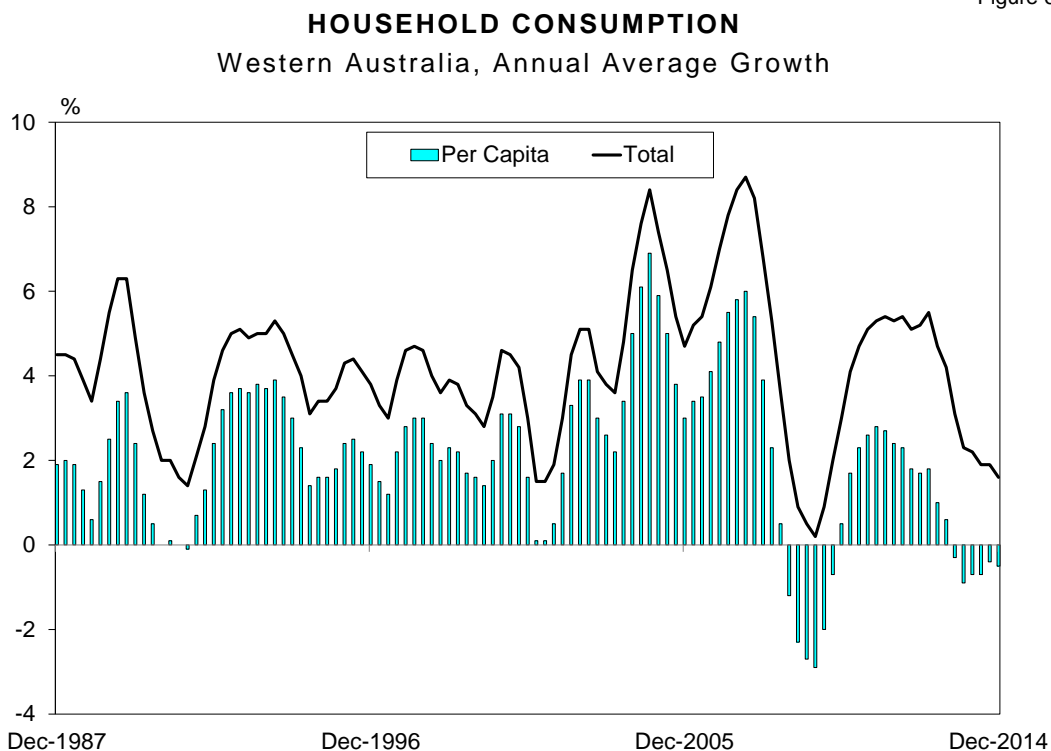
³ In real terms, retail trade accounted for 34% of household consumption in 2014.

On a per capita basis, consumer spending declined by 0.5% in the December quarter 2014, the sixth consecutive period of decline (see figure below). A deterioration in consumers’ purchasing power has contributed to the weakness in consumption growth, with annual growth in real wages also declining in 2014 (see section on *Wages*).

Overall, consumption is expected to grow by only 1.5% in 2014-15, well below the long-run average of 4.2%. The weak outlook is consistent with low levels of consumer confidence⁴, which primarily reflects softer labour market conditions raising concerns about job prospects and security.

Consumption growth is expected to recover to 2.75% in 2015-16 and 3.5% by 2017-18, consistent with a stabilisation of labour market conditions and a return to more normal spending patterns after a period of household balance sheet consolidation.

Figure 6



Source: ABS Catalogue 5206.0 and Department of Treasury.

Housing Market

Conditions in Western Australia’s housing market have eased with median house price growth slowing to 3.8% in 2014⁵, after a strong rise in 2012-13 (7.1%) when the State experienced strong demand for housing together with limited additions to supply.

⁴ Based on 3 month average trends in the Westpac-Melbourne Institute Consumer Sentiment Index.

⁵ Based on the latest preliminary data from REIWA for December 2014.

The recent moderation in price growth reflects a softening of domestic economic conditions since 2012-13, with more moderate population growth and softer labour market conditions reducing housing demand. Housing supply has also lifted in response to earlier demand, with new dwelling construction increasing by over 25% in 2013-14⁶.

Conditions in the established housing market are relatively weak, with the number of property listings up over the past year and the rental vacancy rate (4.2%⁷) above what is seen by industry commentators as market equilibrium (3%). Demand is expected to remain moderate until 2016-17 in line with continued weakness across the domestic economy.

While growth in newly constructed homes is projected to moderate, overall additions to the housing stock are expected to remain at a high level. These trends are expected to result in weak growth in house prices across most of the forecast period, averaging just 1.7% per annum.

Dwelling Investment

Dwelling investment in Western Australia increased by a strong 11.6% in 2013-14, following consecutive declines in 2012-13 (-4%) and 2011-12 (-11.3%). However, growth slowed to 5.4% over the 2014 calendar year⁸, as increases in new construction moderated slightly. Alterations and additions, which historically account for around 40% of total dwelling investment, have been falling for a number of years and continued to detract from growth.

New construction is expected to ease further, but remain at a high level across most of the budget period. This outlook is consistent with trends in leading indicators of investment, which have softened from recent peaks. For example, growth in building approvals slowed to an annual average of 6.5% in February 2015 after peaking at 35% in September 2013.

Notwithstanding this, total dwelling investment is projected to grow by 3.25% in 2014-15 and 2% in 2015-16, supported by a recovery in spending on alterations and additions, which is expected to gradually pick-up towards its long-run share of total dwelling investment.

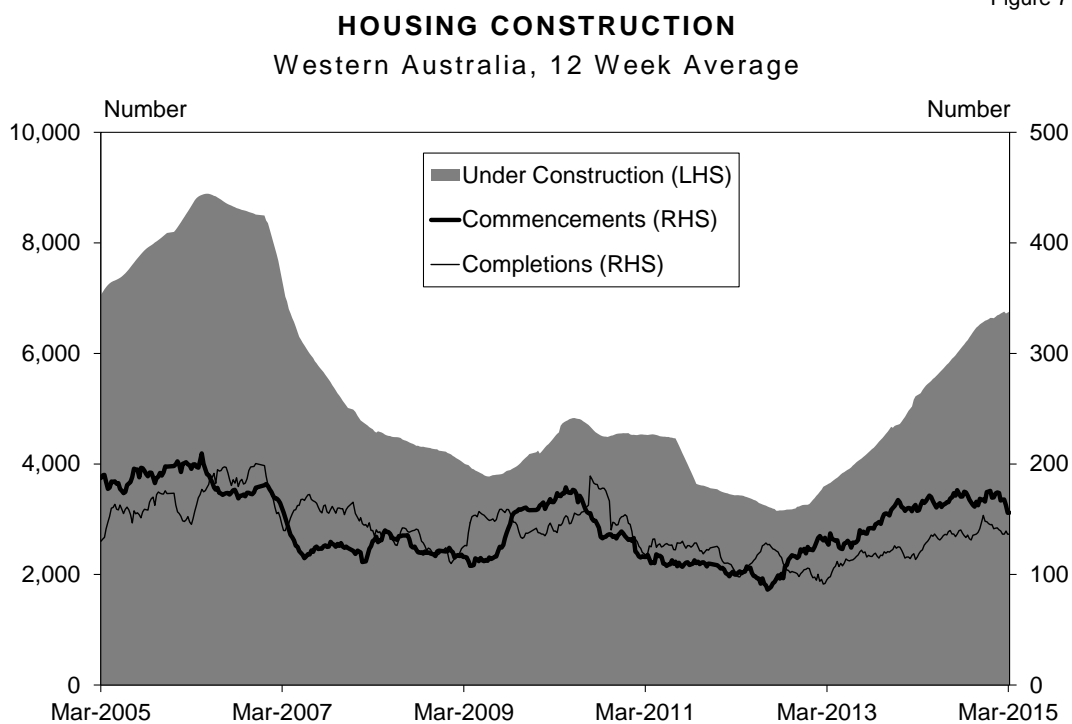
Dwelling investment is forecast to remain relatively flat from 2016-17 to 2017-18 as the rebound in alterations and additions is expected to be insufficient to offset slightly lower levels of new construction activity. However, by the end of the budget period, dwelling investment is forecast to grow by 3.5% as new dwelling construction returns to its long-run average growth rate in line with the expected lift in domestic economic conditions.

⁶ Excludes spending on alterations and additions, which detracted from growth in total dwelling investment over this period.

⁷ Based on preliminary data from REIWA.

⁸ Based on the latest data available from the ABS.

Figure 7



Source: Housing Industry Association, Weekly Trends.

Business Investment

Business investment fell by 11.6% in 2013-14, after growing by an average of 13.1% per annum over the last decade. Despite this decline, investment remained at a historically high level of \$67.6 billion in 2013-14, or around 27% of national investment.

Business investment is projected to decline by a further 10.5% in 2014-15 and by 12% in 2015-16, before contracting by an average of around 5% per annum across the forward estimates period (see figure below). These declines reflect the progressive completion of major resources projects, particularly a number of large LNG investments.

Falls in commodity prices (particularly iron ore and oil) have reduced the likelihood of existing planned (but yet to commence) projects proceeding in the short to medium-term and are limiting the probability of an emergence of any significant new resource investment projects.

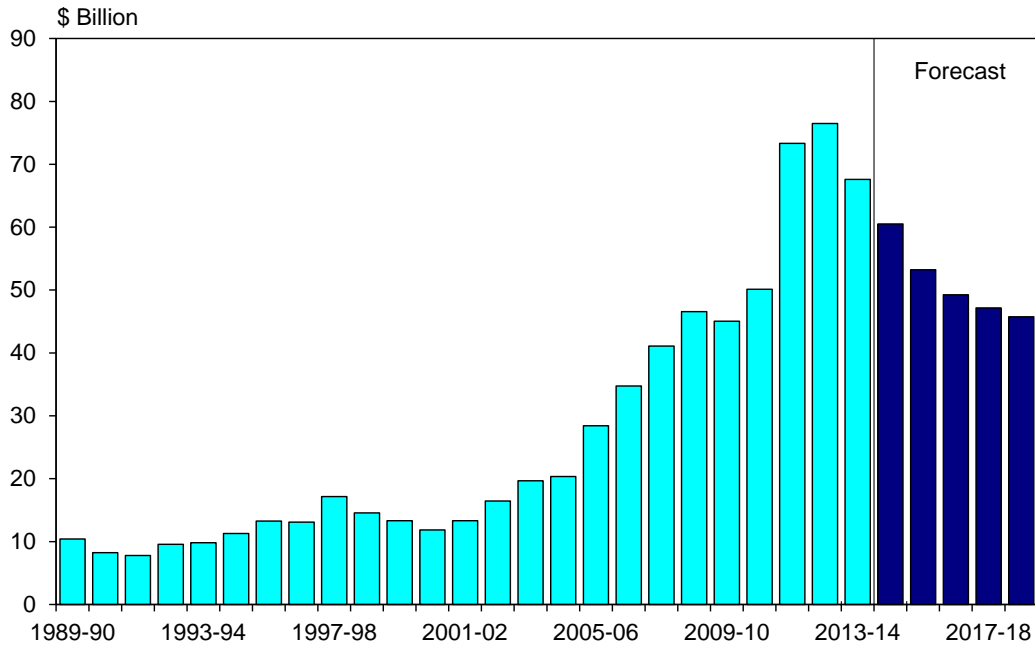
Confidence in the business sector remains subdued, with companies (particularly in the resources sector) focusing on improving cost efficiency, maximising output from existing production, and reducing planned capital expenditure for existing projects.

Non-resources investment is projected to remain relatively weak across the budget period, in line with projections for softer domestic economic activity. A significant lift in the Perth CBD office vacancy rate is also expected to limit future growth in office construction across the metropolitan region.

Offsetting this to some extent, are a range of commercial projects in the investment pipeline, particularly in the retail sector, with a number of large shopping centre expansions and new developments planned over coming years.

Figure 8

BUSINESS INVESTMENT (a)
Western Australia, Chain Volume



(a) Data adjusted for the 1997-98 sale of the Dampier to Bunbury Natural Gas Pipeline from the public sector to the private sector.

Source: ABS Catalogue 5206.0 and Department of Treasury.

Overall, business investment is expected to return to its long-run average share of GSP (around 16%) by 2018-19. This magnitude of decline is not unexpected after investment increased for 11 consecutive years (excluding a small 3.3% decline following the Global Financial Crisis (GFC) in 2009-10). This included nine years of double digit growth and one year (2011-12) when investment increased by 46.3%.

Despite this downward trend, business investment in Western Australia is still expected to be \$45.7 billion in 2018-19, around the same level recorded in 2009-10.

Government Sector

Government Consumption

Government consumption, which includes recurrent expenditure by Commonwealth, State and local governments, is forecast to increase by 4.25% in 2014-15, following growth of 3.2% in 2013-14.

Government consumption is expected to grow by 3.75% in 2015-16 before moderating further to 3.25% per annum across the forward estimates period, in line with long-run average growth of 3.3%. This is broadly consistent with the expense growth projections in Chapter 3: *Financial Projections and Fiscal Strategy*, which includes savings from the State Government's workforce reform measures and a range of efficiency measures.

Government Investment

Public investment by Commonwealth, State and local governments is forecast to fall by 11% in 2014-15, following growth of 2.2% in 2013-14. The fall is in line with declines in State government expenditure due to a range of savings measures, including better tender outcomes, as well as a general focus on efficiency across government.

Government investment is forecast to pick up modestly (2%) in 2015-16 before falling by an average of 2.2% per annum across the forward estimates period, in line with the Asset Investment Program projections provided in Chapter 6: *Asset Investment*.

Nonetheless, investment is being supported across the budget period by a number of State Government infrastructure projects including the Forrestfield Airport Link (\$2 billion), the Perth Freight Link (\$1.6 billion), and the Perth Children's Hospital (\$1.2 billion).

International Trade

Exports

The strong growth in merchandise exports of recent years is expected to continue, initially driven by large increases in iron ore production and subsequently by a ramp-up in LNG production. From 2014-15 to 2018-19, iron ore exports are projected to increase by a total of 11.6% (from around 716 to 799 million tonnes) and LNG exports are expected to more than double (from around 20 to nearly 50 million tonnes).

Total merchandise exports are forecast to grow by 10% in 2014-15, primarily due to strong growth in iron ore volumes as major expansions are completed and efficiency gains are realised from existing infrastructure. Gold exports are also anticipated to be higher due to increased production. Exports for other major commodities, such as LNG, are expected to be relatively stable in 2014-15 as no new major projects are expected to commence.

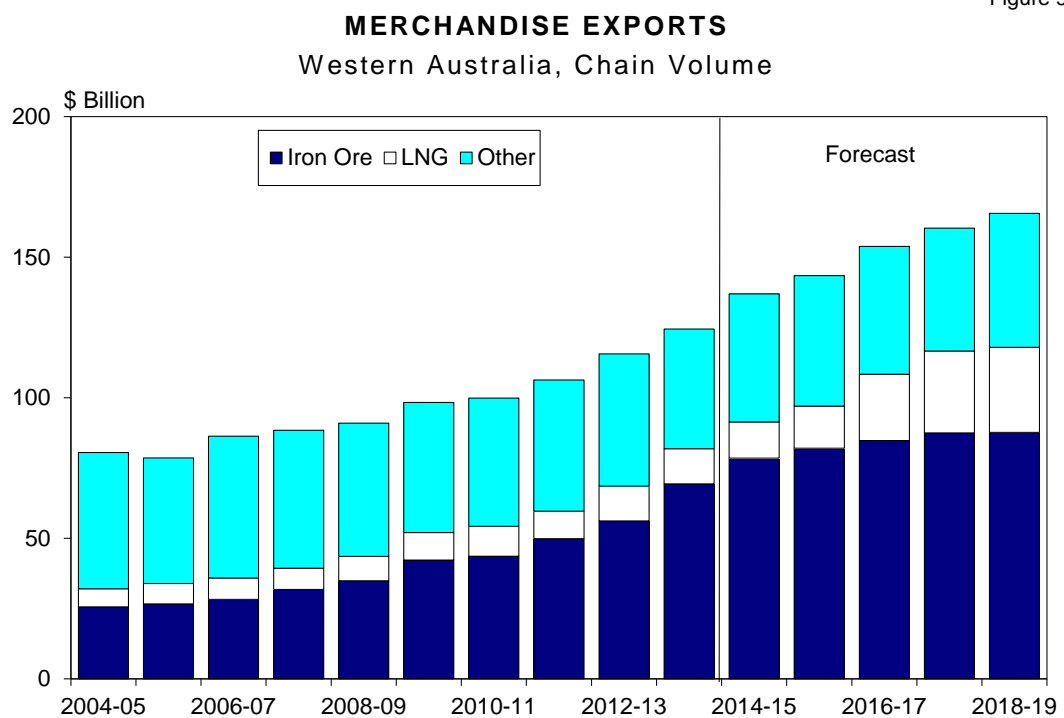
In 2015-16 growth in merchandise exports is forecast to moderate to 4.75%, due mainly to lower growth in iron ore exports relative to 2014-15, as most of the projected expansions are largely completed, with the Roy Hill project being a notable exception.

Exports are forecast to grow strongly in 2016-17 (7.25%), driven by LNG production as the Gorgon project ramps up and both Wheatstone and Prelude commence production. Iron ore exports are expected to continue to increase across the remainder of the forward estimates period, albeit at a much slower rate than in 2014-15 and 2015-16.

Growth in merchandise exports is expected to moderate to 3.25% in 2018-19 primarily due to lower growth in LNG and iron ore exports as well as declines in exports of gold (due to resource depletion at existing operations) and oil (due to declines from existing fields).

In real terms, Western Australia’s exports are forecast to increase from \$136.9 billion in 2014-15 to \$165.6 billion in 2018-19 – an increase of almost \$30 billion or 20.9% (see figure below).

Figure 9



Source: ABS Catalogue 5368.0 and Department of Treasury.

Imports

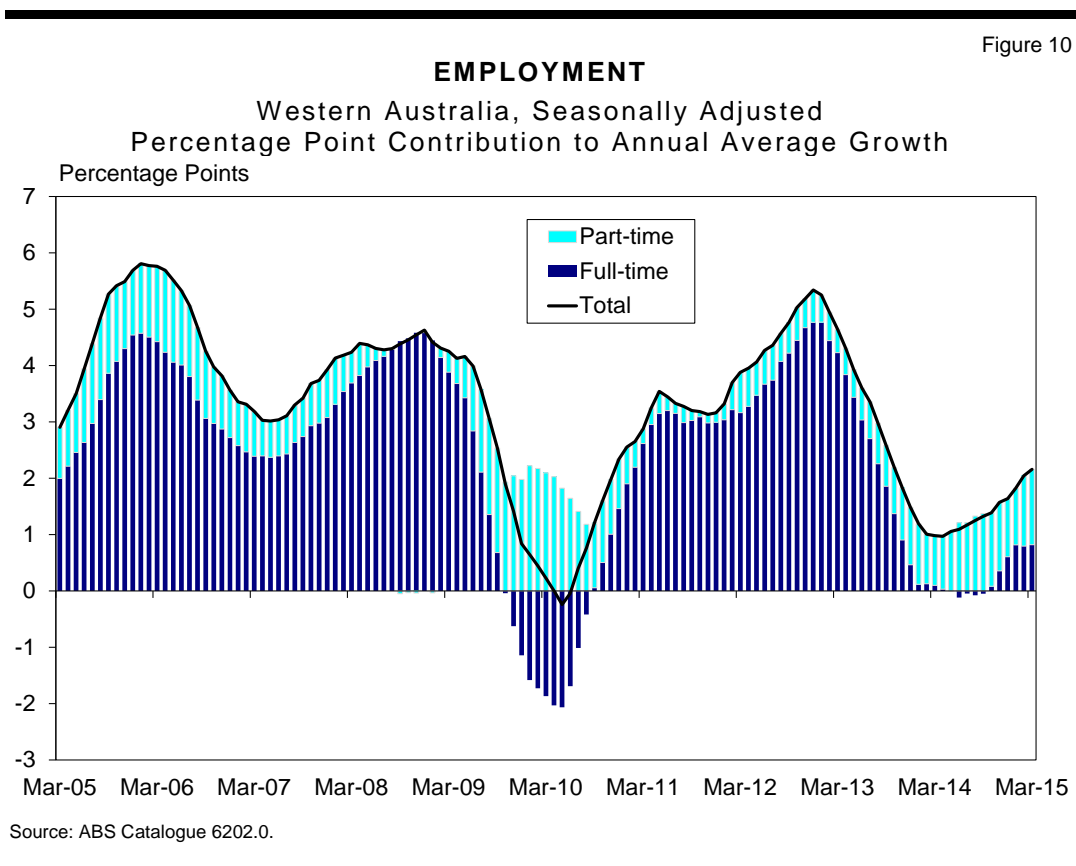
Merchandise imports are projected to decline by 3.75% in 2014-15 and 2015-16, primarily due to declines in business investment, with businesses expected to import fewer large capital goods required for the construction of major resource projects.

Imports are expected to remain relatively flat across the forward estimates period (lifting by an average of 0.2% per annum) as a projected pick up in consumption growth starts to offset smaller forecast declines in business investment.

Labour Market

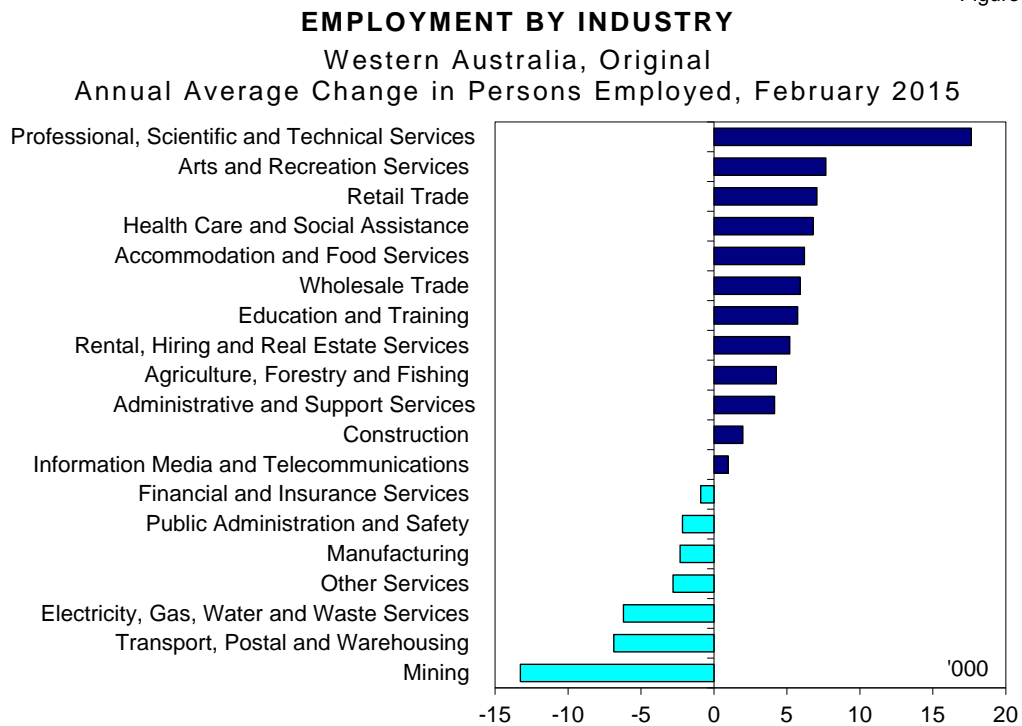
Employment

Employment in Western Australia grew by 2.2% in annual average terms to March 2015, after growing by just 1.1% in 2013-14 (see figure below). Growth was mainly driven by part-time employment, which increased by an annual average of 4.7% in March. Full-time employment growth was subdued at 1.1%, indicating that underlying labour market conditions remain soft.



In the year to February 2015⁹, annual employment growth of around 27,000 persons was largely underpinned by the non-mining sectors of the State’s economy (see figure below). This helped to offset a marked decline in mining employment since August 2012, which has been adversely affected by falling commodity prices and the transition of resource projects to the less labour-intensive production phase.

Figure 11



Source: ABS Catalogue 6291.0.55.003

Labour demand is expected to ease over 2015-16 and remain soft relative to recent trends as domestic economic activity plateaus. This is consistent with job vacancy measures for Western Australia, which have declined over recent months and remain at low levels.

Overall, employment growth is forecast to moderate from 2.5% in 2014-15 to 1.75% in 2015-16 and 2016-17, before stabilising at 2% over the following two years. Growth across the forward estimates period is expected to remain below the historical average of 2.7% per annum.

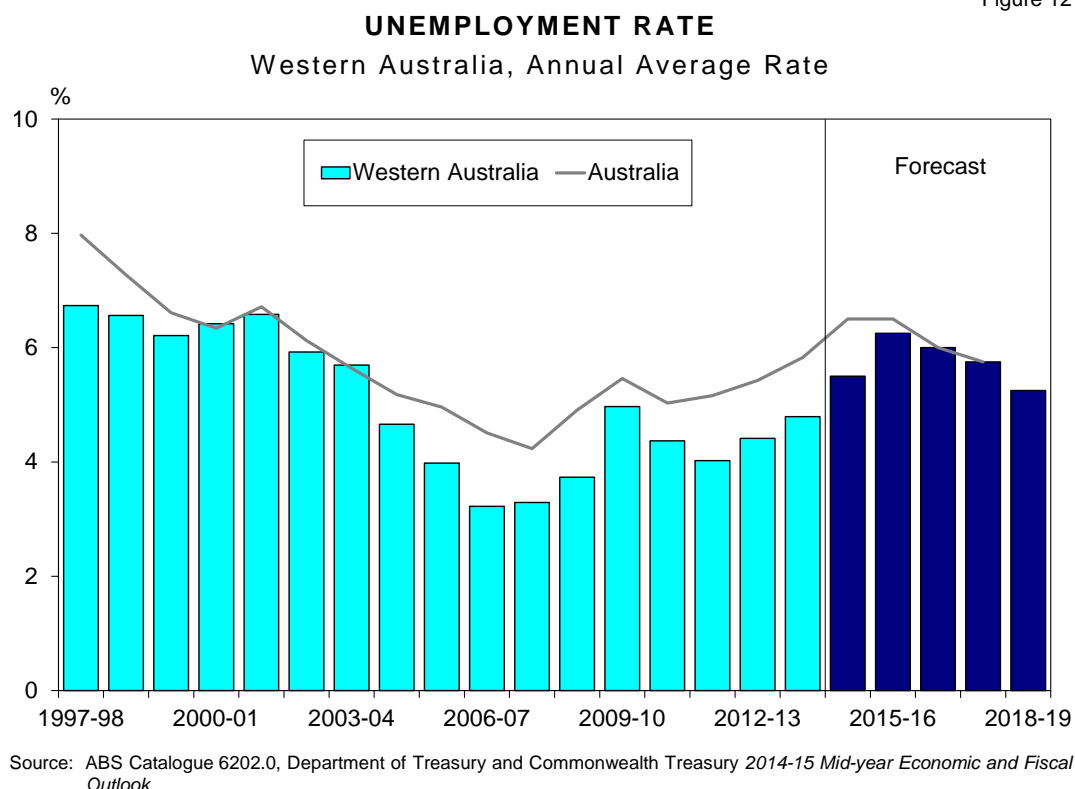
Unemployment and Participation

Western Australia’s unemployment rate has been trending upwards since June 2012, from a rate of 3.5% to an average of 5.4% over the nine months to March 2015. The increase in the unemployment rate has been driven by a rise in the number of jobseekers, which has not been met with a commensurate increase in labour demand. Despite this, Western Australia’s unemployment rate remains the lowest of all States and well below the national rate, which averaged 6.2% over the nine months to March.

⁹ Latest data available for employment by industry.

The State’s unemployment rate is expected to continue to trend upwards over the near term, as domestic economic conditions soften (especially in the resource sector). Accordingly, the unemployment rate is expected to rise to 5.5% in 2014-15 before peaking at 6.25% in 2015-16. Beyond 2015-16, the unemployment rate is forecast to decline moderately to reach 5.25% by 2018-19, as the participation rate eases from current high levels.

Figure 12



Western Australia’s participation rate rose steeply in late 2014 and has remained relatively high, with the monthly rate standing at 69.1% in March 2015 (well above the national rate of 64.8%). The increase in workforce participation has coincided with elevated levels of household debt and concerns over job security, which could be encouraging households to seek to secure an additional source of income.

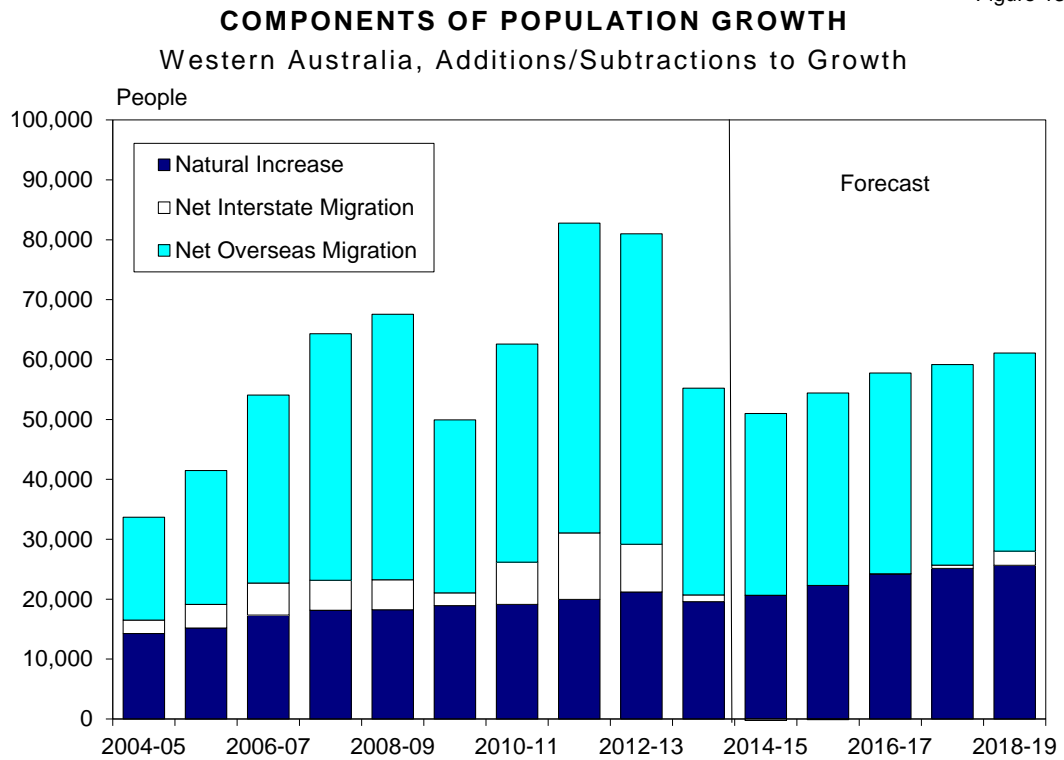
In light of this, the State’s participation rate is expected to remain elevated at 68.9% in 2014-15 and 69.2% in 2015-16, before moderating over the forward estimates period as jobseekers unable to obtain employment gradually exit the workforce in the face of subdued employment growth. This trend is also expected to be supported by the ageing of the population as workers retire and exit the workforce.

Population

Western Australia’s rate of population growth has fallen from the recent peak of 3.6% in 2012-13 to 2.4% (or around 60,300 people) in annual average terms to the September quarter 2014¹⁰.

Population growth is mainly driven by net overseas migration to the State, which has increased by a total of around 360,000 people over the last ten years. However, net overseas migration increased by only 32,190 people over the year to the September quarter 2014 (compared to around 47,010 people over the year to the September quarter 2013), the lowest level since December 2010.

Figure 13



Source: ABS Catalogue 3101.0 and Department of Treasury.

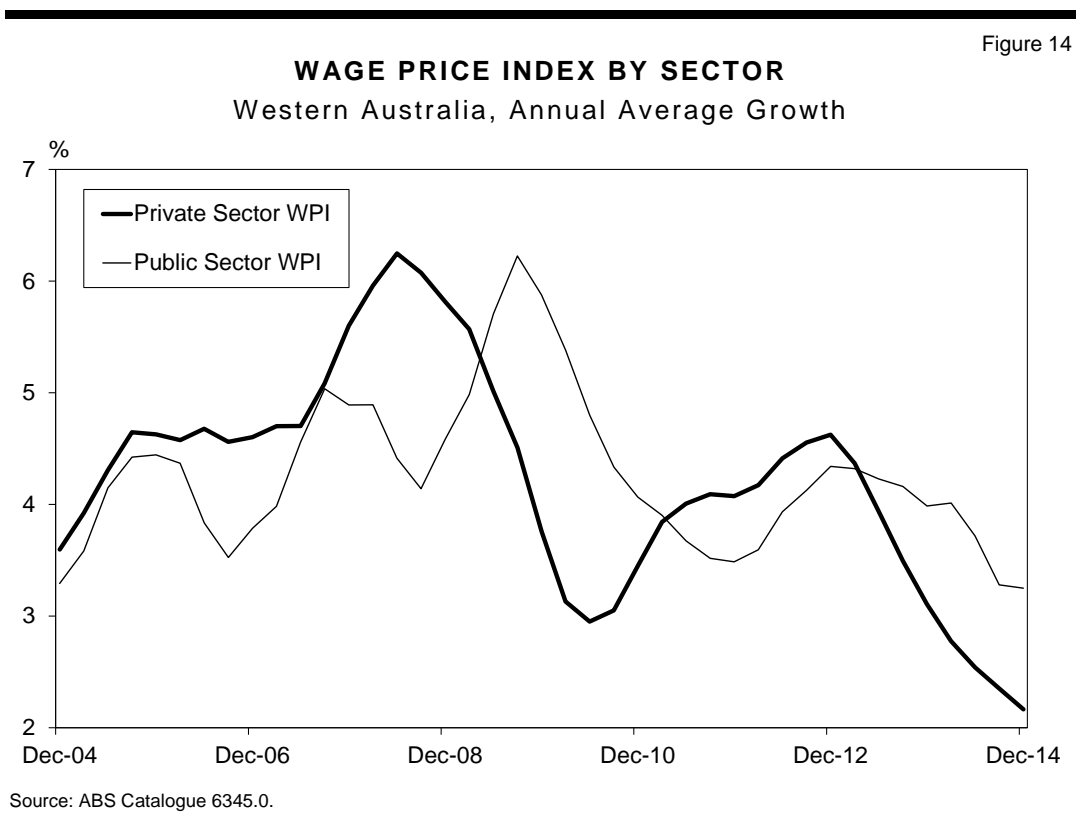
A further easing in the State’s net overseas migration is expected in 2014-15, as labour market conditions soften and growth in the domestic economy moderates. As a result, population growth is projected to moderate to 1.9% in 2014-15 and average 2.1% (or around 57,000 people) per annum thereafter, in line with long-run average population growth.

¹⁰ The ABS estimates that as at the September quarter 2014, Western Australia’s resident population was 2,589,078 people.

Wages

Wages growth in Western Australia was subdued over the 2014 calendar year, with annual growth in the Wage Price Index (WPI) of 2.4%. This was the lowest rate of growth on record (since 1998-99) and resulted in a 0.4% decline in real wages¹¹.

Weak growth primarily reflects a slowdown in private sector wages, which increased by just 2.2% over 2014 (the lowest on record), significantly lower than growth in public sector wages (see figure below). These results are in line with increasing spare capacity in the labour market and an ongoing focus by business on reducing costs and improving efficiency.



With labour market and domestic economic conditions expected to remain weak over the near term, the State’s WPI is forecast to grow by 2.25% in 2014-15 and 2.75% in 2015-16, both well below the long-run average of 3.9% per annum. WPI growth is projected to gradually increase over the remainder of the forward estimates period to reach 3.5% by 2018-19 as domestic economic conditions strengthen.

¹¹ Real wages provide a measure of the purchasing power of consumers and are calculated as the difference between the prices of goods and services faced by consumers (measured by the Consumer Price Index) and payments received (WPI).

Prices

Consumer Price Index

Inflation in Perth was weak over the first half of 2014-15, with the Consumer Price Index (CPI) growing by 0.5% in the September quarter and just 0.1% in the December quarter 2014. Inflation over this period was limited to an extent by the removal of the carbon tax from 1 July 2014 (reducing electricity prices) and by a steep decline in the global price of oil (reducing automotive fuel prices).

Perth's CPI growth is forecast to remain subdued at 2% in 2014-15 and 2.25% in 2015-16, reflecting expected low oil prices, soft wage growth and modest growth in house and rental prices. These factors are expected to outweigh the contribution to inflation anticipated from a lower exchange rate and further increases to the Commonwealth's tobacco excise rate¹².

Across the forward estimates period, CPI growth 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%.

Risks to the Outlook

Global Risks

While global economic growth is expected to pick up over 2015, risks remain heavily skewed to the downside with increasingly divergent growth trends apparent between major 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.

A significant risk for the Chinese economy in the near term is the continued slowdown in the property sector. Despite stimulus measures implemented in recent months by the People's Bank of China, indicators of activity in the property sector remain weak.

As Chinese property construction accounts for around one-third of Chinese steel demand¹³, a slowdown in property construction may result in a reduction in demand for iron ore from Western Australia. However, the Chinese Government has stated that it remains committed to continued urbanisation and increasing incomes in order to drive sustainable economic growth. It is expected that these measures will continue to support housing demand and economic growth over the longer term.

¹² Further increases in the tobacco excise rate of 12.5% are expected on 1 September 2015 and 2016.

¹³ Property construction accounts for around 33% of steel consumption, of which about 71% is residential. Source: Standard Chartered and National Bureau of Statistics.

The level of debt in China is also a risk to the economy in 2015. The surge in construction investment over the past decade has resulted in rapid growth in the level of local government debt. As local governments require land sales revenue to pay the debt associated with past infrastructure bills, a slowdown in the property sector and continued falls in property prices could result in loan defaults, creating losses for investors and companies and putting at risk the stability of China's financial sector.

The stability of the financial system is a key priority for Chinese authorities with the government imposing a number of restrictions on local government borrowing in late 2014 in an attempt to limit growth in regional debt. As local governments account for around 85% of general government expenditure, this will likely place further downward pressure on additional spending, potentially reducing economic growth.

This poses a risk to Western Australia as a reduction in local government spending on infrastructure projects, in particular property construction, may lead to a reduction in the demand for iron ore.

US Economic Recovery and Monetary Policy Normalisation

The path to monetary policy normalisation in the US has inherent risks not only for the US economy but for the wider global economy as well. While numerous central banks around the world are lowering interest rates and conducting quantitative easing programs, continued strength in the US economy is likely to see the US Federal Reserve begin lifting short-term interest rates in 2015. A divergence in central banks' monetary policy regimes remains a risk to global economic activity as it is likely to result in increased volatility in global financial markets.

Subdued inflationary expectations are expected to keep interest rates at their current 0-0.25% range until at least mid-2015. However, tighter global financial conditions in the latter part of 2015 are likely to place additional pressure on financial sectors and economies struggling to emerge from recession, as capital flows are redirected toward higher yielding US bonds and away from emerging economies. Any consequent slowdown in China would have significant consequences for countries reliant on Chinese demand, including Australia. However, assuming a gradual and smooth adjustment to normalised global financial conditions occurs, the impact from these changes is expected to be minimal.

Despite continued falls in the US unemployment rate over 2014 and early 2015, down to 5.5% in February, the labour market does not appear as healthy as the headline unemployment rate implies. While down from its peak of 10% at the height of the GFC, the unemployment rate remains above the levels in the decade prior to the crisis (of 4.9%) with the participation rate remaining at record low levels, highlighting a potential risk to the US recovery.

The pace of economic recovery in the US, and any associated changes in monetary policy, are likely to continue to affect the volatility of the \$US/\$A exchange rate as global financial markets respond to changes in US growth prospects and monetary policy normalisation. This presents a risk to the value of Western Australian royalty revenue as iron ore royalties (the State's main source of royalty income) are denominated in US dollars.

The Euro Area

Despite signs that the euro area is slowly emerging from recession, a number of downside risks remain. Economic growth between member countries remains uneven and inflation remains well below the European Central Bank's medium-term target of around 2%, raising fears of continued deflation. Persistently high levels of unemployment are also a concern and are likely to further hamper growth in the region due to the potential for a loss of skills among the long-term unemployed.

Political risks surrounding Greece and its potential inability to meet debt obligations remain a key risk to the euro area. A Greek default on debt and possible exit from the European Union have potentially large implications not only for Greece but for the wider region.

Stagnation and instability throughout the euro area could have significant repercussions worldwide. According to the World Bank, the euro area accounts for one-sixth of global GDP and a quarter of global trade and cross-border banking system assets. While Western Australia has limited trade links with the euro area, compared to China and Japan, a marked slowdown in the area is likely to negatively impact other economies, such as China, with possible negative flow-on effects for Western Australia. Furthermore, while Australian banks have very little exposure to European sovereign debt, borrowing costs for Australian banks could increase if yields on euro area sovereign bonds were to rise significantly, as they did following the GFC.

Domestic Risks

The key domestic risk to the economic outlook relates 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

A significant risk related to business investment is the assumption that some prospective major projects will be approved or that currently unidentified projects will emerge across the forecast period. 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. There is also a risk that the profile of investment will be more volatile than currently projected. This is due to the historically lumpy nature of investment and the uncertainty surrounding the exact timing of capital expenditure, particularly on the large LNG projects that are currently moving towards completion.

Trade

A significant risk to exports relates to the potential for delays in the commissioning of projects and during the subsequent ramp up of production to full capacity. This is particularly apparent for complex LNG operations, which have historically experienced 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 will be higher than currently anticipated if project commissioning and ramp up is completed faster than anticipated.

The weaker iron ore price presents another risk to exports, as small producers with high operating costs may close down in response to lower prices. The majority of production, however, comes from the larger producers with relatively low operating costs that are unlikely to cease production in response to weaker prices.

Merchandise imports are highly correlated with business investment as major investments require significant imports of large capital goods. Therefore, any changes in business investment relative to forecast will have a flow through effect on imports.

Labour Market

The unemployment rate outlook reflects the expectation that workforce participation will remain robust over the near term. However, if the participation rate falls back to lower levels sooner than anticipated (which may occur if people become discouraged from a lack of job opportunities), or if employment growth is stronger than forecast, then the unemployment rate might be lower than anticipated. Alternatively, further increases in the labour supply and/or weaker labour demand may result in a higher unemployment rate.

Downside risks to business investment may flow through to weaker demand for labour, especially in the mining and related industries. However, if hiring outside of the resource sector strengthens further over the coming years then employment growth may be higher than anticipated.

Dwelling Investment

Total dwelling investment growth may be weaker than forecast if expenditure on alterations and additions continues to decline over the budget period or rebounds at a slower pace than expected. This could occur if the declines are a structural change in the composition of total dwelling investment with future expenditure on alterations and additions making up a smaller proportion of total dwelling investment relative to the past 20 years.

Total dwelling investment growth may also be weaker if investment in new dwellings declines more sharply than anticipated. This could materialise if investors expect the housing market to be over-supplied for a sustained period or if the impact of slowing population growth and a weaker domestic economy on housing demand is greater than anticipated. On the upside, if population growth remains strong and interest rates stay at a low level, new dwelling investment may be stronger than currently forecast.

Financial Projections and Fiscal Strategy

HIGHLIGHTS

- In the December 2014 Mid-year Review, general government operating deficits of \$1.3 billion and \$907 million were forecast for 2014-15 and 2015-16 respectively. In this Budget, the operating deficit expected for 2014-15 has remained unchanged, but the deficit for 2015-16 has widened significantly, to \$2.7 billion.
 - This reflects a sharp downwards revision to forecast revenue in 2015-16 since the Mid-year Review (down \$1.9 billion, excluding the impact of new revenue measures in this Budget). In contrast, general government expenses in 2015-16 are virtually unchanged since the Mid-year Review (up just \$79 million or 0.3%).
- A further general government operating deficit of \$1.1 billion is currently forecast for 2016-17, before a return to surplus from 2017-18 due to the cumulating impact of the Government's savings and reform measures, and a lagged increase in the State's share of GST revenue (in response to the current weakness in royalty income).
- The substantial write-down in revenue will necessitate further borrowings to fund the Government's significant ongoing Asset Investment Program, which totals \$6.3 billion in 2015-16 and \$24.1 billion over the next four years. Consequently, net debt is projected to rise from an estimated \$25.5 billion at 30 June 2015 to a peak of \$36.3 billion at 30 June 2018, before reducing to \$35.8 billion by the end of the forward estimates.
 - However, these estimates do not include any provision for anticipated proceeds from the Government's asset sales program.

- The challenging fiscal environment is evident in the financial target performance (with nearly all of the targets not expected to be met in 2014-15, 2015-16 and 2016-17), and in the ‘negative credit watch’ announcement by Standard & Poor’s on 14 April 2015.
- The Government has responded to this environment with new revenue and savings measures and an expansion of its asset sales program, while at the same time seeking to build confidence in the State’s economy by maintaining its investment in major infrastructure and limiting the impact of fiscal repair measures on households and business.

Introduction

The Western Australian economy has moved to a more subdued rate of growth, as resource sector investment declines and exports become the major driver of activity. Softer labour and property market activity has led to downward revisions to State taxes. At the same time, the State’s finances have been buffeted by a sharp and sustained decline in commodity prices, particularly iron ore.

These factors have driven unprecedented revenue write-downs. Relative to the 2014-15 Budget, general government revenue has been revised down by a net \$9 billion over the period 2014-15 to 2017-18. In the absence of new revenue measures announced in this Budget and in the 2014-15 Mid-year Review, the write-down would be \$10.2 billion, including \$3.9 billion (or 13%) in 2015-16 alone. As a result, general government revenue is forecast to decline by \$720 million or 2.7% in 2015-16, following an estimated contraction of 3.3% in 2014-15.

Despite containing expense growth to an average of just 2.5% per year across the forward estimates period, the substantial revisions to revenue mean that general government sector operating deficits are unavoidable in the short to medium term. Additional borrowings are therefore required to fund the Asset Investment Program (AIP). However, net debt is now expected to peak in 2017-18 as the operating outlook improves due to the ongoing impact of savings and reform measures and an expected recovery in revenue growth.

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

Table 1

KEY BUDGET AGGREGATES
Western Australia

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Estimated	Budget	Forward	Forward	Forward
	Actual	Actual	Estimate	Estimate	Estimate	Estimate
GENERAL GOVERNMENT SECTOR						
Net Operating Balance (\$m)	719	-1,287	-2,708	-1,148	874	2,209
Revenue (\$m)	27,956	27,045	26,325	28,496	31,075	33,517
Revenue Growth (%)	8.7	-3.3	-2.7	8.2	9.0	7.9
Expenses (\$m)	27,236	28,332	29,033	29,644	30,201	31,308
Expense Growth (%)	6.9	4.0	2.5	2.1	1.9	3.7
TOTAL PUBLIC SECTOR						
Net Debt at 30 June (\$m)	20,754	25,455	30,996	34,443	36,289	35,753
Asset Investment Program (\$m)	6,814	6,555	6,284	5,963	6,081	5,757
Cash Position (\$m)	-2,465	-4,143	-5,090	-3,139	-1,147	790
Gross Borrowings at 30 June (\$m)	41,216	44,610	46,930	49,866	52,874	54,626
KEY FINANCIAL RATIOS ^(a)						
Cash Operating Surplus as a Share of Receipts (%)	7.5	2.1	-0.6	3.0	6.7	9.5
Net Debt to Revenue (%)	55.2	67.9	80.5	83.3	81.8	75.4

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

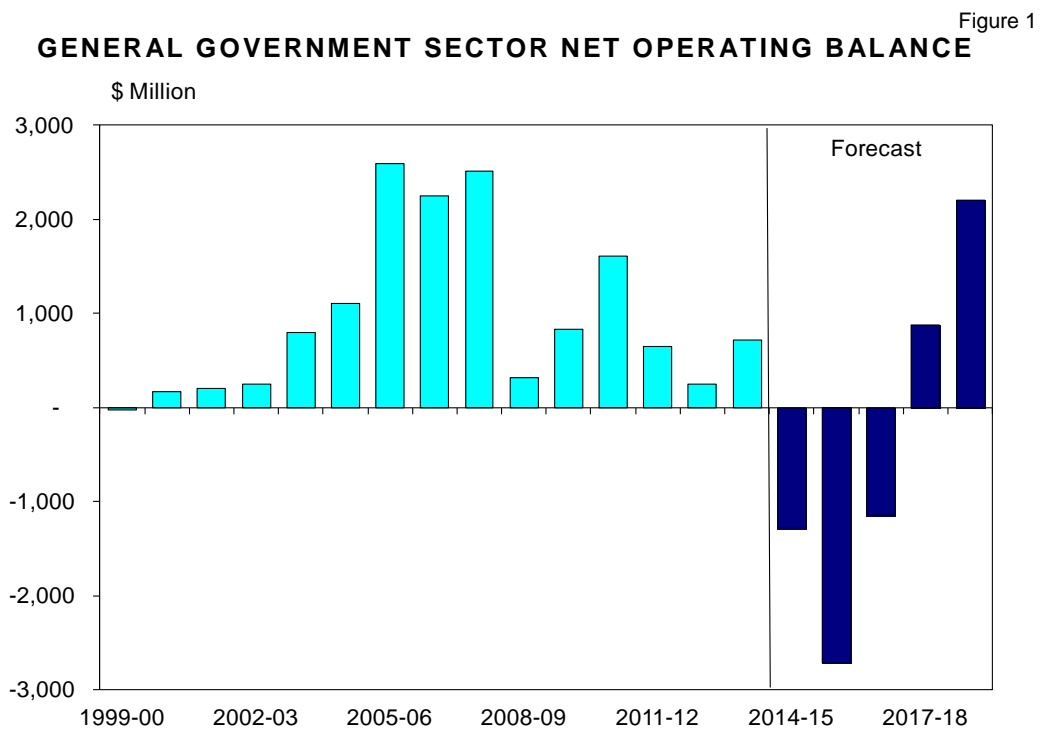
Summary of Financial Projections

General Government Sector

Summary

A general government operating deficit of \$1,287 million is expected for 2014-15, unchanged from the Mid-year Review forecast. Operating deficits of \$2,708 million and \$1,148 million are also in prospect for 2015-16 and 2016-17 respectively. These projections reflect the unprecedented revenue challenges currently facing the State.

It is expected that the State’s finances will return to surplus in 2017-18 (of \$874 million), growing to a forecast \$2.2 billion surplus in 2018-19.



The following table summarises the financial outlook for the general government sector.

Table 2

GENERAL GOVERNMENT
Summary Financial Statements

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
OPERATING STATEMENT						
Revenue	27,956	27,045	26,325	28,496	31,075	33,517
Change	2,238	-910	-720	2,172	2,578	2,442
Growth (%)	8.7	-3.3	-2.7	8.2	9.0	7.9
Expenses	27,236	28,332	29,033	29,644	30,201	31,308
Change	1,768	1,096	701	611	557	1,107
Growth (%)	6.9	4.0	2.5	2.1	1.9	3.7
Net Operating Balance	719	-1,287	-2,708	-1,148	874	2,209
BALANCE SHEET						
Assets ^(a)	142,551	146,095	150,238	155,017	160,402	166,138
Liabilities ^(b)	25,723	28,689	32,729	35,804	37,645	38,521
Net Worth	116,828	117,406	117,510	119,214	122,757	127,617
STATEMENT OF CASHFLOWS						
Net Cash Flows from Operating Activities	1,733	192	-1,647	98	2,081	3,450
Asset Investment Program	3,289	3,077	2,603	2,606	2,622	2,229
Cash Position	-1,333	-2,579	-4,042	-2,287	-349	1,406
<i>Memorandum Item: Net Debt</i>	6,973	10,669	15,799	18,909	20,227	19,345

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

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

Note: Columns may not add due to rounding.

This significant deterioration in revenue in 2015-16 has pushed the general government sector into a cash operating deficit position for the first time. However, a recovery is expected as the lagged Commonwealth Grants Commission process will see an increase in the State's GST revenue in the outyears (in response to the current weakness in royalty income).

Over the four years to 2017-18, recurrent expenditure is a net \$290 million lower than forecast at Mid-year Review. Limited additional expenditure has been approved by the Government, and this has been offset by new savings measures and parameter adjustments (such as lower interest rate expectations). Expense growth is expected to moderate from an estimated 4% in 2014-15 to 2.5% in 2015-16, with average growth of 2.5% per annum forecast across the forward estimates period. This reflects the ongoing financial impact of successive rounds of savings and reform measures, such as the Workforce Renewal Policy announced in the Mid-year Review and implemented at agency level in this Budget.

The substantial deterioration in the operating outlook is contributing to increasing net debt levels, with general government sector net debt forecast to increase from \$10.7 billion at 30 June 2015 to \$20.2 billion at 30 June 2018, before reducing to \$19.3 billion by the end of the forward estimates.

Operating Statement

A \$2,708 million operating deficit is in prospect for the general government sector in 2015-16, which is a substantial \$1,801 million higher than the \$907 million deficit forecast in the 2014-15 Mid-year Review. This follows an expected \$1,287 million operating deficit for 2014-15. A deficit is also forecast in 2016-17, before a return to surplus from 2017-18.

The table below summarises changes to general government revenue and expenses since the December 2014 Mid-year Review.

Table 3

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE
VARIATIONS SINCE THE 2014-15 MID-YEAR REVIEW**

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	Total \$m
2014-15 MID-YEAR REVIEW - NET OPERATING BALANCE	-1,287	-907	304	1,344		
Revenue						
<i>Revenue measures</i>						
Loan Guarantee Fee increase	-	36.1	36.9	37.8	38.3	149.1
Revised land tax scale	-	184.4	198.3	213.2	229.7	825.6
<i>Total revenue measures</i>	-	220.5	235.2	251.0	268.1	974.7
<i>Major policy decisions</i>						
- Remove Royalty Rate Analysis provision	-	-180.0	-187.1	-193.1		-560.2
- Reverse State-Wide Metropolitan Region Improvement Tax	-	-26.1	-28.1	-30.3		-84.5
- Expand MRIT to Greater Bunbury and Peel Regions	-	-	6.4	6.9		13.3
- Reverse payroll tax threshold deferral	-	-	-20.8	-		-20.8
<i>Total major policy decisions</i>	-	-206.1	-229.6	-216.5		-652.2
<i>Other changes in revenue since the 2014-15 Mid-year Review</i>						
<i>Taxation</i>						
- Payroll tax	-82.2	-167.3	-209.7	-257.4		-716.6
- Land tax/MRIT	-0.5	-67.1	-94.0	-134.8		-296.4
- Total duty on transfers	-78.4	-75.3	-76.1	-78.7		-308.3
- Motor vehicle duty	-	-13.2	-23.8	-34.6		-71.6
- Insurance duty	-11.8	-12.8	6.4	6.4		-11.9
- Other taxes	5.0	20.3	26.7	23.8		75.8
Commonwealth grants	-37.1	-20.7	217.7	1,153.5		1,313.4
- GST grants	-4.9	92.2	447.2	1,100.8		1,635.3
- North West Shelf/condensate compensation	-4.9	-95.8	-89.3	-62.3		-252.3
- National Specific Purpose Payments	-15.7	-34.3	-57.6	-20.4		-127.8
- National Health Reform	15.2	9.2	-43.5	-79.9		-98.9
- Other Health	46.8	8.5	1.5	-		56.8
- Transport	-83.6	-46.5	-55.5	209.3		23.7
- Housing	0.5	20.0	15.0	7.0		42.4
- Other Commonwealth grants	9.5	25.9	-0.1	-1.1		34.2
Royalty income	71.8	-1,333.6	-1,400.9	-1,275.2		-3,937.9
- Iron ore	79.9	-1,365.9	-1,428.7	-1,267.5		-3,982.2
- Gold	25.0	38.5	38.5	9.3		111.3
- Other royalties	-33.1	-6.2	-10.7	-17.0		-67.0
Interest income	2.2	-37.4	-64.7	-72.8		-172.7
Revenue from public corporations	54.1	-47.4	-18.3	-43.5		-55.1
Other	26.0	17.7	43.4	26.9		114.0
<i>Total other changes</i>	<i>-50.9</i>	<i>-1,736.7</i>	<i>-1,593.3</i>	<i>-686.3</i>		<i>-4,067.2</i>
TOTAL REVENUE	-50.9	-1,722.3	-1,587.7	-651.8		-4,012.7

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

Table 3 (cont.)

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE
VARIATIONS SINCE THE 2014-15 MID-YEAR REVIEW**

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	Total \$m
Expenses						
<i>Savings and reform measures</i>						
Social concessions reform	-	-41.0	-52.1	-52.6	-53.2	-198.9
Agency Expenditure Reviews	-	-40.9	-43.1	-43.9	-42.2	-170.1
Remove First Home Owner Grant for established homes	-	-25.2	-27.7	-28.0	-28.1	-108.9
Remove Cellar Door Subsidy	-	-2.3	-2.8	-3.0	-3.0	-11.0
<i>Total savings and reform measures</i>	-	-109.4	-125.7	-127.4	-126.4	-488.9
<i>Other expense changes since the 2014-15 Mid-year Review</i>						
Workforce renewal policy	51.1	100.1	134.9	172.7		458.9
- Remove provision	67.0	228.9	398.8	577.1		1,271.8
- Agency allocation	-15.8	-128.7	-263.9	-404.5		-812.9
Hospital services - revised activity and cost settings	-	39.1	74.4	143.0		256.5
Growth in demand for child protection services	-	16.5	34.8	53.3		104.6
Home Indemnity Insurance	23.2	28.9	20.7	16.3		89.1
PTA operating subsidy - lower patronage	9.3	17.7	22.8	31.7		81.5
First Home Owner Grant - revised demand forecasts	20.6	19.6	19.9	20.0		80.1
Perry Lakes Project - payment to the Town of Cambridge	26.8	-	23.2	-		50.0
Aboriginal Health Programs	-	16.0	16.5	16.9		49.3
Main Roads depreciation	-32.7	28.0	33.8	20.2		49.3
Remote Aboriginal Communities (Essential and Municipal Services)	-	25.6	-	-		25.6
Schools Maintenance Program	-	15.7	-	-		15.7
Streamlined Budget Process - incentives	-	12.6	-	-		12.6
Water Corporation operating subsidy	19.3	12.7	-9.1	-14.1		8.8
Metropolitan Local Government Reform grants	-5.0	-5.0	-5.0	-		-15.0
PTA operating subsidy - fuel costs	-1.0	-8.1	-6.1	-4.7		-20.0
Education leave liability review	-55.3	-0.3	-10.0	14.7		-50.9
Albany Entertainment Centre	-	-59.0	3.1	3.1		-52.8
Revision to student enrolments	-11.0	-22.0	-22.0	-22.0		-77.0
Student First Commonwealth funding	-14.2	-31.4	-53.4	-15.0		-114.0
Synergy/Horizon Power operating subsidies	-0.4	-13.4	-19.2	-92.7		-125.6
Superannuation interest costs	-60.7	-49.9	-49.8	-49.3		-209.7
Other interest costs	-7.3	-46.2	-123.2	-198.2		-374.8
All other	-14.4	91.2	-96.6	-149.4		-169.2
<i>Total other changes</i>	-51.6	188.3	-10.3	-53.5		72.9
TOTAL EXPENSES	-51.6	79.0	-136.0	-181.0		-289.6
TOTAL VARIANCE	0.7	-1,801.3	-1,451.7	-470.9		-3,723.1
2015-16 BUDGET - NET OPERATING BALANCE	-1,287	-2,708	-1,148	874	2,209	

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

2014-15 Estimated Actual ¹

The operating deficit for the general government sector in 2014-15 is expected to be \$1,287 million, consistent with the 2014-15 Mid-year Review projection. There have been offsetting reductions in revenue and expense estimates since the Mid-year Review (expenses down \$52 million and revenue down \$51 million).

Revenue revisions reflect a number of largely offsetting movements, including:

- lower taxation revenue (down \$168 million) due mainly to lower payroll tax and transfer duty estimates, reflecting the softer than expected labour and property markets;
- a reduction in grants for capital purposes from the Commonwealth (down \$79 million), mainly related to the timing of cash flows for transport projects;

¹ Actual results for 2014-15 will be reported in the *Annual Report on State Finances*, which will be released by 28 September 2015.

- a projected increase in royalty income (up \$72 million), with a lower than expected \$US/\$A exchange rate and higher iron ore and LNG production volumes offsetting the decline in iron ore and crude oil prices; and
- higher than expected revenue from public corporations (up \$54 million), reflecting higher dividend payments from port authorities, particularly the Pilbara Ports Authority as a result of higher than expected iron ore throughput.

Overall, revenue is expected to record a year-on-year contraction of \$910 million or 3.3% in 2014-15. If achieved, this will be the first contraction in total general government revenue since 1996-97, highlighting the severity of the revenue challenges facing the State.

Lower expenses largely reflect the net impact of:

- a reduction in the Department of Education's recurrent expenditure (down \$83 million), mainly due to revised leave liability expenses (following the successful implementation of leave management strategies and lower than anticipated wages growth) and the impact of lower than expected student enrolment growth in the 2015 school year;
- a reduction in superannuation interest expenses (down \$61 million), due mainly to continued low bond rates used to value these liabilities²;
- a decrease in Main Roads' depreciation expense (\$33 million), to reflect the latest estimated value of completed roadworks in 2014-15;
- higher spending on health (up \$77 million), mainly for the operating costs of improving access to health and aged care services in regional and remote communities as part of the Multipurpose Services Agreement, increased direct patient support costs of administering vaccines, and settlement of a pre-RiskCover claim;
- the transfer of land with an estimated value of \$27 million to the Town of Cambridge to allow for the finalisation of the Perry Lakes development project under the *Perry Lakes Development Act 2005*; and
- an increase in Home Indemnity Insurance (HII) premium administration and claims expenditure by the Department of Commerce (up \$23 million), following receipt of an actuarial assessment of the State's current and projected exposure to the HII market in Western Australia.

General government sector expense growth is estimated at 4% in 2014-15, with total expenses forecast to increase from \$27.2 billion in 2013-14 to \$28.3 billion. Salaries growth is estimated at 5.7% in 2014-15, which includes the up-front cost of the Targeted Voluntary Separation Scheme. Excluding this cost, salaries growth for 2014-15 is estimated at 4.5%, which will be the lowest rate of growth in salaries expenditure since 1998-99.

² Long-term government bond rates are used by the actuary in year-end valuations of unfunded superannuation liabilities. Bond rates have remained at low levels during 2014-15 (a rate of 2.4% has been used for 2014-15 based on the long-term bond rate at cut-off, compared with a Mid-year Review assumption of 3.2%). A decrease in the bond rate means that unfunded liabilities increase in value (and vice versa), but nominal superannuation interest costs are lower.

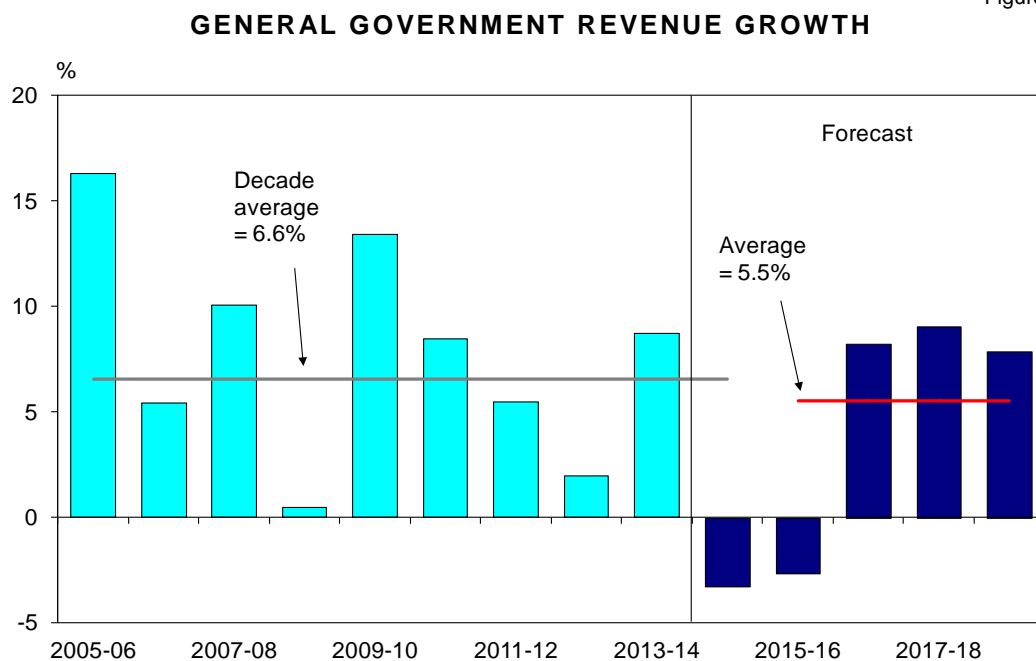
2015-16 and Beyond

Operating deficits are in prospect for the general government sector in 2015-16 and 2016-17, of \$2,708 million and \$1,148 million respectively, with surpluses forecast from 2017-18.

Revenue

General government sector revenue is forecast to decline by a further \$720 million or 2.7% in 2015-16 (relative to 2014-15), before recovering to average growth of 8.4% per annum across the remainder of the forward estimates period as domestic economic conditions improve and as Western Australia's share of GST revenue starts increasing from 2016-17 (as a lagged response to the recent decline in iron ore prices).

Figure 2



The revenue contraction in 2015-16 is due to the net impact of the following:

- a large reduction in royalty income (down \$769 million), as the impact of a lower average iron ore price is expected to outweigh anticipated increases in iron ore production and a further decline in the \$US/\$A exchange rate:
 - the royalty revenue forecasts also include the removal of a provision for additional revenue from the Mineral Royalty Rate Analysis (announced in the 2012-13 Budget) following the Government's decision not to change royalty rates in the 2015-16 Budget. This results in a downward revision to revenue of \$180 million in 2015-16 (and a total of \$560 million to 2017-18, relative to Mid-year Review forecasts);

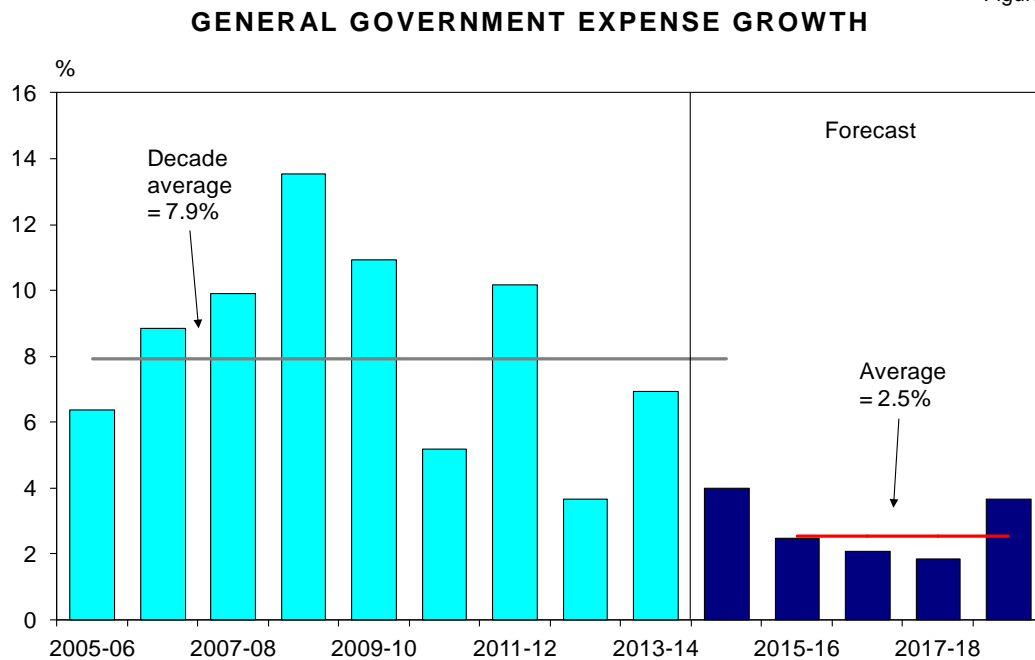
- lower GST grant estimates (down \$328 million), reflecting a further decline in Western Australia's GST 'relativity' from 0.376 in 2014-15 to a new record low of 0.3 in 2015-16;
- lower revenue from public corporations (down \$299 million), primarily reflecting lower dividends from the State's port authorities and electricity corporations due to the implementation of interim dividend arrangements in 2014-15;
- a decline in North West Shelf grants (down \$184 million) as a result of lower oil and LNG prices more than offsetting a lower \$US/\$A exchange rate; and
- a \$702 million increase in tax revenue, reflecting the net impact of:
 - higher payroll tax estimates (up \$342 million relative to 2014-15), due in part to the introduction of a diminishing exemption threshold from 1 July 2015 (as announced in the 2014-15 Mid-year Review);
 - higher forecast insurance duty (up \$48 million) due to continued expansion of insurance coverage;
 - higher motor vehicle taxes (up \$74 million), mainly due to an anticipated cyclical recovery in motor vehicle sales;
 - higher forecasts for land tax (up \$193 million) and Loan Guarantee Fees (up \$41 million), mainly reflecting the revenue measures implemented in this Budget (see feature box in Chapter 1: *Overview*); and
 - lower forecast transfer duty (down \$69 million), reflecting the impact of weaker domestic economic conditions on transaction volumes and house prices.

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

Expenses

In recognition of the challenging fiscal environment, new spending in this Budget is limited and has been provided primarily to meet continuing strong demand for essential government services in areas including education, health, child protection, policing and mental health. Accordingly, modest general government sector expense growth of 2.5% is forecast for 2015-16 (an increase of \$701 million on 2014-15), with growth projected to average 2.5% per annum across the forward estimates period. These forecasts are well below the 7.9% average annual growth over the last ten years.

Figure 3



The main increases in recurrent spending in 2015-16 (relative to 2014-15) include:

- an increase of \$294 million (or 6.5%) for the Department of Education, largely for enrolment growth, wage increases and increased maintenance expenditure on schools;
- an increase of \$243 million (or 4.6%) for public hospital services;
- an increase of \$98 million (or 11.3%) for the Disability Services Commission to meet growth in demand for existing services and continue the Western Australian National Disability Insurance Scheme My Way trial sites. The increase in expenditure also reflects the provision of Commonwealth funds under the National Partnership Agreement on Pay Equity to compensate eligible non-government service providers for wage increases under the Fair Work Australia Pay Equity Order;
- an increase of \$53 million (or 4.1%) for Western Australia Police to continue to deliver the Government's commitment to 550 additional officers by the end of 2016-17;
- an increase of \$43 million (or 5.4%) for the Mental Health Commission to meet activity growth and implement a new Suicide Prevention Strategy and other new initiatives; and
- an increase of \$24 million (or 3.8%) for the Department of Child Protection and Family Support to meet growth in demand for child protection services. The increase in expenditure also reflects a portion of the provision of Commonwealth funds under the National Partnership Agreement on Pay Equity (noted above).

Since the release of the Mid-year Review, general government sector expenses have been revised down by \$238 million over the period 2015-16 to 2017-18, reflecting the net impact of the following:

- \$489 million in savings over the four years to 2018-19 from the new savings measures included in this Budget, including Agency Expenditure Reviews, removal of the First Home Owner Grant for established homes, and reforms to social concessions (see feature box in Chapter 1: *Overview*);
- lower than previously expected student enrolments in 2015, including reduced Students First Commonwealth-funded expenditure, for the Department of Education (down \$188 million);
- lower operating subsidies for electricity entities (down a total of \$284 million over the forward estimates period), mainly reflecting a reduction in costs associated with changes in demand, a business efficiency drive and adoption of a Long Run Marginal Cost operating subsidy model by Synergy, and lower costs of supply for Horizon Power, partly offset by the Government's decision to increase tariffs by 4.5% in 2015-16 (compared to the previously assumed 7%);
- a total of \$417 million in additional expenditure across the forward estimates period for hospital services, reflecting revised activity and cost settings for public hospital services; and
- an additional \$172 million across 2015-16 to 2018-19 to meet growth in demand for child protection services.

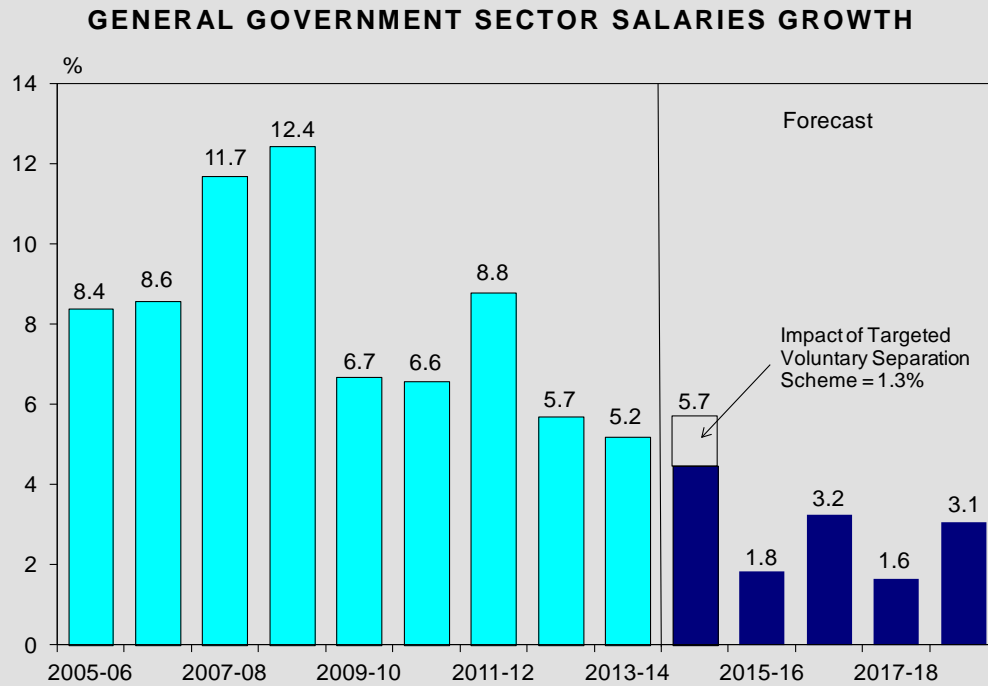
Salaries costs for the general government sector are forecast to be \$11.5 billion in 2015-16, with growth expected to moderate from an estimated 5.7% in 2014-15 to 1.8% in 2015-16. Lower growth in salaries reflects the impact of workforce reform measures, including the Workforce Renewal Policy and Targeted Voluntary Separation Scheme, and continued adherence to the Public Sector Wages Policy (see feature box below).

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

Progressing Workforce Reforms

Salaries are the largest component of general government expenditure (40%). A range of measures have been introduced by the Government to rein in salaries growth in recent years in response to subdued revenue growth.

Figure 4



Growth in salaries was particularly high during the ramp up in mining investment and in the lead up to the Global Financial Crisis in 2008-09. Since then, a series of measures have been introduced to reduce growth in the size of the public sector workforce and contain increases in wages to more sustainable levels.

The 2009-10 Budget included a package of measures to arrest high salary growth including:

- the introduction of a full-time equivalent (FTE) ceiling across the general government sector;
- a Public Sector Wages Policy which capped wage increases to projected growth in the Wage Price Index; and
- a voluntary separation scheme resulting in 469 separations.

Further rounds of voluntary separations were announced in March 2010 (resulting in 333 separations) and March 2011 (resulting in 336 separations).

The 2012-13 Budget capped 2012-13 and 2013-14 FTE numbers at the approved 2011-12 FTE ceiling levels except for operational staff in the areas of health, education and police.

The 2013-14 Budget further targeted growth in salary costs through a package of public sector reforms. These included:

- the capping of general government agencies' salaries budgets to projected growth in the Perth Consumer Price Index (CPI);
- introduction of a new Public Sector Wages Policy capping wage and conditions increases to projected growth in the CPI;
- legislative amendments to ensure decisions by the Western Australian Industrial Relations Commission and Salaries and Allowances Tribunal have regard to the Government's fiscal strategy and wage determination settings;
- legislative amendments to provide for involuntary separation as a measure of last resort; and
- an enhanced voluntary separation scheme which resulted in 1,112 FTEs exiting the sector over 2013-14.

Public sector wage agreements negotiated since November 2013 and settled in line with CPI projections include teachers, police officers and general public servants. These agreements included rises in accordance with the 2014-15 Budget CPI projections for 2014-15 to 2016-17 of 2.75%, 2.5% and 2.5%.

These measures have reduced the growth in the size of the public sector. Between June 2009 and June 2014, general government sector FTEs grew by 8.1%, well below the 14.9% growth in the State's population during the same period. Moreover, between 30 June 2013 and 30 June 2014, total public sector FTEs decreased by 1,545 (or 1.4%).

In October 2014, the Government announced a further Targeted Voluntary Separation Scheme to achieve an estimated reduction of 1,500 public sector employees across agencies with identified surplus staff numbers.

To generate further salary-related savings, the 2014-15 Mid-year Review included a Workforce Renewal Policy which seeks savings from agencies based on expected employee separations. These, in turn, are based on historical actual separations, with savings harvested across agencies' budgets, not position by position.

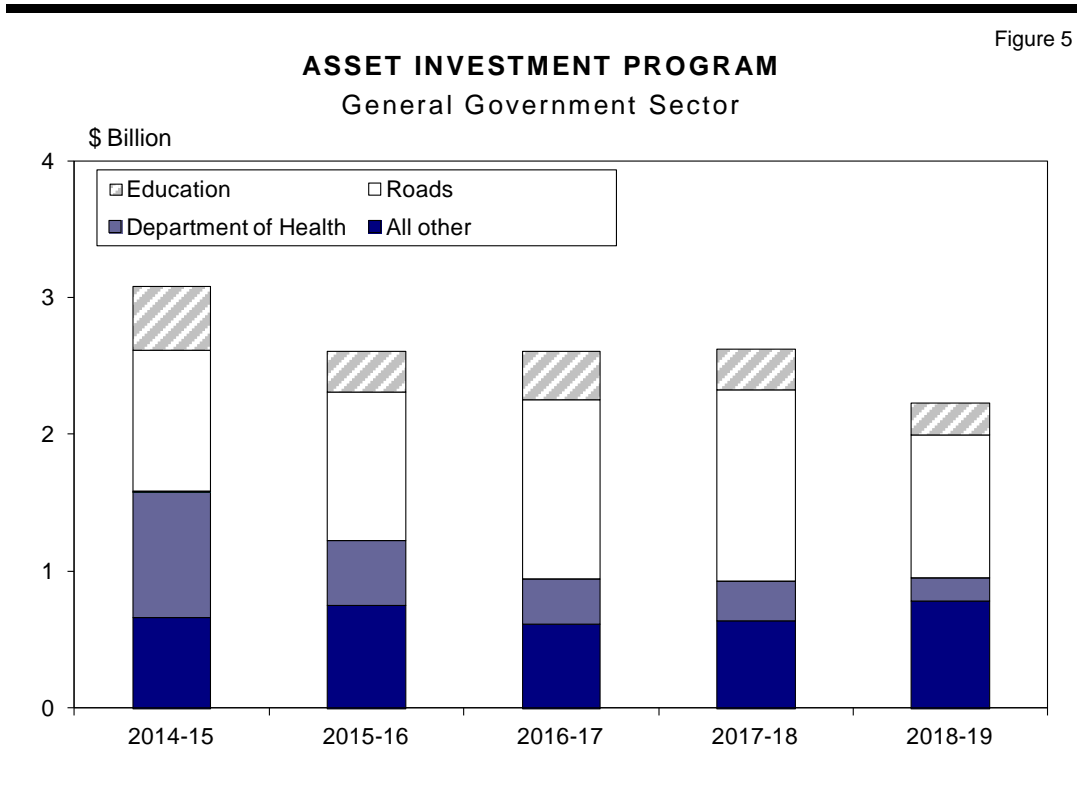
This Budget includes the allocation of Workforce Renewal Policy savings to agency Budgets (see Chapter 5: *General Government Expenses*), with total savings of \$1.3 billion to 2018-19.

Capital Investment

Infrastructure spending by the general government sector is easing back from recent high levels as the hospital rebuilding program nears completion.

The general government sector is forecast to invest \$2.6 billion in infrastructure in 2015-16, down from an estimated \$3.1 billion in 2014-15. In total, the general government sector is forecast to invest \$10.1 billion in infrastructure over the period 2015-16 to 2018-19, representing 42% of the Government's total AIP of \$24.1 billion over this period.

Investment in roads will average more than \$1 billion per annum across the forward estimates period to total \$4.9 billion, representing almost half of general government infrastructure spending.



New general government infrastructure investment approved in this Budget includes:

- an additional \$214 million for Education over the forward estimates period, which includes funding for:
 - the construction and refurbishment of primary and secondary schools throughout the State, including the construction of new secondary schools in Yanchep and South Baldivis, and refurbished buildings at Armadale Senior High School and Cecil Andrews Senior High School;
 - the amalgamation of Hamilton Senior High School and South Fremantle Senior High School into the new Fremantle College; and
 - the creation of a new Student Information System to provide access to real-time student and school information;
- additional spending by Main Roads on a number of road projects³, including:
 - \$44 million on a range of infrastructure initiatives funded from the Road Trauma Trust Account;

³ A review of the accounting treatment of road surfacing activities will also see this spending (worth \$252 million over 2015-16 to 2018-19) reclassified to infrastructure spending from its previous disclosure as recurrent maintenance costs. This reflects the appropriate application of accounting standards to this spending and impacts the disclosures for 2014-15 and beyond.

- enhancements to the Great Northern Highway comprising construction of a six kilometre traffic bypass route to the east of New Norcia and improvements to various floodways between Meekatharra and Newman under the new Commonwealth National Highway Upgrade Programme (\$40 million); and
- implementation of the Aubin Grove Train Station traffic congestion plan (\$15 million in additional spending, with a further \$10 million funded from project savings on the Mitchell Freeway extension); and
- an additional \$12 million in 2015-16 (as part of a \$19 million total investment) to meet key infrastructure needs and support the operation of Royal Perth Hospital following the transition of some clinical services to the newly completed Fiona Stanley Hospital.

This Budget includes a \$200 million provision in 2014-15 for yet to emerge slippage in the sector's infrastructure program. The size of this provision has been reduced by \$150 million since the Mid-year Review, in line with adjustments to reflect timing changes that have already been identified in agency programs.

Balance Sheet

The net worth of the general government sector⁴ is forecast to increase in each year of the forward estimates period, rising from \$117.4 billion at 30 June 2015 to a forecast \$127.6 billion by 30 June 2019⁵.

⁴ Net worth is the total financial value of the public sector to the community. As the broadest measure of the public sector's financial position, it is calculated as the value of total assets less total liabilities.

⁵ 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.

Table 4

GENERAL GOVERNMENT
Balance Sheet at 30 June

	2014	2015	2016	2017	2018	2019
	\$m	\$m	\$m	\$m	\$m	\$m
2015-16 BUDGET						
Assets	142,551	146,095	150,238	155,017	160,402	166,138
Liabilities	25,723	28,689	32,729	35,804	37,645	38,521
<i>Net Worth</i>	<i>116,828</i>	<i>117,406</i>	<i>117,510</i>	<i>119,214</i>	<i>122,757</i>	<i>127,617</i>
Net Debt	6,973	10,669	15,799	18,909	20,227	19,345
2014-15 MID-YEAR REVIEW						
Assets	142,551	147,014	152,183	158,217	164,361	na
Liabilities	25,723	28,608	31,492	33,919	35,350	na
<i>Net Worth</i>	<i>116,828</i>	<i>118,406</i>	<i>120,691</i>	<i>124,297</i>	<i>129,012</i>	<i>na</i>
Net Debt	6,973	10,655	13,426	14,830	15,576	na
VARIANCE						
Assets	-	-920	-1,945	-3,199	-3,959	na
Liabilities	-	81	1,237	1,884	2,296	na
<i>Net Worth</i>	-	-1,000	-3,182	-5,084	-6,255	na
Net Debt	-	14	2,373	4,079	4,651	na

Note: Columns may not add due to rounding.

The value of general government sector assets is forecast to increase by \$20 billion between 30 June 2015 and 30 June 2019, to a total of \$166.1 billion. This mainly reflects:

- an increase of \$11.6 billion in the value of non-financial assets, including the impact of infrastructure spending projections and forecast growth in the value of land and holdings of property, plant and equipment;
- a \$5.9 billion increase in the value of public corporations, mainly reflecting forecast operating surpluses in both the financial and non-financial public corporations sectors, as well as increases in the value of physical assets; and
- a \$2.3 billion increase in the value of liquid investments, and loans and advances (mainly due to the turnaround to operating surplus from 2017-18).

Total liabilities for the general government sector are projected to increase by \$9.8 billion by 30 June 2019, to a total of \$38.5 billion. This largely reflects increases in borrowings, (\$10.9 billion) required to support spending on the infrastructure investment program, including addressing the very sharp decline in general government cash operating outcomes due to the revenue write-downs discussed earlier in this chapter.

Unfunded superannuation liabilities are forecast to decline across the forward estimates period, to be \$7.8 billion by 30 June 2019. The State's major unfunded defined benefit schemes (the Pension Scheme and the Gold State Super scheme) are closed, with entitlements of the State's defined contribution schemes fully funded since 2000-01. This means that unfunded superannuation liabilities will gradually decline as these entitlements are paid out over the next two to three decades.

Recent low bond rates (which are used to value the State’s superannuation liabilities) have kept the value of this liability higher than expected for an extended period. This valuation issue is expected to reduce over time (as bond rates trend back up in future years) and is not expected to have any substantial impact on general government sector cash flows for unfunded superannuation. In this regard, Consolidated Account cash payments for emerging superannuation costs are projected to be around \$676 million in 2015-16, and average \$670 million over the four years to 2018-19.

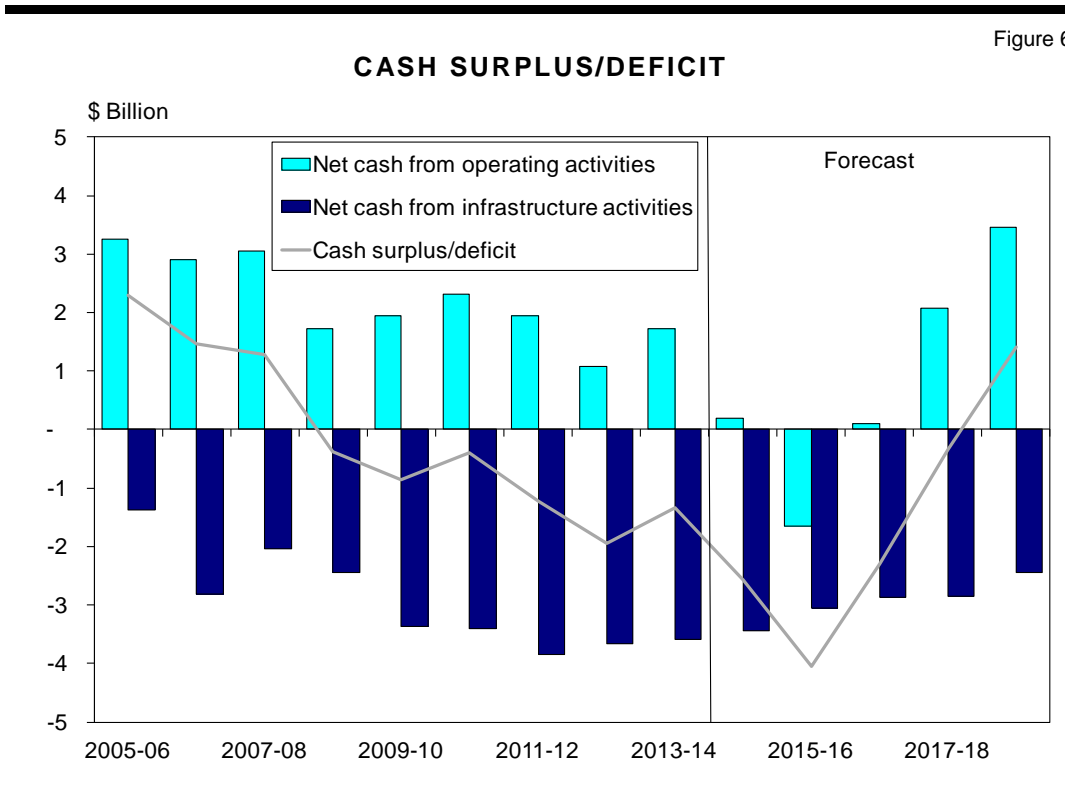
Cashflow Statement

Cash deficits are in prospect for the general government sector from 2015-16 to 2017-18, reducing from \$4,042 million to \$349 million, before returning to a surplus position in 2018-19 (of \$1,406 million).

The significant cash deficit forecast for 2015-16 reflects an expected cash deficit from operating activities of \$1,647 million in that year, consistent with the (accrual) operating balance projection for the sector (discussed earlier in this chapter), and a cash deficit from investing activities of \$3,060 million. These projections improve across the forward estimates period, with a cash operating surplus of \$3,450 million in prospect in 2018-19, and a reduced cash deficit from investing activities of \$2,441 million in the same year.

The improving cash projections are underpinned by moderating levels of infrastructure investment by the general government sector (see earlier discussion), the cumulating impact of the Government’s savings and reform measures, together with an expected increase in Western Australia’s share of national GST revenue from 2016-17.

Figure 6



Total Public Sector ⁶

Summary

Reflecting the revenue write-downs in the general government sector, operating deficits are forecast for the total public sector in 2014-15, 2015-16 and 2016-17, with a return to surplus expected from 2017-18. Net debt for the total public sector is expected to increase from \$25.5 billion at 30 June 2015 to a peak of \$36.3 billion at 30 June 2018, before declining to \$35.8 billion by 30 June 2019. These forecasts include the impact of the Government's significant ongoing infrastructure program.

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

Table 5

TOTAL PUBLIC SECTOR						
Summary Financial Statement						
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Estimated	Budget	Forw ard	Forw ard	Forw ard
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
OPERATING STATEMENT						
Revenue	42,630	42,161	42,740	45,853	49,475	53,313
Expenses	42,406	44,192	45,822	47,325	48,929	51,338
Net Operating Balance	225	-2,031	-3,082	-1,472	546	1,975
BALANCE SHEET						
Assets	180,857	184,856	187,669	192,609	199,477	206,453
Liabilities	64,029	67,450	70,159	73,395	76,720	78,836
Net Worth	116,828	117,406	117,510	119,214	122,757	127,617
STATEMENT OF CASHFLOWS						
Net Cash Flow s from Operating Activities	3,198	1,252	-43	1,739	3,757	5,551
Asset Investment Program	6,814	6,555	6,284	5,963	6,081	5,757
Cash Position	-2,465	-4,143	-5,090	-3,139	-1,147	790
<i>Memorandum Item: Net Debt</i>	20,754	25,455	30,996	34,443	36,289	35,753

Note: Columns may not add due to rounding.

⁶ 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).

Operating Statement

An operating deficit of \$3.1 billion for the consolidated total public sector⁷ is forecast in 2015-16, a \$1.8 billion widening of the \$1.2 billion deficit projected in the 2014-15 Mid-year Review. This outcome mainly reflects the significant revenue downturn of the general government sector discussed earlier, and follows an expected \$2 billion operating deficit in 2014-15. A deficit outcome of \$1.5 billion is also in prospect in 2016-17, with a return to surplus from 2017-18, mirroring expectations for the general government sector.

Both the public non-financial corporations (PNFC) and the public financial corporations (PFC) sectors are expected to be in an operating surplus position in 2015-16 and each year of the forward estimates period.

Table 6

TOTAL PUBLIC SECTOR OPERATING BALANCE

By Sector

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	Estimate	Estimate	Estimate
Net Operating Balance						
General government sector	719	-1,287	-2,708	-1,148	874	2,209
Public non-financial corporations sector	571	378	437	670	578	680
Public financial corporations sector	-86	222	203	163	284	316
<i>less</i>						
General government dividend revenue	901	1,277	945	1,040	1,121	1,161
Public non-financial corporations dividend revenue ^(a)	78	68	68	117	69	69
Total public sector net operating balance	225	-2,031	-3,082	-1,472	546	1,975

(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 \$437 million is forecast for the PNFC sector in 2015-16. Surpluses are also in prospect for each of the outyears, increasing to \$680 million by 2018-19.

⁷ 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 dividend income (mainly recorded by the general government sector) is recognised as revenue.

The total of these operating outcomes across the period 2014-15 to 2017-18 is largely unchanged from the 2014-15 Mid-year Review projections. However, both revenue and expenses have been revised down since the Mid-year Review, with a \$222 million reduction in income and a \$164 million reduction in recurrent costs across the forward estimates period, mainly reflecting the net impact of:

- lower revenue (down \$72 million) together with higher operating expenditure (up \$81 million) over the period 2014-15 to 2017-18 for the Water Corporation, due to a reduction in developer contributions, a lower than previously assumed increase in prices for water, wastewater and drainage services (to increase by 4.5% in 2015-16, down from an assumed 6% at the time of the Mid-year Review), and changes in the expected timing of operating subsidy savings;
- higher revenue (up \$54 million) for Western Power across the period 2014-15 to 2017-18, due mainly to higher than forecast developer contributions (including gifted assets for completed projects), and higher revenue from network charges. Operating expenses are expected to be lower than Mid-year Review (down \$27 million) largely due to the impact of lower interest rate expectations;
- lower revenue (down \$75 million) for Horizon Power across the period 2015-16 to 2017-18 reflecting a significant reduction in its demand and energy forecast and lower operating subsidy revenue;
- lower revenue and expenses (down \$188 million and \$163 million respectively) for Synergy over the period 2014-15 to 2017-18, mainly due to lower forecast customer demand (which will result in reduced sales revenue and energy purchases), the implementation of the means-tested Energy Assistance Payment (formerly known as the Cost of Living Assistance payment) on 1 July 2015, and benefits from the implementation of the Corporation's Business Efficiency Program; and
- higher revenue from public housing rents (up \$41 million), largely as a result of a maximum \$12 per week increase for existing public housing tenants in 2015-16, partly offset by higher expenses related to the continuation of the Disruptive Behaviour Management Strategy (up \$9 million).

Government Trading Enterprises Reform

Since the 2014-15 Budget, a number of reform measures have been implemented by Government Trading Enterprises to reduce operational and capital expenditure, and deliver savings to Government⁸.

- The Water Corporation reviewed its capital investment planning assumptions and identified capital and operating expenditure savings that can be delivered by streamlining its business. There will be a shift in focus from building new infrastructure to operating and maintaining existing assets. Compared to the 2014-15 Budget, the Water Corporation's:
 - Asset Investment Program is reduced by \$403 million across the forward estimates; and

⁸ Total savings have been derived by comparing projections in the 2014-15 Budget (2014-15 to 2017-18) and the 2015-16 Budget (2015-16 to 2018-19).

– operating subsidy requirement is reduced by \$139 million across the forward estimates.

- Synergy has initiated a Business Efficiency Program to review and identify opportunities for the newly merged business to be more effective and efficient in its operations. As part of this program, Synergy has forecast that it will achieve operational savings of \$450 million over the forward estimates period. These savings are in addition to the \$137 million of operating subsidy savings achieved as part of the merger and a \$457 million reduction following a review into the methodology and cost assumptions underpinning its operating subsidy. All up, compared to the 2014-15 Budget, Synergy's operating subsidy requirement is reduced by \$971 million across the forward estimates.
- Horizon Power achieved operational savings of \$175 million as part of the 2014-15 Budget, following the commencement of its Strategic Review Program to simplify its operating structure and reduce the cost of providing electricity in the State's North West. In this Budget, Horizon Power has committed to deliver additional operational expenditure savings through the continuation of its internal process improvements, including simplification of its asset management processes, streamlining its risk framework and enhancing its capacity planning. Compared to the 2014-15 Budget, Horizon Power's operating subsidy requirement will decrease by \$40 million across the forward estimates.

The State Government is also pursuing reform of the energy sector with the commencement of Phase 2 of the Electricity Market Review (EMR). The objectives of the EMR are to reduce the cost of production and supply of electricity without compromising safety and reliability, reduce the Government's exposure to energy market risks, and attract private sector participants that are able to facilitate long-term stability and investment.

In addition, the State has reduced the number of regional port authorities, with the amalgamation of the Dampier and Port Hedland Port Authorities into the Pilbara Ports Authority on 1 July 2014, and the amalgamation of Albany, Esperance and Bunbury Port Authorities into the Southern Ports Authority on 1 October 2014. The Broome Port Authority and Geraldton Port Authority were also renamed the Kimberley Ports Authority and Mid-West Ports Authority respectively on 1 July 2014.

Public Financial Corporations

An operating surplus of \$203 million is expected for the PFC sector in 2015-16 (down from an estimated \$222 million in 2014-15), with surpluses also forecast in each year of the forward estimates period.

The Budget forecasts include the implementation of a no-fault catastrophic injury compulsory third party (CTP) insurance scheme commencing on 1 July 2016 (see feature box). This arrangement will provide care and support to all people catastrophically injured in motor vehicle accidents in Western Australia, and will increase revenue by \$547 million (including both premium revenue and investment income on associated CTP reserves) and claims expense by \$602 million for the Insurance Commission of Western Australia (ICWA) over the forward estimates period⁹.

Other material changes to the PFC outlook since the Mid-year Review are:

- lower projected expenses for all other ICWA and RiskCover insurance claims (down \$144 million over the period 2014-15 to 2017-18), with actuarial forecasts of both the number and value of claims for both entities revised down;
- higher interest expenses for Keystart (up \$93 million over the period 2015-16 to 2017-18) as a result of the Government's decision in this Budget to charge Keystart a Loan Guarantee Fee of 70 basis points from 1 July 2015 consistent with other Government Trading Enterprises; and
- lower interest and administrative expenses (down \$42 million in 2015-16 and a total of \$174 million over the four years to 2017-18) for Keystart, reflecting a change in lending criteria effective 1 July 2015 which will reduce income caps for borrowers in the metropolitan area by \$20,000 and reduce house price caps in the Kimberley (from \$700,000 to \$600,000) and Pilbara (from \$850,000 to \$700,000).

Large reductions (of almost an equivalent magnitude) in interest revenue and expenses for the Western Australian Treasury Corporation reflect lower interest rates relative to the Mid-year Review (due mainly to the current market outlook for interest rates, which includes the impact of a modest increase in debt servicing costs experienced since Standard & Poor's negative credit watch announcement on 14 April 2015¹⁰).

⁹ Claims expenses represent an accrued cost and are based on actuarial valuations. Subsequent cash payments for claims vary in line with the timing of these claims. These differences give rise to movements between the net accrued cost of the no-fault insurance initiative noted in this discussion and the cash impact on net debt discussed in the feature box.

¹⁰ Standard & Poor's (S&P's) announced that it was placing Western Australia's credit rating on 'CreditWatch Negative' on 14 April 2015. This followed the recent downturn in iron ore prices and S&P's analysis of the implications for State finances. A negative watch means that there is a one in two chance of a credit rating downgrade (from AA+) within 90 days. Since S&P's announcement, Western Australia has experienced only a small increase in interest costs relative to those in other AA+-rated States. This increase is estimated at around \$60 million over the forward estimates period across the total public sector.

No-Fault Catastrophic Injury Compulsory Third Party Insurance Scheme

People catastrophically injured in motor vehicle accidents in Western Australia from 1 July 2016 will be covered by a no-fault catastrophic injury CTP insurance scheme (the Scheme).

The Scheme will provide long-term care and support to people catastrophically injured in motor vehicle accidents in Western Australia without the need to prove fault. Catastrophic injuries are defined as spinal cord injuries, traumatic brain injuries, multiple amputations, severe burns or permanent traumatic blindness, in line with national benchmarks.

It is estimated that each year, 44 Western Australians not covered under the current CTP scheme suffer a catastrophic injury as a result of a motor vehicle accident. These people rely on support available through Government-funded services, personal accident, superannuation or income protection insurance, and/or the support of family and friends. From 1 July 2016, they will be eligible for ongoing care and support over the course of their lives that is funded by the Scheme.

Entitlements for people catastrophically injured will include rehabilitation, attendant and nursing care, prostheses, domestic assistance and home and transport modifications.

Consistent with the current CTP scheme, people who are catastrophically injured in a motor vehicle accident, and can prove fault of another party, will retain the right to settle their long-term care and support claim by lump-sum payment following injury stabilisation, or can choose to continue to receive their entitlements paid on an 'as you go' basis.

To fund the Scheme, from 1 July 2016 motor vehicle owners will be charged a maximum of \$99 per annum (inclusive of GST and insurance duty) when their vehicle registration is renewed. The charge will be in addition to the existing CTP scheme's premium, which for the representative household is \$302.87 in 2015-16 inclusive of GST and insurance duty.

The table below reflects the total impact on the State's net debt that is reflected in the 2015-16 Budget as a consequence of the Scheme's implementation.

Table 7

NO-FAULT CATASTROPHIC INJURY COMPULSORY THIRD PARTY INSURANCE SCHEME Impact on State Finances

	2016	2017	2018	2019
	\$m	\$m	\$m	\$m
Total public sector net debt at 30 June	2.5	-86.1	-177.4	-285.7

Impact on State Finances

The \$285.7 million net debt reduction to 30 June 2019 associated with the introduction of the Scheme is due to the accounting treatment of funds under the management of the Insurance Commission of Western Australia (ICWA).

This treatment (under Australian Bureau of Statistics Government Finance Statistics and Australian Accounting Standards) arises due to the accumulation of reserves from premiums collected by ICWA (which offset insurance liabilities) being recognised as liquid financial assets on the State's balance sheet. These financial assets contribute towards the calculation of net debt – the accumulation of additional reserves under the new Scheme thus results in a reduction in net debt (due to an increase in liquid assets held by ICWA).

However, insurance liabilities do not contribute towards net debt (they are recorded as non-debt payables on the State's balance sheet). The net impact of the accounting treatment of the Scheme assets and future claims liabilities is therefore shown as a net debt benefit.

The adverse net debt impact of \$2.5 million for the year to 30 June 2016 relates to implementation costs including information systems development, salary expenses, actuarial and legal fees, and administration and communication expenses.

A new fund will be established to manage the Scheme and similar to the treatment of other forms of insurance administered in Western Australia, premiums paid into the fund will be subject to insurance duty.

Importantly, as the policy objective of the Scheme is to provide care and support to Western Australians catastrophically injured in motor vehicle accidents, a dividend will not be collected from funds held under the Scheme.

Capital Investment

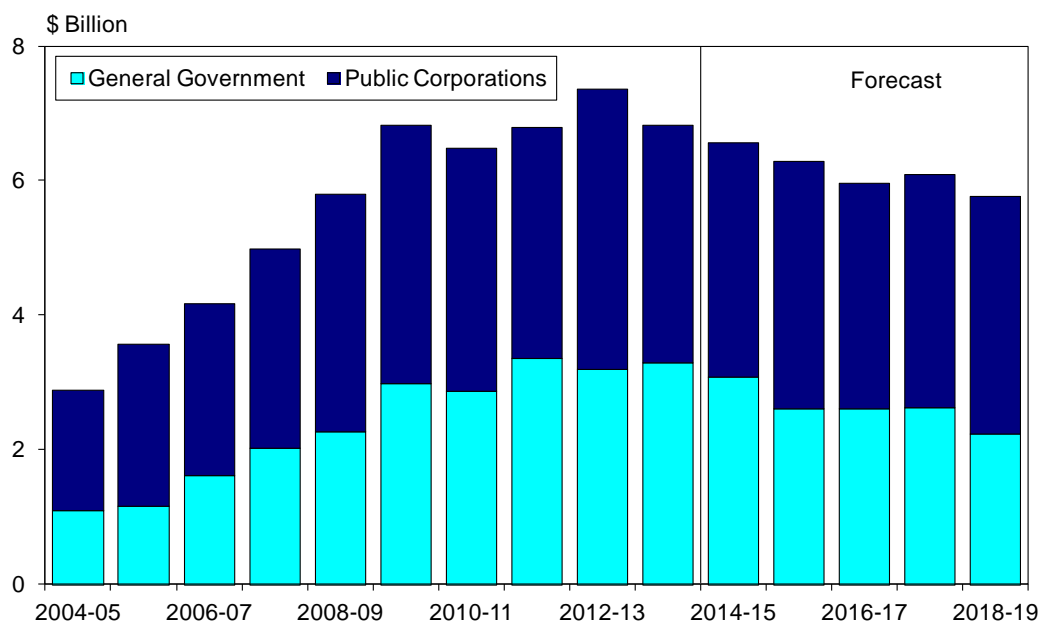
This Budget provides for an AIP of \$6.3 billion in 2015-16, down from an expected \$6.6 billion program for 2014-15. A total of \$24.1 billion is expected to be invested in infrastructure over the four years to 2018-19.

The Government's infrastructure program is coming off recent highs as the hospital rebuilding program nears completion. Spending on roads and other transport infrastructure projects will begin to increase in size over the medium term.

The general government sector's infrastructure program (discussed earlier in this chapter) accounts for approximately 42% of investment in physical assets over the four years to 2018-19.

Figure 7

ASSET INVESTMENT PROGRAM
Total Public Sector



Efficiency measures announced in the 2014-15 Budget and Mid-year Review (which together total \$1 billion over the forward estimates period) are now allocated at project level in agency Asset Investment Programs (see Appendix 11: *Allocation of Asset Investment Program Efficiency Savings*).

The AIP has increased by \$1.3 billion across the period 2014-15 to 2017-18 since the 2014-15 Mid-year Review. In addition to changes (totalling \$739 million) in the general government sector AIP (discussed earlier), variations to PNFC sector capital spending include:

- a \$354 million reduction for the Water Corporation from 2016-17 following a review by the Corporation of its future capital requirements. Changes following the review include lower forecast demand due to sustained lower per capita water demand and slowing economic growth across the State, revised risk profiling (which defers expenditure while maintaining acceptable risk levels), and improved operational efficiency;
- an additional \$308 million will be spent in 2015-16 and 2016-17 by the Housing Authority as part of the \$560 million Social Housing Investment Package, which will deliver 1,000 additional social housing dwellings;
- an additional \$140 million spend in 2015-16 by Western Power to address safety and reliability issues in the electricity network, including (but not limited to) the treatment of wood poles and conductors;

- an extra \$100 million will be spent by the Public Transport Authority (2014-15 to 2018-19) including:
 - \$53 million to replace the radio system for Transperth train operations;
 - \$19 million for Transperth rail works to reduce disruptions to services;
 - \$16 million to replace train station escalators;
 - \$8 million for acquisition of regional bus depots; and
 - \$5 million for railcar procurement planning for the Perth passenger rail system as the network expands to include the new Forrestfield Airport Link; and
- a \$56 million reduction in spending by the Western Australian Land Authority over the period to 2017-18, reflecting updates to the Authority's land sales, acquisitions and development expenditure.

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. The provision for 2014-15 is \$100 million (down from the Mid-year Review provision of \$350 million, as agencies identify movements in spending that reduce the need for the provision).

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 \$5.1 billion is projected for the total public sector in 2015-16, a deterioration of \$2.9 billion compared to the deficit estimated in the Mid-year Review. This follows an expected cash deficit of \$4.1 billion in 2014-15. Cash deficits are also forecast for 2016-17 and 2017-18, before a turnaround to a small cash surplus in 2018-19.

A small operating cash deficit is in prospect for 2015-16 (reflecting the substantial royalty write-down discussed earlier), with larger surpluses forecast to return in 2016-17 and beyond. These surpluses are not large enough to fully fund the Government's infrastructure program until 2018-19, resulting in increasing borrowings and higher net debt until 2017-18, after which a small turnaround is expected.

Net Debt and Gross Borrowing

Net debt for the total public sector is forecast to increase from an estimated \$25.5 billion at 30 June 2015 to a peak of \$36.3 billion at 30 June 2018, before declining to \$35.8 billion by the end of the forward estimates. These estimates are considerably higher than those at the time of the Mid-year Review, with the \$36.3 billion forecast peak now in prospect for 30 June 2018, \$5.4 billion higher than the \$30.9 billion Mid-year Review estimate for that year (the latest outyear included in that publication).

Relative to the Mid-year Review forecast for net debt at 30 June 2018, higher net debt levels mainly reflect:

- a net \$3.9 billion deterioration in the operating cash position of the public sector, including:
 - the significant fall in projected mining-related receipts (down \$4.4 billion in cash terms), including \$3.6 billion in iron ore royalties, \$560 million in provisions previously held for the Mineral Royalty Rate Analysis, and \$300 million in on-shore petroleum royalties and North West Shelf/condensate compensation grants due to lower oil and LNG prices;
 - reductions in receipts from payroll tax (down \$739 million) and transfer duty (down \$308 million) due to a softer labour market and housing sector;
 - higher GST grants (up \$1.6 billion), with the lagged Commonwealth Grants Commission process expected to only partly compensate for the reductions to mining revenue and taxes outlined above; and
 - the impact of additional revenue and savings measures included in this Budget; and
- a total \$1.3 billion increase in infrastructure investment, including the new Social Housing Investment Package, a range of school building projects, electricity infrastructure, and the partial unwinding of the underspend provision.

The following table provides a summary of the changes to projected net debt levels since the 2014-15 Mid-year Review.

Table 8

NET DEBT OF THE TOTAL PUBLIC SECTOR AT 30 JUNE

	2015 \$m	2016 \$m	2017 \$m	2018 \$m	2019 \$m
2014-15 MID-YEAR REVIEW - TOTAL PUBLIC SECTOR NET DEBT	25,375	28,030	29,407	30,857	
<i>Less</i> change in net cashflows from operating activities and dividends paid					
- general government	38.1	-1,754.4	-1,417.0	-482.5	
- public non-financial corporations	-22.5	-150.3	-154.6	-12.9	
- public financial corporations	59.5	-89.0	20.0	104.2	
<i>Total public sector</i>	<i>75.2</i>	<i>-1,993.7</i>	<i>-1,551.6</i>	<i>-391.2</i>	
<i>Plus</i> purchases of non-financial assets					
Savings Measures					
Removal of previous 5% Asset Investment Program efficiencies provision	130.3	287.8	291.7	310.1	
Final 5% Asset Investment Program efficiencies	-119.9	-265.1	-288.8	-296.6	
Other Changes					
Main Roads	-30.3	291.7	161.0	-24.2	
Housing Authority	-80.8	35.6	284.7	-26.6	
Education	3.3	32.1	63.7	91.0	
Western Power (including provisions)	-83.2	218.2	5.4	-	
Public Transport Authority	-44.4	82.6	50.5	49.6	
Health	-97.1	-52.3	2.4	139.2	
Land Authority	-33.8	-30.9	7.9	2.7	
Water Corporation	-	-	-110.6	-90.1	
Changes to underspend provision	400.0	-	-	-	
All other	-104.5	189.2	98.1	-107.4	
<i>Total purchase of non-financial assets</i>	<i>-60.5</i>	<i>788.9</i>	<i>566.0</i>	<i>47.7</i>	
<i>Less</i> proceeds from sale of non-financial assets					
Land Sales Program ^(a)	-	11.1	93.7	81.5	
Removal of 2013-14 Budget Fiscal Action Plan land sales provision	-	-100.0	-100.0	-	
Perry Lakes project	-4.9	-12.3	-10.2	-12.2	
Land Authority	-9.8	-22.2	5.0	5.0	
Metropolitan Redevelopment Authority	1.0	7.6	-9.1	5.6	
Sale of Kaleeya Hospital	17.5	-	-	-	
All other	-1.1	-2.2	2.7	2.8	
<i>Total sales of non-financial assets</i>	<i>2.6</i>	<i>-118.0</i>	<i>-17.9</i>	<i>82.7</i>	
<i>Plus</i> all other financing ^(b)	<i>217.9</i>	<i>-13.7</i>	<i>-65.7</i>	<i>39.1</i>	
<i>Cumulative impact on net debt at 30 June</i>	<i>79.6</i>	<i>2,966.6</i>	<i>5,036.4</i>	<i>5,431.7</i>	
2015-16 BUDGET - TOTAL PUBLIC SECTOR NET DEBT	25,455	30,996	34,443	36,289	35,753

(a) A further \$81.5 million is included for 2018-19, for a total value of \$268 million.

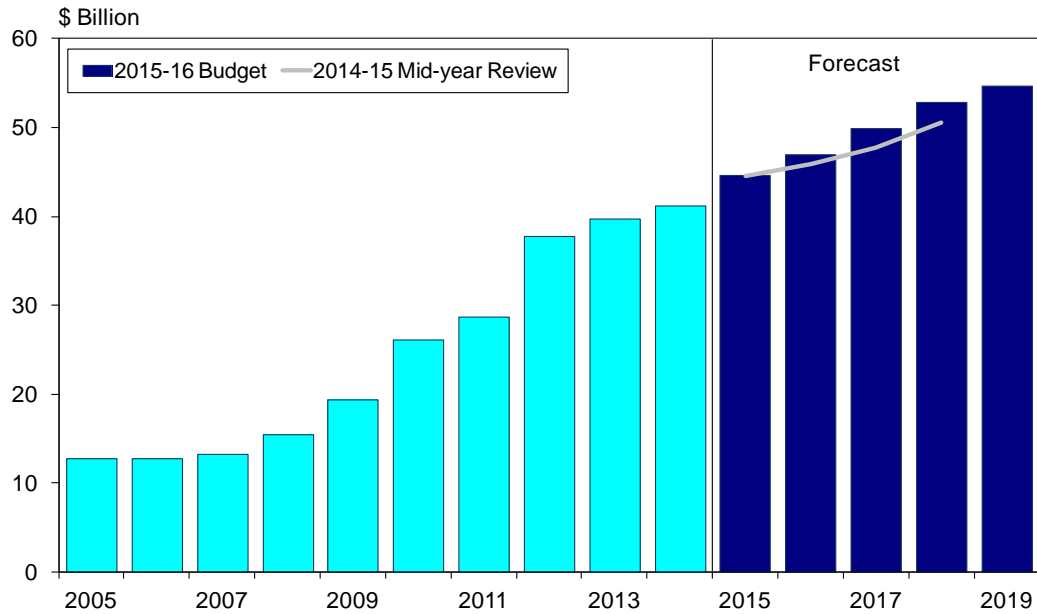
(b) Includes other movements in net debt attributable to issues such as revaluations of investment assets and debt liabilities, the restatement of agency net debt assets/liabilities, net acquisitions of financial assets for liquidity purposes, the acquisition of non-financial assets under finance leases 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 2015-16 Budget includes a significant increase in projected gross borrowings over the forward estimates period, which are forecast to increase to \$54.6 billion by 30 June 2019.

Figure 8

GROSS BORROWINGS AT 30 JUNE
Total Public Sector



These projected borrowings are required to fund high levels of infrastructure investment driven by significant population growth and the need to support key sectors of the economy, and include the impact of the substantial revenue write-down since the 2014-15 Budget (\$10.2 billion over the period 2014-15 to 2017-18, excluding new revenue measures).

Government Financial Strategy Statement

The Government seeks to provide efficient, high quality public services to meet the needs of a growing State. Through delivery of strategic infrastructure projects, the Government also seeks to support the continued growth of the Western Australian economy and to increase its productive capacity. At the same time, the Government also manages public sector finances to achieve sustainable long-term outcomes by seeking to manage within the constraints of the financial targets shown below.

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.

A challenging fiscal environment is evident in overall performance against the Government's financial targets, particularly in the period to 2016-17, with most targets not being met. The substantial decline in general government sector revenue is leading to operating deficits over three years, and increasing net debt levels. Projected performance improves in the outyears for most targets due to the combined impact of a strengthening economy (improving taxation revenue), an increase in GST revenue (reflecting a lagged response to the current decline in royalty revenue), and the Government's measures to limit expenditure growth.

The following table summarises compliance with these targets.

Table 9

2015-16 BUDGET FINANCIAL TARGET COMPLIANCE

	2014-15 Estimated Actual	2015-16 Budget Estimate	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate
Ensure expense growth does not exceed revenue growth					
- Current estimate (revenue growth minus expense growth)	-7.3	-5.1	6.1	7.2	4.2
- Compliance	No	No	Yes	Yes	Yes
Maintain a cash surplus from operating activities for the general government sector of at least 50% of infrastructure spend					
- Current estimate	6.2	-63.3	3.8	79.3	154.8
- Compliance	No	No	No	Yes	Yes
Maintain TNPS net debt at or below 55% of revenue					
- Current estimate	67.9	80.5	83.3	81.8	75.4
- Compliance	No	No	No	No	No
Maintain a TNPS cash operating surplus of at least 5% of receipts					
- Current estimate	2.1	-0.6	3.0	6.7	9.5
- Compliance	No	No	No	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

As a result of projected contractions in general government revenue in 2014-15 and 2015-16, this target is not expected to be met in either of these years. A return to positive rates of revenue growth from 2016-17, combined with very low projected rates of expenditure growth, will see this target being met in each of the remaining years of the forward estimates period.

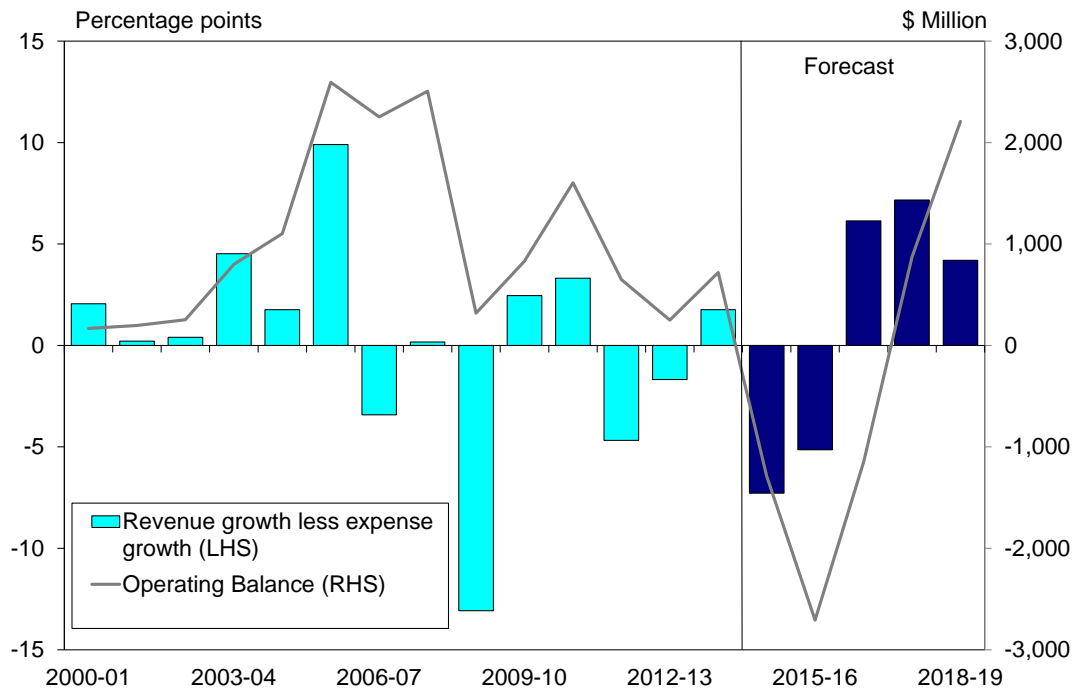
The impact of the dramatic declines in commodity prices over the last year, particularly iron ore and oil prices, is clearly evident in general government revenue projections. Overall, revenue is projected to decline by 2.7% in 2015-16 (from 2014-15 levels), following an estimated year on year contraction of 3.3% in 2014-15. This will be the first time on record that revenue has declined over two consecutive years.

Given the weak revenue outlook, the Government has put significant effort into containing salaries and total expenditure growth. Successive rounds of savings measures are reflected in the low rates of expense growth projected across the forward estimates period. General government expenses are forecast to increase by just 2.5% in 2015-16 and an average of 2.5% per year across the budget period (after an estimated increase of 4% in 2014-15). These forecasts are well below the 7.9% average annual growth in recurrent spending over the last ten years.

General government sector revenue and expenses are discussed earlier in this chapter and in detail in later chapters of this Budget Paper.

Figure 9

**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

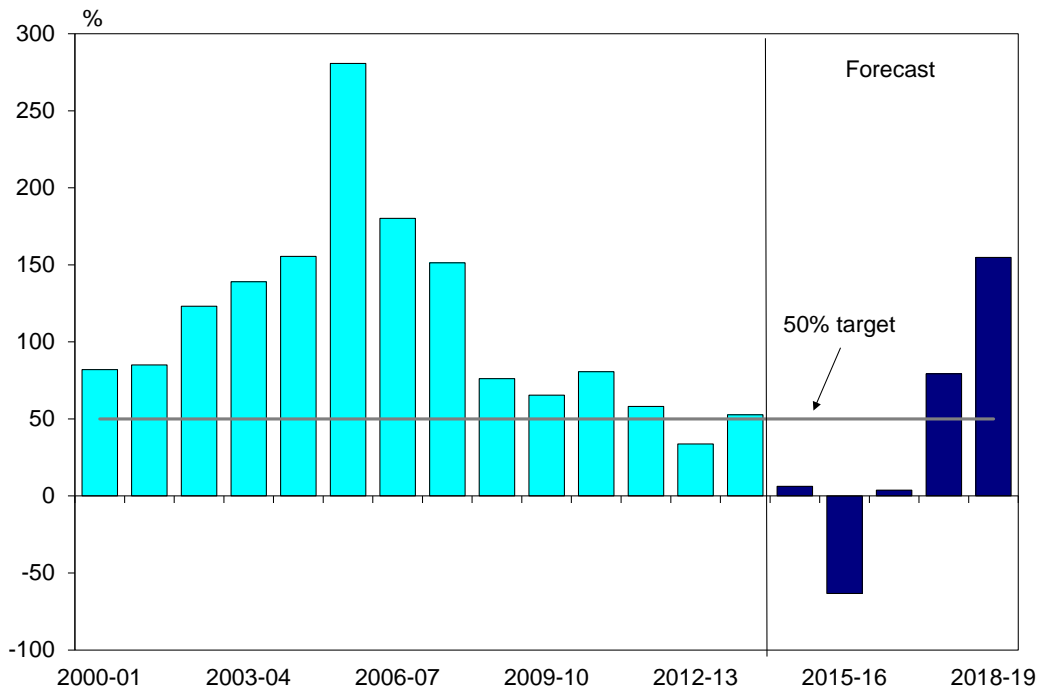
On the back of weak operating revenue outcomes, this target is not expected to be met in each of the three years to 2016-17. A large \$1.6 billion cash deficit from operations is forecast for 2015-16, while very small cash surpluses in 2014-15 and 2016-17 are not large enough to provide significant funding for infrastructure spending in those years. Accordingly, increases in net debt will be required to fund infrastructure investment.

However, the target is forecast to be met in 2017-18 and 2018-19 on the back of much stronger cash surpluses from operating activities of \$2.1 billion and \$3.4 billion respectively (in line with improved accrual operating outcomes discussed earlier in this chapter). At the same time, infrastructure spending for the general government sector is forecast to come off recent highs as major capital works projects are completed, particularly in the health sector.

Maintaining strong cash surplus outcomes from operating activities provides an important non-debt source of funding for infrastructure investment for the sector. 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.

Figure 10

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

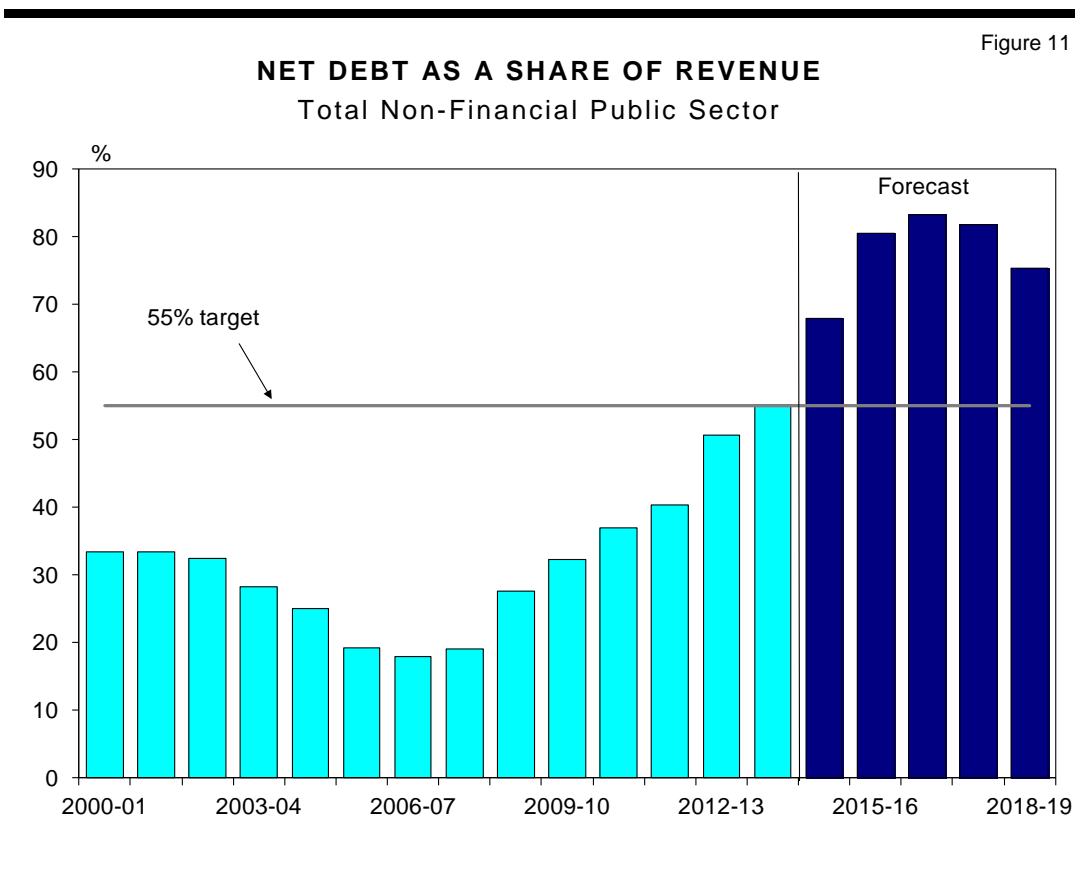


Maintain TNPS net debt to revenue ratio at or below 55%

This target is not expected to be met in the Budget year or over the forward estimates period.

As noted elsewhere in this chapter, general government sector revenue projections (excluding new revenue measures) have been revised down by an unprecedented \$10.2 billion over the period 2014-15 to 2017-18 since the last Budget in May 2014. This represents a reduction of over 10% in the State’s revenue base.

The resulting operating deficits, combined with the Government’s \$24.1 billion infrastructure program over the next four years, are expected to result in a significant increase in net debt levels.



However, as general government sector revenue growth starts to improve from 2016-17 and the general government sector returns to an operating surplus position from 2017-18, total public sector net debt is expected to peak and subsequently decline by the end of the forward estimates period.

Importantly, the projections underlying the 2015-16 Budget do not include anticipated proceeds from the Government’s expanded asset sales program. Proceeds from the sale of these assets will only be written into the State’s finances when the associated transactions are finalised.

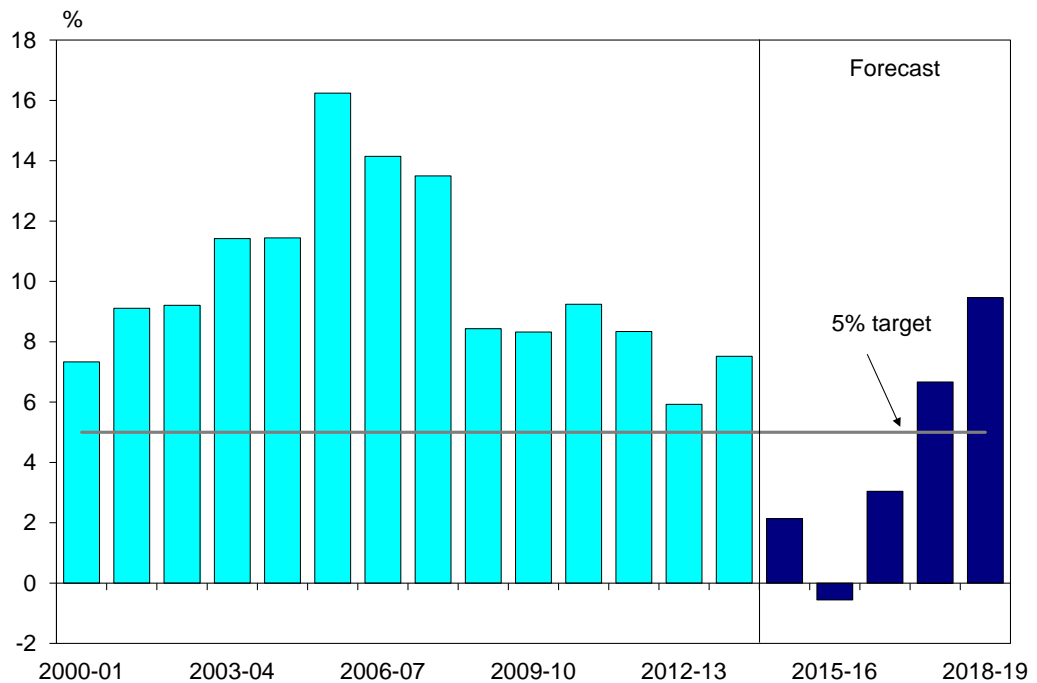
Maintain a cash operating surplus for the TNPS of at least 5% of operating cash receipts

This target is not expected to be met until 2017-18.

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. A high cash operating balance indicates that the public sector has self-financing capacity to fund infrastructure investment.

Figure 12

CASH OPERATING SURPLUS AS A SHARE OF OPERATING RECEIPTS
Total Non-Financial Public Sector



The significant downward revision to the State’s revenue outlook since the 2014-15 Budget is reflected in a projected cash deficit from operating activities in 2015-16, and only a small operating cash surplus in 2016-17. However, the target is expected to be met from 2017-18 as a result of a forecast recovery in revenue growth (see Chapter 4: *General Government Revenue*).

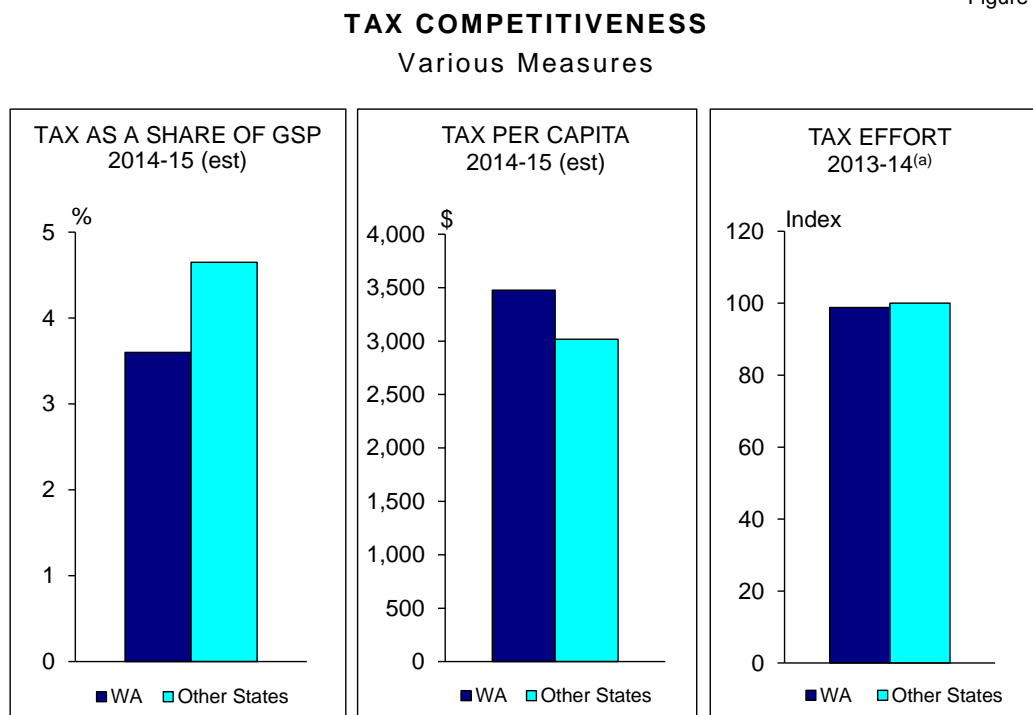
Provide a fair and efficient tax system that is competitive with other States

This target is expected to be met across the entire forward estimates period.

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

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

Figure 13



(a) 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). 2013-14 is the latest year for which data is 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 2014-15 (3.6% compared to an average of 4.6% for other States).

In contrast, per capita tax revenue in Western Australia is expected to exceed the average of other States in 2014-15. 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 1.2% lower than the national average in 2013-14.

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 \$256 billion economy and a \$29 billion general government sector 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 the Budget in eight out of the last 10 years, ranging from \$53 million in 2012-13 to \$1,743 million in 2005-06 (reflecting unexpectedly high revenue growth in that year). The final outcome for 2008-09 was a \$1,537 million overestimation (due largely to the impact of the Global Financial Crisis in that year).

Estimating Assumptions

Key economic and revenue parameters underlying the 2015-16 Budget are detailed in the following table.

Table 10

KEY BUDGET ASSUMPTIONS						
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
Real Gross State Product growth (%)	5.5	3.25	2.0	3.5	2.75	2.75
Real State Final Demand growth (%)	-2.2	-2.5	-1.25	0.0	1.0	2.0
Employment growth (%)	1.1	2.5	1.75	1.75	2.0	2.0
Unemployment rate (%) ^(a)	4.8	5.5	6.25	6.0	5.75	5.25
Wage Price Index growth (%)	2.8	2.25	2.75	3.0	3.25	3.5
Perth Consumer Price Index growth (%)	3.0	2.0	2.25	2.5	2.5	2.5
'Headline' iron ore price (\$US/tonne CFR)	122.8	68.8	47.5	50.7	56.3	61.8
Iron ore volumes (million dry tonnes)	632	716	748	772	797	799
Crude oil price (\$US per barrel)	109.4	75.1	64.2	68.2	70.4	71.9
Exchange rate (US cents)	91.8	83.3	75.9	75.0	74.3	73.9
Population growth (%)	2.6	1.9	2.0	2.1	2.2	2.2
Interest rate assumptions (%):						
- Public Bank Account interest earnings ^(a)	2.8	2.6	2.1	2.1	2.1	2.1
- Consolidated Account borrowings ^(a)	4.0	3.9	3.4	3.2	3.1	3.1

(a) Average rate over the year.

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 11

**APPROXIMATE PARAMETER SENSITIVITY OF REVENUE ESTIMATES
2015-16**

	Variability (\$m)	Detail
Royalty income and North West Shelf grants	±58	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	±70	For each \$US1 per tonne increase/decrease in the price of iron ore
Petroleum royalties and North West Shelf Grants	±10	For each \$US1 increase/decrease in the price of a barrel of oil
Payroll tax	±40	For each one per cent increase/decrease in taxable wages or employment growth (i.e. the total wages bill)
Underlying transfer duty		
- Prices	±20	For each one per cent increase/decrease in average property prices
- Transactions	±13	For each one per cent increase/decrease in transaction levels
GST grants	±86	For a \$100 million increase/decrease in iron ore royalty revenue (due to increased/decreased value of production), all else being equal, Western Australia will lose/gain an estimated \$86 million of GST grants in net present value terms (the loss/gain will occur in later years due to the time lags in the Commonwealth 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*.

Implementation of Revenue and Savings Measures

The 2015-16 Budget includes \$1.3 billion of new revenue and savings measures introduced by the Government in response to the substantial write-down in revenue projections since the 2014-15 Budget and ongoing weakness in the revenue outlook. These measures build on existing strategies implemented by the Government, including \$3.8 billion of revenue and savings measures in the 2014-15 Mid-year Review and \$2 billion of measures in the 2014-15 Budget.

The projections contained in the 2015-16 Budget are based on the assumption that agencies will deliver these measures in full, with the associated financial benefits. If agencies do not fully achieve these savings, there will be a deterioration in the general government sector operating balance and net debt estimates contained in this Budget.

To date, considerable progress has been made in implementing announced measures. However, the ability for agencies to deliver ongoing savings is becoming challenging and there are risks in achieving some key measures. This includes savings from various workforce reform measures, such as the Workforce Renewal Policy announced in the 2014-15 Mid-year Review, and the new wages policy and associated CPI cap on agencies' salaries budgets announced in the 2013-14 Budget. This risk is illustrated by the outcome of the 23 April 2015 Western Australian Industrial Relations Commission above-CPI decision in the Health Services Union-Western Australia arbitration. However, in line with Government policy, agencies will be expected to meet any above-CPI outcomes from within existing budgets.

In addition to the challenges of agencies achieving savings targets, delays in passing the required legislation to implement measures also has the potential to affect the revenue and savings estimates.

Asset Sales

The Government has announced a structured process of public sector asset sales as part of its strategy to reduce the State's debt levels. The proceeds from these asset sales will only be incorporated in the State's financial projections once the associated transactions are finalised. This represents a significant upside risk to the debt projections contained in this Budget.

Royalty Income (\$3,670 million in 2015-16)

Exchange Rate

The \$US/\$A exchange rate represents one of the largest risks to the royalty revenue forecasts as the majority of Western Australia's commodities are sold in international markets and priced in US dollars. Since the 2014-15 Budget, the \$US/\$A exchange rate has varied between a high of US95 cents and a low of US75.9 cents, a range of US19.1 cents.

The \$US/\$A exchange rate has often moved in the same direction as prices for Western Australia's key commodity exports, which at times has offered at least a partial natural hedge. Since the beginning of 2014-15, the benchmark iron ore price has fallen 46.1%, while the exchange rate has fallen by 18.8%. However, there have also been relatively extended periods in recent years where commodity prices have dropped while the value of the Australian dollar has remained elevated.

The Australian dollar continues to be supported by interest rates in Australia being higher than in other countries, such as the US, Japan and those in the Euro area. Higher interest rates attract investors seeking the higher yield, which increases the value of the Australian dollar relative to other currencies.

Conversely, it is possible that investor confidence in the Australian dollar may erode, causing it to depreciate at a faster rate than projected. This scenario could occur if perceptions of the Chinese economic outlook deteriorate further and/or the market expects interest rates to decline in Australia relative to other countries.

Iron Ore Prices

Royalty income from the sale of iron ore has been one of the most volatile sources of revenue for the State over the past ten years. This volatility has primarily been driven by large movements in price as the iron ore market has experienced significant structural change, such as China's emergence as the world's largest consumer and the more recent expansion of supply from large low-cost producers, primarily from Australia and Brazil.

Iron ore price volatility is expected to remain a major risk over the forecast period as the market adjusts to the significant additional volume of low cost supply. The adjustment is likely to involve a reduction in production from high cost suppliers. However, evidence to date suggests this could be a protracted process.

Risks are also emerging to the demand outlook for iron ore from Chinese steel producers. Domestic consumption has recently been adversely affected by a downturn in property (particularly residential) construction, which is the largest steel consuming sector. This may also have flow-on impacts to other sectors, such as consumer durables.

Notwithstanding the downside risks outlined above, if high cost supply exits the market at a faster rate than expected, or demand is higher than expected (due to a better than expected recovery in Chinese residential property construction or government stimulus), the iron ore price could exceed the forecasts contained in the 2015-16 Budget.

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 sharp movements in price have a relatively small impact over the short-term and are unlikely to reduce output in adverse market conditions.

Smaller iron ore producers, and those which produce magnetite¹¹, are more vulnerable to low iron ore prices as they tend to have higher operating costs. In response to weakness in the iron ore price, some smaller miners have announced that they will cease production¹². Nevertheless, these producers represent less than 6% of the total projected Western Australian tonnages across the forecast period.

State Taxes (\$9,754 million in 2015-16)

Transfer Duty

Property transactions are inherently volatile and difficult to forecast. The current transfer duty forecasts balance the risk that market sentiment could quickly change and aggravate the expected fall in transaction volumes in the housing market, against a risk of sustained strength due to mortgage interest rates remaining low for an extended period of time.

11 Magnetite is a type of iron ore which typically has relatively low grades and therefore requires additional processing to increase its iron content.

12 The most significant of these being Atlas Iron, which announced on 10 April 2015 (prior the 21 April 2015 Budget cut-off date) that all of its projects would be put on care and maintenance pending future iron ore market conditions. Atlas Iron subsequently announced on 1 May 2015 (after Budget cut-off) that it would continue production at two of its three mines. The forward estimates in this Budget do not include any royalty revenue from Atlas Iron.

A change in the number, or size, of high value commercial transactions, such as transfers of mining tenements or commercial property, can have a significant impact on transfer duty. Actual transfer duty revenue from commercial transactions will depend on how the market responds to the moderation in domestic economic activity.

Payroll Tax

The payroll tax outlook is predicated on relatively moderate employment and wages growth over the forecast period. However, payroll tax revenue might be lower than anticipated if labour demand is weaker than forecast, and/or if wages growth fails to recover in the coming years. Alternatively, stronger than expected employment and wages growth would flow through to higher than expected payroll tax collections.

Commonwealth Grants (\$8,389 million in 2015-16)

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 2015-16 Budget by the 21 April 2015 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.

In particular, following the 17 April 2015 announcement that the Commonwealth would adopt the Commonwealth Grants Commission's (CGC's) recommended relativities for distributing GST collections to the States and Territories in 2015-16, the Commonwealth Government has confirmed that it will provide additional funding of \$499 million in 2014-15 to Western Australia for a range of road projects. However, formal confirmation was not received by the 21 April 2015 Budget cut-off date, and so the funding has not been reflected in the State's financial projections.

General Purpose Grants

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

Western Australia's GST grants are a function of the Commonwealth's national GST collections, Western Australia's population share, and the CGC's annual recommendations on the distribution of the national GST pool among States and Territories.

Forecasts of the national GST pool are based on the Commonwealth's *2014-15 Mid-Year Economic and Fiscal Outlook*. There is a risk that GST collections could vary from those currently projected as they are dependent on national economic conditions. States' and Territories' population shares over time are affected by their relative economic prospects.

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 2015-16, the GST revenue estimates incorporate the CGC's recommendation of Western Australia's GST relativity (i.e. 30% of an equal per capita share) based on its new methods. The Western Australian Treasury's projections of GST relativities for 2016-17 onwards take account of projected changes in States' relative capacities that are expected to be reflected in the CGC's future calculations.

The projections have been prepared on an assumption that the CGC's methods will remain unchanged over the forward estimates period. However, the Federation White Paper (discussed below) is expected to consider reforms to horizontal fiscal equalisation. Any reforms could substantially alter Western Australia's GST grant share.

North West Shelf Grants (\$722 million in 2015-16)

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 oil¹³. Therefore, a large unforeseen movement in the oil price represents the most significant risk to North West Shelf grants over the forward estimates period.

The oil price is projected to increase from an average of \$US64.20 per barrel in 2015-16 to \$US71.90 per barrel by 2018-19. Risks to these price projections primarily relate to uncertainty about supply, particularly from the Middle East and North America.

In the Middle East, supply could increase significantly if trade and financial sanctions on Iran are relaxed¹⁴, or if the political situation in Iraq improves to allow development of the petroleum industry. Supply may be adversely affected if sectarian tensions and geo-political rivalries escalate into further disruptive conflicts, or the Organisation of the Petroleum Exporting Countries is prompted to limit output in an effort to support prices.

North American oil supply has increased significantly in recent years, primarily as a result of increased output from unconventional sources, such as oil sands and shale oil. Production from these sources generally has relatively high costs and may be vulnerable to sharp declines in the price of oil, although it is unclear exactly how resilient this supply will be to lower prices.

Risks to demand primarily relate to the rate of growth in consumption from emerging market countries, which have been the only source of demand growth since 2005, when consumption from developed countries¹⁵ peaked.

Payments for Specific Purposes

Estimated payments for specific purposes total \$5,693 million in 2015-16. This includes National Specific Purpose Payments, National Partnership (NP) payments, National Health Reform and Students First funding, payments to Western Australia from Commonwealth own-purpose expenses, and payments 'through' the State.

13 Contracts typically range in length between five and 25 years, and many contracts allow for periodic renegotiation of pricing.

14 Parties to the current round of negotiations are seeking to reach a final agreement by 30 June 2015.

15 Defined here as members of the Organisation for Economic Co-operation and Development.

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

- the potential for Commonwealth policy changes, including:
 - possible new NPs or other Commonwealth funding (often requiring State expenditure); and
 - whether NP agreements expiring during the forward estimates period will be renewed or replaced;
- in some cases, the need for the States to compete for national pools of funding;
- that some NP payments are contingent on the State's assessed performance; and
- parameter uncertainties, such as timing and indexation for inflation and wages growth.

Given the uncertainty about expiring NPs, in most cases it is assumed that there will be 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.

Commonwealth White Papers

The Commonwealth Government is currently preparing a White Paper on the Reform of the Federation and a White Paper on the Reform of Australia's Tax System, due for release in 2016.

The White Paper on Reform of the Federation is intended to clarify roles and responsibilities to ensure that, as far as possible, the States and Territories are 'sovereign in their own sphere'. The White Paper on Reform of Australia's Tax System will focus on how Australia's tax system currently operates, identify key challenges and opportunities, and point to some of the trade-offs that need to be considered in reform.

Outcomes from these two papers could significantly alter the allocation of expenditure responsibilities and revenue raising powers between the Commonwealth and the States and Territories.

Spending Risks

Population Growth

Demand for services and infrastructure provided by the public sector is still strong, despite the recent moderation in domestic economic activity. Population growth has clearly slowed from a peak of 3.6% in 2012-13 and is projected to ease further to 1.9% in 2014-15. However, should population growth be higher than expected, there would be a corresponding increase in the demand for government services and infrastructure.

Health Spending

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 projected national average cost of hospital services within the timeframe for completion of the WA Health Reform Program (i.e. by 2020-21).

The Reform Program includes projects in the areas of system governance, performance, support services and procurement, as well as service reconfigurations (including the commissioning of the Fiona Stanley Hospital (FSH), Perth Children's Hospital and Midland Public Hospital).

Achieving this key budget strategy will require substantial and sustained improvements to the efficiency of public hospital service delivery over the forward estimates period. In this regard, Western Australia's cost of delivering services in 2014-15 is currently estimated at 10.3% above the national average cost.

There is a risk that public hospital activity and cost growth in Western Australia could be in excess of 2015-16 Budget settings, requiring additional State funding or adjustments to planned activity levels. This represents a significant risk to the expenditure estimates contained in this Budget.

Reconfiguration of South Metropolitan Health Service

The commissioning of FSH and associated reconfiguration of services in the South Metropolitan Health Service (SMHS) represents a major change to clinical service delivery within the SMHS. The volume of hospital activity in SMHS needs to be managed to minimise the risk of cost over-runs.

Operational service planning at each site is proceeding on the basis that activity and workforce profiles at each SMHS hospital will be consistent with WA Health's key budget strategy.

Health Information and Communications Technology

Information and Communications Technology (ICT) investment in WA Health is concentrated on establishing functionality across a number of new facilities. This includes replacing the Pathwest laboratory information system, implementing a State-wide infection surveillance system, and upgrading the operating system for computers throughout WA Health.

The WA Health ICT Strategy 2015-18 was released in April 2015. The strategy focuses on stabilising existing infrastructure, improving information management, and embedding effective governance. Additional ICT investment, which is expected to be significant, will be detailed in annual implementation plans that will support this strategy. Until the implementation plans are finalised, the detailed funding implications of investments remain unknown and pose a risk to the estimates contained in this Budget.

Perth Children's Hospital Operation

Practical completion of the Perth Children's Hospital has been revised with subsequent opening of the hospital expected by mid-2016.

The Child and Adolescent Health Service (CAHS) is undertaking clinical and financial reforms to develop more efficient models of service delivery at the hospital. This represents a major change to service delivery within CAHS and the broader North Metropolitan Health Service (NMHS). WA Health is also undertaking detailed financial analysis of the service delivery models to ensure that service delivery at the hospital is consistent with the approved Activity Based Funding framework and budget settings. Successful completion of this process is essential to ensuring that expenditure remains within approved budget settings. A further risk exists if the reconfiguration of services does not deliver the intended efficiencies.

Operational service planning at each site is proceeding on the basis that activity and workforce profiles at the Perth Children's Hospital and at each NMHS hospital will be consistent with WA Health's key budget strategy.

Law and Order Spending

Daily Average Prisoner Population

Based on current daily average prisoner population projections, the number of prisoners within correctional facilities in Western Australia is forecast to increase over the forward estimates period and there is a risk that additional expenditure may be required.

However, the Department of Corrective Services is currently implementing its Population Management Strategy, which will accommodate the recently completed Acacia Prison expansion, and is progressing its broader reform agenda. Outcomes from these strategies will be considered as part of the 2015-16 Mid-year Review.

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 prosecutors, 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. However, the potential financial impact remains uncertain at this time and has therefore not been reflected in the 2015-16 Budget.

Essential and Municipal Services to Remote Communities

The Commonwealth made a \$90 million payment to the State in October 2014 as a final funding contribution to essential and municipal services to remote Aboriginal communities in Western Australia. This payment was made on condition that the State Government accepts full responsibility for funding these services from 1 July 2015. Should the State become solely responsible for funding these services in perpetuity, it would present a significant (and as yet unquantified) long-term liability on the State.

Royalty Rebate Scheme – Financial Assistance for Small Iron Ore Miners

As announced in December 2014, the Government has approved assistance to small iron ore miners in the form of a Royalty Rebate Scheme, with rebates to be repaid by 31 December 2017. Although full repayment (administered by the Department of Mines and Petroleum) has been reflected in this Budget, if the current trend in the iron ore price continues, there is a risk that assisted miners may not be in a position to meet required repayments.

Square Kilometre Array Project

In September 2011, the Government endorsed Australia's international bid to host the Square Kilometre Array project (an international project to build the world's largest radio telescope implemented across two main sites – the Murchison region in Western Australia and southern Africa), which included allocation of funding towards preliminary power infrastructure in support of this project. To date, a total of \$138 million has been committed to the project. However, further costs relating to native title issues, road upgrades and the site's operational costs are yet to be quantified.

Government Trading Enterprises

Corporatised public corporations, also known as Government Trading Enterprises (GTEs), are a significant revenue source for the general government sector through income tax equivalent and dividend payments (representing \$1.5 billion, or 5.6%, of general government revenue in 2015-16). In addition, some GTEs receive operating subsidies from the Consolidated Account (\$1.8 billion, or 6.3%, of general government expenses in 2015-16). GTEs also undertake a significant proportion of the State's infrastructure investment (around 58% in 2015-16), with any required borrowings contributing to the State's debt levels.

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

Particular material risks to the operating outlook and infrastructure spending projections for GTEs include:

- Phase 2 of the Electricity Market Review – the review will give effect to the Government’s preferred reform options for the sector. The reforms are expected to provide material benefits to the electricity industry and consumers, including a significant reduction in operating subsidies paid to electricity corporations. Preferred reform options are expected to be identified and implemented progressively over 2015-16 and 2016-17;
- Regulatory arrangements for Western Power – the Minister for Energy (as part of Phase 1 of the Electricity Market Review) announced that responsibility for regulatory arrangements for Western Power will shift from the ERA to the national regulator, the Australian Energy Regulator (AER). This move will have implications for the deliberation of Western Power’s fourth access arrangement (AA4), with Western Power currently required to submit a draft AA4 submission to the ERA by March 2016. Implementation of this reform could have a financial risk dependent on the AER’s determination of such issues as the weighted average cost of capital and the corporation’s regulated revenue cap (this could be either an upside or downside risk);
- Synergy fuel supply – Synergy’s contractual arrangements and changes in market conditions have the potential to place upwards 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, deterioration in the State’s financial position can be expected;
- Synergy’s Business Efficiency project – Synergy’s forecast costs assume a significant reduction in operating costs by 2018-19, as a result of its Business Efficiency project. Failure to achieve anticipated savings will have implications for Synergy’s operating subsidy requirements and dividend payments; and
- Demand and revenue forecasts for Horizon Power – in December 2014, the Government approved the establishment of the Pilbara Electricity Infrastructure Project group. The group is to develop and implement a model for third party access to the North West Interconnected System with the objective of providing increased competition and ultimately better outcomes for consumers. This may have an adverse impact on State finances due to increased competition reducing demand and revenue for Horizon Power.

Port Authority Revenue Outlook

In addition to the impact on the State’s royalty income, weaker iron ore prices also present risks to the revenue projections for a number of the State’s port authorities.

Port throughput is an important determinant of a port’s revenue. A reduction in shipping movements, as a result of smaller iron ore producers exiting the market in response to lower iron ore prices, can be expected to impact port profitability and hence dividend payments to the general government sector.

The impact on port authorities' revenue of changing export volumes will be further considered during the 2015-16 Mid-year Review when the impact on port profitability of suspended operations for some iron ore producers becomes clearer.

Utility Tariffs

The Government reviews electricity and water tariff increases as part of its annual Budget process, with assumed price increases built into the forward estimates. Accordingly, electricity and water tariffs included in the 2015-16 Budget 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, Horizon Power and the Water Corporation, and will also impact the general government operating balance and total public sector net debt.

By way of illustration, if electricity tariff increases were to remain at levels similar to the approved 2015-16 increase (i.e. 4.5% in each year over the forward estimates period, rather than the assumed 7% increases from 2016-17), the general government sector operating balance (all else being equal) would deteriorate by an estimated \$39 million in 2016-17, \$68 million in 2017-18 and \$80 million in 2018-19, and total public sector net debt would increase by around \$188 million over the forward estimates period.

Bunbury to Albany Gas Pipeline

An allocation has been made for the planning of a gas pipeline between Bunbury and Albany, which is intended to be built through facilitation with the private sector. The planning for the procurement of the pipeline is not yet final and therefore uncertainty remains around the total cost.

Contingent Assets and Liabilities

Contingent assets are possible future assets that may arise from past events. The existence of these assets will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly in the control of the State. Contingent assets usually consist of the potential settlement of lawsuits or contractual claims.

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.

The contingent assets and liabilities reported in the 2013-14 *Annual Report on State Finances*, and updated in the 2014-15 Mid-year Review, have been revised to include the following matters.

Bell Group Returns

Legislation has recently been introduced into Parliament to finalise the historic Bell Group case, which is one of Australia's longest running litigation cases.

The Bell case has already consumed 20 years of Court and public resources. The introduction of legislation is an endeavour to resolve the disputes and eliminate further litigation costs and another decade in the courts.

The legislation will allow the Bell companies to be dissolved and a statutory authority appointed to distribute the settlement funds in line with funding arrangements and creditor rights.

The distribution of anticipated Bell case proceeds to the Insurance Commission of Western Australia is expected to deliver a favourable impact on the State's finances. Once the impact is known, it will be incorporated into future State financial forecasts.

South West Native Title

Since the Mid-year Review was finalised in December 2014, negotiations surrounding the Government's July 2013 final offer for the resolution of native title in the South West of Western Australia (Settlement), including the Perth metropolitan area, have progressed. In March 2015, the six Noongar groups represented by the South West Aboriginal Land and Sea Council accepted the Government's final offer. However, a contingent liability exists until the six agreements are registered with the National Native Title Tribunal and the final legal proceedings are resolved. These outstanding actions are unlikely to be completed before July 2016.

The Settlement included both cash compensation and transfers of land parcels. The cash component has been finalised and provided for in the forward estimates. However, there remains a contingent liability until details of the land transfers are finalised. This process is expected to be completed within five years of commencement of the Settlement.

General Government Revenue

HIGHLIGHTS

- General government revenue in 2013-14 was almost \$28 billion. With successive reductions estimated at 3.3% in 2014-15 and a further 2.7% in 2015-16, revenue is expected to be just \$26.3 billion in 2015-16 – \$1.6 billion less than the actual level of revenue in 2013-14.
- This reduction in revenue primarily reflects:
 - a substantial weakening of the iron ore price, from an average of \$US122.80 per tonne in 2013-14 to an assumed \$US47.50 in 2015-16 (a reduction of over 60%);
 - this has only been partially offset by a lower \$US/\$A exchange rate and higher iron ore volumes, with iron ore royalties forecast to decline from nearly \$5.5 billion in 2013-14 to just \$3 billion in 2015-16;
 - a significant decline in the oil price, which has flowed through to lower LNG prices and reduced North West Shelf grants from the Commonwealth (which are expected to be \$381 million lower in 2015-16 than in 2013-14);
 - a further decline in Western Australia’s GST revenue, from \$2.5 billion in 2013-14 to an estimated \$1.9 billion in 2015-16 (reflecting the new record low GST relativity for Western Australia of just 0.3); and
 - generally weak growth in the State’s major tax bases as population growth and domestic economic activity continue to moderate, with transfer duty in particular declining from \$2 billion in 2013-14 to an estimated \$1.7 billion in 2015-16.

- These reductions in revenue have necessitated a range of new revenue and savings measures since the 2014-15 Budget. New revenue measures included in this Budget include:
 - a revised land tax scale, which is estimated to raise additional revenue of \$184 million in 2015-16 and a total of \$826 million over the next four years; and
 - an increase in the Loan Guarantee Fee paid by local governments, universities and Keystart on borrowings through the Western Australian Treasury Corporation (estimated to raise \$36 million in 2015-16 and a total of \$149 million across the forward estimates period).

Introduction

Since the 2014-15 Budget, the general government revenue estimates have been revised down by an unprecedented \$10.2 billion over the period 2014-15 to 2017-18 (excluding the impact of revenue policy decisions). This includes a downward revision of \$3.9 billion (or 13.1%) in 2015-16 alone, and primarily reflects a substantially weaker iron ore price, a significant decline in the oil price, and weaker than expected growth in the State's tax bases (such as payroll tax, transfer duty and land tax).

General government revenue is projected to be \$26.3 billion in 2015-16, down \$720 million (or 2.7%) from the estimated actual of \$27 billion in 2014-15. This will be the second consecutive year of declining revenue, following an estimated fall of \$910 million (or 3.3%) in 2014-15. To put this in historical context, general government revenue has only fallen once in the past 20 years (by a small 0.3% in 1996-97¹).

Declining revenue in 2015-16 reflects the combined impact of a sharp projected decline in royalty revenue and a further reduction in the State's GST revenue. After 2015-16, growth in general government revenue is projected to recover to average 8.4% per annum over the period 2016-17 to 2018-19, underpinned by a forecast increase in GST revenue as a result of the lagged Commonwealth Grants Commission process.

¹ This decline in 1996-97 primarily reflected a one-off Commonwealth grant of \$200 million in 1995-96 related to the sale of BankWest.

Table 1

GENERAL GOVERNMENT						
Operating Revenue						
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
Taxation (\$m)	8,849	9,052	9,754	10,359	11,012	11,709
<i>Growth (%)</i>	5.2	2.3	7.8	6.2	6.3	6.3
GST revenue grants (\$m)	2,507	2,262	1,934	2,404	3,500	5,196
<i>Growth (%)</i>	-14.6	-9.8	-14.5	24.3	45.6	48.5
PSPs 'through' the State ^(a) (\$m)	1,248	1,356	1,458	1,562	1,663	1,771
<i>Growth (%)</i>	7.9	8.6	7.5	7.2	6.5	6.5
Other Commonwealth grants (\$m)	4,991	5,229	4,997	5,470	5,511	4,841
<i>Growth (%)</i>	3.0	4.8	-4.4	9.5	0.7	-12.2
Sales of goods and services (\$m)	2,064	2,213	2,342	2,381	2,497	2,625
<i>Growth (%)</i>	3.4	7.2	5.8	1.7	4.9	5.1
Interest income (\$m)	194	189	174	179	182	185
<i>Growth (%)</i>	-23.8	-2.8	-7.7	2.5	1.8	1.9
Revenue from public corporations (\$m)	1,503	1,771	1,472	1,635	1,692	1,798
<i>Growth (%)</i>	27.7	17.8	-16.9	11.0	3.5	6.3
Royalty income (\$m)	6,025	4,440	3,670	4,016	4,510	4,912
<i>Growth (%)</i>	36.2	-26.3	-17.3	9.4	12.3	8.9
Other (\$m)	575	533	523	491	507	478
<i>Growth (%)</i>	11.8	-7.3	-1.9	-6.1	3.2	-5.7
Total (\$m)	27,956	27,045	26,325	28,496	31,075	33,517
<i>Growth (%)</i>	8.7	-3.3	-2.7	8.2	9.0	7.9

(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.

2014-15 Estimated Actual

In 2014-15, total general government revenue is estimated at \$27 billion, 3.3% (or \$910 million) lower than in 2013-14. This decline is primarily due to a significant fall in iron ore royalties, GST revenue and North West Shelf grants. Growth in taxation revenue has also moderated in response to weakening domestic economic conditions.

The reduction in iron ore royalties reflects a 44% decline in the assumed iron ore price (falling from an average of \$US122.80 per tonne in 2013-14 to an estimated average of \$US68.80 per tonne in 2014-15), which is only partially offset by increased iron ore export volumes and a depreciation in the \$US/\$A exchange rate.

A decline in large commercial property transactions is expected to result in an 8.4% decline in transfer duty, and softening labour market conditions (especially in the mining sector) are expected to reduce the growth in payroll tax to 2.5%. Land tax growth is expected to be relatively strong at 12.8%, which is mainly attributable to the 10% increase in land tax rates announced in the 2014-15 Budget. Overall, taxation revenue is forecast to increase by \$203 million (or 2.3%) in 2014-15. This is down from growth of 5.2% in 2013-14.

Notwithstanding a \$244 million reduction in GST revenue from 2013-14 to 2014-15, total revenue from Commonwealth grants is estimated to increase marginally (by 1.2%) in 2014-15, reflecting increases in Payments for Specific Purposes, primarily for Gateway WA, northern highway upgrades, and a number of other road construction projects.

2015-16 and Beyond

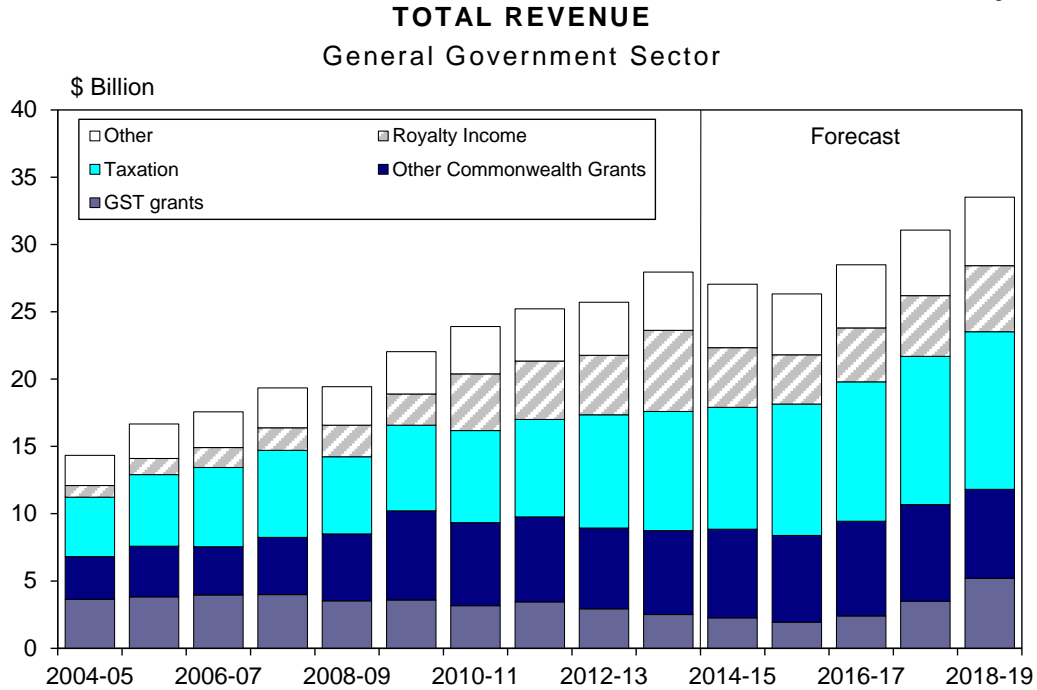
Total general government revenue is forecast to decline by a further 2.7% (or \$720 million) in 2015-16.

Royalty income is forecast to decline by \$769 million (or 17.3%) in 2015-16, as the impact of a lower iron ore price (which is assumed to average \$US47.50 per tonne over the year) continues to outweigh anticipated increases in iron ore production and a further decline in the \$US/\$A exchange rate (to an assumed US75.9 cents).

Taxation revenue is forecast to increase by \$702 million (or 7.8%) in 2015-16. Payroll tax is forecast to increase by 9.4%, which includes additional revenue estimated at \$118 million from the introduction of a diminishing exemption threshold from 1 July 2015 as announced in the 2014-15 Mid-year Review. Land tax is forecast to increase by 25.9%, which includes the impact of the revised land tax scale announced in this Budget. Excluding policy decisions, underlying growth in taxation revenue is forecast to be 4% in 2015-16.

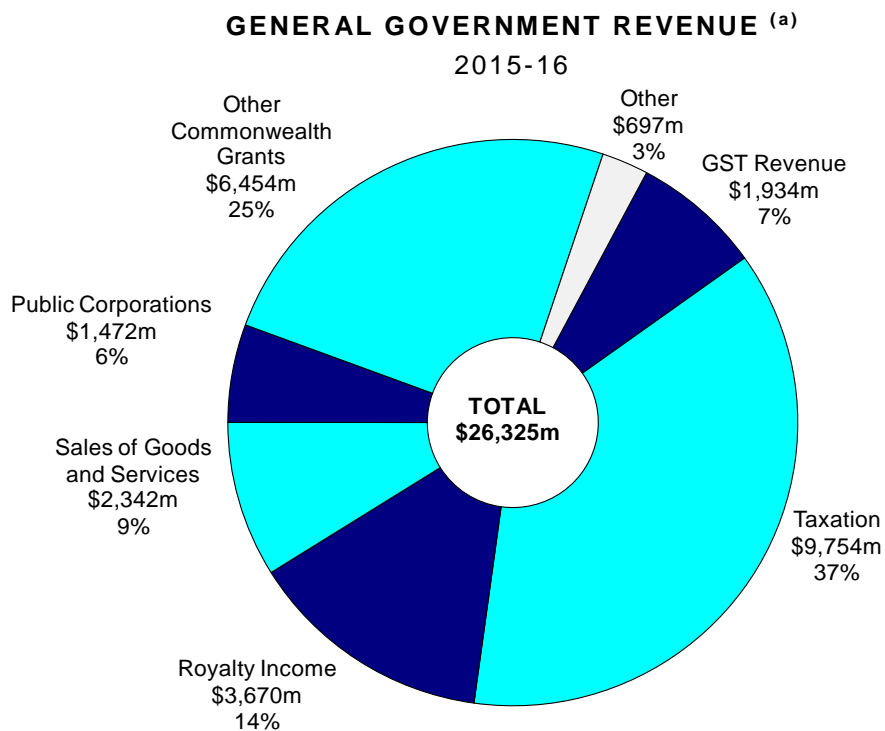
The State's GST revenue is expected to fall by a further \$328 million in 2015-16, but rise in each year of the remainder of the forward estimates period, reflecting the lagged response in GST grants to the recent collapse in iron ore royalties, as well as growth in national GST collections.

Figure 1



The State’s four largest sources of revenue in 2015-16 are expected to be taxation (37%), Commonwealth grants other than GST revenue (25%), royalty income (14%), and GST grants (7%). The remaining 17% 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 over the last decade, with an increasing contribution from royalty income (particularly iron ore royalties). Royalty income as a share of total revenue tripled from 7.2% in 2005-06 to 21.6% in 2013-14, before declining (on the back of the recent iron ore price decline) to an estimated 13.9% in 2015-16.

In stark contrast, GST revenue is projected to fall from 22.9% of total revenue in 2005-06 to an estimated 7.3% of revenue in 2015-16, before increasing to 15.5% of revenue by 2018-19 as the lagged Commonwealth Grants Commission process starts to compensate for current declines in royalty income.

A more detailed breakdown 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 2018-19 in each of the major revenue categories.

Revenue Measures

New revenue measures implemented in the 2015-16 Budget include reinstating the increase in the payroll tax exemption threshold to \$850,000 from 1 July 2016, amending the land tax scale, amending the coverage of the Metropolitan Region Improvement Tax (MRIT), and increasing the Loan Guarantee Fee for local governments, universities and Keystart.

The estimated revenue impacts of these measures are outlined in the table below.

Table 2

SUMMARY OF REVENUE MEASURES IN THE 2015-16 BUDGET

	2015-16 Budget Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m	Total \$m
TAX MEASURES					
Taxes on Employers' Payroll					
Increase the Payroll Tax Exemption Threshold to \$850,000 from 1 July 2016	-	-21	-	-	-21
Taxes on Property					
Amendments to Land Tax Scale	184	198	213	230	826
Amended Coverage of Metropolitan Region Improvement Tax	-26	-22	-23	-25	-96
Increase the Loan Guarantee Fee for Local Governments, Universities and Keystart	36	37	38	38	149
Exemption from Transfer Duty for Certain Property Transfers by Incorporated Associations	-	-	-	-	-
Total	194	193	228	243	858

Note: Columns may not add due to rounding.

Details of the new revenue measures are provided below.

Taxes on Employers' Payroll

Increase the Payroll Tax Exemption Threshold to \$850,000 from 1 July 2016

In the 2013-14 State Budget, the Government announced that it would progressively increase the payroll tax exemption threshold to \$850,000 from 1 July 2016. It was subsequently announced in the 2014-15 Mid-year Review that the increase in the threshold to \$850,000 would be deferred to 1 July 2017.

The Government will now proceed with the original timing of 1 July 2016, which is estimated to cost \$21 million in 2016-17 and is expected to benefit around 17,000 businesses.

Taxes on Property

Amendments to Land Tax Scale

From 2015-16, the land tax scale will be revised to:

- apply a flat dollar amount of \$300 to taxable land with an unimproved value above the exemption threshold of \$300,000 and up to \$420,000;
- increase land tax rates (except the top rate, which will remain unchanged at 2.67%); and
- adjust some of the property value thresholds.

Table 3 shows the new scale relative to the current scale.

Table 3

LAND TAX SCALES IN THE 2015-16 BUDGET						
Current Scale			2015-16 Scale			
Threshold	Tax at Threshold	Marginal Rate on Excess	Threshold	Tax at Threshold	Marginal Rate on Excess	
\$	\$	%	\$	\$	%	
300,000	0	0.11	300,001	300	0	
1,000,000	770	0.58	420,000	300	0.25	
2,200,000	7,730	1.51	1,000,000	1,750	0.9	
5,500,000	57,560	1.8	1,800,000	8,950	1.8	
11,000,000	156,560	2.67	5,000,000	66,550	2	
			11,000,000	186,550	2.67	

This measure is estimated to raise additional revenue of \$184 million in 2015-16 and a total of \$826 million (or 24.4%) over the four years to 2018-19.

Despite the changes, Western Australia's land tax will remain competitive with other jurisdictions, particularly for lower valued properties such as residential investment properties. For example, for a landholding with an unimproved value of \$1 million, land tax payable in Western Australia will be \$1,750 (up from \$770 currently), which is still substantially below the amount payable in all other jurisdictions, including New South Wales (\$9,188), Victoria (\$2,975), and Queensland (\$4,500).

Table 4

INTERSTATE COMPARISON OF LAND TAX PAYABLE ^(a)								
Unimproved Land Value	WA Current	WA New	NSW	VIC	QLD	SA	TAS	ACT
\$	\$	\$	\$	\$	\$	\$	\$	\$
100,000	-	-	-	-	-	-	463	1,328
200,000	-	-	-	-	-	-	1,013	1,873
300,001	-	300	-	375	-	-	1,563	2,638
400,000	110	300	-	575	-	420	2,588	3,867
500,000	220	500	1,188	775	-	920	4,088	5,097
1,000,000	770	1,750	9,188	2,975	4,500	9,447	11,588	11,247
3,000,000	19,810	30,550	42,624	24,975	37,500	82,771	41,588	35,847
5,000,000	50,010	66,550	82,624	69,975	62,500	156,771	71,588	60,447
10,000,000	138,560	166,550	182,624	182,475	150,000	341,771	146,588	121,947
15,000,000	263,360	293,350	282,624	294,975	237,500	526,771	221,588	183,447

(a) The Northern Territory does not levy land tax.

The proposed land tax scale will be more consistent with other jurisdictions and distribute the land tax burden more evenly across taxpayers.

Amended Coverage of Metropolitan Region Improvement Tax

The 2014-15 Mid-year Review announced that the MRIT would be expanded State-wide from 1 July 2015. However, the Government has now decided that the MRIT will instead be expanded from 1 July 2016 only to regional areas where a region scheme is in place. This will encompass areas within the Peel Region Scheme and the Greater Bunbury Region Scheme. It is estimated that expanding the MRIT to these areas will affect approximately 11,000 land owners, and raise \$6 million in 2016-17 and a total of \$21 million in the three years to 2018-19. Only land subject to land tax will be subject to the expanded MRIT.

The combined impact of delaying the expansion of the MRIT and limiting its application to the Peel and Greater Bunbury regions is expected to be \$26 million less revenue in 2015-16 and a total of \$96 million less revenue over the four years to 2018-19.

Increase the Loan Guarantee Fee for Local Governments, Universities and Keystart

To ensure the benefit of the State Government's guarantee is appropriately reflected in the costs of borrowing, and to ensure equity with Government Trading Enterprises, local governments, universities and Keystart will be required to pay a Loan Guarantee Fee of 70 basis points on all borrowings through the Western Australian Treasury Corporation. Keystart will retain its existing pricing policy.

This measure will apply from 1 July 2015, and will raise an estimated \$149 million across the forward estimates period.

Exemption from Transfer Duty for Certain Property Transfers by Incorporated Associations

To facilitate the restructuring of incorporated associations under the proposed *Associations Incorporation Act*, the Government intends to introduce a transfer duty exemption for certain restructures of incorporated associations. The exemption will apply to incorporated associations transferring to another piece of legislation (either State or Commonwealth), amalgamating to form one association, winding-up or having their registration cancelled.

This measure will apply from a date after the commencement of the proposed *Associations Incorporation Act*. The cost is expected to be minimal (less than \$1 million per year) but is unquantifiable.

Taxation Revenue

Summary

Taxation revenue is estimated to increase by \$203 million (or 2.3%) in 2014-15 to nearly \$9.1 billion. Growth is expected to increase to 7.8% in 2015-16 (including the impact of revenue policy measures) and then remain relatively stable out to 2018-19 (growing by an average 6.3% per annum) as underlying economic activity increases. Nevertheless, these rates of growth remain below average growth of 7.7% per annum over the past decade.

Table 5

TAXATION REVENUE						
Western Australia						
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Estimated	Budget	Forward	Forward	Forward
	Actual	Actual	Estimate	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
Taxes on Employers' Payroll						
Payroll tax	3,566	3,655	3,997	4,304	4,631	4,993
<i>Growth (%)</i>	2.6	2.5	9.4	7.7	7.6	7.8
Taxes on Property						
Land tax	661	746	939	1,011	1,089	1,173
MRIT ^(a)	88	95	98	112	121	130
Transfer duty	1,776	1,683	1,614	1,628	1,685	1,749
Landholder duty	193	120	118	118	120	125
Other	417	444	526	550	573	581
<i>Total</i>	3,134	3,089	3,294	3,420	3,589	3,758
<i>Growth (%)</i>	8.0	-1.4	6.6	3.8	4.9	4.7
Taxes on Gambling						
Lotteries Commission	147	155	162	170	178	186
Casino tax	127	100	81	84	86	87
Betting tax	43	44	45	46	47	49
Other	-	-	-	-	-	-
<i>Total</i>	317	299	289	301	312	323
<i>Growth (%)</i>	4.3	-5.7	-3.4	4.0	3.7	3.5
Taxes on Insurance						
Insurance duty	580	612	660	734	797	863
Other	32	29	21	22	23	23
<i>Total</i>	611	641	682	757	819	887
<i>Growth (%)</i>	6.1	4.9	6.4	11.0	8.3	8.2
Motor Vehicle Taxes						
Vehicle licence duty	385	369	395	424	455	491
Motor vehicle registrations	728	834	879	924	971	1,023
Other	60	60	63	67	68	70
<i>Total</i>	1,173	1,263	1,337	1,414	1,495	1,584
<i>Growth (%)</i>	5.7	7.6	5.9	5.8	5.7	5.9
Other Taxes						
	47	105	155	163	166	166
<i>Growth (%)</i>	7.1	125.9	47.5	5.0	1.8	-
Total Taxes	8,849	9,052	9,754	10,359	11,012	11,709
<i>Growth (%)</i>	5.2	2.3	7.8	6.2	6.3	6.3

(a) Metropolitan Region Improvement Tax.
Note: Columns may not add due to rounding.

Detail

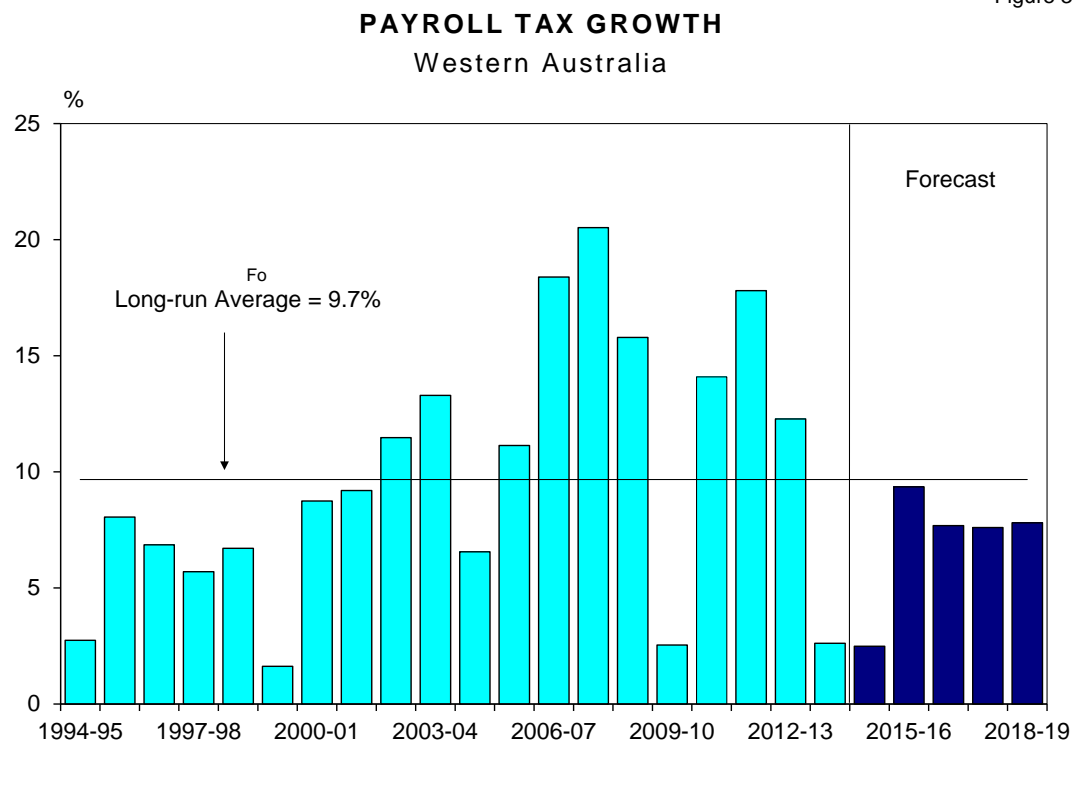
Payroll Tax

Growth in payroll tax revenue has been subdued in 2014-15, consistent with moderate wages and employment growth. Payroll tax is projected to increase by just 2.5% in 2014-15, following similar growth (of 2.6%) in 2013-14. These growth rates represent a significant moderation from average growth of 14.7% per annum over the preceding three years.

Payroll tax is forecast to grow by 9.4% in 2015-16, which includes estimated additional revenue of \$118 million from the introduction of a diminishing exemption threshold from 1 July 2015 as announced in the 2014-15 Mid-year Review. Abstracting from this measure, payroll tax is expected to grow by 6.1% in underlying terms, consistent with soft labour market conditions.

Payroll tax growth is expected to average 7.7% per annum over the forward estimates period, below the 9.7% long-run average (see figure below). As detailed in Chapter 2: *The Western Australian Economy*, this is consistent with more modest growth in employment and a subdued outlook for wages growth (especially in the State’s mining sector, which is historically the largest contributor to payroll tax).

Figure 3



Taxes on Property

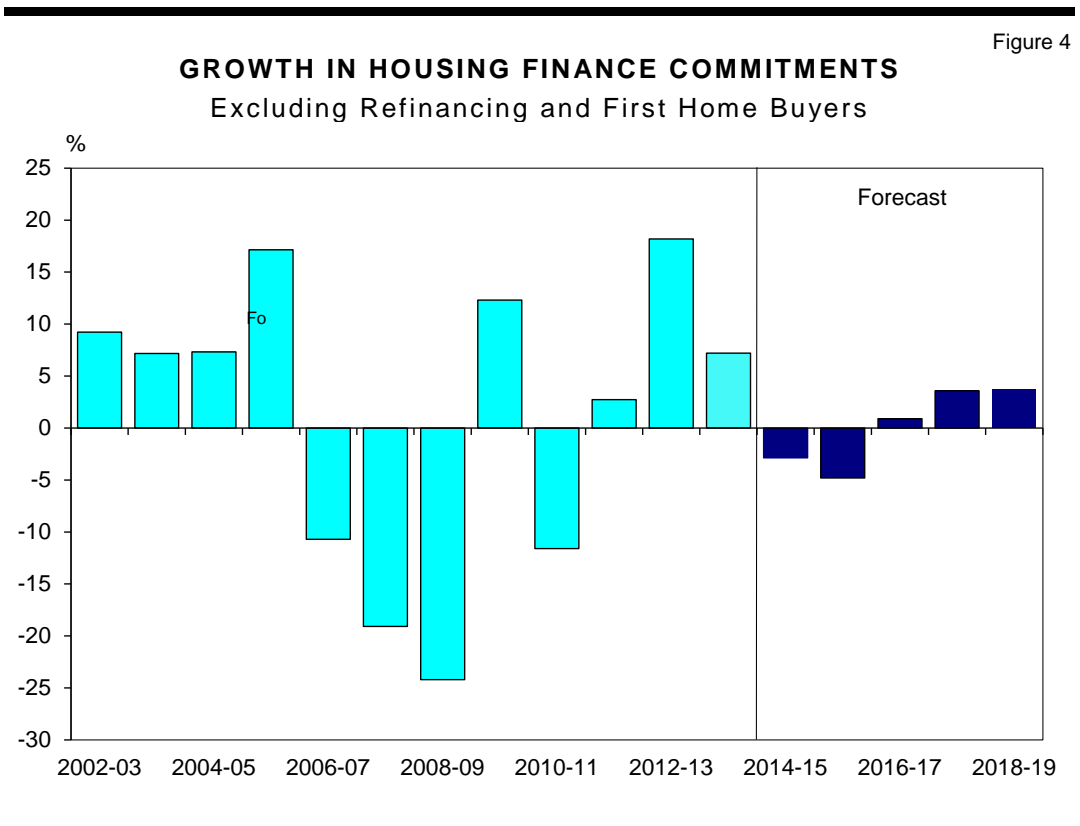
Taxes on property include transfer duty (the State’s second largest tax base after payroll tax), landholder duty, land tax, the MRIT, the Emergency Services Levy, loan guarantee fees and the Perth Parking Levy.

*Transfer Duty*²

Transfer duty is expected to decline by \$166 million (or 8.4%) to \$1.8 billion in 2014-15, due mainly to a decline in duty collections from high value commercial property transactions.

In 2015-16, transfer duty is anticipated to decline by a further \$72 million to \$1.7 billion, with weaker domestic economic conditions also impacting on transactions and prices in residential property markets.

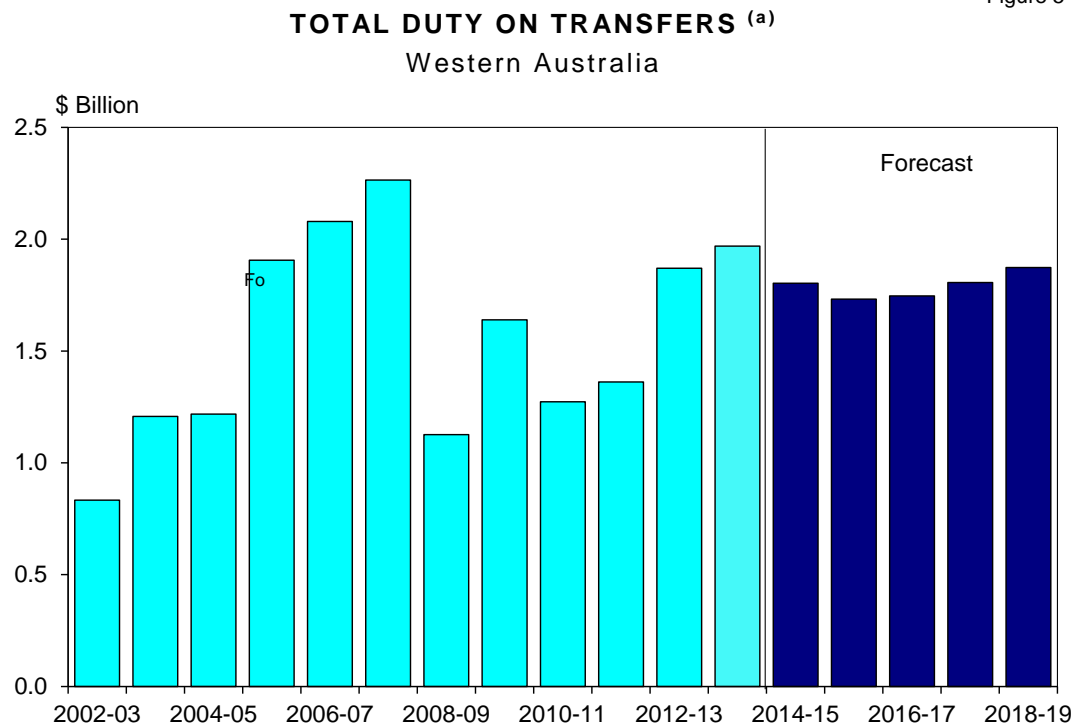
Transfer duty is then expected to gradually recover in 2016-17 and beyond as residential transaction volumes³ return to a period of moderate growth. Nonetheless, by 2018-19 transfer duty is projected to still be below the revenue raised in 2013-14 (see figures below).



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

³ ABS housing finance commitments (excluding first home buyers and refinancing) are used as a proxy for transaction volumes.

Figure 5



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

Land Tax

Land tax is estimated to increase by \$85 million (or 12.8%) to \$746 million in 2014-15, due mainly to the 10% increase in land tax rates announced in the 2014-15 Budget and moderately higher unimproved land values.

Land tax is projected to increase by a further \$193 million (or 25.9%) in 2015-16, primarily reflecting the new land tax scale to apply from 1 July 2015 (see *Revenue Measures* section). However, abstracting from this policy measure, underlying growth in land tax is expected to be only 1.1%, due to subdued growth in unimproved land values between August 2013 and August 2014⁴. Across the remainder of the forward estimates period to 2018-19, land tax is assumed to grow by around 7.7% per annum (slightly below the long-run average growth of 8.8%).

Metropolitan Region Improvement Tax

MRIT revenue is expected to increase by \$8 million (or 9%) to \$95 million in 2014-15, reflecting higher unimproved land values in the metropolitan region.

MRIT revenue is projected to grow by 2.8% in 2015-16 and by 14.3% in 2016-17, due to the extension of the tax to the Peel and Greater Bunbury regions from 1 July 2016 (see *Revenue Measures* section).

⁴ Land tax revenue in 2015-16 is based on the unimproved value of land as assessed by the Valuer General's Office as at August 2014.

In line with land tax, revenue from the MRIT is also assumed to grow by around 7.7% per annum over the remainder of the forward estimates period.

Other Taxes on Property

Other taxes on property are estimated to increase by \$81 million (or 18.3%) in 2015-16. This incorporates the increase in the Loan Guarantee Fee detailed earlier. Over the remainder of the forward estimates period, revenue from other property taxes is projected to increase by a moderate 3.4% 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 decline by 5.7% in 2014-15 and 3.4% in 2015-16, due to a change in casino tax arrangements. From 24 December 2014 the payment of GST reimbursements to Crown Casino was replaced with lower casino tax rates (as announced in the 2014-15 Mid-year Review)⁵. Over the remainder of the forecast period, gambling taxes are projected to grow by an average of around 3.7% per annum.

Taxes on Insurance

Taxes on insurance mainly consist of duty on insurance policies (with a number of key exemptions, including health insurance and life insurance). Following growth of 5.6% in 2014-15, insurance duty is forecast to increase by an average of 9% per annum over the forecast period in response to a gradual improvement in domestic economic conditions and the introduction of a no-fault catastrophic injury compulsory third party insurance scheme from 1 July 2016 (see Chapter 3: *Financial Projections and Fiscal Strategy*).

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 contract by 4.1% in 2014-15, following a decline of 4.8% in 2013-14. Growth in vehicle licence duty, which has been highly cyclical in recent years, is expected to rebound to 7% in 2015-16, and increase slightly thereafter, supported by a gradually strengthening domestic economy.

Total motor vehicle taxes are forecast to grow by 7.6% in 2014-15, 5.9% in 2015-16, and by an average of 5.8% per annum over the remainder of the forecast period.

⁵ The new casino tax arrangements are expected to improve the operating balance by a net \$10 million over the four years to 2017-18. This comprises a \$174 million reduction in expenditure on GST reimbursements and a partially offsetting \$164 million reduction in casino tax revenue.

Commonwealth Grants

Commonwealth grants are estimated to total \$8.4 billion in 2015-16 (a 5.2% decrease from 2014-15) and account for 31.9% of the State's total revenue (down from 32.7% in 2014-15). These grants take three forms:

- Payments for Specific Purposes (PSPs) – which must be spent on specific activities (e.g. health, education, roads and social housing), and comprise around 67.9% (or \$5.7 billion) of forecast total Commonwealth grants to Western Australia in 2015-16;
- GST grants – which carry no restrictions on how the money can be spent, and comprise around 23.1% (or \$1.9 billion) of forecast total Commonwealth grants to Western Australia in 2015-16; and
- North West Shelf grants (including condensate compensation) – which also carry no spending restrictions, and comprise around 9.1% (or \$762 million) of forecast total Commonwealth grants to Western Australia in 2015-16.

Total Commonwealth grants are forecast to increase over the forward estimates period, primarily due to the projected increase in Western Australia's share of GST revenue from 2016-17 as a lagged response to the recent significant decline in royalty income.

Table 6

COMMONWEALTH GRANTS TO WESTERN AUSTRALIA						
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Estimated	Budget	Forward	Forward	Forward
		Actual	Estimate	Estimate	Estimate	Estimate
General Purpose Grants						
GST revenue (\$m)	2,507	2,262	1,934	2,404	3,500	5,196
<i>Growth (%)</i>	-14.6	-9.8	-14.5	24.3	45.6	48.5
North West Shelf grants ^(a) (\$m)	1,169	956	762	838	852	843
<i>Growth (%)</i>	6.9	-18.2	-20.3	10.0	1.7	-1.1
Total General Purpose Grants	3,675	3,218	2,696	3,242	4,352	6,039
Payments for Specific Purposes (PSPs)						
PSPs 'to' the State ^(b) (\$m)	3,822	4,274	4,235	4,632	4,659	3,998
<i>Growth (%)</i>	1.9	11.8	-0.9	9.4	0.6	-14.2
PSPs 'through' the State (\$m)	1,248	1,356	1,458	1,562	1,663	1,771
<i>Growth (%)</i>	7.9	8.6	7.5	7.2	6.5	6.5
TOTAL COMMONWEALTH GRANTS (\$m)	8,745	8,847	8,389	9,436	10,674	11,808
<i>Growth (%)</i>	-2.1	1.2	-5.2	12.5	13.1	10.6

(a) Includes Commonwealth compensation for the removal of the exemption of condensate crude oil excise.

(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 based on the recommendations of the Commonwealth Grants Commission (CGC).

GST grants to Western Australia are expected to decline by \$328 million (or 14.5%) in 2015-16⁶. Growth in the national pool of GST revenue will be more than offset by a further decrease in Western Australia's share, from 4.2% of the national pool in 2014-15 to 3.4% in 2015-16 (compared to the State's population share of 11.2%).

GST grants are forecast to rise in each year from 2016-17 to 2018-19, mainly due to the lagged response in GST grants to the collapse in iron ore royalties, as well as growth in national collections. From a low of \$1.9 billion in 2015-16, representing the smallest grant amount received by Western Australia since the GST commenced, GST grants are forecast to increase to \$5.2 billion by 2018-19.

GST Grant Shares in 2015-16

Each year, the CGC recommends States' GST 'relativities'⁷ by applying a 'horizontal 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 updates relativities annually, using a three year average of the latest available historical data (e.g. on State revenue bases and the composition of State populations). In addition to annual updates, the CGC undertakes a major review of the methods used to implement horizontal fiscal equalisation every five or six years.

The CGC reported on its latest method review (the '2015 Review') in February 2015 (for further details see the feature box on the *Commonwealth Grants Commission's 2015 Review of Methods*). Its recommendations (based on its latest methods and incorporating the annual data update) have been accepted by the Commonwealth Treasurer and therefore determine States' GST relativities in 2015-16.

The 2015 Review includes a further cut in Western Australia's GST share from 37.6% of its population share in 2014-15 to 30% of its population share in 2015-16 – significantly lower than all other States and Territories (see the following table). This reduces Western Australia's GST grants in 2015-16 by \$493 million compared to if there had been no change in the State's relativity.

⁶ Calculated after inclusion in 2014-15 grants of an amount of \$15 million that was underpaid in 2013-14 and carried over.

⁷ A State's relativity is the ratio of its GST grant to its population share.

Table 7

**IMPACT OF COMMONWEALTH GRANTS COMMISSION
RECOMMENDATIONS**

	Relativity		Impact on GST of revised relativities ^(a)	
	2014-15	2015-16	\$m	\$ per capita
New South Wales	0.975	0.947	-517	-67
Victoria	0.883	0.893	+130	+22
Queensland	1.079	1.128	+556	+114
Western Australia	0.376	0.300	-493	-182
South Australia	1.288	1.359	+284	+166
Tasmania	1.635	1.819	+225	+436
Australian Capital Territory	1.236	1.100	-129	-325
Northern Territory	5.661	5.571	-57	-223

(a) These estimates differ slightly from those quoted by the CGC, because the above are valued using revised population estimates.

The decline in Western Australia's GST share is due to a range of factors, the most significant of which is Western Australia's revenue capacity growing faster than that of the other States, particularly for mining royalties, during the CGC's lagged data period of 2011-12 to 2013-14. This use of lagged data has resulted in Western Australia's GST grant falling at the same time as its mining royalties.

Western Australia argued for these time lags to be removed in the CGC's assessment, so that a State's GST grant in a particular year is more reflective of actual fiscal capacity in that year. Ultimately, however, this argument was not supported by the CGC or the other States and Territories.

GST 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 year⁸. Western Australia's forecast GST grant for 2015-16 includes a \$146 million increase on account of growth in the GST pool and a \$34 million increase on account of the State's increasing population share. In addition, Western Australia's GST grant in 2014-15 had been adjusted (upwards) to account for a \$15 million underpayment in 2013-14.

After allowing for growth in the GST pool and the increase in its population share, Western Australia's GST revenue in 2015-16 is expected to be a net \$328 million less than in 2014-15.

⁸ GST grants are paid during the budget year on the basis of estimated GST collections and population shares, with a reconciliation the following year once actual GST collections and population shares are known.

Table 8

ESTIMATED CHANGE IN WESTERN AUSTRALIA'S GST GRANT
2014-15 to 2015-16

	\$m
Estimated 2014-15 GST grant	2,262.4
Exclude adjustment for underpayment in 2013-14	-15.1
Increase in the national GST pool	146.0
Increase in population share	34.2
Decrease in GST relativity	-493.4
Total Change	-328.3
Estimated 2015-16 GST grant	1,934.1

Commonwealth Grants Commission's 2015 Review of Methods

In February 2015, the CGC provided the Commonwealth Treasurer with the results of its review of the methods it uses to calculate GST 'relativities'. The Review also incorporated its normal annual update to reflect the latest available data.

The '2015 Review' methods replace the '2010 Review' methods that had been used over the period 2010-11 to 2014-15, and determine the GST relativities for 2015-16.

The overall impact of the 2015 review on Western Australia's GST grants in 2015-16 is the net impact of:

- method changes compared to 2014-15 (-\$53 million⁹ in total); and
- updating the data period by replacing the 2010-11 data year with the 2013-14 data year (-\$441 million in total).

The CGC uses a rolling three-year average data period, consequently GST grants in 2014-15 were based on data from 2010-11 to 2012-13, and GST grants in 2015-16 are based on data from 2011-12 to 2013-14. Because of the time lag, Western Australia's relativity is falling in the 2015-16 grant year, at the same time as mining royalties are falling.

The table below shows a loss of \$230 million from method changes to the mining revenue assessment. In this regard, the Review terms of reference provided by the Commonwealth Treasurer requested the CGC to have regard to the recommendation of the GST Distribution Review to develop a new mining revenue assessment.

In response the CGC has proposed a new method for assessing States' capacity to raise mining revenue based on the separate assessment of major minerals (the mineral by mineral approach). This method replaces its previous assessment of onshore mining in two groups ('low royalty rate' and 'high royalty rate'), where iron ore 'fines' were classified as 'low rate'.

- However, in Western Australia's 2014-15 Budget, iron ore 'fines' were expected to be reclassified to 'high rate' from the 2013-14 data year (once the iron ore 'fines' rate matched the 'lump' ore rate).

⁹ This equates to a \$160 million gain compared to Western Australia's 2014-15 Budget assumption that iron ore 'fines' would be progressively reclassified to the 'high rate' category.

- Because of this, the new mining revenue method has only a small negative impact on the State Budget for 2015-16, and will significantly improve Western Australia's GST grant from 2016-17 onwards (with an overall net improvement of \$803 million from 2015-16 to 2018-19 – see *Impact of Mining Revenue Method Changes* table below).

Apart from mining revenue, the largest single method change was to the health assessment. This results in a \$225 million loss, which reflects a new method of assessing the gap in private health service provision that the State needs to fill.

Table 9

ESTIMATED IMPACT OF 2015 REVIEW RECOMMENDATIONS
Western Australia's 2015-16 GST Grant

	Method Changes ^(a)	Updating Data Period	Total
	\$m	\$m	\$m
Mining revenue	-230	-410	-640
Health	-225	+22	-203
Payroll tax	-	-155	-155
Services to communities	-104	+3	-100
Post-secondary education	-40	-2	-43
Investment / Net Lending	+107	-92	+15
Transport	+6	+16	+22
Tied grants	-116	+169	+53
Depreciation	+70	+11	+81
Stamp duty	+104	-23	+82
Other expenses	+94	-7	+87
Welfare and Housing	+152	-13	+139
Services to industry	+119	+27	+146
Other	+8	+14	+22
Total	-53	-441	-494

(a) Includes 'data revisions' identified by the CGC such as different ways of splitting data into components.

Source: CGC's 2015 Review. CGC calculations use slightly older population estimates resulting in a slight difference in the overall total of \$494 million, compared to the \$493 million contained in Table 7 and Table 8.

Note: Columns may not add due to rounding.

Table 10

IMPACT OF MINING REVENUE METHOD CHANGES
Western Australia's Estimated GST Grants

	2015-16	2016-17	2017-18	2018-19	Total
	\$m	\$m	\$m	\$m	\$m
Reclassifying iron ore 'fines' to 'high rate' progressively (Assumed in the 2014-15 Budget)	-213	-417	-613	-577	-1,820
Changing to mineral by mineral assessment (CGC 2015 Review)	-230	-246	-262	-278	-1,016
Net impact (difference of above)	-17	171	351	299	803

Source: CGC's 2015 Review and Department of Treasury estimates.

In addition to the 2015 Review, the Commonwealth Treasurer instructed the CGC to provide advice on options to mitigate negative effects of revenue volatility on the GST distribution system and ensure that States' shares of the GST in a given year are appropriate for their fiscal circumstances in that year.

The CGC's report on this instruction discusses three broad options for addressing volatility. However, it recommended that the current lagged three-year averaging remain.

If the CGC had used current rather than historical data for iron ore revenues (in response to the Commonwealth Treasurer's request to the CGC to explore options to address volatile revenues), Western Australia's GST grants would be \$4.7 billion higher across the four years to 2018-19 and would more closely reflect the State's fiscal circumstances in the respective years.

The CGC's recommendation to reduce Western Australia's GST relativity to 30% at a time of large falls in iron ore prices appears manifestly unfair. The CGC process is complex and lacks accountability. Few people in Australia can realistically assess whether the CGC has provided a balanced presentation of the mass of conflicting evidence and arguments on many method and data issues. Western Australia's strong view is that there remains substantial problems with the methods used by the CGC and fundamental reform is required.

Longer Term Reform

In 2012, the GST Distribution Review¹⁰ 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. A similar joint proposal was put forward by Western Australia, New South Wales, Victoria and Queensland in 2012.

¹⁰ The review was conducted by the Hon Nick Greiner, the Hon John Brumby and Mr Bruce Carter, with assistance from the Commonwealth Treasury. The final report was released by the Commonwealth Government on 30 November 2012.

The GST Distribution Review's reform vision also included a reduction in Australia's vertical fiscal imbalance (VFI)¹¹, which would be achieved by more closely aligning revenue raising and expenditure responsibilities, and for States to become less dependent on the Commonwealth's specific purpose funding.

Such a model would help address many of the problems in Australia's federal financial relations, but requires a national commitment to reform.

Forecasts of GST Shares

Estimates for Western Australia's GST grants across the budget period are based on the Western Australian Department of Treasury's projections of Western Australia's GST relativity and the Commonwealth's *2014-15 Mid-Year Economic and Fiscal Outlook* projections of the national pool of GST grants and States' population growth.

In line with the CGC's process, the GST relativity projections for 2016-17 to 2018-19 are based on estimates of Western Australia's and other States' revenue capacity and expenditure requirements. The relativity for each year is derived from a rolling average of three preceding years' data. For example, the relativity projections for 2018-19 are based on projected assessments of States' revenue capacities and expenditure requirements for the years 2014-15 to 2016-17.

As the royalty losses in 2014-15 and 2015-16 flow into the three-year average (from 2016-17), Western Australia's relativity is expected to improve.

PROJECTED GST RELATIVITY AND GST SHARE						
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
WA population share (%)	11.0	11.1	11.2	11.4	11.5	11.6
WA GST relativity ^{(a) (b)}	0.446	0.376	0.300	0.349	0.476	0.668
WA GST share (%) ^(c)	4.9	4.2	3.4	4.0	5.5	7.7

(a) This 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 previous Commonwealth Budget Papers, which have not incorporated projected changes in the relative revenue raising capacity of the States and Territories.
 (c) Western Australia's GST share equals Western Australia's population share multiplied by its relativity.

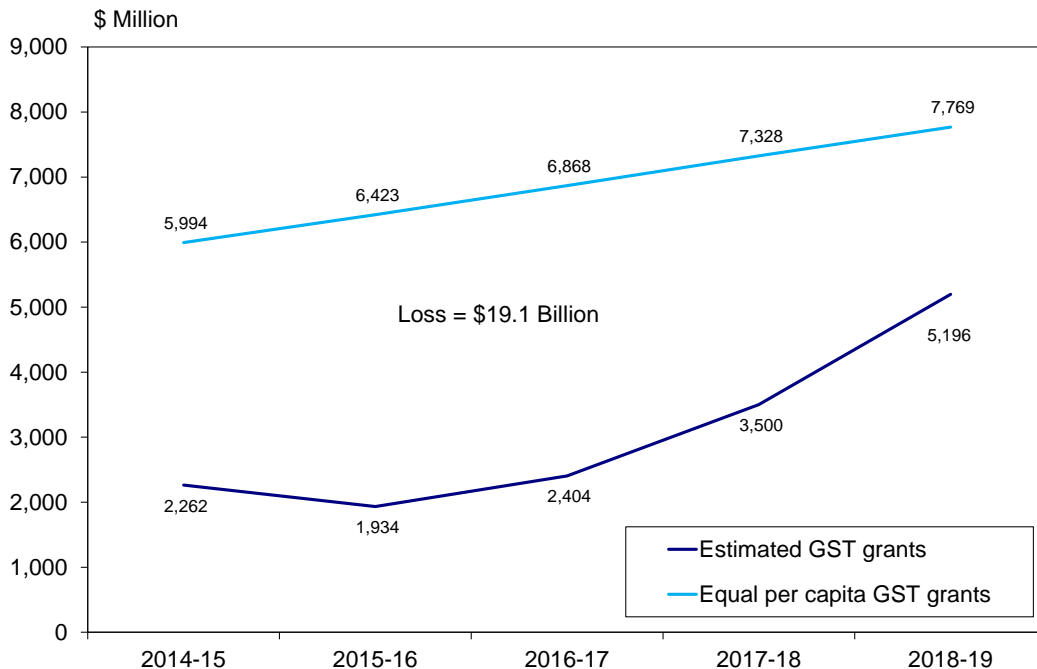
Even so, over the period 2014-15 to 2018-19, Western Australia still loses an estimated \$19.1 billion compared to if it received an equal per capita share of GST revenue (see figure below).

This GST subsidy from Western Australia to the other States is just one part of the State's overall annual net contribution to the Australian federation, which now stands at \$27.3 billion for 2013-14, according to the Department of Treasury's latest estimates (see feature box below).

¹¹ VFI describes the situation where revenue raising capacity is disproportionately vested in the Commonwealth, while the States have primary responsibility for delivering core community services (and therefore need to rely on substantial transfer payments from the Commonwealth).

Figure 6

REDUCTION IN WESTERN AUSTRALIA'S GST GRANTS



Source: Department of Treasury estimates.

Redistribution of Resources across States by the Commonwealth

In 2015-16, Western Australia will effectively contribute around \$4.5 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 30% of its population share of national GST revenue in 2015-16.

However, although large, 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.

Each year, the Department of Treasury estimates the net impact of the broader redistribution of resources that occurs through Commonwealth fiscal policies. This net impact is measured as the difference between the Commonwealth Budget revenues generated in each State and the Commonwealth Budget expenditures for the benefit of each State.

Results using the latest available data (for 2013-14) are shown in the table below (a positive figure for a State indicates that it makes a net contribution to the federation, while a negative figure indicates that it receives a net subsidy).

Table 12

NET REDISTRIBUTION OF RESOURCES
2013-14^(a)

	GST Only ^(b)		Total Resources	
	\$m	\$ per capita	\$m	\$ per capita
New South Wales	1,083	145	-143	-19
Victoria	1,428	247	-3,098	-535
Queensland	-1,208	-258	-6,707	-1,430
Western Australia	3,238	1,270	27,263	10,695
South Australia	-1,418	-845	-8,231	-4,904
Tasmania	-882	-1,716	-5,209	-10,134
Northern Territory	-2,241	-9,196	-3,876	-15,903
Total	0	0	0	0

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

(b) 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.

In 2013-14, Western Australia was the only State or Territory to contribute to the federation in net terms, subsidising all other States in excess of \$27 billion, or around \$10,700 per capita.

The following table shows the estimated breakdown of Western Australia's net contribution in 2013-14. It is 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 Western Australia's 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 the 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 very low GST share.

Overall, in 2013-14 it is estimated that the Commonwealth derived \$57.9 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 \$30.6 billion, yielding a net contribution to the federation from Western Australia of \$27.3 billion. This is a significant increase on the \$23.8 billion and \$22.6 billion net contributions in 2012-13 and 2011-12 respectively.

Table 13

COMPONENTS OF WESTERN AUSTRALIA'S NET CONTRIBUTION			
Relative to Western Australia's Population Share			
	2011-12 ^(d)	2012-13 ^(d)	2013-14 (preliminary)
	\$m	\$m	\$m
Personal Income Tax	5,280	6,297	6,388
Company Tax	8,107	7,327	8,724
Fuel Excise (net of rebates)	-149	-19	178
Taxes and Royalties on Mineral Extraction ^(a)	1,759	1,855	1,718
Commonwealth Services ^(b)	2,630	3,002	3,059
Personal Benefit Payments	2,533	2,851	3,169
Net impact of GST	1,525	2,469	3,238
<i>GST Collections</i>	153	156	173
<i>GST Grants</i>	1,372	2,313	3,065
Other Grants to State and Local Governments ^(c)	238	164	386
Other	668	-120	403
Total	22,590	23,826	27,263

(a) Net of North West Shelf royalties passed on as grants 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.

(d) Figures are revised significantly compared to past publications as some data was not available at the time.

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

Payments for Specific Purposes (PSPs) are grants from the Commonwealth to the States for specific activities. They include National Specific Purpose Payments (NSPPs), National Health Reform (NHR) hospital payments, and National Partnership (NP) payments, which are all provided under the Intergovernmental Agreement on Federal Financial Relations (IGA FFR). In addition, PSPs include Students First education payments and payments under some of the Commonwealth's own-purpose spending programs.

The 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.

There are three NSPPs, for vocational education and training, disability services, and housing. These payments are ongoing, and sum to an estimated \$476 million for Western Australia in 2015-16. 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 NSPP for disability services is likely to be replaced by payments for the National Disability Insurance Scheme by 2019-20. Over the forward estimates period it is assumed that Western Australia will continue to receive the disability services NSPP.

From 2014-15 to 2016-17, NHR funding is linked to the level of services delivered in public hospitals, as provided for by the National Health Reform Agreement (NHRA). In its 2014-15 Budget, the Commonwealth ceased the State funding guarantee under the NHRA, and from 2017-18 will index its contribution for public hospitals funding by the Consumer Price Index and population growth rather than actual activity (reducing funding to Western Australia by approximately \$300 million over the period 2015-16 to 2017-18). The Commonwealth has since announced parameter updates that remove a further \$196 million from 2014-15 to 2018-19. The State intends to maintain total expenditure despite the significant reduction in proposed Commonwealth support. Western Australia is expected to receive an estimated \$1.9 billion in NHR funding in 2015-16.

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 to Western Australia in 2015-16.

Not all NPs developed since the IGA FFR was signed have reflected its principles. Towards the end of 2013-14 the Commonwealth and the States agreed to absorb a number of existing agreements into two new NPs, in order to obtain efficiencies in reporting. Further work to streamline the development of NPs has been progressed during 2014-15.

Students First payments fund commitments by the previous Commonwealth Government to States that signed its National Education Reform Agreement (NERA). The payments also provide NERA-equivalent funding to States that did not sign the NERA, including Western Australia. Under these arrangements, Western Australia is expected to receive Students First payments of \$566 million in 2015-16.

In 2015-16, Western Australia expects to receive around \$4.2 billion in PSPs 'to' the State (i.e. payments that fund State programs), a decrease of 0.9% compared with 2014-15. Although PSPs 'to' the State are projected to increase in 2016-17 and 2017-18, a sharp projected drop in 2018-19 offsets these gains. This decrease, due to lower grants for transport and social housing, reduces forecast PSPs to Western Australia in 2018-19 to their lowest level since 2013-14 (see Table 6 above).

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 2015-16 and by an average of 6.7% per annum from 2016-17 to 2018-19, mainly driven by payments to non-government schools.

Table 14

PAYMENTS FOR SPECIFIC PURPOSES
Western Australia

	2015-16 Budget Estimate	
	\$m	Share of total PSPs %
Payments 'To' the State		
<i>National Specific Purpose Payments</i>		
Skills and Workforce Development	164	2.9
Disability Services	163	2.9
Affordable Housing	149	2.6
<i>Health Reform Funding</i>		
Health Reform Payments	1,928	33.9
<i>Student First Funding</i>		
Student First Payments	566	9.9
<i>Other Payments 'To' the State</i>		
Health	331	5.8
Housing	145	2.5
Transport	532	9.3
Other ^(a)	258	4.5
Payments 'Through' the State		
Non-government Schools Assistance	1,174	20.6
Local Government Financial Assistance Grants	176	3.1
Local Government Roads	108	1.9
Total Payments for Specific Purposes	5,693	100.0

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

Note: Columns may not add due to rounding.

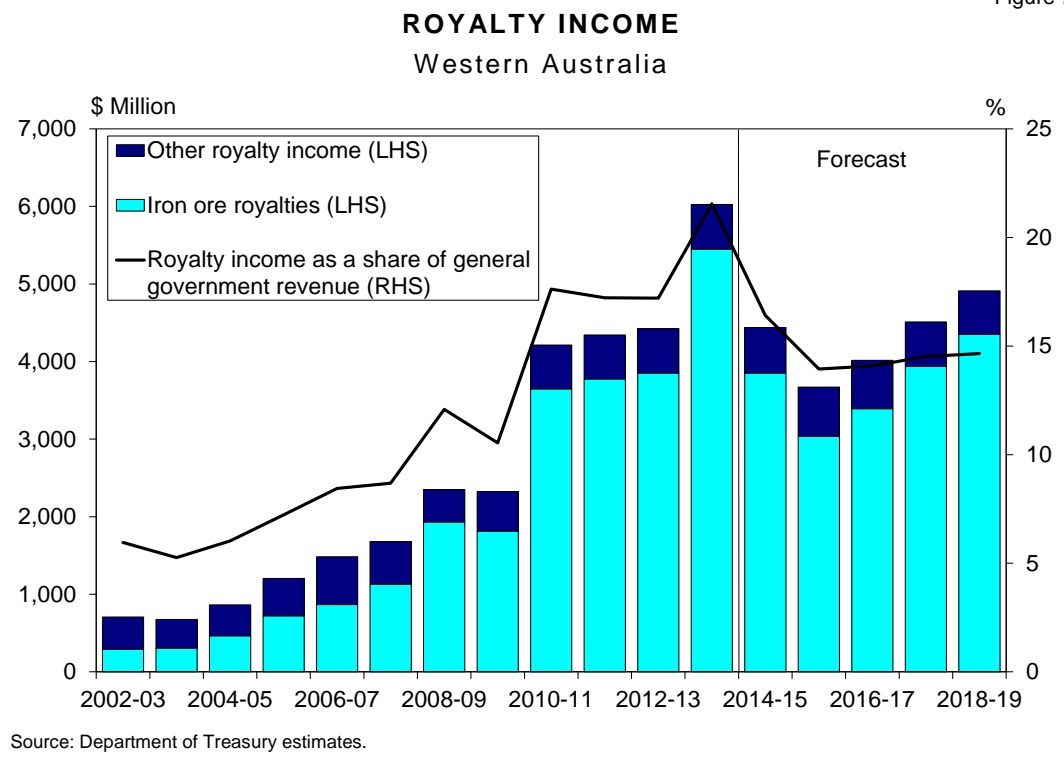
Royalty Income

Summary

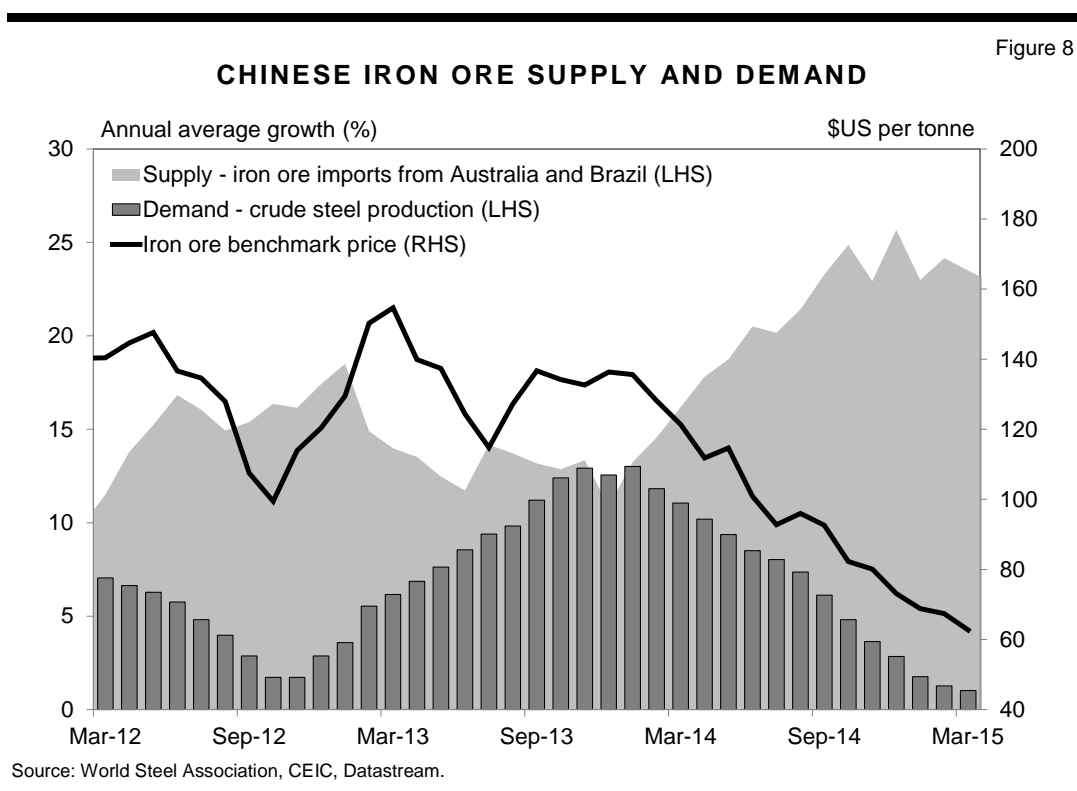
Total royalty income is estimated to decrease by 26.3% from \$6 billion in 2013-14 to \$4.4 billion in 2014-15, due mainly to a substantial fall in the price of iron ore, and the consequent impact on iron ore royalty income which accounts for around 85% of royalty revenue. This price impact is only partially offset by higher iron ore production and a lower \$US/\$A exchange rate. As a result, the contribution of royalty revenue as a proportion of total general government revenue is expected to decline from 21.6% in 2013-14 to 16.4% in 2014-15.

In 2015-16, royalty income is forecast to decline by a further 17.3% (or \$769 million) to \$3.7 billion due to continued weakness in commodity prices, particularly iron ore. Over the forward estimates period, it is anticipated that higher iron ore production volumes, a lower \$US/\$A exchange rate and a modest recovery in commodity prices will underpin a gradual rise in royalty income to \$4.9 billion by 2018-19.

Figure 7



Iron ore royalty revenue is expected to decline by 29.3% from \$5.4 billion in 2013-14 to \$3.9 billion in 2014-15. This is primarily due to a sharp fall in the iron ore price, as a result of a significant increase in supply from large producers and softening Chinese demand (see figure below). The average price for 2014-15 is expected to be \$US68.80 per tonne, compared to \$US122.80 per tonne in 2013-14, a decline of 44%. The impact of the decline in iron ore prices on royalty income will be only partially offset by an expected 13.3% increase in iron ore production volumes (from 632 million tonnes in 2013-14 to 716 million tonnes in 2014-15) and a depreciation of the \$US/\$A exchange rate (from 91.8 US cents in 2013-14 to an estimated 83.3 US cents in 2014-15).



In 2015-16, the average iron ore price is expected to fall further to around \$US47.50 per tonne as global demand remains subdued and further low-cost supply is added. Consequently, iron ore royalty income is projected to decline by a further 21.2% to \$3 billion.

Over the remainder of the forecast period, iron ore royalties are expected to rise as production volumes increase and the price recovers modestly. Higher production volumes are expected to be driven by expansions from the major producers more than offsetting declines in output from a number of smaller, higher cost operations. However, a slowing rate of additions to global supply is expected to result in a gradual increase in the iron ore price over the medium term. This combination of higher production volumes and an improvement in price is expected to lift iron ore royalty revenue to \$4.4 billion by 2018-19 (although this is still significantly lower than the \$5.4 billion in iron ore royalties received in 2013-14).

Gold royalty revenue is expected to increase by 5.2% in 2015-16 to \$233 million, up from \$221 million in 2014-15. Over the forward estimates period, however, gold royalties are expected to decline to \$158 million by 2018-19 as total production volumes reduce by around one third due to resource depletion at a number of mines.

The net impact of royalties from all other commodities is fairly stable over the budget period.

The revenue provision for the outcome of the Mineral Royalty Rate Analysis (\$180 million in 2015-16 and a total of \$560 million over the three years to 2017-18) has been removed from the forward estimates, reflecting the Government's announcement on 25 March 2015 that there will be no changes to royalty rates in the 2015-16 Budget.

Table 15

ROYALTY INCOME
Western Australia

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
Iron Ore	5,450	3,853	3,036	3,392	3,936	4,351
Petroleum - State Component	11	9	5	6	7	6
Alumina	72	91	109	114	118	121
Diamonds	19	20	27	33	32	30
Mineral Sands	15	12	15	15	15	16
Nickel	88	85	77	78	81	85
Gold	215	221	233	215	177	158
Other	155	149	167	165	144	145
Total Royalty Income	6,025	4,440	3,670	4,016	4,510	4,912

Note: Columns may not add due to rounding.

Assumptions

Key assumptions for the royalty income estimates are outlined in the following table. These assumptions were finalised on the 21 April 2015 cut-off date for this Budget.

Table 16

KEY ASSUMPTIONS
Royalty Income Estimates

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
\$US/\$A Exchange Rate (cents)	91.8	83.3	75.9	75.0	74.3	73.9
Iron Ore Price (CFR, \$US per tonne)	122.8	68.8	47.5	50.7	56.3	61.8
Iron Ore Volumes (million dry tonnes)	632	716	748	772	797	799
Crude Oil Price (\$US per barrel)	109.4	75.1	64.2	68.2	70.4	71.9

Note: The benchmark series for iron ore is 'The Steel Index' and the benchmark for the crude oil price is 'Brent Crude'.

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

The iron ore price benchmark used by Treasury is 'The Steel Index' with a 62% iron content, delivered to China and inclusive of cost and freight (CFR). Prices assumptions (see feature box for further detail) are derived from iron ore derivatives over the first 12 months of the forecast period. The assumed price then trends towards a consensus long-run price over the remainder of the forecast period. Iron ore royalty revenue is based on the free on board price, which is calculated by subtracting the cost of shipping from the benchmark CFR price. Shipping costs are an allowable deduction in the calculation of royalty payments and are estimated using the 10 day average of forward freight agreements.

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.

Consistent with its announcement of 10 April 2015 to the Australian Stock Exchange that all of its projects will be put on care and maintenance pending future iron ore market conditions, the forward estimates in this Budget do not include any royalty revenue from Atlas Iron¹².

Iron Ore Price Forecasting Methodology

The Western Australian Department of Treasury continuously reviews its iron ore price forecasting methodology in response to the evolution of iron ore market pricing. The iron ore price methodology has had three core components for a number of years – a starting point, an end-point and an interpolation between the two. This basic structure has remained the same, although incremental revisions have been made to individual components prompted by changes in the iron ore market.

In the 2015-16 Budget, the starting point of the iron ore price forecasting methodology has been modified to provide a market-based assessment of the outlook for prices in the near-term, comprising 12 months of iron ore derivative contract prices, rather than the previous method of an annual average of historical spot and derivative prices.

The change coincides with significant structural changes to the iron ore market, including a substantial increase in low-cost supply, and a marked slowdown in demand growth from China. These factors have resulted in a large and sustained fall in the iron ore price from around \$US135 per tonne in early 2014 to around \$US50 per tonne at the 21 April 2015 cut-off date for this Budget.

¹² Atlas Iron subsequently announced on 1 May 2015 (after the 21 April 2015 Budget cut-off date) that it would continue production at two of its three mines.

The previous starting point (derived from an average of historical spot prices and derivative prices) was adopted in the 2013-14 Budget in order to reduce the impact of large but short-term swings in the iron ore price, which would otherwise have destabilised budget planning. However, this approach also meant that historical prices in the current financial year had a significant influence on price projections in future years. Had the previous starting point been retained for the 2015-16 Budget, higher historical prices earlier in the base year would have resulted in assumptions that were not reflective of both the current market price and outlook.

The revised starting point using 12 months of derivative contract prices better leverages the market's assessment of the near-term outlook for prices. The change has been facilitated by a significant increase in the volume of trade of iron ore derivative contracts. Trade in the Singapore Exchange (SGX) iron ore derivatives market has increased significantly since the 2013-14 Budget, growing from around 17% of the size of the seaborne iron ore trade to about 40%.

Derivative contract prices provide a market assessment of forward prices, as they represent the price at which buyers and sellers are currently willing to exchange iron ore in the future. Derivative prices respond quickly to reflect all available information and therefore this starting point method will respond quickly to reflect market movements. Beyond 12 months, derivative prices have not been used because the volume of trade is, in Treasury's judgement, too small to allow confidence in those prices. The resulting price assumptions incorporating the new starting point better represent the larger fall in iron ore prices over the last year and the widely held belief that the iron ore market has moved firmly into oversupply and will stay there for some time.

The following table shows the iron ore price assumptions based on the two starting point methods if applied in the 2015-16 Budget.

Table 17

IRON ORE PRICE ASSUMPTIONS AND REVENUE IMPACT
Previous and Current Approaches

Iron Ore Fines CFR (\$US/t)	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Previous approach (2014-15 Budget)	68.8	71.2	73.5	75.8	78.1	
Current approach (2015-16 Budget)	68.8	47.5	50.7	56.3	61.8	
Variance (\$US/t)	-	-23.6	-22.8	-19.5	-16.3	
Revenue Impact (\$m)	-	-1,662.5	-1,677.7	-1,495.5	-1,254.6	-6,090.4

The linear interpolation to the long-run consensus price has been retained under the revised approach but begins from the 12 month derivative contract. Interpolation to a long-run price reflects an expectation that while prices will remain volatile they will trend toward a higher and more sustainable level over the longer term. The long-run price assumption of \$US89.70 per tonne (CFR) is based on the February 2015 Consensus Economics report.

Treasury will continue to review its forecasting approach in order to keep pace with an evolving market and is investigating the use of a supply and demand (or fundamentals) based approach to inform medium-to long-term iron ore price assumptions. This does not preclude using forward rates to inform price assumptions in the short-term as prices may depart from underlying fundamentals over short periods, due to, for example, market sentiment. These effects are likely to be better captured by the market's assessment of prices. Fundamentals based modelling will only be incorporated into the iron ore price forecasting methodology if further investigation indicates it is appropriate to do so.

Other Revenue

Sales of Goods and Services

Following expected growth of 7.2% in 2014-15, sales of goods and services revenue is forecast to increase by 5.8% in 2015-16. Growth is forecast to moderate to 1.7% in 2016-17, before returning to more typical increases of around 5% in the remaining outyears.

These higher rates of growth in 2014-15 and 2015-16 largely reflect Main Roads' revenue forecasts for work undertaken on behalf of third parties, and additional revenue from the extension of the temporary Home Indemnity Insurance arrangements.

Interest Income

In line with lower forecast holdings of investment balances, interest revenue is expected to decline from \$189 million in 2014-15 to \$174 million in 2015-16. Reflecting steady growth in investment balances from 2016-17, interest revenue is forecast to increase by an average of 2.1% per annum across the remainder of the forward estimates period.

Revenue from Public Corporations

The general government sector receives revenue from the State's corporatised public corporations (through dividends and tax equivalent payments).

Revenue from public corporations is forecast to be \$1.5 billion in 2015-16, comprising \$945 million in dividends, \$508 million in income tax equivalent payments and \$19 million in local government rates equivalent payments. This represents a 16.9% reduction from 2014-15, which is mainly due to interim dividend arrangements bringing forward revenue into 2014-15 from 2015-16 for the energy corporations and State port authorities (as announced in the 2014-15 Budget and 2014-15 Mid-year Review).

REVENUE FROM PUBLIC CORPORATIONS						
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	Estimate	Estimate	Estimate
Dividends	901	1,277	945	1,040	1,121	1,161
Income Tax Equivalent	583	475	508	575	551	618
Local Government Rate Equivalent	19	19	19	20	20	20
Total	1,503	1,771	1,472	1,635	1,692	1,798

Note: Columns may not add due to rounding.

The revenue sources detailed above are more than offset by subsidies from the general government sector to public corporations. In 2015-16, operating subsidies totalling \$1.8 billion are forecast to be paid to the public corporations, including \$787 million to the Public Transport Authority, \$566 million to the Water Corporation and \$448 million to the State's electricity corporations.

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

Other Revenue

There are a range of revenue items not included in any of the previous categories discussed in this chapter. These include 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 vary greatly from year to year.

Total 'other' revenue of \$523 million in 2015-16 includes \$205 million for fines, \$143 million for contributions from third parties such as industry funding, \$88 million for mining related lease rentals, and \$26 million from donations, and is down \$10 million (or 1.9%) on the estimated actual for 2014-15.

General Government Expenses

HIGHLIGHTS

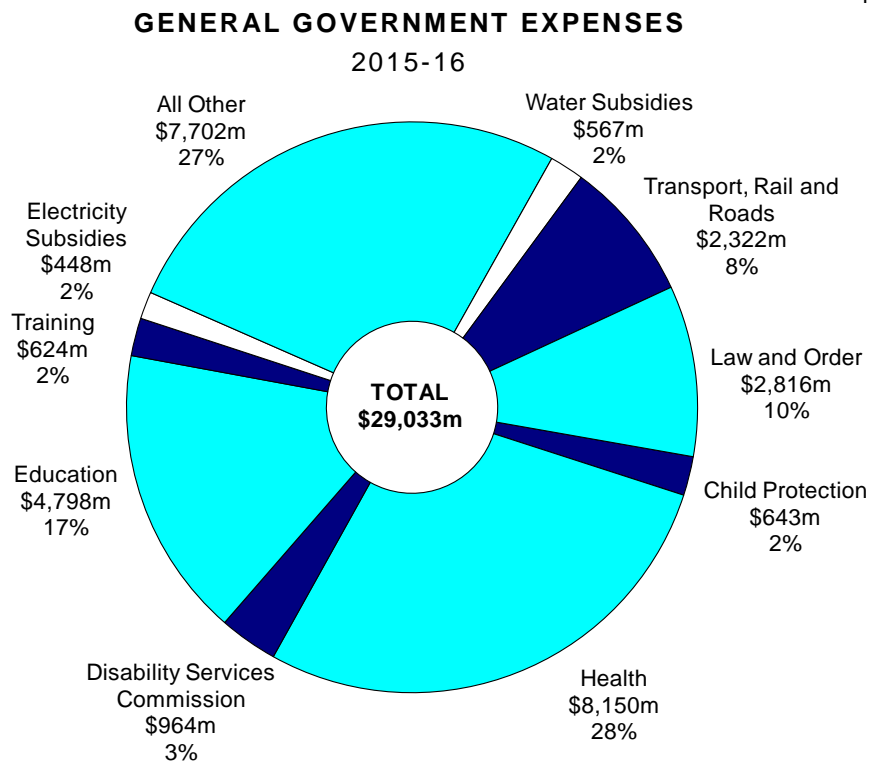
- Following an expected increase of 4% in 2014-15, general government sector expenses are budgeted to increase by \$701 million or 2.5% in 2015-16. Expense growth is projected to average less than 3% per annum over the remainder of the budget period to 2018-19, well below average growth of 7.9% over the previous decade.
- These low expense growth projections reflect the impact of a number of important public sector reforms and efficiency measures implemented by the Government in recent years, including:
 - the new public sector wages policy, which took effect from 1 November 2013;
 - five rounds of voluntary separation schemes, which are expected to see a total of 3,750 staff exit the public sector by 30 June 2015;
 - the Workforce Renewal Policy introduced in the 2014-15 Mid-year Review, which is estimated to generate savings of \$1.3 billion over the forward estimates period; and
 - consolidation of reforms introduced in key service delivery areas, such as the Student-Centred Funding Model in education and activity based funding in the health sector.
- Significant operating subsidies remain in place for electricity, water and public transport as a result of charges for these services continuing to be below the cost of providing the services. These subsidies are estimated to total \$1.8 billion in 2015-16.
- The significant downturn in the revenue outlook (discussed in earlier chapters) is reflected in the very moderate additional spending announced in this Budget. New spending is focused in key service delivery areas, particularly health, child protection, and mental health services.

- New recurrent spending approved in this Budget includes:
 - an additional \$417 million in hospital activity funding for WA Health over the period 2015-16 to 2018-19;
 - an additional \$172 million over the next four years to meet growth in demand for core child protection services;
 - an increase of \$122 million in the operating subsidy paid to the Public Transport Authority between 2014-15 and 2018-19;
 - \$26 million to the Mental Health Commission over the next four years for a new Suicide Prevention Strategy; and
 - an additional \$16 million in 2015-16 to address high-priority maintenance issues in schools.

Introduction

General government expenses are forecast to total \$29 billion in 2015-16, \$701 million or 2.5% higher than the estimated outturn for 2014-15. Health, education, and law and order continue to account for the majority of recurrent spending (an estimated 54% in 2015-16).

Figure 1



The key to achieving sustainable expense growth is the continued successful implementation of the Government's fiscal repair strategies. These include the public sector wages policy, the Workforce Renewal Policy introduced in the 2014-15 Mid-year Review, and the current Targeted Voluntary Separation Scheme.

In response to the significant decline in general government revenue, the Government has introduced further savings measures in this Budget. These include the identification of \$137 million in initial Agency Expenditure Review savings and reforms to social concessions worth \$199 million over the forward estimates period (see feature box below). These savings have been reallocated to fund priority frontline services in this Budget.

Reform of Social Concessions

The State Government provides one of the most generous social concessions schemes (including those for seniors) in the form of rebates, discounts, subsidies and direct payments to improve the affordability of services and help reduce the cost of living for individuals and families. The estimated total State expenditure on social concessions in 2015-16 is \$2.6 billion.

This Budget includes a number of reforms to better target concessions to those most in need and ensure the sustainability of these concessions over the longer term. These reforms will save an estimated \$199 million across the forward estimates period and include:

- a decision for the seniors Cost of Living Rebate (CoLR) to remain at existing levels (with an annual indexation by the Consumer Price Index), which will see payments of \$84 for singles and \$126 for couples in 2015-16;
- the introduction of a means-tested Energy Assistance Payment to replace the Cost of Living Assistance payment from 1 July 2015; and
- the application of a \$550 cap to the 50 per cent Local Government Rates rebate and a \$600 cap to the Water Service Charge rebate available to eligible means-tested Commonwealth concession card holders, for implementation from 2016-17.

Table 1

SOCIAL CONCESSIONS REFORMS Estimated Financial Impact

	Net Operating Balance				Net Debt At 30 June 2019
	2015-16	2016-17	2017-18	2018-19	
	\$m	\$m	\$m	\$m	\$m
Seniors Cost of Living Rebate	23	25	23	22	-92
Energy Assistance Payment	18	19	21	22	-80
Local Government Rates and Water Service Charges Rebates	-	8	9	9	-26
Total	41	52	53	53	-199

As part of this reform package and to ensure that appropriate support is provided to those in need, the Government will introduce a new concession for the Western Australian Photo Card from 2016-17. The purpose of the concession is to extend the existing discounts available for driver's licenses to the Western Australian Photo Card.

To ensure the ongoing sustainability of the above concessions, the Government will also progressively increase the eligibility age (from 60 to 65 years) for the Western Australian Seniors Card (WASC), reaching 65 years in 2023-24. From 1 July 2015, there will be a one year increase in the WASC eligibility age every two years.

WASC holders will still be able to access a range of government payments and discounts, including the CoLR, the Local Government Rates and Water Service Charges rebates, and free public transport, and will also continue to receive discounts of between 10% to 50% off the price of goods and services from over 500 businesses.

In addition to the impact of these savings measures, the expense growth estimates also reflect the consolidation of reforms introduced in key service areas, such as the Student-Centred Funding Model in education and activity based funding in the health sector. Reforms in education are discussed in more detail below.

Education Reform

The Government will spend \$4.8 billion in 2015-16 to deliver public education in schools across Western Australia, an increase of \$294 million or 6.5% on 2014-15.

In the 2015 school year the Department of Education will continue to implement a number of significant reforms in the public school system that are expected to improve both the efficiency of service delivery and the quality of education outcomes.

Student-Centred Funding Model

- Funding to schools is now allocated on the basis of the characteristics and needs of each individual student enrolled at each school.
- The model provides a set per-student rate of funding with additional loadings provided for Indigenous students, those with special needs or disabilities, those from small or regional schools and students with English as a second language.
- This is a much simpler, fairer and more transparent approach than the previous funding model, which had become overly complex and inconsistent as a result of various ad hoc adjustments made over many years.

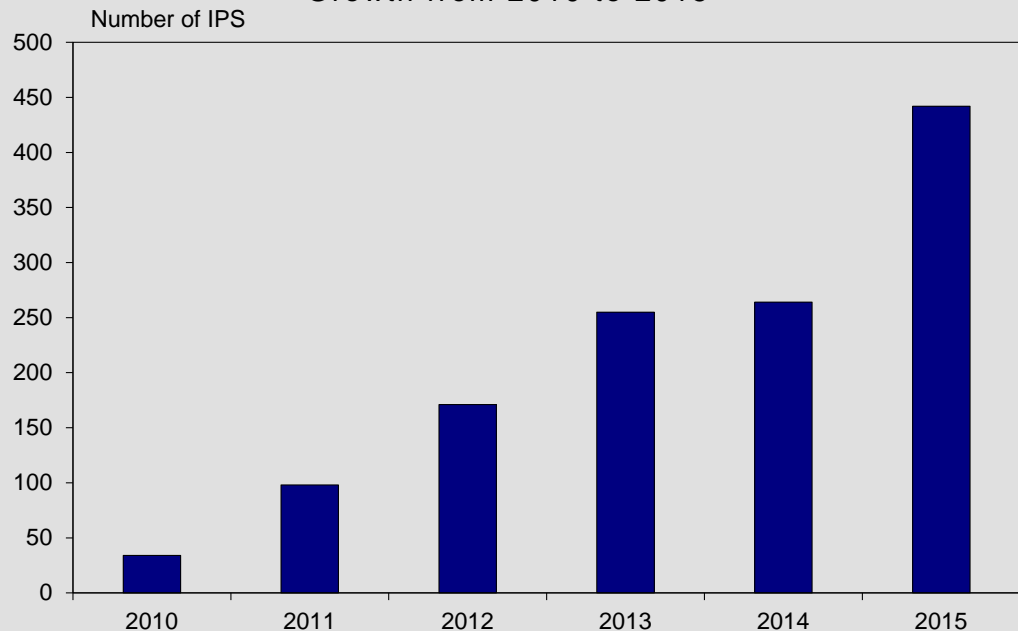
Independent Public Schools

- An additional 178 public schools became Independent Public Schools (IPS) at the beginning of the 2015 school year, bringing the total to 441 IPS across Western Australia (see figure below). These schools enjoy more flexibility with a greater degree of decision-making devolved to local schools and communities.

Figure 2

DEPARTMENT OF EDUCATION – NUMBER OF INDEPENDENT PUBLIC SCHOOLS

Growth from 2010 to 2015



Changes to the Western Australian Certificate of Education (WACE)

- In 2015, students seeking their WACE will require either an Australian Tertiary Admission Rank (ATAR) and/or a minimum Certificate II in vocational education and training (VET).
- The changes are designed to ensure that more students graduate from school with a minimum level of literacy and numeracy and an ATAR or a Certificate II.

Year 7 students in the Secondary Setting

- The 2015 school year has also seen the transition of 17,394 Year 7 students from primary to secondary school settings in the State's public schools. This follows capital investment of \$223 million in a number of metropolitan and regional secondary schools to accommodate the additional students.
- The transition brings the State's public secondary schools into line with the non-government school sector and government schools in most other jurisdictions.

Major Expense Changes by Portfolio

Summary

The following information provides details of major changes in general government expenses by portfolio and agency since the 2014-15 Mid-year Review.

The disclosures in this chapter may not match those in an agency's Spending Changes table in Budget Paper No. 2: *Budget Statements*. In particular, timing changes that are generally net debt neutral across the forward estimates period 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*.

A Streamlined Budget Process was introduced for the first time in this Budget. Under this arrangement, smaller and 'low risk' general government agencies could elect to receive a flat-rate increase in funding (representing 2% of an agency's cash service appropriation) if they nominated to opt-out of the normal budget consideration process. This allowed the Government to spend more time assessing the significant issues that have the potential to materially impact the State's finances.

Total incentive funding of \$13 million was allocated to 38 general government agencies in 2015-16 as part of the Streamlined Budget Process. A full acquittal of this funding is provided for the affected agencies in Budget Paper No. 2: *Budget Statements*. To ensure agencies that opted for this new arrangement are appropriately scrutinised, Treasury will undertake regular risk assessments, based on quarterly financial data, with this analysis to be reported to the Economic and Expenditure Reform Committee.

This Budget also allocates to individual agencies savings arising from the Workforce Renewal Policy announced in the 2014-15 Mid-year Review. Under the policy, which commenced on 1 January 2015, savings will be achieved by agencies only retaining a proportion of the salary relating to expected employee separations. Total savings of \$1.3 billion over the period to 2018-19 have now been fully allocated to agencies, as detailed in the following tables. As indicated in Chapter 3, these savings have been harvested across agencies' budgets, not position by position.

As previously announced, the Government is also running a Targeted Voluntary Separation Scheme for 1,500 general government employees to assist specific agencies with identified surplus staff. This measure is expected to result in a \$134 million increase in general government salaries expenses in 2014-15, of which \$63 million has been allocated to agencies to date. These allocations are shown in the following tables. At 21 April 2015 a total of 1,476 applications have been approved under the scheme, with employees required to exit the public sector by 30 June 2015.

The savings achieved from lower salary costs as a result of the scheme are estimated to be \$120 million per annum and are currently held as a global provision. The savings will be implemented at agency level upon finalisation of the scheme after 30 June 2015.

Finally, the Departments of the Attorney General, Commerce, Parks and Wildlife, Fisheries, Agriculture and Food, and Training and Workforce Development will deliver total savings of \$137 million across the forward estimates period as part of the Agency Expenditure Reviews announced in the 2014-15 Mid-year Review. Agency Expenditure Reviews allow agencies to independently identify program savings opportunities. The quantum of savings by affected agency are outlined in this chapter, and specific savings measures are detailed in Budget Paper No. 2: *Budget Statements*.

PARLIAMENT

Table 2

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Legislative Council					
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
Legislative Assembly					
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
Parliamentary Services					
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.3	-	-	-
Parliamentary Commissioner for Administrative Investigations					
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.2	-	-	-
– Workforce Renewal Policy	-(a)	-0.1	-0.2	-0.4	-0.5

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

PREMIER; MINISTER FOR STATE DEVELOPMENT; SCIENCE

Table 3
MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Premier and Cabinet					
– Pawsey Supercomputing Centre	-	-	4.1	4.2	4.3
– Resolution of Native Title in the South West of Western Australia (Settlement)	-	2.4	-	-	-
– Surf Life Saving WA – Aerial Patrols in the South West Region	-	0.7	0.7	0.7	-
– 2015-16 Streamlined Budget Process Incentive Funding	-	1.1	-	-	-
– Shark Hazard Mitigation Program - Beach Enclosures	-	0.4	-	-	-
– Kimberley Girl Program	-	0.2	-	-	-
– Workforce Renewal Policy	-0.2	-1.6	-3.3	-5.1	-7.0
Public Sector Commission					
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.5	-	-	-
– Workforce Renewal Policy	-(a)	-0.4	-0.8	-1.2	-1.6
Governor's Establishment					
– 2015-16 Streamlined Budget Process Incentive Funding	-	-(a)	-	-	-
Salaries and Allowances Tribunal					
– 2015-16 Streamlined Budget Process Incentive Funding	-	-(a)	-	-	-
State Development					
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.7	-	-	-
– Workforce Renewal Policy	-0.1	-0.5	-1.1	-1.6	-2.2
Chemistry Centre (WA)					
– Workforce Renewal Policy	-(a)	-(a)	-0.1	-0.1	-0.1

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

Premier and Cabinet

Pawsey Supercomputing Centre

An additional \$12.6 million will be spent over three years from 2016-17 on the continuation of the Centre's activities. The Centre provides world-class facilities and expertise in high performance computing and visualisation technologies.

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

An additional \$2.4 million will be spent in 2015-16 on implementation costs to finalise the Settlement, including coordination activities and work related to the new Noongar Standard Heritage Agreement.

Surf Life Saving WA – Aerial Patrols in the South West Region

An additional \$2 million will be spent over three years from 2015-16 on the continuation of aerial patrols in the South West region.

Shark Hazard Mitigation Program – Beach Enclosures

An amount of \$400,000 will be spent in 2015-16 on the deployment of two additional beach enclosures at high use areas along the Western Australian coastline.

Kimberley Girl Program

An additional \$200,000 will be spent in 2015-16 on the program, which has the objective of empowering young Indigenous women in the Kimberley region, building leadership skills and creating strong community role models.

DEPUTY PREMIER; MINISTER FOR HEALTH; TOURISM

Table 4

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
WA Health					
- Hospital Services – Revised Activity and Cost Settings	-	39.1	74.4	143.0	160.7
- Own Source Revenue	9.8	12.0	36.7	34.2	35.3
- Aboriginal Health Programs	-	16.0	16.5	16.9	-
- Multi-purpose Services Program Agreement	27.4	-	-	-	-
- Targeted Voluntary Separation Scheme	20.9	-	-	-	-
- Treating More Public Dental Patients National Partnership	13.0	-	-	-	-
- Settlement of pre-RiskCover claim	11.7	-	-	-	-
- Hannah's House Respite Care	-	0.1	0.1	-	-
- Workforce Renewal Policy	-5.3	-43.4	-89.3	-137.7	-154.6
Western Australian Tourism Commission					
- Events Funding	-	2.3	2.3	8.0	8.0
- Royalties for Regions – Additional Tourism Marketing	-	4.3	6.7	-	-
- Perth Convention Bureau	-	-	2.4	2.1	1.7
- National Partnership Project Agreement – Tourism Demand Driver Infrastructure	0.9	1.4	1.4	1.4	-
- Western Australian Visitor Centre	-	-	1.2	-	-
- Workforce Renewal Policy	-(a)	-0.4	-0.8	-1.1	-1.1
Rottneet Island Authority^(b)					
- Structural Integrity Works	-	4.5	3.4	3.4	-

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

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

WA Health**Hospital Services – Revised Activity and Cost Settings**

An additional \$417.2 million will be spent across the forward estimates period to reflect revised activity and cost settings for public hospital services.

Hospital activity is expected to increase by 2.6% in 2015-16 and an average of 2.7% in each year over the forward estimates.

The unit cost of providing health services in Western Australian hospitals, known as the State Price, has also been re-based to reflect new activity weightings and classifications by the Independent Hospital Pricing Authority.

To drive better performance in hospital services, the forward estimates are predicated on transitioning the State Price to the projected national average cost within the timeframe for the completion of the WA Health Reform Program (i.e. by 2020-21).

The WA Health Reform Program includes projects which will improve system governance, performance, support services and procurement, as well as deliver service reconfigurations (including the commissioning of the Fiona Stanley Hospital, Perth Children's Hospital and Midland Public Hospital).

In 2015-16, approved hospital expenditure will increase by \$242.7 million (or 4.6%). This will provide approximately 12,000 additional inpatient admissions, 48,000 additional emergency department presentations, and 59,000 additional out-patient occasions of service.

Own Source Revenue

As a result of revisions and improvements to WA Health's own source revenue projections, additional recurrent expenditure has been approved totalling \$128 million over the five years to 2018-19, primarily reflecting increases in direct grants and subsidies expenditure, including drug and alcohol programs, rural health service programs, and aids and equipment.

Aboriginal Health Programs

An additional \$49.3 million over three years will be spent on continuing WA Health's Aboriginal health programs (previously funded as Closing the Gap and Indigenous Early Childhood Development programs).

Multi-purpose Services Program Agreement

An amount of \$27.4 million will be spent in 2014-15 to improve access to health and aged care services in rural communities, following finalisation of the Multi-purpose Services Program Agreement with the Commonwealth.

Treating More Public Dental Patients National Partnership

An additional \$13 million will be spent in 2014-15 to reduce waiting times for public dental care and provide additional services to eligible people who are unable to access dental care. The increase in expenditure is a result of a variation to the Treating More Public Dental Patients National Partnership Agreement.

Settlement of pre-RiskCover claim

An amount of \$11.7 million has been approved in 2014-15 to meet the settlement cost for an insurance claim that pre-dates the Government RiskCover scheme (established on 1 July 1997). The incident occurred in April 1996 at the Port Hedland Hospital and was settled in November 2014.

Hannah's House Respite Care

An additional \$250,000 will be spent over two years from 2015-16 to support Hannah's House Respite Care.

Revisions to National Health Reform Agreement Funding

Whilst not impacting total expenses, additional State appropriation funding of \$196.4 million over the forward estimates period will be provided to meet a further shortfall in Commonwealth funding under the National Health Reform Agreement (NHRA).

This reduction in Western Australia's NHRA funding was announced in the Commonwealth's *2014-15 Mid-year Economic and Fiscal Outlook*, and follows a \$300.6 million reduction in funding announced by the Commonwealth in its 2014-15 Budget.

To maintain the existing levels of hospital services expenditure the State continues to meet these shortfalls through increased appropriation funding.

Western Australian Tourism Commission

Events Funding

Additional recurrent expenditure of \$20.5 million has been allocated over 2015-16 to 2018-19 to assist the Commission to deliver State-wide tourism events.

Royalties for Regions – Additional Tourism Marketing

Up to \$11 million will be spent over 2015-16 and 2016-17 for new tourism marketing campaigns in Australia and overseas to boost and extend the Regional Tourism Marketing Program. This fulfils an election commitment to provide additional expenditure for tourism marketing.

Perth Convention Bureau

A total of \$6.2 million will be spent over 2016-17 to 2018-19 to assist the Perth Convention Bureau in bringing business events into the State by marketing Western Australia nationally and internationally as a destination for conventions, exhibitions and travel groups.

National Partnership Project Agreement – Tourism Demand Driver Infrastructure

Under the National Partnership Project Agreement with the Commonwealth Government, the Commission will distribute funds totalling \$5.1 million from 2014-15 to 2017-18 to recipients (on a matched funding basis) for 'demand-driver' tourism projects.

Western Australian Visitor Centre

An additional \$1.2 million will be spent in 2016-17 to enable the Western Australian Visitor Centre to continue providing visitors with information on destinations, attractions and tourism products across the State.

Rottnest Island Authority

Structural Integrity Works

Additional expenditure of \$11.3 million over three years from 2015-16 has been approved to continue the rectification of structural integrity works relating to accommodation units and commercial buildings and to ensure compliance with occupational health and safety standards.

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

Table 5

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Regional Development					
– Workforce Renewal Policy	-0.1		-1.4	-2.0	-2.1
Pilbara Development Commission					
– Targeted Voluntary Separation Scheme	0.1		-	-	-
Lands					
– Divestment Fund	-		8.3	0.3	0.3
– Digitisation of Records	-		0.7	0.7	0.7
– Contaminated Sites	0.3		-(a)	-(a)	-(a)
– Workforce Renewal Policy	-(a)		-0.6	-0.9	-1.3
Western Australian Land Authority (LandCorp)^(b)					
– Land Divestment Operating Subsidy	-		-1.0	-1.0	-1.0
Western Australian Land Information Authority (Landgate)					
– Workforce Renewal Policy	-(a)		-0.6	-0.9	-1.2
– Strategic Development Plan	2.6		4.7	-1.9	-6.8

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

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

Lands

Divestment Fund

Recurrent expenditure of \$17.2 million over four years has been approved for the Department to create a Divestment Fund to meet the cost of preparing assets identified under the Land Sales Asset Process Stage 1 for sale.

Digitisation of Records

Recurrent spending of \$2.7 million over four years has been approved to enable the Department to digitise 20% of its records and for the ongoing creation of new digital files and storage. This is in addition to \$2.5 million in approved capital expenditure (see Chapter 6).

Contaminated Sites

The Department will spend an additional \$1.1 million over five years to meet its obligations for the management of hazardous waste and contaminated sites.

Western Australian Land Authority (LandCorp)

Land Divestment Operating Subsidy

An operating subsidy of \$1 million per annum, used to prepare surplus government land for sale, will not be paid to LandCorp from 2015-16 as this responsibility has now been assumed by the Department of Lands' Divestment Fund.

Western Australian Land Information Authority (Landgate)

Strategic Development Plan

An additional \$12.1 million will be spent over 2014-15 to 2016-17 on a number of strategic projects including the Transform program (implementing business system and process changes), improvements to electronic conveyancing and the reform of the *Strata Titles Act 1985*. Efficiencies totalling \$8.6 million will be achieved from 2017-18 as a result of the implementation of these reforms.

MINISTER FOR EDUCATION; ABORIGINAL AFFAIRS; ELECTORAL AFFAIRS

Table 6

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Education					
– Maintenance Program	-	15.7	-	-	-
– Public School Chaplains	0.9	4.3	2.5	-	-
– Leave Liability Review	-55.3	-0.3	-10.0	14.7	38.7
– Student Information System	-1.0	-3.1	-10.2	-2.5	-5.4
– Revision to Student Enrolments	-11.0	-22.0	-22.0	-22.0	-22.0
– Reduction to Superannuation Guarantee Rate	-	-12.3	-23.8	-23.8	-23.8
– Commonwealth Funding	-14.2	-31.4	-53.4	-15.0	-
– Workforce Renewal Policy	-3.0	-24.3	-50.1	-77.2	-105.7
Education Services					
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.4	-	-	-
– Workforce Renewal Policy	-(a)	-(a)	-0.1	-0.2	-0.2
School Curriculum and Standards Authority					
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.7	-	-	-
– Workforce Renewal Policy	-0.1	-0.4	-0.8	-1.3	-1.8
Country High School Hostels Authority					
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
– Workforce Renewal Policy	-(a)	-0.2	-0.4	-0.6	-0.8
Aboriginal Affairs					
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.6	-	-	-
– Workforce Renewal Policy	-0.1	-1.1	-1.9	-2.0	-2.1
Western Australian Electoral Commission					
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
– Workforce Renewal Policy	-(a)	-0.1	-0.3	-0.5	-0.5

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

Education

Maintenance Program

An additional \$15.7 million will be spent on an expansion of the Department's schools maintenance program in 2015-16. This expenditure will be directed towards high-priority maintenance requirements to ensure the safety and wellbeing of students and teachers.

Public School Chaplains

An additional \$7.8 million will be spent from 2014-15 to 2016-17 to fund an in-school chaplain in public schools. All 500 schools that applied for the program in the 2015 and 2016 school years will receive funding.

Leave Liability Review

The Department's expense limit has been reduced by a net \$12.2 million over the period 2014-15 to 2018-19 following an independent actuarial review of leave liabilities. As a result of this review:

- expenditure on leave liabilities has been revised down from 2014-15 to 2016-17 due to the successful implementation of leave management strategies and the outcomes of a review of the methodology used to calculate liabilities; and
- expenditure will increase from 2017-18 onwards due to the combined effect of higher staff levels and assumed pay increases (however, the Department is forecast to still remain within its leave liability cap).

Student Information System

The Department will reallocate recurrent expenditure totalling \$22.3 million over the forward estimates period to its Asset Investment Program in order to fund the development of an updated Student Information System (see Chapter 6).

Revision to Student Enrolments

Lower than previously forecast school enrolments in 2015 will see recurrent expenditure reduced by \$11 million in 2014-15 (half-year impact) and \$22 million per annum from 2015-16 through to 2018-19. Since the introduction of the Student-Centred Funding Model in the 2014-15 Budget, school expenditure has been funded on an actual per-student basis.

Reduction to Superannuation Guarantee Rate

In the 2014-15 Commonwealth Budget, the Superannuation Guarantee rate was frozen at 9.5% from 2014-15 onwards. This Budget reduces agency appropriations to reflect the Commonwealth's latest decision. As a result there is a reduction in the Department's superannuation expenses of \$83.7 million over the forward estimates period.

Commonwealth Funding

Commonwealth *Students First* funding will decrease by \$114 million across the forward estimates period to reflect actual enrolments in 2015 that are lower than originally forecast.

MINISTER FOR PLANNING; CULTURE AND THE ARTS

Table 7

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Planning					
– Perry Lakes Project – Payment to the Town of Cambridge (Administered)	26.8	-	23.2	-	-
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.8	-	-	-
– Workforce Renewal Policy	-0.1	-0.6	-1.2	-1.8	-2.5
Western Australian Planning Commission					
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
Culture and the Arts					
– Portfolio Structural Deficits	4.2	-	-	-	-
– Albany Entertainment Centre	-	-59.0	3.1	3.1	3.2
– Workforce Renewal Policy	-0.1	-1.0	-2.0	-3.1	-4.3
– Targeted Voluntary Separation Scheme	0.7	-	-	-	-

Planning

Perry Lakes Project - Payment to the Town of Cambridge (Administered)

Land with an estimated value of \$26.8 million will be transferred to the Town of Cambridge in 2014-15. This will be followed by a cash payment of up to \$23.2 million in 2016-17 to allow for the finalisation of the Perry Lakes development project under the *Perry Lakes Development Act 2005*.

Culture and the Arts

Portfolio Structural Deficits

Additional expenditure of \$4.2 million in 2014-15 has been approved to address increased costs relating to the operations of the Western Australian Museum, State Library and the Art Gallery of Western Australia. The Department is participating in the second tranche of the Agency Expenditure Review process, the outcome of which is expected to address funding pressures across the forward estimates period.

Albany Entertainment Centre

The Government has decided to defer the proposed transfer of the Albany Entertainment Centre to the City of Albany (meaning that this asset is no longer being expensed in 2015-16). In order to meet the resulting depreciation and other operating expenses arising from continued State ownership, additional recurrent expenditure of approximately \$3 million per annum has been approved.

MINISTER FOR POLICE; ROAD SAFETY; TRAINING AND WORKFORCE DEVELOPMENT; WOMEN'S INTERESTS

Table 8

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Western Australia Police					
– Closed Circuit Television Network	-	2.0	2.0	-	-
– Road Trauma Trust Account – Enhanced Automated Speed Enforcement	1.3	2.2	-	-	-
– Planning for Armadale Justice Complex	-	0.2	-	-	-
– Extension of Pilot Mental Health Court Diversion Program	-	0.2	-	-	-
– Workforce Renewal Policy	-0.6	-5.1	-10.5	-16.1	-22.0
Training and Workforce Development					
– Student Management System	-5.0	-5.0	-2.3	1.3	1.3
– Agency Expenditure Review Savings	-	-14.5	-16.5	-17.0	-16.0
– Workforce Renewal Policy	-0.1	-1.1	-2.3	-3.5	-4.9
State Training Providers					
– Targeted Voluntary Separation Scheme	15.8	-	-	-	-
– Workforce Renewal Policy	-0.7	-5.7	-11.4	-17.3	-23.3

Western Australia Police

Closed Circuit Television Network

An additional \$4 million will be spent over 2015-16 and 2016-17 to provide grants to successful applicants for the construction of closed circuit television infrastructure, with a focus on high crime locations. A further \$3 million in capital expenditure has also been approved (see Chapter 6).

Road Trauma Trust Account – Enhanced Automated Speed Enforcement

An amount of \$3.5 million will be spent over 2014-15 and 2015-16 to meet the operational costs resulting from an increase in the number and usage of fixed speed and red light intersection cameras. A further \$1.7 million in capital expenditure will be spent on associated projects (see Chapter 6).

Planning for Armadale Justice Complex

Spending of \$200,000 in 2015-16 will enable planning to determine the appropriate site and scope of the proposed Armadale Justice Complex.

Extension of Pilot Mental Health Court Diversion Program

An additional \$219,000 will be spent by Western Australia Police in 2015-16 to support a one year extension of the Pilot Mental Health Court Diversion Program. This spending will meet the costs for a Police prosecutor and related administrative support.

Training and Workforce Development

Student Management System

The Department will reduce operational spending by \$13 million across the forward estimates period, with the savings to be redirected towards investment in a new Student Management System (see Chapter 6). Depreciation expenses associated with the new system are expected to increase over the period 2016-17 to 2018-19, resulting in a net expenditure reduction of \$9.7 million across the forward estimates period.

MINISTER FOR MENTAL HEALTH; DISABILITY SERVICES; CHILD PROTECTION

Table 9

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Mental Health Commission					
– Suicide Prevention Strategy	-	4.1	6.8	7.3	7.7
– Mental Health Hospital Services – Revised Activity and Cost Settings ^(a)	-	5.3	6.2	9.4	2.4
– Royalties for Regions – Sub-acute Services in Karratha and Bunbury	-	-	4.0	6.5	6.7
– Extension of Pilot Mental Health Court Diversion Program	-	3.5	-	-	-
– Workforce Renewal Policy					
▪ Mental Health Commission	-0.1	-0.7	-1.5	-2.3	-3.1
▪ Hospital Services	-0.5	-3.9	-8.0	-12.7	-15.4
Disability Services					
– National Partnership Agreement on Pay Equity for the Social and Community Services Sector	1.2	25.8	-	-	-
– Workforce Renewal Policy	-0.4	-3.3	-6.8	-10.5	-14.4
Child Protection and Family Support					
– Growth in Demand for Child Protection Services	-	16.5	34.8	53.3	67.3
– National Partnership Agreement on Homelessness	-	17.4	17.4	-	-
– Royalties for Regions – Responsible Parenting Services	-	10.6	-	-	-
– National Affordable Housing Agreement Homelessness Services	-	3.6	3.7	-	-
– National Partnership Agreement on Pay Equity for the Social and Community Services Sector	0.5	5.0	-	-	-
– Hardship Utility Grant Scheme	-	6.4	-2.3	-2.3	-2.3
– Targeted Voluntary Separation Scheme	2.4	-	-	-	-
– Workforce Renewal Policy	-0.7	-5.5	-11.3	-17.4	-23.7

(a) The expenditure consists of payments to WA Health for the delivery of mental health hospital services.

Mental Health Commission

Suicide Prevention Strategy

The Government has approved expenditure of \$25.9 million over the next four years on a new Suicide Prevention Strategy. This spending will build on existing initiatives to improve public awareness, deliver coordinated and targeted services to high-risk groups, increase suicide prevention training and promote the improved use of evidence in the development of responses and services.

Mental Health Hospital Services – Revised Activity and Cost Settings

Additional expenditure of \$23.2 million over 2015-16 to 2018-19 has been approved to reflect revised activity and cost settings for public mental health hospital services. The expenditure is reflected in payments to WA Health for the delivery of mental health hospital services.

Mental health hospital activity is expected to increase by 2.1% in 2015-16 and an average of 2.2% in each year of the forward estimates.

The unit cost of providing mental health services in Western Australian hospitals, known as the Mental Health State Price, has been established this year to reflect expenditure on mental health services under the new activity weightings and classifications by the Independent Hospital Pricing Authority.

The forward estimates are predicated on transitioning the Mental Health State Price to the projected national average cost within the timeframe for the completion of the WA Health Reform Program (i.e. by 2020-21).

This approach recognises the role of WA Health as the provider of mental health hospital services and that the financial risks associated with delivering mental health hospital services are borne by WA Health.

Royalties for Regions – Sub-acute Services in Karratha and Bunbury

Additional expenditure of \$17.2 million from 2016-17 to 2018-19 will support newly-established mental health sub-acute services in Karratha (six bed service) and Bunbury (ten bed service).

Sub-acute services provide assistance to people following a period of acute mental health care, assisting with transition of patients back into their community. Sub-acute services also support the management of mental health conditions that do not require inpatient treatment. This expenditure complements additional capital expenditure of \$10.7 million for sub-acute services (see Chapter 6).

Extension of Pilot Mental Health Court Diversion Program

An additional \$3.5 million will be spent by the Mental Health Commission in 2015-16 to support a one year extension of the Pilot Mental Health Court Diversion Program in both the adult and juvenile courts. Across all relevant agencies, total expenditure of \$4.7 million in 2015-16 has been approved for this extension.

Disability Services

National Partnership Agreement on Pay Equity for the Social and Community Services Sector

An amount of up to \$27 million will be spent over 2014-15 and 2015-16 providing eligible disability services providers with backdated wage supplementation. The spending relates to increased funding from the Commonwealth as a result of the Fair Work Australia decision of 1 February 2012 to increase wages in the social and community services sector.

Child Protection and Family Support

Growth in Demand for Child Protection Services

Additional expenditure of \$171.9 million over 2015-16 to 2018-19 has been approved to meet forecast growth in demand for core child protection services.

In 2015-16, the Department will provide support to over 5,000 children and young people in care, assess the safety of an estimated 18,000 children and young people who are the subject of child protection concerns, and support an estimated 80,000 at-risk and vulnerable individuals and families.

National Partnership Agreement on Homelessness

An additional \$34.8 million will be spent between 2015-16 and 2016-17 to continue the National Partnership Agreement on Homelessness (NPAH) for two years. This includes \$15 million per annum from the continuation of the Commonwealth's contribution under the NPAH and an additional \$2.5 million per annum of State funding to maintain existing State NPAH services.

Royalties for Regions – Responsible Parenting Services

An additional \$10.6 million will be spent in 2015-16 to continue to fund Responsible Parenting Services in six regional locations.

National Affordable Housing Agreement Homelessness Services

Additional expenditure of \$7.3 million over 2015-16 and 2016-17 has been approved to maintain existing levels of State funded homelessness services under the National Affordable Housing Agreement.

National Partnership Agreement on Pay Equity for the Social and Community Services Sector

An additional \$5.5 million will be spent between 2014-15 and 2015-16 on providing eligible homelessness services providers with backdated wage supplementation. The spending relates to increased funding from the Commonwealth as a result of the Fair Work Australia decision of 1 February 2012 to increase wages in the social and community services sector.

Hardship Utility Grant Scheme

An additional \$8.2 million has been allocated in 2015-16 for the Hardship Utility Grant Scheme (HUGS). This will bring total grant funding to assist households in financial hardship to pay their utility bills to \$9.7 million in 2015-16.

Savings of \$8.8 million are expected over the forward estimates period (including \$1.8 million in 2015-16) as a result of the cessation of financial counselling services under the scheme.

ATTORNEY GENERAL; MINISTER FOR COMMERCE

Table 10

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Attorney General					
– 2015-16 Tariffs, Fees and Charges Review	-	6.3	6.5	6.6	9.6
– Extension of Pilot Enhanced Fines Enforcement Measures Project	-	1.5	1.5	0.2	-
– Extension of Pilot Mental Health Court Diversion Program	-	0.7	-	-	-
– Resolution of Native Title in the South West of Western Australia – State Solicitor's Office	-	0.3	-	-	-
– Agency Expenditure Review Savings ^(a)	-	-6.9	-6.9	-6.9	-6.9
– Workforce Renewal Policy	-0.4	-3.3	-6.7	-10.3	-14.1
Corruption and Crime Commission					
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.6	-	-	-
– Workforce Renewal Policy	-0.1	-1.0	-2.0	-2.4	-2.4
Office of the Director of Public Prosecutions					
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.6	-	-	-
– Workforce Renewal Policy	-0.1	-0.8	-1.7	-2.7	-3.0
Commissioner for Children and Young People					
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
Office of the Information Commissioner					
– 2015-16 Streamlined Budget Process Incentive Funding	-	-(b)	-	-	-
Parliamentary Inspector of the Corruption and Crime Commission					
– 2015-16 Streamlined Budget Process Incentive Funding	-	-(b)	-	-	-
Legal Aid Commission					
– Extension of Pilot Mental Health Court Diversion Program	-	0.2	-	-	-
– Workforce Renewal Policy	-0.1	-0.5	-1.1	-1.7	-2.4
– Agency Expenditure Review Savings ^(a)	-	-1.4	-1.4	-1.4	-1.4
Commerce					
– Home Indemnity Insurance	23.2	28.9	20.7	16.3	12.0
– 2015-16 Tariffs, Fees and Charges	-	3.9	4.2	4.5	5.4
– Building Commission – Industry Reform	-	2.5	2.7	2.3	2.1
– Depreciation and Amortisation Expense	-	-3.8	-3.4	-0.7	0.5
– Targeted Voluntary Separation Scheme	1.7	-	-	-	-
– Workforce Renewal Policy	-0.2	-1.9	-4.0	-6.1	-8.4
– Agency Expenditure Review Savings	-	-5.7	-5.8	-6.2	-5.6
Registrar, Western Australian Industrial Relations Commission					
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
– Targeted Voluntary Separation Scheme	0.1	-	-	-	-
– Workforce Renewal Policy	-(b)	-0.2	-0.3	-0.5	-0.7

(a) A portion of the Department of the Attorney General's Agency Expenditure Review savings has been allocated to the Legal Aid Commission.

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

Attorney General

2015-16 Tariffs, Fees and Charges Review

An additional \$28.9 million from 2015-16 to 2018-19 will be spent to meet an increase in costs associated with the delivery of services provided by courts and tribunals; the Public Trustee; and the Registry of Births, Deaths and Marriages. These additional costs will be met through increased revenue generated from fee increases and revised demand forecasts.

Extension of Pilot Enhanced Fines Enforcement Measures Project

An additional \$3.2 million from 2015-16 to 2017-18 will be spent to enable the completion of the three year pilot and evaluation of the Enhanced Fines Enforcement Measures Project. This project funds a Criminal Enforcement Team to implement a range of new enforcement sanctions to enhance the recovery of outstanding fines or infringements.

Extension of Pilot Mental Health Court Diversion Program

An additional \$746,000 will be spent by the Department in 2015-16 to support a one year extension of the Pilot Mental Health Court Diversion Program in the Perth Magistrates Court. This program provides individualised support, treatment and ongoing judicial monitoring.

Resolution of Native Title in the South West of Western Australia (Settlement) – State Solicitor’s Office

An additional \$335,000 will be spent in 2015-16 by the Department on State Solicitor’s Office costs to draft legal documentation for the finalisation of the Settlement.

Legal Aid Commission

Extension of Pilot Mental Health Court Diversion Program

Up to \$204,000 will be spent in 2015-16 by the Commission to support a one year extension of the Pilot Mental Health Court Diversion Program. The program will provide duty lawyer services.

Commerce

Home Indemnity Insurance

Administration and claims expenditure for the Home Indemnity Insurance (HII) scheme is projected to increase by \$101.1 million over the period 2014-15 to 2018-19, following receipt of an actuarial assessment of the State’s current and projected exposure to the scheme. The additional expenditure will be funded from premium revenue, with the Government approving an increase in the average premium rate across the HII market from 0.34% to 0.4% in 2015-16.

2015-16 Tariffs, Fees and Charges

Additional expenditure of \$18.1 million over the forward estimates period has been approved to meet increased costs for the services provided to industry through the Building Commission, Consumer Protection and Energy Safety divisions. This increase in expenditure will be funded through own source revenue.

Building Commission – Industry Reform

Additional expenditure of \$9.6 million over the four years to 2018-19, funded through own source revenue, has been approved for the Building Commission to progress Stage 2 of the Building and Plumbing Regulation Reform.

Depreciation and Amortisation Expense

A net reduction in expenditure of \$7.4 million over the forward estimates period has been approved as a result of changes in depreciation and amortisation expenses. The changes reflect the approval of the Department's revised Asset Investment Program, and delays in the commencement of various projects following the relocation of office accommodation to the Mason Bird Building (Cannington) and Gordon Stephenson House (Perth).

MINISTER FOR FINANCE; MINES AND PETROLEUM

Table 11

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Finance					
– First Home Owner Grant – Growth Forecast	20.6	19.6	19.9	20.0	19.8
– Electricity Market Review	-	4.2	-	-	-
– First Home Owner Grant – Removal for Established Homes	-	-25.2	-27.7	-28.0	-28.1
– Workforce Renewal Policy	-0.2	-1.4	-3.0	-4.6	-6.3
Mines and Petroleum					
– Reforming Environment Regulation Initiative	2.4	2.7	2.8	2.9	2.9
– Resolution of Native Title in the South West of Western Australia (Settlement)	-	0.3	-	-	-
– Mineral House Lift Upgrade	-	-	-	0.1	0.1
– Workforce Renewal Policy	-0.3	-1.3	-2.7	-4.3	-5.9

Finance

First Home Owner Grant – Growth Forecast

The First Home Owner Grant (FHOG) expense for 2014-15 is estimated to be \$20.6 million higher than forecast in the 2014-15 Mid-year Review, primarily reflecting stronger than expected demand from buyers for new homes. This higher estimate for 2014-15 leads to an increase in estimated expenses of \$79.3 million over the four years to 2018-19 (albeit, this is more than offset by savings from the removal of the \$3,000 grant for established homes – see below).

Electricity Market Review

The Department's Public Utilities Office will spend \$4.2 million in 2015-16 on external consultant support relating to the implementation of the network reform recommendations associated with Phase 2 of the Electricity Market Review.

First Home Owner Grant - Removal for Established Homes

Savings of \$109 million over the four years to 2018-19 are expected from the decision to remove the \$3,000 FHOG for purchases of an established home (part of the revenue and savings measures announced in this Budget – see Chapter 1).

A \$10,000 FHOG will continue to be available for eligible first home buyers who purchase a new home. The existing transfer duty concession for first home buyers of an established or new home will also continue.

Removal of the \$3,000 FHOG for established homes is consistent with the Government's policy intent, which is to encourage more first home buyers to buy or build a new home, rather than an established home, in order to increase the stock of new housing and improve housing affordability. It will also bring Western Australia into line with all other States and Territories.

Mines and Petroleum

Reforming Environment Regulation Initiative

A total of \$13.7 million over five years from 2014-15 has been approved to continue regulatory activities under the *Mining Act 1978* related to the assessment of mining proposals and programs of work activities. From 2015-16, this expenditure will be fully offset by revenue raised from industry.

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

An additional \$296,000 will be spent in 2015-16 on implementation costs associated with the finalisation of the Settlement, primarily on the assessment of statutory approvals for the creation of the Noongar Land Estate.

Mineral House Lift Upgrade

An additional \$180,000 over two years from 2017-18 has been allocated to meet depreciation expenses associated with the upgrade of lifts at Mineral House. A further \$3.4 million in capital expenditure has also been approved for this project (see Chapter 6).

MINISTER FOR AGRICULTURE AND FOOD; FISHERIES

Table 12

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Agriculture and Food					
– Revised Financial Forecasts	-13.0	-8.1	-11.7	-10.0	-23.1
– Targeted Voluntary Separation Scheme	3.8	-	-	-	-
– Agency Expenditure Review Savings	-	-3.5	-3.5	-3.3	-3.0
– Workforce Renewal Policy	-0.3	-2.7	-5.5	-8.4	-11.5
Rural Business Development Corporation					
– 2015-16 Streamlined Budget Process Incentive Funding	-	-(a)	-	-	-
Fisheries					
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.9	-	-	-
– Workforce Renewal Policy	-0.1	-0.4	-0.9	-1.3	-1.8
– Agency Expenditure Review Savings	-	-4.6	-4.7	-4.9	-5.0

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

Agriculture and Food

Revised Financial Forecasts

Expenditure is expected to reduce by \$66 million between 2014-15 and 2018-19 as a result of the agency revising its financial forecasts to achieve a balanced budget across the forward estimates period. The expenditure reductions include a range of internal savings measures, comprising a number of redundancies and ceasing or reducing a number of low priority programs.

TREASURER; MINISTER FOR ENERGY; CITIZENSHIP AND MULTICULTURAL INTERESTS

Table 13

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Treasury					
– Sale of Port Assets	4.1	16.8	0.3	-	-
– Sale of Perth Market Authority	1.4	1.1	-	-	-
– Agency Expenditure Review – Independent Chair	0.1	0.1	-	-	-
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.8	-	-	-
– Workforce Renewal Policy	-0.1	-0.8	-1.6	-2.5	-3.4
Economic Regulation Authority					
– 2015-16 Streamlined Budget Process Incentive Funding	-	-(a)	-	-	-
– Workforce Renewal Policy	-(a)	-0.1	-0.2	-0.3	-0.5
Office of the Auditor General					
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
– Workforce Renewal Policy	-(a)	-0.2	-0.4	-0.6	-0.8
Horizon Power ^(b)					
– Operating Subsidy for Electricity Concessions, Rebates and Remote Communities	-	-4.9	-0.3	-0.4	-0.4
– Operating Subsidy for Electricity Tariffs	-	2.7	2.7	-18.2	-7.7
Synergy ^(b)					
– Operating Subsidy for Electricity Concessions and Rebates	-	-23.6	-25.4	-21.1	-13.9
– Operating Subsidy for Electricity Tariffs	-0.4	-16.1	-21.9	-74.4	-60.3

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

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

Treasury

Sale of Port Assets

Project funding of \$21.2 million over the period 2014-15 to 2016-17 has been approved to facilitate the sale of Kwinana Bulk Terminal, Utah Point Bulk Handling Facility and any associated assets, land or development rights as part of the Government's asset sales program.

Sale of Perth Market Authority

Project funding of \$2.5 million over two years from 2014-15 has been approved to facilitate the sale of the Perth Market Authority, as part of the Government's asset sales program.

Agency Expenditure Review - Independent Chair

Expenditure of \$288,000 over 2014-15 and 2015-16 has been approved to engage an Independent Chair to oversee Stage 2 of the Government's Agency Expenditure Reviews. These reviews will apply to the Departments of Finance and Commerce, and the Culture and the Arts portfolio.

Horizon Power

Operating Subsidy for Electricity Concessions, Rebates and Remote Communities

The operating subsidy for electricity concessions, rebates and remote communities has been revised down by \$6 million over 2015-16 to 2018-19.

This reduction reflects the withdrawal of \$4.6 million in Commonwealth funding for the Aboriginal and Remote Community Power Supply Project and \$1.4 million in savings as a result of the Energy Assistance Payment (formerly known as the Cost of Living Assistance payment) being means-tested from 1 July 2015.

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 decrease by \$20.6 million over 2015-16 to 2018-19. This is due to lower forecast demand for electricity (\$2 million) and lower cost-reflective rates (\$31.1 million), partly offset by the revised residential tariff increase of 4.5% in 2015-16 rather than the previously assumed 7%.

Synergy

Operating Subsidy for Electricity Concessions and Rebates

The forecast value of electricity concessions and rebates has been revised down by \$83.9 million over 2015-16 to 2018-19. This is largely due to the Energy Assistance Payment (formerly known as the Cost of Living Assistance payment) being means-tested from 1 July 2015.

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 decrease by \$172.7 million over 2015-16 to 2018-19. This is due to a \$339.8 million reduction in Synergy's costs associated with changes in demand, its business efficiency drive and the adoption of a Long Run Marginal Cost operating subsidy model. These savings are partly offset by the revised residential tariff increase of 4.5% in 2015-16 rather than the previously assumed 7% (\$167.1 million).

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

Table 14
MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Local Government and Communities					
– Grandcarers Support Scheme	-	0.3	0.4	0.5	0.6
– Seniors Safety and Security Rebate	-	-1.0	-1.0	-	-
– Metropolitan Local Government Reform	-5.0	-5.0	-5.0	-	-
– Seniors Cost of Living Rebate	-	-22.9	-24.6	-23.1	-21.6
– Workforce Renewal Policy	-0.1	-0.6	-1.3	-2.1	-2.8

Local Government and Communities

Grandcarers Support Scheme

The Government will spend an additional \$1.8 million over the next four years on the Grandcarers Support Scheme, which provides assistance to grandparents caring for their grandchildren who are not receiving formal foster care payments.

Seniors Safety and Security Rebate

The Seniors Safety and Security Rebate will cease in 2014-15, delivering savings of \$1 million per annum in 2015-16 and 2016-17, with the savings redirected to the Grandcarers Support Scheme.

Metropolitan Local Government Reform

There is a reduction of \$5 million per annum from 2014-15 to 2016-17 in previously approved grant funding as a result of the decision to discontinue the proposed metropolitan local government reforms. Further savings of \$2.7 million from 2015-16 to 2018-19, previously allocated for a subsidised loan facility, will also arise.

Seniors Cost of Living Rebate

As part of a package of reforms to social concessions (see feature box earlier in this chapter), the seniors Cost of Living rebate will be maintained at current levels (indexed by the Consumer Price Index) from 2015-16 onwards. Relative to the 2014-15 Mid-year Review forward estimates, this will deliver savings of \$92.2 million over 2015-16 to 2018-19.

MINISTER FOR ENVIRONMENT; HERITAGE

Table 15

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Parks and Wildlife					
– Royalties for Regions – Prescribed Burning		3.5	5.5	5.5	5.5
– Targeted Voluntary Separation Scheme	3.9	-	-	-	-
– Workforce Renewal Policy	-0.1	-1.1	-2.2	-3.4	-4.7
– Agency Expenditure Review Savings	-	-4.3	-4.3	-4.3	-4.3
Botanic Gardens and Parks Authority					
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.3	-	-	-
– Workforce Renewal Policy	-(a)	-0.3	-0.5	-0.8	-1.0
Office of the Environmental Protection Authority					
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.3	-	-	-
– Workforce Renewal Policy	-(a)	-0.1	-0.3	-0.4	-0.6
Zoological Parks Authority					
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.2	-	-	-
– Workforce Renewal Policy	-(a)	-0.2	-0.4	-0.7	-0.9
Heritage Council of Western Australia					
– 2015-16 Streamlined Budget Process Incentive Funding	-	-(a)	-	-	-
State Heritage Office					
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.2	-	-	-
National Trust of Australia (WA)					
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-

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

Parks and Wildlife

Royalties for Regions – Prescribed Burning

An additional \$20 million will be spent from 2015-16 to 2018-19 to develop and implement an enhanced prescribed burning program in the South West region.

MINISTER FOR EMERGENCY SERVICES; CORRECTIVE SERVICES; SMALL BUSINESS; VETERANS

Table 16
MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Fire and Emergency Services					
– Reinstatement of Procurement Savings	-	5.1	5.3	5.6	-
– Bushfire Risk Management Planning	1.5	3.0	-	-	-
– Geraldton Sea Rescue Group	-	0.8	-	-	-
– Workforce Renewal Policy	-(a)	-0.1	-0.3	-0.5	-0.6
State Emergency Management Committee Secretariat					
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
Corrective Services					
– Reduction in RiskCover Premiums	-	-2.4	-3.1	-7.4	-7.4
– Targeted Voluntary Separation Scheme	8.4	-	-	-	-
– Workforce Renewal Policy	-1.3	-10.8	-22.1	-34.1	-46.6
Office of the Inspector of Custodial Services					
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
Small Business Development Corporation					
– Business Migration Program	-	0.3	0.3	0.3	0.3
– Workforce Renewal Policy	-(a)	-0.1	-0.2	-0.2	-0.3

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

Fire and Emergency Services

Reinstatement of Procurement Savings

An amount of \$16 million for procurement savings identified as part of the 2014-15 Mid-year Review will be reinstated over the period 2015-16 to 2017-18. This is in recognition of the essential nature of most of the Department's procurement expenditure (on appliances, facilities and equipment for fire and emergency services), as well as the external funding source for this expenditure (the Emergency Services Levy).

Bushfire Risk Management Planning

An additional \$4.5 million will be spent over 2014-15 and 2015-16 for the continuation of the Bushfire Risk Management Planning Pilot Program that includes the establishment of a number of Local Government Bushfire Risk Management Plans.

Geraldton Sea Rescue Group

An amount of \$800,000 will be spent in 2015-16 to provide for the relocation of the Geraldton Sea Rescue Headquarters.

Corrective Services

Reduction in RiskCover Premiums

Expenditure has been reduced by \$20.3 million from 2015-16 to 2018-19 as a result of a reduction in RiskCover premiums. Insurance premium projections have been revised downwards due to a number of factors, including prior year adjustments based on actual claims performance for both motor vehicle and workers' compensation insurance.

Small Business Development Corporation

Business Migration Program

Total spending of \$1.2 million from 2015-16 to 2018-19 has been approved for the continuation of the Business Migration Program, to assess and support qualifying business migrants with State nomination to lodge an Australian visa application.

MINISTER FOR WATER; SPORT AND RECREATION; FORESTRY

Table 17

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Water					
– 2015-16 Streamlined Budget Process Incentive Funding	-	1.3	-	-	-
– Workforce Renewal Policy	-0.1	-1.2	-2.5	-3.8	-5.1
Water Corporation ^(a)					
– Operating Subsidy	19.3	12.7	-9.1	-14.1	-69.4
Sport and Recreation					
– Ellenbrook Recreation Centre	-	-	-	2.0	5.0
– City of Cockburn	-	3.0	3.0	-	-
– 2015-16 Streamlined Budget Process Incentive Funding	-	0.8	-	-	-
– Workforce Renewal Policy	-(b)	-0.3	-0.7	-1.0	-1.4
Western Australian Sports Centre Trust					
– Workforce Renewal Policy	-(b)	-0.1	-0.3	-0.5	-0.6

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

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

Water Corporation

Operating Subsidy

The value of operating subsidy payments to the Water Corporation, which reflects the difference between the cost of service and charges paid by consumers, will decrease by a total of \$60.6 million from 2014-15 onwards.

The removal of the metropolitan infill sewerage, leaks and bursts operating subsidies, and changes to country wastewater caps, have reduced the subsidy by \$92.6 million. This reduction is partially offset by a \$32 million increase in 2014-15 and 2015-16 due to a delay in achieving the 2014-15 Mid-year Review efficiency savings.

Sport and Recreation

Ellenbrook Recreation Centre

An amount of \$7 million has been approved to contribute to the construction of the City of Swan's Ellenbrook Recreation Centre. The funding will be directed to three indoor multi-purpose courts, gymnasium, change rooms and ancillary facilities, as well as aquatic facilities (subject to the outcome of an aquatic facilities feasibility study).

City of Cockburn

An amount of \$6 million over 2015-16 to 2016-17 has been approved for the development of the new Cockburn Aquatic and Sports complex. This funding was originally to be provided from existing Community Sporting and Recreation Facilities Fund allocations, and is part of a \$10 million commitment by the Government to the project.

MINISTER FOR TRANSPORT

Table 18

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Transport					
– Western Australian Bicycle Network – Principal Shared Path Program	-	-	-	3.7	7.3
– Strategic Transport Model and Travel Surveys	-	-	4.0	2.0	1.0
– Targeted Voluntary Separation Scheme	0.8	-	-	-	-
– Workforce Renewal Policy	-0.1	-0.6	-1.2	-1.8	-2.5
Main Roads					
– Depreciation Expense	-32.7	28.0	33.8	24.8	10.4
– Lloyd Street Midland Railway Underpass Update	-16.5	-	-	-	-
– Traffic Congestion Management Program	-40.0	6.0	3.0	3.0	-
– Capitalised Operational Expenses Update	-17.0	-17.0	-17.0	-	-
– Targeted Voluntary Separation Scheme	1.8	-	-	-	-
– Workforce Renewal Policy	-(a)	-0.1	-0.2	-0.3	-0.4
Public Transport Authority ^(b)					
– Operating Subsidy for Lower Transperth Fare Revenue	9.3	17.7	22.8	31.7	40.5
– Lower Fuel Expenses	-1.0	-8.1	-6.1	-4.7	-3.8
– Workforce Renewal Policy	-0.2	-1.4	-2.8	-4.2	-5.8

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

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

Transport

Western Australian Bicycle Network - Principal Shared Path Program

An additional \$11 million will be spent between 2017-18 and 2018-19 on developing new sections of the Principal Shared Path bicycle network, as part of the Government's implementation of the Western Australian Bicycle Network Plan.

Strategic Transport Model and Travel Surveys

A total of \$8.2 million will be spent between 2015-16 and 2018-19 on new surveys of commercial vehicles and Perth households. Of this, \$1.2 million will be funded from existing departmental resources in 2015-16. This additional spending will facilitate the gathering of new data to enable the Department to more accurately model and predict traveller behaviour while planning for the State's transport infrastructure needs.

Main Roads

Depreciation Expense

Depreciation expense has increased by \$64.3 million over the period to 2018-19, to accurately reflect the latest estimated value of completed roadworks over the period.

Lloyd Street Midland Railway Underpass Update

Recurrent expenditure of \$16.5 million in 2014-15 originally provided towards the Lloyd Street Midland Southern Extension local road project has now been reallocated as capital expenditure applied to the Lloyd Street Midland Railway Underpass project.

Traffic Congestion Management Program

Following the identification of internal savings and reprioritisation, Main Roads will spend \$12 million over three years to 2017-18 on a range of traffic congestion management initiatives on metropolitan roads. These include modelling of congested areas, preparing congestion corridor plans, reviewing peak period ramp operations and the potential for roundabout improvements. A further \$28 million will be invested in network improvements as part of the Asset Investment Program (see Chapter 6).

Capitalised Operational Expenses Update

Recurrent expenditure on preliminary planning works totalling \$17 million per annum over three years to 2016-17 has been capitalised to better reflect the current approved level of Main Roads' asset investment program.

Public Transport Authority

Operating Subsidy for Lower Transperth Fare Revenue

The operating subsidy paid to the Authority will increase by \$122.1 million between 2014-15 and 2018-19, due to lower patronage forecasts and smaller fare increases relative to those assumed in the 2014-15 Budget. In total, the operating subsidy in 2015-16 is expected to be \$787 million, rising to a projected \$927 million by 2018-19.

Lower Fuel Expenses

Expenditure by the Authority on fuel for buses is forecast to decrease by \$23.8 million between 2014-15 and 2018-19, reflecting lower oil prices.

MINISTER FOR HOUSING; RACING AND GAMING

Table 19
MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Housing Authority^(a)					
– Essential and Municipal Services – Remote Aboriginal Communities	-	25.6	-	-	-
Racing, Gaming and Liquor					
– GST Gambling (Race Betting) Rebate (Administered)	2.1	2.9	3.2	3.6	4.2
– VIP (Professional Punters Tax) Rebate (Administered)	1.1	1.1	1.1	-	-
– Removal of Cellar Door Subsidy (Administered)		-2.3	-2.8	-3.0	-3.0
– 2015-16 Streamlined Budget Process Incentive Funding		0.1			
– Workforce Renewal Policy	-(b)	-0.1	-0.2	-0.3	-0.4

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

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

Housing Authority

Essential and Municipal Services – Remote Aboriginal Communities

An additional \$25.6 million will be spent in 2015-16 on the provision of essential and municipal services for Western Australian remote aboriginal communities.

Racing, Gaming and Liquor

GST Gambling (Race Betting) Rebate (Administered)

An additional \$16 million over the five years to 2018-19 in GST rebate payments will be made to Racing and Wagering Western Australia (RWWA). The increase in rebate payments is offset by a corresponding increase in the Betting Tax revenue collected by RWWA.

VIP (Professional Punters Tax) Rebate (Administered)

An additional \$3.3 million in rebate payments will be made to RWWA from 2014-15 to 2016-17. The increase in payments flows from a forecast increase in RWWA's VIP revenue collections over the same period.

Removal of Cellar Door Subsidy (Administered)

Savings totalling \$11 million will be made between 2015-16 and 2018-19 as a result of the removal of cellar door subsidy payments to wine producers under the *Liquor Control Act 1988*. The subsidy is to be removed from 1 July 2015.

PROVISIONS

Table 20

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW					
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Provisions					
- Targeted Voluntary Separation Scheme	-62.6	-	-	-	-
- Provision for Workforce Renewal Policy	67.0	228.9	398.0	577.1	-

Targeted Voluntary Separation Scheme

A provision of \$134 million in salaries expenses was allocated to 2014-15 as a result of the Targeted Voluntary Separation Scheme announced at the time of the 2014-15 Mid-year Review. Of this amount, \$62.6 million in salaries has been allocated to agencies in this Budget, leaving \$71.4 million remaining in the provision.

Employees participating in the scheme are required to leave the sector by 30 June 2015. The actual cost of the scheme will be reported in the 2014-15 *Annual Report on State Finances*, due to be released in September 2015.

Provision for Workforce Renewal Policy

The 2014-15 Mid-year Review included a provision of almost \$1.3 billion for estimated savings relating to the Public Sector Workforce Renewal Policy. Agency savings have now been calculated and allocated to agencies' budgets, so the provision has been removed.

Asset Investment

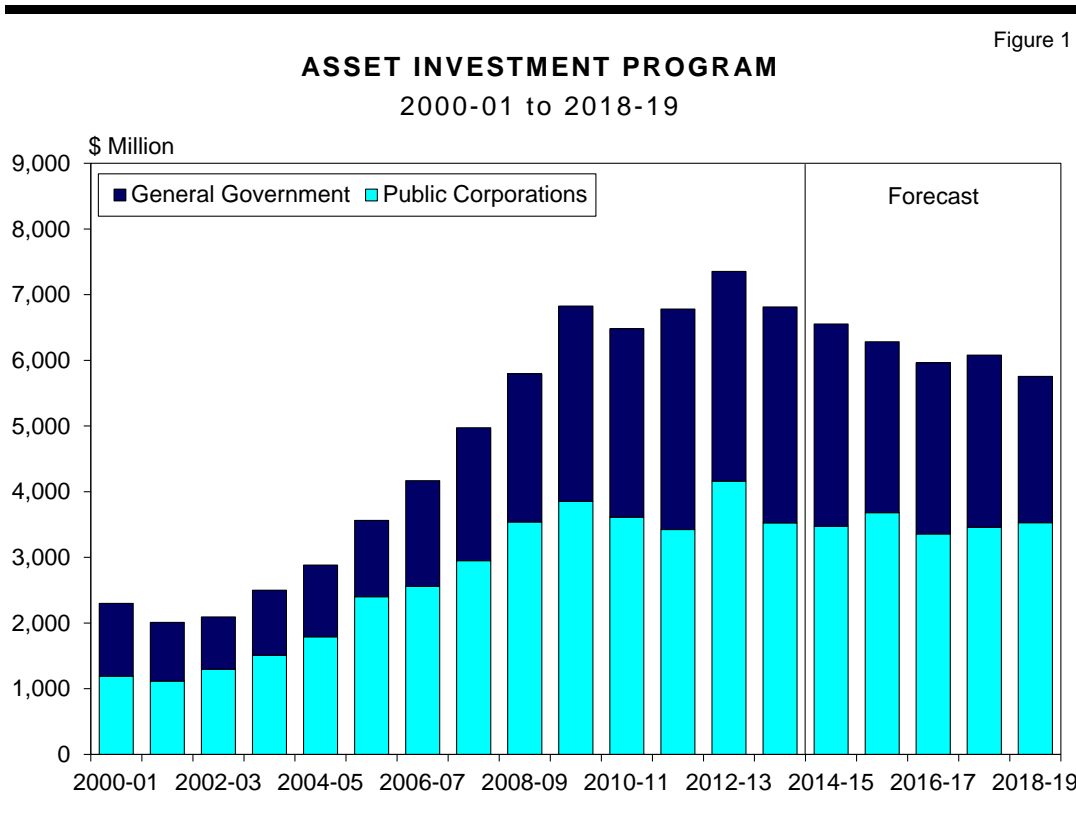
HIGHLIGHTS

- Following an expected Asset Investment Program (AIP) of \$6.6 billion in 2014-15, infrastructure investment by the State Government will moderate slightly to \$6.3 billion in 2015-16, and a total of \$24.1 billion over the forward estimates period.
- This represents a consolidation from the record levels of investment in previous years, as the significant upgrade to the State's hospital infrastructure nears completion, and investment effort focuses on transport infrastructure and the completion of major projects in the Perth metropolitan area (including the new Perth Stadium and the Elizabeth Quay development).
- Efficiency measures announced in the 2014-15 Budget and Mid-year Review have been successfully embedded in agency AIPs, with \$1 billion in (previously announced) savings from lower tender outcomes and cost savings now allocated to specific projects.
- New infrastructure investment in the 2015-16 Budget includes:
 - \$308 million as part of a \$560 million new Social Housing Investment Package that will deliver 1,000 new social housing dwellings and halve the number of seniors and families with children on the priority waitlist;
 - an additional \$191 million over four years for school infrastructure, including the construction and redevelopment of senior high schools in South Baldvis, Yanchep, Willetton and Armadale, the amalgamation of Hamilton Senior High School and South Fremantle Senior High School into the new Fremantle College, and upgrades to Carnarvon and Kinross colleges;
 - \$140 million in 2015-16 for Western Power, primarily for wood pole and electrical conductor management programs;

- \$22 million over three years for the New Women’s Custodial Centre; and
- \$16 million for the Public Transport Authority to replace escalators at the Perth Underground and Esplanade train stations, and a further \$19 million for the Transperth Rail Resilience Package.

Introduction

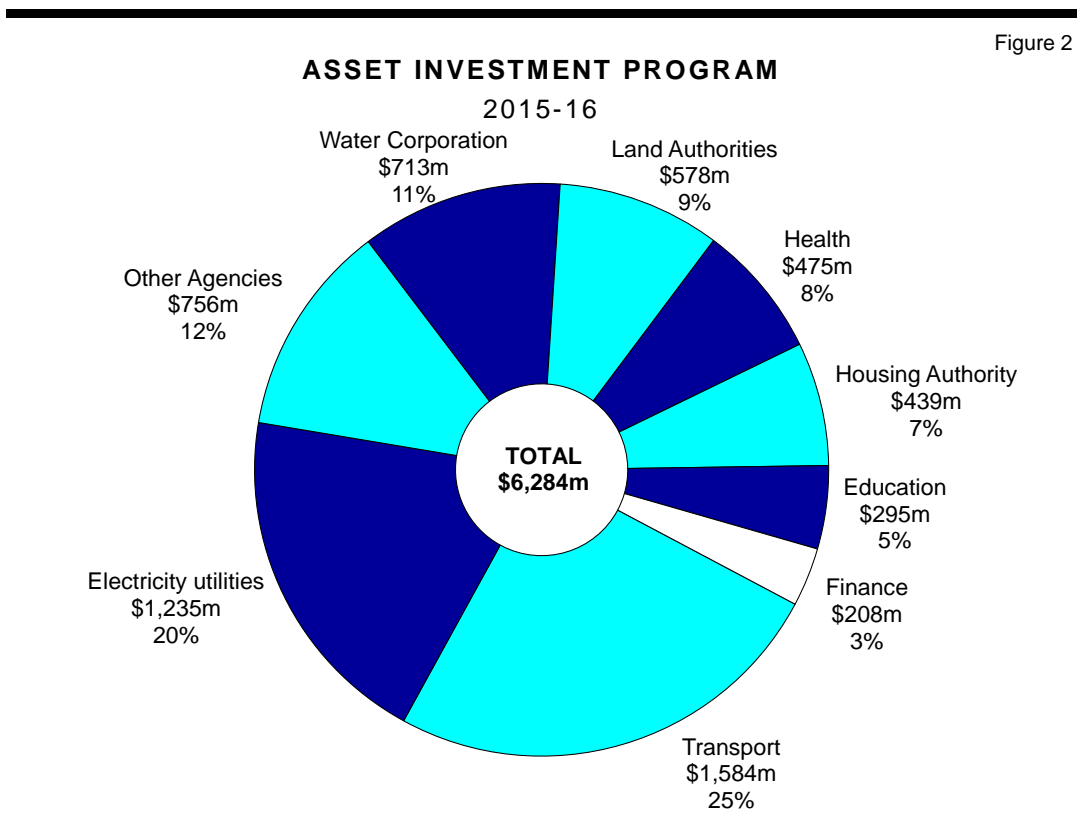
The State’s Asset Investment Program (AIP) (i.e. capital expenditure on fixed assets such as new hospitals, schools, roads and public transport infrastructure) is forecast to total \$24.1 billion over the next four years, including \$6.3 billion in 2015-16. Investment in infrastructure has increased substantially in recent years, as new and upgraded infrastructure facilities have been required to meet the needs of the State’s rapidly growing population and expanding economy (see figure below).



Following record levels of investment in recent years, AIP spending is expected to ease over the next four years as population growth stabilises around its long-run average, and as a major upgrade of the State’s health facilities nears completion. The impact of two rounds of previously announced efficiency savings is also contributing to an easing in infrastructure spending.

AIP spending over the next four years is expected to be characterised by an increasing focus on transport-related infrastructure. Reflecting this, the share of total AIP spending on transport infrastructure will increase from an expected 25% in 2015-16 to 35% by 2018-19.

In 2015-16, the largest contributors to the AIP are electricity, water, transport, health, housing, education, and land development, accounting for around 85% of all AIP spending (see figure below).



With the exception of the Social Housing Investment Package, the AIP is characterised by modest new investments necessary to meet core service delivery needs and deliver the major projects already committed.

Transport

The Government will invest over \$7.4 billion between 2015-16 and 2018-19 on roads and public transport. Major road investment over the forward estimates period includes:

- \$1.6 billion towards the Perth Freight Link over four years, due for completion in 2018-19. This project will provide a strategic urban transport corridor that facilitates the seamless movement of road freight between Fremantle, Perth Airport and the Kewdale industrial precinct, and northwards to Muchea;

- \$777 million for the NorthLink WA – Swan Valley Section. When completed in 2018-19, this new high standard highway from the existing Reid Highway/Tonkin Highway intersection in West Swan to Great Northern Highway near the Brand Highway in Muchea will be a significant improvement to this transportation corridor; and
- \$163 million over the next two years for the completion of Gateway WA in 2016-17. Gateway WA's total project cost is \$989 million 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.

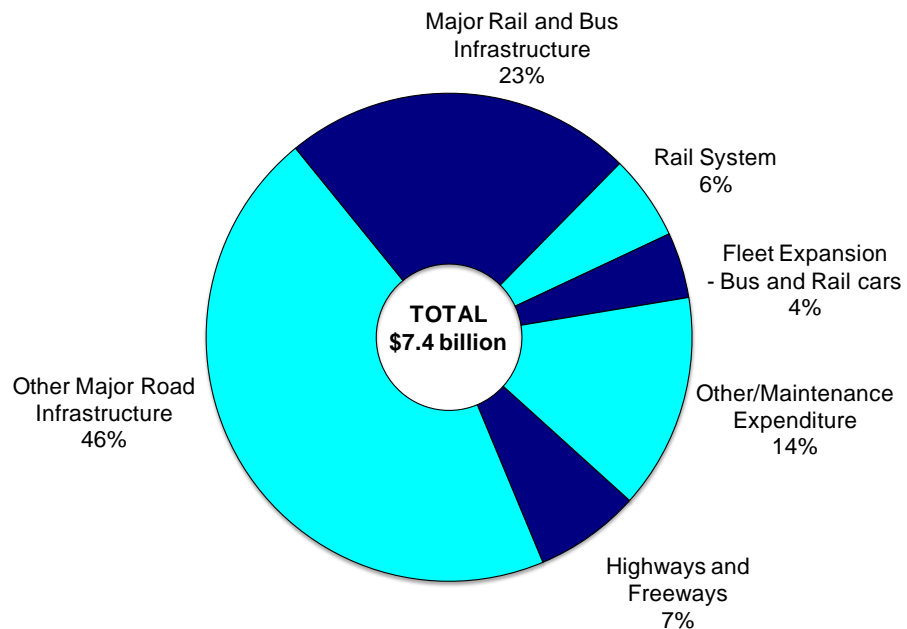
Major public transport projects include:

- \$1.3 billion over the four years to 2018-19 for the Forrestfield Airport Link. With a total budget of \$2 billion, this project will open a new rail corridor to Perth's eastern suburbs while connecting the city to Perth Airport by rail. Completion is scheduled for 2020;
- the procurement of the next generation of railcars for Perth. In total, 50 six-car sets (or 300 railcars) will be delivered over 10 years from 2019 at an estimated cost of \$1.2 billion. The 'C-Series' will have a larger capacity for patrons and be available in time to replace trains being used for the Forrestfield Airport Link. An amount of \$5 million will be spent in 2015-16 on planning, with expenditure from 2019-20; and
- \$53 million over the next four years towards a complete replacement of the Public Transport Authority's analogue radio system used for rail services. The \$120 million program will extend to 2021-22 and cover the new, third generation of railcars.

This Budget continues the procurement of railcars and buses, with \$307 million to be spent over the next four years. In 2015-16, seven three-car train sets ('B-Series') will be delivered, while 105 new buses will be delivered to both replace and increase the Transperth and Regional Town Bus Service Fleet.

Figure 3

TRANSPORT ASSET INVESTMENT PROGRAM
2015-16 to 2018-19



Health

The State Government is investing over \$7 billion in a major upgrade and expansion of the State's healthcare infrastructure over 2008-09 to 2018-19.

Of this spending, \$5.6 billion is expected to have been incurred by 30 June 2015 with a further \$1.3 billion allocated over the next four years to 2018-19. Investment in 2015-16 totals \$475 million and includes:

- \$176 million to continue the construction of the Perth Children's Hospital including Integrated Research and Education facilities, such as the Telethon Institute of Child Health Research, at the Queen Elizabeth II Medical Centre (QEIIIMC) site;
- \$123 million for the ongoing redevelopment and expansion of regional hospitals and medical facilities;
- \$19 million for critical infrastructure maintenance needs at Royal Perth Hospital;
- \$14 million to complete the construction of the Midland Public Hospital;
- \$11 million to replace and improve the functionality of the State's pathology Laboratory Information Systems; and
- \$10 million to complete the Central Plant project at the QEIIIMC site.

WA Health's capital expenditure program will wind down across the forward estimates period as a number of projects are completed, including the Carnarvon Health Campus, the Kalgoorlie Regional Resource Centre and the Busselton Health Campus (all in 2014-15), and the Perth Children's Hospital, the Midland Public Hospital, and Joondalup Health Campus (all in 2015-16).

Education

Western Australia continues to experience strong student enrolment growth, with more than 9,000 additional students enrolled in 2015 compared to 2014, and more than 26,500 additional students expected to enter the government school system between 2015 and 2019. A total of \$1.2 billion over four years will be invested to build new senior high schools and primary schools, and reinvigorate and increase the capacity of current schools.

The Government will enter into a partnership with the private sector to construct eight of these new schools (four new primary schools and four new senior high schools) at an estimated cost of \$370 million. This Public Private Partnership (PPP) is proposed to incorporate both the construction of the schools as well as the provision of facilities management services, including maintenance, cleaning, security, gardening, helpdesk and waste and utilities management. Three consortia have been shortlisted for the Request for Proposal process for the PPP package, and the final announcement of the successful bidder is expected to be made in August 2015.

The Department of Training and Workforce Development and the State Training Providers will invest \$167 million over 2015-16 to 2018-19, primarily to upgrade existing and build new training centres.

Utilities

The Water Corporation is streamlining its business to focus on the operation and maintenance of its existing infrastructure, rather than the construction of new infrastructure. The Corporation has reduced its AIP by \$354 million from 2016-17 onwards but continues to maintain a strong commitment to the provision of high quality and reliable water and wastewater services, with \$3.1 billion to be spent across the forward estimates period.

The Government has allocated \$4.2 billion over the forward estimates period for investment in power infrastructure. 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 \$1.3 billion for allocation to Western Power's customer-driven works, which includes the connection of transmission and distribution customers to the network;
- \$304 million to Horizon Power to maintain the adequacy and quality of electricity supplies to communities throughout regional Western Australia; and

- \$187 million to maintain Synergy's generation assets across the South West Interconnected System.

Environment, Law and Order and Community Safety

Investment in infrastructure projects that support the environment, law and order and community safety total \$541 million over the next four years, including \$188 million in 2015-16. This includes:

- \$92 million on a range of national park improvements, fire-fighting fleet replacement and plant and equipment programs, and the new Bunbury Headquarters building for the Department of Parks and Wildlife;
- \$22 million for the New Women's Custodial Centre (a 252 bed stand-alone facility) to resolve immediate pressures in the female prison estate and create flexibility across the entire custodial estate;
- \$17 million on the replacement of special purpose vehicles to ensure that the Department of Fire and Emergency Services' operational capabilities and occupational health and safety standards are maintained; and
- \$17 million to enable the critical maintenance and upgrade of existing metropolitan and regional Police facilities to support service delivery across Western Australia.

Housing

The Government will invest \$1.8 billion over the forward estimates period for the provision of affordable housing and land in Western Australia, including:

- \$308 million as part of a \$560 million new Social Housing Investment Package that will deliver 1,000 new social housing dwellings which will be built, purchased or leased over 2015-16 and 2016-17, halving the number of seniors and families with children on the priority waitlist by 30 June 2017;
- \$154 million on residential land acquisition and development to enable the production of up to 2,436 housing lots in 2015-16; and
- \$52 million for the continuation of the Royalties for Regions Housing for Workers Program in 2015-16 to provide affordable, available and appropriate housing for key workers in regional Western Australia.

Sporting and Cultural Infrastructure

Development of the 60,000 seat new Perth Stadium and its surrounding Sports Precinct is well underway. The project is being developed as a Public Private Partnership through a Design, Build, Finance and Maintain (DBFM) contract. The contract was awarded to Westadium in August 2014 (contract value of \$1.2 billion in net present terms) and construction commenced in December 2014.

There is additional asset investment for transport infrastructure of \$359 million associated with the new Perth Stadium, part of which (\$22 million) is being delivered through the DBFM contract with Westadium.

This Budget also includes \$351 million over four years for the development of the New State Museum. With a total cost of \$428 million, the new museum is expected to be completed in 2019-20.

The Government has also recently opened both the \$34 million Western Australian Institute of Sport High Performance Service Centre and the \$26 million State Netball Centre.

Asset Investment Program Efficiencies

In response to low growth in building and construction costs and lower than anticipated tender outcomes for a range of projects, the Government adopted the following AIP efficiency measures:

- as part of the 2014-15 Budget, a reduction in selected agencies' AIP spending of 5% across the then forward estimates period (tranche one); and
- as part of the 2014-15 Mid-year Review, an extension of these savings by an additional 5% in 2015-16, 2016-17 and 2017-18 (tranche two).

Savings from these measures total \$1 billion, and as part of the 2015-16 Budget, agencies were required to allocate the two tranches of AIP efficiency savings to specific projects/programs. Appendix 11 details the allocation of these savings provisions to agency AIP projects.

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 2014-15 Mid-year Review was released in December 2014. These include policy decisions made between the cut-off date for the 2014-15 Mid-year Review (3 December 2014) and the cut-off date for this Budget (21 April 2015), 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 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Lotteries Commission					
– Software and Information Technology Infrastructure	-		1.8	1.6	1.6

Lotteries Commission**Software and Information Technology Infrastructure**

The Commission will spend \$6.2 million over four years from 2015-16 on software and information technology infrastructure, mainly to upgrade and replace ‘end-of-life’ technology.

DEPUTY PREMIER; MINISTER FOR HEALTH; TOURISM

Table 2

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
WA Health					
– Royal Perth Hospital	-	11.5	-	-	-
– Minor Works Program	-	-	3.0	3.0	3.0
– Royalties for Regions – Laverton Primary Health and Aged Care Facility	-	0.5	4.0	12.0	3.0

WA Health

Royal Perth Hospital

An additional \$11.5 million will be invested in 2015-16, bringing total investment to \$19 million, to meet critical infrastructure maintenance needs and support the operation of Royal Perth Hospital following the transition of some services to the newly completed Fiona Stanley Hospital.

Minor Works Program

An additional \$9 million will be spent over 2016-17 to 2018-19 to enable continual improvement works, minor alterations and upgrades to healthcare infrastructure and assets.

Royalties for Regions – Laverton Primary Health and Aged Care Facility

Up to \$19.5 million will be invested over the forward estimates period for a new primary health care centre and six independent living units to support the delivery of comprehensive primary health and aged care at the Laverton Hospital.

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

Table 3

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Lands					
– Digitisation of Files	-	2.4	0.1	-	-
Western Australian Land Authority					
– Strategic Development Plan	-21.9	-48.0	-0.7	-8.2	1.0
– Mangles Bay Marina Based Tourist Precinct	2.8	1.2	2.8	10.3	9.7
– Royalties for Regions – Regional Centres Development Plans – Phase Two (Regional Cities)	0.3	6.7	0.5	-	-

Lands

Digitisation of Files

An additional \$2.5 million will be spent from 2015-16 to 2016-17 to enable the Department to digitise 20% of its records (those currently in use) and for the ongoing creation of new digital files and storage. An accompanying \$2.7 million in recurrent expenditure will occur in relation to the project (see Chapter 5).

Western Australian Land Authority

Strategic Development Plan

The 2015-16 to 2018-19 Strategic Development Plan (SDP) reflects the Western Australian Land Authority's (LandCorp's) strategic direction in terms of land sales, acquisitions and development expenditure. The SDP encompasses a range of measures such as reducing and deferring expenditure across the Regional and Economic and Employment Lands programs to reduce the impact on State finances, from lower than previously forecast land sales revenue.

Mangles Bay Marina Based Tourist Precinct

LandCorp in partnership with the private sector will spend \$26.8 million over 2014-15 to 2018-19 to revitalise Rockingham through the development of an inland marina to accommodate up to 500 boats. The precinct will include tourism facilities, short-term accommodation, retail, commercial, public open space, residential land uses and a site for local boating and fishing clubs.

**Royalties for Regions – Regional Centres Development Plans – Phase Two
(Regional Cities)**

A total of \$7.5 million will be spent over 2014-15 to 2016-17 for Regional Centres Development Plans, with the preparation of the first four plans being completed in 2016-17.

MINISTER FOR EDUCATION; ABORIGINAL AFFAIRS; ELECTORAL AFFAIRS

Table 4

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Education					
– Investment in School Infrastructure:					
• South Baldivis Senior High School	-	1.4	11.9	37.8	9.5
• Yanchep Senior High School	-	2.6	5.9	37.8	10.9
• Fremantle College	-	10.4	13.5	5.9	-
• Royalties for Regions – Carnarvon Community College Stage 2	-	2.0	14.0	1.6	-
• Secondary Schools in Armadale	-	4.5	4.0	-	-
• Willetton Senior High School	-	-	-	-	6.8
• Highgate Primary School – Additional Accommodation	-	0.3	2.8	2.5	-
• Kinross College – Specialist Facilities	-	-	1.5	3.0	-
• New Primary Schools	-	-	-	-	1.0
– Student Information System	1.0	3.1	10.2	2.5	5.4

Education

Investment in School Infrastructure

An additional \$191.2 million will be invested over the next four years for the commencement and completion of the following projects:

- \$60.5 million for the construction of South Baldivis Senior High School;
- \$57.2 million for the construction of Yanchep Senior High School;
- \$29.8 million for the amalgamation of Hamilton Senior High School and South Fremantle Senior High School into the new Fremantle College;
- \$17.6 million provided under Royalties for Regions for Stage 2 of the redevelopment of Carnarvon Community College;
- \$8.5 million for new and refurbished buildings at Armadale Senior High School and Cecil Andrews Senior High School;
- \$6.8 million for Stage 3 of the redevelopment of Willetton Senior High School;
- \$5.5 million for additional permanent accommodation for Highgate Primary School;
- \$4.5 million for specialist facilities at Kinross College; and
- \$1 million in 2018-19 to bring the total investment in primary school construction to \$50.4 million in 2018-19, enabling the current program of opening four new primary schools every year to be maintained.

Student Information System

An additional \$22.3 million will be spent from 2014-15 to 2018-19 to upgrade the Department's Student Information System to a centralised, web-enabled system which will provide real-time student and school information.

MINISTER FOR PLANNING; CULTURE AND THE ARTS

Table 5

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Metropolitan Redevelopment Authority					
– Subdivision Works – Midland	-	6.8	-6.3	-	-

Metropolitan Redevelopment Authority

Subdivision Works – Midland

The Metropolitan Redevelopment Authority will spend \$6.8 million in 2015-16, with \$6.3 million brought forward from 2016-17, to progress subdivision works at Midland.

MINISTER FOR POLICE; ROAD SAFETY; TRAINING AND WORKFORCE DEVELOPMENT; WOMEN'S INTERESTS

Table 6
MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Western Australia Police					
– Police Facilities Major Refurbishment and Upgrade Program	-	3.2	6.8	3.3	3.5
– Closed Circuit Television Network	-	-	3.0	-	-
– Road Trauma Trust Account – Enhanced Automated Speed Enforcement	1.7	-	-	-	-
Pilbara Institute					
– Asset Investment Program Revisions – Building Maintenance and Refurbishments	-2.1	-1.7	-1.0	-	-
West Coast Institute of Training					
– McLarty Campus Remedial Works	0.7	1.9	-	-	-
Training and Workforce Development					
– Student Management System	1.0	8.0	4.0	-	-
Commissioner of Main Roads					
– Office of Road Safety 2015-16 Program	-	43.5	-	-	-

Western Australia Police

Police Facilities Major Refurbishment and Upgrade Program

An additional \$16.8 million will be spent from 2015-16 to 2018-19 to continue critical maintenance and upgrades to existing metropolitan and regional Police facilities to ensure they remain operationally fit-for-purpose.

Closed Circuit Television Network

An amount of \$3 million will be invested in 2016-17 to progress the development of closed circuit television (CCTV) network infrastructure across Western Australia. This includes the refresh of ICT support to the CCTV network. An accompanying \$4 million in recurrent expenditure will occur in relation to this project (see Chapter 5).

Road Trauma Trust Account – Enhanced Automated Speed Enforcement

A total of \$1.7 million will be invested in 2014-15 on the acquisition and installation of additional fixed speed and red light intersection cameras. An accompanying \$1.3 million in 2014-15 and \$2.2 million in 2015-16 in recurrent expenditure will also be spent on this project (see Chapter 5).

Pilbara Institute

Asset Investment Program Revisions – Building Maintenance and Refurbishments

The Institute will reduce spending on building maintenance and refurbishments by \$4.8 million over 2014-15 to 2016-17 to ensure its AIP aligns with operational cashflow forecasts.

West Coast Institute of Training

McLarty Campus Remedial Works

An additional \$2.6 million will be spent in 2014-15 and 2015-16 to undertake critical remedial works and improve training facilities at the Institute's McLarty campus to ensure compliance with safety and universal access standards.

Training and Workforce Development

Student Management System

The Department will spend \$13 million from 2014-15 to 2016-17 to develop a new Student Management System for the State training sector. The new system will enable State Training Providers to deliver an expanded range of student services and improve the user experience for vocational education and training students.

Commissioner of Main Roads

Office of Road Safety 2015-16 Program

An additional \$43.5 million will be spent in 2015-16 on a range of infrastructure initiatives. The initiatives are funded from the Road Trauma Trust Account (RTTA) and include safety improvements to metropolitan intersections and sections of regional roads designed to reduce the incidence and severity of vehicular crashes.

Metropolitan intersection treatments include new roundabouts, full control right turn traffic signals and speed management measures. Regional road treatments include shoulder widening and sealing, audible edge lining and flexible roadside protection barriers.

Including recurrent expenditure, total spending from the RTTA will be \$111 million in 2015-16, up from \$107 million in 2014-15.

MINISTER FOR MENTAL HEALTH; DISABILITY SERVICES; CHILD PROTECTION

Table 7

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Mental Health Commission					
– Royalties for Regions – Sub-acute Services in Karratha and Bunbury	-	9.9	0.8	-	-

Mental Health Commission

Royalties for Regions – Sub-acute Services in Karratha and Bunbury

An amount of up to \$10.7 million will be spent over 2015-16 to 2016-17 to establish new sub-acute services in Karratha (a six bed service) and Bunbury (a ten bed service). This investment is complemented by additional recurrent expenditure to enable the operation of the services (see Chapter 5).

ATTORNEY GENERAL; MINISTER FOR COMMERCE

Table 8

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Commerce					
– Asset Investment Program	-2.7	2.5	0.6	3.2	2.2
– Building Commission – Industry Reform	-	1.3	2.1	1.1	0.4

Commerce**Asset Investment Program**

An additional \$5.8 million will be invested over five years to 2018-19 in the development and implementation of on-line services and processes and the replacement of obsolete information and communications technology.

Building Commission – Industry Reform

An additional \$4.9 million over four years to 2018-19 will be spent on information and communications technology infrastructure, and the development and implementation of separate electronic lodgement systems for builders and plumbers as part of Stage 2 of the Building and Plumbing Regulation Reform.

MINISTER FOR FINANCE; MINES AND PETROLEUM

Table 9

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Mines and Petroleum					
– Mineral House Lift Upgrade	-	1.5	1.9	-	-

Mines and Petroleum

Mineral House Lift Upgrade

The Department will spend \$3.4 million over two years from 2015-16 on the upgrade of lifts at Mineral House.

MINISTER FOR AGRICULTURE AND FOOD; FISHERIES

Table 10

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Agriculture and Food					
– Agricultural Headquarters Redevelopment	-	-	-8.6	-10.0	-74.2

Agriculture and Food

Agricultural Headquarters Redevelopment

Capital spending will reduce by \$92.8 million between 2016-17 and 2018-19 as a result of the cancellation of the Agricultural Headquarters Redevelopment project. The Department is in the process of developing a detailed business case to address its changing accommodation needs.

TREASURER; MINISTER FOR ENERGY; CITIZENSHIP AND MULTICULTURAL INTERESTS

Table 11
MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Western Australian Treasury Corporation					
– Information Technology Systems Upgrade	-	0.4	1.0	0.8	0.7
Synergy					
– Generation Portfolio	-	3.9	-	-	-
Western Power					
– Additional Capital Expenditure for Safety Programs	-	140.4	-	-	-
Electricity Sector Provisions					
– Transmission Network Upgrade	-	26.9	3.2	-	-

Western Australian Treasury Corporation

Information Technology Systems Upgrade

An additional \$2.8 million will be spent over the forward estimates period upgrading and maintaining the Corporation's information technology hardware and software to ensure it meets industry standards.

Synergy

Generation Portfolio

Expenditure on Synergy's generation portfolio will increase by \$3.9 million in 2015-16, in line with the Government's decision to defer the sale of 50% of Synergy's share in the Muja AB joint venture until June 2017.

Western Power

Additional Capital Expenditure for Safety Programs

An additional \$140.4 million will be spent in 2015-16 to address safety and reliability issues in the network. This expenditure is primarily for the treatment of wood poles and conductors, as well as bushfire management and distribution and transmission capacity expansion. This work will be undertaken utilising Western Power's new Zone Based Asset Management system which prioritises asset replacement in defined geographical zones based on detailed risk assessments.

Electricity Sector Provisions

Transmission Network Upgrade

An amount of up to \$30.1 million will be spent to upgrade Horizon Power's transmission network for the Pilbara Power Project. This will accommodate the greater electricity load from the new power station on the existing network.

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

Table 12

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Metropolitan Cemeteries Board					
– Seventh Stage of the Mausoleum	-	-	-	2.5	3.5

Metropolitan Cemeteries Board

Seventh Stage of the Mausoleum

An amount of \$6 million will be spent by the Board over 2017-18 and 2018-19 on the construction of the seventh stage of the Mausoleum at Karrakatta Cemetery.

MINISTER FOR ENVIRONMENT; HERITAGE

Table 13

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Parks and Wildlife					
– Royalties for Regions – Bunbury Headquarters Building	-	1.3	14.0	2.7	-

Parks and Wildlife**Royalties for Regions – Bunbury Headquarters Building**

An amount of \$18 million will be spent over three years from 2015-16 to construct the first stage of the Bunbury Headquarters building for the Department at Koombana Drive, including related scientific, conservation and recreation initiatives at the Leschenault Inlet and Estuary surrounding the new building.

MINISTER FOR EMERGENCY SERVICES; CORRECTIVE SERVICES; SMALL BUSINESS; VETERANS

Table 14
MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Corrective Services					
– New Women’s Custodial Centre	2.0	16.2	3.8	-	-
Fire and Emergency Services					
– Appliance and Equipment Replacement Programs	-	0.4	5.5	6.6	4.8

Corrective Services

New Women’s Custodial Centre

Capital expenditure of \$22 million from 2014-15 to 2016-17 has been approved for the New Women’s Custodial Centre (a 252 bed stand-alone facility). The facility will primarily accommodate remand prisoners to address the growth in the female prisoner population.

Fire and Emergency Services

Appliance and Equipment Replacement Programs

An additional \$17.3 million will be spent from 2015-16 to 2018-19 on the replacement of incident control vehicles, road crash rescue trailers and special purpose vehicles to help ensure that the Department’s operational capabilities and occupational health and safety standards are maintained.

MINISTER FOR WATER; SPORT AND RECREATION; FORESTRY

Table 15

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Water Corporation					
– Asset Investment Program Review	-	-	-110.6	-90.1	-153.1
Bunbury Water Corporation (Aqwest)					
– Revision to Asset Investment Program	-	-	-	-	1.7
Western Australian Sports Centre Trust					
– Asset Investment Program Efficiency Measure – Partial Reinstatement	-	0.1	0.3	-	-

Water Corporation

Asset Investment Program Review

The Corporation's AIP has been reduced by \$353.8 million (or 11%) from 2016-17 onwards as a result of a broader review of its capital requirements. The drivers of the reduction are lower forecast demand due to sustained lower per capita water demand, slowing of economic growth across the State, revised risk profiling (which defers expenditure while maintaining acceptable risk levels), and improved operational workflows.

Bunbury Water Corporation (Aqwest)

Revision to Asset Investment Program

An additional \$1.7 million will be spent in 2018-19, primarily for the replacement of Aqwest's telemetry system which is used for the operational control and monitoring of the water treatment and distribution networks.

Western Australian Sports Centre Trust

Asset Investment Program Efficiency Measure – Partial Reinstatement

AIP savings totalling \$400,000 have been reinstated to the Trust, reflecting the amount of private funding contributions received by the Trust for the redevelopment of HBF Arena.

MINISTER FOR TRANSPORT

Table 16
MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Commissioner of Main Roads					
– Capitalisation of Reseals	-	60.0	61.9	64.1	66.4
– Capitalised Operational Expenses Update	17.0	17.0	17.0	-	-
– National Highway Upgrade Programme	-	13.0	13.0	14.3	-
– Traffic Congestion Management Program	-	14.0	7.0	7.0	-
– Traffic Congestion Solution (Aubin Grove Train Station)	-	22.0	3.0	-	-
– Lloyd Street Midland Railway Underpass Update	16.5	-	-	-	-
– Mitchell Freeway – Burns Beach Road to Hester Avenue	-	100.0	-	-103.0	-
– Project Expenditure Cashflow Update	-85.7	4.1	55.1	46.0	-28.5
Public Transport Authority					
– Radio System Replacement	-	1.8	3.6	18.0	30.0
– Resilience Package	-	10.0	8.7	-	-
– Escalator Replacement	-	7.8	7.7	-	-
– Regional Depot Acquisition	-	7.9	-	-	-
– C-Series Railcar Procurement – Planning	-	5.0	-	-	-
– Greenwood Station Platform Shelter Improvements	-	0.3	-	-	-
Mid West Ports Authority					
– Berth 4 Structure Midlife Refurbishment	-	3.3	4.6	-	-
Pilbara Ports Authority					
– Port Improvement Rate – Integrated Marine Operations Centre	5.0	29.9	32.9	-	-
– Minor Works Program	2.3	4.3	4.3	6.3	2.8
Transport					
– Seniors Western Australian Photo Card Concession	-	0.3	-	-	-

Commissioner of Main Roads

Capitalisation of Reseals

Following a review by Main Roads, road resurfacing expenditure will now be classified as capital replacement rather than maintenance expenditure, resulting in an increase in its AIP of \$252.4 million over the next four years. A corresponding decrease in Main Roads' maintenance expenditure (and increase in associated depreciation) has also resulted from this decision.

Capitalised Operational Expenses Update

Main Roads' AIP will increase by \$51 million over 2014-15 to 2016-17 to reflect an updated value for capitalised operational expenses. Under accounting guidelines, recurrent expenditure on preliminary planning works is able to be capitalised once projects are approved. This increase is based on a reassessment of Main Roads' AIP, which totals more than \$1 billion per annum over the next four years.

National Highway Upgrade Programme

An amount of \$40.3 million will be invested over 2015-16 to 2017-18 on upgrades to sections of the Great Northern Highway. The upgrades include construction of a 6 km traffic bypass route to the east of New Norcia, and improvements to various floodways between Meekatharra and Newman. The project will be jointly funded by the Commonwealth and the State on an 80/20 basis under the Commonwealth Government's new National Highway Upgrade Programme.

Traffic Congestion Management Program

Main Roads will spend \$28 million over 2015-16 to 2017-18 to install a number of physical network improvements to alleviate traffic congestion on metropolitan roads. Funded from recurrent savings identified in 2014-15, the improvements include traffic signal optimisation, off ramp and turning lane improvements, bus priority trials and variable messaging signs. This is in addition to \$12 million in recurrent expenditure on the Program (see Chapter 5).

Traffic Congestion Solution (Aubin Grove Train Station)

A total of \$25 million will be spent over 2015-16 to 2016-17 to enhance accessibility for vehicles, cyclists, pedestrians and public transport to the Aubin Grove Train Station (due to open in December 2016). Works include widening of the Russell Road bridge over the Kwinana Freeway and replacement of local traffic signals with roundabouts.

Lloyd Street Midland Railway Underpass Update

Main Roads' AIP will increase by \$16.5 million in 2014-15 for the Lloyd Street Midland Railway Underpass project. This funding was transferred to Main Roads from the Department of Transport in 2012-13 and as a local road, was originally planned to be expensed. As the underpass is now classified as a State asset, the expenditure of this amount has now been capitalised.

Mitchell Freeway – Burns Beach Road to Hester Avenue

Expenditure of \$100 million on the Mitchell Freeway extension to Hester Avenue has been brought forward to 2015-16, enabling the work to be completed by April 2017, eight months earlier than previously planned. The earlier completion date has resulted in savings of \$3 million on the total project cost.

Project Expenditure Cashflow Update

Main Roads has revised annual project expenditure cashflow estimates to reflect the current position of roadworks in progress, resulting in a net reduction of \$9 million over the forward estimates period.

Public Transport Authority

Radio System Replacement

An additional \$53.4 million will be invested between 2015-16 and 2018-19 (plus \$66.4 million between 2019-20 and 2021-22) to replace the existing analogue radio system used by Transperth train operations with a new digital radio system. A digital radio system will avoid spectrum shortages expected under the current analogue system and enable data transmission to support future service and safety improvements.

Resilience Package

An amount of \$18.7 million will be spent on the Transperth rail network across 2015-16 and 2016-17 to reduce the likelihood and severity of disruptions to rail services as a result of unforeseen events such as overhead dewirements.

Escalator Replacement

Capital expenditure of \$15.5 million across 2015-16 and 2016-17 has been approved to replace the heavily used escalators in the Perth Underground and Esplanade train stations, which suffer from frequent breakdowns and do not meet reliability standards.

Regional Depot Acquisition

An additional \$7.9 million will be spent in 2015-16 to acquire regional bus depots owned by bus contractors. Ownership of the bus depots by the Authority promotes competitiveness in regional bus contract tender processes. The acquisition of the depots is contingent on the proceeds of land sales expected in 2014-15.

C-Series Railcar Procurement – Planning

An amount of \$5 million will be spent on project planning for the procurement of the next generation (C-Series) of Transperth railcars. In total, 50 six-car sets (300 railcars) will be delivered over 10 years from 2019 at an estimated total capital cost of \$1.2 billion, including railcar investment previously recognised in the Forrestfield Airport Link project.

Greenwood Station Platform Shelter Improvements

The Authority will invest \$250,000 in 2015-16 to increase platform shelter at Greenwood train station.

Mid West Ports Authority

Berth 4 Structure Midlife Refurbishment

An additional \$7.9 million will be spent from 2015-16 to 2016-17 to undertake a midlife refurbishment to Berth 4 at the Port of Geraldton to ensure operational and safety standards are met.

Pilbara Ports Authority

Port Improvement Rate – Integrated Marine Operations Centre

An amount of \$67.8 million will be spent from 2014-15 to 2016-17 on the construction of the Authority's Integrated Marine Operations Centre. The project will be fully funded from the Port Improvement Rate (PIR) Asset Investment Provision. As the PIR funds are collected from the port's customers, this investment is debt neutral.

Minor Works Program

An additional \$20 million will be spent on minor works such as upgrades to safety, electrical and other equipment, and ICT systems between 2014-15 and 2018-19.

Transport

Seniors Western Australian Photo Card Concession

An additional \$279,000 will be spent on information technology system upgrades in 2015-16 to introduce a new concession for seniors when purchasing a Western Australian Photo Card. This will assist seniors, who do not hold a driver's licence or a passport, in proving their identity by providing a 50% concession on the price of the Photo Card for holders of a Seniors Card, and a 100% concession for holders of a Commonwealth concession card from 2016-17.

MINISTER FOR HOUSING; RACING AND GAMING

Table 17

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Housing Authority					
– Social Housing Investment Package	-	23.9	284.0	-	-

Housing Authority

Social Housing Investment Package

As part of the \$560 million Social Housing Investment Package, the Authority will incur capital expenditure of \$307.9 million over 2015-16 to 2016-17. This will contribute towards the delivery of 1,000 new social housing dwellings, which will be either built, purchased or leased. The dwellings will be targeted towards seniors and families with children on the priority waitlist.

PROVISIONS

MAJOR SPENDING CHANGES SINCE THE 2014-15 MID-YEAR REVIEW					
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Provision for Underspending	400.0	-	-	-	-

Provision for Underspending

Consistent with previous years, this Budget includes a provision for yet-to-be identified slippage in agency infrastructure spending that is expected to emerge over the remainder of the 2014-15 financial year. The provision has been reduced by \$400 million since the 2014-15 Mid-year Review (to now stand at \$300 million), in line with adjustments that have already been identified in agency programs.

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 for the benefit of the State. 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, an annual expenditure limit was imposed by the Government as part of the 2014-15 Budget. Annual expenditure limits and transfers to Special Purpose Accounts result in a minimum disbursement of \$1 billion from the Royalties for Regions Fund.

Reflecting legislated caps and limits on Royalties for Regions Fund balances and spending, and the projected outlook for mining royalties over the budget period, expected appropriation to the Royalties for Regions Fund will be 25% of mining royalties in 2015-16, before declining over the remaining years of the forward estimates period to a low of 18.8% in 2018-19. In comparison, the 2014-15 Budget estimated that the appropriation of mining royalties would fall to a low of 12.4% in 2016-17 (see table below).

Table 1

ROYALTIES FOR REGIONS FUND APPROPRIATIONS
2014-15 Budget and 2015-16 Budget

	2014-15 ^(a) Estimated Actual	2015-16 Budget Estimate	2016-17 Forw ard Estimate	2017-18 Forw ard Estimate	2018-19 Forw ard Estimate
2014-15 Budget					
Appropriation (\$m)	1,148	1,016	916	1,000	
As a share of royalty income (%)	18.6	14.6	12.4	13.0	
2015-16 Budget					
Appropriation (\$m)	1,148	918	1,004	900	924
As a share of royalty income (%)	25.9	25.0	25.0	20.0	18.8
Variance					
Appropriation (\$m)	-	-98	88	-100	
As a share of royalty income (percentage points)	7.3	10.4	12.6	6.9	

(a) The 2014-15 Budget appropriation represented 18.6% of the revenue estimate at the 14 April 2014 cut-off date. Revenue write-downs this year mean that the fixed dollar appropriation now represents 25.9% of the expected royalty outturn for 2014-15.

The Royalties for Regions Fund balance is projected to be \$1 billion in 2014-15, \$922 million in 2015-16, and \$1 billion in each subsequent year over the forward estimates period.

The Royalties for Regions expenditure limits in 2015-16 and across the forward estimates have been maintained generally around the previous agreed limits. Projects remain subject to a rigorous due diligence process culminating in approval by Cabinet before funds to allow project expenditure are released.

A new Regional Reform Fund Special Purpose Account will be established to fund strategic reform initiatives in regional Western Australia designed to support State Government objectives (see Appendix 5: *Special Purpose Accounts*). The first focus area will be centred on regional Aboriginal reform initiatives.

In line with the Government's decision to establish the Western Australian Future Fund, 'seed capital' has been transferred from the Royalties for Regions Fund into the Future Fund in every year since the Future Fund's establishment in 2012-13. In 2015-16, an amount of \$126 million will be transferred. This is the final year these transfers are required and will bring the total amount transferred to the Future Fund to \$933 million.

Government priority commitments in 2015-16 provide for investment in each of the nine regions to facilitate their respective growth and development aspirations as outlined in each Regional Blueprint. The investment of these funds is consistent with the whole-of-government State Planning and Development Framework, including alignment to the State Planning Strategy and local government planning. Detailed business cases are developed for the Government's consideration prior to the commencement of projects.

New Regional Investments

Laverton Primary Health and Aged Care Facility

The Laverton Primary Health and Aged Care Facility is a new facility that will provide comprehensive primary care service for short stay patients as well as an aged care component. An amount of \$19.5 million has been allocated across the forward estimates period.

Sub-acute Mental Health Services in Bunbury and Karratha

The Mental Health Commission has been provided \$13 million from 2015-16 to 2018-19 for the construction of a community sub-acute mental health service in Bunbury. This facility will support a reconfiguration away from acute beds (where appropriate) to meet forecast demand. A further \$14.9 million has been approved for a similar service in Karratha.

Carnarvon Community College Stage 2

Carnarvon Community College Stage 2 has been provided \$17.6 million over the forward estimates period to progress the amalgamation of the primary and secondary public schools that are currently separately located. This project will include construction of twelve new buildings and the refurbishment of four existing buildings.

Parks and Wildlife Headquarters

The Department of Parks and Wildlife's Bunbury Headquarters building is being constructed and will allow the public to access information on exploring the region's national and marine parks. An amount of \$18 million has been allocated over three years from 2015-16.

Prescribed Burning

The Department of Parks and Wildlife has been allocated \$20 million from 2015-16 to 2018-19 for the development and implementation of an enhanced prescribed burning program for land in the South West region of Western Australia.

Social Housing Investment Package

The Housing Authority has been allocated \$85.3 million from 2016-17 to 2017-18 to provide social housing dwellings in regional areas for priority waitlist clients. This is part of a \$560 million State-wide Social Housing Investment Package that will deliver 1,000 new social homes, halving the number of seniors and families with dependent children on the priority waitlist for social housing.

Regional Tourism Marketing Campaign

A new Regional Tourism Marketing Campaign has been allocated \$11 million over two years commencing in 2015-16 with the objective of driving economic development through growing regional tourism.

Key Initiatives

A major component of the Royalties for Regions program in 2015-16 is the delivery of infrastructure projects and ensuring economic development of regional communities, which build a stronger economy and better quality of life for all Western Australians. This year's initiatives are in the key areas of agriculture, revitalising the regions, health, community support services, education, sport and recreation, economic development, aboriginal initiatives and tourism.

Seizing the Opportunity Agriculture

This \$300 million 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 significant investment. A total of \$62.6 million for current approved projects will be invested in 2015-16, to ensure the sector can support 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 the Boosting Biosecurity Defences, Boosting Grains Research and Development, Help Grain Growers to Better Manage Risk, Sheep Industry Business Innovation, Northern Beef Industry Strategy, Infrastructure Audit and Infrastructure Investment Fund, and the Water for Food initiatives.

Revitalising the Regions

State-wide Regional Blueprint Initiatives

This initiative is a State-wide funding program providing \$362 million over four years, including \$13 million in 2015-16, to invest in major economic development projects identified through Regional Blueprints.

Prepared by each Regional Development Commission, Regional Blueprints are comprehensive regional socio-economic development strategies, which outline growth and development aspirations, transformative strategies and priority investment opportunities. These Regional Blueprints, and associated State-level analysis, will guide funding decisions in this initiative. It is intended that Regional Blueprints will also inform and influence government and non-government action and investment outside of the Royalties for Regions program.

Southern Investment Initiative – Growing Our South

Western Australia's southern regions will continue to benefit from a \$600 million investment in Royalties for Regions funding that began in 2014-15. Over the forward estimates period \$521 million has been allocated, with \$79 million committed in 2014-15.

The development of business cases, in line with Regional Blueprints and an agreed strategic framework to guide investment decisions, will support the release of funding to invest in major projects, aimed at achieving sustainable economic and social outcomes across the Peel, Wheatbelt, South West and the Great Southern regions.

West Kimberley Revitalisation

The \$70.5 million West Kimberley Revitalisation initiative continues and has an allocation of \$42.3 million over the budget period, including \$36.4 million in 2015-16. 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.

East Kimberley Revitalisation

The East Kimberley Revitalisation initiative has invested \$344.4 million since 2010-11, predominately on the Ord-East Kimberley Expansion project. Funding continues with an allocation of \$4.8 million in 2015-16.

Mid West Revitalisation

The \$220 million Mid West Investment Plan continues with an allocation of \$141.3 million over 2015-16 to 2018-19, including \$43.2 million in 2015-16, for projects such as the Murchison Radio-Astronomy Observatory Power Supply Project and the Batavia Coast Marina.

Gascoyne Revitalisation

The \$191.6 million Gascoyne Revitalisation initiative continues with an allocation of \$31.2 million over the forward estimates period, including \$18.2 million in 2015-16, for projects such as the Exmouth Boat Harbour and the Carnarvon Health Campus.

Goldfields Esperance Revitalisation

The \$198 million Goldfields Esperance Revitalisation initiative has an allocation of \$162 million over the forward estimates period, including \$43.5 million in 2015-16. Projects allocated funding include the Goldfields Arts Centre, support towards the stage one redevelopment of the Kalgoorlie-Boulder Community High School, and 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 \$756.9 million allocated across 2015-16 to 2018-19, including \$207.4 million in 2015-16, 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 2015-16, Pilbara Cities Strategic Infrastructure has an allocation of \$158.4 million that includes the continuation of the Karratha City Centre. These works aim to provide an improved integrated and functional network that ensures the safe movement of vehicles, pedestrians and cyclists as well as providing key sites for development and public infrastructure.

Regional Grants Scheme

The Regional Grants Scheme provides an opportunity for regional communities to access funding for important local initiatives. Funding is provided to assist infrastructure, services and community projects, including the provision of headworks, and to help in the development of regional communities. An amount of \$37.4 million has been allocated over the forward estimates period for projects to help attract investment and increase job opportunities, or to improve the quality of life in the regions.

Health

Investment in improving health outcomes in regional Western Australia will continue, with \$920 million allocated across the forward estimates period towards priority projects and initiatives.

The North West Health Initiative represents a total commitment of \$161 million, with \$150 million approved over the period 2015-16 to 2018-19, commencing with an allocation of \$5.7 million in 2015-16. The initiative aims to improve health and aged care facilities across the North West. 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, and Carnarvon aged care services will be enhanced.

Other health initiatives include:

- Wheatbelt Renal Dialysis – \$3.4 million commencing in 2015-16 to allow dialysis patients to receive treatment in their homes or communities. This complements the Renal Dialysis Service Expansion that has \$6.3 million allocated across the budget period, including \$2.4 million in 2015-16;
- Fitzroy Kids Health (\$400,000) – \$200,000 to continue research into foetal alcohol spectrum disorder in the Fitzroy area, with \$100,000 to be spent in 2015-16;
- Regional (Kalgoorlie Esperance) Telehealth (\$8 million) – \$6.6 million from 2015-16 to 2018-19, with \$2.1 million to be spent in 2015-16, for greater access to quality healthcare for residents in the Eastern Goldfields;

- Ear Health (\$6 million) – \$4.5 million from 2015-16 to 2017-18, with \$1.5 million in 2015-16, to continue to screen children living in remote Indigenous communities for ear disease and to help manage treatment;
- Southern Inland Health Initiative (\$565 million in total) – \$413 million allocated across the forward estimates period, with \$103.4 million to be spent in 2015-16. This initiative aims to improve access to health care services in the regions. It will focus 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;
- Patient Assisted Travel Scheme – \$10.3 million will be spent in 2015-16, with a total of \$42.9 million allocated across the forward estimates period, as a contribution to WA Health towards the total cost of this scheme;
- St John Ambulance Services – \$8.1 million has been allocated in 2015-16 to support St John Ambulance Services in regional locations;
- Royal Flying Doctor Service – \$4 million has been allocated in 2015-16 to support this service;
- Regional Men’s Health – \$800,000 has been allocated to the Department of Agriculture and Food in 2015-16 to support this program;
- Laverton Primary Health and Aged Care Facility – \$19.5 million has been allocated across the budget period for the construction of this facility (see *New Regional Investments* section); and
- Sub-acute Mental Health Services in Bunbury and Karratha – \$13 million has been provided for the Bunbury service and \$14.9 million for the Karratha service, over the period 2015-16 to 2018-19 (see *New Regional Investments* section).

Community Support Services

Royalties for Regions continues to invest in essential community services in regional areas with \$747 million allocated across the forward estimates period. A number of the Government’s priority commitments will support community programs and schemes.

- The Country Age Pension Fuel Card Scheme – 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 \$134.5 million across the forward estimates period.
- 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 \$5.5 million has been allocated to the program from 2015-16 to 2018-19.

- Regional Police Incentives – a total of \$6.7 million has been allocated from 2015-16 to 2018-19, including \$2.8 million in 2015-16, to provide incentives that will support the placement of police staff in difficult to recruit regional locations.
- South-West Emergency Rescue Helicopter Service – a commitment of \$29.9 million over the period 2015-16 to 2018-19 for a second emergency rescue helicopter to service the communities of the South West and Great Southern regions.
- Fire Crew Protection (a total of \$12.3 million) – \$10.6 million over the forward estimates period, with \$5.1 million in 2015-16, to improve fire crew protection systems for vehicles that operate in high to extreme bushfire risk environments.
- Additional support will be provided with Regional Workers Incentives worth \$107.9 million across the forward estimates period. This funding facilitates improvements to existing district allowance payments, which aim to attract and retain public sector workers in the regions who provide essential government services.
- Community Resource Centres are small community managed organisations that continue to provide an important role in regional Western Australia through the provision of – and access to – government information and services, which would not otherwise be available in their community. The program has been allocated \$55 million over the forward estimates period.
- Community Safety Network will receive \$53.9 million over the four years to 2018-19 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.
- The Avonlink Enhancement Project has been allocated \$4.4 million over the forward estimates period to meet the costs associated with the enhancement of the Avonlink train service.
- Social Housing Investment Package – an amount of \$85.3 million has been allocated from 2016-17 to 2017-18 for investment in social housing in regional areas (see *New Regional Investments* section).
- Regional Telecommunication Project (\$45 million) – \$40 million has been allocated from 2015-16 to 2018-19 to continue the provision of up to 85 new telecommunications towers. This builds on a previous project, which delivered 113 new or upgraded towers.
- Community Chest Grants Scheme – provides one-off grants of up to \$20,000 to support small, local demand driven community projects administered by each of the nine Regional Development Commissions. An amount of \$10 million has been allocated to the Scheme over the forward estimates period.
- Natural Resources Investment Program – this program will focus on assisting local catchment or community groups with on-ground activities that protect or improve the natural resources (including rivers and estuaries, productive capacity of soil, land and water, weeds and pest animals, and biodiversity). The program will receive \$19.2 million over the forward estimates period.

- Dampier Community Hub (\$6.5 million in total) – this project has been allocated \$3.5 million over the forward estimates period and aims to build a new 70 place childcare facility, multipurpose community rooms, not for profit office spaces and a shire library in one location.

Education

Education programs will receive \$158 million over the period 2015-16 to 2018-19 to continue improving education opportunities for those located in regional Western Australia, including:

- Carnarvon Community College Stage 2 – \$17.6 million has been approved for this project (see *New Regional Investments* section);
- Kalgoorlie-Boulder Community High School – \$40 million has been allocated to Stage 1 across the forward estimates period; and
- Electrical Specialists Centre – Pilbara Institute – \$7.8 million has been allocated over the forward estimates period for the establishment of an electrical/instrumentation training centre.

Other programs include Better Beginnings (\$2.5 million), Boarding Away from Home allowance (\$7.5 million) and the Allied Health Training Centre (\$9.6 million).

Sport and Recreation

Sport and recreational activities are a vital part of regional communities and this is recognised with greater support for local sporting clubs, athletes and performing arts venues, culminating in a \$54 million commitment over the forward estimates period.

- The Supporting Community Sport Program has a commitment of \$2 million over the four years to 2018-19. 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.
- The Community Pool Revitalisation Program provides all regional local governments with a public pool with an annual grant of up to \$30,000 for maintenance and upgrading. An amount of \$9.9 million has been provided over the forward estimates period.
- The Recreational Boating Facilities Scheme will receive \$6.2 million over 2015-16 to 2018-19 to provide grants for planning and construction of public boating infrastructure in the regions.
- Creative Regions Program – this \$24 million program will spend \$21.5 million over the four years to 2018-19 to address the upgrade and development requirements of regional performing arts venues.

Economic Development

Economic development is a key theme of Royalties for Regions with \$277 million allocated over the forward estimates period.

- The Regional Buy Local Initiative is a program that builds the capacity of regional small businesses and industry to create lasting, sustainable growth. This initiative has been allocated \$9.4 million across the forward estimates period.
- The \$100.2 million Pilbara Underground Power project is allocated \$65 million from 2015-16 to 2017-18 as a contribution to continue the conversion of current overhead distribution networks to an underground network, delivering secure power supplies to both residential and commercial customers.
- Exmouth Boat Harbour will receive \$17.3 million from 2015-16 to 2016-17 to fund the second stage of this development to provide design and construction of a 130 metre service wharf extension with heavy life and hardstand facilities.
- Broome Road Industrial Area will address the limited supply of industrial land in Broome. An amount of \$10 million is allocated in 2015-16 to complete this \$14.9 million project.
- The Bunbury to Albany Gas Pipeline has been provided \$19.5 million over the forward estimates period for planning to connect the South West and Great Southern regions natural gas supply network to provide for future supply needs.
- The Department of Parks and Wildlife has been allocated \$20 million for an enhanced prescribed burning program for land in the South West region (see *New Regional Investments* section).
- A Parks and Wildlife Headquarters is being built for the Department of Parks and Wildlife in Bunbury at a cost of \$18 million over three years from 2015-16 (see *New Regional Investments* section).

Aboriginal Initiatives

Royalties for Regions continues to provide funding for initiatives that support Aboriginal economic development and participation. An allocation of \$153 million across the forward estimates period for specialist programs for Aboriginal people is contained in this Budget.

- The West Kimberley Transitional Housing Program will see the construction of 60 new houses in Broome and Derby, to allow low-income Indigenous people to access appropriate, affordable housing, and achieve financial stability and independence. An amount of \$19.4 million will be spent across the forward estimates period to transform Indigenous housing in the Kimberley, promote economic participation and encourage a transition from welfare dependency.

- The WA Indigenous Tourism Operators Committee is the peak industry body for Aboriginal tourism in the State. It plays an important role in advocacy, marketing, supporting emerging products and the provision of networking opportunities for the State's tourism industry. The Aboriginal Tourism Development Program will receive \$4.6 million from 2015-16 to 2018-19 to increase the number and availability of Aboriginal Tourism products, by creating a dedicated product development and marketing program.
- Other 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.

Tourism

Tourism is a key part of the State's economy. Royalties for Regions will provide \$183 million over 2015-16 to 2018-19 to allow for the continuance of projects such as the New Kimberley National Park, the Great Kimberley Marine Park, Regional Visitor Centres, and the Caravan and Camping/Parks for People initiatives.

- The Caravan and Camping and Parks for People initiative will expand the number of low cost recreational camping and caravanning facilities for families. A further \$26.9 million will be spent on this initiative over 2015-16 to 2018-19, with \$11.2 million allocated in 2015-16. The initiative 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 \$41.6 million allocated over the four years to 2018-19.
- The creation of one of Australia's largest national parks, the new Kimberley National Park, stretching from Walcott Inlet to the Lawley River in the north, has been allocated \$2.4 million over the forward estimates period. It will provide the highest level of protection to the internationally recognised environment, rock art and cultural values. In addition, \$10.5 million over 2015-16 to 2016-17 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 \$9.8 million over the forward estimates period 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 \$3.9 million from 2015-16 to 2017-18 to support the continued development of the Visitor Centre Network in regional areas and broaden the appeal of regional tourism.
- A new Regional Tourism Marketing Campaign has been allocated \$11 million to strengthen regional tourism (see *New Regional Investments* section).

- A Road Coach Replacement program will receive funding of \$15.1 million, with \$14.6 million over the forward estimates period to purchase 23 airconditioned road coaches that are compliant with the provisions of the *Disability Discrimination Act 1992*.
- The Living Lakes program aims to create economic opportunities for recreation, tourism and regional development. An amount of \$7 million has been allocated to the Living Lakes initiative over the forward estimates period.

Administering the Royalties for Regions Fund

Royalties for Regions funds the operations of the Department of Regional Development, which is responsible for administering the Royalties for Regions Fund, and the nine Regional Development Commissions. An allocation of \$55 million is provided in 2015-16, and a total of \$217.8 million across the forward estimates period, to cover the operations and administration of the Department and the nine Commissions.

Table 2

ROYALTIES FOR REGIONS EXPENDITURE							
INITIATIVE	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
	Actual	Estimated	Budget	Forward	Forward	Forward	Four
		Actual	Estimate	Estimate	Estimate	Estimate	Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
COUNTRY LOCAL GOVERNMENT FUND							
Administration of CLGF	0.1	1.0	1.0	1.0	1.0	0.5	3.5
Regional Centres Development Plan	-	0.3	6.7	0.5	4.5	4.0	15.7
Regional Groupings and Individuals	42.3	50.3	-	-	-	-	-
Local Government Facilitation	0.4	1.0	-	-	-	-	-
Support to Regional Groupings of Local Governments	0.3	-	-	-	-	-	-
Capacity Building - Regional Governance Services and Asset Management Tools	0.5	2.7	4.9	4.8	-	-	9.7
TOTAL - COUNTRY LOCAL GOVERNMENT FUND	43.6	55.4	12.6	6.3	5.5	4.5	28.9
REGIONAL COMMUNITY SERVICES FUND							
Regional Community Programs and Schemes							
Country Age Pension Fuel Card	23.4	28.5	30.4	34.2	34.6	35.3	134.5
Volunteer Fuel Card	-	1.8	1.8	1.8	1.8	-	5.5
Regional Workers Incentives	61.1	37.9	25.9	26.7	27.2	28.1	107.9
Regional Police Incentives	1.8	2.0	2.8	2.8	1.2	-	6.7
Fire Crew Protection	-	1.7	5.1	3.3	2.2	-	10.6
Boarding Away From Home	1.1	2.0	1.7	1.8	2.0	2.0	7.5
Community Resource Centres	12.6	11.9	13.0	14.0	14.0	14.0	55.0
Wild Dogs Management Plan	1.0	1.0	0.5	-	-	-	0.5
Performing Arts Regional Tours Boost	-(a)	0.4	0.3	0.3	-	-	0.6
Creative Regions Program	-	2.5	6.8	7.3	7.3	-	21.5
Black Diggers Perth International Arts Festival	-	0.1	-	-	-	-	-
Regional Western Australian Museums	-	2.1	-	-	-	-	-
Regional Art Galleries of Western Australia	-	0.6	-	-	-	-	-
Albany Entertainment Centre	-	-	0.5	0.6	0.6	0.6	2.3
Regional Tourism Marketing Campaign	-	-	4.3	6.7	-	-	11.0
Community Pool Revitalisation	-	3.3	3.3	3.3	3.3	-	9.9
Regional Visitor Centres	-	0.3	1.3	1.3	1.3	-	3.9
Caravan and Camping	3.6	13.0	11.2	12.8	2.8	-	26.9
WA Regional Small Business Awards	-	0.2	0.2	0.2	0.2	-	0.6
Community Sporting and Recreation Facilities Fund	10.3	4.1	-	-	-	-	-
Supporting Community Sport	0.4	0.9	0.8	0.7	0.5	-	2.0
Foodbank	0.2	0.2	0.2	0.2	0.2	-	0.7
Better Beginnings - Early Literacy	0.8	0.8	0.8	0.8	0.8	-	2.5
Responsible Parenting Support Services	9.5	10.5	10.6	-	-	-	10.6
Rangelands Reform Program	-	0.4	0.4	-	-	-	0.4
Orange School Bus Initiatives	2.5	-	-	-	-	-	-
New Kimberley National Parks	0.1	1.0	1.2	1.2	-	-	2.4
Great Kimberley Marine Park	3.1	1.4	2.5	8.0	-	-	10.6
Royal Agricultural Society Show Concessions - Free entry for Children	0.5	0.8	0.8	0.8	0.8	0.8	3.2
Dirk Hartog Landing Anniversary	-	-	0.6	0.2	-	-	0.8
Prescribed Burning	-	-	3.5	5.5	5.5	5.5	20.0
South West Emergency Rescue Helicopter Service	-	0.1	12.5	8.6	8.8	-	29.9
Exploration Incentive Scheme	24.2	-	-	-	-	-	-
Public Sector Regional Leadership	0.5	0.8	0.6	-	-	-	0.6
Regional Buy Local Initiatives	0.5	1.0	2.7	3.1	3.6	-	9.4
Regional Events Program	10.9	12.3	11.6	10.0	10.0	10.0	41.6
Kimberley Science and Conservation Strategy	1.7	2.6	-	0.5	-	-	0.5
Marine Parks Management	1.4	2.4	2.1	1.1	1.0	5.7	9.8
Support for Racecourse Infrastructure Grants Program	4.4	1.0	1.0	1.0	1.0	1.0	4.0
Regional Community Programs and Schemes Subtotal	175.5	149.5	161.1	159.0	130.9	103.0	554.0

Table 2 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE							
INITIATIVE	2013-14 Actual	2014-15 Estimated Actual	2015-16 Budget Estimate	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Regional Health Programs							
Fitzroy Kids Health	-	0.2	0.1	0.1	-	-	0.2
Regional (Kalgoorlie Esperance) Telehealth	-	1.4	2.1	2.2	2.3	-	6.6
Wheatbelt Renal Dialysis	-	-(a)	0.1	0.9	1.0	1.5	3.4
Rural Palliative Care Program	-	1.0	1.3	1.3	0.5	-	3.0
Patient Assisted Travel Scheme	9.7	10.1	10.3	10.6	10.9	11.1	42.9
Royal Flying Doctor Service	12.1	4.0	4.0	-	-	-	4.0
Rural Generalist (Practice) Pathways	2.0	3.1	-	-	-	-	-
St John Ambulance Services in Country WA	6.4	9.0	8.1	-	-	-	8.1
Pilbara Cardiovascular Screen Program	0.2	0.7	-	-	-	-	-
Ear Health	-	1.5	1.5	1.5	1.5	-	4.5
Subacute Mental Health Services in Karratha	-	-	5.3	2.7	3.4	3.5	14.9
Subacute Mental Health Services in Bunbury	-	-	4.6	2.1	3.1	3.2	13.0
Regional Patient Accommodation Facility	2.5	2.5	-	-	-	-	-
Regional Men's Health	0.5	0.8	0.8	0.8	0.8	-	2.4
Regional Health Programs Subtotal	33.5	34.3	38.2	22.1	23.4	19.3	103.0
Aboriginal Initiatives							
Regional Youth Justice Strategy Kimberley and Pilbara Expansion	13.3	15.0	15.0	15.0	15.0	-	45.0
Clontarf Colleges	1.3	1.4	1.4	1.5	-	-	2.9
WA Indigenous Tourism Operators Committee	0.3	-	-	-	-	-	-
Aboriginal Tourism Development Program	-	-	1.2	1.2	1.2	1.2	4.6
Aboriginal Justice Program - Enhanced Driver Training and Education for Regional and Remote Communities	0.6	1.2	1.6	2.2	0.9	-	4.7
Aboriginal Justice Program - Enhanced Services for Victims of Crime Within Regional and Remote Communities	0.3	1.2	1.3	1.1	1.1	-	3.4
Remote Area Essential Services Program	30.0	-	-	-	-	-	-
Aboriginal Community Critical Response Fund	1.1	1.0	2.5	3.0	1.7	-	7.2
NorthWest Drug and Alcohol Support Program	6.4	6.9	5.6	5.6	-	-	11.3
Improving Water Quality in Remote Aboriginal Communities	4.4	3.0	-	-	-	-	-
Governance and Leadership Development Program	-	0.3	1.3	0.7	-	-	2.0
Indigenous Visitor Hostels	8.7	4.2	1.8	1.8	1.6	1.3	6.5
Jigalong Essential Services Pilot	0.4	9.0	0.6	-	-	-	0.6
Remote Indigenous Health Clinics	7.7	6.0	5.5	-	-	-	5.5
Aboriginal Initiatives Subtotal	74.5	49.0	37.7	32.0	21.4	2.5	93.6
Regional Strategic Projects							
Regional Strategic Projects	39.1	40.8	21.3	14.8	14.8	5.0	55.9
Regional Strategic Projects Subtotal	39.1	40.8	21.3	14.8	14.8	5.0	55.9
Seizing the Opportunity Agriculture							
Infrastructure Audit and Infrastructure Investment Fund	-	2.0	21.5	34.0	19.5	-	75.0
Northern Beef Industry Strategy	-	1.7	5.7	4.6	2.9	-	13.3
Sheep Industry Business Innovation	-	1.6	3.0	2.9	2.6	-	8.5
Boosting Biosecurity Defences	-	3.1	6.5	7.5	2.9	-	16.9
Help Grain Growers to Better Manage Risk	-	0.9	3.5	3.3	2.3	-	9.1
Boost Grains Research and Development Support	-	1.1	6.8	6.8	5.3	-	18.9
Water for Food	-	8.7	15.6	9.7	6.0	-	31.3
Other Initiatives	-	10.1	30.9	39.0	28.1	-	97.9
Seizing the Opportunity Agriculture Subtotal	-	29.2	93.5	107.7	69.6	-	270.8
TOTAL - REGIONAL COMMUNITY SERVICES FUND	322.6	302.9	351.8	335.7	260.2	129.7	1,077.4

Table 2 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE							
INITIATIVE	2013-14 Actual	2014-15 Estimated Actual	2015-16 Budget Estimate	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
REGIONAL INFRASTRUCTURE AND HEADWORKS FUND							
Regional Capital Works Initiative							
Regional Capital Works Initiative	15.4	11.1	1.8	0.5	-	-	2.4
Regional Capital Works Initiative Subtotal	15.4	11.1	1.8	0.5	-	-	2.4
Pilbara Cities Initiative							
Karratha Health Campus	0.6	5.0	15.0	80.0	100.0	4.3	199.3
Pilbara Health Partnership	7.7	8.9	1.8	-	-	-	1.8
Pilbara Underground Power	-	1.2	-	-	-	-	-
Pilbara Water Opportunities	-	^(a)	-	-	-	-	-
Northern Towns Development Fund	4.8	6.0	5.3	0.2	-	-	5.6
Pilbara Cities Strategic Infrastructure	167.1	114.4	158.4	78.4	127.1	91.0	454.8
Pilbara Cities Community Projects	17.0	4.6	19.7	16.8	12.0	39.6	88.0
Pilbara Fabrication and Services Common Use Facility	0.9	0.4	1.9	-	-	-	1.9
The Quarter	-	0.5	5.3	0.3	-	-	5.5
Pilbara Cities Initiative Subtotal	198.1	141.0	207.4	175.6	239.1	134.8	756.9
Regional Housing							
Affordable Housing for Workers	54.2	13.4	51.5	16.7	2.2	8.3	78.7
Social Housing Investment Package	-	-	-	19.6	25.4	40.3	85.3
Regional Housing Subtotal	54.2	13.4	51.5	36.3	27.6	48.5	163.9
East Kimberley Revitalisation							
Ord-East Kimberley Expansion Project - Phase 2 (Asset Investment)	51.9	-	-	-	-	-	-
Kununurra Courthouse	17.0	8.1	4.8	-	-	-	4.8
East Kimberley Revitalisation Subtotal	68.9	8.1	4.8	-	-	-	4.8
West Kimberley Revitalisation							
China Town Redevelopment	-	-	10.0	-	-	-	10.0
West Kimberley Transitional Housing Program	0.1	13.5	13.5	5.9	-	-	19.4
Fitzroy Crossing Courthouse	^(a)	2.0	2.9	-	-	-	2.9
Broome Boating Facility	1.1	-	-	-	-	-	-
Broome Wharf Extension of Life	0.9	2.1	-	-	-	-	-
Broome Road Industrial Area	-	4.9	10.0	-	-	-	10.0
West Kimberley Revitalisation Subtotal	2.2	22.5	36.4	5.9	-	-	42.3
Goldfields Esperance Revitalisation							
Goldfields Esperance Revitalisation	-	10.0	20.0	22.2	20.0	20.0	82.2
Northern Goldfields Office and Administration Centre	4.6	-	-	-	-	-	-
Hopetoun Community Centre	2.0	-	-	-	-	-	-
Kalgoorlie-Boulder Community High School	-	5.0	20.0	20.0	-	-	40.0
Great Eastern Highway Passing Lanes	-	-	2.0	12.0	12.0	12.0	38.0
Goldfields Arts Centre	-	4.4	1.5	0.3	-	-	1.8
Goldfields Esperance Revitalisation Subtotal	6.6	19.4	43.5	54.5	32.0	32.0	162.0
Southern Investment Initiative - Growing Our South							
Southern Investment Initiative - Growing Our South	-	78.7	39.9	34.2	195.2	252.0	521.3
Southern Investment Initiative - Growing Our South Subtotal	-	78.7	39.9	34.2	195.2	252.0	521.3
Statewide Regional Blueprint Initiatives							
Statewide Regional Blueprint Initiatives	-	-	13.0	30.0	58.5	260.7	362.1
Statewide Regional Blueprint Initiatives Subtotal	-	-	13.0	30.0	58.5	260.7	362.1

Table 2 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2013-14 Actual	2014-15 Estimated Actual	2015-16 Budget Estimate	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Gascoyne Revitalisation							
Gascoyne Development Plan	16.5	30.2	6.8	-	-	-	6.8
Denham Timber Jetty Replacement	-	0.8	1.4	-(a)	-	-	1.5
Exmouth Health Clinic	0.9	5.3	1.7	-	-	-	1.7
Carnarvon Health Campus	1.7	15.4	3.2	-	-	-	3.2
Coral Bay Seasonal Staff Accommodation	0.1	0.1	0.6	0.1	0.1	0.1	0.9
Exmouth Boat Harbour	-	1.0	4.6	12.7	-	-	17.3
Gascoyne Revitalisation Subtotal	19.2	52.7	18.2	12.8	0.1	0.1	31.2
Mid West Revitalisation							
Midwest Investment Plan	41.9	22.9	42.4	31.2	51.6	15.0	140.2
Brand Highway - Greenough River Bridge	1.5	-	-	-	-	-	-
Midwest Unit	0.5	0.8	0.8	0.4	-	-	1.1
Mid West Revitalisation Subtotal	43.9	23.7	43.2	31.6	51.6	15.0	141.3
Regional Health Infrastructure							
Esperance Health Campus	1.2	12.6	3.8	-	-	-	3.8
North West Health Initiative	-	-	5.7	28.0	61.6	54.8	150.1
Laverton Primary Health and Aged Care Facility	-	-	0.5	4.0	12.0	3.0	19.5
Busselton Health Campus	12.9	-	-	-	-	-	-
Busselton ICT	0.3	10.3	-	-	-	-	-
Regional Health Infrastructure Subtotal	14.5	22.9	10.1	32.0	73.6	57.8	173.4
Southern Inland Health Initiative							
District Medical Workforce Investment Program	20.9	28.1	34.6	34.6	9.1	24.7	102.9
District Hospital Investment Program (Operating)	7.6	8.2	17.8	59.2	46.1	8.5	131.7
Primary Health Centres Demonstration Program	0.9	1.2	5.1	14.2	16.1	1.8	37.1
Small Hospital and Nursing Post Refurbishment Program	2.4	2.7	26.2	62.3	1.4	-	89.9
Telehealth Investment Program (Operating)	1.9	4.5	7.3	7.0	11.0	-	25.3
Residential Aged and Dementia Care Investment Program	-	0.1	9.9	9.9	-	-	19.8
Renal Dialysis Service Expansion	0.2	0.5	2.4	4.0	-	-	6.3
Southern Inland Health Initiative Subtotal	33.9	45.2	103.4	191.1	83.6	35.0	413.0
Regional Skills and Training							
Regional Skills and Training Initiative	75.3	35.1	7.0	0.2	0.2	0.2	7.7
Regional Skills and Training Subtotal	75.3	35.1	7.0	0.2	0.2	0.2	7.7
Regional Schools							
Carnarvon Community College Stage 2	-	-	2.0	14.0	1.6	-	17.6
Cunderdin Agriculture College	-	1.7	-	-	-	-	-
Regional Schools Plan	42.5	6.3	-	-	-	-	-
Relocation of Year 7 Students	26.3	11.7	-	-	-	-	-
Regional Residential College Upgrades	3.4	12.4	16.2	-	-	-	16.2
Regional Schools Subtotal	72.2	32.1	18.2	14.0	1.6	-	33.8
Portlink Inland Freight Corridor							
Portlink Inland Freight Corridor Planning	1.2	1.5	1.2	-	-	-	1.2
Portlink Inland Freight Corridor Subtotal	1.2	1.5	1.2	-	-	-	1.2
Regional Development - Water and NRM Initiatives							
Regional Development Water and NRM Natural Resources Investment Program Initiatives	10.0	21.2	12.3	-	-	-	12.3
Peel Recycled Water Scheme	-	-	6.4	6.4	6.4	-	19.2
Regional Natural Resource Management - State Barrier Fence	0.5	1.5	3.2	2.5	-	-	5.7
Regional Development - Water and NRM Initiatives Subtotal	10.5	22.7	21.8	8.9	6.4	-	37.1

Table 2 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE							
INITIATIVE	2013-14 Actual	2014-15 Estimated Actual	2015-16 Budget Estimate	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Regional Infrastructure Projects							
Regional Mobile Communications Project	10.7	6.9	-	-	-	-	-
Regional Telecommunications Project - Stage 2	-	5.0	10.0	10.0	20.0	-	40.0
Community Safety Network (Operating)	12.0	13.1	21.7	19.7	6.1	6.4	53.9
Recreational Boating Facilities Scheme (Operating)	3.4	4.6	4.5	1.7	-	-	6.2
Regional Airports Development Scheme	4.0	4.7	4.0	-	-	-	4.0
Ravensthorpe Heavy Haulage Route	1.1	6.4	-	-	-	-	-
Regions Infill Sewerage	4.9	-	-	-	-	-	-
Middleton Beach Hotel Site	-	3.3	1.5	-	-	-	1.5
Parks and Wildlife Headquarters	-	-	1.3	14.0	2.7	-	18.0
Conservation Parks Infrastructure and Roads	9.3	3.2	-	-	-	-	-
SuperTowns - Avon Train	0.4	-	-	-	-	-	-
Avonlink Enhancement Project	-	2.2	2.2	2.2	-	-	4.4
Bunbury Marine Facilities	-	1.0	-	-	-	-	-
Bunbury to Albany Gas Pipeline	-	-	7.0	-	-	12.5	19.5
Living Lakes	0.3	0.8	1.0	2.0	2.0	2.0	7.0
Collie Water Plan (Operating)	0.3	0.1	-	-	-	-	-
Road Coach Capital Replacement Program	-	0.5	9.7	4.9	-	-	14.6
Regional Bus Acquisition	-	3.4	-	-	-	-	-
Regional Infrastructure Projects Subtotal	46.2	55.1	62.9	54.5	30.8	20.9	169.2
TOTAL - REGIONAL INFRASTRUCTURE AND HEADWORKS FUND	662.3	585.4	684.2	682.1	800.3	857.0	3,023.6
NEW REGIONAL AND STATEWIDE INITIATIVES							
New Regional and Statewide Initiatives Administration	-	107.1	22.9	48.8	56.9	129.7	258.2
	41.5	50.5	55.0	53.7	53.6	55.5	217.8
TOTAL - NEW REGIONAL AND STATEWIDE INITIATIVES	41.5	157.6	77.9	102.4	110.5	185.2	476.0
Over Programming Provision	-	-151.2	-176.5	-176.5	-176.5	-176.5	-705.9
Total Allocated Programs	1,069.9	950.0	950.0	950.0	1,000.0	1,000.0	3,900.0
Regional Reform Fund		50.0	50.0	50.0			100.0
TOTAL - ROYALTIES FOR REGIONS FUND ^(b)	1,069.9	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	4,000.0
FUTURE FUND CONTRIBUTION ^(c)	262.5	246.8	125.6				125.6

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

(b) Columns and rows may not add due to rounding.

(c) Total Royalties for Regions Future Fund contributions are forecast to be \$932.6 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 satisfy Uniform Presentation Framework (UPF) requirements applicable for all States, Territories and the Commonwealth, and are also consistent with Australian Accounting Standards, in particular, AASB 1049: *Whole of Government and General Government Sector Financial Reporting*.

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Table 1.1

GENERAL GOVERNMENT
Operating Statement

	Note	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Taxation		8,849	9,052	9,754	10,359	11,012	11,709
Current grants and subsidies		8,199	7,926	7,738	8,497	9,702	11,594
Capital grants		547	922	651	939	973	214
Sales of goods and services		2,064	2,213	2,342	2,381	2,497	2,625
Interest income		194	189	174	179	182	185
Revenue from public corporations							
Dividends from other sector entities		901	1,277	945	1,040	1,121	1,161
Tax equivalent income		602	494	527	595	572	637
Royalty income		6,025	4,440	3,670	4,016	4,510	4,912
Other		575	533	523	491	507	478
Total	3	27,956	27,045	26,325	28,496	31,075	33,517
EXPENSES							
Salaries		10,682	11,292	11,498	11,871	12,066	12,435
Superannuation							
Concurrent costs		1,030	1,111	1,129	1,163	1,180	1,214
Superannuation interest cost		297	191	224	232	236	237
Other employee costs		432	449	449	452	457	465
Depreciation and amortisation		1,197	1,274	1,434	1,482	1,509	1,554
Services and contracts		2,041	2,352	2,341	2,284	2,332	2,419
Other gross operating expenses		4,943	5,164	5,435	5,567	5,720	6,077
Other interest		492	544	616	689	760	814
Current transfers	4	5,357	5,377	5,353	5,472	5,517	5,792
Capital transfers	4	765	577	555	433	423	301
Total	5	27,236	28,332	29,033	29,644	30,201	31,308
NET OPERATING BALANCE	6	719	-1,287	-2,708	-1,148	874	2,209
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		-34	10	32	5	7	21
Net actuarial gains - superannuation		-114	-1,070	-48	-73	-97	-138
Provision for doubtful debts		-37	-4	-4	-4	-4	-4
Changes in accounting policy/correction of prior period errors		16	-	-	-	-	-
Total other economic flows		-169	-1,063	-21	-72	-95	-121
OPERATING RESULT		550	-2,350	-2,729	-1,220	779	2,088
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		1,934	2,427	2,045	1,966	1,671	1,724
Gains recognised directly in equity		-1	-1	-1	-1	-1	-1
Change in net worth of the public corporations sectors		1,419	503	789	959	1,095	1,050
All other		-	-	-	-	-	-
Total all other movements in equity		3,351	2,928	2,833	2,924	2,764	2,773
TOTAL CHANGE IN NET WORTH		3,901	578	104	1,704	3,543	4,860
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	719	-1,287	-2,708	-1,148	874	2,209
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	5	3,289	3,077	2,603	2,606	2,622	2,229
Changes in inventories		1	-2	-	-	-	-
Other movement in non-financial assets		-22	345	-42	-	423	-
<i>Less:</i>							
Sales of non-financial assets		224	306	207	220	192	185
Depreciation		1,197	1,274	1,434	1,482	1,509	1,554
Total net acquisition of non-financial assets		1,847	1,840	919	904	1,344	489
NET LENDING/-BORROWING	6	-1,127	-3,127	-3,628	-2,051	-470	1,719

Note: Columns may not add due to rounding.

Table 1.2

GENERAL GOVERNMENT
Balance Sheet at 30 June

	Note	2014	2015	2016	2017	2018	2019
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
				\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		692	593	579	677	779	870
Advances paid		664	694	708	692	660	638
Investments, loans and placements		3,904	2,565	2,085	2,172	2,805	4,619
Receivables		3,054	2,530	2,494	2,593	2,686	2,811
Shares and other equity							
Investments in other public sector entities - equity method		45,706	46,208	46,997	47,956	49,051	50,100
Investments in other public sector entities - direct injections		6,731	7,753	8,479	8,977	9,342	9,741
Investments in other entities		11	44	43	46	54	67
Other financial assets		-	-	-	-	-	-
Total financial assets		60,762	60,387	61,386	63,114	65,377	68,846
<i>Non-financial assets</i>							
Land		37,606	38,209	38,745	39,219	39,724	40,250
Property, plant and equipment		43,162	46,160	48,566	50,774	53,859	55,658
Biological assets		1	1	1	1	1	1
Inventories							
Land inventories		96	82	68	54	52	50
Other inventories		79	77	77	77	77	77
Intangibles		574	627	635	618	578	515
Non-current assets held for sale		16	13	13	13	13	13
Investment property		8	8	-	-	-	-
Other		247	532	748	1,148	721	728
Total non-financial assets		81,789	85,708	88,853	91,903	95,025	97,292
TOTAL ASSETS		142,551	146,095	150,238	155,017	160,402	166,138
LIABILITIES							
Deposits held		522	458	711	571	490	527
Advances received		438	408	392	376	360	343
Borrowings		11,362	13,742	18,068	21,503	23,620	24,602
Unfunded superannuation		7,890	8,592	8,367	8,148	7,963	7,830
Other employee benefits		3,140	2,904	2,644	2,697	2,717	2,758
Payables		1,048	1,033	1,027	1,025	1,061	1,106
Other liabilities		1,323	1,551	1,520	1,484	1,433	1,354
TOTAL LIABILITIES		25,723	28,689	32,729	35,804	37,645	38,521
NET ASSETS		116,828	117,406	117,510	119,214	122,757	127,617
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		11,122	8,834	6,134	4,941	5,709	7,794
Other reserves		105,706	108,572	111,375	114,272	117,048	119,823
NET WORTH	6	116,828	117,406	117,510	119,214	122,757	127,617
MEMORANDUM ITEMS							
<i>Net financial worth</i>		35,039	31,698	28,657	27,310	27,732	30,325
<i>Net financial liabilities</i>		17,398	22,263	26,819	29,623	30,661	29,517
<i>Net debt</i>							
Gross debt liabilities		12,322	14,608	19,171	22,450	24,471	25,472
Less: liquid financial assets		5,260	3,852	3,372	3,541	4,244	6,127
Less: convergence differences impacting net debt		88	88	-	-	-	-
Net debt		6,973	10,669	15,799	18,909	20,227	19,345

Note: Columns may not add due to rounding.

Table 1.3

GENERAL GOVERNMENT
Cashflow Statement

	Note	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		8,712	9,070	9,774	10,374	11,028	11,725
Grants and subsidies received		8,614	8,903	8,355	9,422	10,672	11,810
Receipts from sales of goods and services		2,121	2,273	2,358	2,425	2,531	2,636
Interest receipts		219	178	164	168	171	175
Dividends and tax equivalents		1,497	1,811	1,527	1,640	1,713	1,773
Other receipts		7,843	6,621	5,376	5,627	6,119	6,512
<i>Total cash received</i>		29,006	28,857	27,554	29,656	32,234	34,631
<i>Cash Paid</i>							
Wages, salaries and supplements, and superannuation		-12,157	-13,012	-13,385	-13,502	-13,742	-14,115
Payments for goods and services		-7,526	-7,921	-8,102	-8,293	-8,523	-8,954
Interest paid		-485	-533	-582	-657	-734	-792
Grants and subsidies paid		-5,567	-5,786	-5,712	-5,748	-5,775	-5,920
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-1,538	-1,413	-1,420	-1,358	-1,380	-1,400
<i>Total cash paid</i>		-27,273	-28,665	-29,201	-29,558	-30,153	-31,181
NET CASH FLOWS FROM OPERATING ACTIVITIES		1,733	192	-1,647	98	2,081	3,450
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-3,289	-3,077	-2,603	-2,606	-2,622	-2,229
Sales of non-financial assets		224	306	207	220	192	185
<i>Total cash flows from investments in non-financial assets</i>		-3,065	-2,771	-2,395	-2,385	-2,430	-2,043
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		22	-	-	-	-	-
For liquidity purposes		1	1	20	23	9	2
<i>Cash paid</i>							
For policy purposes		-551	-644	-666	-513	-435	-400
For liquidity purposes		-1	-25	-19	-	-	-
<i>Total cash flows from investments in financial assets</i>		-529	-668	-665	-490	-426	-398
NET CASH FLOWS FROM INVESTING ACTIVITIES		-3,594	-3,439	-3,060	-2,875	-2,856	-2,441
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		30	15	16	16	16	17
Borrowings		545	2,097	4,493	3,594	1,896	1,161
Deposits received		-	-	-	-	-	-
Other financing receipts		36	37	37	59	67	37
<i>Total cash receipts from financing activities</i>		611	2,149	4,546	3,669	1,980	1,215
<i>Cash paid</i>							
Advances paid		-16	-15	-16	-16	-16	-17
Borrowings repaid		-368	-74	-86	-83	-114	-110
Deposits paid		-	-	-	-	-	-
Other financing payments		-140	-166	-432	-452	-245	-223
<i>Total payments for financing activities</i>		-524	-256	-534	-552	-375	-349
NET CASH FLOWS FROM FINANCING ACTIVITIES		86	1,894	4,012	3,117	1,605	866
Net increase in cash and cash equivalents		-1,775	-1,353	-695	340	830	1,875
Cash and cash equivalents at the beginning of the year		6,263	4,488	3,135	2,440	2,780	3,610
Cash and cash equivalents at the end of the year		4,488	3,135	2,440	2,780	3,610	5,485
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		1,733	192	-1,647	98	2,081	3,450
Net cash flows from investing in non-financial assets		-3,065	-2,771	-2,395	-2,385	-2,430	-2,043
Cash surplus/-deficit	6	-1,333	-2,579	-4,042	-2,287	-349	1,406

Note: Columns may not add due to rounding.

Table 1.4

PUBLIC NON-FINANCIAL CORPORATIONS
Operating Statement

	Note	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	Estimate	Estimate	Estimate
<i>Results from Transactions</i>							
REVENUE							
Current grants and subsidies		2,368	2,320	2,279	2,204	2,070	2,069
Capital grants		231	202	158	118	124	5
Sales of goods and services		15,536	16,273	17,220	18,030	19,088	20,474
Interest income		175	170	189	191	203	226
Other		659	537	576	706	521	538
<i>Total</i>		<i>18,969</i>	<i>19,502</i>	<i>20,422</i>	<i>21,249</i>	<i>22,006</i>	<i>23,313</i>
EXPENSES							
Salaries		1,209	1,220	1,215	1,245	1,261	1,287
Superannuation							
Concurrent costs		115	120	119	122	123	126
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		60	43	42	43	43	43
Depreciation and amortisation		2,005	2,093	2,123	2,174	2,200	2,229
Services and contracts		972	800	874	746	648	551
Other gross operating expenses		11,392	12,276	12,980	13,421	14,335	15,381
Other interest		955	974	1,009	1,070	1,108	1,207
Tax equivalents		595	464	497	577	531	590
Current transfers		1,011	1,043	1,081	1,134	1,177	1,216
Capital transfers		83	91	46	47	1	1
<i>Total</i>		<i>18,398</i>	<i>19,124</i>	<i>19,986</i>	<i>20,578</i>	<i>21,427</i>	<i>22,632</i>
NET OPERATING BALANCE	6	571	378	437	670	578	680
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		90	109	154	189	227	209
Net actuarial gains - superannuation		-28	-	-	-	-	-
Provision for doubtful debts		-13	-17	-18	-18	-19	-20
Changes in accounting policy/correction of prior period errors		-715	-	-	-	-	-
<i>Total other economic flows</i>		<i>-666</i>	<i>92</i>	<i>136</i>	<i>171</i>	<i>208</i>	<i>189</i>
OPERATING RESULT		-95	470	573	841	787	869
<i>Other non-owner movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		1,839	1,172	1,081	1,162	1,258	1,138
Gains recognised directly in equity		462	-65	-54	-49	-49	-48
All other		-	-	-	-	-	-
<i>Total other non-owner movements in equity</i>		<i>2,301</i>	<i>1,106</i>	<i>1,027</i>	<i>1,112</i>	<i>1,209</i>	<i>1,090</i>
<i>Movements in owner equity</i>							
Dividends		-825	-1,233	-901	-993	-1,070	-1,106
Capital injections		575	1,026	726	498	365	400
<i>Total movements in owner equity</i>		<i>-250</i>	<i>-207</i>	<i>-175</i>	<i>-495</i>	<i>-705</i>	<i>-706</i>
TOTAL CHANGE IN NET WORTH		1,956	1,370	1,425	1,458	1,290	1,253
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	571	378	437	670	578	680
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		3,534	3,577	3,672	3,350	3,451	3,520
Changes in inventories		514	-526	819	306	243	59
Other movement in non-financial assets		339	62	153	226	124	123
<i>Less:</i>							
Sales of non-financial assets		940	960	1,030	865	985	811
Depreciation		2,005	2,093	2,123	2,174	2,200	2,229
<i>Total net acquisition of non-financial assets</i>		<i>1,441</i>	<i>59</i>	<i>1,491</i>	<i>843</i>	<i>634</i>	<i>662</i>
NET LENDING/-BORROWING	6	-870	319	-1,055	-173	-56	18

Note: Columns may not add due to rounding.

Table 1.5

PUBLIC NON-FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	Note	2014	2015	2016	2017	2018	2019
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		1,199	817	1,112	1,019	986	1,036
Advances paid		-	-	-	-	-	-
Investments, loans and placements		4,526	4,977	5,081	5,188	5,316	5,401
Receivables		1,198	1,079	1,098	1,199	1,301	1,392
<i>Shares and other equity</i>							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		33	38	42	76	83	83
Other financial assets		946	910	849	785	720	627
Total financial assets		7,902	7,822	8,181	8,266	8,406	8,540
<i>Non-financial assets</i>							
Land		14,799	15,391	15,929	16,487	17,064	17,661
Property, plant and equipment		50,421	52,110	53,275	54,394	55,739	56,979
Biological assets		333	316	313	309	306	303
<i>Inventories</i>							
Land inventories		1,905	2,083	2,254	2,243	2,204	2,234
Other inventories		3,225	2,699	3,518	3,825	4,067	4,126
Intangibles		507	430	401	375	358	358
Non-current assets held for sale		13	5	5	5	5	5
Investment property		24	25	25	25	25	25
Other		137	162	166	172	158	159
Total non-financial assets		71,365	73,220	75,884	77,835	79,926	81,850
TOTAL ASSETS		79,267	81,041	84,066	86,101	88,332	90,389
LIABILITIES							
Deposits held		-	-	-	-	-	-
Advances received		424	408	392	376	360	343
Borrowings		21,467	22,724	23,655	24,179	25,082	25,875
Unfunded superannuation		127	96	56	14	-	-
Other employee benefits		425	429	439	454	470	485
Payables		4,810	3,786	4,532	4,663	4,871	4,884
Other liabilities		1,364	1,578	1,547	1,512	1,356	1,355
TOTAL LIABILITIES		28,616	29,021	30,620	31,198	32,139	32,943
NET ASSETS		50,651	52,020	53,445	54,903	56,194	57,446
<i>Of which:</i>							
Contributed equity		6,731	7,757	8,483	8,981	9,346	9,746
Accumulated surplus		18,232	16,720	16,261	15,968	15,547	15,177
Other reserves		25,688	27,543	28,701	29,954	31,300	32,524
NET WORTH	6	50,651	52,020	53,445	54,903	56,194	57,446
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-71,365	-73,220	-75,884	-77,835	-79,926	-81,850
<i>Net debt</i>							
Gross debt liabilities		21,890	23,132	24,047	24,555	25,442	26,219
Less: liquid financial assets		5,725	5,794	6,193	6,206	6,302	6,437
Less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		16,166	17,338	17,854	18,349	19,140	19,782

Note: Columns may not add due to rounding.

Table 1.6

PUBLIC NON-FINANCIAL CORPORATIONS
Cashflow Statement

	Note	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
		Actual	Estimated	Budget	Forw ard	Forw ard	Forw ard
		\$m	\$m	\$m	Estimate	Estimate	Estimate
					\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Grants and subsidies received		2,597	2,572	2,451	2,324	2,197	2,078
Receipts from sales of goods and services		15,932	16,719	17,379	18,372	19,287	20,694
Interest receipts		166	174	189	191	203	226
Dividends and tax equivalents		78	68	68	117	69	69
Other receipts		1,706	951	882	909	963	973
<i>Total cash received</i>		<i>20,479</i>	<i>20,485</i>	<i>20,969</i>	<i>21,914</i>	<i>22,718</i>	<i>24,040</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-1,325	-1,406	-1,434	-1,426	-1,461	-1,459
Payments for goods and services		-10,653	-11,877	-11,946	-12,576	-13,303	-14,083
Interest paid		-968	-914	-949	-1,015	-1,056	-1,152
Grants and subsidies paid		-738	-786	-782	-817	-841	-870
Tax equivalents		-573	-533	-552	-569	-573	-570
Other payments		-3,817	-2,997	-3,001	-3,208	-3,187	-3,197
<i>Total cash paid</i>		<i>-18,076</i>	<i>-18,512</i>	<i>-18,664</i>	<i>-19,612</i>	<i>-20,420</i>	<i>-21,331</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES		2,403	1,973	2,305	2,302	2,298	2,709
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-3,534	-3,577	-3,672	-3,350	-3,451	-3,520
Sales of non-financial assets		940	960	1,030	865	985	811
<i>Total cash flows from investments in non-financial assets</i>		<i>-2,594</i>	<i>-2,617</i>	<i>-2,643</i>	<i>-2,485</i>	<i>-2,467</i>	<i>-2,710</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		422	79	25	84	13	12
<i>Cash paid</i>							
For policy purposes		-	-2	-	-21	-28	-
For liquidity purposes		-386	-74	-27	-26	-29	-26
<i>Total cash flows from investments in financial assets</i>		<i>36</i>	<i>3</i>	<i>-3</i>	<i>37</i>	<i>-44</i>	<i>-15</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES		-2,557	-2,614	-2,645	-2,448	-2,511	-2,724
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		23,781	15,270	12,608	18,262	20,050	17,425
Deposits received		-	-	-	-	-	-
Other financing receipts		590	680	721	571	499	492
<i>Total cash received</i>		<i>24,372</i>	<i>15,950</i>	<i>13,329</i>	<i>18,833</i>	<i>20,548</i>	<i>17,917</i>
<i>Cash paid</i>							
Advances paid		-15	-15	-16	-16	-16	-17
Borrowings repaid		-23,071	-14,566	-11,774	-17,765	-19,242	-16,684
Deposits paid		-	-	-	-	-	-
Other financing payments		-23	-28	-30	-32	-30	-32
Dividends paid		-825	-1,230	-900	-993	-1,070	-1,106
<i>Total cash paid</i>		<i>-23,934</i>	<i>-15,839</i>	<i>-12,721</i>	<i>-18,806</i>	<i>-20,358</i>	<i>-17,838</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES		438	111	608	27	190	79
Net increase in cash and cash equivalents		284	-530	268	-119	-22	64
Cash and cash equivalents at the beginning of the year		1,519	1,803	1,273	1,540	1,421	1,399
Cash and cash equivalents at the end of the year		1,803	1,273	1,540	1,421	1,399	1,463
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		2,403	1,973	2,305	2,302	2,298	2,709
Net cash flows from investing in non-financial assets		-2,594	-2,617	-2,643	-2,485	-2,467	-2,710
Dividends paid		-825	-1,230	-900	-993	-1,070	-1,106
Cash surplus/-deficit	6	-1,015	-1,874	-1,238	-1,176	-1,239	-1,106

Note: Columns may not add due to rounding.

Table 1.7

TOTAL NON-FINANCIAL PUBLIC SECTOR
Operating Statement

	Note	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Taxation		8,387	8,587	9,240	9,823	10,453	11,130
Current grants and subsidies		8,199	7,926	7,738	8,497	9,702	11,594
Capital grants		547	922	651	939	973	214
Sales of goods and services		17,119	17,960	19,015	19,894	21,054	22,548
Interest income		342	332	338	345	362	390
Royalty income		6,025	4,440	3,670	4,016	4,510	4,912
Dividend and tax equivalents		161	142	142	182	160	172
Other		1,108	960	998	1,048	926	929
Total		41,887	41,267	41,791	44,743	48,139	51,889
EXPENSES							
Salaries		11,890	12,512	12,713	13,116	13,327	13,722
Superannuation							
Concurrent costs		1,146	1,231	1,248	1,285	1,303	1,340
Superannuation interest cost		297	191	224	232	236	237
Other employee costs		287	265	257	254	252	253
Depreciation and amortisation		3,202	3,367	3,557	3,656	3,709	3,783
Services and contracts		3,008	3,154	3,217	3,033	2,984	2,974
Other gross operating expenses		15,866	16,935	17,886	18,487	19,538	20,918
Other interest		1,420	1,490	1,599	1,735	1,845	2,000
Current transfers		3,694	3,796	3,819	4,055	4,263	4,581
Capital transfers		611	466	443	362	299	297
Total		41,421	43,408	44,964	46,214	47,758	50,106
NET OPERATING BALANCE	6	465	-2,141	-3,173	-1,471	382	1,783
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		56	119	186	194	234	229
Net actuarial gains - superannuation		-142	-1,070	-48	-73	-97	-138
Provision for doubtful debts		-50	-21	-22	-22	-23	-24
Changes in accounting policy/correction of prior period errors		-699	-	-	-	-	-
Total other economic flows		-835	-972	115	98	114	68
OPERATING RESULT		-370	-3,113	-3,057	-1,372	495	1,851
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		3,772	3,607	3,126	3,127	2,929	2,862
Gains recognised directly in equity		461	-66	-55	-50	-50	-49
Change in net worth of the PFC sector		38	150	90	-1	169	196
All other		-	-	-	-	-	-
Total all other movements in equity		4,271	3,691	3,161	3,076	3,048	3,009
TOTAL CHANGE IN NET WORTH		3,901	578	104	1,704	3,543	4,860
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	465	-2,141	-3,173	-1,471	382	1,783
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		6,809	6,547	6,274	5,956	6,074	5,749
Changes in inventories		515	-528	819	306	243	59
Other movement in non-financial assets		317	406	111	226	547	123
<i>Less:</i>							
Sales of non-financial assets		1,150	1,160	1,236	1,085	1,177	996
Depreciation		3,202	3,367	3,557	3,656	3,709	3,783
Total net acquisition of non-financial assets		3,288	1,899	2,411	1,747	1,978	1,151
NET LENDING/-BORROWING	6	-2,823	-4,041	-5,583	-3,217	-1,596	632

Note: Columns may not add due to rounding.

Table 1.8

TOTAL NON-FINANCIAL PUBLIC SECTOR
Balance Sheet at 30 June

	Note	2014	2015	2016	2017	2018	2019
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
				\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		1,560	1,143	1,171	1,316	1,465	1,570
Advances paid		240	286	316	316	300	295
Investments, loans and placements		8,427	7,538	7,162	7,356	8,118	10,016
Receivables		4,077	3,408	3,429	3,618	3,852	4,047
Shares and other equity							
Investments in other public sector entities - equity method		1,786	1,941	2,031	2,030	2,199	2,396
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		44	82	85	122	138	150
Other financial assets		-	-	-	-	-	-
Total financial assets		16,134	14,398	14,194	14,757	16,072	18,474
<i>Non-financial assets</i>							
Land		52,405	53,599	54,675	55,705	56,788	57,911
Property, plant and equipment		93,583	98,269	101,841	105,168	109,598	112,637
Biological assets		335	318	314	311	308	304
Inventories							
Land inventories		2,002	2,165	2,321	2,297	2,256	2,284
Other inventories		3,304	2,776	3,595	3,901	4,144	4,203
Intangibles		1,081	1,057	1,036	993	937	873
Non-current assets held for sale		28	17	17	17	17	17
Investment property		32	33	25	25	25	25
Other		384	693	914	1,321	879	887
Total non-financial assets		153,153	158,928	164,737	169,738	174,951	179,142
TOTAL ASSETS		169,287	173,325	178,931	184,496	191,023	197,615
LIABILITIES							
Deposits held		187	187	187	187	187	187
Advances received		438	408	392	376	360	343
Borrowings		32,829	36,466	41,723	45,681	48,703	50,477
Unfunded superannuation		8,017	8,687	8,423	8,162	7,963	7,830
Other employee benefits		3,564	3,333	3,083	3,151	3,187	3,244
Payables		5,715	4,620	5,398	5,515	5,799	5,836
Other liabilities		1,709	2,216	2,216	2,210	2,068	2,080
TOTAL LIABILITIES		52,459	55,919	61,422	65,282	68,267	69,998
NET ASSETS		116,828	117,406	117,510	119,214	122,757	127,617
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		29,360	25,561	22,403	20,916	21,264	22,978
Other reserves		87,467	91,845	95,107	98,297	101,493	104,639
NET WORTH	6	116,828	117,406	117,510	119,214	122,757	127,617
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-36,326	-41,522	-47,228	-50,525	-52,194	-51,524
<i>Net financial liabilities</i>		38,156	43,544	49,343	52,677	54,531	54,070
<i>Net debt</i>							
Gross debt liabilities		33,454	37,062	42,302	46,245	49,250	51,008
Less: liquid financial assets		10,227	8,967	8,649	8,987	9,883	11,881
Less: convergence differences impacting net debt		88	88	-	-	-	-
Net debt		23,139	28,007	33,653	37,257	39,367	39,127

Note: Columns may not add due to rounding.

Table 1.9

TOTAL NON-FINANCIAL PUBLIC SECTOR
Cashflow Statement

	Note	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		8,244	8,595	9,254	9,828	10,459	11,136
Grants and subsidies received		8,614	8,903	8,362	9,423	10,672	11,810
Receipts from sales of goods and services		17,573	18,469	19,195	20,284	21,290	22,782
Interest receipts		357	325	327	334	351	379
Dividends and tax equivalents		177	116	143	195	138	166
Other receipts		9,087	7,262	5,947	6,185	6,713	7,141
<i>Total cash received</i>		<i>44,051</i>	<i>43,670</i>	<i>43,227</i>	<i>46,250</i>	<i>49,623</i>	<i>53,413</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-13,482	-14,418	-14,819	-14,928	-15,203	-15,575
Payments for goods and services		-17,276	-19,001	-19,222	-20,032	-20,957	-22,157
Interest paid		-1,426	-1,419	-1,506	-1,648	-1,766	-1,922
Grants and subsidies paid		-3,674	-3,966	-4,023	-4,217	-4,394	-4,702
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-4,882	-3,931	-3,899	-4,018	-3,995	-4,004
<i>Total cash paid</i>		<i>-40,740</i>	<i>-42,736</i>	<i>-43,469</i>	<i>-44,843</i>	<i>-46,315</i>	<i>-48,360</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES		3,311	934	-242	1,407	3,309	5,053
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-6,809	-6,547	-6,274	-5,956	-6,074	-5,749
Sales of non-financial assets		1,150	1,160	1,236	1,085	1,177	996
<i>Total cash flows from investments in non-financial assets</i>		<i>-5,659</i>	<i>-5,388</i>	<i>-5,038</i>	<i>-4,870</i>	<i>-4,897</i>	<i>-4,753</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		22	-	-	-	-	-
For liquidity purposes		423	80	44	107	22	14
<i>Cash paid</i>							
For policy purposes		-23	-	-	-	-	-
For liquidity purposes		-387	-99	-46	-26	-29	-26
<i>Total cash flows from investments in financial assets</i>		<i>35</i>	<i>-19</i>	<i>-2</i>	<i>81</i>	<i>-7</i>	<i>-13</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES		-5,624	-5,407	-5,040	-4,789	-4,904	-4,766
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		15	-	-	-	-	-
Borrowings		24,326	17,368	17,100	21,856	21,946	18,586
Deposits received		-	-	-	-	-	-
Other financing receipts		41	34	37	39	40	37
<i>Total cash received</i>		<i>24,383</i>	<i>17,402</i>	<i>17,137</i>	<i>21,894</i>	<i>21,986</i>	<i>18,624</i>
<i>Cash paid</i>							
Advances paid		-16	-15	-16	-16	-16	-17
Borrowings repaid		-23,440	-14,640	-11,860	-17,849	-19,355	-16,794
Deposits paid		-	-	-	-	-	-
Other financing payments		-105	-158	-406	-426	-212	-162
<i>Total cash paid</i>		<i>-23,561</i>	<i>-14,813</i>	<i>-12,283</i>	<i>-18,291</i>	<i>-19,584</i>	<i>-16,972</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES		821	2,589	4,855	3,604	2,402	1,651
Net increase in cash and cash equivalents		-1,491	-1,883	-428	221	807	1,939
Cash and cash equivalents at the beginning of the year		7,781	6,290	4,407	3,979	4,200	5,008
Cash and cash equivalents at the end of the year		6,290	4,407	3,979	4,200	5,008	6,946
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		3,311	934	-242	1,407	3,309	5,053
Net cash flows from investing in non-financial assets		-5,659	-5,388	-5,038	-4,870	-4,897	-4,753
Cash surplus/-deficit	6	-2,348	-4,453	-5,280	-3,463	-1,588	300

Note: Columns may not add due to rounding.

Table 1.10

PUBLIC FINANCIAL CORPORATIONS
Operating Statement

	Note	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Current grants and subsidies		-	-	-	-	-	-
Capital grants		-	-	-	-	-	-
Sales of goods and services		915	1,081	1,111	1,293	1,506	1,621
Interest income		1,712	1,837	2,025	2,207	2,364	2,553
Other		7	-	1	-	-	-
Total		2,634	2,918	3,137	3,500	3,870	4,174
EXPENSES							
Salaries		47	51	55	57	60	63
Superannuation							
Concurrent costs		5	5	5	6	6	6
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		2	2	2	2	2	3
Depreciation and amortisation		18	15	14	14	15	15
Services and contracts		9	9	10	10	11	11
Other gross operating expenses		1,065	925	966	1,207	1,287	1,368
Other interest		1,563	1,653	1,845	2,016	2,157	2,338
Tax equivalents		6	30	30	18	41	48
Current transfers		4	4	4	5	5	4
Capital transfers		2	2	2	2	2	2
Total		2,720	2,696	2,934	3,337	3,586	3,859
NET OPERATING BALANCE	6	-86	222	203	163	284	316
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		311	-	-	-	-	-
Net actuarial gains - superannuation		2	-	-	-	-	-
Provision for doubtful debts		-	-1	-	-	-	-
Changes in accounting policy/correction of prior period errors		-147	-	-	-	-	-
Total other economic flows		166	-1	-	-	-	-
OPERATING RESULT		80	221	203	162	283	315
<i>Other non-owner movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		-23	50	-	1	5	5
Gains recognised directly in equity		135	-	-	-	-	-
All other		-	-	-	-	-	-
Total other non-owner movements in equity		112	50	-	1	5	5
<i>Movements in owner equity</i>							
Dividends		-154	-112	-112	-164	-119	-124
Capital injections		-	-4	-	-	-	-
Total movements in owner equity		-154	-116	-112	-164	-119	-124
TOTAL CHANGE IN NET WORTH		38	155	90	-1	169	196
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	-86	222	203	163	284	316
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		5	7	10	7	7	7
Changes in inventories		-	-	-	-	-	-
Other movement in non-financial assets		-	-	-	-	-	-
<i>Less:</i>							
Sales of non-financial assets		-	-	-	-	-	-
Depreciation		18	15	14	14	15	15
Total net acquisition of non-financial assets		-13	-8	-4	-7	-7	-8
NET LENDING/-BORROWING	6	-73	230	207	169	291	323

Note: Columns may not add due to rounding.

Table 1.11

PUBLIC FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	Note	2014	2015	2016	2017	2018	2019
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		51	24	27	33	41	48
Advances paid		3,731	4,270	4,393	4,532	4,681	4,792
Investments, loans and placements		41,700	44,989	47,628	50,999	54,017	56,217
Receivables		596	587	582	578	576	574
<i>Shares and other equity</i>							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		1,414	1,552	1,660	1,842	2,064	2,312
Other financial assets		17	17	17	17	17	17
Total financial assets		47,509	51,438	54,306	58,001	61,396	63,960
<i>Non-financial assets</i>							
Land		119	119	119	119	119	119
Property, plant and equipment		197	197	197	197	202	207
Biological assets		-	-	-	-	-	-
<i>Inventories</i>							
Land inventories		-	-	-	-	-	-
Other inventories		-	-	-	-	-	-
Intangibles		10	10	11	12	12	12
Non-current assets held for sale		-	-	-	-	-	-
Investment property		549	603	641	701	768	834
Other		2	47	47	47	47	47
Total non-financial assets		878	976	1,016	1,077	1,148	1,219
TOTAL ASSETS		48,387	52,413	55,322	59,078	62,543	65,179
LIABILITIES							
Deposits held		-	-	-	-	-	-
Advances received		3	2	2	2	2	2
Borrowings		43,095	46,729	49,389	52,748	55,659	57,682
Unfunded superannuation		10	11	12	13	14	15
Other employee benefits		10	10	10	10	10	10
Payables		97	188	190	159	161	168
Other liabilities		3,387	3,534	3,689	4,117	4,498	4,908
TOTAL LIABILITIES		46,601	50,472	53,292	57,048	60,344	62,784
NET ASSETS		1,786	1,941	2,031	2,030	2,199	2,396
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		1,571	1,723	1,803	1,795	1,938	2,103
Other reserves		215	218	228	234	261	293
NET WORTH	6	1,786	1,941	2,031	2,030	2,199	2,396
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-878	-976	-1,016	-1,077	-1,148	-1,219
<i>Net debt</i>							
Gross debt liabilities		43,098	46,730	49,391	52,749	55,661	57,683
Less: liquid financial assets		45,483	49,282	52,047	55,564	58,739	61,057
Less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		-2,384	-2,552	-2,657	-2,814	-3,078	-3,374

Note: Columns may not add due to rounding.

Table 1.12

PUBLIC FINANCIAL CORPORATIONS
Cashflow Statement

	Note	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	Estimate	Estimate	Estimate
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Grants and subsidies received		-	34	5	5	5	5
Receipts from sales of goods and services		1,043	1,127	1,117	1,345	1,456	1,584
Interest receipts		1,699	1,837	2,025	2,207	2,364	2,553
Dividends and tax equivalents		-	-	-	-	-	-
Other receipts		138	138	142	166	177	189
<i>Total cash received</i>		2,881	3,136	3,289	3,723	4,002	4,332
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-50	-55	-59	-62	-65	-68
Payments for goods and services		-883	-800	-839	-885	-943	-995
Interest paid		-1,689	-1,652	-1,845	-2,016	-2,157	-2,338
Grants and subsidies paid		-	-	-	-	-1	-
Tax equivalents		-22	-4	-30	-31	-19	-42
Other payments		-194	-195	-204	-233	-250	-267
<i>Total cash paid</i>		-2,839	-2,707	-2,977	-3,227	-3,434	-3,710
NET CASH FLOWS FROM OPERATING ACTIVITIES		42	429	312	496	568	622
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-5	-7	-10	-7	-7	-7
Sales of non-financial assets		-	-	-	-	-	-
<i>Total cash flows from investments in non-financial assets</i>		-4	-7	-9	-7	-7	-7
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		6,689	6,706	6,852	6,889	6,963	7,082
<i>Cash paid</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		-7,019	-7,511	-7,161	-7,357	-7,486	-7,604
<i>Total cash flows from investments in financial assets</i>		-330	-805	-309	-468	-523	-522
NET CASH FLOWS FROM INVESTING ACTIVITIES		-334	-812	-318	-475	-530	-530
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		48,837	47,778	45,267	45,273	45,554	42,152
Deposits received		-	-	-	-	-	-
Other financing receipts		-	-	-	-	-	-
<i>Total cash received</i>		48,837	47,778	45,267	45,273	45,554	42,152
<i>Cash paid</i>							
Advances paid		-	-	-	-	-	-
Borrowings repaid		-49,726	-47,222	-45,153	-45,152	-45,436	-42,076
Deposits paid		-	-	-	-	-	-
Other financing payments		-	-	-	-	-	-
Dividends paid		-154	-112	-112	-164	-119	-124
<i>Total cash paid</i>		-49,880	-47,334	-45,265	-45,316	-45,555	-42,200
NET CASH FLOWS FROM FINANCING ACTIVITIES		-1,043	444	2	-43	-1	-48
Net increase in cash and cash equivalents		-1,336	61	-4	-22	37	44
Cash and cash equivalents at the beginning of the year		3,430	2,094	2,155	2,151	2,128	2,165
Cash and cash equivalents at the end of the year		2,094	2,155	2,151	2,128	2,165	2,209
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		42	429	312	496	568	622
Net cash flows from investing in non-financial assets		-4	-7	-9	-7	-7	-7
Dividends paid		-154	-112	-112	-164	-119	-124
Cash surplus/-deficit	6	-117	310	190	325	442	490

Note: Columns may not add due to rounding.

Table 1.13

TOTAL PUBLIC SECTOR
Operating Statement

	Note	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Taxation		8,384	8,583	9,236	9,819	10,449	11,126
Current grants and subsidies		8,199	7,926	7,738	8,497	9,702	11,594
Capital grants		547	922	651	939	973	214
Sales of goods and services		17,759	18,701	19,789	20,837	22,191	23,781
Interest income		614	630	658	699	725	757
Royalty income		6,025	4,440	3,670	4,016	4,510	4,912
Other		1,102	959	997	1,047	925	928
Total		42,630	42,161	42,740	45,853	49,475	53,313
EXPENSES							
Salaries		11,937	12,564	12,768	13,173	13,388	13,785
Superannuation							
Concurrent costs		1,150	1,236	1,254	1,291	1,309	1,346
Superannuation interest cost		297	191	224	232	236	237
Other employee costs		288	267	259	257	255	255
Depreciation and amortisation		3,220	3,382	3,571	3,670	3,724	3,798
Services and contracts		3,017	3,154	3,217	3,033	2,984	2,974
Other gross operating expenses		16,645	17,530	18,526	19,354	20,467	21,909
Other interest		1,543	1,604	1,739	1,897	2,001	2,152
Current transfers		3,695	3,796	3,819	4,055	4,264	4,581
Capital transfers		613	468	445	364	302	299
Total		42,406	44,192	45,822	47,325	48,929	51,338
NET OPERATING BALANCE	6	225	-2,031	-3,082	-1,472	546	1,975
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		368	119	186	194	234	229
Net actuarial gains - superannuation		-140	-1,070	-48	-73	-97	-138
Provision for doubtful debts		-50	-22	-22	-23	-23	-24
Changes in accounting policy/correction of prior period errors		-846	-	-	-	-	-
Total other economic flows		-669	-973	115	98	113	68
OPERATING RESULT		-444	-3,004	-2,967	-1,374	660	2,043
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		3,750	3,648	3,125	3,128	2,934	2,867
Gains recognised directly in equity		595	-66	-55	-50	-50	-49
All other		-	-	-	-	-	-
Total all other movements in equity		4,345	3,582	3,071	3,078	2,884	2,818
TOTAL CHANGE IN NET WORTH		3,901	578	104	1,704	3,543	4,860
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	225	-2,031	-3,082	-1,472	546	1,975
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		6,814	6,555	6,284	5,963	6,081	5,757
Changes in inventories		515	-528	819	306	243	59
Other movement in non-financial assets		317	406	111	226	547	123
<i>Less:</i>							
Sales of non-financial assets		1,151	1,160	1,236	1,085	1,177	996
Depreciation		3,220	3,382	3,571	3,670	3,724	3,798
Total net acquisition of non-financial assets		3,275	1,891	2,406	1,740	1,970	1,144
NET LENDING/-BORROWING	6	-3,050	-3,922	-5,489	-3,212	-1,424	831

Note: Columns may not add due to rounding.

Table 1.14

TOTAL PUBLIC SECTOR
Balance Sheet at 30 June

	Note	2014	2015	2016	2017	2018	2019
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	Estimate	Estimate	Estimate
					\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		1,610	1,166	1,197	1,348	1,505	1,617
Advances paid		3,968	4,554	4,707	4,846	4,980	5,085
Investments, loans and placements		15,419	13,942	10,608	9,791	10,647	12,701
Receivables		4,355	3,640	3,641	3,827	4,027	4,210
Equity - Investments in other entities		1,457	1,634	1,745	1,964	2,202	2,463
Other financial assets		17	17	17	17	17	17
<i>Total financial assets</i>		26,826	24,953	21,916	21,794	23,378	26,093
<i>Non-financial assets</i>							
Land		52,524	53,718	54,794	55,824	56,907	58,030
Property, plant and equipment		93,780	98,467	102,038	105,365	109,800	112,845
Biological assets		335	318	314	311	308	304
Inventories							
Land inventories		2,002	2,165	2,321	2,297	2,256	2,284
Other inventories		3,304	2,776	3,595	3,901	4,144	4,203
Intangibles		1,091	1,067	1,048	1,005	949	885
Non-current assets held for sale		28	17	17	17	17	17
Investment property		581	635	666	726	792	858
Other		386	740	961	1,368	926	934
<i>Total non-financial assets</i>		154,031	159,903	165,753	170,815	176,099	180,361
TOTAL ASSETS		180,857	184,856	187,669	192,609	199,477	206,453
LIABILITIES							
Deposits held		186	187	187	187	187	187
Advances received		438	408	392	376	360	343
Borrowings		41,216	44,610	46,930	49,866	52,874	54,626
Unfunded superannuation		8,027	8,698	8,435	8,175	7,978	7,845
Other employee benefits		3,574	3,343	3,092	3,160	3,196	3,253
Payables		5,757	4,719	5,500	5,600	5,865	5,902
Other liabilities		4,832	5,485	5,623	6,031	6,261	6,679
TOTAL LIABILITIES		64,029	67,450	70,159	73,395	76,720	78,836
NET ASSETS		116,828	117,406	117,510	119,214	122,757	127,617
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		30,931	27,284	24,206	22,711	23,201	25,081
Other reserves		85,897	90,122	93,304	96,502	99,556	102,537
NET WORTH	6	116,828	117,406	117,510	119,214	122,757	127,617
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-37,204	-42,497	-48,244	-51,602	-53,342	-52,743
<i>Net financial liabilities</i>		38,661	44,131	49,989	53,566	55,544	55,206
<i>Net debt</i>							
Gross debt liabilities		41,840	45,205	47,509	50,428	53,421	55,156
Less: liquid financial assets		20,997	19,662	16,512	15,985	17,132	19,403
Less: convergence differences impacting net debt		88	88	-	-	-	-
<i>Net debt</i>		20,754	25,455	30,996	34,443	36,289	35,753

Note: Columns may not add due to rounding.

Table 1.15

TOTAL PUBLIC SECTOR
Cashflow Statement

	Note	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		8,186	8,532	9,186	9,756	10,382	11,053
Grants and subsidies received		8,614	8,903	8,362	9,423	10,672	11,810
Receipts from sales of goods and services		18,277	19,236	19,973	21,296	22,397	23,978
Interest receipts		692	683	710	744	765	799
Dividends and tax equivalents		-	-	-	-	-	-
Other		9,217	7,394	6,083	6,345	6,884	7,325
Total cash received		44,987	44,748	44,313	47,565	51,101	54,965
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-13,533	-14,474	-14,878	-14,990	-15,268	-15,643
Payments for goods and services		-17,815	-19,441	-19,722	-20,584	-21,550	-22,763
Interest paid		-1,751	-1,592	-1,708	-1,866	-1,974	-2,126
Grants and subsidies paid		-3,674	-3,932	-4,019	-4,213	-4,390	-4,697
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-5,016	-4,057	-4,029	-4,173	-4,162	-4,184
Total cash paid		-41,789	-43,496	-44,356	-45,826	-47,343	-49,414
NET CASH FLOWS FROM OPERATING ACTIVITIES		3,198	1,252	-43	1,739	3,757	5,551
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-6,814	-6,555	-6,284	-5,963	-6,081	-5,757
Sales of non-financial assets		1,151	1,160	1,236	1,085	1,177	996
Total cash flows from investments in non-financial assets		-5,663	-5,395	-5,047	-4,878	-4,904	-4,760
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		22	-	-	-	-	-
For liquidity purposes		7,112	6,786	6,896	6,996	6,985	7,095
<i>Cash paid</i>							
For policy purposes		-23	-	-	-	-	-
For liquidity purposes		-7,406	-7,610	-7,207	-7,383	-7,515	-7,631
Total cash flows from investments in financial assets		-295	-824	-311	-387	-529	-535
NET CASH FLOWS FROM INVESTING ACTIVITIES		-5,958	-6,219	-5,358	-5,265	-5,433	-5,296
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		15	-	-	-	-	-
Borrowings		26,192	33,161	33,329	27,346	26,108	25,267
Deposits received		-	-	-	-	-	-
Other financing receipts		41	34	37	39	40	37
Total cash received		26,249	33,195	33,366	27,384	26,148	25,304
<i>Cash paid</i>							
Advances paid		-16	-15	-16	-16	-16	-17
Borrowings repaid		-26,194	-29,877	-27,974	-23,218	-23,400	-23,398
Deposits paid		-	-	-	-	-	-
Other financing payments		-105	-158	-406	-426	-212	-162
Total cash paid		-26,316	-30,051	-28,397	-23,660	-23,628	-23,577
NET CASH FLOWS FROM FINANCING ACTIVITIES		-67	3,145	4,969	3,725	2,520	1,727
Net increase in cash and cash equivalents		-2,827	-1,822	-432	199	844	1,983
Cash and cash equivalents at the beginning of the year		11,210	8,383	6,560	6,128	6,327	7,171
Cash and cash equivalents at the end of the year		8,383	6,560	6,128	6,327	7,171	9,154
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		3,198	1,252	-43	1,739	3,757	5,551
Net cash flows from investing in non-financial assets		-5,663	-5,395	-5,047	-4,878	-4,904	-4,760
Cash surplus/-deficit	6	-2,465	-4,143	-5,090	-3,139	-1,147	790

Note: Columns may not add due to rounding.

NOTE 1: STATEMENT OF COMPLIANCE

The projected public sector financial statements presented in this appendix have been prepared in accordance with Australian Accounting Standards and the Australian Bureau of Statistics' *Government Finance Statistics Concepts, Sources and Methods 2005*.

The presentation in this appendix is consistent with AASB 1049: *Whole of Government and General Government Sector Financial Reporting*.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements constitute general purpose financial reports for the total public sector (also known as the whole-of-government), general government sector, and each of the subsidiary public corporations sectors. The financial projections of the 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 2013-14 *Annual Report on State Finances* (ARSF), which are described in detail in Note 3: *Summary of Significant Accounting Policies* in Appendix 1 of the 2013-14 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 changes in classification advised by the Australian Bureau of Statistics and/or any changes to applicable Australian Accounting Standards.

NOTE 3: GENERAL GOVERNMENT OPERATING REVENUE

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 2014-15 is shown at Appendix 3: *2013-14 General Government Operating Revenue*.

NOTE 4: GENERAL GOVERNMENT TRANSFER EXPENSES

Transfer expenses are defined as the provision of something of value for no specific return or consideration and include grants, subsidies, donations, transfers of assets free of charge, etc.

The following table provides detail of current and capital transfer expenses of the general government sector, in line with UPF disclosure requirements.

TRANSFER EXPENSES ^(a) General Government

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
<i>CURRENT TRANSFERS</i>						
Local government	316	425	306	210	255	451
Local government on-passing	168	173	176	179	189	200
Private and not-for-profit sector	1,537	1,402	1,438	1,626	1,666	1,644
Private and not-for-profit sector on-passing	951	1,042	1,139	1,237	1,321	1,411
Other sectors of government	2,384	2,335	2,295	2,220	2,086	2,085
<i>Total Current Transfers</i>	<i>5,357</i>	<i>5,377</i>	<i>5,353</i>	<i>5,472</i>	<i>5,517</i>	<i>5,792</i>
<i>CAPITAL TRANSFERS</i>						
Local government	274	96	112	50	44	32
Local government on-passing	107	108	108	108	112	117
Private and not-for-profit sector	130	139	142	118	101	102
Private and not-for-profit sector on-passing	22	32	35	38	41	44
Other sectors of government	232	202	158	119	125	6
<i>Total Capital Transfers</i>	<i>765</i>	<i>577</i>	<i>555</i>	<i>433</i>	<i>423</i>	<i>301</i>

(a) Includes grants, subsidies and other transfer expenses.

NOTE 5: GENERAL GOVERNMENT EXPENSES AND SPENDING ON THE PURCHASE OF NON-FINANCIAL ASSETS BY GOVERNMENT PURPOSE CLASSIFICATION^(a)

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
<i>Expenses</i>						
General public services	514	628	470	489	539	626
Public order and safety	3,088	3,192	3,288	3,407	3,418	3,443
Education	6,455	6,783	7,208	7,368	7,647	7,975
Health	7,336	7,940	8,082	8,468	8,568	9,038
Social security and welfare	1,931	2,037	2,265	2,273	2,311	2,385
Housing and community amenities ^(b)	1,870	2,022	1,903	1,821	1,817	1,873
Recreation and culture	906	820	809	799	791	783
Fuel and energy	708	622	532	468	369	301
Agriculture, forestry, fishing and hunting	348	359	359	348	333	292
Mining and mineral resources other than fuels; manufacturing; and construction	220	244	219	220	208	204
Transport and communications	2,118	2,044	2,211	2,246	2,375	2,562
Other economic affairs	785	733	670	625	641	576
Other purposes	958	908	1,018	1,111	1,185	1,251
Total General Government Expenses	27,236	28,332	29,033	29,644	30,201	31,308
<i>Purchases of new non-financial assets</i>						
General public services	105	161	214	163	132	124
Public order and safety	218	223	161	113	78	78
Education	570	497	321	358	308	237
Health	873	881	467	320	275	161
Social security and welfare	59	62	28	20	16	10
Housing and community amenities ^(c)	89	128	71	75	156	338
Recreation and culture	199	142	123	141	202	180
Fuel and energy	4	5	3	1	1	1
Agriculture, forestry, fishing and hunting	29	29	24	22	11	10
Mining and mineral resources other than fuels; manufacturing; and construction	1	3	7	5	1	1
Transport and communications	1,025	1,077	1,109	1,342	1,415	1,069
Other economic affairs	117	68	76	45	26	19
Other purposes	-	-200	-	-	-	-
Total Purchases of Non-financial Assets	3,289	3,077	2,603	2,606	2,622	2,229

- (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 \$108 million in 2014-15, \$121 million in 2015-16, \$106 million in 2016-17, \$104 million in 2017-18 and \$108 million in 2018-19.
- (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 \$43 million in 2014-15, \$55 million in 2015-16, \$70 million in 2016-17, \$73 million in 2017-18 and \$69 million in 2018-19.

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

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB 1049 net operating balance	719	-1,287	-2,708	-1,148	874	2,209
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Dampier to Bunbury Natural Gas Pipeline - extinguish loan asset	-	-	88	-	-	-
Total GFS expense adjustments	-	-	88	-	-	-
Total GFS adjustments to AASB 1049 net operating balance	-	-	-88	-	-	-
GFS net operating balance	719	-1,287	-2,796	-1,148	874	2,209
<u>Public non-financial corporations</u>						
AASB 1049 net operating balance	571	378	437	670	578	680
Less GFS expense adjustments						
Capitalised interest	42	30	22	27	31	34
Dividends	825	1,233	901	993	1,070	1,106
Total GFS expense adjustments	867	1,262	923	1,020	1,101	1,140
Total GFS adjustments to AASB 1049 net operating balance	-867	-1,262	-923	-1,020	-1,101	-1,140
GFS net operating balance	-296	-884	-486	-350	-523	-459
<u>Total non-financial public sector</u>						
AASB 1049 net operating balance	465	-2,141	-3,173	-1,471	382	1,783
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	42	30	22	27	31	34
Dampier to Bunbury Natural Gas Pipeline - extinguish loan asset	-	-	88	-	-	-
Total GFS expense adjustments	42	30	110	27	31	34
Total GFS adjustments to AASB 1049 net operating balance	-42	-30	-110	-27	-31	-34
GFS net operating balance	423	-2,171	-3,283	-1,497	351	1,749
<u>Public financial corporations</u>						
AASB 1049 net operating balance	-86	222	203	163	284	316
Less GFS expense adjustments						
Dividends	154	112	112	164	119	124
Total GFS expense adjustments	154	112	112	164	119	124
Total GFS adjustments to AASB 1049 net operating balance	-154	-112	-112	-164	-119	-124
GFS net operating balance	-241	110	90	-1	165	192
<u>Total public sector</u>						
AASB 1049 net operating balance	225	-2,031	-3,082	-1,472	546	1,975
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	42	30	22	27	31	34
Dampier to Bunbury Natural Gas Pipeline - extinguish loan asset	-	-	88	-	-	-
Total GFS expense adjustments	42	30	110	27	31	34
Total GFS adjustments to AASB 1049 net operating balance	-42	-30	-110	-27	-31	-34
GFS net operating balance	183	-2,060	-3,192	-1,498	515	1,941

AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

Net Lending

	2013-14 Actual \$m	2014-15 Estimated Actual \$m	2015-16 Budget Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m
<u>General government</u>						
AASB 1049 net lending/-borrowing	-1,127	-3,127	-3,628	-2,051	-470	1,719
Plus Net operating balance convergence difference (noted above)	-	-	-88	-	-	-
GFS net lending/-borrowing	-1,127	-3,127	-3,716	-2,051	-470	1,719
<u>Public non-financial corporations</u>						
AASB 1049 net lending/-borrowing	-870	319	-1,055	-173	-56	18
Plus Net operating balance convergence difference (noted above)	-867	-1,262	-923	-1,020	-1,101	-1,140
GFS net lending/-borrowing	-1,737	-943	-1,977	-1,193	-1,157	-1,121
<u>Total non-financial public sector</u>						
AASB 1049 net lending/-borrowing	-2,823	-4,041	-5,583	-3,217	-1,596	632
Plus Net operating balance convergence difference (noted above)	-42	-30	-110	-27	-31	-34
GFS net lending/-borrowing	-2,865	-4,070	-5,693	-3,244	-1,627	598
<u>Public financial corporations</u>						
AASB 1049 net lending/-borrowing	-73	230	207	169	291	323
Plus Net operating balance convergence difference (noted above)	-154	-112	-112	-164	-119	-124
GFS net lending/-borrowing	-227	118	95	5	172	199
<u>Total public sector</u>						
AASB 1049 net lending/-borrowing	-3,050	-3,922	-5,489	-3,212	-1,424	831
Plus Net operating balance convergence difference (noted above)	-42	-30	-110	-27	-31	-34
GFS net lending/-borrowing	-3,092	-3,952	-5,598	-3,239	-1,455	797

AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

Net Worth at 30 June

	2014 Actual \$m	2015 Estimated Actual \$m	2016 Budget Estimate \$m	2017 Forw ard Estimate \$m	2018 Forw ard Estimate \$m	2019 Forw ard Estimate \$m
<u>General government</u>						
AASB1049 net worth	116,828	117,406	117,510	119,214	122,757	127,617
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	-	-	-	-
Provision for doubtful debts						
General government sector	216	216	216	216	216	216
Impact on public corporations net worth	42	15	16	17	17	21
Total GFS net worth adjustments	347	319	232	233	233	237
GFS net worth	117,174	117,725	117,742	119,447	122,990	127,854
<u>Public non-financial corporations</u>						
AASB1049 net worth	50,651	52,020	53,445	54,903	56,194	57,446
<i>Plus</i>						
Impact of general government equity injections	-6,374	-7,123	-7,810	-8,302	-8,709	-9,109
Provision for doubtful debts	33	15	16	17	17	21
Total GFS net worth adjustments	-6,340	-7,108	-7,794	-8,285	-8,693	-9,088
GFS net worth	44,310	44,912	45,651	46,618	47,501	48,358
<u>Total non-financial public sector</u>						
AASB1049 net worth	116,828	117,406	117,510	119,214	122,757	127,617
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	-	-	-	-
Provision for doubtful debts						
Total non-financial public sector	250	231	232	233	233	237
Impact on public corporations net worth	9	-	-	-	-	-
Total GFS net worth adjustments	347	319	232	233	233	237
GFS net worth	117,174	117,725	117,742	119,447	122,990	127,854
<u>Public financial corporations</u>						
AASB1049 net worth	1,786	1,941	2,031	2,030	2,199	2,396
<i>Plus</i>						
Provision for doubtful debts	9	-	-	-	-	-
Total GFS net worth adjustments	9	-	-	-	-	-
GFS net worth	1,795	1,941	2,031	2,030	2,199	2,396
<u>Total public sector</u>						
AASB1049 net worth	116,828	117,406	117,510	119,214	122,757	127,617
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	-	-	-	-
Provision for doubtful debts	259	231	232	233	233	237
Total GFS net worth adjustments	347	319	232	233	233	237
GFS net worth	117,174	117,725	117,742	119,447	122,990	127,854

AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

Change in Net Worth

	2014 Actual \$m	2015 Estimated Actual \$m	2016 Budget Estimate \$m	2017 Forward Estimate \$m	2018 Forward Estimate \$m	2019 Forward Estimate \$m
<u>General government</u>						
AASB1049 change in net worth	3,901	578	104	1,704	3,543	4,860
Plus change in:						
Dampier to Bunbury Natural Gas Pipeline loan asset	-	-	-88	-	-	-
Provision for doubtful debts						
General government sector	8	-	-	-	-	-
Impact on public corporations net worth	-55	-27	1	1	-	4
Total GFS change in net worth adjustments	-46	-27	-87	1	-	4
GFS change in net worth	3,854	551	16	1,705	3,543	4,864
<u>Public non-financial corporations</u>						
AASB1049 change in net worth	1,956	1,370	1,425	1,458	1,290	1,253
Plus change in:						
Impact of general government equity injections	-528	-750	-686	-492	-408	-400
Provision for doubtful debts	4	-18	1	1	-	4
Total GFS change in net worth adjustments	-524	-768	-685	-492	-408	-396
GFS change in net worth	1,433	602	740	966	883	857
<u>Total non-financial public sector</u>						
AASB1049 change in net worth	3,901	578	104	1,704	3,543	4,860
Plus change in:						
Dampier to Bunbury Natural Gas Pipeline loan asset	-	-	-88	-	-	-
Provision for doubtful debts						
Total non-financial public sector	12	-18	1	1	-	4
Impact on public corporations net worth	-59	-9	-	-	-	-
Total GFS change in net worth adjustments	-46	-27	-87	1	-	4
GFS change in net worth	3,854	551	16	1,705	3,543	4,864
<u>Public financial corporations</u>						
AASB1049 change in net worth	38	155	90	-1	169	196
Plus change in:						
Provision for doubtful debts	-59	-9	-	-	-	-
Total GFS change in net worth adjustments	-59	-9	-	-	-	-
GFS change in net worth	-21	146	90	-1	169	196
<u>Total public sector</u>						
AASB1049 change in net worth	3,901	578	104	1,704	3,543	4,860
Plus change in:						
Dampier to Bunbury Natural Gas Pipeline loan asset	-	-	-88	-	-	-
Provision for doubtful debts	-46	-27	1	1	-	4
Total GFS change in net worth adjustments	-46	-27	-87	1	-	4
GFS change in net worth	3,854	551	16	1,705	3,543	4,864

AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)
Cash Surplus/-Deficit

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	Estimate	Estimate	Estimate
				\$m	\$m	\$m
<i>General government</i>						
AASB 1049 cash surplus/-deficit	-1,333	-2,579	-4,042	-2,287	-349	1,406
Less Acquisitions under finance leases and similar arrangements	109	372	5	-	423	-
GFS cash surplus/-deficit	-1,441	-2,951	-4,047	-2,287	-772	1,406
<i>Public non-financial corporations</i>						
AASB 1049 cash surplus/-deficit	-1,015	-1,874	-1,238	-1,176	-1,239	-1,106
Less Acquisitions under finance leases and similar arrangements	264	-	-	-	1	-
GFS cash surplus/-deficit	-1,279	-1,874	-1,238	-1,176	-1,240	-1,106
<i>Total non-financial public sector</i>						
AASB 1049 cash surplus/-deficit	-2,348	-4,453	-5,280	-3,463	-1,588	300
Less Acquisitions under finance leases and similar arrangements	372	372	5	-	423	-
GFS cash surplus/-deficit	-2,720	-4,825	-5,285	-3,463	-2,012	300
<i>Public financial corporations</i>						
AASB 1049 cash surplus/-deficit	-117	310	190	325	442	490
Less Acquisitions under finance leases and similar arrangements	-	-	-	-	-	-
GFS cash surplus/-deficit	-117	310	190	325	442	490
<i>Total public sector</i>						
AASB 1049 cash surplus/-deficit	-2,465	-4,143	-5,090	-3,139	-1,147	790
Less Acquisitions under finance leases and similar arrangements	372	372	5	-	423	-
GFS cash surplus/-deficit	-2,837	-4,515	-5,095	-3,139	-1,570	790

NOTE 7: LOAN COUNCIL ALLOCATIONS

The Australian Loan Council oversees State, Territory and Commonwealth governments' public sector borrowings using a system of Loan Council Allocations (LCAs). LCAs are based on net borrowings as indicated by a government's deficit position¹.

¹ For the purposes of LCAs, deficits are positive and surpluses are negative.

LOAN COUNCIL ALLOCATIONS
Western Australia

	2014-15 Estimated Actual \$m	2015-16 Nomination \$m	2015-16 Budget Estimate \$m
General government cash surplus/deficit	2,579	1,829	4,042
Public non-financial corporations sector cash surplus/deficit	1,874	642	1,238
<i>Total non-financial public sector cash surplus/deficit</i>	<i>4,453</i>	<i>2,471</i>	<i>5,280</i>
Acquisitions under finance leases and similar arrangements	372	5	5
<i>GFS cash surplus/deficit</i>	<i>4,825</i>	<i>2,476</i>	<i>5,285</i>
Less: Non-financial public sector net cash flows from investments in financial assets for policy purposes	-	-	-
<i>Plus: Memorandum items ^(a)</i>	<i>-101</i>	<i>-628</i>	<i>-494</i>
Loan Council Allocation	4,724	1,848	4,791
<i>Tolerance Limit ^(b)</i>		<i>871</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 sector superannuation schemes).

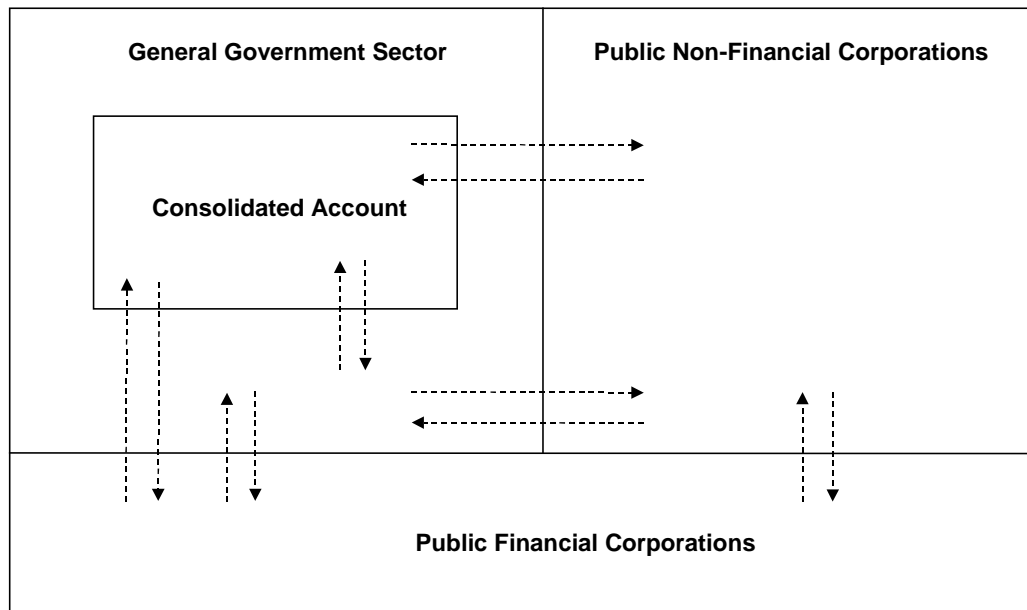
(b) The tolerance limit is defined as 2% total non-financial public sector receipts and reflects a band of variability above and below the original LCA nomination.

Note: Columns may not add due to rounding.

NOTE 8: COMPOSITION OF SECTORS

The following diagram shows the sectors within which public sector agencies are classified by the Government Finance Statistics framework, and which are all included in the consolidated whole-of-government.

TOTAL PUBLIC SECTOR



All public sector-controlled agencies, regardless of funding source or sector classification, have been included in these financial projections.

The agencies included within each sector are listed below.

This list differs from the portfolio list that appears in Budget Paper No. 2: *Budget Statements*. The listing in that Budget Paper covers only those agencies that receive appropriations and/or have an Asset Investment Program.

General Government

Agricultural Produce Commission	Gascoyne Development Commission
Botanic Gardens and Parks Authority	Goldfields Esperance Development Commission
Building and Construction Industry Training Board	Governor's Establishment
Central Institute of Technology	Great Southern Development Commission
Challenger Institute of Technology	Great Southern Institute of Technology
Chemistry Centre (WA)	Health and Disability Services Complaints Office
Combat Sports Commission	Heritage Council of Western Australia
Commissioner for Children and Young People	Independent Market Operator
Commissioner for Equal Opportunity	Keep Australia Beautiful Council (W.A.)
Commissioner of Main Roads	Kimberley Training Institute
Corruption and Crime Commission	Kimberley Development Commission
Country High School Hostels Authority	Law Reform Commission of Western Australia
C.Y. O'Connor Institute	Legal Aid Commission of Western Australia
Department of Aboriginal Affairs	Legal Costs Committee
Department of Agriculture and Food	Local Health Authorities Analytical Committee
Department for Child Protection and Family Support	Mental Health Commission
Department of Commerce	Mid West Development Commission
Department of Corrective Services	Minerals Research Institute of Western Australia
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 State Heritage Office ^(a)	Salaries and Allowances Tribunal
Department of Training and Workforce Development	School Curriculum and Standards Authority
Department of Transport	Screen West Inc.
Department of Treasury	Small Business Development Corporation
Department of the Attorney General	South West Development Commission
Department of the Legislative Assembly	South West Institute of Technology
Department of the Legislative Council	State Emergency Management Committee Secretariat
Department of the Premier and Cabinet	Swan River Trust
Department of the Registrar, Western Australian Industrial Relations Commission	The Aboriginal Affairs Planning Authority
Department of Water	The ANZAC Day Trust
Disability Services Commission	The Board of the Art Gallery of Western Australia
Durack Institute of Technology	The Burswood Park Board
Economic Regulation Authority	The Coal Miners' Welfare Board of Western Australia
Gaming and Wagering Commission of Western Australia	

(a) Agency which has been either created, abolished, amalgamated or renamed since the 8 May 2014 presentation of the 2014-15 Budget.

General Government (cont.)

The Library Board of Western Australia	Western Australian Greyhound Racing Association
The National Trust of Australia (W.A.)	Western Australian Health Promotion Foundation
The Queen Elizabeth II Medical Centre Trust	Western Australian Institute of Sport
The Western Australia Museum	Western Australian Land Information Authority
Trustees of the Public Education Endowment	Western Australian Meat Industry Authority
West Coast Institute of Training	Western Australian Planning Commission
Western Australia Police	Western Australian Sports Centre Trust
Western Australian Alcohol and Drug Authority	Western Australian Tourism Commission
Western Australian Building Management Authority	Wheatbelt Development Commission
Western Australian Electoral Commission	WorkCover Western Australia Authority
Western Australian Energy Disputes Arbitrator	Zoological Parks Authority

Public Non-Financial Corporations

Albany Port Authority ^(a)	Lotteries Commission
Animal Resources Authority	Metropolitan Cemeteries Board
Broome Port Authority ^(a)	Metropolitan Redevelopment Authority
Bunbury Port Authority ^(a)	Mid West Port Authority ^(a)
Bunbury Water Corporation	Perth Market Authority
Busselton Water Corporation	Port Hedland Port Authority ^(a)
Dampier Port Authority ^(a)	Pilbara Ports Authority ^(a)
Electricity Networks Corporation (Western Power)	Potato Marketing Corporation of Western Australia
Electricity Generation and Retail Corporation ^(a) (Synergy)	Public Transport Authority of Western Australia
Esperance Port Authority ^(a)	Racing and Wagering Western Australia
Forest Products Commission	Regional Power Corporation (Horizon Power)
Fremantle Port Authority	Rottneest Island Authority
Gold Corporation and its subsidiaries	Southern Ports Authority ^(a)
Housing Authority	Water Corporation
Kimberley Port Authority ^(a)	Western Australian Coastal Shipping Commission
	Western Australian Land Authority

Public Financial Corporations

Country Housing Authority
Insurance Commission of Western Australia (and subsidiary State Government Insurance Corporation)
Keystart Housing Scheme, comprising
Keystart Bonds Ltd
Keystart Loans Ltd
Keystart Support Pty Ltd
Keystart Support (Subsidiary) Pty Ltd
Keystart Housing Scheme Trust
Keystart Support Trust
RiskCover
Western Australian Treasury Corporation

(a) Agency which has been either created, abolished, amalgamated or renamed since the 8 May 2014 presentation of the 2014-15 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

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
TAXATION						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	3,566	3,655	3,997	4,304	4,631	4,993
Property taxes						
<i>Land tax</i>	661	746	939	1,011	1,089	1,173
Transfer duty	1,776	1,683	1,614	1,628	1,685	1,749
Landholder duty	193	120	118	118	120	125
<i>Total duty on transfers</i>	1,969	1,803	1,732	1,747	1,806	1,873
Metropolitan Region Improvement Tax	88	95	98	112	121	130
Perth Parking Levy	40	48	57	58	60	60
Emergency Services Levy	258	274	306	324	339	338
Loan guarantee fees	119	123	163	168	174	183
<i>Total other property taxes</i>	504	540	624	662	694	711
Taxes on provision of goods and services						
Lotteries Commission	147	155	162	170	178	186
Video lottery terminals	-	1	1	1	1	1
Casino tax	127	100	81	84	86	87
Betting tax	43	44	45	46	47	49
Other	-	-	-	-	-	-
<i>Total taxes on gambling</i>	317	299	289	301	312	323
Insurance duty	580	612	660	734	797	863
Other	32	29	21	22	23	23
<i>Total taxes on insurance</i>	611	641	682	757	819	887
Taxes on use of goods and performance of activities						
Vehicle licence duty	385	369	395	424	455	491
Permits - oversize vehicles and loads	7	8	9	9	9	9
Motor vehicle recording fee	53	52	54	58	59	61
Motor vehicle registrations	728	834	879	924	971	1,023
<i>Total motor vehicle taxes</i>	1,173	1,263	1,337	1,414	1,495	1,584
Mining Rehabilitation Levy ^(a)	n.a.	45	51	58	58	58
Landfill Levy	47	60	104	105	108	108
Total Taxation	8,849	9,052	9,754	10,359	11,012	11,709

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

OPERATING REVENUE
General Government

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
CURRENT GRANTS AND SUBSIDIES						
<i>General Purpose Grants</i>						
GST grants	2,507	2,262	1,934	2,404	3,500	5,196
North West Shelf grants	1,103	906	722	794	808	799
Commonwealth compensation for changed crude oil excise arrangements	65	50	40	44	44	44
<i>Grants Through the State</i>						
Schools assistance – non-government schools	951	1,042	1,139	1,237	1,321	1,411
Local government financial assistance grants	168	173	176	179	189	200
Local government roads	107	108	108	108	112	117
<i>National Specific Purpose Payment Agreement Grants</i>						
National Schools	469	514	566	611	650	665
National Agreement for Skills and Workforce Development	151	159	164	169	174	180
National Disability Services	146	155	163	171	181	190
National Affordable Housing	139	145	149	153	158	164
<i>National Health Reform</i>	1,518	1,760	1,928	2,091	2,109	2,207
<i>Other Grants/National Partnerships</i>						
Health	484	372	331	306	303	277
Housing	15	16	20	15	-	-
Transport	52	66	78	82	61	61
Other	323	198	220	132	91	83
Total Current Grants and Subsidies	8,199	7,926	7,738	8,497	9,702	11,594
CAPITAL GRANTS						
<i>Grants Through the State</i>						
Schools assistance – non-government schools	22	32	35	38	41	44
<i>Other Grants/National Partnerships</i>						
Housing	191	260	124	97	106	-
Transport	242	527	454	776	823	171
Other	92	102	38	27	3	-
Total Capital Grants	547	922	651	939	973	214

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

OPERATING REVENUE						
General Government						
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
SALES OF GOODS AND SERVICES						
WA Health	525	549	564	596	617	634
Department of Transport	167	172	180	180	183	187
Department of Education	149	164	159	162	162	162
State Training Providers	138	156	173	181	177	180
Department of Training and Workforce Development	42	56	57	57	57	57
Western Australian Land Information Authority	139	131	139	153	150	160
Department of Parks and Wildlife	36	39	40	41	41	41
Department of the Attorney General ^(b)	95	97	105	107	108	109
Department of Commerce	93	92	122	98	96	96
Department of Mines and Petroleum	50	57	69	67	66	66
All Other	630	700	736	740	841	935
Total Sale of Goods and Services^(b)	2,064	2,213	2,342	2,381	2,497	2,625
INTEREST INCOME	194	189	174	179	182	185
REVENUE FROM PUBLIC CORPORATIONS						
Dividends	901	1,277	945	1,040	1,121	1,161
Tax Equivalent Regime	602	494	527	595	572	637
Total Revenue from Public Corporations	1,503	1,771	1,472	1,635	1,692	1,798
ROYALTY INCOME	6,025	4,440	3,670	4,016	4,510	4,912
OTHER						
Lease rentals	94	91	88	90	90	90
Fines ^(b)	155	203	205	198	197	197
Revenue not elsewhere counted ^(a)	326	239	229	202	220	191
Total Other^{(a)(b)}	575	533	523	491	507	478
TOTAL REVENUE	27,956	27,045	26,325	28,496	31,075	33,517

(a) From 1 July 2014, the Mining Rehabilitation Fund Levy became a compulsory levy (the Levy was previously a voluntary charge). The Australian Bureau of Statistics has advised that this compulsory levy should be classified as a tax (i.e. from 2014-15 onwards). The voluntary levy in 2013-14 was classified as 'other revenue' (revenue not elsewhere counted) and has not been reclassified to reflect its non-compulsory (i.e. non-tax) nature.

(b) Since publication of the 2013-14 actuals, Fines Enforcement Registry revenue for the Department of the Attorney General has been reclassified from sales of goods and services to 'other revenue' (fines).

Note: Columns may not add due to rounding.

2014-15 General Government Operating Revenue

This appendix contains general government revenue estimates for the 2014-15 financial year, comparing the original 2014-15 Budget estimates, 2014-15 Mid-year Review and the estimated outturn contained in this Budget¹.

For total general government revenue in 2014-15, the difference between the estimated outturn included in this Budget (\$27,045 million) and the original 2014-15 Budget (\$28,683 million) estimate is a large \$1.6 billion (or 5.7%) reduction. This is primarily due to an unprecedented \$1.7 billion (or 28.1%) downward revision to royalty income and a substantial \$148 million (or 4.7%) reduction in tax collections. These changes are discussed in Chapter 4: *General Government Revenue*.

¹ After the presentation of the 2014-15 Budget to the Legislative Assembly on 8 May 2014 the Australian Bureau of Statistics advised that the Perth Parking Levy, Mining Rehabilitation Levy and the Landfill Levy should be classified as taxes (rather than as goods and services and/or other revenue as presented in the 2014-15 Budget). The 2014-15 Budget comparative data in this appendix have been altered to reflect this change in classification.

Table 3.1

2014-15 OPERATING REVENUE
General Government

	2014-15 Budget Estimate \$m	2014-15 Mid-year Revision \$m	2014-15 Estimated Actual \$m
TAXATION			
Taxes on employers' payroll and labour force			
<i>Payroll tax</i>	3,834	3,737	3,655
Property taxes			
<i>Land tax</i>	755	750	746
Transfer duty	1,823	1,761	1,683
Landholder duty	123	121	120
<i>Total duty on transfers</i>	1,946	1,882	1,803
Metropolitan Region Improvement Tax	93	91	95
Perth Parking Levy	48	48	48
Emergency Services Levy	274	274	274
Loan guarantee fees	125	122	123
<i>Total other property taxes</i>	539	535	540
Taxes on provision of goods and services			
Lotteries Commission	155	155	155
Video lottery terminals	1	1	1
Casino tax	123	100	100
Betting tax	44	44	44
Other	-	-	-
<i>Total taxes on gambling</i>	322	299	299
Insurance duty	638	624	612
Other	25	25	29
<i>Total taxes on insurance</i>	663	649	641
Taxes on use of goods and performance of activities			
Vehicle licence duty	442	369	369
Permits - oversize vehicles and loads	8	8	8
Motor vehicle recording fee	52	52	52
Motor vehicle registrations	834	834	834
<i>Total motor vehicle taxes</i>	1,336	1,263	1,263
<i>Mining Rehabilitation Levy</i>	45	45	45
<i>Landfill Levy</i>	60	60	60
Total Taxation	9,500	9,220	9,052

Note: Columns may not add due to rounding.

2014-15 OPERATING REVENUE
General Government

Table 3.1 (cont.)

	2014-15 Budget Estimate \$m	2014-15 Mid-year Revision \$m	2014-15 Estimated Actual \$m
CURRENT GRANTS AND SUBSIDIES			
<i>General Purpose Grants</i>			
GST grants	2,215	2,267	2,262
North West Shelf grants	1,055	911	906
Commonwealth compensation for changed crude oil excise arrangements	58	50	50
<i>Grants Through the State</i>			
Schools assistance – non-government schools	1,018	1,040	1,042
Local government financial assistance grants	179	173	173
Local government roads	111	107	108
<i>National Specific Purpose Payment Agreement Grants</i>			
National Schools	528	528	514
National Agreement for Skills and Workforce Development	159	160	159
National Disability Services	155	155	155
National Affordable Housing	145	145	145
<i>National Health Reform</i>	1,730	1,745	1,760
<i>Other Grants/National Partnerships</i>			
Health	363	325	372
Housing	15	15	16
Transport	70	65	66
Other	203	196	198
Total Current Grants and Subsidies	8,006	7,884	7,926
CAPITAL GRANTS			
<i>Grants Through the State</i>			
Schools assistance – non-government schools	30	32	32
<i>Other Grants/National Partnerships</i>			
Housing	166	260	260
Transport	416	611	527
Other	66	97	102
Total Capital Grants	677	1,001	922

Note: Columns may not add due to rounding.

Table 3.1 (cont.)

2014-15 OPERATING REVENUE
General Government

	2014-15 Budget Estimate \$m	2014-15 Mid-year Revision \$m	2014-15 Estimated Actual \$m
SALES OF GOODS AND SERVICES			
WA Health	546	547	549
Department of Transport	168	172	172
Department of Education	152	154	164
State Training Providers	163	157	156
Department of Training and Workforce Development	58	56	56
Western Australian Land Information Authority	132	132	131
Department of Parks and Wildlife	44	39	39
Department of the Attorney General ^(a)	93	96	97
Department of Commerce	82	104	92
Department of Mines and Petroleum	56	56	57
All Other	694	723	700
Total Sale of Goods and Services^(a)	2,188	2,238	2,213
INTEREST INCOME	210	187	189
REVENUE FROM PUBLIC CORPORATIONS			
Dividends	938	1,226	1,277
Tax Equivalent Regime	530	491	494
Total Revenue from Public Corporations	1,468	1,717	1,771
ROYALTY INCOME	6,176	4,368	4,440
OTHER			
Lease rentals	86	86	91
Fines ^(a)	182	197	203
Revenue not elsew here counted	190	199	239
Total Other^(a)	458	482	533
TOTAL REVENUE	28,683	27,096	27,045

(a) Since publication of the 2013-14 actuals, Fines Enforcement Registry revenue for the Department of the Attorney General has been reclassified from sales of goods and services to 'other revenue' (fines).

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 unrecovered 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 2014-15 (\$435.4 million) which is within the \$638.4 million limit authorised by the FMA.

Table 4.1 shows the projected position of the Treasurer's Advance at 30 June 2015.

TREASURER'S ADVANCE AT 30 JUNE			Table 4.1
	2013-14 Actual \$m	2014-15 Projection ^(a) \$m	
AUTHORISED LIMIT	595.7	638.4	
<i>Total projected to be drawn against Treasurer's Advance authorisation</i>	373.9	435.4	
Comprising:			
Net recoverable advances as at 30 June	7.0	20.0	
Excesses and New Items			
- recurrent	299.0	302.8	
- capital	67.9	112.7	

(a) Detailed disclosure of the final audited outcome for 2014-15 will be available in the 2014-15 *Annual Report on State Finances*, to be released by 28 September 2015.

Note: Columns may not add due to rounding.

Transfers, Excesses and New Items

Table 4.2 details transfers, excesses and/or new items that are projected to occur during 2014-15, 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 4.2 are subject to movements in agencies' appropriations through the remainder of 2014-15. 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 2015.

A number of appropriations that were originally allocated in the 2014-15 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 2014-15, appropriation transfers included:

- \$9 million of recurrent appropriation that was provisioned in Treasury has been transferred to WA Health (\$7.1 million) and to the Housing Authority (\$1.9 million) for Component II funding for the Sustainable Funding and Contracting with the Not-for-Profit Sector Initiative;
- \$1.9 million of recurrent funding has been transferred from the Heritage Council of Western Australia to the Department of the State Heritage Office for day-to-day operations, projects and service delivery for the implementation of Government heritage priorities;
- \$0.5 million of recurrent appropriation has been transferred from the Department of Child Protection and Family Support to the Department of Local Government and Communities for the provision of corporate services;
- \$0.2 million of recurrent appropriation has been transferred from Treasury to the Department of Finance for support of accommodation costs at Gordon Stephenson House; and
- \$0.2 million in recurrent funding has been transferred from the Department of Sport and Recreation to the Western Australian Sports Centre Trust for the operating costs of the Western Australian Institute of Sport High Performance Centre.

Table 4.2

2014-15 TRANSFERS, EXCESSES AND NEW ITEMS

Item	Budget \$m	Treasurer's Advance			Revised Appropriation Limit \$m	Draw n against Treasurer's Advance to date ^(b) \$m
		Transfers ^(a) \$m	New Items \$m	Approved Excesses \$m		
Recurrent Appropriations						
Premier and Cabinet						
Item 6: Administered Grants, Subsidies and Other Transfer Payments	15.0	-	-	20.0	35.0	20.0
WA Health						
Item 13: Delivery of Services	4,577.9	7.1	-	-	4,585.1	-
Training and Workforce Development						
Item 14: Delivery of Services	421.1	-	-	14.6	435.7	-
Lands						
Item 25: Delivery of Services	31.5	-	-	11.1	42.6	-
Education Services						
Item 29: Administered Grants, Subsidies and Other Transfer Payments	424.7	-	-	0.1	424.8	-
Planning						
Item 34: Delivery of Services	44.8	-	-	1.3	46.1	-
Culture and the Arts						
Item 36: Delivery of Services	35.3	-	-	0.7	36.0	-
Item 38: Library Board of Western Australia	30.4	-	-	1.3	31.6	-
Item 40: Western Australian Museum	23.2	-	-	0.3	23.4	-
Child Protection and Family Support						
Item 45: Delivery of Services	560.4	-0.5	-	-	559.9	-
Attorney General						
Item 46: Delivery of Services	249.5	-	-	1.8	251.3	-
Parliamentary Inspector of the Corruption and Crime Commission						
Item 52: Delivery of services	0.4	-	-	- ^(c)	0.4	-
Mines and Petroleum - Administered						
Item 57: Administered Grants, Subsidies and Other Transfer Payments	12.0	-	-	18.5	30.5	-
Housing Authority						
Item 58: Delivery of Services	72.9	1.9	-	-	74.8	-
Sport and Recreation						
Item 59: Delivery of Services	40.3	-0.2	-	-	40.1	-
Western Australian Sports Centre Trust						
Item 62: Delivery of Services	47.9	0.2	-	0.1	48.2	-
Agriculture and Food						
Item 65: Delivery of Services	128.1	-	-	6.1	134.2	-

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

Table 4.2 (cont.)

2014-15 TRANSFERS, EXCESSES AND NEW ITEMS

Item	Budget \$m	Treasurer's Advance			Revised Appropriation Limit \$m	Draw n against Treasurer's Advance to date ^(b) \$m
		Transfers ^(a) \$m	New Items \$m	Excesses \$m		
Treasury						
Item 69: Delivery of Services	41.0	-0.2	-	7.1	47.9	-
Item 70: Bunbury Water Corporation	0.4	-	-	0.1	0.5	-
Item 83: Provision for Unfunded Liabilities in the Government Insurance Fund	2.3	-	-	1.1	3.4	0.1
Item 84: Refund of Past Years Revenue Collections - Public Corporations	10.0	-	-	80.0	90.0	76.1
Item 89: Sustainable Funding and Contracting with the Not-for-Profit Sector	9.7	-9.0	-	-	0.7	-
New Item: Targeted Separations Provision	-	-	103.1	-	103.1	-
Economic Regulation Authority Item 92: Delivery of Services	2.5	-	-	1.5	4.0	-
Local Government and Communities Item 94: Delivery of Services	122.8	0.5	-	-	123.3	-
Parks and Wildlife Item 96: Delivery of Services	199.0	-	-	5.2	204.2	-
Office of the Environmental Protection Authority Item 99: Delivery of Services	14.7	-	-	0.3	15.0	-
Heritage Council of Western Australia Item 102: Delivery of Services	7.7	-1.9	-	0.6	6.4	0.6
Fire and Emergency Services Item 104: Delivery of Services	30.9	-	-	2.3	33.2	-
Corrective Services Item 106: Delivery of Services	790.7	-	-	24.3	815.0	-
Small Business Development Corporation Item 108: Delivery of Services	11.5	-	-	1.2	12.8	-
Finance Item 113: Delivery of Services	173.9	0.2	-	-	174.2	-
Item 114: Administered Grants, Subsidies and Other Transfer Payments	182.8	-	-	0.2	182.9	-
State Heritage Office New Item: Delivery of Services	-	1.9	-	-	1.9	-
Total Recurrent		-	103.1	199.6		96.8

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

Table 4.2 (cont.)

2014-15 TRANSFERS, EXCESSES AND NEW ITEMS

Item	Budget \$m	Treasurer's Advance			Revised Appropriation Limit \$m	Draw n against Treasurer's Advance to date ^(b) \$m
		Transfers ^(a) \$m	New Items \$m	Excesses \$m		
Capital Appropriations						
Training and Workforce Development						
Item 119: Capital Appropriation	0.7	-	-	0.8	1.5	-
Attorney General						
Item 133: Capital Appropriation	11.2	-	-	2.6	13.7	-
Treasury						
Item 141: Electricity Networks Corporation (Western Power)	76.9	-	-	76.1	153.0	-
Item 144: Port Hedland Port Authority	12.8	-	-	19.6	32.4	-
New Item: Western Australian Land Authority	-	-	9.1	-	9.1	9.1
Corrective Services						
Item 159: Capital Appropriation	3.1	-	-	3.6	6.7	-
Transport						
Item 162: Capital Appropriation	24.8	-	-	0.9	25.8	-
Total Capital		-	9.1	103.4		9.1
TOTAL		-	112.2	303.0		105.9

(a) Authorised under section 25 of the FMA.

(b) Budget cut-off date, 21 April 2015.

(c) 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 separate statute (such as 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 21 April 2015 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 2015-16 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.

Essential and Municipal Services Account

This account is to be established by 30 June 2015 to set aside funds for essential and municipal services for remote Aboriginal communities in Western Australia.

In October 2014, the Commonwealth Government made a \$90 million payment to the State as a final funding contribution for the provision of essential and municipal services to remote Aboriginal communities in Western Australia. This payment was made on condition that the State Government accepted full responsibility for funding these services from 1 July 2015.

Key services funded from the account in 2015-16 will include power, water and sewerage, and services that would generally be provided by local governments in less remote locations (such as the management of refuse, roads, airstrips and fire prevention).

A total of \$30 million is to be spent in 2015-16 for essential and municipal services, including \$4.6 million by Horizon Power for the Aboriginal Remote Communities Power Supply Project (Stage 1), with the balance to be spent by the Housing Authority. The residual \$60 million balance held in the account will be subject to future spending approvals by the Government. It is expected that the full balance of the funds will be spent during the forward estimates period.

ESSENTIAL AND MUNICIPAL SERVICES ACCOUNT		
	2014-15 \$m	2015-16 \$m
<i>Balance at 1 July</i>	-	90
Receipts	90	-
Payments	-	30
Closing Balance	90	60

Note: Columns may not add due to rounding.

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.

The new facility achieved practical completion in December 2013, followed by completion of phased commissioning in February 2015. Project closure arrangements for the Fiona Stanley Hospital project are expected to be finalised in 2015-16, with the remaining funds to be returned to the Consolidated Account before the account is then closed.

FIONA STANLEY HOSPITAL CONSTRUCTION ACCOUNT		
	2014-15 \$m	2015-16 \$m
<i>Balance at 1 July</i>	9	18
Receipts	10	-
Payments	2	18
Closing Balance	18	-

Note: Columns may not add due to rounding.

Metropolitan Region Improvement Fund

This account was established in December 1959 under the *Metropolitan Region Improvement Tax Act 1959* to provide funds for the Western Australian Planning Commission (WAPC) to manage the Metropolitan Region Scheme. Receipts are sourced from Metropolitan Region Improvement Tax collections. Funds from the account are used on parks and recreation areas, the purchase of land for future roads, railways and other public purpose reservations, and to compensate owners of compulsory land acquisitions.

In 2015-16, funds in the Account will be used to contribute to the purchase of:

- the land required to complete the northern suburbs railway, and the Mitchell Freeway between Butler and Yanchep;
- land reserved under the Bush Forever policy and for regional parks; and
- land for the North Link project, the proposed Brearley Avenue and Forrestfield Train Stations, and for the realignment of Lord Street between Reid Highway and Gnangara Road, with associated public transport priority provisions.

METROPOLITAN REGION IMPROVEMENT FUND			Table 5.3
	2014-15 \$m	2015-16 \$m	
<i>Balance at 1 July</i>	199	237	
Receipts	119	122	
Payments	81	69	
Closing Balance	237	290	

Note: Columns may not add due to rounding.

Mining Rehabilitation Fund

This SPA was established on 1 July 2013 and is funded by a levy on tenement holders operating on a tenure regulated under the *Mining Act 1978*. The Mining Rehabilitation Fund Levy is based on the environmental disturbance on a tenement at an annual reporting date, and is currently set at one per cent of the tenement's rehabilitation liability estimate (as determined by the *Mining Rehabilitation Fund Regulations 2013*).

Funds can be used to undertake rehabilitation activities where a tenement operator fails to meet rehabilitation obligations, and all other options available to recover funds from the operator have been exhausted. Interest earnings are used to fund administration of the Account and for rehabilitation works (up to an approved limit of \$5 million per year) on abandoned mine sites.

MINING REHABILITATION FUND			Table 5.4
	2014-15 \$m	2015-16 \$m	
<i>Balance at 1 July</i>	7	48	
Receipts	47	52	
Payments	7	7	
Closing Balance	48	92	

Note: Columns may not add due to rounding.

Perth Children's Hospital Account

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 achieve practical completion in the second half of 2015.

Forecast receipts of \$44 million reflect the 2015-16 Budget appropriation for construction costs and follow a \$350 million appropriation in 2014-15. 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 at the end of 2015-16 to provide for project close out activities in 2016-17.

Table 5.5

PERTH CHILDREN'S HOSPITAL ACCOUNT		
	2014-15	2015-16
	\$m	\$m
<i>Balance at 1 July</i>	94	83
Receipts	350	44
Payments	360	122
Closing Balance	83	6

Note: Columns may not add due to rounding.

Perth Parking Licensing Account

This SPA was established in July 1999 to set aside funds to be used to encourage a balanced transport system for gaining access to the Perth city area.

Receipts 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*.

Higher receipts are forecast for 2015-16 relative to 2014-15, reflecting the 2014-15 Budget decision for a phased increase in licence fees for all fee-liable Perth Parking Management Area parking bays. In addition to annual spending on the services above, higher receipts are being used to assist in funding construction of the \$209 million Perth Busport.

Table 5.6

PERTH PARKING LICENSING ACCOUNT		
	2014-15	2015-16
	\$m	\$m
<i>Balance at 1 July</i>	55	15
Receipts	48	57
Payments	88	61
Closing Balance	15	11

Note: Columns may not add due to rounding.

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 to be funded from the account in 2015-16 include:

- improvements to metropolitan intersections to reduce the incidence and severity of vehicle crashes;
- improvements to regional road sections to reduce the incidence and severity of run-off road crashes;
- continuation of the electronic school zone sign project;
- continued construction of passing lanes on the Albany Highway between Cranbrook and Harold River;
- increased and expanded 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).

ROAD TRAUMA TRUST ACCOUNT			Table 5.7
	2014-15 \$m	2015-16 \$m	
<i>Balance at 1 July</i>	72	75	
Receipts	110	116	
Payments	107	111	
Closing Balance	75	80	

Note: Columns may not add due to rounding.

Royalties for Regions Fund

The Royalties for Regions Fund was established in December 2008 to set aside a share of the State's annual royalty income to fund investment in regional Western Australia.

Payments from the fund also include transfers to the Western Australian Future Fund, transfers to agencies that deliver some parts of the program, as well as transfers to the Southern Inland Health Initiative SPA and the new Regional Reform Fund SPA, each disclosed separately. Accordingly, aggregate payments from the Royalties for Regions Fund can exceed the current approved expenditure limit (\$950 million) imposed in the 2015-16 Budget. However, portions of the transfers are retained in the Future Fund, the two aforementioned SPAs, and agency accounts. These funds remain unspent, consistent with the \$950 million expenditure limit applying to the program.

Details of the Royalties for Regions program are available in Chapter 7.

Table 5.8

ROYALTIES FOR REGIONS FUND		
	2014-15 \$m	2015-16 \$m
<i>Balance at 1 July</i>	940	1,000
Receipts	1,148	949
Payments	1,088	1,027
Closing Balance	1,000	922

Note: Columns may not add due to rounding.

Royalties for Regions Regional Reform Fund

Establishment of this SPA was approved as part of this Budget. The account is to receive \$50 million per year over three years, commencing in 2014-15, transferred from the Royalties for Regions Fund (for a total of \$150 million). The account will fund strategic reform initiatives in regional Western Australia designed to support the Government's objectives. The first focus area will centre on regional Aboriginal reform initiatives. Funds will be allocated to specific projects once the most effective and efficient mode of delivery has been determined.

Table 5.9

ROYALTIES FOR REGIONS REGIONAL REFORM FUND		
	2014-15 \$m	2015-16 \$m
<i>Balance at 1 July</i>	-	50
Receipts	50	50
Payments	-	-
Closing Balance	50	100

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*.

Funding is provided by the Royalties for Regions Fund (see earlier disclosure), with \$100 million expected to be transferred in 2015-16 for initiatives that will improve healthcare across the southern part of the State.

Funds are drawn from the SPA 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. Payments are expected to increase during 2015-16 as asset investment programs move into construction phases.

Table 5.10

ROYALTIES FOR REGIONS SOUTHERN INLAND HEALTH INITIATIVE

	2014-15 \$m	2015-16 \$m
<i>Balance at 1 July</i>	263	237
Receipts	20	100
Payments	45	101
Closing Balance	237	236

Note: Columns may not add due to rounding.

The New Perth Stadium Account

This SPA was established in October 2011 to set aside funds to be used for the construction of the new Perth Stadium and its surrounding Sport Precinct, and associated transport infrastructure. All infrastructure is expected to be completed by the end of 2017 for the stadium to be ready for operations by the start of the 2018 AFL season. All available funds in the SPA will be utilised as part of the funding to support construction.

Funds are drawn from the SPA as payments for the stadium and related transport infrastructure construction work fall due. Forecast payments of \$359 million reflect 2015-16 Budget payments totalling \$237 million for stadium works (being conducted under a Design Build Finance Maintain Public Private Partnership model) and a further \$123 million for related transport infrastructure.

Table 5.11

THE NEW PERTH STADIUM ACCOUNT

	2014-15 \$m	2015-16 \$m
<i>Balance at 1 July</i>	47	124
Receipts	145	240
Payments	68	359
Closing Balance	124	5

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. Forecast receipts in 2015-16 are higher relative to 2014-15, reflecting an increase in landfill levy rates announced in the 2014-15 Budget, which took effect on 1 January 2015.

Spending from this SPA funds 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.

Table 5.12

WASTE AVOIDANCE AND RESOURCE RECOVERY ACCOUNT

	2014-15 \$m	2015-16 \$m
<i>Balance at 1 July</i>	16	13
Receipts	16	27
Payments	19	30
Closing Balance	13	10

Note: Columns may not add due to rounding.

Western Australian Future Fund

The Western Australian Future Fund was established as a Treasurer's SPA following the passage of the *Western Australian Future Fund Act 2012* in November 2012. The Act provides for an accruing balance over 20 years to 2032, after which the annual interest earnings can be drawn down to fund economic or social infrastructure across Western Australia.

The Future Fund will receive 'seed capital' to be transferred from the Royalties for Regions Fund over the period 2012-13 to 2015-16. This capital contribution is expected to total \$0.9 billion to 30 June 2016.

Receipts for 2015-16 include the Royalties for Regions 'seed capital' contribution (\$126 million) and interest receipts (\$31 million). From 2016-17 onwards, a minimum of 1% of the State's annual royalty revenue will be paid into the Future Fund.

The Future Fund is projected to accumulate \$1.3 billion in funds by 30 June 2019 and \$3.7 billion by 30 June 2032. This compares with a forecast future balance of \$4.6 billion at the time of the 2014-15 Mid-year Review, primarily reflecting downward revisions to forecast royalty revenue from 2016-17 and lower prevailing interest rates (impacting interest revenue forecasts).

Table 5.13

WESTERN AUSTRALIAN FUTURE FUND

	2014-15 \$m	2015-16 \$m
<i>Balance at 1 July</i>	596	878
Receipts	282	157
Payments	-	-
Closing Balance	878	1,035

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, waivers for services and subsidies to improve the affordability of services and help reduce the cost of living for individuals and families.

This appendix reports the entire range of social concessions provided by State Government agencies. The information provided reflects actual expenditure on each social concession, by agency, in 2013-14 and estimated expenditure in 2014-15 and 2015-16.

As a result of reforms announced in this Budget, the delivery of social concessions will better target assistance to those most in need through the means-testing of some State-funded payments. In total, the reforms will result in a total of estimated savings of \$41 million in 2015-16 and \$199 million across the forward estimates (see Chapter 5).

The total value of State public sector concessions in 2015-16 is estimated at \$2.6 billion, including \$1.7 billion in operating subsidies for electricity, water, and public transport services¹. This compares to an estimated total value of public sector concessions of \$2.8 billion in 2013-14 and \$2.7 billion in 2014-15 (including operating subsidies).

¹ Operating subsidies for social concessions purposes form the vast bulk of operating subsidies reported in Table 8.7 in Appendix 8.

General Notes on the Statement

For the purposes of this appendix, social concessions are defined as:

- discounts, rebates, waivers for services 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 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.

Table 6.1

SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS
Western Australia

Concession	2013-14 Actual \$'000	2013-14 No. of Recipients	2014-15 Estimated Actual \$'000	2014-15 Estimated No. of Recipients	2015-16 Budget Estimate \$'000	2015-16 Estimated No. of Recipients
AGRICULTURE AND FOOD						
Perth Royal Show – Free Entry for Children	1,200	99,980	1,200	97,757	n.a. ^(a)	n.a. ^(a)
Regional Agricultural Shows – Free Entry for Children	800	56,086	800	60,000	800	60,000
Perth Metropolitan Agricultural Shows – Free Entry for Children	119	19,057	154	25,000	n.a. ^(a)	n.a. ^(a)
Sub-Total	2,119		2,154		800	
ATTORNEY GENERAL						
Legal Aid Concessions	24,000	76,265	23,929	76,792	24,512	76,792
Public Trustee Discount Fees	251	1,305	245	1,328	266	1,400
Court and Tribunal Concessions ^(b)	2,715	9,792	2,669	10,071	2,897	10,572
Sub-Total	26,966		26,844		27,675	
BUNBURY WATER CORPORATION						
Pensioners and Seniors Supply Charge Rebate ^(c)	184	2,752	208	3,020	210	3,050
Pensioners and Seniors Consumption Rebate ^(c)	228	2,752	195	3,020	197	3,050
Pensioners Tenant Rebate ^(c)	7	129	11	130	11	132
Ex-Gratia Water (Leak) Allowance ^(c)	82	74	65	75	100	75
Sub-Total	501		479		518	
BUSSELTON WATER CORPORATION						
Pensioners Supply Charge and Consumption Rebate ^(c)	317	1,831	325	1,831	372	1,969
Seniors Supply Charge and Consumption Rebate ^{(c)(d)}	64	787	70	791	78	855
Pensioners Tenant Rebate ^{(c)(e)}	-	-	-	-	35	210
Ex-Gratia Water (Leak) Allowance ^(c)	53	37	45	38	46	39
Sub-Total	434		440		531	
CULTURE AND THE ARTS						
Art Gallery Concessions ^(f)	275	38,550	30	6,869	29	8,000
Perth Theatre Trust Concessions	140	5,558	143	5,697	147	5,839
WA Museum Concessions	265	51,531	287	61,332	296	63,172
Sub-Total	679		460		472	

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 are on the last page of the table.

Table 6.1 (cont.)

SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS
Western Australia

Concession	2013-14 Actual \$'000	2013-14 No. of Recipients	2014-15 Estimated Actual \$'000	2014-15 Estimated No. of Recipients	2015-16 Budget Estimate \$'000	2015-16 Estimated No. of Recipients
EDUCATION						
Secondary Assistance Scheme – Education Program Allowance ^(g)	4,758	20,283	6,419	27,197	6,440	27,287
Secondary Assistance Scheme – Clothing ^(g)	2,361	20,535	3,129	27,200	3,138	27,287
Boarding Away from Home Allowance	3,061	1,474	2,631	1,250	3,601	1,555
Boarding Away from Home Allowance – Agriculture College	577	287	657	312	801	346
Boarding Away from Home Allowance – Gifted and Talented	83	40	91	43	104	45
Secondary Assistance Scheme – Abstudy Supplement ^(g)	23	296	29	370	33	416
Sub-Total	10,864		12,955		14,118	
FINANCE						
Council Rates Concession for Pensioners	99,117	418,541	111,700	427,331	121,500	436,304
• Rates and Charges Rebate – Local Government	85,244	211,358	95,500	215,797	104,000	220,328
• Rates and Charges Rebate – Emergency Services Levy	13,873	207,183	16,200	211,534	17,500	215,976
Energy Concession Extension Scheme ^(h)	885	4,359	2,788	n.a.	3,067	n.a.
Land Tax Concession – War Widows	2	39	2	37	2	37
Thermoregulatory Dysfunction Energy Subsidy	1,151	2,032	1,401	2,075	1,342	2,118
Life Support Equipment Energy Subsidy	984	1,560	1,164	1,593	1,270	1,626
Fremantle Prison Entry Concession	138	37,778	110	29,279	112	29,741
Sub-Total	102,277		117,165		127,293	

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 are on the last page of the table.

Table 6.1 (cont.)

SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS
Western Australia

Concession	2013-14 Actual \$'000	2013-14 No. of Recipients	2014-15 Estimated Actual \$'000	2014-15 Estimated No. of Recipients	2015-16 Budget Estimate \$'000	2015-16 Estimated No. of Recipients
FISHERIES						
Concessional Abalone Fishing Licence	82	4,118	84	4,206	86	4,295
Concessional Net Fishing Licence	134	6,715	139	6,955	144	7,206
Concessional Marron Fishing Licence	72	3,619	76	3,821	81	4,034
Concessional Rock Lobster Fishing Licence	236	11,824	272	13,601	313	15,645
Concessional SW Freshwater Angling Licence	69	3,427	74	3,677	79	3,945
Concessional Recreational Fishing from a Boat Licence	596	39,718	601	40,073	606	40,432
Sub-Total	1,190		1,246		1,309	
GOLD CORPORATION						
Concession Admission ⁽ⁱ⁾	1	486	6	3,000	7	3,500
Sub-Total	1		6		7	
HEALTH						
Spectacle Subsidy Scheme	2,426	48,963	2,649	51,695	2,783	53,000
Subsidised Dental Care – Dental Health Services ⁽ⁱ⁾	17,423	62,935	17,860	64,508	18,307	65,684
Subsidised Dental Care – Oral Health Centre of WA ⁽ⁱ⁾	12,754	15,167	13,069	15,167	13,527	15,483
Country Patients Dental Subsidy Scheme	2,533	11,025	2,460	10,708	2,520	10,969
Metropolitan Patients Dental Subsidy Scheme	127	504	390	1,548	399	1,587
WA Country Health Service Patient Assisted Travel Scheme	31,903	38,100	32,500	38,428	33,940	39,734
Peel Health Service Patient Assisted Travel Scheme ^(k)	29	n.a.	37	n.a.	39	n.a.
Home Haemodialysis	21	31	24	37	28	42
Ambulance Services for Seniors	26,811	81,619	28,726	84,793	31,458	91,001
Sub-Total	94,026		97,716		102,999	

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 are on the last page of the table.

Table 6.1 (cont.)

SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS
Western Australia

Concession	2013-14 Actual \$'000	2013-14 No. of Recipients	2014-15 Estimated Actual \$'000	2014-15 Estimated No. of Recipients	2015-16 Budget Estimate \$'000	2015-16 Estimated No. of Recipients
HORIZON POWER						
Cost of Living Assistance ^(c)	936	6,473	970	4,909	-	-
Energy Assistance Payment ^{(c)(l)}	-	-	-	-	745	4,989
Dependent Child Rebate ^(c)	433	2,225	471	1,555	514	1,579
Tariff Migration (Caravan Park subsidy) ^(c)	248	19 ^(m)	360	19 ^(m)	391	19 ^(m)
Tariff Migration (Government Entities) ^{(c)(n)}	7,823	553	-	-	-	-
Account Establishment Fee Rebate ^(o)	8	247	n.a.	n.a.	n.a.	n.a.
Aboriginal and Remote Communities Project – Stage 1 ^{(c)(p)}	9,864	726	9,201	536	9,091	537
Aboriginal and Remote Communities Project – Stage 2 ^(c)	1,434	183	1,926	233	1,864	234
Air Conditioning Allowance (North of 26th Parallel) ^(c)	534	2,221	469	1,694	511	1,722
Feed-In Tariff ^{(c)(q)}	1,117	601	1,132	601	1,146	601
Tariff Adjustment Payment – Operating Subsidy ^(c)	28,326	44,161	25,223	42,180	28,329	43,227
Sub-Total	50,725		39,753		42,591	
HOUSING						
Rental Subsidy	209,984	32,643	280,000	32,643	225,362	32,643
Amenities Fee Discount	645	10,681	636	6,860	636	6,860
Cash Assistance Grant	1	2	1	2	5	6
Rental Sales Scheme Subsidy	12	3	13	5	13	6
Bond Assistance Loans Interest Foregone	438	8,927	500	9,583	500	9,583
Centenarian Initiative ^(r)	43	13	65	12	65	12
Sub-Total	211,124		281,215		226,581	
LANDS						
Pension Protection Plan Fees and Charges ^(s)	24	3	24	3	24	3
Sub-Total	24		24		24	
LOCAL GOVERNMENT AND COMMUNITIES						
Seniors Cost of Living Rebate ^(t)	39,628	288,066	21,370	296,829	22,819	302,507
Safety and Security Rebate ^(u)	1,227	6,434	927	4,700	-	-
Sub-Total	40,855		22,297		22,819	

Note: Columns may not add due to rounding.

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Footnotes are on the last page of the table.

Table 6.1 (cont.)

SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS
Western Australia

Concession	2013-14 Actual \$'000	2013-14 No. of Recipients	2014-15 Estimated Actual \$'000	2014-15 Estimated No. of Recipients	2015-16 Budget Estimate \$'000	2015-16 Estimated No. of Recipients
PARKS AND WILDLIFE						
National Park Entrance Fee Reduction	392	35,970	392	35,970	392	35,970
Tree Top Walk Entry Concession	59	14,522	59	14,522	70	14,522
Geike Gorge Boat Trip Concession	43	5,606	43	5,606	54	5,606
Camping Concession	250	41,625	250	41,625	250	41,625
Monkey Mia Park Entry Fee Concessions	19	9,975	19	9,975	19	9,975
Concession Annual All Park Pass	75	2,503	75	2,503	75	2,503
Dryandra Woodland Barna Mia Concession Tour Fee	1	353	1	353	1	353
Cave Concessions	12	4,756	12	4,756	15	4,756
Penguin Island Concessions	9	6,348	9	6,348	9	6,348
Perth Observatory Tour Concessions	17	1,988	17	1,988	17	1,988
Sub-Total	877		877		903	
PERTH MARKET AUTHORITY						
Discount for Sunday/Community Market Entry Price	20	40,944	22	43,108	22	44,000
Sub-Total	20		22		22	
PUBLIC TRANSPORT AUTHORITY ^(v)						
Transperth – General ^{(c)(w)}	474,808	103,437,000	491,291	103,029,000	534,554	104,255,000
Transperth – Concession Fares ^{(c)(x)}	52,448	35,214,000	54,600	35,850,000	57,500	36,679,000
Transperth – Pensioners, Seniors and Carers Free Travel ^{(c)(y)}	16,135	5,280,000	16,300	5,387,000	17,200	5,543,000
Transperth – Free Transit Zone ^(z)	15,156	5,000,000	15,293	5,975,000	15,293	5,996,000
Regional Town Bus Services – General ^{(c)(w)}	13,918	853,000	15,215	886,425	14,812	873,425
Regional Town Bus Services – Concession Fares ^{(c)(x)}	2,980	1,598,000	3,008	1,627,000	3,155	1,640,000
Regional Town Bus Services – Pensioners, Seniors and Carers Free Travel ^{(c)(y)}	218	86,000	227	87,000	233	87,000
Regional School Bus Services ^{(c)(aa)(bb)}	118,171	27,792	119,617	28,410	121,574	28,710
Regional School Bus Services – Student Conveyance Allowance ^{(c)(aa)}	2,152	4,565	3,888	4,647	4,144	4,731
Transwa – General ^{(c)(w)(cc)}	27,811	186,972	25,090	169,072	24,953	179,558
Transwa – Concession Fares ^(c)	3,900	201,096	4,100	206,975	4,300	210,083
Transwa – Annual Free Trip for Pensioners ^{(c)(aa)}	2,272	28,176	2,000	26,954	2,000	27,359
Sub-Total	729,968		750,629		799,718	

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 are on the last page of the table.

Table 6.1 (cont.)

SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS
Western Australia

Concession	2013-14 Actual \$'000	2013-14 No. of Recipients	2014-15 Estimated Actual \$'000	2014-15 Estimated No. of Recipients	2015-16 Budget Estimate \$'000	2015-16 Estimated No. of Recipients
ROTTNEST ISLAND AUTHORITY						
Train/Bus/Bike Concessions	44	11,248	53	12,980	54	13,308
Tour Concessions	5	3,200	11	3,390	11	3,335
Sub-Total	49		64		65	
SPORT AND RECREATION						
Children's Camp Prices	25	349	26	350	28	400
Sub-Total	25		26		28	
SYNERGY						
Cost of Living Assistance ^(c)	49,870	280,617	57,903	286,229	-	-
Energy Assistance Payment ^{(c)(i)}	-	-	-	-	41,912	186,347
Dependent Child Rebate ^(c)	11,505	52,558	16,941	53,609	16,677	54,681
Permanent Caravan Park Residents Energy and Air Conditioning Subsidies ^(c)	320	1,796	341	1,832	358	1,869
Account Establishment Fee Rebate ^(c)	670	21,819	714	22,256	578	22,701
Air Conditioning Rebate ^(c)	28	249	29	254	31	259
Late Payment Waiver ^(c)	500	69,914	533	71,312	572	72,739
Feed-In Tariff ^(c)	30,300	75,571	30,300	75,571	30,300	75,721
Tariff Adjustment Payment – Operating Subsidy ^(c)	499,544	1,011,152	403,877	1,031,934	320,353	1,050,716
Sub-Total	592,736		510,639		410,781	
TRAINING AND WORKFORCE DEVELOPMENT						
Total Grants including ^(dd)	313,093	146,028	270,171	133,000	256,126	136,000
• Tuition Fees – Vocational Educational Training (VET) Courses – 50% Course Fee Concession	6,725	25,399	8,551	20,034	9,775	18,347
• Tuition Fees – VET Courses – 100% Course Fee Concession	523	971	559	558	757	531
South West Bus Service	437	120	490	129	460	130
Sub-Total	313,530		270,661		256,586	

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 are on the last page of the table.

Table 6.1 (cont.)

SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS
Western Australia

Concession	2013-14 Actual \$'000	2013-14 No. of Recipients	2014-15 Estimated Actual \$'000	2014-15 Estimated No. of Recipients	2015-16 Budget Estimate \$'000	2015-16 Estimated No. of Recipients
TRANSPORT						
Pensioner/Senior Inter-Town Travel Scheme ^(ee)	327	17,010	350	17,861	350	18,754
Pensioner/Senior Intra-Town Travel Scheme ^(ee)	128	52,341	162	54,958	162	57,706
Students Subsidised Travel Scheme	1,472	2,125	1,241	2,235	1,241	2,341
Taxi Users' Subsidy Scheme	9,931	13,356	9,945	13,556	9,324	12,336
Motor Drivers Licence (50% + 100%) ^(ff)	11,578	355,804	12,226	364,901	12,869	374,239
Motor Vehicle Licence (50% + 100%) ^(gg)	30,930	194,231	32,254	197,381	33,281	199,019
Pensioner Annual Free Trip	899	1,158	1,077	1,216	1,077	1,277
Perth Parking Management Exemptions	6,959	10,718	10,103	12,146	14,107	13,871
Sub-Total	62,224		67,357		72,410	
WESTERN AUSTRALIAN GREYHOUND RACING ASSOCIATION						
Veterans, Disabled and Aged Discount – Greyhound	7	2,838	5	2,100	5	2,100
Sub-Total	7		5		5	
WESTERN AUSTRALIAN SPORTS CENTRE TRUST – VENUESWEST						
Aquatic Centre Entry Concession – Total ^(hh)	29	24,468	29	24,468	29	24,468
Aquatic Concession Aqua Card – Total ⁽ⁱⁱ⁾	42	1,823	42	1,823	42	1,823
Fitness Membership	23	254	23	255	24	256
Sub-Total	94		94		95	
WATER CORPORATION ⁽ⁱⁱ⁾						
Pensioners Service Charge Rebate ^(c)	48,970	129,878	48,084	132,093	54,797	135,535
Pensioners Consumption Concession ^(c)	20,055	168,198	18,273	171,067	20,824	175,524
Seniors Service Charge Rebate ^(c)	16,905	68,870	15,595	70,045	17,772	71,869
Retirement Unit Concession ^(c)	33	97	17	99	19	101
Interest on Rates Deferred for Pensioners ^(c)	348	11,323	349	12,105	502	13,147
Country – Water ^{(c)(kk)}	316,946	217,599	334,207	220,645	362,260	223,514
Country – Wastewater ^(c)	68,313	164,478	77,224	168,097	35,210	171,458
Country – Drainage ^(c)	14,530	9,213	14,333	9,195	13,324	9,176
In-fill Sewerage Program ^{(c)(ll)}	31,811	92,672	22,977	94,377	13,357	31,875
Leaks and Bursts ^{(c)(mm)}	6,905	5,081	6,378	6,597	6,376	6,597
Sub-Total	524,815		537,437		524,441	

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 are on the last page of the table.

Table 6.1 (cont.)

SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS
Western Australia

Concession	2013-14 Actual \$'000	2013-14 No. of Recipients	2014-15 Estimated Actual \$'000	2014-15 Estimated No. of Recipients	2015-16 Budget Estimate \$'000	2015-16 Estimated No. of Recipients
ZOOLOGICAL PARKS AUTHORITY						
Children's Discount – Zoo	1,001	82,077	1,180	84,300	1,264	84,300
Children Under 4 – Free Zoo Entry	2,196	89,624	2,485	92,051	2,669	92,051
Education Excursion Discount	482	35,495	578	36,456	641	36,456
Seniors Discount and Concession Card – Zoo	213	53,306	328	54,750	383	54,750
Carers Free Entry	64	2,609	73	2,680	78	2,680
Sub-Total	3,957		4,645		5,036	
TOTAL	2,770,086		2,745,210		2,637,826	

- (a) Concessions for 2015-16 are subject to Government approval following the 2015-16 Budget.
- (b) This includes the State Administrative Tribunal (WA), Magistrates Courts and Tribunal, Supreme Court, Children's Court, Coroner's Court, District Court, and Family Court.
- (c) Operating subsidies are reported in Appendix 8.
- (d) This includes rebates for Commonwealth Seniors Health Card holders, Western Australian Seniors Card holders and State concession card holders.
- (e) The introduction of this concession brings Busselton Water Corporation in line with the concessions offered by other water utilities in Western Australia.
- (f) The decline in cost and recipients in 2014-15 and 2015-16 is due to the cessation of the Museum of Modern Art (MoMA) exhibition in 2013-14.
- (g) An increase in the number of recipients of the Secondary Assistance Scheme is primarily attributable to the relocation of Year 7 students to secondary schools and the graduation of a half-year cohort of students at the completion of the 2014 school year.
- (h) 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 applies to households that receive electricity charges direct from a retailer other than Synergy or Horizon Power. The estimated concession values for 2014-15 and 2015-16 are extrapolated based on the actual payments made to eligible customers in 2013-14. The changes to the CoLA announced as part of the social concessions reforms in this Budget, are not expected to significantly impact on the values for this concession in 2015-16.
- (i) Gold Corporation's exhibition was closed for renovations from April 2013 to April 2014. During this period no concessions were offered, instead a \$5 flat entry fee for all visitors was charged during this period.
- (j) Subsidised Dental Care – Dental Health Services provides predominantly subsidised general dental services to eligible Western Australian residents through Dental Health Services, a budget holder of the Metropolitan Health Service. Subsidised Dental Care – Oral Health Centre of WA provides predominantly subsidised specialist dental services for eligible Western Australian residents through a WA Department of Health contract with the University of Western Australia.
- (k) 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.
- (l) The means-tested Energy Assistance Payment will replace the CoLA payment from 1 July 2015.
- (m) This is the number of caravan parks as there are no data on individual recipients.
- (n) This concession was abolished in 2014-15.
- (o) Horizon Power is unable to forecast values for 2014-15 and 2015-16.
- (p) From 2015-16, 50% of this concession will be funded by the operating subsidy and the remaining 50% from the Essential and Municipal Services Account (see Appendix 5).
- (q) The operating subsidy for this concession is capped at \$40,000.
- (r) Rent-free housing is provided to public housing tenants aged one hundred years or older.
- (s) Eligible pensioners leasing property through the Department of Lands can defer land rent until they become ineligible for the concession, or the accrued rent is recouped from their final estate.
- (t) The changes to the Seniors Cost of Living Rebate in 2014-15 have been extended across the forward estimates period.
- (u) The Safety and Security Rebate will cease in 2015-16.
- (v) The number of recipients is based on the total number of boardings in each concession category, except where otherwise indicated.
- (w) 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.

Table 6.1 (cont.)

SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS
Western Australia

- (x) The values are an aggregation of concession fares and school children fares. This breakdown can be seen in Table 8.7 in Appendix 8.
- (y) This is the total value of revenue that could have been collected if passengers paid a concession fare, rather than travelling for free.
- (z) This is funded by the Department of Transport through the Perth Parking Levy.
- (aa) This reflects the number of unique recipients accessing the concession.
- (bb) 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.
- (cc) 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.
- (dd) The Commonwealth Government's contribution to the funding of training concessions has been excluded.
- (ee) Subsidies are costed based on the number of trips taken.
- (ff) 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.
- (gg) 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.
- (hh) Number of recipients is based on the number of visits.
- (ii) Number of recipients is the number of multi-visit aqua cards purchased.
- (jj) Pensioner and senior concessions are reported as an operating subsidy in Table 8.7 in Appendix 8. The operating subsidy also includes non-rated properties and Aboriginal reserves. 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.
- (kk) Includes the rural irrigation schemes operating subsidy.
- (ll) From 2015-16 the Government will cease subsidising the cost of metropolitan in-fill sewerage which will reduce the number of recipients.
- (mm) From 1 July 2015 this concession will no longer be funded by an 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.

APPENDIX 7

Asset Investment Program – Summary of Expenditure and Source of Funds

Overview

This appendix summarises asset investment expenditure by agency within portfolio groups, and the sources of funds for the aggregate Asset Investment Program by year.

Table 7.1

ASSET INVESTMENT PROGRAM					
	2014-15 Estimated Actual \$m	2015-16 Budget Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m
PARLIAMENT					
Legislative Council	-	-	-	-	-
Legislative Assembly	-	-	-	-	-
Parliamentary Services	1.7	1.0	1.0	1.0	1.0
Parliamentary Commissioner for Administrative Investigations	0.2	0.2	0.2	0.2	0.2
PREMIER; MINISTER FOR STATE DEVELOPMENT; SCIENCE					
Premier and Cabinet	3.7	3.4	1.2	1.1	1.3
Public Sector Commission	0.3	0.2	0.2	0.1	0.1
Gold Corporation	21.3	9.3	7.4	5.8	5.9
Governor's Establishment	1.1	0.3	0.2	0.2	0.1
Lotteries Commission	17.7	7.9	4.7	2.5	2.6
Salaries and Allowances Tribunal	_(a)	-	-	-	-
State Development	0.2	0.1	0.1	0.2	_(a)
Chemistry Centre (WA)	2.5	1.0	0.5	0.7	1.0
DEPUTY PREMIER; MINISTER FOR HEALTH; TOURISM					
WA Health	915.6	474.9	331.5	286.0	167.4
Western Australia Health Promotion Foundation	0.1	0.1	0.1	0.1	0.1
Animal Resources Authority	1.2	0.2	0.2	0.2	0.2
Western Australian Tourism Commission	0.6	0.6	0.6	0.6	0.6
Rottne Island Authority	5.7	10.3	3.2	4.3	4.3
MINISTER FOR REGIONAL DEVELOPMENT; LANDS; MINISTER ASSISTING THE MINISTER FOR STATE DEVELOPMENT					
Regional Development	-	25.0	37.0	141.8	269.9
Royalties for Regions – Regional and State-wide Initiatives	73.4	0.8	12.0	2.0	21.8
Gascoyne Development Commission	-	-	-	-	-
Goldfields-Esperance Development Commission	-	-	-	-	-
Great Southern Development Commission	-	-	-	-	-
Kimberley Development Commission	-	-	-	-	-
Mid West Development Commission	_(a)	_(a)	-	_(a)	-
Peel Development Commission	-	-	-	-	-
Pilbara Development Commission	_(a)	0.1	0.1	0.1	-
South West Development Commission	_(a)	_(a)	_(a)	_(a)	0.1
Wheatbelt Development Commission	_(a)	_(a)	_(a)	_(a)	_(a)
Lands	0.3	3.5	2.6	-	-
Western Australian Land Authority	352.9	358.0	317.5	355.6	288.3
Western Australian Land Information Authority	21.0	20.3	18.0	17.1	16.8

ASSET INVESTMENT PROGRAM

Table 7.1 (cont.)

	2014-15 Estimated Actual \$m	2015-16 Budget Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m
MINISTER FOR EDUCATION; ABORIGINAL AFFAIRS; ELECTORAL AFFAIRS					
Education	466.9	295.3	352.1	302.3	231.6
Education Services	1.7	0.1	0.1	0.1	0.1
School Curriculum and Standards Authority	2.2	0.2	-	-	-
Country High Schools Hostels Authority	13.1	16.7	0.5	0.5	0.5
Aboriginal Affairs	1.3	1.4	0.5	0.6	0.5
Western Australian Electoral Commission	0.1	0.1	0.1	0.1	0.1
MINISTER FOR PLANNING; CULTURE AND THE ARTS					
Planning	5.7	13.8	18.6	17.4	2.5
Metropolitan Redevelopment Authority	247.6	219.8	74.0	31.2	52.1
Western Australian Planning Commission	45.6	40.3	40.0	37.7	80.6
Culture and the Arts	31.3	44.8	51.8	153.8	152.0
MINISTER FOR POLICE; ROAD SAFETY; TRAINING AND WORKFORCE DEVELOPMENT; WOMEN'S INTERESTS					
Western Australia Police	83.1	73.3	50.0	37.4	40.1
Training and Workforce Development	55.1	66.3	36.3	20.2	15.3
State Training Providers	15.3	9.9	6.7	6.5	6.1
MINISTER FOR MENTAL HEALTH; DISABILITY SERVICES; CHILD PROTECTION					
Mental Health Commission	0.7	9.9	0.8	-	-
Disability Services Commission	14.3	2.9	1.3	1.2	-
Child Protection and Family Support	9.5	4.1	3.6	1.2	1.2
ATTORNEY GENERAL; MINISTER FOR COMMERCE					
Attorney General	51.9	16.6	9.8	6.8	6.9
Corruption and Crime Commission	5.4	2.4	1.5	2.3	2.2
Commissioner for Equal Opportunity	0.1	0.1	0.1	0.1	0.1
Office of the Director of Public Prosecutions	0.6	0.3	0.6	0.6	0.6
Commissioner for Children and Young People	-	-	-	-	-
Office of the Information Commissioner	-	-	-	-	-
Parliamentary Inspector of the Corruption and Crime Commission	0.3	-	-	-	-
Legal Aid Commission of Western Australia	1.8	1.2	1.2	1.2	1.2
Commerce	10.4	8.0	6.9	4.3	2.6
Registrar, Western Australian Industrial Relations Commission	0.7	0.2	0.2	0.2	0.2
WorkCover WA Authority	1.0	1.4	0.7	0.7	0.9

Table 7.1 (cont.)

ASSET INVESTMENT PROGRAM					
	2014-15 Estimated Actual \$m	2015-16 Budget Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m
MINISTER FOR FINANCE; MINES AND PETROLEUM					
Finance	153.1	208.2	151.1	119.6	117.8
Mines and Petroleum	3.4	6.6	5.4	1.4	1.0
MINISTER FOR AGRICULTURE AND FOOD; FISHERIES					
Agriculture and Food	14.7	14.4	9.2	4.0	2.8
Rural Business Development Corporation	-	-	-	-	-
Western Australian Meat Industry Authority	0.4	0.3	0.3	0.3	0.3
Perth Market Authority	7.8	1.0	1.0	1.3	1.0
Fisheries	11.6	4.6	3.4	3.3	3.3
TREASURER; MINISTER FOR ENERGY; CITIZENSHIP AND MULTICULTURAL INTERESTS					
Treasury	0.1	-	-	-	-
Economic Regulation Authority	0.3	_(a)	_(a)	-	-
Insurance Commission of Western Australia	4.7	6.6	4.5	4.5	4.7
Office of the Auditor General	0.6	0.6	0.6	1.0	0.7
Western Australian Treasury Corporation	1.8	1.8	1.6	1.4	1.5
Independent Market Operator	2.6	2.4	0.9	-	-
Horizon Power	114.6	124.1	72.4	67.5	40.2
Synergy	92.9	68.7	56.6	43.8	63.0
Western Power Networks	1,014.3	650.7	565.1	606.8	592.6
Western Power Provisions	-	364.8	291.2	295.0	319.5
Electricity Sector Provisions	3.2	26.9	3.2	-	-
MINISTER FOR LOCAL GOVERNMENT; COMMUNITY SERVICES; SENIORS AND VOLUNTEERING; YOUTH					
Local Government and Communities	1.1	1.0	0.9	0.9	0.8
Metropolitan Cemeteries Board	12.1	4.6	4.6	7.4	7.0
MINISTER FOR ENVIRONMENT; HERITAGE					
Parks and Wildlife	27.7	22.5	35.5	17.7	16.1
Environment Regulation	0.9	0.9	0.9	0.9	0.9
Botanic Gardens and Parks Authority	6.1	1.0	1.0	1.0	1.0
Office of the Environmental Protection Authority	0.1	0.2	0.1	0.2	0.1
Zoological Parks Authority	4.4	5.0	6.1	5.4	2.8
Heritage Council of Western Australia	1.0	1.0	-	-	-
State Heritage Office	0.2	_(a)	_(a)	_(a)	_(a)
National Trust of Australia (WA)	1.2	1.7	0.7	0.7	0.7

ASSET INVESTMENT PROGRAM

Table 7.1 (cont.)

	2014-15 Estimated Actual \$m	2015-16 Budget Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m
MINISTER FOR EMERGENCY SERVICES; CORRECTIVE SERVICES; SMALL BUSINESS; VETERANS					
Fire and Emergency Services	39.3	38.8	34.7	18.7	15.5
State Emergency Management Committee Secretariat	-	-	-	-	-
Corrective Services	40.0	27.9	15.1	11.4	11.7
Office of the Inspector of Custodial Services	_(a)	_(a)	_(a)	_(a)	_(a)
Small Business Development Corporation	0.3	0.1	0.1	0.1	0.1
MINISTER FOR WATER; SPORT AND RECREATION; FORESTRY					
Water	21.1	18.6	13.3	10.1	12.9
Water Corporation	842.1	713.3	753.0	808.0	823.0
Bunbury Water Corporation	3.3	2.7	2.8	2.6	3.4
Busselton Water Corporation	4.0	3.6	2.8	2.8	2.3
Sport and Recreation	42.9	28.2	38.1	16.3	0.6
Western Australian Sports Centre Trust	19.1	21.4	18.0	10.6	10.6
Western Australian Institute of Sport	0.3	0.2	0.1	0.1	0.1
Forest Products Commission	1.2	0.9	0.6	0.6	0.6
MINISTER FOR TRANSPORT					
Transport	44.6	19.6	28.0	14.3	20.1
Commissioner of Main Roads	1,032.8	1,089.0	1,314.3	1,400.6	1,049.1
Public Transport Authority of Western Australia	394.1	475.1	393.5	705.7	917.4
Fremantle Port Authority	23.5	62.3	56.4	28.0	44.1
Kimberley Ports Authority	17.2	11.3	1.3	1.5	1.6
Mid West Ports Authority	13.9	7.8	9.1	4.5	5.0
Pilbara Ports Authority	43.9	96.1	147.0	16.7	17.5
Southern Ports Authority	29.0	10.7	8.8	8.8	9.0
MINISTER FOR HOUSING; RACING AND GAMING					
Housing Authority	400.8	438.7	568.1	446.1	305.2
Keystart Housing Scheme Trust	0.8	1.3	1.3	1.3	1.3
Racing, Gaming and Liquor	0.6	-	-	0.3	0.2
Racing and Wagering Western Australia	12.8	3.7	5.4	4.7	14.5
Western Australian Greyhound Racing Association	11.1	2.1	0.6	0.6	-
Burswood Park Board	0.2	0.4	0.4	0.4	-
Provision for Resolution of Native Title in the South West of Western Australia	-	-	8.4	8.6	2.4

Table 7.1 (cont.)

ASSET INVESTMENT PROGRAM					
	2014-15 Estimated Actual \$m	2015-16 Budget Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m
Provision for Underspend	-300.0	-	-	-	-
Inter-agency Purchases	-106.9	-1.4	-0.4	-	-
Royalties for Regions – Asset Investment Underspend Provision	-43.4	-55.0	-70.1	-72.7	-68.5
TOTAL	6,554.8	6,283.5	5,963.0	6,080.9	5,756.5
<i>Funded by:</i>					
APPROPRIATIONS					
Capital Appropriation	1,150.2	1,107.2	955.8	913.8	1,217.1
OTHER FUNDING					
Holding Account	200.1	224.3	245.1	237.3	264.7
Agency Borrowings ^(b)	1,532.5	1,304.7	1,086.1	1,275.1	1,468.1
Royalties for Regions	285.8	383.6	429.7	462.3	363.7
Commonwealth Grants	796.3	615.8	900.5	947.3	186.1
Land and Property Sales	595.8	627.4	466.6	474.9	416.9
Internal Funds and Balances ^(b)	1,422.9	1,696.9	1,724.1	1,625.3	1,747.7
Special Purpose Accounts ^(c)	571.2	323.5	155.1	144.9	92.3
TOTAL	6,554.8	6,283.5	5,963.0	6,080.9	5,756.5

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

(b) Disclosures of agency borrowings and internal funds and balances in previous Budgets have included cash flows from refinancing short to medium term debt. The 2015-16 Budget only discloses new borrowings for infrastructure spending (agency borrowings) and excludes the repayment of refinanced debt (internal funds and balances).

(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 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, to assist with reducing the prices for consumers of electricity, water and public transport services. Some of these operating subsidies benefit 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 \$654 million in 2015-16 (see Table 8.1). That is, gross subsidy payments to public corporations (\$2.1 billion) are expected to exceed tax equivalent, local government rate equivalent and dividend revenue received from these corporations (\$1.5 billion) by \$654 million. This is an increase on the \$404 million net subsidy in 2014-15, primarily as a result of lower dividend revenue in 2015-16 (down \$332 million), which in turn largely reflects the impact of the interim dividend arrangements for electricity corporations and State port authorities.

Table 8.1

PUBLIC CORPORATIONS		
Revenue to and Expenses from the General Government Sector ^(a)		
	2014-15 Estimated Actual \$m	2015-16 Budget Estimate \$m
Electricity Corporations		
Dividends, Tax Equivalent, and Rates		
Horizon Power	74.0	23.3
Synergy	140.1	44.2
Western Power	247.5	153.5
TOTAL	461.6	221.1
Operating Subsidies		
Horizon Power	38.6	36.8
Synergy	510.6	410.8
Western Power	-	-
Subtotal	549.2	447.6
Other Subsidies	5.0	5.0
<i>Net Electricity Corporations</i>	<i>-92.7</i>	<i>-231.5</i>
Water Corporation		
Dividends, Tax Equivalent, and Rates		
Operating Subsidies	796.4	827.5
Other Subsidies	577.8	566.0
Other Subsidies	25.5	12.9
<i>Net Water Corporation</i>	<i>193.1</i>	<i>248.6</i>
Public Transport Authority^(b)		
Operating Subsidies		
Other Subsidies	737.1	787.5
Other Subsidies	24.3	22.6
<i>Net Public Transport Authority</i>	<i>-761.4</i>	<i>-810.1</i>
Other Public Corporations		
Dividends, Tax Equivalent, and Rates		
Operating Subsidies	512.9	423.6
Other Subsidies	43.7	53.2
Other Subsidies	212.0	231.3
<i>Net Other Public Corporations</i>	<i>257.3</i>	<i>139.1</i>
Total revenue from Public Corporations		
Dividends	1,770.9	1,472.2
Tax Equivalent	1,276.7	945.1
Local Government Rate Equivalent	475.0	507.8
Local Government Rate Equivalent	19.2	19.2
Total expense to Public Corporations		
Operating Subsidies	2,174.7	2,126.1
Other Subsidies	1,907.8	1,854.3
Other Subsidies	266.9	271.8
Net impact on General Government Sector^(c)	-403.8	-653.9

(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) The Public Transport Authority does not pay dividends or tax equivalent payments.

(c) 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 2015-16 is estimated to be \$1.5 billion, comprising \$945 million in dividend payments, \$508 million in income tax equivalent payments, and \$19 million in local government rate equivalent payments.

Revenue from public corporations is expected to be \$299 million (or 17%) lower than in 2014-15. This is mainly the result of new interim dividend arrangements (bringing forward revenue into 2014-15) introduced for all electricity corporations and State port authorities as part of the revenue measures announced in the 2014-15 Budget and 2014-15 Mid-year Review. The measures require public corporations to pay an interim dividend of 75% of their estimated dividend amount for the 2014-15 year before 30 June 2015. This one-off change to timing reflects similar arrangements already applying to other public corporations such as the Water Corporation.

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 2015-16 are estimated to total \$2.1 billion, a decrease of \$48.6 million (or 2.2%) from 2014-15. The general government sector is forecast to pay a total of \$7.9 billion across the four year forward estimates period to subsidise the activities of public corporations. However, the subsidies paid to public corporations are less than estimated in the 2014-15 Budget due to the impact of a number of reforms to GTEs (see Chapter 3).

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 2015-16:

- residential electricity tariffs – 4.5%;
- residential water charges – 4.5%; and
- public transport fares – 2.6%.

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. 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 31.4% in 2014-15, and is anticipated to decline to 30.2% in 2015-16;
- despite the assumed increases of 7% per year across the outyears, residential electricity tariffs still fall an estimated 9.3% short of cost-reflectivity by 2018-19; and

- the Water Corporation is expected to receive operating subsidies totalling \$566 million in 2015-16, most of which (\$411 million) is to support the ongoing commitment to provide water at the same cost for country residential users as for metropolitan residents, despite the higher cost of services in the regions.

Electricity Tariffs

The Government has approved the following increases to electricity tariffs from 1 July 2015:

- residential tariffs – 4.5%;
- small business tariffs – 4.5%; and
- street lighting tariffs – 7.5%.

Approved changes to medium and large business tariffs from 1 July 2015 range between a reduction of 10.4% and an increase of 13.1%, depending on the tariff.

Approved increases for 2015-16, and assumed increases for budget planning purposes from 2016-17 onwards, are outlined in Table 8.2.

NON-CONTESTABLE TARIFF INCREASES				
Tariff	2015-16 %	2016-17 %	2017-18 %	2018-19 %
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) ^{(a)(b)}	3.4	1.2	1.7	1.7
Traffic Lighting (w 1/W2) ^{(a)(b)}	3.2	1.2	1.8	1.7
Street Lighting (Z) ^{(b)(c)}	7.5	16.0	2.0	2.1

CONTESTABLE TARIFF INCREASES ^{(a)(c)}				
Tariff	2015-16 %	2016-17 %	2017-18 %	2018-19 %
Medium Business (L3/L4)	-5.7	2.2	2.7	0.8
Medium Business Time of Use (R3)	-6.1	1.7	3.2	2.5
Large Business (M1/M2)	-10.4	0.6	1.7	4.8
Large Business Low Voltage (S1)	13.1	1.9	2.4	0.6
Large Business High Voltage (T1)	-6.2	-0.8	0.7	1.6

(a) Traffic light, unmetered supply, and all contestable tariffs are assumed to be at full cost reflectivity in 2015-16.

(b) Further changes to contestable street lighting, traffic lighting and unmetered supply tariffs may occur due to the Economic Regulation Authority's final determination on Western Power's 2015-16 Price List.

(c) Streetlight tariffs are assumed to be at full cost-reflectivity in 2016-17.

Water Tariffs

The Government has approved a 4.5% increase in tariffs for a range of services provided by the Water Corporation in 2015-16. A selection of key tariff changes from 2014-15 to 2015-16 is provided in Table 8.3.

WATER CORPORATION'S 2015-16 TARIFF CHANGES			
	2014-15 ^(a)	2015-16	% Change
Metropolitan Residential Tariffs			
Water			
Standard fixed service charge (\$)	216.32	226.05	4.5
Consumption charges (c/kL) ^(b)			
0-150kL	145.30	151.80	4.5
151-500kL	193.60	202.30	4.5
Over 500kL	274.10	286.40	4.5
Wastewater (c in \$GRV) ^{(c)(d)}			
First \$21,100 Gross Rental Value (GRV)	3.76	n.a. ^(e)	4.5
Over \$21,000 GRV	0.823	n.a. ^(e)	4.5
Drainage			
Drainage charge (c in \$GRV) ^{(c)(f)}	0.463	n.a. ^(e)	4.5
Metropolitan Non-Residential Tariffs			
Water			
Standard fixed service charge (\$)			
Minimum charge (15 or 20 mm) ^(g)	216.32	226.05	4.5
Consumption charges (c/kL) ^(h)	204.00	209.30	2.6
Wastewater ⁽ⁱ⁾			
First fixture (\$)	811.96	848.50	4.5
Volumetric charge (c/kL)	298.4	311.8	4.5
Drainage			
Drainage charge (c in \$GRV) ^{(c)(f)}	0.274	n.a. ^(e)	4.5

(a) 2014-15 charges shown are the average for the year showing the effect of the repeal of the Commonwealth's *Clean Energy Act (2011)*.

(b) 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.

(c) These factors are subject to change following receipt of GRV data.

(d) Country residential wastewater charges reflect the cost of delivering services with minimum and maximum charges applied.

(e) Not available: 2015-16 tariffs will be determined in May 2015 when GRV data is available.

(f) Drainage is not charged in the country.

(g) The charge varies depending upon the size of the meter.

(h) Country non-residential water consumption charges are based on the cost of delivering services.

(i) Non-residential wastewater charges are uniform across the State.

For budget planning purposes, water tariffs are assumed to increase by 6% per annum from 2016-17 onwards.

Public Transport Fares

The Government has approved the following public transport fares from 1 July 2015:

- a 2.6% increase to public transport fares (rounded to the nearest 10 cents);
- the student fare remaining at 60 cents;
- concession fares remaining at 40% of standard fares; and
- no change in the \$2 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 2.5% per annum from 2016-17 to 2018-19. Table 8.4 details the change in cash fares for various journey lengths between 2014-15 and 2015-16.

Table 8.4

TRANSPERTH FARES 2015-16				
Standard Cash Fare ^(a)	2014-15 ^(b)	\$ increase ^(c)	% increase	2015-16
2 sections	\$2.00	\$0.10	5	\$2.10
1 zone	\$2.90	\$0.10	3.4	\$3.00
2 zones	\$4.40	\$0.10	2.3	\$4.50
3 zones	\$5.20	\$0.10	1.9	\$5.30
4 zones	\$6.20	\$0.20	3.2	\$6.40
5 zones	\$7.70	\$0.20	2.6	\$7.90
6 zones	\$8.70	\$0.20	2.3	\$8.90
7 zones	\$10.20	\$0.30	2.9	\$10.50
8 zones	\$11.00	\$0.30	2.7	\$11.30
9 zones	\$11.80	\$0.30	2.5	\$12.10
Day Rider	\$11.80	\$0.30	2.5	\$12.10
Family Rider	\$11.80	\$0.30	2.5	\$12.10
Student	\$0.60	\$0.00	0.0	\$0.60

(a) Concession fares remain at 40% of the full standard fare subject to rounding.
 (b) Effective 1 November 2014.
 (c) Fare increases are rounded to 10 cent increments.

Table 8.5

GENERAL GOVERNMENT REVENUE FROM PUBLIC CORPORATIONS

Details of Payment	2014-15 Estimated Actual \$m	2015-16 Budget Estimate \$m	2016-17 Forw ard Estimate \$m	2017-18 Forw ard Estimate \$m	2018-19 Forw ard Estimate \$m
Horizon Pow er ^(a)					
Income tax expense	9.9	13.5	67.6	8.7	12.8
Local Government Rates expense	0.3	0.3	0.3	0.3	0.3
Dividends	63.7	9.5	14.4	44.1	23.0
<i>Subtotal</i>	<u>74.0</u>	<u>23.3</u>	<u>82.3</u>	<u>53.2</u>	<u>36.1</u>
Synergy					
Income tax expense	28.2	13.9	33.7	27.4	39.9
Local Government Rates expense	0.7	0.7	0.7	0.7	0.7
Dividends	111.2	29.6	42.6	44.0	55.8
<i>Subtotal</i>	<u>140.1</u>	<u>44.2</u>	<u>77.0</u>	<u>72.1</u>	<u>96.4</u>
Western Pow er ^(b)					
Local Government Rates expense	1.5	1.6	1.6	1.7	1.7
Dividends	246.0	151.9	154.3	173.0	153.8
<i>Subtotal</i>	<u>247.5</u>	<u>153.5</u>	<u>156.0</u>	<u>174.7</u>	<u>155.5</u>
Water Corporation					
Income tax expense	282.7	301.8	321.3	344.0	377.5
Local Government Rates expense	5.6	5.8	5.9	6.1	6.2
Dividends	508.0	519.9	565.9	612.8	677.8
<i>Subtotal</i>	<u>796.4</u>	<u>827.5</u>	<u>893.1</u>	<u>962.8</u>	<u>1,061.5</u>
Bunbury Water Corporation (Aqw est)					
Income tax expense	0.7	1.2	1.3	1.4	1.4
Local Government Rates expense	0.1	0.1	0.1	0.1	0.1
Dividends	0.7	1.9	1.9	2.0	2.1
<i>Subtotal</i>	<u>1.4</u>	<u>3.2</u>	<u>3.2</u>	<u>3.5</u>	<u>3.6</u>
Busselton Water Corporation					
Income tax expense	0.7	0.6	0.6	0.6	0.6
Local Government Rates expense	^(c)	^(c)	^(c)	^(c)	^(c)
Dividends	0.0	0.8	0.8	0.8	0.8
<i>Subtotal</i>	<u>0.7</u>	<u>1.5</u>	<u>1.5</u>	<u>1.4</u>	<u>1.4</u>
Western Australian Land Authority (LandCorp)					
Income tax expense	19.9	22.5	20.4	20.4	20.6
Local Government Rates expense	7.4	6.6	6.5	6.4	6.0
Dividends	32.4	31.7	50.0	31.1	31.1
<i>Subtotal</i>	<u>59.7</u>	<u>60.7</u>	<u>76.9</u>	<u>57.9</u>	<u>57.7</u>
Southern Ports Authority ^{(d)(e)}					
Income tax expense	5.0	8.5	8.5	9.4	9.8
Local Government Rates expense	0.4	0.4	0.5	0.5	0.5
Dividends	21.7	12.7	12.9	13.4	14.2
<i>Subtotal</i>	<u>27.2</u>	<u>21.7</u>	<u>21.8</u>	<u>23.3</u>	<u>24.5</u>
Kimberley Ports Authority ^(f)					
Income tax expense	1.2	0.4	0.2	0.2	0.1
Local Government Rates expense	0.2	0.1	0.1	0.1	0.1
Dividends	3.9	2.4	0.7	0.3	0.2
<i>Subtotal</i>	<u>5.3</u>	<u>2.9</u>	<u>1.0</u>	<u>0.5</u>	<u>0.5</u>

Table 8.5 (cont.)

GENERAL GOVERNMENT REVENUE FROM PUBLIC CORPORATIONS					
Details of Payment	2014-15	2015-16	2016-17	2017-18	2018-19
	Estimated	Budget	Forward	Forward	Forward
	Actual	Estimate	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m
Pilbara Ports Authority ^{(g)(e)}					
Income tax expense	63.7	77.5	65.8	61.7	67.5
Local Government Rates expense	0.8	1.5	1.5	1.6	1.6
Dividends	164.4	94.1	99.4	96.5	92.1
<i>Subtotal</i>	228.9	173.1	166.7	159.8	161.2
Fremantle Port Authority					
Income tax expense	15.6	16.1	18.1	19.0	20.1
Local Government Rates expense	0.8	0.9	0.9	1.0	1.0
Dividends	38.0	19.1	20.8	22.3	24.1
<i>Subtotal</i>	54.4	36.0	39.8	42.3	45.2
Mid West Ports Authority ^{(h)(e)}					
Income tax expense	7.4	8.2	9.1	9.2	8.5
Local Government Rates expense	0.7	0.7	0.7	0.7	0.7
Dividends	27.7	12.4	13.9	13.9	12.9
<i>Subtotal</i>	35.8	21.4	23.7	23.8	22.2
Gold Corporation					
Income tax expense	10.0	13.4	10.9	9.0	11.0
Local Government Rates expense	0.7	0.7	0.7	0.7	0.7
Dividends	13.1	14.7	15.7	16.1	17.1
<i>Subtotal</i>	23.7	28.7	27.3	25.7	28.8
Western Australian Treasury Corporation					
Income tax expense	4.4	4.5	5.6	6.7	7.5
Dividends	9.4	6.7	6.9	8.4	10.2
<i>Subtotal</i>	13.8	11.2	12.5	15.2	17.7
Insurance Commission of Western Australia					
Income tax expense	25.6	25.5	12.3	34.1	40.4
Dividends	34.4	37.7	39.7	41.9	45.1
<i>Subtotal</i>	60.1	63.1	52.0	76.1	85.5
Forest Products Commission					
Dividends	2.2	0.0	0.0	0.0	0.7
<i>Subtotal</i>	2.2	0.0	0.0	0.0	0.7
Subtotal Amounts					
Income tax expense ⁽ⁱ⁾	475.0	507.8	575.4	551.8	617.8
Local Government Rates expense	19.2	19.2	19.5	19.8	19.7
Dividends	1,276.7	945.1	1,039.9	1,120.7	1,160.9
TOTAL	1,770.9	1,472.2	1,634.8	1,692.3	1,798.4

(a) This includes dividend and tax expense impacts associated with electricity sector provisions included in the Budget estimates.

(b) This includes dividend tax expense impacts associated with Western Power provisions included in the Budget estimates.

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

(d) Albany, Bunbury and Esperance Port Authorities amalgamated to form the Southern Ports Authority on 1 October 2014.

(e) The recent downturn in the iron ore spot price may have a negative impact on port authority payment of dividend and taxes.

(f) Broome Port Authority was renamed the Kimberley Ports Authority on 1 July 2014.

(g) Dampier and Port Hedland Port Authorities amalgamated to form the Pilbara Ports Authority on 1 July 2014.

(h) Geraldton Port Authority was renamed the Mid West Ports Authority on 1 July 2014.

(i) Some general government sector agencies (e.g. the Chemistry Centre (WA), 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.

REVENUE FROM PUBLIC CORPORATIONS					
Dividend Payout Ratios					
	2014-15	2015-16	2016-17	2017-18	2018-19
	%	%	%	%	%
Horizon Power ^(a)	65	65	65	65	65
Synergy ^(a)	65	65	65	65	65
Western Power ^(a)	65	65	65	65	65
Water Corporation	85	85	85	85	85
Busselton Water Corporation	65	65	65	65	65
Bunbury Water Corporation	65	65	65	65	65
Western Australian Land Authority ^(b)	65	65	65	65	65
Insurance Commission of Western Australia ^(c)	65	65	65	65	65
Gold Corporation	75	75	75	75	75
Western Australian Treasury Corporation	65	65	65	65	65
State Port Authorities ^(a)	65	65	65	65	65
Forest Products Commission ^(d)	65	65	65	65	65

(a) As part of the revenue and savings measures announced in the 2014-15 Budget and 2014-15 Mid-year Review, the electricity corporations and the State port authorities are required to pay an interim dividend of 75% of the estimated dividend amount for the 2014-15 year before 30 June 2015.

(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 and investment in plantations.

Table 8.7

EXPENSES FROM THE GENERAL GOVERNMENT SECTOR TO PUBLIC CORPORATIONS

Details of Payment	Funding Department	2014-15 Estimated Actual \$m	2015-16 Budget Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m
Horizon Power						
<i>Operating Subsidies^(a)</i>						
Aboriginal and Remote Communities Project – Stage 1	Treasury	9.2	4.5 ^(b)	9.1	9.0	8.8
Aboriginal and Remote Communities Project – Stage 2	Treasury	1.9	1.9	1.9	1.9	1.8
Air Conditioning Allowance (North of 26 th Parallel)	Treasury	0.5	0.5	0.6	0.6	0.7
Cost of Living Assistance ^(c)	Treasury	1.0	-	-	-	-
Energy Assistance Payment ^(c)	Treasury	-	0.7	0.8	0.9	1.0
Dependent Child Rebate	Treasury	0.5	0.5	0.6	0.6	0.6
Feed-in Tariff	Treasury	- ^(d)	- ^(d)	- ^(d)	- ^(d)	- ^(d)
Tariff Adjustment Payment – Operating Subsidy	Treasury	25.2	28.3	26.5	16.1	11.9
Tariff Migration – Movement to L2 and A2 Tariff	Treasury	0.4	0.4	0.4	0.4	0.5
<i>Subtotal</i>		<u>38.6</u>	<u>36.8</u>	<u>39.8</u>	<u>29.5</u>	<u>25.3</u>
Synergy						
<i>Operating Subsidies^(a)</i>						
Account Establishment Fee Rebate	Treasury	0.7	0.6	0.6	0.6	0.6
Air Conditioning Allowance	Treasury	- ^(d)	- ^(d)	- ^(d)	- ^(d)	- ^(d)
Cost of Living Assistance ^(c)	Treasury	57.9	-	-	-	-
Energy Assistance Payment ^(c)	Treasury	-	41.9	46.3	51.0	56.3
Dependent Child Rebate	Treasury	16.9	16.7	18.2	20.0	21.8
Feed-in Tariff	Treasury	30.3	30.3	30.3	30.3	30.3
Late Payment Waiver	Treasury	0.5	0.6	0.6	0.7	0.7
Permanent Caravan Park Resident	Treasury	0.3	0.4	0.4	0.4	0.5
Tariff Adjustment Payment – Operating Subsidy	Treasury	403.9	320.4	257.2	160.6	92.6
<i>Subtotal</i>		<u>510.6</u>	<u>410.8</u>	<u>353.6</u>	<u>263.6</u>	<u>202.8</u>
Western Power						
<i>Other Subsidies</i>						
State Underground Power Program	Finance	5.0	5.0	5.0	5.0	-
<i>Subtotal</i>		<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>-</u>

Table 8.7 (cont.)

EXPENSES FROM THE GENERAL GOVERNMENT SECTOR TO PUBLIC CORPORATIONS

Details of Payment	Funding Department	2014-15 Estimated Actual \$m	2015-16 Budget Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m
Water Corporation						
<i>Operating Subsidies</i> ^(a)						
Country Water, Sewerage and Drainage Operations	Treasury	410.5	410.8	408.7	408.1	402.9
Infill Sewerage Program	Treasury	28.1	13.5	12.5	10.6	10.4
Pensioner and Senior Concessions	Treasury	139.2	141.7	152.1	163.0	174.8
<i>Other Subsidies</i>						
Burrup Water Supply System	DSD ^(e)	9.4	9.6	9.8	10.1	10.3
Onslow Wastewater Treatment and Conveyance	DSD ^(e)	11.3	0.8	-	-	-
Royalties for Regions – Various Projects	Treasury	4.8	2.5	-	-	-
<i>Subtotal</i>		<u>603.3</u>	<u>578.9</u>	<u>583.1</u>	<u>591.8</u>	<u>598.4</u>
Bunbury Water Corporation (Aqwest)						
<i>Operating Subsidies</i> ^(a)						
Pensioner and Senior Concessions and Water Leak Allowance	Treasury	0.5	0.5	0.5	0.6	0.6
<i>Subtotal</i>		<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.6</u>	<u>0.6</u>
Busselton Water Corporation						
<i>Operating Subsidies</i> ^(a)						
Pensioner and Senior Concessions and Water Leak Allowance	Treasury	0.4	0.5	0.5	0.6	0.6
<i>Subtotal</i>		<u>0.4</u>	<u>0.5</u>	<u>0.5</u>	<u>0.6</u>	<u>0.6</u>
Western Australian Land Authority (LandCorp)						
<i>Operating Subsidies</i> ^(a)						
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	0.2	0.1	0.1	0.2	0.6
Hope Valley/Wattleup Redevelopment – Land Acquisition	Treasury	6.7	7.7	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	0.7	0.3	0.4	0.5	1.8
Strategic Asset Management	Treasury	1.0	-	-	-	-
Townsite Development Program	Treasury	4.0	4.0	4.0	4.0	4.0
<i>Other Subsidies</i>						
Royalties for Regions – Various Projects	Treasury	70.3	82.7	31.4	24.5	-
Western Trade Coast Office (formerly Rockingham Kwinana Development Office)	DSD ^(e)	0.4	-	-	-	-
<i>Subtotal</i>		<u>104.6</u>	<u>118.1</u>	<u>64.9</u>	<u>58.2</u>	<u>35.4</u>

Table 8.7 (cont.)

EXPENSES FROM THE GENERAL GOVERNMENT SECTOR TO PUBLIC CORPORATIONS

Details of Payment	Funding Department	2014-15 Estimated Actual \$m	2015-16 Budget Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m
Metropolitan Redevelopment Authority						
<i>Operating Subsidies</i> ^(a)						
Chinatown Improvement	Treasury	0.8	0.1	0.1	-	-
Elizabeth Quay	Treasury	2.7	4.4	0.8	-	-
Scarborough Beach Redevelopment Area	Treasury	5.4	12.3	6.1	4.3	-
<i>Subtotal</i>		8.9	16.8	7.0	4.3	-
Southern Ports Authority ^(f)						
<i>Other subsidies</i>						
Esperance Minerals Concentrate Circuit Unit – Debt Servicing	Treasury	0.8	0.7	0.6	0.4	0.3
<i>Subtotal</i>		0.8	0.7	0.6	0.4	0.3
Pilbara Ports Authority ^(g)						
<i>Other subsidies</i>						
Dampier – Burrup Port Infrastructure Subsidy	DSD ^(e)	8.2	11.2	7.8	9.1	9.1
<i>Subtotal</i>		8.2	11.2	7.8	9.1	9.1
Racing and Wagering Western Australia						
<i>Other subsidies</i>						
Direct grants – Various Racing funding	Various ^(h)	40.8	41.9	43.1	44.3	45.6
Regional Community Services – Royalties for Regions	Treasury	1.0	1.0	1.0	1.0	1.0
<i>Subtotal</i>		41.8	42.9	44.1	45.3	46.6

Table 8.7 (cont.)

EXPENSES FROM THE GENERAL GOVERNMENT SECTOR TO PUBLIC CORPORATIONS

Details of Payment	Funding Department	2014-15 Estimated Actual \$m	2015-16 Budget Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m
Public Transport Authority ⁽ⁱ⁾						
<i>Operating subsidies ^(a)</i>						
Freight Network - general	Treasury	9.2	10.4	2.4	1.7	1.9
Regional School Bus Services						
School Bus Services	Treasury	114.7	116.5	119.5	124.0	127.8
Conveyance Allowance	Treasury	3.9	4.1	4.1	4.2	4.2
Transperth and Regional Town Services						
Transperth – General ⁽ⁱ⁾	Treasury	491.3	534.6	579.4	587.5	654.9
Transperth – Concession Fares	Treasury	48.9	51.2	52.3	53.5	56.9
Transperth – Pensioners, Seniors and Carers Free Travel ^(k)	Treasury	16.3	17.2	17.7	18.4	19.1
Transperth – School Children Fares	Treasury	5.7	6.3	6.8	7.4	7.7
Regional Town Bus Services ⁽ⁱ⁾	Treasury	18.5	18.2	18.7	19.3	19.9
Transwa						
General ⁽ⁱ⁾	Treasury	22.5	22.7	24.1	26.5	27.6
Concession Fares	Treasury	4.1	4.3	4.6	4.7	4.8
Annual Free Trip for Pensioners	Treasury	2.0	2.0	2.4	2.4	2.4
<i>Other subsidies</i>						
AvonLink – Royalties for Regions	Treasury	2.6	2.2	2.2	-	-
District Allowance Payments – Royalties for Regions	Treasury	-(d)	-(d)	-(d)	-(d)	-(d)
Inner City Transport Plan – Recurrent Grant	Transport	1.6	-	-	-	-
Regional School Bus Services – Intensive English Centres and Other Services – Recurrent Grant	Education	4.9	5.1	5.3	5.3	5.3
Transperth Free Transit Zone – Recurrent Grant	Transport	15.3	15.3	15.3	15.3	15.3
<i>Subtotal</i>		<u>761.4</u>	<u>810.1</u>	<u>854.8</u>	<u>870.2</u>	<u>947.7</u>

Table 8.7 (cont.)

EXPENSES FROM THE GENERAL GOVERNMENT SECTOR TO PUBLIC CORPORATIONS

Details of Payment	Funding Department	2014-15 Estimated Actual \$m	2015-16 Budget Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m
Housing Authority						
<i>Other subsidies^(m)</i>						
Aboriginal Housing and Essential Remote Services (Various Programs)	Treasury	62.0	47.0	47.0	17.0	17.0
Mental Health Dwellings-Broome	MHC ⁽ⁿ⁾	0.3	-	-	-	-
Onslow Social and Critical Infrastructure Project (Wheatstone)	DSD ^(e)	7.0	-	-	-	-
Various Programs	Treasury	12.8	45.5	20.9	2.0	-
Various Projects – Royalties for Regions	Treasury	8.4	1.3	0.7	0.8	0.5
<i>Subtotal</i>		90.5	93.8	68.6	19.8	17.5
Total		2,174.7	2,126.1	2,030.3	1,898.4	1,884.5

- (a) Details of operating subsidies contained in this appendix may differ to those disclosed in Budget Paper No.2: *Budget Statements*. 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 Appendix 6: *State Government Social Concessions Expenditure Statement*.
- (b) An additional \$4.55 million is funded from the Commonwealth's final payment of \$90 million for essential and municipal services for remote Aboriginal Communities in Western Australia, which was transferred to Essential and Municipal Services Special Purpose Account in 2014-15 (see Appendix 5).
- (c) The Cost of Living Assistance Payment will be replaced with the means-tested Energy Assistance Payment from 1 July 2015.
- (d) Amount less than \$50,000.
- (e) Department of State Development.
- (f) Albany, Bunbury and Esperance Port Authorities amalgamated to form the Southern Ports Authority on 1 October 2014.
- (g) Dampier and Port Hedland Port Authorities amalgamated to form the Pilbara Ports Authority on 1 July 2014.
- (h) Gaming and Wagering Commission and the Department of Racing, Gaming and Liquor.
- (i) Includes service appropriations authorised under the *Salaries and Allowances Act 1975*.
- (j) 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.
- (k) Represents the revenue foregone if passengers paid concession fare, rather than travelling for free.
- (l) Includes payments to provide concessional fares to eligible passengers.
- (m) The Housing Authority also receives funding from the Commonwealth for affordable housing programs (\$649 million across the forward estimates period) and indigenous housing programs (\$498 million over the forward estimates period), 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.
- (n) 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.

Calculating the effects of changes in government tariffs, fees and charges for a single 'representative' household can never entirely capture the 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 CTP motor vehicle and general insurance; and
- the Emergency Services Levy (ESL).

The model excludes government charges relating to one-off events such as property transfer duty.

Results

Table 9.1 shows the impact of changes in government tariffs, fees and charges on the 'representative' household in 2015-16.

Table 9.1

ESTIMATED IMPACT ON THE 'REPRESENTATIVE' HOUSEHOLD				
	2014-15 \$ level	% change	\$ change	2015-16 \$ level
Motor Vehicles				
Vehicle licence charge	\$318.40	2.55	\$8.11	\$326.51
Recording fee	\$13.05	-1.53	-\$0.20	\$12.85
CTP insurance ^(a)	\$264.50	4.10	\$10.84	\$275.34
Drivers licence ^(b)	\$81.37	2.70	\$2.20	\$83.57
<i>Total</i>	<i>\$677.32</i>	<i>3.09</i>	<i>\$20.95</i>	<i>\$698.26</i>
Utility Charges ^(c)				
Electricity	\$1,450.93	4.50	\$65.29	\$1,516.22
Water, sewerage and drainage	\$1,479.47	4.50	\$66.50	\$1,545.97
<i>Total</i>	<i>\$2,930.40</i>	<i>4.50</i>	<i>\$131.79</i>	<i>\$3,062.19</i>
Public Transport				
Student fares	\$312.00	0.00	0.00	\$312.00
Standard fares (2 zones) ^(d)	\$858.00	2.42	\$20.80	\$878.80
<i>Total</i>	<i>\$1,170.00</i>	<i>1.78</i>	<i>\$20.80</i>	<i>\$1,190.80</i>
ESL ^(e)	\$236.00	10.59	\$25.00	\$261.00
Stamp Duty				
Stamp duty on general insurance	\$172.48	0.00	\$0.00	\$172.48
Stamp duty on CTP insurance	\$27.53	0.00	\$0.00	\$27.53
<i>Total</i>	<i>\$200.01</i>	<i>0.00</i>	<i>\$0.00</i>	<i>\$200.01</i>
Total Expenditure (Nominal)	\$5,213.73	3.81	\$198.54	\$5,412.27

(a) No adjustment has been made for the introduction of the No-fault Catastrophic Injury Scheme announced as part of this Budget, which will take effect from 1 July 2016.

(b) Drivers licence expenditure is for two drivers.

(c) Assumes no access to concessions, rebates or hardship packages.

(d) This Transperth fare increase is rounded to the nearest 10 cents.

(e) The actual impact of the ESL on household charges is to be confirmed by the Department of Fire and Emergency Services in June 2015, after property valuation data is finalised.

Note: Columns may not add due to rounding.

On the basis of the assumptions below and the 2015-16 levels of government tariffs, fees and charges, total expenditure by the 'representative' household on this basket of public sector goods and services is \$5,412.27. This represents an increase of \$198.54 or 3.81% on 2014-15 levels. This compares to last year's increase of \$324.18 or 6.62%.

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:
 - 5,229 kW hours of electricity per annum, based on the forecast 2014-15 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 2015. Based on the forecast 2014-15 average level of consumption of 5,229 kW hours of electricity, it is estimated that household electricity charges will total \$1,516.22 in 2015-16. This is a \$65.29 (or 4.5%) increase on 2014-15.

In order for residential electricity tariffs to be fully cost-reflective in 2015-16, a further increase of around 21% (above the approved 4.5% increase from 1 July 2015) 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 \$66.50 (or 4.5%) in 2015-16.

Transperth 2 zone standard fares will increase by 2.42%¹, amounting to an additional cost of \$20.80 to the ‘representative’ household. Student fares will remain constant at 60 cents. In total, the ‘representative’ household’s expenditure on public transport will increase by \$20.80 (or 1.78%) in 2015-16.

In 2015-16, motor vehicle registration fees will increase by \$8.11 (or 2.55%) on the 2014-15 level.

Drivers licence fees will increase by \$2.20 (or 2.7%) in 2015-16 in order to maintain cost-reflectivity.

The recording fee for motor vehicle registration will reduce from \$13.05 to \$12.85 (a reduction of 1.53%), in order to maintain current levels of cost-reflectivity.

¹ Transperth fares will increase by 2.6% (CPI), rounded to the nearest 10 cents, from 1 July 2015.

The average metropolitan residential ESL will increase by \$25 (or 10.59%). This increase is in order for ESL charges to approach cost-reflectivity in 2015-16.

Compulsory third party insurance premiums, which remain the lowest in the nation, will increase by \$10.84 (or 4.1%). No adjustment has been made for the introduction of the No-fault Catastrophic Injury Scheme announced as part of this Budget, which will take effect from 1 July 2016.

Stamp duty rates on insurance policies remain unchanged in 2015-16.

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 combined 2015-16 utility charges for water and electricity remain below the 2014-15 national average of \$1,572;
- based on the comparison provided by the Public Transport Authority, public transport fares are the lowest in Australia and significantly below those of New South Wales and Queensland; and
- motor vehicle charges are also amongst the lowest in Australia, particularly with respect to CTP insurance premiums.

Other Tariffs, Fees and Charges

Agencies subject to the *Financial Management Act 2006* 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 2015-16 Budget process. In most instances, fees and charges have increased by the Perth Consumer Price Index (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.

Department of the Attorney General

From 1 July 2015, over 300 Court and Tribunal fees will increase by an average of 12%, resulting in a 12% level of cost recovery in Court and Tribunal Services (excluding Fines Enforcement Registry fees).

A total of 13 Fines Enforcement Registry fees under the *Fines, Penalties and Infringement Notices Act 1994* (FPINE Act) will increase by an average of 12% from 1 July 2015. Amendments to the FPINE Act in 2012 enabled fines enforcement fees to be set at levels that exceed cost recovery, recognising that these fines are set to discourage certain types of behaviour and activities.

Six Registry of Births, Deaths and Marriages fees and the Public Trustee hourly rate will increase by 6%, to enable these services to reach full cost recovery. In addition, two new Public Trustee fees will be introduced for:

- the Management of Property under section 37A of the *Public Trustee Act 1941*; and
- the copying of documents pursuant to section 47(2) of the Act.

Both fees will be based on the new Public Trustee rate of \$270 per hour.

The net impact of revised demand forecasts and the Department's fee increases is expected to generate additional revenue of \$6.8 million in 2015-16 and a total of \$31.2 million from 2015-16 to 2018-19.

Health

A total of 119 tariffs, fees and charges for health services will increase by greater than CPI in 2015-16.

Hospital accommodation charges for ineligible² and compensable³ outpatients will increase by 9.9% in 2015-16. The fees payable by these groups will remain at below full cost recovery (79.5%).

For private patients, where hospital accommodation charges are not achieving full cost recovery, charges will increase at much lower rates (of between 2.5% to 2.7%) in accordance with Commonwealth regulation.

Other fees that will increase at a rate above CPI to facilitate greater cost recovery include:

- car parking fees for staff parking at the Royal Perth Hospital and Queen Elizabeth II Medical Centre (increasing by 7%); and
- licence and registration fees for food safety, private hospitals and private psychiatric hostels, pesticide safety, septic tanks, radioactive substances, therapeutic poisons, and tobacco (increasing by an average of 6.6%).

Transport

New fees will be introduced for taxi drivers in 2015-16 as a result of the *Taxi Drivers Licensing Act 2014*, which came into effect on 2 July 2014. This Act regulates entry standards, training, and testing regimes, and outlines a code of conduct for the taxi industry in Western Australia. The majority of these new fees are set at below full cost recovery to minimise the regulatory burden on the taxi industry.

² Overseas students and visitors from countries that do not have a Reciprocal Healthcare Agreement with Australia.

³ A compensable patient is entitled to compensation that includes the cost of their public hospital care e.g. CTP insurance payments or worker's compensation.

A process is underway to simplify and standardise coastal infrastructure fees across the State. This will result in the introduction of fees at locations where they are not currently charged. The specific fees to be standardised are:

- fuel wharfage;
- the use of a service wharf or jetty by a commercial vessel for a day/overnight;
- the use of a service wharf or jetty for a period of 12 months; and
- the minimum chargeable length for pens.

The new fee structure will support increased cost recovery for coastal facilities. This simplification process, which began in 2014-15, will continue over several years.

All boat registration fees will increase by 9.5% in 2015-16, as part of a three year program to achieve full cost recovery. Currently, these fees recover 91.3% of their costs.

The 2014-15 Annual Review of Fees and Charges approved the application of the Department of Regional Development's Regional Price Index (RPI) to vehicle examination fees at authorised inspection stations, to better reflect regional area service delivery costs. This year, increases to vehicle examination fees will be around 3%, with each individual area's increase determined by the RPI.

As part of the 2014-15 Budget, an increase in the Perth Parking Levy (PPL) of \$365 (or around \$1 per day) was approved, to be phased in over two years to 2015-16. The PPL revenue raised is assisting to fund the underground Perth Busport, and will also be used to fund future public transport projects within the Perth Parking Management Area.

Education

A number of fees for overseas students will increase (ranging from 4.3% to 36.4%) in an effort to improve levels of cost recovery, including:

- 12 fees for the Western Australian Universities' Foundation Program at Canning College will increase by between 4.4% and 10%, to ensure full cost recovery for 2016. An estimated total of 334 students will be affected by at least one of these fee increases;
- fees for international students on section 571 visas will increase by 15% in 2016, following 15% increases in 2015 and 2014. The fees payable by this group remain below full cost recovery (average of 78%). An estimated total of 1,337 students will be affected by these fee increases;
- fees for international students already enrolled will also increase by 15% for 2016, in addition to 15% increases in 2015 and 2014. Fees payable by this group remain below full cost recovery (an average of 52%). An estimated total of 1,029 students will be affected by these fee increases; and

- VacSwim fees will increase by 25% in 2015-16 (or 25 cents per lesson for a vast majority of students), improving the level of cost recovery. VacSwim fees have remained unchanged for the past 11 years, and will remain well below cost recovery (10-12% in 2015-16).

Country High School Hostels Authority

Residential College boarding fees will increase by 6.7% in 2015-16 (by \$850 to \$13,510) in order to maintain the current level of cost recovery (67%). The proposed increase reflects the reduction in revenue from declining enrolments and increasing costs of service delivery per student.

The cost of Residential College boarding fees is subsidised by the State to ensure that costs for geographically isolated students are fair and equitable relative to students living at home.

State Training Providers

State Training Providers charge resource fees for materials that are required for a course (and which are not included in the course fee) such as workshop materials, workbooks or course-specific uniforms. Resource fees vary from course to course and are charged on a full cost recovery basis.

New resource fees for over 1,000 new or revised course units have been introduced by four providers. The new resource fees range in cost from \$2 to \$513 per unit, with the majority being less than \$100 per unit. The highest resource fees relate to courses with a high material content, such as photography, art and design, computer graphics and make-up application.

In addition, two providers have increased existing resource fees by rates in excess of the CPI (ranging from 3.1% to 320%) in order to maintain full cost recovery. The increases range from \$0.10 to \$52 per unit, with the majority being less than \$15 per unit.

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, 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 2013-14 and 2014-15.

Table 10.1

SUMMARY OF MAJOR TAX AND ROYALTY EXPENDITURES
Western Australia

	2013-14 Estimated Actual \$m	2014-15 Estimated \$m
PAYROLL TAX		
Tax-free threshold ^(a)	1,433.9	1,438.9
Schools/colleges exemption (public and private) ^(b)	189.3	196.1
Public hospitals exemption ^(b)	172.0	181.3
Other State government departments exemption ^{(b) (c)}	304.7	293.9
Local government exemption	67.7	69.2
Apprentices and trainees exemption	73.1	80.3
Charitable body exemption	28.6	31.3
LAND TAX AND METROPOLITAN REGION IMPROVEMENT TAX		
Principal place of residence exemption	252.5	292.5
Primary production exemption/concession	71.0	75.4
Developers' concession ^(d)	9.3	12.8
Land value growth cap	8.1	2.7
Religious bodies exemption	24.6	25.9
Educational institutions exemption ^(b)	19.9	22.7
Public charitable or benevolent institution exemption	15.1	17.6
Public or religious hospitals exemption ^(b)	1.7	1.6
Caravan parks exemption	2.5	2.9
Club or sporting association exemption/concession	6.2	6.9
Aged care facilities exemption	2.6	3.2
Retirement villages exemption	7.1	8.0
TRANSFER DUTY AND LANDHOLDER DUTY		
Connected entities restructure exemption ^(e)	234.9	774.0
First home owners' exemption/concession	195.0	124.0
Concessional scale for residential property	108.0	109.0
Family farm exemption	7.0	7.3
INSURANCE DUTY		
Health insurance policies exemption	227.6	246.2
Life insurance exemption	11.0	10.3
Workers' compensation insurance exemption	68.6	71.9
Marine hulls exemption	6.9	6.9
Reinsurance exemption	6.2	6.6
VEHICLE LICENCE FEES		
Private vehicle concession	77.9	-
Pensioner and Seniors vehicle concession	29.9	30.8
Primary producer vehicle concession	9.9	10.2
VEHICLE LICENCE DUTY		
Heavy vehicle concession	65.2	60.8
Caravan and camper trailer exemption	17.4	17.9
MINING ROYALTIES		
Gold royalty-free threshold	4.5	3.6
Salt State Agreement Acts concession	3.2	3.1
TOTAL	3,763.1	4,245.8

(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 response to the exemption.

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 \$800,000 or less. In addition, employers liable for payroll tax benefit from not paying tax on the first \$800,000 of annual wages. The payroll tax-free threshold was increased from \$750,000 to \$800,000 from 1 July 2014 and will be increased 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 Tax 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. This income test and the 50% concession were removed from 1 July 2014 and replaced with a more flexible business test.

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

From 3 July 2014, 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 \$530,000 for the house and land, or below \$400,000 for vacant land. No duty is payable if the house and land value is below \$430,000, or the vacant land value is below \$300,000. Prior to 3 July 2014, no duty was payable for first home buyers who purchased a house and land valued below \$500,000 (phasing out at \$600,000).

Concessional scale for residential property

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

Family farm exemption

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

Insurance Duty

Health insurance policies exemption

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

Life insurance exemption

Life insurance is exempt from insurance duty.

Workers' compensation insurance exemption

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

Marine hulls exemption

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

Reinsurance exemption

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

Vehicle Licence Fees

Private vehicle concession

The discount for privately used motor vehicles ceased from 1 July 2014. Prior to this, the licence fee discount (\$72 from 1 July 2013 to 31 December 2013, \$36 from 1 January 2014 to 30 June 2014) applied to cars and wagons of up to three tonnes used solely for private purposes.

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 uncapped, 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

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 2013-14 (estimated actual) and 2014-15 (estimated) include:

- an increase of 15.8% (or \$40 million) in the value of the principal place of residence exemption, reflecting a combination of the 10% increase in land tax rates in 2014-15, an increase in the number of residential exemptions, and modest property valuation increases;
- an increase of 37.6% (or \$3.5 million) in the value of the developers' land tax and MRIT concession, primarily reflecting an increase in the number of subdivided lots held by land owners at 30 June 2014 that were eligible for the concession;
- a decrease of 66% (or \$5.3 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 14.1% (or \$2.8 million) in the educational institutions land tax and MRIT exemption, attributable largely to the increase in land tax rates in 2014-15;
- an increase of 16.6% (or \$2.5 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 2014-15;

- an increase of 16% (or \$0.4 million) in the caravan park exemption, primarily attributable to the increase in land tax rates in 2014-15 and land valuation changes;
- an increase of 11.3% (or \$0.7 million) in the club or sporting association land tax and MRIT exemption and concession attributable largely to the increase in land tax rates in 2014-15;
- an increase of 23.1% (or \$0.6 million) in the aged care facilities land tax and MRIT exemption, attributable to the increase in land tax rates in 2014-15, additional exempt property, and land valuation changes;
- an increase of 12.7% (or \$0.9 million) in the retirement villages land tax and MRIT exemption largely attributable to the increase in land tax rates in 2014-15;
- an increase of 229.5% (or \$539.1 million) in the value of the connected entities restructure transfer duty exemption, attributable to significantly more activity in 2014-15 than in 2013-14;
- a decrease of 36.4% (or \$71 million) in the value of the first home owners' transfer duty exemption and concession, attributable to a reduction, from 3 July 2014, in the values at which the concession for the purchase of a house and land is available, and growth in house prices (resulting in fewer applicants being eligible for the transfer duty exemption);
- a decrease of 100% (or \$77.9 million) in the value of the private motor vehicle licence fee concession, reflecting the abolition of the private motor vehicle licence fee concession from 1 July 2014; and
- a decrease of 20% (or \$0.9 million) in the value of the gold royalty-free threshold, reflecting a reduction in the number of gold projects operating in 2014-15.

Allocation of Asset Investment Program Efficiency Savings

The 2014-15 Budget included a 5% reduction in most agencies' Asset Investment Programs (AIPs), which was implemented in recognition of low growth in building and construction costs. This measure was expected to achieve savings of \$478 million over the four years to 2017-18, and was provisioned in agency AIPs at that time.

A further 5% saving in agencies' AIPs was implemented in the 2014-15 Mid-year Review, totalling \$542 million to 2017-18, in recognition of favourable tender outcomes in excess of the 2014-15 Budget provisions.

Designated strategic projects, Commonwealth-funded projects, and projects already subject to contract were excluded from the AIP efficiency measures.

Table 11.1

ASSET INVESTMENT PROGRAM EFFICIENCY SAVINGS					
	2014-15	2015-16	2016-17	2017-18	TOTAL
	\$m	\$m	\$m	\$m	\$m
2014-15 Budget	130	113	116	119	478
2014-15 Mid-year Review	-	175	176	191	542
TOTAL	130	288	292	310	1,020

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

This appendix details the allocation of the savings provisions to agency AIP projects. In general, project-level AIP efficiencies are expected to be achieved from cost savings (such as more favourable tender outcomes), rather than through project deferrals or reductions to project scope.

As part of the 2015-16 Budget, the following agencies had their savings target amended or were granted approval to achieve AIP savings targets through means other than AIP efficiencies:

- the Western Australian Sports Centre Trust received a \$400,000 reduction in its savings target as a result of the reinstatement of savings calculated on externally funded projects;
- Western Power will now allocate \$66.8 million of its total AIP savings target of \$321.7 million as part of the 2015-16 Mid-year Review. Western Power has identified project savings of \$254.9 million as part of this Budget;
- the Housing Authority is now expected to achieve an improvement in net debt commensurate with an AIP efficiency savings target of \$43.5 million, achieved through increased revenue over the four years to 2018-19; and
- Western Australia Police will meet \$5.6 million of its total AIP efficiency savings target of \$16.7 million from savings in operational expenditure in 2014-15.

A total \$1,012 million (or 99%) of the \$1,020 million total savings anticipated from the earlier provisions is expected to be achieved by agencies by 2017-18, with the remainder (\$7.4 million) in 2018-19.

Table 11.2

ASSET INVESTMENT PROGRAM EFFICIENCY SAVINGS

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	TOTAL \$m
PREMIER; MINISTER FOR STATE DEVELOPMENT; SCIENCE Gold Corporation					
<i>Total Savings Provision</i>					-1.8
- Silver Refining Expansion	-0.3	-0.5	-0.4	-	-1.2
- Computer Software Replacement Program (Enterprise Resource Planning)	-	-	-	-0.4	-0.4
<i>Total Efficiency Savings</i>	-0.3	-0.5	-0.4	-0.4	-1.8
DEPUTY PREMIER; MINISTER FOR HEALTH; TOURISM WA Health					
<i>Total Savings Provision</i>					-62.2
- Armadale Kelmscott Hospital – Development	-0.1	-0.3	-0.2	-	-0.6
- Clinical Incident Management System (CIMS)	-1.0	-	-	-	-1.0
- Corporate and Shared Services Reform – Health Corporate Network	-	-	-	-0.1	-0.1
- Country – Transport Initiatives	-	-0.1	-	-	-0.1
- Country Staff Accommodation – Holding	-1.1	-	-	-	-1.1
- Country Staff Accommodation – Stage 4	-	-0.2	-0.2	-	-0.4
- Eastern Wheatbelt District (incl. Merredin) – Stage 1	-0.1	-0.4	-0.1	-	-0.6
- Equipment Replacement Program	-2.3	-2.5	-2.0	-1.1	-7.9
- Fremantle Hospital – B Block Roof Replacement	-0.1	-	-	-	-0.1
- Fremantle Hospital – Holding	-0.1	-	-	-	-0.1
- Fremantle Hospital – Reconfiguration Stage 1	-	-	-	-1.2	-1.2
- Harvey Hospital – Redevelopment	-0.2	-0.7	-	-	-0.9
- Health Services Development Fund	-0.1	-0.2	-	-	-0.3
- Joondalup Health Campus Telethon Paediatric Ward	-0.1	-0.1	-0.1	-	-0.3
- Kalamunda Hospital – Redevelopment Stage 2	-	-	-	-1.0	-1.0
- Land Acquisition	-	-0.5	-	-	-0.5
- Minor Building Works	-0.2	-0.1	-	-	-0.3
- North West Health Initiative	-	-0.3	-3.4	-7.2	-10.9
- Osborne Park Hospital Additional Parking Facility	-0.2	-	-	-	-0.2
- Other Minor Works ^(a)	-0.1	-	-	-	-0.1
- Peel Health Campus – Development Stage 1	-0.1	-	-	-	-0.1
- Peel Health Campus – Theatres Cooling System	-0.4	-	-	-	-0.4
- Princess Margaret Hospital – Holding	-0.2	-	-	-	-0.2
- Princess Margaret Hospital – Interim Holding Works at Existing PMH Site	-1.1	-	-	-	-1.1
- Replacement of PathWest's Laboratory Information Systems (LISs)	-0.1	-1.2	-1.0	-0.2	-2.5
- Sir Charles Gardiner Hospital – Redevelopment Stage 1	-0.1	-0.3	-0.4	-0.9	-1.7
- South West Health Campus – Upgrade of Engineering Infrastructure Works	-0.8	-	-	-	-0.8
- Southern Inland Health Initiative – District Medical Workforce Investment (Stream 1)	-	-1.3	-	-	-1.3
- Southern Inland Health Initiative – Integrated District Health Campuses	-0.8	-6.7	-5.0	-	-12.5
- Southern Inland Health Initiative – Primary Health Centres	-0.1	-1.5	-2.4	-	-4.0
- Southern Inland Health Initiative – Small Hospitals and Nursing Posts	-2.2	-4.6	-0.4	-	-7.2
- Stabilising Existing ICT Platform	-0.9	-	-	-	-0.9
- Upper Great Southern District (incl. Narrogin) – Stage 1	-0.1	-0.5	-0.1	-	-0.7
- WA Country Health Service – Holding	-1.1	-	-	-	-1.1
<i>Total Efficiency Savings</i>	-13.5	-21.4	-15.6	-11.7	-62.2

Table 11.2 (cont.)

ASSET INVESTMENT PROGRAM EFFICIENCY SAVINGS

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	TOTAL \$m
MINISTER FOR REGIONAL DEVELOPMENT; LANDS; MINISTER ASSISTING THE MINISTER FOR STATE DEVELOPMENT					
Regional Development					
<i>Total Savings Provision</i>					-0.9
- Pilbara Cities Strategic Infrastructure	-0.3	-	-	-	-0.3
- State-wide Regional Blueprint Initiatives	-	-0.6	_(b)	-	-0.6
<i>Total Efficiency Savings</i>	-0.3	-0.6	_(b)	-	-0.9
Western Australian Land Authority					
<i>Total Savings Provision</i>					-108.6
- Land Development – Economic and Employment	-	-11.6	-8.1	-12.2	-31.9
- Land Development – Metropolitan	-	-8.0	-20.2	-17.0	-45.2
- Land Development – Regional Development	-	-7.9	-8.5	-15.1	-31.5
<i>Total Efficiency Savings</i>	-	-27.5	-36.8	-44.3	-108.6
MINISTER FOR EDUCATION; ABORIGINAL AFFAIRS; ELECTORAL AFFAIRS					
Education					
<i>Total Savings Provision</i>					-71.7
- Additions and Improvements to High Schools	-	-	-	-6.0	-6.0
- Administration Upgrades	-0.2	-0.2	-0.2	-0.2	-0.8
- Air Conditioning Replacement Program	-	-2.0	-	-	-2.0
- Air Cooling Program – Stage 2	-0.9	-	-	-	-0.9
- Baldvis Secondary School – Stage 2	-2.5	-6.0	-	-	-8.5
- Banksia Grove Senior High School – Stage 2	-	-	-2.5	-	-2.5
- Bore Replacement	-	-1.3	-1.3	-	-2.6
- Byford Senior High School	-	-2.0	-2.0	-	-4.0
- Byford Senior High School – Stage 3	-	-	-3.0	-1.0	-4.0
- Child and Parent Centres	-	-0.5	-	-	-0.5
- Covered Assembly Areas	-0.5	-0.5	-0.5	-0.5	-2.0
- Early Childhood Program 2016-17	-	-	-0.5	-	-0.5
- Gas Heater Replacement Program	-	-0.8	-0.8	-	-1.6
- Harrisdale Senior High School	-	-1.5	-1.5	-	-3.0
- Infrastructure Power Upgrades	-	-0.5	-0.5	-	-1.0
- Interim Schools	-	-0.3	-0.3	-0.3	-0.9
- Library Resource Centres	-	-	-	-0.6	-0.6
- Morley Senior High School	-0.5	-	-	-	-0.5
- New Primary Schools Opening 2019	-	-	-	-6.0	-6.0
- Perimeter Security Fencing Program	-	-1.0	-1.0	-	-2.0
- Playground Equipment and Shade Structures	-0.1	-0.1	-0.1	-	-0.3
- Power Supply Upgrade	-	-	-	-0.3	-0.3
- Relocation of Year 7 Students to Secondary Schools	-2.0	-	-	-	-2.0
- Remote Community Schools	-	-0.1	-0.1	-	-0.2
- Remote Schools Program 2016-17	-	-	-0.1	-	-0.1
- Roof Replacement	-	-1.0	-1.0	-	-2.0
- Rural Integration Program	-0.1	-0.1	-0.1	-	-0.3
- Small Asset Capital Purchases	-3.2	-3.8	-3.5	-3.9	-14.4
- Student Services Improvements 2016-17	-	-	-0.3	-	-0.3
- Toilet Replacement Program	-	-	-	-0.3	-0.3
- Upgrade to District High Schools	0.5	-	-	-	0.5
- Willetton Senior High School – Replacement	-	-1.0	-1.3	-	-2.3
<i>Total Efficiency Savings</i>	-9.5	-22.7	-20.6	-19.1	-71.9

Table 11.2 (cont.)					
ASSET INVESTMENT PROGRAM EFFICIENCY SAVINGS					
	2014-15	2015-16	2016-17	2017-18	TOTAL
	\$m	\$m	\$m	\$m	\$m
Country High School Hostels Authority					
<i>Total Savings Provision</i>					-1.2
- Regional Residential College Asset Investment Allocation	-	-1.1	-	-	-1.1
- Maintenance Program – Residential Colleges	.(b)	.(b)	.(b)	.(b)	-0.1
<i>Total Efficiency Savings</i>	-	-1.1	.(b)	.(b)	-1.2
MINISTER FOR PLANNING; CULTURE AND THE ARTS					
Metropolitan Redevelopment Authority					
<i>Total Savings Provision</i>					-12.8
- Armadale Redevelopment Area	-	-2.2	-2.0	-	-4.2
- Central Perth Redevelopment Area – Elizabeth Quay	-	-2.0	-	-	-2.0
- Central Perth Redevelopment Area – Perth Culture Centre	-2.2	-0.8	-	-1.8	-4.8
- Central Perth Redevelopment Area – Riverside	-	-0.6	-0.7	-0.5	-1.8
<i>Total Efficiency Savings</i>	-2.2	-5.5	-2.7	-2.3	-12.8
Western Australian Planning Commission					
<i>Total Savings Provision</i>					-8.6
- Acquisition of Land	-0.3	-2.1	-2.1	-4.1	-8.6
<i>Total Efficiency Savings</i>	-0.3	-2.1	-2.1	-4.1	-8.6
MINISTER FOR POLICE; ROAD SAFETY; TRAINING AND WORKFORCE DEVELOPMENT; WOMEN'S INTERESTS					
Western Australia Police^(c)					
<i>Total Savings Provision</i>					-16.7
- Custodial Facilities Upgrade Program 2015-2018	-	-0.2	-0.1	-0.1	-0.4
- Fleet and Equipment Replacement Program 2015-2018	-	-0.3	-0.3	-0.3	-0.9
- Information and Communications Technology Core Business Systems – Development 2011-2015	-	-0.5	-0.3	-	-0.8
- Perth Police Complex	-7.6	-	-	-	-7.6
- Police Station Upgrade Program 2015-2018	-	-0.2	-0.2	-0.2	-0.6
- Public Sex Offender Register	-0.8	-	-	-	-0.8
<i>Total Efficiency Savings</i>	-8.2	-1.2	-0.9	-0.6	-10.9
Training and Workforce Development					
<i>Total Savings Provision</i>					-4.4
- Challenger Institute of Technology – Engineering Training Centre (Munster)	-	-	-0.6	.(b)	-0.6
- Challenger Institute of Technology – Peel Health and Community Training Centre	-0.1	.(b)	-	-	-0.1
- Challenger Institute of Technology – Rockingham – Campus Redevelopment	-0.6	-0.4	-	-	-1.0
- Muresk Institute Upgrade	-0.1	-	-	-	-0.1
- Pilbara Institute – South Hedland and Karratha Campuses Upgrade and Expansion	-0.3	-0.1	-	-	-0.4
- Remedial Works Program	-0.4	-1.6	-0.2	-	-2.2
<i>Total Efficiency Savings</i>	-1.5	-2.1	-0.8	.(b)	-4.4

Table 11.2 (cont.)

ASSET INVESTMENT PROGRAM EFFICIENCY SAVINGS

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	TOTAL \$m
ATTORNEY GENERAL; MINISTER FOR COMMERCE					
Attorney General					
<i>Total Savings Provision</i>					-3.4
- Building Infrastructure and Maintenance	-	-0.1	-0.2	-0.2	-0.5
- Central Business District Courts Construction and Central Law Courts Refurbishment	-0.7	-	-	-	-0.7
- Corporate Information Management Systems	-	-0.1	-0.1	-0.1	-0.3
- Court and Judicial Security	-	-0.1	-0.1	-0.1	-0.3
- Courts Audio/Visual Maintenance and Enhancements	-	-0.1	-0.2	-0.1	-0.4
- Information Communications Technology Infrastructure Upgrade	-	-0.1	-0.1	-0.1	-0.3
- Replacement of Office Equipment	-	-0.2	-0.2	-0.1	-0.5
- Replacement of Western Australia Registration System	-	-0.3	-0.3	-(b)	-0.6
<i>Total Efficiency Savings</i>	-0.7	-0.9	-1.1	-0.7	-3.4
MINISTER FOR FINANCE; MINES AND PETROLEUM					
Finance					
<i>Total Savings Provision</i>					-49.6
- Information and Communication Technology Replacement Program	-0.1	-0.1	-0.1	-0.1	-0.4
- Government Office Accommodation – Master Planning Strategy	-0.9	-2.0	-0.5	-	-3.4
- Procurement Systems Replacement Program	-(b)	-(b)	-(b)	-(b)	-
- Relocation of Department of Commerce	-0.8	-0.1	-0.1	-	-1.0
- Revenue Collection and Information Systems Replacement Program	-(b)	-	-	-	-
- Revenue Systems Consolidation and Enhancement Program	-	-0.5	-0.4	-0.3	-1.2
- Service Net Replacement Program	-(b)	-(b)	-(b)	-(b)	-
- State Fleet Vehicle Acquisition	-6.4	-12.4	-12.3	-12.3	-43.4
<i>Total Efficiency Savings</i>	-8.2	-15.1	-13.5	-12.8	-49.6
MINISTER FOR AGRICULTURE AND FOOD; FISHERIES					
Agriculture and Food					
<i>Total Savings Provision</i>					-2.6
- Equipment Replacement Program	-0.8	-1.0	-0.4	-0.3	-2.6
<i>Total Efficiency Savings</i>	-0.8	-1.0	-0.4	-0.3	-2.6
TREASURER; MINISTER FOR ENERGY; CITIZENSHIP AND MULTICULTURAL INTERESTS					
Insurance Commission of Western Australia					
<i>Total Savings Provision</i>					-0.7
- Information Technology Hardware	-	-0.1	-	-	-0.1
- Information Technology Software	-	-0.4	-0.2	-0.2	-0.8
- Motor Vehicles	-	0.2	-	-	0.2
- Plant and Equipment	-	-(b)	-(b)	-(b)	-
<i>Total Efficiency Savings</i>	-	-0.2	-0.2	-0.2	-0.7
Horizon Power					
<i>Total Savings Provision</i>					-16.0
- Energy Asset Management Plan	-2.2	-2.1	-3.4	-2.1	-9.8
- Knowledge and Technology Investment	-1.1	-2.2	-0.5	-0.7	-4.5
- Mobile Plant and Operating Fleet	-	-(b)	-0.1	-1.3	-1.4
- Property Management	-0.3	-	-	-	-0.3
<i>Total Efficiency Savings</i>	-3.7	-4.2	-4.0	-4.1	-16.0

Table 11.2 (cont.)					
ASSET INVESTMENT PROGRAM EFFICIENCY SAVINGS					
	2014-15	2015-16	2016-17	2017-18	TOTAL
	\$m	\$m	\$m	\$m	\$m
Synergy					
<i>Total Savings Provision</i>					-24.7
- Muja C and D Power Station	-	-6.9	-8.1	-9.8	24.7
<i>Total Efficiency Savings</i>	-	-6.9	-8.1	-9.8	-24.7
Western Power					
<i>Total Savings Provision</i>					-321.7
- Bushfire Management	-	-	-	-27.1	-27.1
- Business Support and Information Technology	-0.5	-	-	-	-0.5
- Distribution Capacity Expansion	-12.4	-16.2	-	-	-28.6
- Metering (incl. Smart Grid)	-23.4	-	-	-	-23.4
- Motor Vehicle Fleet and Mobile Plant	-1.6	-	-	-	-1.6
- Pole Management	-	-19.4	-77.6	-54.6	-151.6
- Thermal Management	-2.1	-	-	-	-2.1
- Transmission Capacity Expansion	-3.0	-16.8	-0.2	-	-19.9
- Balance of Efficiency Measures	-	-34.8	-15.9	-16.0	-66.8
<i>Total Efficiency Savings</i>	-43.1	-87.2	-93.7	-97.8	-321.7
MINISTER FOR LOCAL GOVERNMENT; COMMUNITY SERVICES; SENIORS AND VOLUNTEERING; YOUTH					
Metropolitan Cemeteries Board					
<i>Total Savings Provision</i>					-2.4
- Development Rockingham Regional	-0.1	-	-	-	-0.1
- Minor Works Fremantle	_(b)	-	-	-	-
- Minor Works Karratha	-0.3	-0.2	-	-	-0.5
- Minor Works Midland	_(b)	-	-	-	-
- Minor Works Pinnaroo	-0.1	-	-	-	-0.1
- Office Building	-0.1	-	-	-	-0.1
- Pinnaroo Lakes Development	-	-0.2	-	-	-0.2
- Whiteman Park Development	-	_(b)	-0.7	-0.7	-1.4
<i>Total Efficiency Savings</i>	-0.5	-0.5	-0.7	-0.7	-2.4
MINISTER FOR ENVIRONMENT; HERITAGE Parks and Wildlife					
<i>Total Savings Provision</i>					-7.1
- Plant and Equipment	-1.3	-2.1	-2.2	-1.6	-7.1
<i>Total Efficiency Savings</i>	-1.3	-2.1	-2.2	-1.6	-7.1
MINISTER FOR EMERGENCY SERVICES; CORRECTIVE SERVICES; SMALL BUSINESS; VETERANS					
Fire and Emergency Services					
<i>Total Savings Provision</i>					-4.7
- Breathing Apparatus Replacement Program 2009-2014	-0.1	-	-	-	-0.1
- Career Fire and Rescue Service Protective Suits Replacement Program	-0.2	-	-	-	-0.2
- Emergency Rescue Equipment Program	-0.3	-0.9	-0.1	-0.8	-2.1
- Light Tanker Replacement Program 2013-2014 to 2017-2018	-	-0.1	-	-	-0.1
- Urgent Minor Works	-	-0.6	-0.8	-0.9	-2.3
<i>Total Efficiency Savings</i>	-0.6	-1.6	-0.8	-1.7	-4.7
Corrective Services					
<i>Total Savings Provision</i>					-4.0
- Asset Replacement	-	-0.1	_(b)	_(b)	-0.1
- Building Infrastructure and Maintenance	-	-0.3	-0.2	-0.2	-0.7
- Community and Youth Justice Building Infrastructure	-	_(b)	_(b)	_(b)	-
- Community and Youth Justice Office Establishment and Refurbishment	-	-0.1	-0.1	-0.1	-0.3
- Information and Communication Technology Infrastructure Program	-	-0.2	-0.2	-0.2	-0.6
- Infrastructure and Building Upgrades	-0.6	-0.3	-0.3	-0.3	-1.5
- Prison Industries Mobile Plant	-	-0.2	-0.3	-0.3	-0.8
<i>Total Efficiency Savings</i>	-0.6	-1.1	-1.1	-1.2	-4.0

Table 11.2 (cont.)

ASSET INVESTMENT PROGRAM EFFICIENCY SAVINGS					
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	TOTAL \$m
MINISTER FOR WATER; SPORT AND RECREATION; FORESTRY					
Water					
<i>Total Savings Provision</i>					-5.2
- Computing and Office Equipment Replacement	_(b)	_(b)	_(b)	_(b)	-
- Groundwater Resources Investigation and Monitoring	-0.1	-0.1	-0.8	-0.9	-1.9
- Land Acquisition	-1.0	0.1	-1.0	1.0	-0.9
- Replace and Maintain Monitoring Bores	-0.6	-0.4	-0.2	-0.4	-1.6
- Replace and Maintain River Gauging Station	-0.3	-0.2	-0.1	-0.2	-0.8
<i>Total Efficiency Savings</i>	-2.0	-0.6	-2.1	-0.5	-5.2
Water Corporation					
<i>Total Savings Provision</i>					-130.2
- Other Asset Investment ^(d)	-	-37.0	-45.9	-47.3	-130.2
<i>Total Efficiency Savings</i>	-	-37.0	-45.9	-47.3	-130.2
Western Australian Sports Centre Trust					
<i>Total Savings Provision</i>					-4.7
- HBF Arena (Arena Joondalup)	-0.2	-0.5	_(b)	_(b)	-0.7
- Upgrades and Maintenance Program	-0.6	-1.1	-1.1	-1.1	-3.9
<i>Total Efficiency Savings</i>	-0.8	-1.6	-1.1	-1.1	-4.7
MINISTER FOR TRANSPORT					
Transport					
<i>Total Savings Provision</i>					-7.8
- Accommodation and Refurbishment	-	-0.1	-0.1	_(b)	-0.2
- Driver and Vehicle Services Information and Communications Technology	-0.3	-0.1	-0.5	-0.5	-1.4
- Driver and Vehicle Services Reform	-	-0.3	-0.4	-0.3	-1.0
- Exmouth Boat Harbour	-0.9	-0.8	-	-	-1.7
- Maritime Facilities Program	-0.4	-0.3	-0.5	-0.5	-1.7
- Minor Works	-0.1	-0.3	-0.4	-0.3	-1.1
- Navigation Aids	_(b)	-0.1	-0.1	-0.1	-0.3
- Oil Pollution Response Equipment	-	-0.1	-	-	-0.1
- Port Geographe Coastal Reconfiguration	-0.4	-	-	-	-0.4
- Vessel Replacement	-	_(b)	_(b)	_(b)	-
<i>Total Efficiency Savings</i>	-2.0	-2.1	-2.0	-1.7	-7.8
Commissioner of Main Roads					
<i>Total Savings Provision</i>					-29.2
- Lloyd Street Midland Railway Underpass	-	-5.5	-	-	-5.5
- Mitchell Freeway, Burns Beach Road to Hester Avenue	-	-	-10.2	-13.5	-23.7
<i>Total Efficiency Savings</i>	-	-5.5	-10.2	-13.5	-29.2
Public Transport Authority of Western Australia					
<i>Total Savings Provision</i>					-46.8
- Bus Replacement Program	-	-	-	-12.8	-12.8
- Replacement of 32 Cat Buses	-	-2.5	-2.5	-2.0	-7.0
- Edgewater Multi-Storey Car Park	-5.7	0.7	-13.0	1.0	-17.0
- Extension of the Railway to Butler	-10.0	-	-	-	-10.0
<i>Total Efficiency Savings</i>	-15.7	-1.8	-15.5	-13.9	-46.8

Table 11.2 (cont.)

ASSET INVESTMENT PROGRAM EFFICIENCY SAVINGS

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	TOTAL \$m
Fremantle Port Authority					
<i>Total Savings Provision</i>					-12.9
- Inner Harbour Replacement of Mechanical Plant	-	-0.5	-	-	-0.5
- Kwinana Bulk Jetty Export-Import Infrastructure	-	-	-	-1.7	-1.7
- North Quay – Land Acquisition	-1.7	-	-	-	-1.7
- Miscellaneous Minor Works 2014-2015 to 2016-2017	-0.1	-1.5	-1.3	-	-2.9
- North Quay Berths Upgrades – Western Stage	-	-1.0	-	-	-1.0
- Rous Head Marina	-	-1.9	-	-	-1.9
- Transport Interchange Facilities	-	-1.0	-1.3	-0.6	-2.9
- Victoria Quay – Upgrade Public Amenities	-	-0.2	-	-	-0.2
<i>Total Efficiency Savings</i>	-1.8	-6.1	-2.6	-2.4	-12.9
Kimberley Ports Authority					
<i>Total Savings Provision</i>					-1.3
- Minor Works	-0.6	-0.6	-0.1	-0.1	-1.3
<i>Total Efficiency Savings</i>	-0.6	-0.6	-0.1	-0.1	-1.3
Mid-West Ports Authority					
<i>Total Savings Provision</i>					-1.7
- Miscellaneous Works	-0.3	-0.5	-0.5	-0.5	-1.7
<i>Total Efficiency Savings</i>	-0.3	-0.5	-0.5	-0.5	-1.7
Pilbara Ports Authority					
<i>Total Savings Provision</i>					-6.1
- Minor Works	-0.6	-2.6	-1.7	-1.1	-6.1
<i>Total Efficiency Savings</i>	-0.6	-2.6	-1.7	-1.1	-6.1
Southern Ports Authority					
<i>Total Savings Provision</i>					-0.8
- Minor Works	-	-0.3	-0.3	-0.3	-0.8
<i>Total Efficiency Savings</i>	-	-0.3	-0.3	-0.3	-0.8
MINISTER FOR HOUSING; RACING AND GAMING					
Racing and Wagering Western Australia					
<i>Total Savings Provision</i>					-3.5
- Wagering Systems and Products	-0.8	-0.9	-0.9	-0.9	-3.5
<i>Total Efficiency Savings</i>	-0.8	-0.9	-0.9	-0.9	-3.5
TOTAL AIP EFFICIENCY SAVINGS	-119.9	-265.1	-288.8	-296.6	-970.4
<i>plus</i>					
- Western Australia Police operational savings	-5.6	-	-	-	-5.6
- Housing Authority net debt saving ^(e)	-	-7.9	-14.1	-14.1	-36.1
TOTAL					-1,012.1

(a) Other Minor Works comprises projects with AIP savings of less than \$50,000. These projects include Bentley Hospital – Development, King Edward Memorial Hospital – Holding, South Metropolitan Health Service Reconfiguration (Fiona Stanley link), and Wheatbelt Renal Dialysis.

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

(c) \$5.6 million shortfall in AIP efficiency savings will be met from savings in operational expenditure in 2014-15.

(d) Other Asset Investment comprises various minor projects including occupational health and safety, information services, fleet and environment and other minor works.

(e) Balance of net debt savings target of \$7.4 million will be achieved from increased revenue in 2018-19.

Note: Totals may not add due to rounding.

