

BUDGET STATEMENTS 1983-84

CIRCULATED BY THE
HONOURABLE P. J. KEATING, M.P.
TREASURER OF THE COMMONWEALTH OF AUSTRALIA, AND
THE HONOURABLE JOHN DAWKINS, M.P.
MINISTER FOR FINANCE
FOR THE INFORMATION OF HONOURABLE MEMBERS
ON THE OCCASION OF THE BUDGET 1983-84

1983-84 BUDGET PAPER No. 1

1983-84 BUDGET PAPERS

Budget Speech

- No. 1 Budget Statements 1983-84
Contains detailed information on the Budget figuring and measures, as well as explanatory material on the broader economic context.
- No. 2 Appropriation Bill (No. 1) 1983-84
Appropriates sums out of the Consolidated Revenue Fund for the ordinary annual services of Government.
- No. 3 Appropriation Bill (No. 2) 1983-84
Appropriates sums out of Consolidated Revenue Fund for new policies, capital works and services, plant and equipment and payments to the States and the Northern Territory.
- No. 4 Appropriation (Parliamentary Departments) Bill 1983-84
Appropriates sums out of Consolidated Revenue Fund for the service of the year in relation to the Parliamentary Departments.
- No. 5 Estimates of Receipts and Summary of Estimated Expenditure for the Year Ending 30 June 1984
Contains, inter alia, information on estimated receipts and Departmental expenditure for the forthcoming year and an index to the Budget Papers.
- No. 6 Civil Works Program 1983-84
Provides details of the Commonwealth Government's civil works program for 1983-84.
- No. 7 Payments to or for the States, the Northern Territory, and Local Government Authorities 1983-84
Provides comprehensive information on funds for the States, the Northern Territory and local government authorities, including Commonwealth Budget funds and Loan Council borrowings by statutory authorities.
- No. 8 Government Securities on Issue at 30 June 1983
Provides data on the structure and movement of securities issued by the Commonwealth and the States.
- No. 9 Australia's Overseas Development Assistance Program 1983-84
Sets out details of Australia's bilateral and multilateral aid programs.
- No. 10 National Income and Expenditure 1982-83
Gives estimates of gross domestic product, gross national expenditure and national income for the previous five years.
- No. 11 Income Tax Statistics
Contains a summary of certain income tax data for the income years 1980-81 and 1981-82.

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Notes:

- (a) Figures in tables and, generally, in the text have been rounded. Discrepancies in tables between totals and sums of components are due to rounding. Percentage changes in all tables are based on the underlying unrounded amounts and not the rounded amounts.
- (b) In the tables showing receipts and outlays, the sign in front of the 'change' reflects the impact of the change on the aggregate concerned. In outlay tables, for example, this means that a reduction in a credit from one year to the next will be prefixed by a (+) sign while an increase in a credit will be prefixed by a negative (-) sign.

- (c) The following notations are used:
 - NEC/nec not elsewhere classified
 - .. amounts of less than \$50 000
 - nil
 - \$m \$million
 - % per cent

PREFACE

This Paper is presented in association with the Budget Speech, with which it should be read. It provides a range of explanatory and supporting material, and serves to put the Budget into a broader economic context.

The Paper is divided into a number of Statements, as follows:

STATEMENT No. 1: *SUMMARY OF THE 1983-84 BUDGET*—outlines the key Budget aggregates in broad functional and national accounting terms.

STATEMENT No. 2: *THE BUDGET AND THE ECONOMY*—reviews the main domestic and international economic developments during 1982-83, discusses aspects of the Government's economic policy approach and presents an assessment of the economic outlook for 1983-84.

STATEMENT No. 3: *ESTIMATES OF OUTLAYS 1983-84*—contains detailed estimates and explanation of Budget outlays in functional form and comparative figures on actual results for the two previous years; an appendix presents an analysis of changes, by function, in estimated 1983-84 Budget outlays since the publication in March 1983 of the *Report on the Forward Estimates of Budget Outlays 1983-84, 1984-85 and 1985-86*.

STATEMENT No. 4: *ESTIMATES OF RECEIPTS 1983-84*—contains details of the revenue estimates, summarises new revenue proposals and shows their estimated effects on receipts in 1983-84 and in a full year; appendices include details of taxation expenditures, taxation of superannuation, correction of sales tax anomalies, indexation of traditional excises and pricing and levy arrangements for crude oil and LPG.

STATEMENT No. 5: *BUDGET OUTCOME 1982-83*—summarises the Budget outcome for 1982-83 and discusses, for each major function block and each major receipt category, the difference between the Budget estimates and actual outcome as well as, in the case of receipts, from the 1981-82 outcome. It also details how the 1982-83 Budget deficit was financed.

STATEMENT No. 6: *BUDGET AND OTHER PUBLIC SECTOR TRANSACTIONS SINCE 1973-74*—provides an historical series of budget data by functional and national accounting classification. It also provides data on the relationship between the Commonwealth Budget and other parts of the public sector, on the overall public sector borrowing requirement and budget financing transactions. An attachment compares two measures of public sector borrowing, the Public Sector Borrowing Requirement and Net Borrowing by the Public Sector.

APPENDIX: discusses the functional and national accounts classifications of budget transactions and explains the structure of the functional classification in detail.

OTHER BUDGET PAPERS

Budget Statements is one of a series of Budget Papers, the purpose of which is to provide information supplementary to that in the Budget Speech. A full list of the series is printed on the inside cover of this Paper.

STATEMENT NO. 1—SUMMARY OF THE 1983-84 BUDGET

BUDGET AGGREGATES

The key budget aggregates for 1983-84 are summarised in the following table, together with comparable data for 1982-83:

	1982-83			1983-84		
	Outcome	Change on 1981-82		Estimate	Change on 1982-83	
	\$m	\$m	per cent	\$m	\$m	per cent
Outlays	48 982	7 645	18.5	56 703(a)	7 721	15.8
Receipts	44 509	3 719	9.1	48 342	3 833	8.6
Deficit	4 473	3 925		8 361	3 888	
Overseas Deficit	1 991	523		2 617	626	
Domestic Deficit	2 482	3 402		5 744	3 262	

(a) Makes no allowance for reduced tax expenditures and program-associated increases in receipts (see *Statement No. 3, Appendix A*).

The projected increase in total Budget outlays for 1983-84 is 15.8 per cent in money terms compared with 18.5 per cent in 1982-83. On the same basis, the increases in real terms are 7.2 per cent in 1983-84 and 6.3 per cent in 1982-83. Budget outlays as a proportion of Gross Domestic Product (GDP), having increased from 27.9 per cent in 1981-82 to 30.4 per cent in 1982-83, are projected to increase further to 31.6 per cent in 1983-84.

Total receipts are estimated to increase by 8.6 per cent in 1983-84 compared with an increase of 9.1 per cent in 1982-83. Strong growth in collections from the traditional excises is expected, largely as a result of the measures in this and the previous Budget. However, lower nominal earnings growth in 1983-84, and the full year effects of the 1982-83 Budget measures, are expected to hold down the rate of growth in PAYE collections. Income tax collections from provisional taxpayers and companies are likely to be depressed, reflecting poor economic conditions in 1982-83, the relevant base for 1983-84 tax liabilities in these areas.

The Budget deficit for 1983-84 is estimated at \$8361m, an increase of \$3888m on the deficit recorded for 1982-83.

OUTLAYS

The following table shows outlays in 1982-83 and 1983-84 classified by broad economic type of expenditure:

BUDGET OUTLAYS—BY ECONOMIC TYPE

	1982-83			1983-84		
	Actual	Change on 1981-82		Estimate	Change on 1982-83	
	\$m	\$m	per cent	\$m	\$m	per cent
Net Expenditure on Goods and Services—						
Defence (a)	4 431	601	15.7	4 891	459	10.4
Other Current Expenditure	5 405	709	15.1	6 455	1 050	19.4
Capital Expenditure (b)	605	173	40.0	677	72	12.0
Total	10 441	1 482	16.5	12 023	1 582	15.1
Transfer Payments, Grants and Net Advances—						
To the States, the NT and Local Government Authorities	16 413	2 370	16.9	18 710	2 298	14.0
Personal Benefit Payments (c)	16 202	2 882	21.6	19 366	3 164	19.5
Interest Paid	3 378	497	17.2	4 133	756	22.4
Transfers Overseas	735	67	10.1	797	63	8.5
Net Advances (other than to States and NT) (d)	608	236	63.3	455	-153	-25.2
Other (e)	1 206	111	10.1	1 218	12	1.0
Total	38 541	6 163	19.0	44 680	6 139	15.9
TOTAL OUTLAYS	48 982	7 645	18.5	56 703	7 721	15.8

- (a) Excludes Defence Forces Retirement and Death Benefits (DFRDB) and payments to the States for Defence purposes.
 (b) Includes changes in stocks.
 (c) Includes unfunded employer retirement benefits.
 (d) Includes net advances to Commonwealth authorities, the public and overseas.
 (e) Consists of subsidies, grants for private capital purposes and purchases of existing assets.

The broad economic type that provides the most significant contribution to growth in aggregate outlays is Personal Benefit Payments which is projected to grow by \$3164m or 19.5 per cent in 1983-84. This reflects the impact of higher beneficiary numbers, especially unemployment benefit recipients, increased rates of benefits (mainly reflecting previous increases in the CPI), the introduction of Medicare in February 1984 and the new benefit measures announced in the Budget Speech.

Other features of this table are:

- an increase of 14 per cent in total Transfer Payments and Advances to the States, the NT and Local Government Authorities, resulting mainly from the growth in general revenue assistance (including the Special Revenue Assistance of \$155.5m announced at the Premiers' Conference) and hospital payments under Medicare;
- growth of 19.4 per cent in outlays under Other Current Expenditure. This largely reflects the setting up and administrative costs of Medicare, rapid growth in some other administrative costs, notably in Social Security, expenditure by the Commonwealth on its own account under the Community Employment Program and strong growth in expenditure on fitting out and leasing premises. This category also includes the bulk of non-defence public service wage and salary payments; underlying these estimates is a 4.4 per cent increase in average staff numbers, of which 2.2 per cent represents the full year effect of staff increases during 1982-83;

- a decline of 25.2 per cent in Net Advances (other than to the States and NT) following a large increase in 1982-83 reflecting the injections of capital into Qantas, TAA, ANL and AUSSAT in that year;
- substantial growth in Interest Paid which largely reflects the full year impact of the large debt issued in 1982-83 and the interest liability on estimated debt issue in 1983-84;
- the small change in Other, with increased expenditure in a number of areas— notably the recently announced Steel Industry Plan and various aspects of the Government's employment and housing programs—being approximately offset by lower expenditure in such areas as the Export Expansion Grants Scheme.

Estimates of outlays in 1983-84, classified by major functions, are set out and explained in detail in Statement No. 3. The table below summarises the figures for 1983-84 and 1982-83 by function:

BUDGET OUTLAYS—BY FUNCTION

	1982-83		1983-84		Proportion of Total Outlays
	Actual	Change on 1981-82	Estimate	Change on 1982-83	
	\$m	per cent	\$m	\$m	per cent
Defence	4 782	15.7	5 280	497	10.4
Education	3 802	13.8	4 211	409	10.7
Health	3 425	17.6	4 295	870	25.4
Social Security and Welfare	14 112	22.7	16 843	2 731	19.3
Housing	740	61.5	912	171	23.1
Urban and Regional Development and the Environment	126	62.6	148	22	17.7
Culture and Recreation	523	8.5	599	76	14.6
Economic Services	3 753	36.1	4 121	368	9.8
General Public Services	3 349	16.1	3 795	446	13.3
Not Allocated to Function—					
Payments to or for the States, NT and Local Government Authorities net	10 991	10.9	12 203	1 211	11.0
Public Debt Interest	3 378	17.2	4 133	756	22.4
Allowance for Prospective Staff Increases and Wage and Salary Increases (Non-Defence)	(a)	(a)	163	163	n.a.
TOTAL OUTLAYS	48 982	18.5	56 703	7 721	15.8

(a) Amounts actually spent on increases in wages and salaries in past years are recorded under relevant functional headings.

Those factors which explain the more significant changes in the individual components of expenditure by economic type are also apparent in the estimates of expenditure by function. The growth in the Health function largely reflects the impact of Medicare and, in the Social Security and Welfare function, higher beneficiary payments. In addition, the further strong growth in outlays for Housing in 1983-84 arises mainly from the sharp increase in grants provided to the States for housing.

A table showing a cross classification of estimated Budget outlays in 1983-84 by function and economic type is presented below:

OUTLAYS BY FUNCTION AND ECONOMIC TYPE
Estimate 1983-84 (Heavy Type) compared with Actual 1982-83 (Light Type)

	Expenditure on Goods and Services		Personal Benefit Payments	Other Transfer Payments	Grants and Net Advances to or for States, N.T. and Local Government Authorities	Net Advances to Other Sectors	Total Outlays
	Current	Capital					
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Defence	4 891	—	315	48	—	6	5 260
	4 431	—	279	63	—	9	4 782
Education	390	17	342	3	—	—	4 211
	368	21	309	3	3 417	—	3 802
Health	1 014	54	2 063	16	3 101	—	4 295
	837	23	2 399	11	357	10Cr	3 425
Social Security and Welfare	790	50	15 739	88	255	—	16 843
	627	7	13 251	76	119	58	14 112
Housing	4	7	—	—	99	52	912
	1	9	—	122	662	117	740
Urban and Regional Development nec and the Environment	58	22	—	12	444	134	148
	47	13	—	10	59	3Cr	126
Culture and Recreation	521	60	—	3	15	—	599
	470	43	—	1	9	—	523
Economic Services	880	162	59	949	1 871	200	4 121
	747	229	48	921	1 449	359	3 753
General Public Services	2 635	365	7	753	1	93	3 795
	2 307	260	16	703	1	63	3 349
Not Allocated to Function	163	—	—	4 133	12 283	—	16 499
	—	—	—	3 378	10 991	—	14 369
TOTAL OUTLAYS	11 346	677	19 566	6 149	18 710	455	56 783
	9 836	605	16 202	5 319	16 413	608	48 982

RECEIPTS

Total receipts in 1983-84 are estimated at \$48 342m, an increase of 8.6 per cent over 1982-83 collections. Measures announced in the Budget, and other measures since the Government came to office, are estimated to yield \$1900m in 1983-84. In the absence of these measures, the revenue estimate would be \$46 442m, 4.3 per cent higher than 1982-83. The revenue measures and the receipts estimates are described in detail in Statement No. 4.

The summary table below provides actual receipts in 1982-83 and estimated receipts in 1983-84:

BUDGET RECEIPTS—SUMMARY

	1982-83		1983-84		Proportion of Total Receipts
	Actual	Change on 1981-82	Estimate	Change on 1982-83	
	\$m	per cent	\$m	\$m	per cent
Taxation Revenue—					
Income Tax—					
Individuals (net)	22 967	8.2	24 773	1 806	7.9
Companies	4 768	-5.6	4 145	-623	-13.1
Withholding Tax	259	26.3	296	37	14.3
Special Tax to Recover Evaded Tax	80	n.a.	386	306	380.1
Sales Tax	3 490	22.3	3 979	489	14.0
Excise Duty—					
Crude Oil and LPG	3 486	10.2	3 472	-14	-0.4
Other	3 320	17.3	4 374	1 054	31.7
Customs Duty	2 102	-2.5	2 181	79	3.8
Bank Account Debts Tax	30	n.a.	200	170	575.7
Other General Taxation	332	11.3	375	43	13.1
Total Taxation Revenue	40 834	8.1	44 181	3 347	8.2
Other Receipts	3 675	22.2	4 161	486	13.2
TOTAL RECEIPTS	44 509	9.1	48 342	3 833	8.6
					100.0

Measures announced in the Budget and the Medicare levy are estimated to increase receipts by about \$1443m in 1983-84. Other measures announced since the Government came to office have an estimated revenue yield of \$457m in 1983-84.

The main receipts growth area in this year's Budget is traditional excise duty which is estimated to increase by \$1054m or 31.7 per cent. In the absence of measures announced in the Budget, and in the May Economic Statement, traditional excise receipts would have increased by an estimated \$379m or 11.4 per cent.

Net PAYE receipts are projected to increase by 4.7 per cent in 1983-84, reflecting the full year effects of last year's Budget measures and assumed slower growth in nominal earnings. Total individual income tax receipts, including the Medicare levy and the tax at source from payments for labour and services, are estimated to grow by 7.9 per cent.

STATEMENT No. 2—THE BUDGET AND THE ECONOMY

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STATEMENT No. 2—THE BUDGET AND THE ECONOMY

Overview

The economy sank deep into recession in 1982-83 as the forces instrumental in bringing the earlier expansion to a halt—principally large increases in domestic costs, international recession and high domestic and overseas interest rates—exerted a continuing influence, and as widespread drought took its toll.

Private investment fell sharply and private consumption spending weakened. In response, imports fell and stocks were reduced markedly. Fiscal policy became much more stimulative but the impact of this was not felt until the second half of the fiscal year. As business responded to high labour costs, a slump in profitability and weakening demand, employment contracted sharply and unemployment spiralled to rates not experienced since the 1930s.

Finance was readily available over most of the year as reflected in the relatively high growth of most of the financial aggregates. Despite falls in overseas interest rates and the depth of the domestic recession, domestic interest rates remained relatively high under the influence of continuing inflation and large and rapidly increasing public sector borrowings.

Wage increases slowed as the labour market deteriorated and the 'wages pause' took effect in the second half of the year. Inflation continued at a high rate and by the second half of the year was more than double the average of our major OECD trading partners. Increased productivity and a slowing in wages growth brought only a partial unwinding of past increases in real unit labour costs and business profitability and cash flow continued to be depressed. Reflecting these pressures the value of the Australian dollar declined substantially over the year.

A continuing application of fiscal stimulus, the breaking of the drought, inventory cycle effects and a strengthening in the economies of some of our major trading partners indicate an improved outlook for domestic economic activity during 1983-84. However, with uncertainties regarding the durability of the pick-up and the level of labour costs still constraining employers' reactions, and with the labour force continuing to grow, some further rise in unemployment during the year can be expected.

The task ahead is to ensure that the pick-up in domestic economic activity in prospect for 1983-84 is sustained and transformed into lasting recovery. For that to occur it will be essential that the cost and price moderation which began in 1982-83 should continue and be supported by appropriate, and consistently applied, economic policies.

This Statement discusses those issues in four Parts. Part I reviews domestic economic developments during 1982-83 while Part II looks briefly at recent and prospective developments in the world economy. Part III discusses aspects of the Government's policy approach. Part IV assesses economic prospects for 1983-84 and beyond. Unless otherwise noted, values of goods and services are expressed in constant price (real) terms, with growth rates for half years based on seasonally adjusted data and expressed as annual rates.

PART I: REVIEW OF DOMESTIC ECONOMIC DEVELOPMENTS
IN 1982-83

Production and Demand

National accounts data indicate that the pace of activity in the non-farm sector of the economy expanded relatively strongly in 1980-81 and into the first half of 1981-82. Gross non-farm product declined in the second half of 1981-82, picked up a little in the first half of 1982-83 but then declined sharply in the second half of the year to about 2 per cent below its peak (see Table 1 and Chart 1). However, undue weight should not be attached to the precise pattern or timing of the more recent movements in these preliminary national accounts aggregates which are subject to revision.⁽¹⁾

Table 1: Gross Domestic Product (Average 1979-80 prices)

	Gross non-farm product			Gross domestic product	
	Income-based estimate(a)	Expenditure-based estimate(b)	Gross farm product	Income-based estimate(a)	Expenditure-based estimate(b)
	Change on previous period (per cent)				
Year—					
1973-74	4.3	2.3	6.4	4.4	2.5
1974-75	0.9	2.2	11.4	1.6	2.7
1975-76	2.1	3.6	8.1	2.5	3.9
1976-77	2.7	3.0	2.5	2.7	2.9
1977-78	1.1	0.7	-2.0	0.9	0.5
1978-79	3.9	4.8	19.6	4.9	5.7
1979-80	2.2	2.7	-11.4	1.2	1.7
1980-81	4.7	3.7	-11.2	3.6	2.8
1981-82	1.7	2.0	16.1	2.5	2.8
1982-83	-1.0	-0.8	-17.7	-2.0	-1.8
Half year(c)—					
1981-82 I	1.8	3.8	35.1	3.5	5.4
1981-82 II	-1.9	-2.8	7.7	-1.3	-2.1
1982-83 I	1.5	2.0	-29.9	-0.7	-0.2
1982-83 II	-3.9	-3.4	-18.5	-4.8	-4.2

(a) Income-based estimate as published.

(b) Expenditure-based estimate derived by the subtraction of the statistical discrepancy from (a).

(c) Seasonally adjusted, annual rates.

Within the non-farm sector there were some especially large declines in particular areas of private activity in 1982-83. There was a very sharp fall in manufacturing gross product—of the order of 11 per cent—which far exceeded the dimensions of the contraction in manufacturing activity in 1974-75. Private investment in dwelling construction declined by around 25 per cent. In contrast, in the non-dwelling construction industry growth in government construction activity helped to support activity levels in the face of a fall in private non-dwelling construction activity.

⁽¹⁾ There is a possibility that revisions to the preliminary estimates may be more marked in periods of rapid change, such as the recent past; for instance, the initial estimate (at average 1966-67 prices) of a decline of 2.6 per cent in non-farm GDP in 1974-75 was subsequently revised to an increase of 0.5 per cent with the latest estimate showing an increase of 0.9 per cent in average 1979-80 prices. Over recent years there does not appear to be any pattern in the direction of revisions.

Table 2: Contributions to Changes in Demand and Supply (Average 1979-80 prices)

Year	Final domestic demand					Supply					
	Private investment in non-dwelling construction and equipment (e)		Private investment in dwellings		Private consumption	Change in stocks		Exports		Total supply	
	Private investment in non-dwelling construction and equipment (e)	Private investment in dwellings	Private final demand (e)	Public final demand (e)	Private non-farm authority	Farm and public	Statistical discrepancy	Total demand	GDP		Imports
1979-80	0.9	0.4	1.1	0.1	0.5	-1.3	1.1	-0.4	1.1	1.0	1.1
1980-81	1.3	0.4	1.7	0.9	-0.5	0.7	0.7	0.7	4.5	3.1	4.5
1981-82	1.3	-0.1	2.9	0.6	0.1	0.6	-0.9	-0.2	4.0	2.1	1.9
1982-83	0.4	-0.9	-1.5	2.1	-1.6	-0.5	0.2	-0.2	-3.5	-1.7	-3.5
Half-year (e)											
1981-82 I	1.2	0.1	2.0	0.7	0.6	0.7	-0.4	-0.8	2.9	1.4	2.9
1981-82 II	0.7	-0.3	0.3	-0.5	-0.4	0.5	0.9	0.3	..	-0.5	0.5
1982-83 I	0.1	-0.5	-1.2	0.6	-0.7	-0.4	0.4	-0.2	-1.5	-0.3	-1.2
1982-83 II	-0.1	-0.5	-1.7	0.5	-1.4	0.1	-1.1	-0.2	-3.8	-2.0	-1.8

(a) As from the September quarter 1981, the published figures have been adjusted to remove the impact of the sale to the private sector of public sector assets under lease-back arrangements. In this adjustment, estimates of the value of such sales are subtracted from the published estimates of private investment in non-dwelling construction and equipment and added back to the published estimates of public investment expenditure.

(b) Calculated according to the formula $x_t = (y_t - y_{t-1}) \times 100 / D_{t-1}$, where x_t is the estimate appearing in the table for period t , y_t is the constant price value of the aggregate concerned in period t and D_{t-1} is total demand or supply in period $t-1$.

(c) Seasonally adjusted, not at annual rates.

in 1982-83, largely reflecting the 'pipeline' of investment that results from the long lead times involved in such projects, but its pace slowed sharply in the second half of the year. Survey data of expectations suggest that private investment will decline in all major sectors surveyed in 1983-84 (see Table 3).

Table 3: New Fixed Capital Expenditure by Private Enterprises in Selected Industries (Current prices)

Year	Manufacturing			Finance (a)	Other selected industries	Total
	Mining	Basic metal products	Other manufacturing				Total manufacturing
1979-80	4.5	61.8	-4.5	4.5	15.1	-1.5
1980-81	71.8	118.5	27.3	46.4	25.9	26.1
1981-82	50.2	52.2	6.1	20.5	18.6	29.4
1982-83	24.8	-21.4	-7.0	-12.7	(b)8.2	-7.3
1983-84(c)	-25.4	-56.7	-12.4	-29.5	(b)-8.8	-18.7
Half-year						
1981-82 I	60.5	58.3	5.8	20.8	19.4	41.5
1981-82 II	42.4	47.2	6.5	20.3	17.9	18.1
1982-83 I	46.9	7.4	-2.3	1.3	(b)10.9	-9.3
1982-83 II	6.2	-46.3	-11.7	-26.1	(b)1.8	-5.1

(a) Finance, insurance, real estate and business services (includes leasing to other sectors).

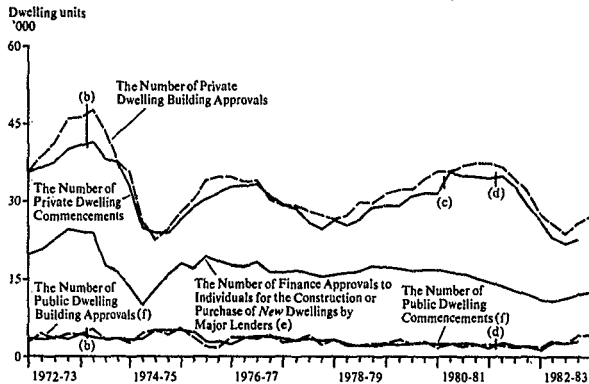
(b) Growth rates shown have been adjusted approximately for a change to the treatment of unsold speculatively built construction projects.

(c) Based on expectations data from the Statistician's July/August surveys for 1982 and 1983.

Another contributor to the weakening in private final domestic demand—though of lesser magnitude in its direct impact—was the slump in private investment in dwellings. This began in 1981-82 and persisted through 1982-83, although by the end of the year the forward indicators of dwelling construction activity suggested that a pick-up in housing construction was underway in both the private and public sectors.

As shown in Chart 2, since about 1975-76 the relationship between lending for new dwellings by the main housing finance institutions and total dwelling construction activity has weakened, due in part to a surge in dwelling investment in areas less reliant on traditional sources of finance such as retirement housing, accommodation in resort areas and, for a time, housing associated with resource projects. This surge appears to have passed for the moment and the lift in dwelling building approvals in the second half of 1982-83 mainly reflects an increase in lending by the major housing finance institutions. That increase includes a very large increase in lending for the purchase of established dwellings, which contributes indirectly to increased dwelling construction activity through its effect on relative prices of new and established dwellings and as a source of funds to sellers of established dwellings for the purchase of new dwellings. Factors behind the increased lending for housing include an improved deposit intake of housing finance institutions, particularly savings banks, as a result of a decline in the general interest rate structure and a consequent improvement in their competitive position as borrowers.

Chart 2: Forward Indicators of Dwelling Construction Activity (a)

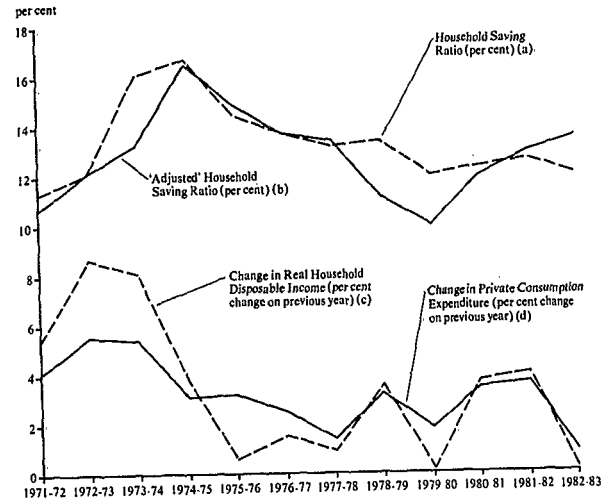


- (a) Quarterly data; seasonally adjusted, thousands of dwelling units.
 (b) Break in commencements and building approvals series due to changes in the definition of non-house dwellings from the September quarter 1973.
 (c) Break in commencements series due to the change from a census to a survey collection method from the September quarter 1980.
 (d) Break in commencements series due to changes in the method of processing of survey returns from the September quarter 1981.
 (e) Major lenders are defined as savings banks, trading banks and permanent building societies; these finance approvals relate only to loan for owner occupation.
 (f) Derived as the difference between the seasonally adjusted number of dwelling commencements (or approvals) and the seasonally adjusted number of private sector dwelling commencements (or approvals).

After growing relatively strongly in 1980-81 and in 1981-82, the rate of increase in private consumption expenditure slowed markedly in 1982-83 and expenditure fell in the second half of the year. One influence on this trend was a slowing in the growth of real household disposable income in 1982-83 (with a slight decline recorded in the second half of the year). In turn, this reflected the slowing in the growth of real average wage earnings, the fall in the number of persons employed and the slump in farm incomes—factors partly offset by strong growth in unemployment benefit payments (and cash benefits generally) and by the reduction in personal income tax rates from 1: November 1982. Heightened uncertainty in the face of rising unemployment and deteriorating economic conditions apparently offset any tendency for consumption to be maintained by drawing down savings, so that the aggregate household saving propensity increased, after adjusting for the effect on that aggregate of the sharp fall in income in the farm sector (see Chart 3).

Taken together, the decline in private investment and the weakening in the growth of private final consumption expenditure contributed to a marked (3.2 per cent) fall in private final domestic demand in 1982-83. This was partly offset by a rise in government consumption expenditure, by both Commonwealth and State and local govern-

Chart 3: Changes in Real Household Disposable Income and Private Consumption and the Household Saving Ratio



- (a) Ratio of household saving to household disposable income.
 (b) The 'adjusted' household saving ratio is derived from the ratio of private consumption to adjusted household disposable income in which farm income is replaced by its sixteen quarter moving average so as to reduce the effect of year to year swings in farm income. The 'adjusted' saving ratio seeks to abstract from the volatility in farm income which tends not to be reflected to nearly the same degree in farm consumption.
 (c) Change in household disposable income deflated by the implicit price deflator of private final consumption expenditure.
 (d) Change in private final consumption expenditure in average 1979-80 prices.

ment authorities, and strong growth in capital expenditure by State and local government authorities. Growth in exports of goods and services also worked to offset, to some extent, the decline in private final domestic demand in 1982-83; this reflected strong growth in non-rural exports which outweighed a decline in rural exports.

The effect of the decline in final demand in 1982-83 on domestic production was exacerbated by a large run-down in private non-farm stocks particularly in the second half of 1982-83 as businesses, faced by a squeeze on cash flows and profitability and continuing high interest rates, moved quickly to reduce inventories. The reduction in non-farm stocks following the rise in 1981-82 contributed nearly half of the decline in total demand in 1982-83, slightly more than contributed by the fall in private business fixed investment. Farm stocks also declined due to the effects of drought.

In marked contrast to the previous year, when there was a surge in imports, *imports of goods and services fell sharply in 1982-83* due to the weakening in final demand—particularly the decline in import-intensive investment in plant and equipment—the decumulation of private non-farm stocks and some improvement in Australia's relative competitiveness as a result of continuing depreciation of the exchange rate. The resulting fall in import penetration reduced the impact on domestic production of the full effects of the decline in demand. The fall in the volume of imports in the year was equivalent to about 2.2 per cent of gross domestic product.

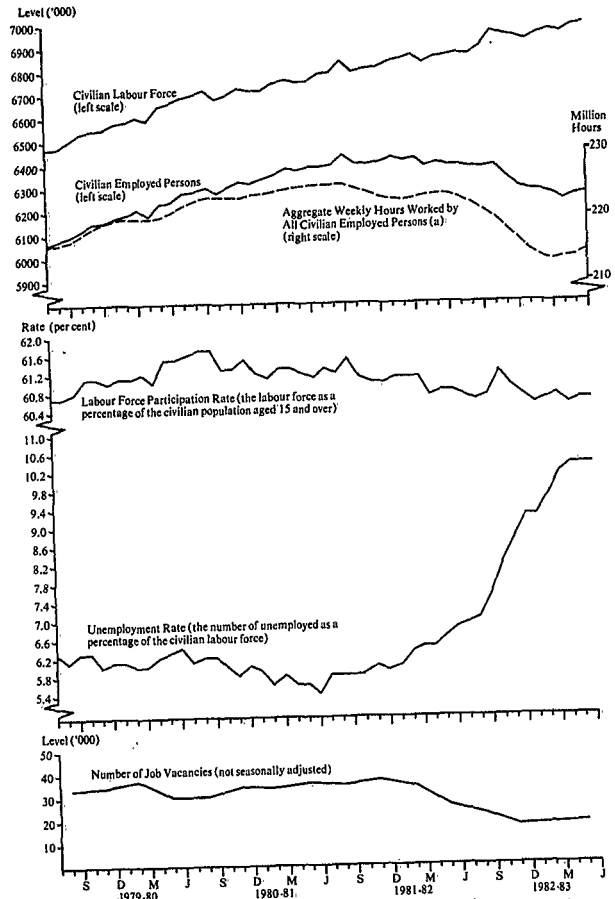
The Labour Market and Labour Productivity

The total number of persons employed in the non-farm sector (measured consistently with the national accounts) fell by 1.6 per cent in 1982-83—a somewhat larger fall than the decline in non-farm product—while the corresponding measure of aggregate hours worked fell by 2.5 per cent. The total number of persons in civilian employment in 1982-83 fell by 1.4 per cent, the largest fall for 30 years.

Hence 'labour shedding' took the form of reductions both in numbers employed and in hours worked by those in employment—through greater use of part-time employees, reduced overtime and short-time work arrangements. Average labour productivity (per hour worked) in the non-farm sector increased substantially in the first half of the year, when there was a small increase in non-farm product, and remained at around this level in the second half of the year, when non-farm product fell sharply. The overall result was thus somewhat similar to the experience in 1974-75 when rapid growth in labour costs also played a large role in bringing on the recession and when labour productivity growth increased relative to the change in non-farm product. These developments appear to have reflected, in large part, strong efforts by employers—conditioned by a belief that there would be no early recovery in profits and by the experience of 1974-75—to rationalise their labour requirements in response to increased labour costs and consequently reduced profits and cash flows. The completion of construction and coming on stream of some resource projects may have contributed to the rise in productivity, although the decline in manufacturing output has probably been such that the change in the industry composition of output has detracted from growth in measured productivity in 1982-83. Some of these employment responses are purely cyclical (e.g. reduced overtime and short-time arrangements) and should be reversed when demand picks up. But the trend towards economising in labour use—with on-going implications for employment—may continue for some time until a better relationship between labour costs and profits can be firmly re-established.

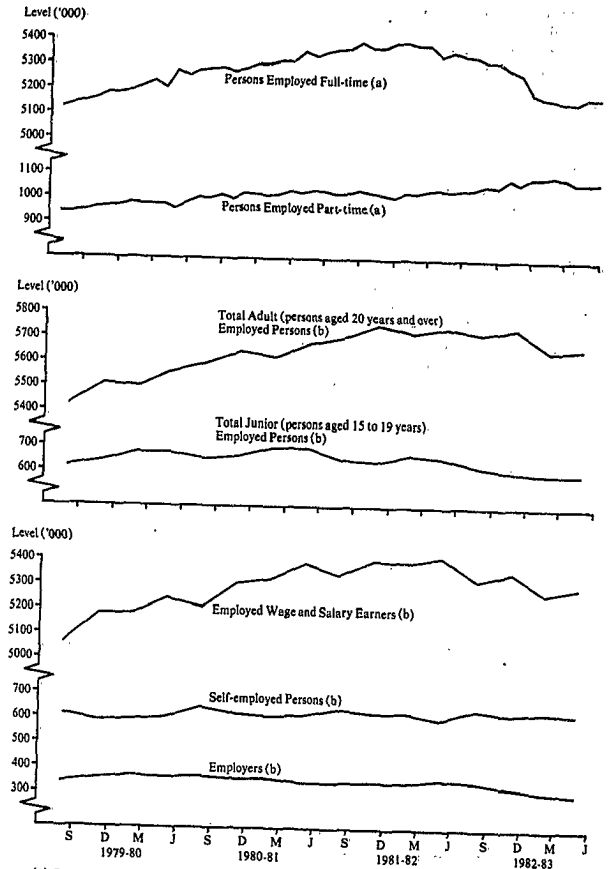
The decline in employment, which began in the second half of 1981-82, gathered momentum in 1982-83 (see Chart 4). The number of persons employed in the private sector contracted by around 3.3 per cent over the course of 1982-83 but this was offset to some degree by an increase in employment in the public sector. Overall, a continued rise in part-time employment was more than offset by a substantial decline in full-time employment (see Chart 5). The numbers of employees and employers both fell, but the number of self-employed remained broadly unchanged. Data on employment, vacancies and overtime suggest that the decline in the demand for labour levelled off towards the end of 1982-83.

Chart 4: Labour Market Aggregates (seasonally adjusted)



(a) The series shown has been smoothed by Treasury to minimise seasonal and erratic short-term movements.

Chart 5: Selected Components of Civilian Employment



(a) Seasonally adjusted, monthly data.
 (b) Data for February, May, August and November of each year; not seasonally adjusted.

The decline in employment in 1982-83 was particularly evident in the manufacturing and construction industries. By contrast, employment continued to rise in some service industries. Reflecting these trends, the employment of males, particularly tradesmen and other manual workers, was especially adversely affected. As well, for the second successive year, there was a large contraction in the number of juniors in employment, partly reflecting a longer-term decline in the junior labour force but mainly due to the higher susceptibility of juniors to deteriorating labour market conditions—the latter largely a result of junior wage rates which have evidently been set above the relative work value of the employees concerned.

The impact of the decline in employment on recorded unemployment in 1982-83 was cushioned to a small extent by an associated decline in the labour force participation rate, particularly for juniors and older males, which was reflected in a rise in the number of discouraged job-seekers who are classified as being outside the labour force. Despite the deterioration in employment during the year, the labour force grew at the same rate as in 1981-82. Recorded unemployment thus rose dramatically over the year; the seasonally adjusted number of persons unemployed increased by 266 100 over the year to the June quarter 1983 to 719 300 persons and the unemployment rate rose from 6.6 per cent to 10.3 per cent. Reflecting the changes in the structure of employment already noted, almost the entire rise in unemployment over the last year was in persons seeking full-time work, with adult males accounting for around two-thirds of this increase. Unemployment of juniors also rose sharply to take the seasonally adjusted unemployment rate for juniors seeking full-time work to 26.9 per cent in the June quarter 1983 (see Table 4).

Table 4: Labour Market

Year (a) —	The number of employed persons			Unemployment			Junior labour market	
	Full-time	Part-time	Total	Persons seeking full-time work	Persons seeking part-time work	Total unemployment	Persons employed (a)	Full-time unemployment rate (b)
	Change on a year earlier (per cent)	Change on a year earlier (per cent)	Change on a year earlier (per cent)	('000s)	('000s)	(per cent)	Change on a year earlier (per cent)	(per cent)
1979-80	2.0	3.8	2.3	336.0	67.9	6.1	2.1	18.6
1980-81	2.2	5.7	2.7	327.5	65.3	5.9	4.5	17.2
1981-82	1.2	1.2	1.2	349.8	69.9	6.2	-3.3	17.5
1982-83	-2.6	4.7	-1.4	538.3	83.8	9.0	-7.9	23.6
Quarter (c) (d) —								
1981-82 —								
Sept.	1.8	2.3	1.9	333.6	63.4	5.8	..	16.2
Dec.	1.7	0.6	1.6	334.5	66.5	5.9	-2.6	16.9
Mar.	1.4	1.0	1.3	352.8	73.2	6.2	-4.0	18.0
June	..	0.9	0.2	376.9	76.2	6.6	-6.3	19.1
1982-83 —								
Sept.	-0.8	2.5	-0.3	408.1	82.2	7.1	-5.1	19.5
Dec.	-2.3	6.4	-0.9	521.1	81.8	8.7	-6.5	22.3
Mar.	-4.0	6.6	-2.4	587.9	82.4	9.6	-10.8	26.1
June	-3.3	3.4	-2.2	631.3	88.0	10.3	-9.1	26.9

(a) Persons employed aged 15-19 years.
 (b) The number of juniors (those aged 15-19 years) seeking full-time work as a percentage of the junior full-time labour force.
 (c) Based on the average of the monthly observations for the period.
 (d) Seasonally unadjusted except for the measures of unemployment and the full-time unemployment rate for juniors.

Incomes and Labour Costs

The marked deterioration in the labour market, reinforced by the adoption of the 'wages pause' from December 1982, led to a sharp slowing in increases in award wage rates and earnings during 1982-83 (see Table 5).

Award rates of pay grew strongly in the second half of 1981-82 and the early months of 1982-83. In part, this reflected increases in individual awards following the May 1982 National Wage Case decision which, while ostensibly not recognising the 1981 metal industry agreement as establishing a 'community standard', facilitated the ratification of agreements that were in accordance with it. As a result, wage increases comparable to those under the metal industry agreement spread rapidly to most areas of employment covered by industrial awards. A survey⁴⁹ of 60 major Federal awards estimated that about 83 per cent of employees covered by these awards received award wage increases in the three months from June to August 1982, with a further 15 per cent receiving increases in the following three months.

Table 5: Award Rates of Pay and Earnings.

	Award rates of pay: adult wage and salary earners (b)	Average weekly earnings (survey basis)			Average earnings (national accounts basis) (a)	
		Full-time adult ordinary time earnings (c)	Total earnings (d)	Total earnings in real terms (e)	In nominal terms	In real terms (e)
		Change on previous period (per cent)				
Year—						
1979-80 . .	8.8	9.4	9.9	-0.2	9.5	-0.6
1980-81 . .	11.7	14.2	13.5	3.8	13.2	3.5
1981-82 . .	12.2	(f)13.3	(f)13.6	(f)3.9	13.7	4.0
1982-83 . .	10.8	14.2	11.2	-0.1	11.9	0.5
Half year (g)—						
1981-82 I .	10.4	(f)12.9	(f)12.2	(f)2.9	12.1	2.9
II .	16.7	16.8	18.5	7.4	17.3	6.3
1982-83 I .	12.0	16.8	10.5	-1.8	15.9	3.0
II .	3.3	7.1	6.0	-3.4	1.4	-7.6

(a) Non-farm wages, salaries and supplements per non-farm wage and salary earner.

(b) Growth rates are based on weighted average figures centred on the middle of the period.

(c) For the June quarter 1981 and earlier periods the figures are based on estimates of full-time non-managerial adult male average weekly ordinary time earnings derived from payroll tax and other returns for the whole quarter. From the September quarter 1981 the estimates are based on a new survey of private and government employers and relate to average weekly ordinary time earnings of all adult full-time employees for a pay period around the middle of each quarter.

(d) For the June quarter 1981 and earlier periods the total average weekly earnings figures are based on the former payroll tax based series on a so-called 'male units' basis. From the September quarter 1981 the estimates are based on the new survey and relate to total average weekly earnings for all employees.

(e) Deflated by the implicit price deflator of private final consumption expenditure.

(f) Based on links to the former payroll tax based series at the September quarter 1981.

(g) Growth rates are at annual rates and use seasonally adjusted data for the 'old' average weekly earnings series, the 'old' average weekly ordinary time earnings series and the average earnings series on a national accounts basis; the award rates of pay series, the 'new' average weekly ordinary time earnings series and the 'new' average weekly earnings series are not seasonally adjusted.

Developments in various measures of wage rates and earnings are shown in Chart 6. The slowing in the rate of increase in award rates of pay apparent from September 1982 was not reflected in a corresponding slowing in average weekly ordinary time earnings of adult full-time employees until the second half of 1982-83 despite the introduction of short-time work arrangements in some areas. This lag appears to have reflected, *inter alia*, delays in the payment of award wage increases, the timing of the earnings surveys and differences in the coverage of the series. Changes in the composition of full-time employment may also have played a part⁴⁹. In the case of average weekly earnings, these factors were partly offset by reductions in overtime and the continuing shift to part-time employment.

Following a special Premiers' Conference held on 7 December 1982 the Commonwealth, State and Northern Territory Governments initiated a pause in wage and salary increases and in hours reductions for both public and private sector employees. This took the form of interventions in support of a pause before the relevant industrial tribunals and, in some cases, legislation to freeze the wages of public sector employees. The Australian Conciliation and Arbitration Commission agreed to apply a pause in wages and conditions from 23 December 1982 until at least 30 June 1983 and each of the State industrial tribunals agreed to similar pauses in their respective jurisdictions. Legislative arrangements extended the 'pause' to twelve months for employees of the Commonwealth and Western Australian Governments.

On 29 June 1983 a full bench of the Australian Conciliation and Arbitration Commission began hearing a National Wage Case on claims by the ACTU for the introduction of a centralised system of wage determination based on quarterly indexation of all award and over-award wage rates, commencing with the increase in the CPI from the March quarter 1983. Pending a decision in that case, the guidelines that applied under the 'wages pause' remain in effect.

Average award rates of pay increased only marginally—by 0.3 per cent—between January 1983 and June 1983, which suggests that the 'wages pause' was effective during this period. Earnings growth for the same period remained somewhat higher, but nevertheless also slowed considerably in the second half of 1982-83.

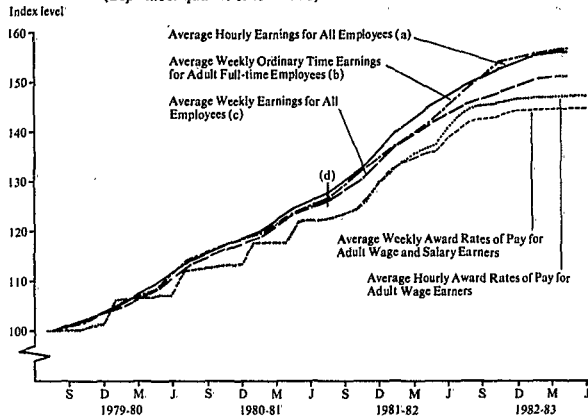
For 1982-83 as a whole, average weekly earnings for all employees rose by 11.2 per cent, and average weekly ordinary time earnings for adult full-time employees by 14.2 per cent. After deflation for movements in the consumer price index, real average weekly earnings fell over the course of 1982-83; by the June quarter 1983 they were comparable to their level in the December quarter 1981 but real average weekly ordinary time earnings remained 2.5 per cent above that level (see Chart 7). Over the three years to the June quarter 1983, real average weekly earnings increased by 4.4 per cent; for real ordinary time earnings the increase was 8.0 per cent.

The sharp falls in employment and the slowing in earnings growth during 1982-83 led to a slowing in the growth of wages, salaries and supplements and in the second half of the year that aggregate declined. However, this was partly offset by reductions in income tax scales in November 1982 and large increases in transfer payments from the

⁴⁹ Commonwealth Government Submission, Exhibit 9, to the June 1983 National Wage Case.

⁴⁹ This is discussed in a technical note on pages 88-95 of the *Information Paper on the Economy* submitted to the National Economic Summit Conference, April 1983.

Chart 6: Indexes of Wage Rates and Earnings
(September quarter 1979 = 100)

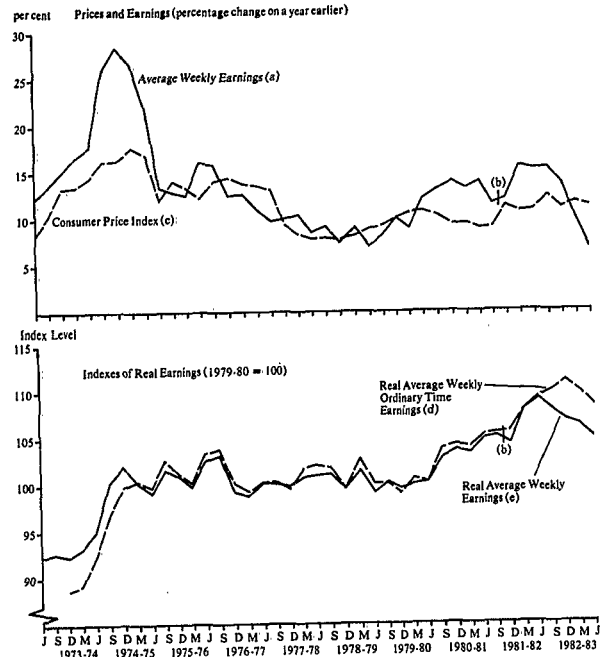


- (a) Average weekly earnings for all employees (linked to the 'old' seasonally adjusted male units series at the September quarter 1981) divided by average weekly hours worked by all employees. The latter series has been smoothed by Treasury to minimise seasonal and erratic short-term movements.
- (b) Average weekly ordinary time earnings for all adult full-time employees linked to the 'old' seasonally adjusted average weekly ordinary time earnings series for full-time non-managerial adult male employees at the September quarter 1981.
- (c) Average weekly earnings for all employees linked to the 'old' seasonally adjusted male units series at the September quarter 1981.
- (d) Break in series associated with change from payroll tax based earnings series to survey based earnings series. Further details provided in footnotes (a) to (c).

Commonwealth so that, after allowance for price increases, real household disposable income remained virtually unchanged in 1982-83. Details of some of the major components of household disposable income are shown in Table 6.

Real unit labour costs, which rose in 1981-82 as increases in hourly labour costs outstripped increases in prices and productivity, appear to have remained at a high level in 1982-83 but to have fallen in the second half of the year as wage increases slowed. Table 7 shows two measures of real unit labour costs. One is an estimate of such costs in the non-farm sector; this shows a decline in the second half of the year. However, this measure may be affected by shifts in the composition of output between the public, dwellings and unincorporated sectors and the private corporate sector. The second measure shows real unit labour costs in the private non-farm corporate sector and avoids possible distortions due to such shifts, but is available only on a financial year basis. Over recent years it shows a slightly stronger rise in real unit labour costs than the first measure.

Chart 7: Prices, Earnings and Real Earnings



- (a) Average weekly earnings for all employees linked to the 'old' seasonally adjusted male units series at the September quarter 1981.
- (b) Break in series associated with change from payroll tax based earnings series to survey based earnings series. Further details are provided in footnotes (a) and (d).
- (c) Based on six State capital cities consumer price index up to and including the June quarter 1981 and on the eight capital cities index thereafter.
- (d) Average weekly ordinary time earnings for all adult full-time employees linked to the 'old' seasonally adjusted average weekly ordinary time earnings series for full-time non-managerial adult male employees at the September quarter 1981, deflated by the six State capital cities consumer price index in the period up to and including the June quarter 1980 and by the eight capital cities index thereafter.
- (e) Average weekly earnings series described in footnote (a), deflated by the six State capital cities consumer price index in the period up to and including the June quarter 1980 and by the eight capital cities index thereafter.

Table 6: Household Incomes (Including Incomes of Unincorporated Enterprises)

Year	Wages, salaries and supplements	Income of farm unincorporated enterprises	Income of other unincorporated enterprises and from dwellings and dividends	Personal benefit payments to residents (a)	Household income	Income tax paid	Household disposable income	Real household disposable income (b)
Change on previous period (per cent)								
1979-80	11.3	13.8	10.1	8.7	11.1	17.5	10.2	0.1
1980-81	16.2	-15.3	14.0	12.9	14.0	16.6	13.4	3.1
1981-82	15.3	-7.7	18.0	16.3	15.1	21.0	13.7	4.0
1982-83	10.4	-48.7	15.2	22.0	11.0	8.2	11.4	0.1
Half year (c)—								
1981-82 I	13.9	26.2	25.3	15.2	16.6	16.2	16.2	6.6
II	17.3	-26.8	12.7	16.6	14.8	29.4	11.8	1.2
1982-83 I	14.5	-65.6	16.7	22.2	13.0	9.1	13.8	1.2
II	-1.5	-32.4	16.9	32.6	5.4	-14.4	9.5	-0.2

- (a) Includes unemployment and sickness benefits, family allowances, widows', age, invalid and repatriation pensions and other transfers to persons from general government.
 (b) Household disposable income deflated by the implicit price deflator for private final consumption expenditure.
 (c) Seasonally adjusted annual rates.

Table 7: Indexes of Average Real Unit Labour Costs (Average 1966-67 to 1972-73=100)

Year	Average real unit labour costs (a)—non-farm sector	Average real unit labour costs (b)—private non-farm corporate sector
1971-72	102	101
1972-73	101	100
1973-74	105	105
1974-75	110	109
1975-76	108	107
1976-77	108	106
1977-78	108	107
1978-79	105	104
1979-80	105	103
1980-81	105	102
1981-82	107	105
1982-83	107	107
Half year (c)—		
1981-82 I	105	n.a.
II	109	n.a.
1982-83 I	109	n.a.
II	106	n.a.

- (a) Ratio of non-farm wages, salaries and supplements and payroll tax, deflated by the implicit price deflator of gross non-farm product, per hour worked by non-farm wage and salary earners to gross non-farm product at average 1979-80 prices, per hour worked by all persons employed in the non-farm sector.
 (b) Ratio of wages, salaries and supplements and imputed payroll tax (less employment subsidies) paid by the private non-farm corporate sector to private non-farm corporate sector gross product at factor cost plus imputed payroll tax (less employment subsidies).
 (c) Seasonally adjusted.
 n.a. not available.

The downturn in economic activity and increased labour costs had a severe effect on business profits in 1982. The gross operating surplus of trading enterprise companies declined by 6 per cent in nominal terms in 1982 or by 17 per cent in real terms (relative to the price deflator for gross non-farm product); there was a partial recovery in the second half of 1982-83 by about 5 per cent in real terms.

A number of other guides to trends in profitability and cash flows are shown in Chart 8. The top two lines of the chart show the share of the gross operating surplus of the non-farm private corporate sector (both before and after stock valuation adjustment) in that sector's gross product at factor cost. Both shares declined in 1981-82 and 1982-83 to near historically low levels.

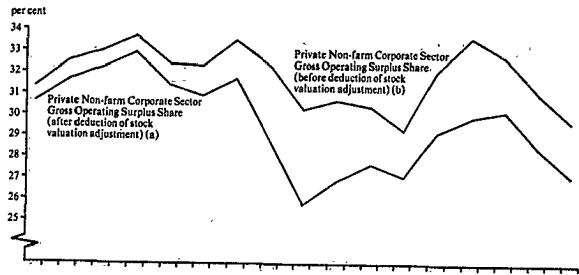
Gross operating surplus includes, *inter alia*, interest payments and direct taxes as well as profits. In view of the high levels of interest rates in recent years and the rising indebtedness of the corporate sector, the decline in profits is likely to have been greater than the recorded decline in the gross operating surplus shares. Cash flows would have been even further constrained because of the lag in tax payments which are made in respect of the previous year's taxable income. An approximate guide to within-year trends in profitability and cash flows is provided by the bottom line of Chart 8; it suggests that in the second half of 1982-83 profitability and cash flows may have recovered somewhat from the very low level established in the first half of the year, but remained well below historical levels. This more traditional measure may, however, be affected by distortions due to the shifts in the composition of output.

Prices

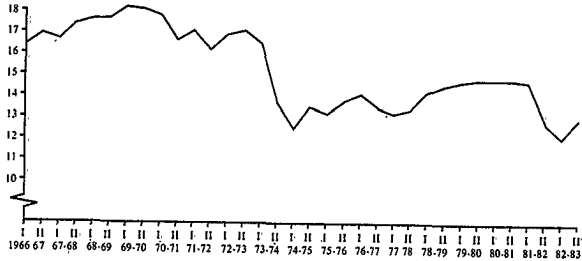
The rate of inflation continued unabated in the first half of 1982-83 mainly as a result of the earlier strong growth in labour costs and relatively large increases in a range of government charges and taxes. Price increases eased during the second half of the year, reflecting the slowing in the growth of labour costs partly offset by the impact on some meat prices of the breaking of the drought and possibly by some recovery in profit margins. Domestic prices also benefitted from a slowing in inflation overseas, despite the depreciation of the exchange rate over the course of the year. By the second half of the year the rate of price increase in Australia was more than twice as high as in our major trading partners.

The deflator for gross non-farm product—a broad measure of the domestic component of inflation—rose by 11.4 per cent in 1982-83 following an increase of 11.8 per cent in 1981-82. However, as shown in Chart 9, growth in this deflator slowed sharply in the second half of the year (though this slowing may be somewhat over-stated in the estimates because of suspected problems with seasonal adjustment) reflecting the effects of the deceleration in labour costs and continued sluggishness in demand. Growth of expenditure prices also slowed in the second half of the year, when the deflator for total domestic final demand increased at an annual rate of 8.4 per cent (see Table 8).

Chart 8: Shares of Gross Operating Surplus in Gross Product at Factor Cost.



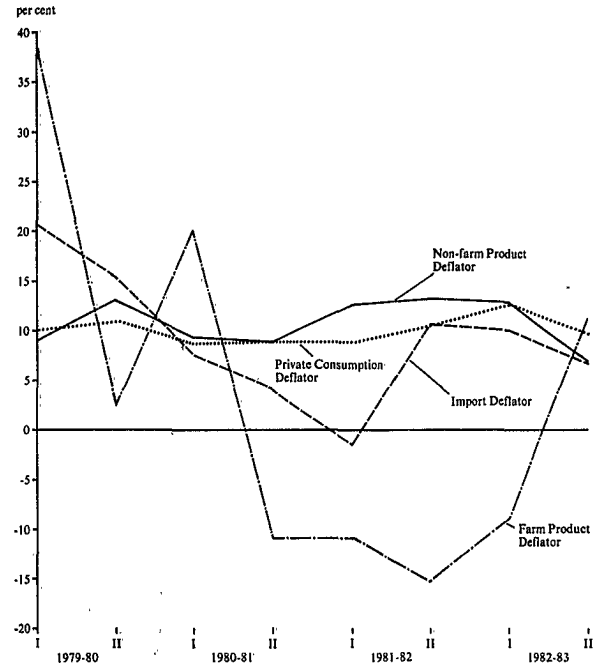
Corporate Sector Gross Operating Surplus Share In Non-farm Product (c)



- (a) The ratio of the gross operating surplus of the private non-farm corporate sector (after deduction of this sector's stock valuation adjustment) to the gross product at factor cost of the private non-farm corporate sector. The gross operating surplus of the private non-farm corporate sector is defined as the gross operating surplus of non-farm trading enterprise companies and private financial enterprises (less imputed bank service charge).
- (b) The ratio of the gross operating surplus of the private non-farm corporate sector (before deduction of the stock valuation adjustment for the private corporate sector) to the gross product at factor cost of the private non-farm corporate sector before deduction of the stock valuation adjustment for the private corporate sector.
- (c) The ratio of the gross operating surplus of trading enterprise companies and financial enterprises (less imputed bank service charge) to gross non-farm product at factor cost; seasonally adjusted.

The drought had a noticeable effect on meat prices during 1982-83. As feeding became more difficult, beasts were brought to market early. This led to a fall in livestock prices and helped to restrain growth in the prices of material inputs to manufacturing and in consumption prices in the first half of 1982-83. In the final quarter of the year livestock prices increased sharply as stock were withheld from markets as the drought came to an end.

Chart 9: Implicit Price Deflators (percentage changes at annual rates) (a)



(a) Based on seasonally adjusted data.

Table 8: Prices

	Year						Half year(e)	
	1979-80		1980-81		1981-82		1982-83	
	1979-80	1980-81	1981-82	1982-83	I	II	I	II
Consumer price index (f)—								
All groups	10.1	9.4	10.4	11.5	10.9	10.4	12.9	9.8
Food (weight of 21.3%) (g)	14.0	10.3	8.6	9.1	10.5	5.0	10.3	10.9
Non-food	10.3	9.4	8.6	10.7	10.0	5.0	12.2	9.3
State government rates and charges	n.a.	n.a.	25.4	20.8	26.6	31.6	22.4	9.0
Implicit price deflators (h)—								
Private final consumption expenditure	10.1	9.3	9.3	11.3	8.9	10.5	12.5	9.8
Private gross fixed capital expenditure	9.3	10.9	10.0	11.6	7.6	15.5	11.4	8.2
Total domestic final demand	10.0	10.2	10.3	11.2	9.6	12.7	12.1	8.4
Non-farm exports of goods and services (i)	20.8	6.5	9.8	10.2	3.6	15.4	5.8	5.8
Imports of goods and services	17.5	8.5	2.9	9.2	1.4	10.7	10.1	6.7
Gross farm output	29.5	7.2	11.8	16.1	10.6	15.2	11.0	10.0
Gross farm product	29.5	7.2	11.8	16.1	10.6	15.2	11.0	10.0
Gross domestic product	11.0	10.0	10.4	11.0	11.0	11.4	12.6	7.4
Sectoral Indices—								
Manufacturing industry								
Materials used in	29.3	9.8	7.6	7.4	-0.7	4.3	6.5	12.6
Articles produced by	15.8	11.0	7.8	7.8	6.8	9.3	10.4	10.1
Building								
Materials used in house building	13.0	13.6	9.9	10.0	8.9	13.0	9.9	7.4
Materials used in other building	(h)12.9	12.9	11.1	12.1	9.8	15.3	13.2	7.1

(e) Annual rates.
(f) Weighted average of six capital cities for 1979-80 and 1980-81, eight capital cities data used thereafter.

(g) Weights shown are those used in the tenth series of the CPI.
(h) Early year calculations are based on seasonally adjusted data.
(i) Excludes exports of goods and services.
(j) Average of twelve months to May on preceding twelve months.
(k) Average of six months to May on preceding six months.
(l) Based on linkage to old series at July 1979.
n.a. not available.

Fiscal Conditions

The Commonwealth Budget deficit in 1982-83 was \$4473m, equivalent to 2.8 per cent of GDP. This compared with a deficit of \$548m or 0.4 per cent of GDP in 1981-82 and represented a sharp departure from the sustained downward trend in the deficit as a proportion of GDP between 1977-78 and 1981-82.

The 1982-83 Budget deficit outcome was \$2799m above the Budget-time estimate. The deficit overrun was attributable primarily to the effects of the unexpected severity of the weakness in the labour market on receipts and outlays, particularly social security outlays, and to post-Budget decisions, mainly on the expenditure side (see Statement No. 5).

In 1982-83, Commonwealth budget outlays increased by 18.5 per cent. This represented an increase of 6.3 per cent in real terms, the largest such increase since 1974-75 and well above the average annual increase of around 2 per cent recorded during the seven intervening years. Budget outlays were equivalent to 30.4 per cent of GDP in 1982-83, exceeding the previous peak of 30.0 per cent in 1975-76.

Commonwealth budget receipts increased by 9.1 per cent in 1982-83 compared with an increase of 15.9 per cent in 1981-82. In real terms, budget receipts fell by 2.1 per cent in 1982-83, compared with growth of 3.7 per cent in 1981-82 and an annual average real increase of around 4.4 per cent over the decade to 1981-82. The decline in real budget receipts in 1982-83 was the first since 1972-73 (when payroll tax was transferred to the States), and the largest since at least the mid-1950s. Nominal GDP grew even more slowly in 1982-83 than budget receipts, with the result that, as a proportion of estimated GDP, budget receipts increased marginally in 1982-83 to reach a new record high of 27.7 per cent.

Current outlays and receipts of the Commonwealth non-budget sector are relatively small. Some details of developments in the sector are given in Statement No. 6 and in Table 10 attached to that Statement.

State and local sector outlays also increased strongly in 1982-83. As a proportion of GDP, State and local sector outlays increased to 22.2 per cent from 20.2 per cent in 1981-82 (see Table 9). Abstracting from the effects of sale and lease-back transactions with the private sector, these outlays are estimated to have increased by 6 per cent in real terms compared with 4 per cent in 1981-82. A major component of the increase in 1982-83 was in fixed capital expenditure which is estimated to have increased by around 8 per cent in real terms reflecting, in particular, large increases in capital works undertaken by electricity authorities.

State and local government revenues from own sources are estimated on a preliminary basis to have increased by 17 per cent (or 5 per cent in real terms) in 1982-83. Commonwealth payments to the State and local sector increased by \$413m above Budget-time estimates (principally reflecting 'wages pause savings' transfers and assistance in respect of drought and bushfires). Total State and local sector revenues (including transfers and advances from the Commonwealth) are estimated to have increased by 17 per cent in 1982-83, or by 5 per cent in real terms.

The overall State and local sector deficit (net of Commonwealth advances) in 1982-83 is estimated to have been \$5182m; as a proportion of GDP it was 3.2 per cent, up from 2.5 per cent in 1981-82. There was thus a continuation of the trend, evident since the mid-1970s, of increased resort to borrowing by State and local authorities.

The major part of the increase in State and local government borrowing in 1982-83 represented borrowings of State electricity authorities, following the agreement at the June 1982 Loan Council meeting to remove the controls over the amount and terms of their domestic borrowings. Conventional longer term borrowings by these authorities rose to \$2612m in 1982-83, some 122 per cent above their level in 1981-82. These figures do not cover off-program financing techniques employed by these authorities, specifically leasing, trade credit and short term borrowings. Following the June 1982 decision, electricity authorities reduced their recourse to such techniques.

Total public sector outlays are estimated to have increased by 19 per cent in 1982-83 or by 7 per cent in real terms; as a proportion of GDP they rose to 42.6 per cent which was well above the previous high point of 39.6 per cent reached by this ratio in the mid-1970s (see Table 9 and also Statement No. 6).

As a percentage of GDP, the Public Sector Borrowing Requirement (PSBR) is estimated to have almost doubled from 3.3 per cent in 1981-82 to 6.4 per cent in 1982-83, with both the Commonwealth and the State and local government sectors contributing to the increase (see Table 10).

Table 9: Public Sector Outlays as a Percentage of Gross Domestic Product

Year—	State and Local Government Sector					
	Commonwealth sector outlays(a)(b) (per cent) (1)	Financed by:			Total(b) (per cent) (4)	Total(b)(d) (per cent) (5)
		Commonwealth assistance(c) (per cent) (2)	Own funds (per cent) (3)	Total(b) (per cent) (4)		
1973-74	24.6	8.1	8.4	16.6	31.6	
1974-75	29.4	10.4	9.0	19.4	37.1	
1975-76	30.6	11.6	8.5	20.1	37.9	
1976-77	30.2	10.7	9.2	20.0	38.2	
1977-78	31.1	11.1	9.9	20.9	39.6	
1978-79	29.5	10.5	9.7	20.3	38.0	
1979-80	28.9	10.1	9.9	20.0	37.7	
1980-81	28.9	9.9	10.5	20.3	38.1	
1981-82	29.3	9.5	10.7	20.2	38.8	
1982-83	31.8	10.2	12.0	22.2	42.6	

(a) Budget and non-budget sector. The latter comprises mainly capital expenditure.

(b) If adjustment is made for sale and lease-back transactions with the private sector, the estimates for 1981-82 and 1982-83, the years principally affected, are increased by the following amounts: for the Commonwealth sector by approximately 0.2 and 0.1 percentage points respectively; for the State and local government sector by approximately 0.7 and 0.5 percentage points respectively; and for the total public sector by approximately 0.9 and 0.6 percentage points respectively.

(c) Direct assistance from the Commonwealth budget.

(d) Net of all transfers between Commonwealth and State and local government sectors. Column (5) is equal to column (1) plus column (3) less interest payments between these sectors.

Table 10: Public Sector Borrowing Requirement(a)(b)

Year—	Commonwealth sector		State and local government sector(c)		Total	
	\$m	Percentage of GDP	\$m	Percentage of GDP	\$m	Percentage of GDP
1973-74	353	0.7	457	0.9	812	1.6
1974-75	2 516	4.1	925	1.5	3 440	5.6
1975-76	3 530	4.8	450	0.6	3 979	5.5
1976-77	3 029	3.6	1 022	1.2	4 052	4.9
1977-78	3 851	4.3	1 616	1.8	5 467	6.1
1978-79	3 618	3.5	1 926	1.9	5 545	5.4
1979-80	2 457	2.1	2 248	2.0	4 704	4.1
1980-81	1 470	1.1	3 175	2.4	4 645	3.6
1981-82	1 087	0.7	3 769	2.5	4 856	3.3
1982-83	5 188	3.2	5 182	3.2	10 370	6.4

(a) Total public sector outlays less receipts; net advances to other sectors by the public sector are treated as outlays. This measure differs from the measure of net borrowing by the public sector used in Chart 11, in which net advances are treated as lending.

(b) If adjustment is made for sale and lease-back transactions with the private sector, the estimates as a percentage of GDP for 1981-82 and 1982-83, the years principally affected, are increased by the following amounts: for the Commonwealth sector by approximately 0.2 and 0.1 percentage points respectively; for the State and local government sector by approximately 0.7 and 0.5 percentage points respectively; and for the total public sector by approximately 0.9 and 0.6 percentage points respectively.

(c) The figures for the deficit of the State and local government sector shown here do not include advances from the Commonwealth budget; they therefore indicate the residual borrowing requirement of the sector.

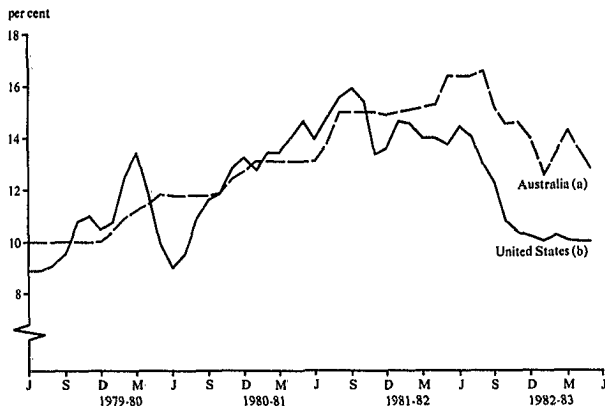
Monetary Conditions

Monetary conditions are influenced by developments in the domestic economy, (e.g. changes in the level of economic activity, changes in net borrowing and lending by different sectors and changes in economic policies) and by developments in overseas financial markets.

Overseas financial conditions have been an increasingly important influence on domestic financial developments as the Australian financial system has become more closely linked with world financial markets. During 1982-83, substantial falls in overseas interest rates and more liquid financial conditions abroad were accompanied by similar trends in Australian financial markets, just as relatively high interest rates and tighter financial conditions had been experienced both overseas and at home in 1981-82. Chart 10 depicts movements in United States and Australian medium term bond yields over the period 1979-80 to 1982-83. Both rates fell over the course of 1982-83, although with a wider margin developing than in previous years, reflecting, *inter alia*, the independent influence on interest rates in the two countries of the demand for and supply of finance, and exchange rate and inflationary expectations.

Underlying the developments in domestic financial markets in 1982-83 were substantial changes in the net lending and borrowing positions of the major sectors of the economy. In particular, corporate sector net borrowing had risen to a very high proportion of GDP in 1981-82, partly reflecting increased corporate investment in resource-related projects. In 1982-83, however, corporate net borrowing fell sharply, despite reduced corporate profitability and cash flow, as fixed investment slumped and inventories fell substantially.

Chart 10: Medium-term Government Bond Yields in Australia and the United States



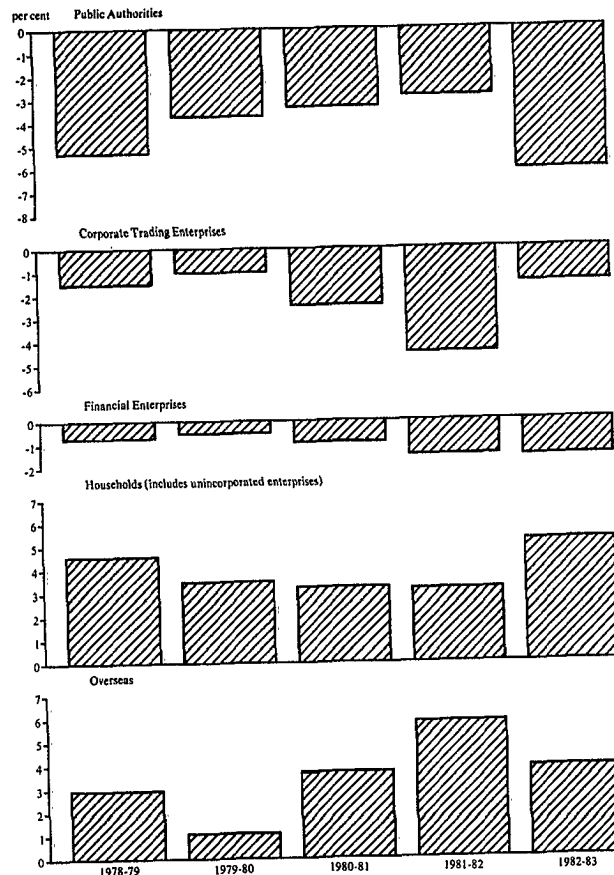
(a) Theoretical yield on five-year Treasury bonds.

(b) Yield on five-year government securities. Prior to April 1980, yield on three to five-year securities.

The fall in corporate net borrowing in 1982-83 was offset by a more than two-fold increase in public sector net borrowing, from about \$4600m in 1981-82 to about \$9800m in 1982-83. While net lending to Australia from the external sector decreased, net lending by the household sector increased substantially, the latter arising from a moderate rise in household savings and a marked fall in investment by the household sector, particularly dwelling investment. The public sector was thus able to finance the large increase in its deficit in an environment of falling nominal domestic interest rates. This occurred partly because of the fall in overseas interest rates; partly because of an apparent developing expectation that our inflation rate would fall in the short term (if for no other reason than the very depressed state of economic activity); and partly because of the increase in household net lending and reduced competition for funds from the corporate sector.

Chart 11 illustrates developments in the net lending and borrowing positions of the major sectors of the Australian economy as a proportion of GDP over the last five years. As is evident from the chart and the discussion above, the deterioration of the economy in 1982-83 resulted in a redirection of net borrowing and the associated financial flows but not in any reduction in the overall levels of real borrowing and lending undertaken.

Chart 11: Net Lending and Borrowing by Sector (per cent of Gross Domestic Product) (a)



(a) Based on National Accounts data and Treasury estimates. Positive (upward) bars on these charts represent net lending while negative (downward) bars represent net borrowing.

Primary Liquidity Formation

There was a large increase (\$5979m) during 1982-83 in the non-official sector's holdings of liquid assets and Commonwealth Government securities (LGS assets), consisting of an increase in currency and deposits with the Reserve Bank (\$336m) and Commonwealth Government securities (\$5643m). This reflected the marked increase in the Commonwealth domestic budget deficit in the year and very large surpluses on private sector foreign exchange transactions (PSFET) in several months of the financial year, particularly in the period September to December 1982 and again in April 1983, which contributed to a record PSFET surplus of \$3871m for the year as a whole. The net outcome was that, even though sales of Government securities to the non-financial sector were high, there was for much of the year a comparatively ready availability of LGS assets to the financial sector.

A little under half of the aggregate take-up of Commonwealth Government securities in 1982-83—some \$2390m—was in Australian Savings Bonds (ASBs). This instrument gives the Commonwealth direct access to household sector savings, thereby reducing the extent to which the deficit is financed through the process of intermediation—that is by the household sector depositing funds in financial institutions which are then enabled to purchase Government securities. ASBs can thereby be particularly effective in constraining growth in the monetary aggregates. The large sales of ASBs in 1982-83 can in this sense be regarded as one of the more successful aspects of monetary policy; without them the increase in household deposits with financial institutions and in the monetary aggregates would have been much greater. In another sense, the relatively high dependence in the deficit financing task upon high sales of ASBs was, potentially at least, a cause for concern. The ASB is a very liquid instrument, being redeemable at one month's notice. In past periods (e.g. 1981-82) when the ASB rate has not been kept competitive, redemptions have been high.

Secondary Credit Formation

Secondary sources of credit growth contributed substantially less to the overall growth of the monetary aggregates during 1982-83 than in earlier recent years. In particular, with the corporate sector's demand for credit considerably weakened by the recession, the growth in major trading bank advances during the year was much reduced, from 12.1 per cent in the twelve months to June 1982 to 8.1 per cent in the twelve months to June 1983.

Among the groups of major financial intermediaries only the savings banks increased the growth of their advances in 1982-83. Savings bank loans outstanding increased by 20.1 per cent over the twelve months to June 1983 compared with 11.0 per cent over the twelve months to June 1982. Of the \$2960m increase in savings bank advances outstanding during 1982-83, some \$1688m went to housing loans—compared with \$1061m in 1981-82—with another \$872m directed to commercial bills. The latter figure meant that the savings banks were much more significant participants in the commercial finance market during 1982-83 than previously.

The growth rate of advances by finance companies, building societies and merchant banks fell substantially during the year from 18.3 per cent over the twelve months to June 1982 to 9.6 per cent last year. Advances by merchant banks showed the sharpest

deceleration on this comparison—from almost 40 per cent to around 10 per cent, although their lending was still strong by comparison with, say, finance companies whose advances outstanding rose by only 4.6 per cent during the year (15.6 per cent in 1981-82).

The downward slide of lending by the institutions that lend primarily to the commercial sector was amplified by sizeable private sector borrowings off-shore and by the continued relatively strong growth of the various forms of commercial bill financing taking place outside financial institutions' balance sheets. This latter development was encouraged by a shift during the year of interest rate differentials in favour of bill financing.

The Monetary Aggregates

The volume of money measure, M3, increased by 12.5 per cent over the twelve months to June 1983, or by 11.1 per cent for 1982-83 in average year-on-year terms. This latter increase was only slightly above the projected range of 9 to 11 per cent annual average growth announced in last year's Budget Speech, but there was a marked acceleration in M3 growth during the later months of the financial year. The underlying influences on M3 growth during 1982-83 are shown in Table 11.

As shown in Table 12, there were marked differences in the growth rates of the various financial aggregates in 1982-83. This largely reflected the very high growth rate of savings bank deposits, which increased by 19.2 per cent, the strongest such growth since 1972-73. M2 (which excludes savings bank deposits) thereby grew substantially less quickly than M3. Deposits of non-bank financial institutions included in M6 grew in aggregate at a similar rate to trading bank deposits, so that the rate of growth in this measure was a little lower than that in M3. This pattern of growth rates presented a considerable contrast to the experience of earlier years.

One development which appears to have influenced these differences in monetary growth rates was the liberalisation of the banking regulations in recent times. This may have led to banks becoming more competitive relative to non-banks and thus to reintermediation of funds to banks from non-banks.

Constraints on the deposit rates which can be offered by both trading and savings banks were removed in December 1980. Further, in March 1982, the 30 day notice of withdrawal requirement for savings banks' savings investment accounts was removed, and trading banks were allowed to borrow large deposits for terms as short as fourteen days, instead of the previous minimum of thirty days. In August 1982, there were amendments to the regulations under the Banking Act relating to assets in which savings banks may invest depositors' funds. However, the 'reintermediation' that did occur during 1982-83 was, as indicated earlier, not predominantly from non-bank financial institutions to banks in general, but rather from non-bank financial institutions and the trading banks to the savings banks.

It seems that much of the explanation for the differing monetary growth rates may lie in cyclical rather than structural influences. In particular, the decline in net borrowing by the corporate sector, the increase in household savings and in public sector borrowing, and the reduced rate of overseas borrowing would have tended to stimulate the growth of financial institutions intermediating household savings, including savings banks, and dampen that of the institutions lending to the corporate sector, such as

Table 11: Formation of Movements in the Volume of Money (₹) (₹m)

	Half-year--								
	Year--			1981-82			1982-83		
	1980-81	1981-82	1982-83(p)	I	II	II(p)	I	II	II(p)
Budget deficit (+) or surplus (-)	1 109	548	4 473	4 373	-3 824	4 737	4 737	-766	-766
Less Budget excess deficit	1 556	1 468	2 022	2 022	733	733	733	838	1 184
Budget contribution to private sector LGS assets (b)	447	920	2 451	3 640	-4 559	3 899	3 899	-1 450	-1 450
Private sector foreign exchange transactions (c)	2 802	2 454	3 871	-927	3 382	2 357	2 357	1 514	1 514
Change in SRD accounts of all trading banks (increase (-))	-467	-260	-125	-119	-141	-85	-85	-40	-40
Change in Rural Credit advances	114	3	65	32	35	31	31	-96	-96
Other factors (d)	435	313	-591	-20	333	-282	-282	298	298
Change in Government and inter-bank deposits	1 036	1 178	1 538	-1 174	1 454	1 174	1 174	1 174	1 174
CHANGE IN PRIVATE SECTOR LGS ASSETS (e)	2 391	672	5 975	628	-156	5 028	5 028	591	591
Plus Change in loans and advances--									
Major trading banks	2 167	2 381	1 800	1 342	1 039	747	747	1 033	1 033
Other trading banks	445	761	639	639	287	474	214	425	425
Savings banks	1 474	1 458	2 960	1 022	436	1 382	1 382	1 579	1 579
Less Change in non-bank holdings of Commonwealth Government securities	534	-155	4 124	69	-224	3 230	3 230	895	895
Less Change in Government and inter-bank deposits	-32	145	90	714	32	112	112	412	412
Less Change in non-bank public holdings of currency, deposits with Reserve Bank and Commonwealth Government securities	-24	1 146	582	714	434	412	412	412	412
CHANGE IN VOLUME OF MONEY (M3) (h)	6 228	6 266	7 726	4 171	2 095	4 314	4 314	3 412	3 412

(e) Average weekly figures based on private sector foreign exchange transactions, budget deficit, budget overseas deficit, budget contribution to private sector LGS assets, and change in non-bank holdings of Commonwealth Government securities which are on a last day basis, and change in private sector LGS assets which is partly last day. Not seasonally adjusted.

(f) Equate budget domestic deficit.

(g) Defined as net official monetary movements adjusted to exclude Commonwealth Government, Treasury, and other Commonwealth Government securities.

(h) Defined as net official monetary movements adjusted to exclude Commonwealth Government, Treasury, and other Commonwealth Government securities.

(i) This item is largely due to the different time bases used.

(j) Defined as change in banking sector LGS assets (the sum of its holdings of notes, coin, cash with Reserve Bank, Treasury Notes and other Commonwealth Government securities).

(k) Plus change in non-bank public holdings of currency, deposits with Reserve Bank and Commonwealth Government securities.

(l) Plus change in other assets and liabilities of banks / less change in other banking institutions' LGS assets.

(m) Defined as change in holdings of the non-bank public of notes and coin plus change in deposits of the non-bank public with banks (including deposits with the Reserve Bank).

(n) Preliminary.

Table 12: Growth Rates of Selected Financial Aggregates (a)
(per cent)

	1978-79	1979-80	1980-81	1981-82	1982-83
M1 (b)	16.7	12.9	12.0	1.6	5.9
M2 (c)	13.3	16.5	15.2	13.9	8.1
M3 (d)	11.8	12.5	12.7	11.3	12.5
M6 (e)	14.2	13.7	15.7	13.8	10.7(p)

(a) Over the twelve months to June in the year shown.

(b) Defined as the non-bank sector's holdings of notes and coin, deposits with the Reserve Bank and current deposits with trading banks. Current deposits with trading banks held by Commonwealth and State Governments and by other banks are excluded.

(c) Defined as M1 plus the non-bank sector's non-current deposits with trading banks. Trading bank deposits held by Commonwealth and State Governments and by other banks are excluded.

(d) Defined as M2 plus the non-bank sector's deposits with all savings banks.

(e) Defined as M3 plus the non-bank sector's deposits with building societies, finance companies, general financiers and money market corporations. Cash holdings and bank deposits of these latter institutions are excluded.

(p) Preliminary.

finance companies, merchant banks and, to a lesser degree, trading banks. Cyclical movements in the economy also affect the relative competitive positions of the controlled and uncontrolled financial institutions. During an upturn in the economy, when interest rates are tending to rise, institutions subject to below-market ceilings on their lending rates—and thus, for profitability reasons, unable to compete effectively for deposit funds—tend to be relatively disadvantaged. Conversely, during a cyclical downturn as in 1982-83 market rates fall relative to the more 'sticky' lending rate ceilings under which controlled institutions are operating. These controls are then less binding and the affected institutions can attempt to make up lost ground by maintaining relatively attractive deposit rates. The savings banks, being the financial institutions most directly affected by lending rate ceilings, find their deposit performance especially prone to counter-cyclical variation. Moreover, a downturn in economic activity, by increasing uncertainty, promotes a higher premium on security and liquidity; in 1982-83 this also could have added to the relative attractiveness of depositing with banks.

With the growth rate of M3 increasing slightly through the year, and nominal GDP growth declining, the M3 velocity declined sharply (by about 31 per cent between the first halves of 1982 and of 1983), in contrast to its longer term annual trend rate of growth of around 1.6 per cent. As the growth rate of M6 fell by 3.2 percentage points between the two half years, the decline in the M6 velocity was not as pronounced.

Overall, however, there was a fall during 1982-83 in the velocity of circulation of each of the financial aggregates broader than M2. This would be consistent with a view that monetary policy, in itself, did little to restrain inflation and inflationary expectations during 1982-83. Given the lags involved, however, the continued high rate of monetary growth relative to the very depressed level of activity may not have had much impact on the inflation process during 1982-83 itself, but rather raises a question as to the future consequences for inflation.

Balance of Payments

An overall balance of payments surplus of \$2435m was recorded in 1982-83. The pattern of the previous two years of strong capital inflows exceeding the current account deficit was again evident. Table 13 and Chart 12 show the main balance of payments aggregates for recent years.

Table 13: Balance of Payments: Main Aggregates
(\$m, not seasonally adjusted)

	1980-81		1981-82		1982-83	
	Year	Year	Year	Year	First half	Second half
Current Account—						
Exports	18 718	19 089	20 697	10 430	10 267	
Imports	-19 169	-22 374	-21 528	-11 290	-10 238	
Trade balance	-451	-3 285	-831	-860	-29	
Net invisibles	-5 004	-5 575	-5 637	-2 787	-2 850	
Current account balance	-5 455	-8 860	-6 468	-3 647	-2 821	
Capital Account—						
Government securities	-80	558	788	895	-107	
Securities domiciled overseas	-101	368	575	701	-126	
Securities domiciled in Australia	21	190	213	194	19	
Other government	11	-53	-262	-144	-117	
Total government capital	-69	505	526	751	-225	
Trade credit net	-41	223	-257	-1	-254	
Foreign investment in enterprises in Australia—						
Undistributed income	830	330	380	190	190	
Other	5 195	9 083	8 201	4 367	3 835	
Other private capital and balancing item	689	73	53	365	-515	
Net apparent private capital inflow	6 673	9 709	8 377	5 121	3 256	
Net apparent capital inflow	6 604	10 214	8 903	5 872	3 031	
Net official monetary movements	1 149	1 354	2 435	2 225	210	
Private sector foreign exchange transactions(a)	2 802	2 454	3 871	2 357	1 514	

(a) This item represents the direct contribution to private sector LGS assets and the volume of money from overseas sources, including borrowings by semi-government authorities. It is defined as net official monetary movements adjusted to exclude Commonwealth Government budgetary and financing transactions (see Table 11).

A notable development in the external accounts in 1982-83 was the substantial reduction in the current account deficit to 4 per cent of GDP from 6 per cent in 1981-82. This reflected the effects of declining demand on imports and relatively buoyant exports of some non-farm products. Summary details of changes in the commodity structure of imports and exports are shown in Table 14.

The total value of imports declined by about 4 per cent in 1982-83, reflecting a fall in volume of about 12 per cent (discussed in the production and demand section) and a rise in import prices, underpinned by the depreciation of the Australian dollar, of 9 per cent.

Chart 12: Recent Trends in Australia's Balance of Payments
(\$ m per quarter)

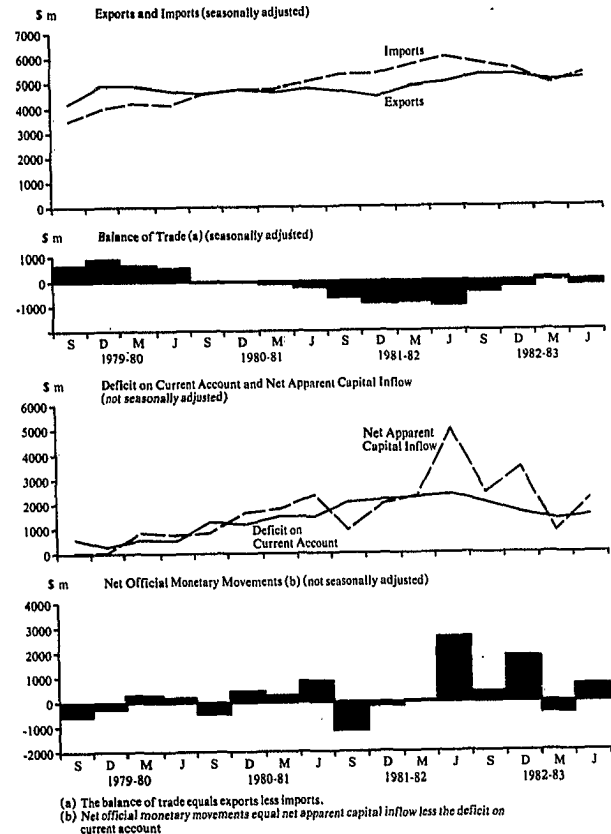


Table 14: Balance on Current Account

	1980-81	1981-82	1982-83	1982-83	
	Year	Year	Year	First half	Second half
Current account deficit to GDP (per cent)	4.2	6.0	4.0	4.4	3.6
Change on previous period (per cent)(a)					
<i>Volumes</i>					
Rural exports	-10.6	0.6	-4.8	4.4	-35.8
of which: Meat	-4.3	-3.5	11.7	32.3	-34.0
Cereals	-31.0	9.2	-28.3	-26.4	-76.3
Non-rural exports	-2.0	1.4	6.9	9.7	3.4
of which: Coal	8.2	-1.5	13.9	26.3	36.5
Metals and metal manufactures	-9.1	6.0	12.8	15.0	22.5
Other manufactures	1.8	-0.2	4.7	-6.4	11.8
Total exports of goods	-6.1	1.0	1.6	5.9	-14.4
Total imports of goods	11.5	13.4	-11.6	-15.1	-21.7
of which: Fuels	-4.0	0.3	-5.7	9.4	-45.6
Metals and metal manufactures	18.8	13.5	-16.7	-25.4	-36.4
Machinery and transport equipment	26.7	19.3	-14.8	-8.3	-18.7
<i>Implicit price deflators</i>					
Exports of goods and services	7.2	2.0	6.9	7.4	10.6
Imports of goods and services	8.6	2.9	3.2	10.0	6.8
<i>Terms of Trade(b)</i>	-0.6	-1.0	-2.0	-2.5	3.6

(a) Half yearly changes are expressed as seasonally adjusted annual rates.

(b) Defined as the implicit price deflator for exports of goods and services divided by the implicit price deflator for imports of goods and services.

Export receipts increased by about 8 per cent in 1982-83, reflecting an increase in volume of about 2 per cent and an increase in prices of about 7 per cent. The drought had a marked effect on rural exports. Although meat export volumes increased up to the breaking of the drought, cereal export volumes declined and, overall, the volume of rural exports fell. The average rural export price did not change much as increases in Australian dollar prices of meat and cereals were offset by lower sugar prices. Non-rural export receipts grew strongly as additional production capacity in, or associated with, the resources sector came on stream, with notable increases in the volume of coal, uranium and aluminium exports. The volume of manufactured exports also increased, largely it seems, due to some improvement in competitiveness. Exports were not subject to the same degree of disruption as in the previous year by industrial disputes and inadequate port facilities. Increases in contract prices for coking coal and iron ore and the depreciation of the Australian dollar boosted non-rural export receipts, even though prices for many other commodities were depressed.

The net invisibles deficit of \$5637m was similar to that in 1981-82. Interest payments on higher levels of private sector offshore borrowing added to the deficit, while lower freight payments on imports, reduced profits accruing on foreign investment in Australia and increased interest earned on Australia's international reserves were offsetting factors.

Total net apparent capital inflow was \$8.9 billion in 1982-83, not far short of the record \$10.2 billion in 1981-82. There were three main factors contributing to this relatively buoyant outcome. First, uncovered interest rate differentials favoured both investment in Australian securities by foreigners and overseas financing by local

enterprises, though this effect was sometimes partially or fully negated by adverse exchange rate expectations and, related to that, by high forward hedge premiums for cover against foreign exchange risk. Secondly, inflows were also influenced by some carry over of the heavy financing requirements of the energy and resource sector investment projects. Finally, uncertainties which intensified during the year about the credit-worthiness of some countries facing debt-servicing difficulties seem to have increased the relative attractiveness of Australia in the eyes of foreign investors.

Chart 12 shows that the time profile of net apparent capital inflow in 1982-83 was markedly different from that experienced in 1981-82. In 1981-82 private capital inflows were concentrated in the second half of the year, a time of seasonal drain on liquidity and when uncovered interest differentials favoured overseas financing. In contrast, private capital inflows in 1982-83 were particularly strong in the first half of the financial year following significant reductions in nominal interest rates overseas. This, and the greatly increased budget deficit (or, in the case of the June quarter, the much reduced surplus) provided the basis for relatively easy liquidity conditions in the second half of the year, except for the weeks leading up to the 10 per cent devaluation on 8 March when large capital outflows occurred.

Government capital transactions resulted in a net inflow of \$526m, little changed from the 1981-82 result. Gross overseas borrowings by the Commonwealth added \$1150m to reserves while a net identified inflow by overseas investors in domestically-issued Commonwealth securities added a further \$213m.

At end-June 1983 official reserves stood at \$10 748m, an increase of \$4231m from the level at the end of 1981-82. Balance of payments transactions increased reserves by \$2460m while revaluations arising from depreciation of the Australian dollar and increases in the price of gold increased reserves by a further \$1771m. Foreign exchange reserves stood at \$6900m at end-June 1983 compared with \$4065m at end-June 1982.

The Exchange Rate

Volatility and uncertainty characterised international financial markets in 1982-83, leading to large shifts in interest rates and exchange rates and exerting an influence on the Australian dollar. In the latter regard, the most significant influences included marked reductions in nominal interest rates in some major industrial economies in the first half of 1982-83 and fluctuations in the United States dollar throughout the year.

At the outset of 1982-83, the competitive position of Australian producers had been eroded by the wage cost surge of 1980-81 and 1981-82. Competitiveness was also adversely affected in 1980-81 by an appreciation of the trade-weighted index over the course of that year, though that effect was largely unwound by the subsequent depreciation of the trade-weighted index over the course of 1981-82. This loss of competitiveness, reinforced by Australia's widening adverse inflation differential in 1982-83 itself, placed some further downward pressures on the Australian dollar. The strength of capital inflow—seemingly impervious to the fundamentals—and the resultant additions to reserves worked in the opposite direction.

Between end-June 1982 and end-June 1983 the trade-weighted index (TWI) of the value of the \$A declined by 12 per cent, bringing the cumulative depreciation in the TWI since its August 1981 peak to 18 per cent. This lowering was not uniform over time; for example, there was a period of relative stability from September to January.

Following the calling of the general election, expectations gathered that the value of the Australian dollar might fall and this led to substantial capital outflows and a 10 per cent devaluation on 8 March. Between that date and 30 June, the TWI appreciated by 6 per cent.

Table 15 and Chart 13 provide details of changes in the trade-weighted index of the value of the \$A and its value against major foreign currencies.

Table 15: Bilateral Exchange Rates and the Trade Weighted Index (TWI)(a)

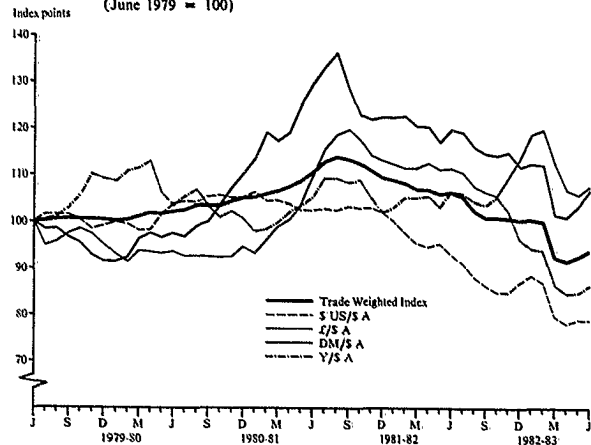
	June			Change over year to—	
	1981	1982	1983	June 1982 (per cent)	June 1983 (per cent)
	\$US/\$A	1.14	1.03	0.88	-9.4	-15.1
Yen/\$A	256	260	211	1.5	-18.9
DM/\$A	2.71	2.51	2.24	-7.5	-10.9
Pound Stg/\$A	0.58	0.59	0.57	1.6	-3.5
TWI	91.9	88.2	77.9	(b) -4.0	(c) -11.7

(a) Monthly averages.

(b) Between 30 June 1981 and 30 June 1982 the TWI fell by 5.1 per cent.

(c) Between 30 June 1982 and 30 June 1983 the TWI fell by 11.9 per cent.

Chart 13: Movements of the Australian Dollar Against Selected Currencies and in the Trade Weighted Index (a) (b) (June 1979 = 100)



(a) Upward (downward) movements represent appreciation (depreciation) of the \$A against other currencies.

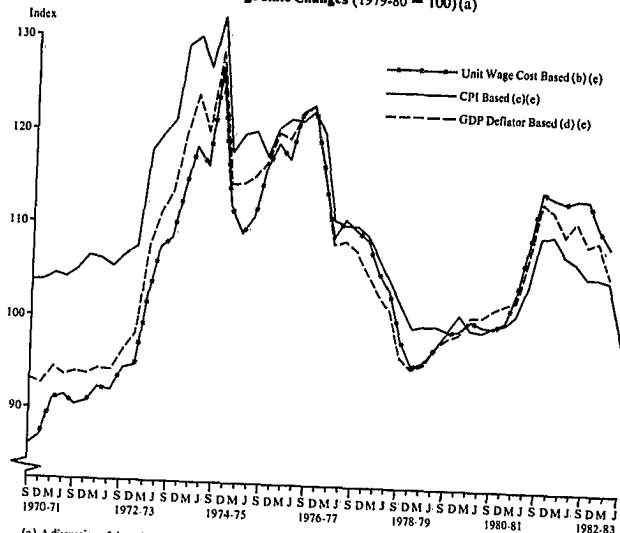
(b) Rates calculated as monthly averages.

International Comparisons of Relative Price and Cost Levels

Three key measures of price and cost movements in Australia relative to changes in prices and costs in Australia's four major trading partners, adjusted for changes in exchange rates, are provided in Chart 14. Movements in these indexes, which are based on unit wage costs, consumer prices and GDP deflators, reflect changes in the ability of Australian producers to compete with overseas producers in domestic and international markets on the basis of price.

All measures show a marked deterioration in relative exchange rate adjusted price and cost levels in Australia over the course of 1981 and some winding back of this gap since that time. Although wage and price increases during 1982-83 were more than double those of our major trading partners, this was outweighed by the depreciation of the exchange rate during the year. Although the wage and GDP deflator based indexes cannot yet be calculated for the June quarter 1983, it is likely—taking account of recent exchange rate movements and known movements in domestic wages and prices—that both indexes fell broadly in line with the decline in the CPI-based index.

Chart 14: Indexes of Unit Wage Costs and Prices in Australia Relative to Major Trading Partner Countries— Adjusted for Exchange Rate Changes (1979-80 = 100) (a)



- (a) A discussion of these indexes and detailed figures covering the period from the September quarter 1970 to the March quarter 1983 may be found in a Supplement to the *Round-up of Economic Statistics* for July 1983 titled "International Comparisons of Relative Price and Cost Levels".
- (b) The unit wage cost based index is the ratio of unit wage costs in the non-farm sector of the Australian economy (calculated as the ratio of non-farm wages, salaries and supplements to gross non-farm product) to the weighted average of the exchange rate adjusted unit wage cost indexes estimated for the manufacturing sectors of Australia's major four trading partners.
- (c) The CPI based index is the ratio of the Australian consumer price index to the weighted average of the exchange rate adjusted consumer price indexes of Australia's major four trading partners.
- (d) The GDP deflator based index is the ratio of the GDP deflator for Australia to the weighted average of the exchange rate adjusted GDP deflators of Australia's major four trading partners.
- (e) The weights used are based on the average share of Australia's imports from the US, Japan, UK and West Germany from 1974-75 to 1979-80. The four countries are the source for about 55 per cent of Australia's imports. Observations are quarterly averages. A rise (fall) on this graph implies a deterioration (improvement) in Australian costs and prices relative to our major four trading partners after adjusting for exchange rate changes.

PART II: INTERNATIONAL ECONOMIC CONDITIONS AND PROSPECTS

Declining inflation and falling interest rates have contributed to the emergence of a recovery in economic activity in the major industrial countries in the course of 1983. Real GNP in the seven major industrial countries, which fell by about 4 per cent in 1982, is estimated to have expanded at an annual rate of about 2 per cent in the first half of 1983, with the strengthening in activity most evident in the United States and Canada.

In the United States, real GNP is estimated to have increased at an annual rate of about 3 per cent in the first half of 1983, reflecting a marked slowdown in the rate of stock decumulation, increasing fiscal stimulus and a resurgence in consumer demand and residential investment.

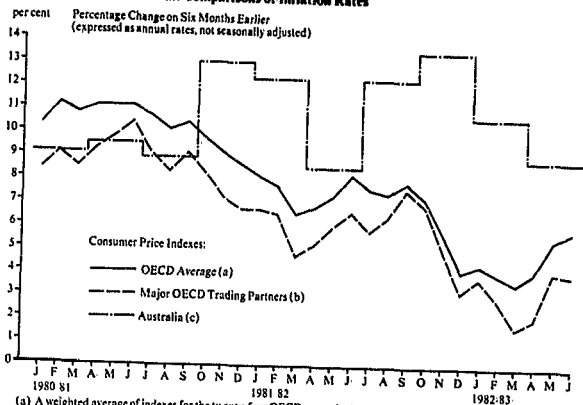
Elsewhere the recovery is, as yet, less evident. Activity in the major European economies was sluggish in 1982-83 although modest growth has re-emerged in the United Kingdom and West Germany. The Japanese economy again grew by over 3 per cent in 1982-83 but growth slowed significantly during the year. The smaller industrial countries appear to have experienced little if any growth.

A number of developing countries suffered severe economic and financial strains in 1982-83 and in some of them per capita output appears to have fallen. Concern about the capacity of some developing countries to continue to service heavy external borrowing in the face of slowing export growth (including, in the case of certain oil producers, falling oil prices) has led to a reduction in new lending to these countries from banks and other private sources. This reduced flow of finance has necessitated action to renegotiate debt arrangements and, more fundamentally, undertake adjustment programs to cut back net imports. Although the liquidity position of the largest debtor countries has so far been preserved, debt payment arrears have risen sharply and a number of international banks remain exposed to risks of default.

Inflation continued to fall in almost all OECD countries in 1982-83 although the progress made by individual countries varied considerably. For the OECD as a whole, consumer prices increased by 5.0 per cent over the twelve months to June 1983 compared to 8.4 per cent during the previous year. Much of this deceleration can be traced to developments in a few major economies—particularly the United States, West Germany and the United Kingdom. In a number of other industrial countries progress was less satisfactory and this has impeded their capacity to share in the emerging recovery. Countries which have been most successful in reducing inflation loom large in our trading relationship; as shown in Chart 15, consumer prices in our major OECD trading partners increased at an annual rate of only 4.0 per cent over the six months to June 1983. By comparison, the consumer price index in Australia increased at an annual rate of 8.9 per cent over the six months to the June quarter 1983.

Some of the improvement in inflation overseas stems from factors which may prove to be temporary; the squeeze on profit margins, reduced prices for oil and other commodities and currency appreciation in the United States are examples. At the same time, a substantial degree of wage moderation has been achieved in a number of countries. In 1982, hourly earnings in manufacturing rose by around 6½ per cent in the United States, 4½ per cent in Japan and 5 per cent in West Germany. Average wage settlements in each of these three economies appear to have run at an annual rate of less

Chart 15: International Comparisons of Inflation Rates



- (a) A weighted average of indexes for the twenty-four OECD countries based on 1981 consumption levels and exchange rates.
 (b) Australia's eight major OECD trading partners comprise the United States, Japan, West Germany, France, the United Kingdom, Italy, Canada and New Zealand. Percentage changes are weighted by 1981-82 import and export weights.
 (c) Quarterly data. Based on the six capitals consumer price index up to and including the June quarter 1981 and on the eight capital cities index thereafter.

than 5 per cent in the first half of 1983 and the OECD has forecast an increase of hourly earnings in manufacturing of 4-4½ per cent in these countries in 1983. For the OECD area as a whole, hourly earnings in manufacturing are expected to rise by about 6 per cent in 1983, compared to 8½ per cent in 1982.

Notwithstanding these clear signs of wage moderation over the past year, the concurrent slowing in inflation has offset the effects of that on real wage movements and, in the absence of any significant productivity growth, there has been broadly no change in the share of non-wage incomes in GNP. Corporate profit margins remain severely squeezed in the OECD area as a whole notwithstanding a recent pick up in the United States; the OECD has estimated that realised rates of return on capital in the major industrial countries reached a post-war low in 1982.

Labour market conditions in the industrial countries continued to deteriorate in 1982-83. Employment declined during the year in all major economies except Japan and the United States. Although the rate of growth in the labour force slowed, partly due to reduced participation rates, unemployment rates in the OECD area continued to rise, reaching about 9½ per cent of the labour force in the second half of the year, notwithstanding a noticeable improvement in the United States and Canada in this period.

Central government budget deficits, expressed as a proportion of GNP, increased in 1982 in all major industrial countries except Japan and the United Kingdom. Discretionary policies in Europe and Japan have generally been directed to containing or reducing already sizeable structural deficits, but there was a marked shift towards a

more stimulatory fiscal stance in the United States and Canada. Although interpretation of monetary aggregates has been made difficult by innovation in financial markets and other factors, monetary conditions in most major industrial countries appear to have eased in 1982-83 relative to the two preceding years. Monetary aggregates have generally run near to or in excess of the upper bounds of announced targets and, in combination with declining inflation, this has permitted an increase in real credit availability.

Nominal interest rates declined substantially during 1982-83 but remained well above concurrent inflation rates. In doing so, they appeared to reflect concerns that large fiscal deficits will persist as activity picks up, particularly in the United States, with consequent effects on borrowing requirements, risk premia and inflationary expectations. In such an environment, expected inflation may well be above current (i.e. immediate past period) inflation so that comparisons of nominal interest rates with the latter are likely to overstate the level of 'real' interest rates.

World trade has been severely affected by the recession, growing protectionism and the problems of developing countries. The volume of world trade fell by 2½ per cent in 1982—the first such decline since 1975. The average price of internationally traded crude oil weakened further in 1982-83 to be about 20 per cent below the peak reached in early 1981. This reflected falling consumption and pressures on producers arising from a heavy liquidation of inventories built up in earlier periods. The IMF estimates that non-oil commodity prices fell by a further 12 per cent in 1982 after a fall of nearly 15 per cent in 1981; an increase of about 5 per cent has been forecast for 1983.

The emergence of a large statistical discrepancy in global estimates of current account balances has underlined the need for caution in interpreting trends in the external positions of the major groups of countries. Available data suggest that since 1980 the surplus of the oil exporting countries has fallen (it may have disappeared altogether in 1982) while the deficit of the non-oil developing countries peaked in 1981 and fell significantly in 1982 in the face of severe funding constraints. The current account position of industrial countries remained in near balance overall in 1982 but the United States, the United Kingdom and France experienced a weakening in their current accounts, while most other countries had stable or strengthening positions.

The international economic context is likely to be more favourable for Australia in 1983-84 than last year. Growth in the OECD countries is now accelerating to an annual rate of more than 3 per cent and that momentum seems likely to be maintained in the rest of 1983-84. The major international economic institutions are forecasting that inflation will not accelerate substantially in the major industrial countries over the coming year, although scepticism in capital markets that this outlook will continue into the medium term appears to be an important factor in keeping interest rates high. The growth in world trade in 1983-84 is likely to be modest, although there should be a significant quickening during the course of the year and, in terms of composition, growth in trade volumes is likely to be relatively more pronounced for Australia's major trading partners.

Looking further ahead, there are several uncertainties surrounding the sustainability beyond 1983-84 of the international recovery, including possible increases in

PART III: ECONOMIC POLICY AND RECOVERY

The Economic Policy Context

In its review of economic developments in 1981-82 and the prospects, as seen then, for 1982-83, last year's Statement No. 2 made reference to the 'natural economic forces' operating both in individual markets and in the overall economy. Following disturbances of one kind or another, such forces, or adjustment processes, were seen as acting to re-establish some sort of equilibrium. It was suggested that, in the absence of policies effective in modifying those processes, the new equilibrium might not be a preferred one from a social or economic perspective; the question was raised 'whether these "natural" responses are the best that industrialised economies—and societies—can offer'.⁵⁹

Adjustment processes of these kinds were central to economic developments during 1982-83.

- In labour markets, employers responded to the earlier real wage hike and associated decline in demand by shedding labour; employment fell and unemployment climbed. Those reactions contributed to a marked slowing of wage increases which in turn facilitated the putting in place of the 'wages pause'. Real wages turned down and, eventually, the decline in employment began to ease and the economy moved towards a new 'equilibrium' at a much higher level of unemployment. A particular sub-set of those processes was evident in the labour market for juniors where the effects were even sharper.
- In capital markets, the sharp interest rate increases in 1981-82 brought forth increased savings from households and from abroad while contributing to the downturn in private investment and hence to reduced borrowings by the corporate sector. For this and other reasons already noted on page 36 (including declining interest rates abroad), the sharply increased public sector borrowing in 1982-83 could be met in a climate of declining domestic interest rates. Capital markets moved towards a new 'equilibrium' involving lower business investment and higher public sector expenditure (both consumption and investment).
- In goods markets, the adjustment processes were more complex, involving increased household savings (magnifying the effects upon final demand of slower growth in real incomes), substantial stock decumulation (magnifying the final demand effects upon production), and falling imports (ameliorating demand effects upon domestic production). The net effect was to restrain demand and domestic production which, in turn, began to contribute to an easing of domestic wage and price pressures. In time, this latter development could, if it were to continue, be expected to generate greater confidence and higher spending propensities.

In total, these various adjustment processes saw unemployment climb in 1982-83 to its highest rate in half a century and, while inflation began to ease back in the second half of the year, it remained high. The newly-elected Government's policy approach is an attempt to modify the raw economic forces in order to achieve a more speedy improvement in both unemployment and inflation; in that sense, it might be characterised as a response to the question posed in last year's Statement No. 2 and quoted in the opening paragraph of this Part.

interest rates, particularly in the United States (as private sector demands for credit increase against a background of large budget deficits), a possible resurgence of inflationary expectations, and lingering concerns as to the stability of the international financial system.

Of the major countries, only Japan and West Germany appear to have inflationary pressures firmly under control. While the United States, United Kingdom and, to a lesser extent, Canada have made progress in reducing inflation, it is too early to judge whether lasting gains have yet been achieved. In France, Italy and a number of smaller industrial countries, progress in reducing inflation has been much less satisfactory.

Monetary aggregates have been growing strongly in a number of major industrial countries in 1983 and, in the United States and Canada, the stance of fiscal policy has become markedly more stimulatory. These developments appear to be continuing despite a much stronger recovery in the United States than was earlier expected by most commentators. In this environment, there is growing concern that inflationary pressures might re-emerge, undermining the hard-won progress made to date against inflation and placing sustained recovery at risk.

Although the problem of large fiscal deficits affects many industrial countries, it is of particular significance in the United States given the importance of that country to international capital markets. United States interest rates can have a major influence on activity levels and inflationary pressures in other countries via their effects on those countries' interest rates and exchange rates. In addition, the strengthening of the U.S. dollar over recent years has acted to reinforce the already strong pressures for protectionism in the United States which have been associated with the world recession. There appears to be a growing consensus in the United States on the need for action to reduce the budget deficit but views differ as to the expenditure areas which need to be cut back and what, if any, taxation measures are called for. The working out of these issues in the political process seems likely to take some time.

Prospects for a sustained recovery also depend importantly on the willingness of governments to create an environment which is conducive to rapid growth through, for example, the reduction of trade barriers, correction of domestic pricing distortions and labour market rigidities and the removal of unnecessary regulation. The need for such measures has been repeatedly recognised by policy makers meeting in international forums but so far action has been limited and, in some cases, even perverse.

⁵⁹ 1982-83 Budget Paper No. 1, Statement No. 2, Part II, page 54.

The Government's approach centres upon a prices and incomes policy and, in particular, the Prices and Incomes Accord agreed between the Government and the ACTU. That Accord recognises the nexus between wage moderation, inflation and employment growth and represents an attempt to establish, by mutual agreement, income (including price) settlement arrangements which might modify the inherent adjustment processes in order to reduce their cost in terms of unemployment and production forgone.

It should be emphasised, however, that those adjustment processes still have some way to run.

The sheer magnitude of the deterioration in the labour market, assisted by the 'wages pause', has brought some respite from the hitherto continuing increase in real labour costs. Given time, further wage moderation would be reflected in better profitability and slowing inflation, and in more jobs. But while some progress was made on that score in 1982-83, particularly in the second half, other notable imbalances remain, suggesting that sustained recovery remains a hope for the future rather than a present reality. In particular:

- corporate profitability remains heavily depressed;
- our inflation rate, unlike those of our major trading partners, remains persistently high;
- monetary growth is excessive, with monetary objectives having again been exceeded in 1982-83 for the fifth year running; and
- public sector borrowing is continuing to rise.

Australia was of course not alone among OECD countries in the difficulties it faced during 1982-83. By the end of the year, however, the severity of Australia's problems was distinctly greater than the average for the OECD area as a whole. This was particularly so for inflation, with Australia's rate more than double that of our major trading partners. Uncertainty continued to surround our economic prospects even though the immediate outlook abroad, and in the United States in particular, had improved.

Because 1982-83 represented a period of adjustment in response to the disturbances of the preceding years, the remaining imbalances should be considered in a longer term perspective—not only to understand the nature and extent of the economy's present problems, but also to formulate realistic expectations as to the speed with which they can be solved and to pursue economic policies appropriate to doing so.

To take the example of unemployment, a high rate of output growth will be needed over a sustained period to bring the bulk of the unemployed—including discouraged workers—back into employment and to absorb the growth in the labour force. If, as expected, productivity growth is relatively high and participation rates rise in the course of the upswing, an improvement in unemployment will take some time to emerge—and whether, given time, it does emerge will depend upon the re-establishment of an adequate level of business profitability.

Inflation persisted stubbornly in 1982-83. In only one of the past ten years has the rise in the CPI fallen below 9 per cent, so that expectations of inflation have become increasingly entrenched in the community. As a result, a sustained slowing in prices may be required before economic behaviour and decisions come to be based on markedly different inflationary expectations. This is not to say that inflation cannot be

reduced decisively and quickly—the recent evidence in several of our major trading partners demonstrates that it can be—but it does indicate the magnitude of the barriers to be overcome.

The simultaneous reduction in unemployment and inflation which the Government is seeking needs to be achieved over the medium term. In the shorter run, policy settings need to pay regard to the nature of the adjustment processes and the extent to which they have yet to work their way through the economy, as well as the inherent risks to sustained recovery.

Prices and Incomes Policy

For success in the Government's efforts to stimulate employment and reduce inflation at the same time, it is crucial that wage and price developments be constrained within the broad guidelines set by the Prices and Incomes Accord. The severity of the declines in both profitability and employment and the associated rise in unemployment during the downturn suggest that labour cost moderation must play a key role in any sustained reduction in inflation and any sustained improvement in competitiveness and in profitability, investment and employment.

The Prices and Incomes Accord stresses the relationship between non-inflationary wage and price setting behaviour and the scope which that is seen as giving for pursuing an expansionary fiscal policy. Reinforcing the relationship between the Accord and macroeconomic policy, the setting of monetary objectives rests upon the *desirable* growth in incomes flowing from the Accord. To cement that relationship, however, the monetary stance will need to be such as to limit the potential for wage settlements outside the centralised wage process. This will become of increasing importance through 1984.

The focus on 1984 arises from the conjunction of an expected pick up in economic activity and restraint in centralised wage increases from the one-off impact of the introduction of Medicare on the CPI. These circumstances could well give rise to increased pressures for sectional wage increases outside the spirit of the Accord (and perhaps even its strict letter). If monetary policy were not sufficiently firm, the ability of employers to concede to such sectional claims and to pass them on in higher prices would be enhanced and this could feed back, through indexation, into the centralised wage settlement processes themselves.

There are two elements to the relationship between fiscal policy and the Accord. First and most fundamentally, expansionary fiscal policy is predicated on the assumption that the Accord will be successful in combating inflation. If that assumption is not realised, the viability of that approach to fiscal policy will be immediately called into question.

Secondly, as demonstrated by the measures contained in the May Economic Statement and in this Budget, there has been a significant switch in the composition of outlays towards programs such as community works and housing which are seen as having substantial direct effects upon employment. There have also been substantial moves towards meeting the equity objectives of the Government's fiscal policy, including with respect to the introduction of an income and assets test on pension entitlements, income testing over 70's age pensions, superannuation and housing interest tax rebates. On both

sides of the budget, the changes thus set in train have moved fiscal policy in directions envisaged in the Accord.

Fiscal Policy

Against the background outlined above, a stimulatory cast to fiscal policy in 1983-84 is taken as given with other policies being required to adapt to that fiscal policy setting.

In one sense, any budget deficit is directly expansionary in that it puts more money into the economy than it takes out. While some qualifications might be made to that general proposition—most notably in respect of the distinction between domestic and external transactions—such qualifications do not substantially affect the basic point. There is no doubt that, in this sense, the Budget for 1983-84 is very highly expansionary indeed. The deficit of \$8361m represents 4.7 per cent of forecast GDP (as compared with a deficit of 2.8 per cent of GDP in 1982-83).

Clearly, no single summary statistic can be an adequate indicator of the appropriateness of the stance of fiscal policy, such summary indicators as those just quoted can be no more than illustrative of certain limited relationships. Some would wish to draw what they see as a more fundamental distinction between the effects of the budget upon the economy and the effects of the economy upon the budget. The former effects are seen as related to the so-called 'structural' elements of the budget deficit and the latter to its 'cyclical' components.

Broadly, the methodology for disentangling the cyclical and structural components for a particular fiscal year involves estimating what the budget would have been, given the existing set of taxation and government expenditure policies, had there not been a downturn in activity and employment. This provides an estimate of the structural deficit (or surplus), which differs from the actual deficit in being calculated on the assumption of a different level of aggregate economic activity. In practice, this is not as straightforward as it might seem, since numerous alternative approaches to such calculations are possible.

On the basis of various calculations that have been made, within the Treasury and elsewhere, the structural component of the 1983-84 Budget deficit will increase substantially, both relative to the overall deficit and to GDP. Within a perspective which focusses solely on the direct income/expenditure effects of a budget, the larger the structural deficit, the more stimulatory the stance of fiscal policy. From such a perspective, the 1983-84 Budget is clearly highly stimulatory.

Structural budget deficits have another significance: they provide an indication of the prospective size of future deficits after the economy has emerged from recession. They thus suggest the magnitude of discretionary taxation-raising or budgetary expenditure-cutting measures that, as the economy recovers, will be required to bring about a fiscal stance appropriate to those improved economic conditions.

Structural/cyclical budget deficit analysis, however, is essentially static. Moreover, that analysis—like other static analyses of the stimulatory effects of fiscal policy adjustments—can have nothing to say on how the structural deficit calculated within such a framework could assist in moving the economy back to the high-employment condition which is assumed for the purposes of the analysis. It seems, in short, to be of little relevance to economies beset not just by underutilisation of real resources—the

classical problem to which Keynes is generally thought to have been principally addressing himself—but by more fundamental imbalances, such as high inflation, distorted wages/profits relationships and structural rigidities in the markets for goods and labour. Nothing—or at least nothing desired—will be achieved by treating unemployment and the other manifestations of underutilisation of real resources as if they were problems to be solved in isolation from underlying economic disjunctures.

In reality, fiscal policy can affect the economy through a variety of channels in addition to direct income/expenditure effects. It can influence interest rates, exchange rates, the money supply, the balance of payments, expectations—notably, inflationary expectations—confidence and uncertainty. These additional transmission mechanisms are, for the most part, extremely inconvenient to handle analytically and often impossible to quantify. They are, however, no less real for being empirically and often even theoretically intractable.

To take an example, the cyclical/structural approach to fiscal policy is of no assistance in considering the monetary policy ramifications of the budgetary outcome, whatever it may be. It is the *total* deficit that is relevant to the relationships between fiscal policy, money and interest rates—for it is the *total* deficit that must be financed. The cyclical component of the deficit adds to private sector liquidity—and needs to be offset by sales of Government securities to the non-bank sector—in just the same way as the structural component does.

It is true that an increase in the budget deficit arising from cyclical influences will generally coincide with lower private sector borrowing demands. However, private demands upon capital markets are likely to increase relatively early in the recovery process, as businesses start to increase production levels and rebuild inventories. The cyclical deficit is related mainly to labour market developments, through reduced PAYE receipts and increased unemployment benefit payments, and recovery in the labour market tends to lag behind recovery in business activity. Hence, the cyclical deficit will still be high as the private sector's demand for funds gathers pace, and this conjuncture will tend to put upward pressure on interest rates during the crucial early stages of economic recovery.

As well as directly reducing private spending, higher domestic interest rates are likely to attract additional overseas funds into Australian capital markets. Although such capital movements tend partially to mitigate rises in interest rates, they also have the effect of putting upward pressure on the exchange rate. This reduces the competitiveness of Australian industry on world markets, dampens exports, and encourages imports. The consequent decline in expenditure on Australian goods provides another offset—in some circumstances perhaps more directly important than the interest rate effects—to the direct expenditure-creating effects of the budget deficit.

By increasing pressures on interest rates and the exchange rate, large budget deficits also pose—publicly—the risk that pressures for a loosening of monetary policy will become stronger and eventually prevail. Those who are involved in financial markets—that is to say, the myriad of lenders and borrowers in such markets as well as the financial institutions which make them up—have come to know that excessive monetary growth does, over time, result in increased inflation; thus the mere threat of increased monetary growth can rekindle inflationary expectations and drive nominal interest rates higher.

Once allowance is made for all these indirect effects of budget deficits on the economy, it cannot simply be assumed that successive increases in budget deficits will provide continuing stimulus to economic activity.

Monetary Policy

In the context of an expansionary fiscal policy, much of the burden of creating an environment conducive to prices and incomes moderation necessarily falls upon monetary policy.

The Government's approach to monetary policy is to provide just sufficient monetary growth to finance the prospective increase in nominal output considered desirable and feasible in the circumstances. That is, sufficient money supply growth will be provided to accommodate the expected increase in real output plus what is considered to be a desirable and feasible increase in prices, with the latter being determined on the basis of the operation of the centralised wage system under conditions consistent with the Prices and Incomes Accord. The relationship between monetary policy and the Accord is, therefore, a close and important one.

The attainment of this objective has probably been made more difficult by previous failures to achieve stated monetary projections. In each of the past five years, monetary growth has exceeded the Budget-time projection; the discrepancy in 1982-83 was not particularly large but the 'average for the year' nature of that projection conceals the marked acceleration over the latter part of the year. The action already taken by the Government to expand the scale of bond tenders should help to re-establish the credibility of monetary projections, but the response will not be immediate. Markets five times bitten are likely to be at least twice shy.

Two further aspects of monetary conditions in recent years assume particular importance for the period immediately ahead. One is the acceleration of innovation in financial markets; the other (perhaps partly related) concerns the large changes in monetary velocity that have occurred and seem likely to continue.

Some concern has been expressed recently both in Australia and overseas, particularly in the United States, that financial innovation has made the conduct of monetary policy more difficult and perhaps even substantially reduced its overall effectiveness. Recent innovations in Australia include the rapid development of the commercial bill and promissory note market, the development of cash management trusts and greater emphasis on liability management by financial institutions, involving a greater reliance on standby credit lines (particularly from overseas). The acceleration of the innovation process, both here and overseas, stems importantly from the high nominal interest rates that have accompanied the high inflation of recent years and from increased awareness of relative rates of return on different financial assets. In many respects, such developments betoken markets living (and evolving) in troubled times.

While the effect of these innovations on monetary conditions can be overdrawn, they have undoubtedly contributed to the differing relative growth rates of various financial aggregates and, more speculatively, may have changed the relationship between particular monetary and financial aggregates and other economic variables such as nominal and real income growth. If so, this would have important consequences for monetary policy—though not ones that raise basic doubts about its efficacy.

One obvious consequence is that assessments of monetary policy should be based on a variety of indicators and not rely on a single aggregate; there is of course nothing new in that and recent financial innovation merely emphasises the point. More fundamentally, particularly when inflation is high, monetary policy needs to be conducted by market-oriented instruments which aim to control the liquidity or monetary base of the financial system rather than by instruments which rely on direct controls on one or more categories of financial intermediaries. Whereas virtually all forms of financial intermediation rest to a greater or lesser extent on the liquidity or monetary base, it is an obvious lesson of history that direct controls only invite innovation to evade them.

The current recession in Australia has been marked by a much sharper fall in real and nominal output growth than in monetary growth, so that monetary velocity has declined sharply. In Part I of this Statement, the judgment was reached that this sharp decline in velocity seems to have been primarily related to cyclical factors. Some unwinding of that process can be expected to be reflected, as the pick-up in activity proceeds, in a marked increase in velocity during 1983-84. In turn, this implies a requirement for growth in the monetary aggregates noticeably below the desired growth in nominal product.

The lags with which monetary policy affects the economy are lengthy and variable and argue against attempts to 'fine tune' monetary growth to short-term swings in the growth of real output. Rather, monetary growth needs to be set on a more stable path consistent with medium term objectives for reductions in inflation and inflationary expectations and growth in real output. Stable does not, however, mean unchanged and the need for stability cannot be invoked to support continuing monetary drift. Avoiding such drift—achieving an appropriate monetary outcome—in the context of a very large budget deficit requires very large sales of Commonwealth Government securities to the non-bank sector.

External Policy

Although there has been much debate about the nature of the channels through which domestic and external policies interact, there is general acceptance that the task of economic management is easier if policies are mutually supportive. While external economic policy must primarily be directed to maintaining external balance, it can also have an important role in the achievement of domestic objectives. It cannot, however, be expected to operate independently of domestic policy or compensate for inadequacies in domestic policy.

The 12 per cent depreciation of the trade-weighted value of the \$A over the course of 1982-83 both provided an immediate and substantial improvement in Australia's international competitiveness and assisted in improving the current account deficit. Depreciation also, however, resulted in higher priced imports thereby adding to underlying domestic price and cost pressures.

With the budget adding substantially to primary liquidity in 1983-84, the achievement of monetary objectives would be facilitated by a reduced injection from external sources. Given the present relatively high level of external reserves, there is scope for the private sector foreign exchange transactions surplus to decline in 1983-84 from its high 1982-83 level. Other things being equal, however, the required bond-selling effort

and its effects on interest rates would tend to attract inwards flows across the exchanges. External policy will need to do what it can to ensure that any such tendency does not substantially offset the domestic effects of the bond-selling effort.

There is a fine line to tread here. If sufficient securities were not sold to the non-bank sector there would be a substantial risk that the liquidity being pumped into the private sector from the budget would result in a large fall in net foreign borrowing. What was intended to be a modest surplus in private sector foreign exchange transactions could thus develop into a substantial deficit.

The implication of those considerations for external policy in 1983-84 is not easily assessed. The exchange rate will, as usual, be influenced by many factors including cost and price pressures in Australia relative to those of our trading partners, developments on the current and capital accounts, movements in exchange rates and interest rates abroad, the course of economic policies, and Australia's growth prospects. It suffices to say that the exchange rate will need to be managed flexibly if external policy is to pull in tandem with domestic economic policies.

Risks to Sustained Recovery

There are four major—and closely inter-related—risks to achievement of sustained recovery in the domestic economy in the period ahead. These relate to interest rates, inflation, the balance of payments and high uncertainty linked with low private sector confidence. (This is to say nothing of the uncertainties surrounding the sustainability of the *international* recovery, including the possibility of further increases in interest rates, particularly in the United States, a resurgence of inflationary expectations internationally and lingering concerns as to the stability of the international financial system.)

To take these risks in turn, interest rate outcomes may potentially provide major barriers to the emergence of a basis for sustained recovery during 1983-84. The fundamental issue is not, however, whether interest rates will rise or fall in 1983-84; rather it is whether, given the configuration of other economic variables, they will be at a level which is conducive to or inhibits a durable revival in private sector spending.

Net borrowing by the public sector as a proportion of GDP more than doubled in 1982-83 and a further sharp increase is in prospect for 1983-84. Even with a further fall in corporate net borrowing in 1983-84, the combined borrowing of the public and corporate sectors is projected to rise to the highest level relative to GDP for at least the past twenty-five years. Certainly, in 1982-83 it proved possible to finance a sharply increased public sector borrowing requirement in a climate of declining interest rates. There were, however, some particular elements of the economic scene in 1982-83 which were relevant to that achievement and which cannot be counted on to continue—or at least not to the same extent—in the year ahead. These were:

- a very sharp fall in corporate sector borrowing and relatively high household savings;
- very significant falls in overseas interest rates and exchange rate expectations that, for a good part of the year, favoured capital inflows; and
- apparently, some growing expectation that inflation would fall in the short run, with consequences for the inflation premium built into medium-term nominal interest rates.

In 1983-84 the financing of the very large Commonwealth budget deficit in a way consistent with the overall thrust of policy will require very large volumes of Government securities to be placed with the non-bank sector. This involves a transfer of income to investment in financial assets and/or increases in holdings of public sector securities relative to other financial assets. It cannot be expected that these portfolio shifts will be achieved without a change—at least in the short-term—in the relative real rate of return on public sector securities. In particular, these shifts will require that public sector securities become relatively more attractive than other financial assets, at least for a time.

To put the task into some perspective, it might be noted that sales of Government securities to the non-bank sector in 1982-83 alone—\$4100m—were greater in real terms than total sales to the non-bank sector during the whole of the 1970s.

The prospect of a similar—perhaps larger—real increase in non-bank holdings of Government paper in 1983-84 carries with it the risk of pressures on the price (i.e., the interest rate) of that paper. This risk would be substantially heightened over future years if large budget deficits—and a consequent high rate of growth of Government paper outstanding—were permitted to continue.

It should be noted that the increase in non-bank holdings of Government securities in 1982-83 was from a relatively low base level. Although the nominal stock of Government debt in non-bank hands more than doubled over the decade to June 1982, the real value of that debt actually declined by 29 per cent over that period. By the end of 1982-83, however, real non-bank holdings of Government debt had risen again to their highest June level since 1972-73. Additional increases in 1983-84 and *a fortiori* beyond run an increasing risk that bonds may have to be sold onto a market already saturated with that product. If so, investors would be likely to shorten further the maturity of the debt they hold and demand very full interest rate premia to cover the risks of a resurgence of inflation.

The risks of all this to interest rates are compounded by the likelihood that, at the same time as the Commonwealth will be increasing its call on the savings of the non-bank sector, and more specifically the household sector, other elements of the public sector will also be increasing their demands on the same savings.

Inflation is another potential barrier to the transformation of the present pick-up in economic activity into durable economic recovery. The lagged effects of recession over the past 18 months and the slowing of wages should be sufficient to deliver a somewhat lower price outcome in 1983-84 than last year within a higher profit environment. The central issue, however, is whether that decline in wage and price inflation can be furthered so as to permit sustained economic recovery. Continued incomes restraint and substantial declines in inflation would assist recovery through promoting an environment conducive to improved international competitiveness, the financing of the very large bond-selling task facing the government already referred to, the lowering of uncertainty, reduction in speculative investment and the encouragement of private spending decisions, particularly longer-term investment decisions.

As for the balance of payments, the events of March 1983 provided a graphic reminder—if one were needed—of the inherent volatility of external capital flows. The dramatic swings in market sentiment, and the speed and size of transfers of funds in and out of the country, provided an example of the need for flexibility in monetary and

external management. But no amount of flexibility can remove the potential for the external account to impose severe constraints on domestic economic performance if that performance is not seen to be conditioned by adequate domestic policies.

Probably the most readily recognised balance of payments constraint derives from the link between the rate of domestic economic expansion and the rate of importing. With the current account deficit now declining strongly (temporary drought effects on exports aside), there is no suggestion that this source of difficulty is operative, or close to being operative, in Australia at present. Nevertheless, it does serve as a reminder of the limits to the pace of economic recovery, particularly should the recent gains in international competitiveness not be sustained.

Related to that point is the constraint that domestic cost and price performance places on the balance of payments and on exchange rate policy. The forecast recovery in international activity should provide a boost to world trade volumes, at least among Australia's principal trading partners, and to commodity prices; this will provide the opportunity for a further improvement in Australia's balance of trade. At present, though, the Australian economy is not well positioned to improve its share of world trade. In particular, our inflation rate is currently more than twice that of our major trading partners. Prospects for 1983-84 are for no more than some narrowing of that gap.

In principle, continual exchange rate depreciation can avoid a loss of international competitiveness resulting from relatively high inflation. The reality is more complex, particularly in the context of an inflexible domestic cost structure. For a devaluation to be effective, there must be a lasting improvement in the cost/price structure of the traded goods sector. If the higher prices caused by devaluation are reflected in higher wages and other costs, nothing will have been achieved—except a further boost to the high inflation which necessitated the devaluation in the first place. It would therefore be a dangerous fallacy to suppose that exchange rate flexibility frees us from the necessity of bringing down our inflation rate.

The balance of payments also has potential to disrupt the management of domestic monetary policy. Ultimately, external stability depends on domestic financial stability, including a macroeconomic policy framework which is—and is seen to be—stable, predictable and workable. A sceptical public—including financial market participants—may require some clear 'runs on the board' before uncertainties are lessened. In the meantime, financial markets, and flows of funds across the exchanges, could remain quite volatile.

Risks of the type just described deserve specific attention at this time because of the unprecedented scale of public sector demands on financial markets. Most discussion of this issue—including in this Statement—has emphasised the inherent interest rate (i.e. price) risks. But there are also quantity risks. If interest rate pressures approach the unacceptable, or if expectations develop that they are likely to do so, excess money balances can build up very quickly—and with equal speed spill across the exchanges via a haemorrhage on the capital account of the balance of payments.

The general point in the foregoing is that if there are domestic policy deficiencies, external policy is not itself capable of restoring a stable external position; in the end, external balance is above all a function of domestic policy settings.

PART IV—THE ECONOMIC OUTLOOK

Background

The Australian economy has emerged from 1982-83 with mixed prospects. The deep recession and the associated wage moderation over a period of six months or so have seen labour costs being brought more into line with productivity and the underlying rate of inflation beginning to fall in the wake of that. Fiscal policy has become decidedly stimulatory. The drought has broken and economic prospects abroad have brightened. At the same time the exceptionally heavy stock run-down which depressed production in 1982-83 is likely to level out as 1983-84 progresses, with positive consequences for production.

The concurrence of those favourable factors should see economic activity pick-up as 1983-84 proceeds. That pick-up, however, is expected to be narrowly based and policy must now focus upon creating conditions which might broaden the pick-up to include private sector spending.

The Forecasting Framework

Preparation of budget estimates requires detailed forecasts of various economic parameters in the form of single point estimates. This suggests a degree of precision which is quite unwarranted given the uncertainties of the economic environment, and each estimate should more accurately be regarded as no more than the mid-point of a range of plausible possibilities. The economic upheavals of the past decade, the increased swiftness of the response of economic agents to changes in their perceptions of the economic situation and to their expectations of prospective developments, as well as the movement, in some important respects, of the current performance of the economy to an area that is outside the domain of post-war experience, all heighten the uncertainty surrounding the outlook for the year ahead.

Those difficulties for the forecaster are compounded when, as at present, a turnaround in economic activity is expected within the forecasting horizon. The long-heralded but much delayed turnaround in the U.S. economy bears witness to the difficulty of successfully predicting the turning point in an economic cycle. Even if the forecasts herein correctly embody the rate at which activity rises once the turnaround commences—and there is, of course, no guarantee of that—an error in the projected time profile of the upturn could dramatically alter forecast year-average growth rates. For example, a delay of only one quarter in the commencement of the projected pick-up would detract over one percentage point from the forecast growth of non-farm product in 1983-84.

The forecasts are, as always, conditional on an underlying framework of assumptions which form an interrelated and (it is hoped) consistent whole. Other things being equal, a change during the course of the year in the setting of a policy instrument necessarily entails offsetting shifts in other policy settings if the same objectives are to be achieved. For example, the forecast slowing in the rate of inflation is conditional on the assumption that wage increases outside the assumed increases in award wages under National Wage Case hearings are only minimal. Fiscal and monetary policy settings have been adopted having regard to that assumption. To the extent that sectional wage claims increase above that minimal level, the slowing in inflation could only be achieved

through a firmer stance of other policies. On the other hand, a more favourable outlook for inflation and an easing of inflationary expectations—and hence for private demand and the growth of employment—would obtain if the increase in award rates were, in the event, lower than has been assumed.

In addition to all the caveats just mentioned, there is the usual problem that the forecasts must necessarily be based on currently available statistical data, which can subsequently be subjected to substantial revision and then be seen to have provided an erroneous stepping off point for the forecasts.

Forecasting Assumptions

The main components of the Budget estimates, as used for forecasting purposes, are as follows (figures in parenthesis represent corresponding increases in real terms, where appropriate):

- an overall budget deficit of \$8361m, comprising an estimated domestic deficit of \$5744m and an overseas deficit of \$2617m;
- an estimated increase in total outlays of 15.8 per cent (about 7½ per cent) comprising:
 - an increase of 15.4 per cent (about 8 per cent) in current expenditure on goods and services (partly deriving from an estimated increase of 4.4 per cent in public service staffing, approximately one-half of which represents the full year effects of increases during 1982-83);
 - an increase of 20.9 per cent (about 11½ per cent) in gross fixed capital expenditure, including sharp increases in building and construction expenditures and extensive outlays on computing equipment;
 - an increase of 14.0 per cent (about 5½ per cent) in payments to the States, the Northern Territory and local government, including large additions to special employment programs and for road construction; and
 - an increase of 19.5 per cent (about 10½ per cent) in cash benefit payments to individuals;
- an estimated increase of 8.6 per cent (about ½ per cent) in total receipts, including:
 - an increase of 5.4 per cent in direct taxation; and
 - an increase of 14.4 per cent in indirect taxation.

The other assumptions underpinning the detailed projections are:

- a moderate recovery in international economic activity over the course of 1983-84. Real GNP in industrial countries as a group could grow by around 2½ per cent in 1983-84, including a stronger rise in the United States;
- only slight growth in the volume of world trade in 1983-84 although the trade of Australia's major trading partners could fare significantly better than average;
- lower price inflation in all major industrial countries in 1983-84 than in 1982-83, though there could well be some upward pressure on prices later in the year as activity recovers and commodity prices rise. World oil prices, however, are assumed to remain around their current levels over the forecast period;

- adjustments in domestic and external policy instruments with sufficient flexibility to ensure growth in financial aggregates consistent with an increase in M3 in the range of 9 to 11 per cent over the year to the June quarter 1984;
- more normal seasonal conditions, following the recent rains, allowing the sharp decline in farm production that occurred in 1982-83 to be reversed; and
- six-monthly wage indexation and strictly limited sectional claims.

General Outlook

Based on those forecasting assumptions, the outlook for 1983-84, in summary, is as follows:

Activity and output

- continued strong growth in public sector final demand;
- continued weak private sector final demand, with a further marked fall in private business fixed investment more than offsetting weak growth in private consumption and strong growth through the year in private dwelling construction;
- a marked slowing in non-farm stock decumulation and a rise in farm stocks;
- a modest pick-up in exports and another significant decline in imports; and
- moderate growth in real non-farm product (but strong growth through the course of the year) and, reflecting a rebound in farm output, somewhat faster growth in GDP.

Labour market

- moderate growth in employment during the course of the year; and
- an edging up in the rate of unemployment.

Prices and incomes

- some slowing in the rate of domestic inflation;
- a resumption of growth in real household disposable income; and
- some improvement in business cash flows and profits.

Balance of payments

- a further fall in the current account deficit;
- a rather larger fall in capital inflows; and
- as a consequence, a modest fall in international reserves from their present high level.

Financial markets

- a further fall in corporate borrowing and an increase in household lending;
- a marked increase in public sector borrowing; and
- continued pressure on interest rates.

Further notes on the major components of the forecasts are set out below. Expenditure estimates are in real terms.

Activity and Output

Private consumption expenditure is projected to increase by around 1½ per cent in 1983-84, somewhat faster than in 1982-83. However, as recorded in the national accounts, *consumption growth is likely to be only slightly stronger than in 1982-83* because of the reclassification of certain health expenditures from the private to the public sector, reflecting increased hospital payments to the States under Medicare. Real household disposable income is projected to grow by about 3 per cent, following no growth in 1982-83. The forecasts imply little change in the 'adjusted' saving ratio (following the ½ percentage point increase in 1982-83), reflecting an assumption that the effects of continued high unemployment and uncertainties about future inflation (with consequential effects for interest rates) will be countered by the favourable effects on confidence of economic recovery and a slowing in recorded inflation. Consistent with the projected strong growth in farm income, the aggregate saving ratio is expected to increase markedly in 1983-84.

Private dwelling investment is projected to increase by about 3 per cent in 1983-84 (following the decline of 25 per cent in 1982-83). The rebound over the course of the year could be of the order of 20 per cent. This projection is conditional upon deposit rates of the major mortgage lenders remaining competitive within the interest rate structure.

*Business fixed investment*¹⁰ is projected to fall again in 1983-84 at about the same rate as the very sharp decline of 14 per cent recorded in 1982-83. The forecast reflects the view that, given current low levels of capacity utilisation, business will be cautious in responding to the pick-up in activity and improved profitability in the face of high real rates of interest and uncertainties about wage moderation, international competitiveness and the durability of the recovery.

The major influences on the level of public sector activity in 1983-84 include the Commonwealth Budget and the apparent continued willingness and ability of governmental authorities at all levels to finance growing capital expenditures in an environment of high real interest rates. *Total public sector final expenditures* on a national accounts basis are projected to increase by about 4½ per cent following the rise of about 3½ per cent in 1982-83. This assumes accelerated growth in public *current expenditures* (possibly to around 6 per cent) roughly offset by a slowing in the rate of growth in public *capital expenditure* from about 4 per cent in 1982-83 to around 2 per cent in 1983-84.

Commonwealth current expenditure on a national accounts (deliveries) basis is expected to increase strongly in 1983-84 (by around 10 per cent) while Commonwealth capital expenditures are projected to increase by about 3½ per cent after declining by around 10½ per cent in 1982-83. Very strong growth in budget-financed civil works is expected in 1983-84, with lesser growth in capital spending by Commonwealth authorities. State and local government authorities' capital expenditures are assumed to increase by around 2 per cent, compared with very strong growth of about 8 per cent in 1982-83.

¹⁰ The following discussion of the outlook for *business fixed investment* and *public authority investment* abstracts from the impact on the published national accounts estimates of certain sale/leaseback transactions between the public and private sectors, based on Treasury estimates of these transactions.

Following very heavy decumulation of *non-farm stocks* during 1982-83, the rate of run down is expected to slow substantially during the course of 1983-84. Within 1983-84, *farm stocks* are likely to experience a turnaround equivalent to about half of the increase in farm product.

Non-farm product is forecast to increase by about 2 per cent in 1983-84, embodying considerably more rapid growth—5 per cent or so—over the course of the year. With a sharp rebound of about 20 per cent in farm product, total *gross domestic product* could grow by 3 per cent or so for 1983-84 as a whole.

The Rural Recovery

The severe drought which afflicted much of eastern Australia in 1982-83 had a devastating effect on the rural sector and led to a fall in gross farm product of 18 per cent. With farmers' costs rising more rapidly than the prices received for their produce, farm income, measured in real terms, recorded much the largest percentage decline in the last 30 years.

Following the drought-breaking rains over recent months, a significant recovery in the rural sector is likely in 1983-84. Gross farm product could rise by around 20 per cent. A firming of commodity prices on international markets and the strong rise in livestock prices in Australia following the breaking of the drought, together with a moderation in the rate of increase of farm costs, should lead to an approximate doubling of nominal farm incomes in 1983-84.

Autumn plantings suggest that wheat production could double the 1982-83 crop. Record plantings are expected for most other grain crops. Production of livestock and livestock products could decline by about 4 per cent in 1983-84, as farmers start rebuilding herd and flock sizes following the breaking of the drought. However, in conjunction with the US recovery, this lower production has put upward pressure on livestock (and hence meat) prices. Sugar production is expected to fall in 1983-84 following unseasonably low rains during the growing period, although the impact on the value of production is likely to be muted by an expected improvement in world sugar prices.

The large increase expected in grain production would result in a build-up of farm stocks (following the drought-induced fall in 1982-83), more than offsetting an expected depletion of wool stocks associated with the projected small decline in wool production.

Balance of Payments

Exports of goods and services are likely to increase moderately in 1983-84 as in 1982-83. Some farm exports will still be affected by the earlier decline in farm production and there is expected to be a modest fall in overall farm export volumes; non-rural exports should record better growth, reflecting improving world demand and increased production capacity in some parts of the resource sector.

Imports of goods and services seem set for another decline in 1983-84 consistent with the weak outlook for private domestic demand, particularly in the business investment area, and the lagged effects on competitiveness of the depreciation of the Australian dollar through 1982-83. However, the expected pick-up in the domestic economy is likely to induce some expansion of import volumes over the course of 1983-84.

As always, the likely *balance on the current account* is surrounded by considerable uncertainty. The trade deficit, which declined significantly in 1982-83, should turn to surplus in 1983-84, more than offsetting some further edging up in the net invisibles deficit. As a result, the current account deficit could narrow further in 1983-84, although by less than the major reduction in 1982-83.

The extent of private capital inflow will depend heavily on monetary and short-term external policy settings. It is assumed that in 1983-84 these settings will be conducive to a level of private capital inflow markedly lower than in 1982-83 and consistent, having regard to the reduction in the deficit on private current account, with a smaller external contribution to domestic liquidity than in 1982-83. With continued moderate Commonwealth Government borrowing abroad, this would indicate some modest reduction in Australia's foreign exchange reserves from the high level at which they stood at 30 June 1983.

Labour Market

There is considerable uncertainty as to how far the pick-up in activity will be transmitted to the labour market. The shake-out in employment in the present recession has been particularly severe as firms have responded to the combination of higher real wage costs and reduced demand. The severity of the labour-shedding response has worked to raise non-farm labour 'productivity' (per person employed) in 1982-83 and it may well be that this trend will continue into the upturn in the face of the depressed corporate profit share and high labour costs. Employers may require firm evidence of improved profitability and a sustained increase in demand before fully reversing the labour shedding that took place in 1982-83.

On that basis, the greater part of the projected increase in product in 1983-84 is expected to be accounted for by an increase in 'productivity' (as measured) rather than increased employment. A substantial part of that 'productivity' increase would represent merely an increase in weekly hours worked as short-time arrangements are unwound and employers make greater resort to overtime working.

Partly reflecting the impact of the Government's public sector employment-generating initiatives, employment could grow by about 1½ per cent over the course of 1983-84, bringing average employment in 1983-84 up to around the average for 1982-83.

In view of the resilience of the labour force participation rate in the face of the shake-out in the labour market during 1982-83, the forecasts for 1983-84 assume little change in the participation rate from its recent level. In conjunction with expected growth in the working age population of about 2 per cent, this would imply that labour force growth would continue to exceed employment growth and hence that average unemployment would be higher in 1983-84. For the purpose of the Budget estimates, this has been translated into an average level of unemployment benefit recipients of around 680 000 in 1983-84 compared with an average of 540 000 in 1982-83 and a level in July 1983 of 634 000.

Prices and Incomes

For 1983-84 as a whole, *average weekly earnings* are assumed to be about 7 per cent above their average level in 1982-83, representing a marked slowing from the increase of 11½ per cent last year.

For the purpose of preparing the Budget estimates, it has been assumed that National Wage Case decisions are based on half-yearly indexation commencing with the increase in the consumer price index for the March and June quarters of 1983; a sizeable allowance is made for increases in hours worked but minimal allowance for sectional claims. An alternative assumption—leading to much the same outcome—would be for less than full indexation to be awarded but for sectional claims to be somewhat higher.

However, much of the slowing in earnings growth that the year-on-year increase of 7 per cent implies would reflect the effects of the wages pause in the second half of 1982-83; the growth in earnings through the course of 1983-84 would be considerably faster than that.

The slowing in wage increases during 1982-83 and the early part of 1983-84 is in turn the main influence contributing to some slowing in underlying inflation in 1983-84. Other influences expected to affect prices in 1983-84 include: the lagged effects of the exchange rate depreciation over the course of 1982-83 (which are likely to offset the beneficial effects on domestic inflation of the very low inflation projected for our major trading partners); some further increase in food prices; and increases in public authority taxes and charges including those announced in this Budget. The introduction of Medicare from 1 February 1984 is expected to diminish substantially the increase in the CPI in the second half of the year, but national accounts price deflators will, of course, be unaffected.

On that basis, the CPI could increase by about 7½ per cent in 1983-84 as a whole, with more broadly based expenditure deflators rising rather more than that.

Taken in conjunction with the projected strong pick-up in 'productivity', these movements in wages and prices would be consistent with some increase in profitability, from its current extremely depressed level, over the course of 1983-84.

Financial Markets

As indicated in the Budget Speech, the Government will be seeking to restrain growth in all monetary aggregates, consistent with growth of M3 in the range of 9 to 11 per cent over the year to the June quarter 1984.

This implies a fairly sharp increase in the income velocity of circulation of M3 through the course of the year. However, as discussed in Part III of this Statement, a cyclical increase in velocity is normal during an upswing and, on this occasion, velocity starts from a point well below trend. The projection has been based on the judgment that, accordingly, there is room for a substantial increase in velocity before the slack presently in the system is taken up.

Net borrowing by the public sector in 1983-84 could increase by around 2 percentage points of GDP, to about 8 per cent, more than offsetting a likely further decline in net corporate borrowing. Even with a further rise in household net lending, such large shifts in sectoral funds flows might not be achievable without some pressure on interest rates. Developments in overseas financial markets, however—particularly interest-rate movements—will as usual have a significant influence on domestic financial markets and hence on domestic interest rates.

STATEMENT NO. 3—ESTIMATES OF OUTLAYS, 1983-84

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Further Ahead

As the forecasting horizon is extended the uncertainties and risks attaching to the durability of the upturn greatly increase. Stripped down to its essentials, the task of maintaining the momentum of the pick-up in activity beyond 1983-84 hinges on the creation of an economic environment conducive to sustained growth in the private sector. Of those factors not directly subject to policy control, wage settlements in the year ahead have the greatest potential for influencing the outcomes for inflation, interest rates and corporate profitability—and hence private sector activity in the period beyond that.

A wages outcome higher than currently assumed would have an especially damaging impact on business confidence and private sector spending propensities. The renewal of pressures on corporate profitability, together with a consequent slackening in private demand, would be likely to manifest itself in a further round of labour shedding and another sharp ratcheting up in the rate of unemployment.

Those risks are sufficiently grave in the economic context presently foreseen. They would be magnified, however, should the outlook for demand prove even stronger than presently expected while public sector demands were still growing strongly. For example, an even stronger upturn in the world economy than now foreseen could aggravate the risks within Australia of a renewed wage surge, higher inflation and higher interest rates. Unless these possible consequences were contained, the potential advantages to Australia of the world upturn could then be lost and the prospects of sustained recovery further imperilled.

The current fiscal stimulus is large by any standards. The forecasts assume that, in 1983-84 at least, it will be possible to finance the resultant public sector borrowing requirement without significant increases in the general level of interest rates. This assumption rests largely upon the forecast, comfortable in the reasoning which underlies it, of very weak projected demand for finance by the private corporate sector. At the same time it is recognised that developments in capital markets abroad, particularly in the United States, are highly unlikely to be as 'favourable' for domestic interest rate trends as they were in 1982-83. Clearly, additional pressures on interest rates would result if, from one viewpoint happily, the demand for private finance were stronger than envisaged. In that case, rising interest rates could act seriously to inhibit, if not choke off, the tendency for recovery in private sector activity. The risk of that would be much enhanced if budget deficits and borrowing requirements were not seen as likely to be reduced once an upturn in private sector activity gathered momentum.

A further point of concern for a sustainable recovery relates to the current inflation outlook which, even given a favourable wages outcome, is likely to remain substantially above inflation levels in our major trading partner countries.

These possibilities are highlighted not to engender any feelings of gloom but to emphasise the serious nature of the problems still to be overcome and the central elements of the necessary policy response. They tend to reinforce the view that a durable recovery will require, as essential pre-requisites, both continuing wage moderation in the period immediately ahead and an on-going effort to reduce structural public sector deficits and borrowing requirements as recovery proceeds. If those pre-requisites were met recovery would proceed and, as it did so, growth in activity would be reflected more fully in strong employment growth.

STATEMENT No. 3—ESTIMATES OF OUTLAYS, 1983-84

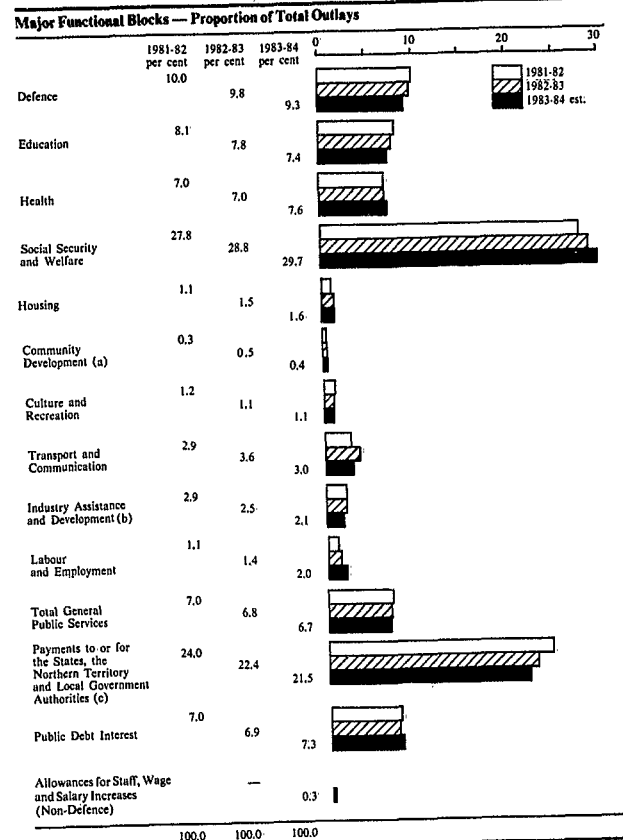
This Statement presents detailed estimates of Budget outlays in 1983-84, classified according to their primary purpose or function. Comparable figures are also shown for 1981-82 and 1982-83; data for the period since 1973-74 are presented in Statement No. 6.

SUMMARY

The following table shows, in summary form, total outlays classified by major functional and sub-functional headings:

	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change
	\$m	\$m	\$m	\$m
1. Defence	4 133.7	4 782.5	5 279.9	+ 497.4
2. Education	3 340.5	3 802.0	4 210.5	+ 408.6
3. Health	2 912.4	3 425.4	4 295.3	+ 869.8
4. Social Security and Welfare	11 501.3	14 112.4	16 843.0	+ 2 730.6
5. Housing	458.3	740.3	911.5	+ 171.3
6. Urban and Regional Development nec and the Environment	77.5	126.0	148.3	+ 22.3
7. Culture and Recreation	482.2	523.0	599.2	+ 76.2
8. Economic Services—				
A. Transport and Communication	1 180.2	1 760.4	1 705.4	- 55.0
B. Water Supply, Electricity and Gas	66.6	102.7	89.2	- 13.5
C. Industry Assistance and Development	942.0	1 108.7	1 103.6	- 5.1
D. Labour and Employment	460.0	684.7	1 124.0	+ 439.2
E. Other Economic Services	108.7	96.2	99.0	+ 2.9
Total Economic Services	2 757.5	3 752.8	4 121.3	+ 368.5
9. General Public Services—				
A. Legislative Services	132.3	198.8	223.3	+ 24.5
B. Law, Order and Public Safety	257.7	322.0	376.4	+ 54.4
C. Foreign Affairs and Overseas Aid	860.5	958.2	1 085.5	+ 127.3
D. General and Scientific Research nec	393.6	438.7	438.5	- 0.1
E. Administrative Services	1 241.3	1 431.4	1 671.6	+ 240.1
Total Public Services	2 885.3	3 349.0	3 795.3	+ 446.2
10. Not Allocated to Function—				
A. Payments to or for the States, the Northern Territory and Local Government Authorities nec	9 908.2	10 991.4	12 202.7	+ 1 211.3
B. Public Debt Interest	2 880.9	3 377.7	4 133.3	+ 755.6
C. Allowance for Prospective Staff, Wage and Salary Increases (Non-Defence) . . . . .	..	..	163.0	+ 163.0
Total Not Allocated to Function	12 789.1	14 369.1	16 499.0	+ 2 130.0
TOTAL OUTLAYS	41 337.6	48 982.3	56 703.2	+ 7 720.9

The following chart, based on the table above, gives a broad impression of the relative size of the major functional blocks of outlays and recent and projected movements in these proportions. It is emphasised that changes in the size of these functional blocks from one year to another are affected by classification changes (see Appendix for further details).



(a) Includes expenditure for Water Supply, Electricity and Gas, Urban and Regional Development nec and the Environment.
 (b) Includes expenditure for Other Economic Services.
 (c) Includes Payments for Natural Disasters.

I. DEFENCE

Australia's strategic circumstances, defence needs and priorities are to be reviewed by the Government to ensure the relevance of our defence capabilities. Pending the outcome of this review, the direction of defence expenditure is expected to be broadly maintained.

Outlays on defence are estimated to be \$5280m in 1983-84, an increase of 10.4% on the outlays of \$4782m in 1982-83. The provision involves a real increase over 1982-83 of about 4%, mainly to cover obligations for equipment and facilities, particularly in relation to the new tactical fighter project.

Outstanding obligations, mainly for capital items, to be met in 1984-85 and later years are estimated at \$5612m. The increase of \$532m over the \$5080m obligation carried into 1983-84 relates mainly to price and exchange rate variations on the new tactical fighter project. The level of obligations outstanding could also be increased by proposals for major new equipment still being considered.

Estimates are generally in April 1983 prices. However, additional provision has been made for cost escalation included in certain overseas major equipment contracts, and for some other post-April price increases. A bulk allowance of \$110m has also been provided for prospective increases in wages and salaries of service and civilian defence personnel during 1983-84.

Provision for other price increases in 1983-84 may be made in Additional Estimates later in the year in the light of circumstances prevailing at that time.

	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Defence Manpower Costs nec—					
Civilian	330.1	365.0	368.9	+ 3.9	+ 1.1
Forces—					
Naval	368.6	380.6	374.3	- 6.3	- 1.7
Military	710.3	752.5	738.4	- 14.1	- 1.9
Air	484.5	497.7	497.4	- 0.3	- 0.1
Defence Forces Retirement and Death Benefits	245.5	279.1	315.0	+ 35.9	+ 12.9
Total	2 139.0	2 274.8	2 293.9	+ 19.1	+ 0.8
Defence Equipment and Stores—					
Naval Construction	137.8	183.9	223.8	+ 39.8	+ 21.7
Aircraft and Associated Initial Equipment	75.8	270.8	513.0	+242.2	+ 89.4
Armoured and Combat Vehicles, Artillery	12.2	19.7	9.3	- 10.4	- 53.0
Other 'Capital' Equipment and Stores	257.5	305.2	279.2	- 26.0	- 8.5
Acquisition of Boeing 707 Aircraft	0.3	0.1	0.1	..	..
Supporting Equipment and Stores	452.4	510.6	526.0	+ 15.4	+ 3.0
Repairs and Maintenance	158.7	182.7	190.4	+ 7.7	+ 4.2
Total	1 094.7	1 473.0	1 741.8	+268.7	+ 18.2
Defence Facilities—					
Advances to the States for Service Housing	3.0	8.3	5.3	- 3.0	- 36.0
Other Buildings, Works, Furniture and Fittings	134.6	133.1	158.2	+ 25.1	+ 18.8
Acquisition of Sites and Buildings	13.5	17.9	21.9	+ 4.0	+ 22.6
Repairs and Maintenance	73.0	80.1	84.7	+ 4.6	+ 5.7
Total	224.1	239.4	270.1	+ 30.7	+ 12.8

	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Defence Industrial Capacity—					
Wage and Salary, Administrative and Operational Expenditures	109.4	129.7	140.0	+ 10.4	+ 8.0
Buildings and Works	25.3	37.9	59.9	+ 21.9	+ 57.8
Machinery and Plant	23.0	41.2	60.1	+ 19.0	+ 46.1
Maintenance of Production Capability	87.1	94.0	94.9	+ 0.9	+ 0.9
Government Factory Operations	18.9	31.1	22.4	- 8.8	- 28.2
Other	2.8Cr	5.2Cr	6.7Cr	- 1.5	- 27.9
Repayments	..	..	..	..	..
Total	262.1	323.7	380.4	+ 56.7	+ 17.5
Defence Science and Technology Establishments (net)	125.9	138.8	144.0	+ 5.2	+ 3.7
Defence Co-operation—					
Papua New Guinea	16.7	17.3	17.1	- 0.1	- 0.8
Indonesia	8.6	10.2	10.3	+ 0.1	+ 1.2
Malaysia	4.0	4.9	5.6	+ 0.7	+ 14.8
Singapore	1.2	1.6	1.5	- 0.1	- 3.5
Other	9.2	10.3	11.2	+ 0.9	+ 9.1
Total	39.7	44.2	45.8	+ 1.6	+ 3.6
Storage and Transport Services	30.6	31.9	28.5	- 3.3	- 10.4
General Administrative Expenditure	329.2	389.4	416.8	+ 27.5	+ 7.1
Natural Disasters, Civil Defence and Other Recoveries and Repayments	7.2	7.3	7.8	+ 0.5	+ 7.3
Allowance for Prospective Wage and Salary Increases	118.8Cr	140.0Cr	159.3Cr	- 19.3	- 13.8
..	..	..	110.0	+ 110.0	n.a.
TOTAL DEFENCE	4 133.7	4 782.5	5 279.9	+497.4	+ 10.4

NOTE: n.a.—not applicable.

DEFENCE MANPOWER COSTS NEC

Expenditure under this category provides for the bulk of service and civilian manpower outlays of the Department of Defence. Before taking account of the \$110m provision for prospective wage and salary increases which is not included in the appropriations, manpower costs are estimated to increase from \$2274.8m in 1982-83 to an estimated \$2293.9m in 1983-84, reflecting the net effect of an increase of \$35.9m in Defence Force retirement and death benefits costs, a small increase of \$3.9m in civilian manpower costs and a decrease of \$20.7m in service manpower costs.

The net decrease of \$20.7m in service manpower costs reflects an estimated overall reduction in strength of about 732 during 1983-84. This follows a reduction of about 400 in 1982-83, mainly related to the withdrawal from service of HMAS Melbourne and the RAAF Canberra aircraft and a reduction in Navy fixed wing aircraft numbers.

The approved strength of the Navy is estimated to reduce by a further 450 to 16 696 at 30 June 1984 as the result of decisions on the aircraft carrier and fixed wing aircraft. The Air Force's approved strength is expected to increase by 200 to 22 677 while the Army's approved strength is estimated to reduce to 32 677, a reduction of 173 on the approved ceiling at 30 June 1983 and of 395 on the actual strength at that date. The reduction from the ceiling strength is mainly related to lower permanent force cadres allocated to the reserves and cadets.

The reduction in total numbers in the Reserve Forces, from 36 524 at 30 June 1983 to an estimated 34 952 at 30 June 1984, is due mainly to a reduction in the Army Reserves to the previously approved active target of 30 000. There will also be a reduction in the average number of days training undertaken by the Army Reserves. Active reserves for the Navy are to rise by 42 to 1254 and for the Air Force by 322 to 1500. The Regular Army Emergency Reserve target has been maintained at 306.

The Government has decided to phase out the exemption from income tax on the pay and allowances of part-time members of the Reserve Defence Forces. Details are provided in Statement No. 4.

Civilian manpower has a planned full-time staffing level at 30 June 1984 of 24 422. The staff level of 24 762 at 30 June 1983 was significantly higher than the 1982-83 Budget estimate due to the transfer of Defence Science and Technology establishments from the Department of Defence Support to Defence during the year. The projected reduction in civilian staff of 340 during 1983-84 relates mainly to a transfer of 147 Naval dockyard staff to the Department of Defence Support and a net reduction of 132 due to the announced withdrawal of a Mirage Squadron from Butterworth, Malaysia to Darwin and a rundown of 80 in Defence scientific staff.

Details of Defence manpower strengths are:

	Actual June 1983	Estimated June 1984	Variation
Permanent Forces	72 782	72 050	- 732
Reserves	36 524	34 952	- 1 572
Civilians	24 762	24 422	- 340
Total	134 068	131 424	-2 644

The costs of some elements of Defence manpower shown in the above table are recorded under the categories 'Defence Science and Technology Establishments', 'Natural Disasters, Civil Defence and Other', and 'Defence Co-operation'.

The main factors leading to the increase of \$35.9m in the provision for Defence Force retirement and death benefits are:

- annual update of pension rates in July 1983 to reflect the increase in the Consumer Price Index of 11.4% over the year to March 1983; and
- a projected pensioner population increase of 1510.

DEFENCE EQUIPMENT AND STORES

Outlays on defence equipment and stores are intended to ensure that defence equipment (ships, aircraft, armour, artillery, etc.) and general logistic support are adequate for anticipated operational activities and as a basis for expansion if required. Outlays on capital equipment in 1983-84 are estimated at \$1025.3m, or \$245.5m more than in 1982-83. Outstanding obligations on capital items to be carried over to 1984-85 and later years are estimated to be \$4239.8m compared with \$3733.2m carried into 1983-84.

Estimated contractual obligations on the more significant capital items for expenditure in 1983-84 are:

	\$m
• New tactical fighter	498
• Progress payments for the four FFG guided missile frigates (three have been commissioned and delivered; the fourth is scheduled for delivery in April 1984)	155
• P3C Orion aircraft	130
• DDG and DE destroyer updates	62
• Target acquisition and tracking system for the F111 aircraft	48
• Army trucks	44
• Long-lead items for new destroyers	46
• Underway replenishment ship	37
• Guided weapons	29
• Mirage refurbishment	22
• Mine-hunting vessels	19
• Basic trainer aircraft	19

Due to delays and other factors, expenditure on these projects is subject to adjustment during the year in the light of variations in progress on individual items and requirements for payments to the United States Government in respect of those purchases conducted under Foreign Military Sales arrangements. Overall, funds provided are somewhat below the total obligation level.

Production of equipment currently being undertaken in Australia includes the Army trucks, the underway replenishment ship and the Mirage refurbishment, while local projects in the developmental stage include the mine-hunting vessels and the basic trainer aircraft. These projects should give rise to significant local production in the future.

Defence capabilities were enhanced during 1982-83 with the delivery of a wide range of equipment and completion of refurbishment of existing equipment. Deliveries included 2 Boeing 707 transport aircraft, 4 patrol boats, 2 x 155 mm howitzers, and 158 x 4 tonne and 264 x 8 tonne trucks.

A provision of \$716.5m is also made for supporting equipment and stores such as fuel, ammunition, rations and clothing required for the efficient performance of both manpower and equipment within the Defence Force, and for repairs and maintenance of ships, aircraft, vehicles, weapons and other equipment. The increase of \$23.2m over the \$693.3m provided for these activities in 1982-83 arises mainly from higher prices and the additional cost of maintenance of the more technically complex equipment now entering the service inventory. Some offsetting savings have been made as a result of the phasing out of Navy fixed wing aircraft operations and by reductions in other activities where practicable.

DEFENCE FACILITIES

Outlays for the provision and maintenance of facilities which include living and working accommodation for the Defence Force and Department of Defence are expected to increase from \$239.4m in 1982-83 to \$270.1m in 1983-84.

Major works currently under construction and expected 1983-84 expenditures include the Australian Defence Force Academy, ACT (\$30m), Armoured Centre Puckapunyal, Vic. (\$5m), Woodside Army Camp, SA (\$4m), RAAF Base Richmond, NSW (\$7m), and Derby Airfield, WA (\$4m).

New facilities at RAAF Base Williamtown, NSW for the new tactical fighter represent the major new project for commencement in 1983-84. The cost of this project is estimated to be \$106m of which \$14m is planned for expenditure in 1983-84.

The provision or improvement of housing for servicemen and their families is an important element of the facilities program. In 1983-84, \$5m is being provided under the Commonwealth State Housing Agreement for the construction of some 50 medium density units at Woolloomooloo, NSW, while a further \$31m is included under the headings 'Other Buildings, Works, Furniture and Fittings' and 'Acquisition of Sites and Buildings', comprising \$18m in respect of existing projects and \$13m to commit to construction or acquisition about 600 new or replacement houses. This new housing program is estimated to cost \$37m over about 3 years.

In 1982-83, 215 houses no longer required for defence purposes which were constructed over many years for the Defence Force under various Commonwealth State Housing Agreements, were returned to the States for allocation to applicants on their waiting lists for public housing.

Expenditure on repairs and maintenance in 1983-84 on defence facilities is estimated to be \$84.7m, an increase of \$4.6m over 1982-83.

DEFENCE INDUSTRIAL CAPACITY

Outlays on defence industrial capacity are estimated to rise from \$323.7m in 1982-83 to \$380.4m in 1983-84. Outstanding obligations on orders, mainly for equipment and facilities, for expenditure in 1984-85 and later years are estimated to be \$110m.

Expenditure under this part of the defence function is the responsibility of the Department of Defence Support. Its role is, within overall defence policies, to support the Defence Force through the management of the defence production factories (the Government Aircraft Factories, Munitions and Ordnance Factories and the Government Clothing Factory) and the naval dockyards excluding fleet base activities; the development of industrial capability and capacity (through the offsets and Australian Industry Participation programs and otherwise) to support the defence effort; and to undertake purchasing and marketing of defence material overseas.

Resources provided under this heading to support defence industrial capability and to give effect to Government policies on defence procurement in Australia include \$110.2m for aerospace activities, \$127.8m for shipyards and \$99.9m for munitions, ordnance and defence clothing production.

Initiatives in 1983-84 include the provision of \$1.2m for the development of a box-launched Ikara missile system, \$2.9m for the production of Jindivik target aircraft sub-assemblies, and \$2m for management reforms at Williamstown Naval Dockyard to improve its operational efficiency and competitive position for the Navy's frigate project.

Major buildings and works under construction in 1983-84 include the modernisation of Garden Island, NSW (\$26m), improvements at Cockatoo Island Dockyard, NSW (\$3.7m), and structural bonding and chemical milling facilities at Fishermen's Bend, Vic. (\$5.5m) to provide productive capacity for the new tactical fighter project. Commencement is also being made on new tactical fighter facilities costing \$13m at Avalon, Vic. with \$9.5m planned for expenditure in 1983-84.

Expenditure on machinery and plant is estimated at \$60.1m. Major expenditures include \$29.6m for plant for the new tactical fighter project, \$3.1m for upgrading small arms ammunition production at the Ammunition Factory, Footscray, Vic., \$1.4m for an occupational safety and health improvement program at the Munitions Filling Factory, NSW, and \$1m for a new nitroglycerine and paste propellant plant at the Mulwala Explosives Factory, NSW.

Maintenance of production capability involves the sustaining of production capacity in Government and private sector establishments where peacetime activities are such that full recovery of costs cannot be achieved. Sustaining these capabilities is estimated to cost \$94.9m in 1983-84, comprising \$30.1m for aerospace factories and \$64.8m for munitions factories.

Net outlays under the heading of Government Factory Operations cover working capital advances to the Trust Accounts under which the factories operate, repayments of working capital and surplus revenue to the Consolidated Revenue Fund, and other variations to Trust Account balances. In 1983-84, outlays include the provision of working capital for munitions production (\$1m) and for the Government Aircraft Factory, Fishermen's Bend (\$4.5m) and a rundown in the Trust Account balance of the Fishermen's Bend factory by \$2.5m.

Other major items of expenditure include the purchase or manufacture of items of essential defence material for reserve stock holdings (\$3.6m), development of production techniques in respect of existing and proposed new projects in defence industries (\$5.2m) and subsidisation of the Nomad aircraft production program which is being wound down in 1983-84 (\$13.6m).

Major revenue item estimates for 1983-84 are Nomad aircraft sales (\$2.6m) and sales of surplus reserve stock holdings of defence material (\$3.7m).

DEFENCE SCIENCE AND TECHNOLOGY ESTABLISHMENTS (NET)

Expenditure on the Defence Science and Technology Organisation provides resources for scientific and technical advice and support to the Defence Force, maintains a technology base for defence and defence industry and provides for the initial development of selected prototype military equipment. A program of technical co-operation is maintained with the USA, UK, Canada and NZ.

The estimated outlays of \$144m in 1983-84 (\$138.8m in 1982-83) cover salaries, other administrative and operating expenses, machinery, plant, stores and works services of the establishments and laboratories of the organisation. Research is continuing on such projects as the Jindalee over the horizon radar, electronic warfare techniques including development of a decoy defence against anti-ship missiles (Project Winnin) and underwater detection aids.

DEFENCE CO-OPERATION

Australia maintains a variety of bilateral contacts with countries in South East Asia and the South West Pacific. Relations with these countries have been developed as a practical expression of our interest in regional security and to promote contacts with governments and defence forces of countries with which we share strategic interests.

The total expenditure is estimated to increase from \$44.2m in 1982-83 to an estimated \$45.8m in 1983-84.

Defence co-operation programs with Papua New Guinea will continue in 1983-84 at an estimated cost of \$17.1m and will include assistance in the form of loan and advisory personnel, equipment and training and study visits in Australia by PNG Defence Force personnel. Projects being undertaken in PNG provide for further Nomad aircraft and special purpose vehicles.

Co-operation programs with Indonesia are oriented towards projects to improve its defence support capabilities as well as to contribute to national and economic development. Provision is made for Indonesia to receive co-operative assistance to the value of \$10.3m. This will involve patrol boat, Sioux helicopter, survey and mapping, communications and electronics, Nomad aircraft maintenance and riverine craft projects as well as advisory assistance and training.

Continuing assistance is provided to Malaysia (\$5.6m) and Singapore (\$1.5m). These bilateral programs place emphasis on advisory assistance, training and study visits in Australia and joint projects.

Other projects include \$10.5m for a range of bilateral activities in countries in the South West Pacific, the Philippines and Thailand, and \$0.7m for the expansion of training facilities and equipment for overseas students in Australia.

It is expected that 1181 personnel from overseas forces will visit Australia for courses and study visits in 1983-84 compared with 1141 in 1982-83.

STORAGE AND TRANSPORT SERVICES

This item provides for shipping and long term storage services provided on behalf of the Department of Defence by the Department of Administrative Services and for removals and storage of furniture for service personnel and civilians, and their families, on posting or transfer. The estimated reduction in expenditure, of \$3.3m to \$28.5m, reflects a reduction in the number of service postings and a change in charging arrangements under which the cost of some storage services will now be recovered from users.

GENERAL ADMINISTRATIVE EXPENDITURE

General administrative expenditure includes rent, movement expenses, office requisites, postage and telephones, fuel, light, power and water, freight, compensation payments, training at other than Defence establishments, and medical and dental services. The proposed increase of \$27.5m to \$416.8m in 1983-84 reflects increased costs in most categories of expenditure and additional expenditure for the Kangaroo 1983 exercise.

Included in that increase is a rise of \$2.7m, from \$12.6m in 1982-83 to \$15.3m in 1983-84, in the amount provided for the engagement of consultants by the Department of Housing and Construction to design and supervise the construction of the expanded Defence works program.

NATURAL DISASTERS, CIVIL DEFENCE AND OTHER

Expenditure on this item includes the operating costs of the Natural Disasters Organisation (\$1.9m), reimbursement to the State Governments for some salaries paid to their civil defence personnel and subsidies towards the cost of their office accommodation (\$2m), Commonwealth assistance in the form of equipment and stores to State and Territory Emergency Services (\$1.3m), and maintenance of war graves (\$2.5m).

RECOVERIES AND REPAYMENTS

The principal items provided for under this heading are rent payments made by service personnel for houses under the Defence Force Group Rental Scheme (\$42.2m), charges made for meals and accommodation provided at Defence establishments (\$29.4m) and returns from disposals (\$18.4m).

The increase of \$19.3m in 1983-84 includes a proposed increase in revenues under the Defence Force Group Rental Scheme (\$1.2m) and higher refunds expected from the United States Government in respect of credits on old orders under Foreign Military Sales arrangements (\$4m).

ALLOWANCE FOR PROSPECTIVE WAGE AND SALARY INCREASES

The amount required to meet prospective increases in wage and salary rates of civilian and service personnel flowing from wage adjustments during 1983-84 will depend on the actual increases in wage and salary rates awarded. A bulk allowance of \$110m has been included in the Budget estimates.

2. EDUCATION

Total direct outlays on education are estimated to increase by 10.7% in 1983-84 to \$4210.5m, which is equivalent to 7.4% of 1983-84 Budget outlays. Assistance for education is also given through income tax rebates for certain expenditures on self-education and education of a taxpayer's children or dependants and through income tax deductions for some gifts to educational institutions. The cost of revenue so forgone is not included in the figures given here, but further details are given in the relevant appendix to Statement No. 4.

Over four-fifths of the Commonwealth's direct expenditures on education are in the form of grants to the States and the Northern Territory. Further details are provided in Chapters IV and V of Budget Paper No. 7, *Payments to or for the States, the Northern Territory and Local Government Authorities 1983-84*.

	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Tertiary					
Universities -					
Tertiary Education Commission Grants	1 006.6	1 090.9	1 126.8	+ 36.0	+ 3.3
Other	0.4	—	—	—	—
Cost Supplementation of Grants (a)	—	—	60.0	+ 60.0	n.a.
Total	1 006.9	1 090.9	1 186.8	+ 96.0	+ 8.8
Advanced Education -					
Tertiary Education Commission Grants	609.4	676.6	699.0	+ 22.4	+ 3.3
Other	7.0	8.3	10.7	+ 2.4	+ 28.9
Cost Supplementation of Grants (a)	—	—	35.0	+ 35.0	n.a.
Total	616.4	684.9	744.8	+ 59.9	+ 8.7
Technical and Further Education -					
Tertiary Education Commission Grants	198.8	228.0	257.1	+ 29.1	+ 12.8
Further Education in the ACT	24.8	30.0	30.0	— 0.1	— 0.2
Other	0.2	0.3	0.3	—	+ 13.4
Cost Supplementation of Grants (a)	—	—	13.2	+ 13.2	n.a.
Total	223.9	258.3	300.6	+ 42.2	+ 16.4
Tertiary Education Commission Overseas Student Charge	3.6	3.9	4.2	+ 0.4	+ 9.5
	11.2Cr	19.0Cr	29.2Cr	— 10.2	— 53.9
Total Tertiary	1 839.7	2 019.0	2 207.2	+ 188.2	+ 9.3
Schools -					
Schools Commission Grants -					
Government	470.0	527.3	570.2	+ 42.9	+ 8.1
Non-Government	472.4	604.8	624.9	+ 20.1	+ 3.3
Joint Programs	40.3	43.8	41.2	— 2.6	— 5.9
Cost Supplementation of Grants (a)	—	—	86.6	+ 86.6	n.a.
Total	982.7	1 175.8	1 322.8	+ 147.0	+ 12.5
Pre-schools in the States and Northern Territory	33.0	33.1	33.1	—	—
Schools and Pre-schools in the ACT -					
Government	95.1	113.4	117.6	+ 4.3	+ 3.8
Non-Government	17.9	24.3	25.9	+ 1.6	+ 6.5
School Transport	3.6	4.1	4.4	+ 0.4	+ 8.8
Total	116.6	141.8	148.0	+ 6.2	+ 4.4

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	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Schools Commission	3.9	5.0	6.6	+ 1.6	+ 31.3
Curriculum Development Centre	2.0	—	—	—	—
Total Schools and Pre-schools	1 138.2	1 355.7	1 510.4	+ 154.7	+ 11.4
School to Work Transition Student Assistance Schemes	34.3	42.0	25.0	— 17.0	— 40.4
	200.2	240.1	302.5	+ 62.4	+ 26.0
Special Groups -					
Aboriginals	42.2	48.1	56.5	+ 8.4	+ 17.4
Migrant Education	37.8	38.8	44.3	+ 5.5	+ 14.1
Soldiers' Children Education	2.3	2.6	2.9	+ 0.3	+ 11.0
Isolated Children	19.2	22.2	23.2	+ 1.0	+ 4.6
Total Special Groups	101.5	111.7	126.8	+ 15.1	+ 13.6
General Administrative and Other Expenditure -					
Administration	28.0	34.6	38.5	+ 3.8	+ 11.1
Other	1.5	1.3	2.4	+ 1.1	+ 80.2
Total Administration and Other	29.5	36.0	40.9	+ 4.9	+ 13.7
Recoveries nec	2.8Cr	2.5Cr	2.3Cr	+ 0.2	+ 6.7
TOTAL EDUCATION	3 340.5	3 802.0	4 210.5	+ 408.6	+ 10.7

(a) Distribution of cost supplementation allowance is notional.
NOTE: n.a.—not applicable.

Comparisons between the estimated 1983-84 outlays on certain program components and those of previous years are affected by changes in arrangements for providing for program cost increases. Commonwealth Tertiary Education Commission and Commonwealth Schools Commission programs for calendar years 1982 and 1983 included prospective allowances for anticipated cost increases during the year. From 1 January 1984 there will be a return to the retrospective supplementation arrangements which applied in 1981. For 1984, approved grants will be supplemented retrospectively for all cost increases up to the end of 1983, and for further wage and salary increases during 1984. Accordingly, the 1983-84 estimates for the Commissions' programs include the January-June portion of 1984 grants in estimated December 1982 prices. (The calendar year programs are expressed in estimated December 1982 prices.) Separate allowances of \$108.2m and \$86.6m have been included in the 1983-84 Budget for the tertiary education and schools programs respectively for estimated cost supplementation during the course of the year.

TERTIARY EDUCATION

Total expenditure for the 1983-84 financial year for tertiary education is estimated at \$2207.2m, compared with \$2019m in 1982-83—an increase of 9.3%.

With the exception of further education in the ACT and some other minor items, the estimates under this heading relate to the programs of the Commonwealth Tertiary Education Commission. Through these programs, the Commonwealth provides full financial support for all universities and colleges of advanced education (CAEs) and assists the State and Northern Territory systems of technical and further education (TAFE).

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Details of the Commission's calendar year 1984 program, as announced by the Minister for Education and Youth Affairs on 28 July 1983, are shown below in estimated December 1982 prices. The 1983 program is shown for comparison purposes in the same price levels. Because payments are not spread evenly throughout the year, the Commission's calendar year programs cannot be related directly to the financial year estimates.

	1983	1984
	\$m	\$m
Universities and CAEs--		
Recurrent	1 698.7	1 713.1
Equipment	70.7	70.7
Capital	47.4	51.2
Total	1 816.8	1 835.0
TAFE		
Recurrent	102.4	104.9
Equipment	10.6	10.6
Capital	118.1	126.5
Participation and Equity Program (a)	24.7	26.9
Total	255.8	268.9
Total Tertiary (b)	2 073.2	2 104.3

- (a) New program in 1984 for all States, NT and ACT which replaces the School to Work Transition Program and the Education Program for Unemployed Youth which were administered by the Department of Education and Youth Affairs. The States will have some limited flexibility to reallocate funds between TAFE and government schools. To permit comparisons between the two years, the 1983 program includes the TAFE part of the 1983 School to Work Transition Program.
- (b) Includes \$0.4m in both years for evaluative studies and \$0.2m in 1983 for cultural awareness programs.

Universities and Colleges of Advanced Education

Total Commonwealth outlays are estimated to increase in 1983-84 by 8.8% for universities and 8.7% for CAEs. For the Commission's programs, the allocation for 1984 of \$1835m (in estimated December 1982 prices—that is, exclusive of cost supplementation) represents an increase of \$18.2m or 1.0% in real terms over the 1983 allocation. The increase in recurrent funds of \$14.4m to \$1713.1m includes \$10m to support increased participation and the more equal participation by educationally disadvantaged groups including those in outer metropolitan areas inadequately served by existing universities and CAEs. The \$121.9m allocated for capital and equipment programs, an increase of \$3.8m, will enable commitments arising from on-going capital projects to be met and new capital projects, minor works and equipment purchases to be undertaken.

Student load in universities and CAEs is shown in the table below.

*Student Load in Universities and Advanced Education(a)
(as at 30 April of the respective year)*

	Universities	Advanced Education	Total	Change on previous year
	'000	'000	'000	%
1977	140.9	114.0	254.9	+3.0
1978	140.7	119.2	259.9	+2.0
1979	139.7	121.5	261.2	+0.5
1980	140.1	122.2	262.3	+0.4
1981	142.6	123.2	265.8	+1.3
1982	144.0	125.8	269.8	+1.5
1983(b)	146.6	129.6	276.2	+2.4
1984(c)	150.0	135.0	285.0	+3.2

- (a) Expressed as 'equivalent full-time students', as defined by the Commonwealth Tertiary Education Commission.
- (b) Preliminary.
- (c) Projected.
- (Source: Commonwealth Tertiary Education Commission).

Other Advanced Education

The Australian Film and Television School was established by the Commonwealth in 1973 to provide a wide range of training and experience for creative workers in the film and television industry and in education. The Budget provides \$6.7m for the operational and capital expenses of the School in 1983-84, including \$0.9m for consultancy and initial construction costs associated with the School's permanent building to be built in the grounds of Macquarie University in Sydney (estimated total cost \$13.5m).

The National Institute of Dramatic Art (NIDA) aims to provide practical training in the profession of live theatre, television, film and radio with courses in acting, directing, stage management and design. In 1983-84 the Commonwealth will provide \$1.1m for the operating expenses of NIDA. In addition, an amount of \$1.4m is to be provided in 1983-84 for site clearing and initial construction costs associated with the new administrative and training complex for NIDA (estimated total cost \$4.4m) to be built on the western campus of the University of New South Wales.

Also included within this category is \$0.3m for sports-oriented courses at the Canberra College of Advanced Education which operate in conjunction with the Australian Institute of Sport (see also 'Youth, Sport and Recreation' under the function *Culture and Recreation*).

Technical and Further Education

The States and the Northern Territory are responsible for technical and further education. Total Commonwealth outlays for TAFE are estimated to increase by 16.4% in 1983-84. Commonwealth grants constitute about one-quarter of total outlays for such education. It is expected that the States and the Northern Territory will at least maintain their own total efforts in this area.

General recurrent grants are provided by the Commonwealth through the Tertiary Education Commission to compensate the States and the Northern Territory for not levying fees for courses at technical and further education institutions. These grants will increase in 1984 by \$2.5m (in estimated December 1982 prices) in response to growing enrolments. In addition, specific recurrent grants are provided to improve the quality and effectiveness of technical and further education.

On the capital side, where Commonwealth grants now make up about two-thirds of TAFE outlays, \$126.5m (in estimated December 1982 prices) will be provided in 1984. This includes funds for the second year of the National Priority Projects Program under which \$60m is being provided over three years to meet specialised industry needs and to give training opportunities to young people in population centres where facilities are lacking; outlays on this program will peak in 1984. For 1984, \$10.6m has been allocated for the TAFE equipment program to assist the States in meeting the need for updated equipment.

A new Participation and Equity Program will be established in 1984 to encourage young people over the compulsory school leaving age to participate in useful and fulfilling education and training activities in schools and TAFE colleges. For the TAFE sector, \$26.9m will be provided in 1984 for this new program through the Commonwealth Tertiary Education Commission. The program will be funded on a triennial basis, and funds for 1985 and 1986 are to be provided at the same real level as in 1984.

The new program subsumes the previous School to Work Transition Program (including the Education Program for Unemployed Youth) which has supplemented efforts in State and Territory government and non-government schools and TAFE institutions in providing courses and other activities to assist young people in the transition from school to work. The Transition Program was introduced with a five-year (1980-84) limited term. The \$25m to be appropriated for 1983-84 represents \$24.4m for the balance of funds available for the Transition Program for the 1983 calendar year for schools and TAFE together with \$0.6m for the January-June 1984 portion of the national projects and evaluation activities and the ACT component of the new program.

Further Education in the ACT

The Commonwealth fully funds further education in the ACT; there are five institutions in Canberra—the Canberra, Bruce and Woden TAFE Colleges, and the specialist Schools of Music and of Art.

It is estimated that total enrolments in the five further education institutions will increase as follows: (source—Department of Education and Youth Affairs)

1982	21 899
1983 (estimated)	24 717
1984 (estimated)	27 587

These enrolments relate to full-time and part-time students in vocational and non-vocational TAFE courses and some advanced education level courses.

The 1983-84 estimates provide \$30m altogether for the institutions of which \$28m is for recurrent and \$2m for capital expenditure compared with \$25.2m and \$4.9m, respectively, in 1982-83. The increase in recurrent grants is largely due to salary and staff increases while the capital decrease reflects significant non-recurring requirements in 1982-83.

Overseas Student Charge

The families of overseas students, unlike those of Australian tertiary students, do not contribute significantly to the cost of tertiary education through taxation. Accordingly, overseas students attending Australian universities, or colleges of advanced education and equivalent institutions, or undertaking certain other Commonwealth funded

tertiary courses, are required to help defray the cost of their tuition. This contribution is made through payment of the overseas student charge. The amount of the charge is reviewed annually, taking into account changes in the cost of tertiary education and other elements of overseas student policy. From the beginning of 1984, the charge will be increased by approximately 15% which will yield additional revenue of \$3.6m in 1983-84. The charge will now range from \$2150 to \$2900 a year depending on the course of study and will represent around 33% of the estimated average annual per student cost of higher education in 1983. The Government will continue to pay the charge for private students from Papua New Guinea and developing countries in the South Pacific region (about \$0.6m in 1983-84 based on current policy) and for students sponsored by the Australian Development Assistance Bureau (about \$3m in 1983-84). These funds will be appropriated through the Bureau.

Both the demand by overseas students for entry to Australian tertiary institutions and the numbers admitted have continued to rise. The estimated number of students liable for the charge, excluding those whose liability is met by Australia's aid program, was around 8300 in 1982-83, yielding \$16.2m of the total revenue of \$19m. The number is expected to rise to about 11 300 in 1983-84 and account for \$25.6m of the total revenue of \$29.2m in that year, the balance being attributable to Government sponsored students.

SCHOOLS

Schools in the States and the Northern Territory

The Commonwealth, through the Commonwealth Schools Commission, provides grants for recurrent and capital purposes to the States and the Northern Territory for both government and non-government schools. In addition, Commonwealth assistance is provided to both government and non-government school systems under joint programs such as special projects for handicapped children and multicultural education projects.

Total Commonwealth expenditure on schools in the States and Northern Territory in 1983-84 is estimated at \$1322.8m, an increase of 12.5% when compared with \$1175.8m in 1982-83.

Details of the 1984 calendar year programs administered by the Commonwealth Schools Commission were announced by the Minister for Education and Youth Affairs on 28 July 1983. A summary of the 1984 program as compared with the 1983 program, in estimated December 1982 prices, is as follows:

	1983	1984
Government schools—	\$'000	\$'000
Recurrent	419 890	444 303
Capital	143 517	150 517
Non-government schools—		
Recurrent	566 029	575 502
Capital	51 402	51 402
Joint programs	43 513	36 576
TOTAL	1 224 351	1 258 300

To permit comparisons between the years, the 1983 program includes the schools part of the 1983 School to Work Transition Program.

Total grants to the States and Territories in 1984 through Schools Commission programs are estimated to increase by 2.8% in real terms over the 1983 grants.

As outlined under the Technical and Further Education heading, a new Participation and Equity Program will be established in 1984 to encourage young people over the compulsory school leaving age to participate in useful and fulfilling education and training activities in schools and TAFE colleges. For the Schools sector, \$44.1m will be provided in 1984 for government (\$39.6m) and non-government (\$4.5m) schools for this new program through the Commonwealth Schools Commission. The program will be funded on a triennial basis, and funds for 1985 and 1986 will be provided at the same real level as in 1984.

The new program subsumes the previous School to Work Transition Program (including the Education Program for Unemployed Youth). The Transition Program was introduced with a five-year (1980-1984) limited term. The \$25m appropriated for 1983-84 represents the balance of funds available for the Transition Program for the 1983 calendar year for schools and TAFE, together with the January-June 1984 portion of the national projects and evaluation activities and the ACT component of the new program.

\$6m will also be provided in 1984 for a new national Computer Education Program, with \$4.8m allocated for government schools and \$1.2m for non-government schools. To enable effective forward planning in a program of this nature, this program also will be funded on a triennial basis with funds for 1985 and 1986 being provided at the same real level as in 1984.

In the government school sector, the capital program will be increased by \$7m and, within the total amount of funds made available for this program, \$20m will be dedicated for the upgrading of existing schools serving disadvantaged communities and \$5m for schools serving predominantly Aboriginal communities. An additional \$0.2m will be provided to government schools under the 'Integration' element of the Special Education Program in 1984.

For non-government schools, the 'percentage link' between government school standard costs and non-government school subsidy levels will be replaced with real increases in per capita grants of 0, 1 and 3% for Group 1, 2 and 3 schools respectively in 1984. This will enable the increase in grants to be allocated to those schools which are most in need. At the same time, from 1984, grants will be reduced progressively for those schools which have the capacity from their cash income from private sources alone (apart from allowances for debt servicing) to operate at 95% or more of average government school standard costs. The existing Commonwealth grant for these schools will be reduced by 25% in 1984.

Per capita grants will be provided in 1984 for students of secondary age in non-government special schools catering for handicapped children at the Group 1 secondary rate at an estimated additional cost of \$0.6m. The 'Integration' element of the Special Education program will also be increased in 1984.

Funding for the 'new places' program for capital grants, which was due to cease at the end of 1983, will be continued in 1984 within the total allocation but not as a separate element. The Government has designated two new elements of the capital program: \$4m for the upgrading of existing schools serving disadvantaged communities; and \$2m

for schools serving predominantly Aboriginal communities. New guidelines for general recurrent and capital grants for new non-government schools in 1984 have also been announced.

The following table shows recent trends in total school enrolments in Australia.

*Total School Enrolments
(as at first week of July of respective year)*

	Primary	Secondary	Total	Change on previous year
	'000	'000	'000	%
Government--				
1980	1 508.0	810.1	2 318.1	-0.8
1981	1 485.6	813.8	2 299.4	-0.8
1982	1 454.9	828.1	2 283.0	-0.7
Non-government --				
1980	376.1	290.4	666.5	+2.5
1981	386.0	302.0	688.0	+3.2
1982	394.1	317.6	711.7	+3.4
All schools				
1980	1 884.1	1 100.5	2 984.6	-0.1
1981	1 871.6	1 115.8	2 987.4	+0.1
1982	1 849.0	1 145.7	2 994.6	+0.2

Source: Australian Bureau of Statistics

Note: Projections will be published by the Department of Education and Youth Affairs

Pre-Schools in the States and the Northern Territory

Under the Children's Services Program, the Commonwealth makes a block grant to the States and the Northern Territory as a contribution towards the costs of pre-school education. The Government has decided that \$33.1m will be provided in 1983-84 for this purpose—the same level of funds as was available in 1982-83.

Government Schools and Pre-schools in the ACT

Outlays for government schools and pre-schools in the ACT are estimated at \$117.6m in 1983-84, an increase of 3.8% on the 1982-83 expenditure of \$113.4m. While recurrent expenditure is estimated to rise by 5.0% to \$112.5m, capital expenditure will fall by 17.8% to \$5.1m reflecting the completion of the pre-school and primary school projects at Gowrie in 1982-83 and the near completion of the primary school at Richardson. During 1983-84 construction will start on a new high school in Chisholm (at an estimated total cost of \$5.4m) and a primary school at Fadden (at an estimated total cost of \$2.6m).

*Enrolments in ACT Government Schools
(as at first week of July of respective year)*

	Primary	Secondary	Total	Change on previous year
	'000	'000	'000	%
1980	24.8	14.5	39.3	-0.2
1981	24.5	14.7	39.2	-0.2
1982	23.8	15.2	39.0	-0.4

Source: Australian Bureau of Statistics

Commonwealth Schools Commission recurrent funds, for a range of programs in government and non-government schools in the ACT, have been increased from \$1.55m in 1982-83 to an estimated \$1.59m in 1983-84. The Commission will be recommending grants to the ACT in 1983-84 under the Participation and Equity Program and the Computer Education Program when it reports in September 1983.

Non-Government Schools in the ACT

The Commonwealth provides per capita grants to non-government schools in the ACT on the same basis as those paid through the Commonwealth Schools Commission to schools in the States, as well as grants similar to those paid by State Governments to non-government schools in the States. These grants are the major component of recurrent assistance and are estimated at \$22.1m in 1983-84, compared with \$20.4m in 1982-83. The increase is a reflection of the change to subsidy rates, detailed under 'Schools in the States and the Northern Territory', and takes account of a change in the timing of disbursements which had the effect of increasing payments in 1982-83.

Capital grants are provided to non-government schools in the ACT under arrangements similar to the Commonwealth Schools Commission's program of capital assistance for non-government schools in the States. The Commonwealth will continue to contribute funds for the construction of Radford College amounting to \$0.5m in 1983-84 along with funds for a number of other continuing and new projects. Assistance is also continuing for building works approved under the former Capital Aid Scheme, whereby the Commonwealth undertook to reimburse, over 10 years, capital payments and a portion of the interest charges on loans taken out by non-government school authorities in the ACT. While no new approvals have been granted since 1975 when the scheme was superseded by the capital grants scheme, capital reimbursements in 1983 in respect of past approvals will amount to \$1.5m. For 1983-84, total capital assistance, including the final instalment of the Commonwealth Schools Commission's 'new places' program in the ACT, is estimated at \$2.4m.

*Enrolments in ACT Non-Government Schools
(as at first week of July of respective year)*

	Primary	Secondary	Total	Change on previous year
	'000	'000	'000	%
1980	9.4	7.0	16.4	+5.1
1981	9.8	7.3	17.1	+4.4
1982	10.1	7.7	17.8	+4.1

Source: Australian Bureau of Statistics

School Transport in the ACT

The cost of subsidising bus services for children travelling to and from schools is estimated at \$4.4m in 1983-84, an increase of \$0.4m on 1982-83. This figure reflects significant increases in fuel, salary and other operating costs as well as increases in route distances and the number of schools to be served.

Curriculum Development Programs

The Curriculum Development Centre as a statutory body, in consultation with other Federal and State education authorities, produced and marketed teaching materials for use in Australian schools as well as advising on curriculum and materials development.

The Centre was to be abolished by the previous Government. No funds were provided for the Centre in 1982-83; pending abolition it operated at a substantially reduced level, publishing and reprinting previously approved projects, funded from revenue from previous sales. A small curriculum unit, established within the Department of Education and Youth Affairs, was concerned with projects of national significance for which \$0.3m was appropriated in 1982-83.

The Government has decided to increase resources for curriculum development and to re-activate the Curriculum Development Centre. The Centre is to be re-established within the Schools Commission; this will require legislative changes.

For 1983-84, \$1.4m is to be appropriated for administration and project costs associated with the re-activation of the work of the Centre; these funds are being provided through the Department of Education and Youth Affairs pending the necessary legislative changes.

SCHOOL TO WORK TRANSITION PROGRAM INCLUDING EDUCATION PROGRAM FOR UNEMPLOYED YOUTH

The Transition Program has supplemented efforts in State and Territory government and non-government schools and TAFE institutions in providing courses and other activities to assist young persons in the transition from school to work. The Education Program for Unemployed Youth (EPUY) specifically assisted unemployed youth (15-24 years) to gain skills aimed at enhancing employment opportunities.

From January 1984, the Transition Program and EPUY will be integrated into a new Participation and Equity Program (see Technical and Further Education heading).

STUDENT ASSISTANCE

The main schemes of community-wide student assistance are the Secondary Allowances Scheme (SAS), the Tertiary Education Assistance Scheme (TEAS), the Adult Secondary Education Assistance Scheme (ASEAS), and Postgraduate Awards (PGA). These provide support for families of children who are in the final two years of schooling (SAS), for adults studying full-time at matriculation level or the equivalent (ASEAS), for full-time students undertaking TAFE courses (TEAS), and for full-time undergraduate and postgraduate students at universities and colleges of advanced education (TEAS and PGA). The postgraduate awards are free of income test but are not available if a certain level of income is received from other awards; they are taxable and are awarded on the basis of academic merit. The other schemes are open to all, are subject to income tests, are subject to academic admission requirements, and are free of tax.

From the beginning of 1984, allowance levels in all schemes will be increased as follows: SAS by 20%, TEAS by 5%, and PGA and ASEAS by 7%.

Under SAS, TEAS, and ASEAS the maximum allowance is reduced where family income (and for TEAS and ASEAS, student income) exceeds certain levels in a year. The family income level for receipt of the maximum allowance will be increased by 6% for 1984.

Income test levels and maximum rates of living allowance applicable in both 1983 and 1984, and numbers of students expected to receive assistance in these two years, are as follows:

Scheme and main benefit	Maximum entitlement		Number of students	
	1983	1984	1983	1984
	\$ a year			
Tertiary education assistance--				
Living at home	2 010	2 110	94 500	95 000
Living away from home	3 100	3 255		
Independent students	3 100	3 255		
Adult secondary education assistance--				
Living at home	1 860	1 990	2 700	2 700
Living away from home	2 867	3 068		
Independent students	2 867	3 068		
Secondary allowances	871	1 046	53 000	58 000
Postgraduate awards	6 850	7 330	2 172	2 286
Marginal adjusted family income for use in income test:				
SAS, TEAS and ASEAS	12 248	12 983		

Other forms of assistance for students are available to certain special groups, namely Aboriginals, soldiers' children and isolated children; these are dealt with in the separate section 'Special Groups' but certain information on them is included in the table below.

Taken together, all forms of assistance for students (including those for special groups) are estimated to require \$370.2m in 1983-84, an increase of \$69.7m (23.2%) over 1982-83.

Details of estimated expenditure according to scheme and the main institutions of study are shown in the following summary table:

	1982-83	1983-84	Change
	\$m	\$m	\$m
Student assistance schemes--			
Tertiary education assistance--			
Universities	75.8	90.4	+14.6
Advanced education	75.8	90.5	+14.6
Technical and further education	39.1	46.7	+ 7.5
Total	190.7	227.5	+36.8
Postgraduate awards--			
Universities	12.3	16.1	+ 3.8
Advanced education	0.3	0.3	--
Total	12.6	16.4	+ 3.8
Other tertiary	1.6	2.3	+ 0.7
Adult secondary education assistance	5.4	6.9	+ 1.5
Secondary allowances	29.8	49.3	+19.5
Total student assistance schemes	240.1	302.5	+62.4
Assistance provided under programs for special groups--			
Aboriginals--			
Secondary grants	21.6	25.5	+ 3.9
Study grants	14.0	16.2	+ 2.2
Soldiers' children	2.6	2.9	+ 0.3
Assistance for isolated children	22.2	23.2	+ 1.0
Total special groups	60.4	67.8	+ 7.4
Total assistance for students	300.5	370.2	+69.7

SPECIAL GROUPS

The Budget estimates include \$126.8m towards the education of special groups in 1983-84, an increase of \$15.1m (13.6%) over 1982-83.

Aboriginals

The Aboriginal Secondary Grants and Aboriginal Study Grants (Abstudy) schemes provide living allowances and other forms of benefits, free of income test, to Aboriginals attending approved secondary schools or classes or undertaking approved full-time or part-time courses of education and training at universities, CAEs, TAFE colleges and other institutions. Living and boarding allowances under these schemes in 1984 will be increased by 7%. These schemes constitute the bulk of the Commonwealth educational assistance available to Aboriginals and account for \$41.7m of the total provision compared with \$35.6m in 1982-83. The increase of 17.1% reflects a greater number of Aboriginals participating in the schemes and the new allowance levels.

From 1984 a quota of special awards will be provided to promote the training of Aboriginal teachers for employment in Australian schools. In 1984, 100 awards will be available to teacher trainees 25 years of age or over; the further intakes for 1985 and subsequent years will be determined on the basis of initial experience with the scheme.

The awards will provide a basic living allowance of \$150 a week plus other normal Abstudy entitlements. An additional \$0.2m is included within the appropriation for the Abstudy scheme.

In addition, \$14.3m will be available as grants-in-aid and grants to the States and Northern Territory through the Department of Aboriginal Affairs for the implementation of programs that address the special educational disadvantages of Aborigines.

Migrant Education

This heading mainly relates to the Adult Migrant Education Program, a wholly Commonwealth funded program with actual delivery being almost entirely through the State Adult Migrant Education Services (AMES). The program provides initial settlement orientation and 'on-arrival' and 'on-going' English language training courses for adult migrants and refugees. Expenditure covers the salaries of English language teachers, bilingual information instructors, the activities of the Home Tutor Scheme, costs associated with courses-in-industry and the payment of income-tested living allowances for adults attending full-time (and part-time 'on arrival') courses.

Additional funds of \$1.7m will be provided in 1983-84 for an increased number of permanent teacher positions within the various State and Territory AMES (\$0.8m), the establishment of a new National Materials and Syllabus Development Unit (\$0.1m) and improved access for migrants to English language training (\$0.8m).

The provision for adult migrant education in 1983-84 is \$42m compared with \$36.8m in 1982-83. The increased provision reflects also the full-year effect of the decision in 1982 to extend the living allowances to cover students attending 'on arrival' courses on a part-time basis.

Soldiers' Children Education Scheme

Under the *Soldiers' Children Education Scheme*, assistance is provided by way of living allowances and other benefits for the schooling, tertiary education and training of children of veterans who died as a result of war service or are either blind or totally and permanently incapacitated. Benefits are generally free of income test although a student's own earnings may be taken into account. Allowances for primary and secondary students under the scheme are to be increased by about 11% from January 1984. The number of beneficiaries is estimated to increase from 2384 at 30 June 1983 to 2500 at 30 June 1984.

Assistance for Isolated Children

This scheme assists families whose homes are remote from normal daily access to government schools. It provides basic allowances free of income test for eligible students who are boarding away from home, studying by correspondence or living in a second family home close to school facilities. An income tested allowance is also provided to meet the additional costs of boarding away from home. The scheme also covers children regarded as isolated for reasons of medical and social disability.

The level of family income above which the additional boarding allowance is reduced will be raised to \$10 812 in 1984. This allowance is subject to actual costs incurred and a sibling concession applies. Allowances under the scheme will be increased by 7% from the beginning of 1984.

It is estimated that the scheme will cost \$22.2m in 1983-84 (compared to \$20.8m in 1982-83). Assistance will be provided in respect of an estimated 20 500 children in 1984.

In addition, assistance will be continued under a three-year (1982-84) program which lends educational video facilities to students in isolated areas without regular television services to increase their educational opportunities, and assists States in the development of related audio-visual programs. The total cost of the program is \$4m; \$1.1m is provided for 1983-84.

GENERAL ADMINISTRATIVE AND OTHER EXPENDITURE

General administrative and other expenditure of the Department of Education and Youth Affairs is estimated to increase by \$4.9m or 13.7% to \$40.9m in 1983-84. Of this increase, \$2.3m is attributable to salary and staff increases and \$1.9m relates to the re-development of computer facilities in the Department.

The Commonwealth will again provide \$0.1m in 1983-84 for the educational use of the domestic satellite in 1985. The States and the Northern Territory are contributing on a \$1 for \$1 basis towards this project.

3. HEALTH

Commonwealth outlays recorded under this function are estimated at \$4295.3m in 1983-84, an increase of \$869.8m or 25.4% on 1982-83.

An additional amount of \$1184.8m is provided to the States and the Northern Territory in the form of general revenue grants in lieu of previous specific purpose payments for health, following changed funding arrangements introduced in 1981-82. (See the function 'Payments to or for the States, Northern Territory and Local Government Authorities nec' for details.)

Commonwealth assistance for health care is also available through the taxation system:

- a tax rebate at the standard rate of taxation, separate from the existing concessional rebate arrangements, was introduced from 1 July 1981 against the cost of basic hospital and/or medical insurance with registered health funds. As announced earlier this year in the May Economic Statement, the Government has decided that to help finance the Medicare arrangements this rebate is to be abolished in respect of contributions for basic health insurance coverage after 30 June 1983. Premiums paid in 1982-83 will, however, attract a rebate in assessments for the 1982-83 income year. This is estimated to cost of the order of \$500m in 1983-84 (see Statement No. 4); and
- net expenditure in respect of doctors, hospitals, chemists, dentists, opticians and optometrists is, in certain circumstances, allowable for income tax rebate purposes; gifts of \$2 or more to eligible organisations (e.g. medical research organisations) are tax deductible; and a wide range of health related goods are exempt from sales tax.

The figures in this section do not include the revenue forgone because of these measures. Estimates of the cost of relevant taxation expenditures are given in the relevant Appendix to Statement No. 4.

The introduction of Medicare is the main new factor affecting expenditure for health in 1983-84. The additional costs (included in the above total) of the Medicare program to be implemented from 1 February 1984 are estimated at about \$600m in 1983-84 and \$1790m in a full year.

	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Medical Services and Benefits—					
Medical Benefits	772.8	916.8	1 366.0	+449.2	+ 49.0
Diagnostic Services	25.8	29.8	33.1	+ 3.3	+ 11.2
Veterans and Dependents	103.0	117.2	127.6	+ 10.3	+ 8.8
Total	901.7	1 063.8	1 526.7	+462.9	+ 43.5
Hospital Services and Benefits—					
Hospital Payments	257.7	306.8	421.1	+114.3	+ 37.3
Hospital Benefits Reinsurance	101.1	99.8	20.0	- 79.8	- 80.0
Other Hospital Benefits	0.1	..	..	..	..
Veterans and Dependents	231.8	274.4	302.7	+ 28.3	+ 10.3
Launceston General Hospital	2.4	1.4	1.0	- 0.3	- 25.4
Total	593.2	682.4	744.8	+ 62.4	+ 9.1

	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Health Program Grants	5.8	5.5	6.7	+ 1.1	+ 20.4
Pharmaceutical Services and Benefits—					
Pharmaceutical Benefits—					
General	150.9	146.5	135.0	- 11.5	- 7.8
Concessional	—	11.1	43.0	+ 31.9	+287.4
Pensioners	239.9	272.7	297.0	+ 24.3	+ 8.9
Administration	13.2	14.7	15.1	+ 0.4	+ 2.6
Veterans and Dependents	54.9	61.0	61.8	+ 0.8	+ 1.2
Total	458.9	506.0	551.9	+ 45.9	+ 9.1
Nursing Home and Domiciliary Care Services and Benefits—					
Nursing Home Benefits	407.3	511.9	614.0	+102.1	+ 19.9
Nursing Home Assistance	164.1	222.1	250.6	+ 28.5	+ 12.8
Domiciliary Nursing Care Benefits	21.2	23.4	25.7	+ 2.3	+ 10.0
Nursing Care for Veterans and Dependents	48.1	58.1	64.1	+ 5.9	+ 10.2
Home Nursing Service	16.5	19.9	23.2	+ 3.3	+ 16.5
Total	657.2	835.4	977.5	+142.1	+ 17.0
Community Health Facilities and Services	7.9	9.1	11.9	+ 2.8	+ 31.2
Treatment of Tuberculosis	1.1	0.9	1.0	+ 0.1	+ 6.8
Health Services in the ACT, nec	83.8	86.7	92.3	+ 5.6	+ 6.5
Health Services for Aboriginals	21.6	23.8	27.1	+ 3.3	+ 13.8
Other Health Services—					
Medical Research Grants	25.6	29.6	38.0	+ 8.4	+ 28.3
Walker and Eliza Hall Institute	1.6	3.2	8.3	+ 5.0	+157.1
Health Insurance Commission—					
Repayment of Capital Advance	—	—	10.0Cr	- 10.0	n.a.
Commonwealth Serum Laboratories	7.3	6.3	6.6	+ 0.2	+ 3.7
Commonwealth Institute of Health	4.8	4.7	6.0	+ 1.3	+ 27.1
Aids and Appliances	15.3	20.7	25.3	+ 4.6	+ 22.2
Blood Transfusion Services and Products	16.2	20.0	22.6	+ 2.6	+ 13.0
Isolated Patients Travel and Accommodation Assistance	6.3	9.2	12.6	+ 3.4	+ 37.0
Drug Education Campaigns	1.7	1.7	1.9	+ 0.2	+ 9.9
Quarantine Services	30.1	34.3	41.3	+ 7.0	+ 20.4
National Health Promotion Program	0.1	—	0.5	+ 0.5	n.a.
National Diseases Control Program	0.2	0.2	0.5	+ 0.3	+152.6
International Health Program	—	—	0.1	+ 0.1	n.a.
Other	18.0	21.2	23.5	+ 2.3	+ 10.8
Total	127.2	151.2	177.1	+ 25.9	+ 16.5
General Administrative Expenditure Recoveries	57.9	67.4	185.1	+117.8	+174.9
	3.8Cr	6.8Cr	6.9Cr	- 0.1	- 2.1
TOTAL HEALTH	2 912.4	3 425.4	4 295.3	+869.8	+ 25.4

NOTE: n.a.—not applicable.

PENSIONER HEALTH BENEFICIARIES AND HEALTH CARE CARD HOLDERS

Eligibility for Pensioner Health Benefits (PHB) and Health Benefits (HB) Cards

Eligible pensioners including supporting parent beneficiaries, sickness beneficiaries, rehabilitation allowees and their dependants may receive the following Commonwealth

'health' concessions without charge (in addition to certain postal, transport and telephone concessions) as holders of PHB and HB cards:

- schedule medical benefits;
- schedule optometrical benefits;
- public hospital accommodation and services as a public patient and outpatient treatment;
- hearing aids and batteries (provided by the National Acoustic Laboratories); and
- pharmaceutical benefits.

These concessions will also be extended to recipients of the spouse carer's pension which is to be introduced from 1 December 1983. Eligibility for these Commonwealth fringe benefits is currently restricted to those whose income, apart from pension or benefit, is less than \$54 a week in the case of a single person, or \$90 a week combined income in the case of a married pensioner or beneficiary couple. The income limits are higher for single sheltered employment allowees or where there are dependent children. Since February 1983 these higher limits for single sheltered employment allowees have been extended to invalid pensioners undertaking training in Activity Therapy Centres and Adult Training Centres which have been approved under the terms of the *Handicapped Persons Assistance Act*. Additional income of \$20 a week is also allowable for each child under 16 or dependent full-time student aged 16-24 years.

The Government has decided, at the same time as social security pensions and benefits are increased, to index these basic income limits (except, until such time as it is absorbed, in respect of the limit applying for single persons in receipt of sheltered employment allowance and single invalid pensioners undertaking approved activity therapy and training programs). This means that from the first pension payday in November 1983, the limit on non-pension income for single pensioners will be \$57 a week and for married pensioner couples \$94 a week. In the case of recipients of sheltered employment allowances, the limit for a single recipient will remain at \$68 a week but the married limit will increase to \$94 a week. The basic limits will be increased again in May 1984. The cost in terms of health outlays of extending these limits is estimated at \$0.7m in 1983-84 and \$1.7m in a full year.

The disability pension received by a service pensioner is excluded from the PHB income tests. Sickness beneficiaries and their dependants also are entitled to Commonwealth pensioner fringe benefits without the requirement to satisfy an income test other than the test for receipt of the benefit itself.

On the introduction of Medicare in February 1984 the holders of PHB and HB cards, and their dependants, will still receive schedule medical and optometrical benefits (if the practitioner bulk-bills) and public hospital services without charge but their eligibility for cards will not, per se, qualify them for these benefits (See 'Medical and Hospital Services and Benefits' sections below). Eligibility for these cards, however, will still qualify card holders and their dependants for free pharmaceutical benefits, hearing aids and batteries.

The estimated number of holders of PHB and HB cards and their dependants at 30 June 1983 was about 2.5 million.

Eligibility for Health Care Cards

The following groups in special need are eligible for Health Care cards:

- for the first six months of residence, migrants and refugees, regardless of their income, who have been authorised to remain indefinitely in Australia;
- unemployed school leavers for the period that family allowance is payable in respect of them;
- people whose average weekly income for the four weeks prior to applying for the card is below the following levels:

- married couples, \$193 a week (\$199 a week from November 1983). These income levels rise by \$20 for each child (\$24 a week from November 1983);
- single parents with one child, \$213 a week (\$223 a week from November 1983). These income levels rise by \$20 for each additional child (\$24 a week from November 1983); and
- single people without children, \$116 a week (\$119 a week from November 1983)

(NOTE: the above levels of average weekly income will also be increased by a further \$10 in March 1984, as a consequence of changes to the unemployment benefit income test, and again in May 1984 to reflect indexation increases to the married rate of unemployment benefit); and

- unemployment and special beneficiaries subject to the same income test as for the Pensioner Health Benefits card, currently \$54 a week for single people and \$90 a week for married couples, rising from November 1983 to \$57 and \$94 a week respectively. If these limits are exceeded, unemployment and special beneficiaries may nevertheless qualify as low income earners subject to the limits on average weekly income listed above.

A Health Care card is issued for 12 months, without income test, to people who have accepted employment and lost eligibility for an invalid pension, sheltered employment allowance or in the case of former invalid pensioners, rehabilitation allowance.

Holders of Health Care cards and their dependants at present are entitled to the following 'health' benefits:

- schedule medical benefits;
- schedule optometrical benefits;
- free public hospital accommodation and treatment in shared rooms and free outpatient treatment; and
- pharmaceutical benefits at the concessional rate of \$2 per prescription item.

On the introduction of Medicare in February 1984 the holders of Health Care cards, and their dependants, may still receive schedule medical and optometrical benefits and public hospital services without charge but their eligibility for cards will not, per se, qualify them for these benefits. (See 'Medical and Hospital Services and Benefits' sections below.) Eligibility for these cards, however, will still qualify card holders and their dependants for pharmaceutical benefits at the concessional rate.

MEDICAL SERVICES AND BENEFITS

Medical Benefits

Until the introduction of Medicare on 1 February 1984 the Commonwealth will contribute towards the costs of medical and optometrical services, as follows:

- for holders of PHB, HB and Health Care cards (and their dependants):
 - 85% of the schedule fee for each service where the service is bulk-billed on the Commonwealth; and
 - 85% of schedule fees, subject to the gap between the benefit and schedule fee for a service not exceeding \$5, where the patient is billed and claims through a registered medical benefits organisation; and
- for the rest of the population, 30% of the schedule fee for each service provided the person is covered by basic medical insurance with a registered health fund. (Until 1 February 1984 Commonwealth medical benefits will not be available to persons who do not have basic medical cover with a registered health insurance fund.)

Until 1 February 1984, Commonwealth medical benefits for services rendered to eligible pensioners, sickness beneficiaries, and Health Care card holders and their dependants, where the practitioner elects to bulk-bill, will be paid directly by the Commonwealth under the bulk-billing arrangements; for others who are insured for medical services (and for the balance of eligible pensioners, Health Care card holders and their dependants), registered medical benefits organisations will act as agents for the Commonwealth and pay Commonwealth medical benefits.

Medicare

Under Medicare, to be introduced on 1 February 1984:

- the Commonwealth will contribute to the cost of medical services on the basis of 85% of the schedule fee, subject to the gap between the benefit and schedule fee not exceeding \$10;
- it will no longer be necessary to hold basic medical insurance cover to be eligible for Commonwealth medical benefits;
- private organisations will not be permitted to provide any form of medical insurance cover, including 'gap' insurance covering the difference between 85% and 100% of the schedule fee (except for medical insurance included in a health insurance package available to short-term visitors to Australia, and workers' compensation, motor vehicle third party and sickness and related insurance, which may meet the cost of certain medical services);
- the Health Insurance Commission will administer Commonwealth medical and optometrical benefits in respect of all services rendered after 1 February 1984;
- medical practitioners will be able to bulk-bill in respect of medical services to any patient in full settlement of the charge for the service; and
- no charges will be made for Commonwealth Medical Officer consultations or for the services provided by Commonwealth pathology laboratories.

Outlays on Commonwealth medical benefits are estimated to increase by \$449m in 1983-84 to \$1366m. The increase includes provision for:

- \$47m for the balance of the increase in schedule fees from 1 November 1982 following the 1982 Enquiry on Medical Fees for medical benefit purposes, and the increase in optometrical consultation fees from the same date;
- the elimination of a backlog of claims that accumulated in the latter part of 1982-83 (\$18m);
- general growth in the utilisation of services and variations in coverage (\$94m); and
- the part year cost of the introduction of Medicare (\$290m).

Diagnostic Services

This item relates to the running of health laboratories operated by the Commonwealth. These include Department of Health pathology laboratories, which provide services to hospitals and medical practitioners, the National Acoustic Laboratories, the National Biological and Dental Standards Laboratories and the Australian Radiation Laboratory. The Government has decided to recommence construction of a new National Biological and Dental Standards Laboratory building (see 'General Administrative Expenditure' below).

In the context of the Review of Commonwealth Functions, the possibility of transferring the pathology laboratories to the States was taken up with State Governments. The laboratory at Kalgoorlie was transferred to the Western Australian Government from 1 July 1982. \$13.6m is provided in 1983-84 for the operation of the remaining laboratories.

Treatment and Allowances for Veterans and Dependants

The Commonwealth meets the costs for eligible veterans and their dependants of specialist, local medical officer, paramedical and dental services, the provision and maintenance of surgical aids, and travelling expenses incurred in obtaining medical treatment. The estimated increase of \$10.3m reflects increased fees for professional services, increased travelling costs and increased demand arising from demographic factors, as well as the full year effect of decisions taken in the 1982-83 Budget affecting the number of veterans eligible to receive free treatment.

HOSPITAL SERVICES AND BENEFITS

Hospital Benefits

Until 1 February 1984 only holders of PHB, HB or Health Care cards (see Pensioner Health Beneficiaries and Health Care card holders above) will be entitled to receive free shared ward accommodation or outpatient treatment at public hospitals. Others will continue either to have to bear the cost of their bills or take out basic hospital insurance cover.

Those requiring 'doctor of choice' in shared ward accommodation or private ward accommodation in public hospitals, or treatment in private hospitals, will also continue to have to either bear the additional cost or take out the appropriate level of hospital insurance cover.

Medicare

From 1 February 1984 all Australian residents will be entitled to free shared ward accommodation or outpatient treatment at public hospitals. As under the current arrangements, those requiring 'doctor of choice' or private ward accommodation in a public hospital, or treatment in a private hospital, will have to bear the additional cost or take out appropriate hospital insurance cover. Additional Commonwealth assistance will, however, be provided to help reduce the fees charged for private accommodation in public hospitals and those by private hospitals (see 'Public Hospital Payments' and 'Private Hospitals' below).

Public Hospital Payments

Under financial arrangements that commenced on 1 July 1981, New South Wales, Victoria, Queensland, Western Australia and the Northern Territory receive, under the *Taxes (Tax Sharing and Health Grants) Act 1981*, general purpose financial assistance identified for health purposes in lieu of specific purpose assistance previously provided by the Commonwealth for public hospital operating costs, the community health program and the school dental scheme. South Australia and Tasmania receive general purpose assistance payments in respect of the community health program and school dental scheme only. Details of these arrangements are provided under the function—'Payments to or for the States, the Northern Territory and Local Government Authorities nec'.

Until 1 February 1984 South Australia and Tasmania will continue to receive from the Commonwealth specific purpose assistance to meet half the approved net operating costs of those State public hospitals recognised for cost sharing purposes under agreements drawn up under the *Health Insurance Act 1973*. The agreements between the Commonwealth and South Australia and Tasmania were due to expire on 30 June 1985.

Medicare Grants

Under the Medicare program, from 1 February 1984 all States (including South Australia and Tasmania), the Northern Territory and the Australian Capital Territory will be compensated by Medicare grants outside the identified health grant and tax sharing arrangements (see the function 'Payments to or for the States, the Northern Territory and Local Government Authorities nec' below) for:

- revenue losses and additional medical costs directly attributable to the provision of free public hospital accommodation and treatment (see above); and
- a reduction to \$80 per day in the fee for those who seek 'doctor of choice' or private ward accommodation in public hospitals (see above).

As part of the Medicare arrangements, South Australia and Tasmania have agreed to terminate their hospital cost sharing agreements with the Commonwealth from 1 February 1984; they will be funded thereafter on the same basis as other States. Commonwealth hospital payments to both States in 1983-84 will, therefore, comprise:

- specific purpose assistance (hospital cost sharing agreements) for the period 1 July 1983 to 31 January 1984;
- from 1 February 1984, an additional component to their existing identified health grants (in respect of the community health program and school dental scheme)

equal to the amount of grants they would otherwise have received had their cost sharing agreements continued; and

- from 1 February 1984 additional Medicare grants as outlined above.

The Medicare grants to the States and Northern Territory also include an additional community health component to restore the level of Community Health Grants to 1975-76 levels in real terms (\$7.3m).

Under the Medicare arrangements, Queensland will receive an additional special public hospital payment of \$15m to ensure a more equitable distribution of net Medicare outlays as between all the States and the Northern Territory.

Payments authorised under the *Health Insurance Act 1973* for hospitals in 1983-84 are estimated to increase by \$118.3m to \$425.1m, and comprise:

- half the estimated net operating costs of 'recognised' hospitals in South Australia and Tasmania for the period 1 July 1983 to 31 January 1984—\$113m;
- the final payment for State entitlements in respect of 1980-81 cost sharing—\$6.8m;
- the payment to the States and Territories of Medicare grants—\$205.4m; and
- payments to private hospitals in respect of the bed day subsidy arrangements—\$100m (see 'Private Hospitals' below).

Private Hospitals

Under the *Health Insurance Act 1973* the Commonwealth will continue to make payments until 31 January 1984 of \$16 a day for each occupied bed in approved private hospitals and a higher bed day subsidy of \$28 per day for patients receiving a prescribed surgical procedure. In 1982-83 this amounted to an average subsidy of \$19.45 per day. The Government has decided that from 1 February 1984, as part of the Medicare arrangements, the subsidy will be increased up to a level of \$30 a day on average and that private hospitals will be classified and paid on the basis of the level of facilities and services they provide. As a result overall expenditure on the subsidy is expected to increase from \$86.5m in 1982-83 to \$100m in 1983-84.

Hospital Benefits Reinsurance Trust Fund

Under the provisions of the *National Health Act 1953*, the Commonwealth subsidises health insurance funds by making a contribution towards deficits that arise in reinsurance accounts required to be maintained by registered health insurance organisations. The deficits arise from paying benefits to long-term hospitalised members. As announced in the May Economic Statement, the Commonwealth's contribution to the Fund will be reduced from \$100m in 1982-83 to \$20m in 1983-84. The reduction in the Commonwealth contribution will help finance Medicare which will be assuming the cost of all long-term public hospital patients in shared ward accommodation who are not privately insured (see 'Hospital Services and Benefits' above).

Veterans and Dependants

Repatriation hospitals and clinics are maintained in each State for the treatment of eligible veterans and their dependants; to a limited extent non-repatriation patients are also treated in repatriation hospitals and use is made, where appropriate, of private and State public hospitals for repatriation patients. A total of \$302.7m is to be provided for

this purpose in 1983-84—an increase of \$28.3m on the 1982-83 provision. This increase reflects higher wages and salaries and operational costs (\$9.2m) associated with the running of repatriation institutions, the establishment of geriatric assessment units in repatriation hospitals (\$1m), increased charges and usage in non-departmental institutions (\$5.3m), the construction of replacement medical and surgical facilities (\$8m), increased repairs and maintenance of facilities (\$3.5m) and further expenditure on treatment in State mental hospitals of eligible veterans and their dependants (\$0.8m).

Launceston General Hospital

The Commonwealth is meeting 50% of the approved cost of stage one of the redevelopment of the Launceston General Hospital. The Commonwealth's share of the total estimated cost is now \$22.4m. Payments in 1983-84 are estimated to be \$1m.

HEALTH PROGRAM GRANTS

Health Program Grants, authorised under the *Health Insurance Act 1973*, are payable to eligible organisations to meet the cost, or such proportion of the cost as the Minister for Health may determine, of approved health services provided outside of hospitals by staff employed on a salaried or sessional basis. Eligible organisations impose charges for services where appropriate.

Included in the estimate of \$6.7m for 1983-84 are:

- \$2m for the payment of salaries and associated staff costs involved in the clinical activities of Aboriginal Medical Services; administrative and other expenses are provided for by grants-in-aid from the Department of Aboriginal Affairs (see also 'Health Services for Aboriginals' below); and
- \$4m for payment to State family planning associations and other organisations for estimated deficits in respect of clinical activities.

PHARMACEUTICAL SERVICES AND BENEFITS

Pharmaceutical Benefits—General, Concessional and Pensioners

Except for a flat contribution per prescription item, payable by persons other than PHB and HB card holders and their dependants, the Commonwealth meets the cost of a wide range of drugs supplied on doctors' and dentists' prescriptions. These card holders and their dependants are eligible to receive, free of charge, all drugs on the Pharmaceutical Benefits Scheme (PBS) list.

Since 1 January 1983 the patient contribution rates under the PBS for other persons have been:

- a flat charge of \$2 per prescription item for Health Care card holders and those Social Security pensioners and Veterans' Affairs service pensioners who do not hold a PHB card, and for their dependants; and
- a flat charge of \$4 per prescription item for the general public.

Total outlays on pharmaceutical benefits (general, concessional and pensioners) are estimated to increase by \$44.7m in 1983-84 to \$475m. The main components of the increase are as follows:

- an estimated increase (\$28.3m) due to an increase in the volume of prescriptions dispensed and variations in the mix of benefit items prescribed;

- the full year effect (\$13m) of the across-the-board increase in drug prices from 1 November 1982 (3% on the price to chemists plus 9 cents per benefit item); and
- a net increase (\$3.4m) resulting from a full year effect of the increase in the general contribution rate and the introduction of the concessional contribution rate, both of which applied from 1 January 1983.

Pharmaceutical Benefits—Veterans and Dependants

The Commonwealth meets the full costs of drugs and medicinal preparations supplied on doctors' and dentists' prescriptions for eligible veterans and their dependants. The small increase of \$0.8m to \$61.8m in 1983-84 reflects an estimated increase in demand for pharmaceutical benefits due to demographic factors and extended eligibility and the full year effect of the increase in drug prices from 1 November 1983 (\$2.6m), offset by a lower average price of pharmaceuticals prescribed.

NURSING HOME AND DOMICILIARY CARE SERVICES AND BENEFITS

Nursing Home Benefits

Under the *National Health Act 1953* benefits are paid by the Commonwealth to approved nursing homes for all qualified patients in such homes. Current benefit rates, which have applied since November 1982, are:

	Ordinary Care Patients \$ a day	Extensive Care Patients \$ a day
New South Wales and Australian Capital Territory	28.05	34.05
Victoria	41.90	47.90
Queensland	24.00	30.00
South Australia and Northern Territory	32.20	38.20
Western Australia	21.65	27.65
Tasmania	25.35	31.35

Benefits are adjusted annually, with effect from the first pension payday in November, so that, together with the statutory patient contribution (currently \$11.50 a day), they cover fees charged to 70% of patients in approved non-government nursing homes in each State at the time of the annual review. The patient contribution is set at 87.5% of the sum of the single age pension plus supplementary assistance.

Expenditure on nursing home benefits is estimated at \$614m in 1983-84, an increase of \$102.1m or 19.9%, reflecting:

- the full and part year effects of an increase in the numbers of approved nursing home beds (\$21.5m);
- the full year effect of the November 1982 increase in benefits (\$52.9m); and
- the part year cost of an anticipated increase in benefits from the first pension payday in November 1983 (\$27.7m).

Nursing Homes Assistance

Under the *Nursing Homes Assistance Act 1974*, the Commonwealth meets approved operating deficits of eligible private non-profit nursing homes that participate in arrangements authorised by the Act.

Expenditure on financing of deficits of eligible nursing homes is estimated to be \$250.6m in 1983-84, an increase of \$28.5m or 12.8%, reflecting an allowance for cost increases and a small increase in the number of homes eligible for subsidy. The expected increase in homes reflects the continuing assistance provided to organisations under the *Aged and Disabled Persons Homes Act 1954*. The average number of beds funded under the deficit financing arrangements increased by around 680 in 1982-83 and is expected to increase by more than 1000 in 1983-84.

Domiciliary Nursing Care Benefits

The Commonwealth pays a benefit of \$42 per fortnight to eligible persons who provide care for approved patients at home as an alternative to institutional care. Patients must be aged 16 years or over and require professional nursing care to an extent that would otherwise justify admission to an approved nursing home.

Expenditure in 1983-84 is estimated to be \$25.7m, \$2.3m higher than in 1982-83. The increase results from an expected growth in the number of recipients of the order of 10%.

Nursing Care for Veterans and Dependents

The Commonwealth meets the full costs of nursing home accommodation required by veterans for service-related disabilities. For certain categories of veterans and war widows, the Commonwealth also meets the cost of nursing home care for disabilities not related to service, subject to payment by the patient of the patient contribution applicable to other nursing home patients in the community. Free domiciliary care services are also provided, as required, to these groups. The increase of \$5.9m to \$64.1m in 1983-84 reflects the full year effect of increased nursing home and domiciliary care charges in 1982-83 and the increased requirement for such services due to demographic factors and extended eligibility.

Home Nursing Services

Approved non-profit organisations providing home nursing services receive Commonwealth subsidies, not in excess of those paid to such organisations by the relevant State government or local government authority. The Commonwealth subsidies are estimated to cost \$23.2m in 1983-84.

The increase of \$3.3m largely reflects an expected increase in the number of eligible nurses on which subsidy payments are based (\$1.2m), provision for an increase in the rates of subsidy from 1 July 1983 (\$1.9m), and an expected increase in the amount of assistance provided by the States in 1983-84 (\$0.2m).

COMMUNITY HEALTH FACILITIES AND SERVICES

In 1983-84 the Commonwealth will provide an estimated \$9m for 'national projects' that have an Australia-wide application and are fully funded by the Commonwealth, an increase of \$1.5m on 1982-83. The Commonwealth will also provide a further \$7.3m to the States and Northern Territory under the Medicare arrangements (see 'Hospital Services and Benefits' above). A large part (\$6.4m) of the funds for national projects is for the Family Medicine Program—a vocational training program

for medical graduates wishing to enter general practice. The balance (approximately \$2.6m) comprises grants to various non-government organisations which are national in character and which operate in the fields of health care delivery, education and research.

TREATMENT OF TUBERCULOSIS

The provision of \$1m in 1983-84 is for the payment of allowances to persons (and their dependants) suffering from tuberculosis.

HEALTH SERVICES IN THE AUSTRALIAN CAPITAL TERRITORY NEC

The Commonwealth provides or subsidises health services in the ACT of the type provided elsewhere by State and local government authorities. These include three hospitals (expected to provide in 1983-84 a total of 895 acute care beds, 44 nursing home beds and 12 beds for the profoundly intellectually handicapped), public health activities, ambulance services, community health and nursing services (including 11 community health centres, 67 child health clinics, and 59 school dental clinics), 2 nursing homes (248 beds), 6 residential care hostels for the mentally ill and the handicapped (142 beds), a central health laboratory and a centralised health services supply centre.

A provision of \$4m is included for 1983-84 under the Medicare Program for public hospital and community health services in the ACT (see 'Hospital Services and Benefits' above).

An additional \$1m will be provided in 1983-84 for increases in the level of services and for new initiatives, including an additional villa at the Watson Hostel for chronic psychiatric patients (\$0.1m), a Psychiatric Day Care Centre at Calvary Hospital (\$0.2m), a Renal Dialysis Centre (\$0.2m), a Health Care Interpreter Service (\$0.1m), and a Rural Treatment and Rehabilitation Centre for selected intellectually handicapped adults (\$0.2m).

Net expenditure by the Commonwealth under this heading in 1983-84 on recurrent and capital costs of health services in the ACT is estimated at \$92.3m, compared with \$86.7m in 1982-83. After allowing for a decrease in revenue (\$4.1m) and cash on hand at the end of 1982-83 (\$2.5m), the effective increase in financial resources available in 1983-84 over 1982-83 is \$3.9m or 4.5%.

HEALTH SERVICES FOR ABORIGINALS

This heading covers special assistance provided for Aboriginal health through the Department of Aboriginal Affairs' programs of direct assistance to Aboriginal organisations and groups, including Aboriginal Medical Services (\$11.3m in 1983-84) and payments to the States (\$15.8m in 1983-84). Funds are provided to develop Aboriginal responsibility for, and involvement in, the improvement of their own health through participation in the delivery of medical/health services, and through the development of Aboriginal expertise in all aspects of health care administration.

In addition to the amount under this heading, \$11m is being provided in 1983-84 as the third year contribution towards the \$50m Aboriginal Public Health Improvement Program. The program, which appears under the function 'Urban and Regional Development nec', encompasses the provision of water supplies, sewerage systems, power

generation and reticulation to Aboriginal communities around Australia. The amounts for the program are provided through the Department of Aboriginal Affairs' grants-in-aid and grants to the States and the Northern Territory for community management and services.

OTHER HEALTH SERVICES

Medical Research Grants

The Commonwealth provides financial assistance for medical research through the Medical Research Endowment Fund (MREF). Disbursement of the funds is made by the Minister for Health on the advice of the National Health and Medical Research Council and acting, where necessary, in accordance with the conditions of gifts or bequests made to the Fund. Assistance is provided to universities and other institutions such as the Howard Florey Institute of Experimental Physiology and Medicine and the Walter and Eliza Hall Institute of Medical Research, and to individual research workers or trainees, and may also be provided to Commonwealth and State Government departments. The Budget provision has been increased by \$8.4m to almost \$38m in 1983-84.

Walter and Eliza Hall Institute of Medical Research

The Commonwealth has agreed to share equally with the Victorian Government the approved cost of a new building for the Walter and Eliza Hall Institute of Medical Research. The project is estimated to cost a total of \$37.4m (taking into account escalation over the period of construction) and is expected to be completed in 1984-85. The estimated Commonwealth contribution in 1983-84 is \$8.3m.

Health Insurance Commission—Repayment of Capital Advance

Consistent with the Government's policy that health insurance funds should reduce their reserves in the period leading up to the introduction of Medicare, the Government has decided to require the Health Insurance Commission to repay in 1983-84 the \$10m advanced to the Commission in 1976 for the establishment of Medibank Private.

Commonwealth Serum Laboratories Commission

The Commonwealth Serum Laboratories Commission produces and sells pharmaceutical and veterinary products as prescribed by the *Commonwealth Serum Laboratories Act 1961*. In accordance with this Act the Commonwealth meets the full cost of activities considered to be in the national interest which are undertaken by the Commission as a result of a determination by the Minister for Health. The national interest activities include research, the maintenance of production facilities and the holding of stocks of pharmaceutical products. An amount of \$6.6m is provided for these activities in 1983-84. Included in this allocation is \$0.6m for research and clinical trials into the drug 'Interferon', \$0.8m for capital works and \$0.2m for new research initiatives.

Commonwealth Institute of Health

The Commonwealth Institute of Health, jointly operated by the Commonwealth Department of Health and the University of Sydney, is a national research and teaching centre. The Institute continues to undertake the basic functions of its predecessor, the

School of Public Health and Tropical Medicine. Priority is given to health services research, health education, preventive medicine and health surveillance, and occupational and environmental health.

The amount of \$6m to be provided to the Institute in 1983-84 includes \$3.7m to cover its recurrent and capital costs and \$2.3m for special epidemiological studies into the effect of herbicides and other chemicals on Australian Vietnam veterans.

Aids and Appliances

The Commonwealth provides through the National Acoustic Laboratories, at no cost to users, a range of hearing services to a number of groups including children, eligible pensioners, and supporting parents who receive an allowance from the Department of Social Security. Services include hearing tests, provision, fitting and maintenance of hearing aids and the supply of hearing aid batteries. The laboratories also conduct a research and development program on hearing impairment, hearing aid design and technology, noise measurement and hearing conservation.

The cost of supplying hearing aids and batteries, excluding salaries and administrative costs, in 1983-84 (to an estimated 59 000 clients) is estimated to be \$11.3m, \$2.2m higher than in 1982-83.

The Commonwealth also meets the full costs of stoma appliances that are provided free of charge by stoma associations to their members (estimated to be \$3.5m in 1983-84) and artificial limbs provided under the Free Limbs Scheme by the Department of Veterans' Affairs to eligible persons (estimated to be \$3.4m in 1983-84).

The Commonwealth is to provide \$7.1m in 1983-84 to the States and the Territories for the continuation of a Program of Aids for Disabled People under which aids (for example, wheelchairs, walking aids, splints and home modifications) may be provided without charge to disabled people who are not eligible to receive them under other existing Commonwealth or State programs. \$5.5m was provided for the program in 1982-83 and it is estimated that an additional 5000 disabled Australians will benefit from the increased level of funding provided in 1983-84.

Blood Transfusion Services and Products

The annual operating costs of the Red Cross Society's Blood Transfusion Service in the States are shared by the States (60%), the Society (the lower of 5% of operating costs or 10% of the previous year's income from donations) and the Commonwealth (the balance). The Commonwealth provides similar assistance in the Northern Territory. Approved capital costs are shared between the Commonwealth and the States and the Northern Territory on a \$ for \$ basis.

Blood collected by the Transfusion Service is processed by the Commonwealth Serum Laboratories Commission and blood products are supplied, free of charge, to hospitals and approved pathologists for use in medical treatment and analysis. The Commonwealth reimburses the Commission for the cost of processing the blood. The Commonwealth contributions are estimated to increase by \$2.6m in 1983-84 to \$22.6m, reflecting demand and cost increases and increased capital requirements.

Isolated Patients Travel and Accommodation Assistance Scheme

Under this scheme the Commonwealth provides financial assistance to persons (and, if necessary, their escorts/attendants) who are referred for specialist medical

treatment not available locally. To be eligible for assistance a patient must reside outside the metropolitan areas of Sydney, Melbourne, Brisbane, Adelaide and Perth and be more than 200 kilometres from the nearest suitable place of specialist medical treatment; persons living on certain offshore islands are exempt from this requirement.

The Commonwealth meets the approved travel costs per return journey of all eligible patients, escorts and/or attendants less a total contribution of \$20 regardless of whether the patient is escorted or not. An accommodation benefit of up to \$20 per night per person in respect of each approved overnight stay is also payable.

The cost of the scheme is expected to increase by \$3.4m in 1983-84 to \$12.6m, reflecting increased travel and accommodation costs and increased demand.

Drug Education Campaigns

An amount of \$1.9m will be provided in 1983-84 through the National Drug Education Program to support State, Northern Territory and national programs of education to reduce the abuse of narcotics and other drugs of addiction.

Quarantine Services

Human, plant and animal quarantine measures are enforced to prevent the introduction into or spread of exotic diseases and pests in Australia. By arrangement, the States and the Northern Territory administer, at Commonwealth cost, certain animal, plant and human quarantine operations. Other quarantine functions are administered directly by the Commonwealth.

The provision of \$41.3m for quarantine services in 1983-84 is an increase of \$7m on 1982-83. This increase reflects, in part, the effect of increases of \$2.3m in payments to the States and the Northern Territory and medical practitioners for animal, plant and human quarantine activities.

National Diseases Control Program

In 1982-83, \$0.2m was provided for the control of encephalitis. In 1983-84, \$0.5m will be provided for a new National Diseases Control Program. This amount will include the provision of \$0.3m for encephalitis control and \$0.1m for the control of dengue fever on a dollar for dollar basis with the States, and \$0.1m for national projects including research.

International Health Program

Provision has been made in 1983-84 to establish an International Health Program. \$131 000 has been provided for the World Health Organisation (WHO), International Primate Resources Program (\$10 000), WHO International Program on Chemical Safety (\$35 000), Post-graduate Federation in Medicine for placement of overseas medical students (\$11 000) and WHO Regional Teacher Training Centre, University of NSW (\$75 000). The new program will also incorporate the contributions Australia is making to WHO (\$4.4m) and the International Agency for Research on Cancer (\$0.7m) under the function 'General Public Services—Foreign Affairs and Overseas Aid'.

Other

This category includes expenditure on environmental, social and other public health activities, health advisory committees, and expenditure under the *Therapeutic*

Goods Act 1966. Also included are a subsidy to the Royal Flying Doctor Service (\$5.3m), a provision of \$1m for the National Trachoma Program and a further grant of \$0.4m to the Howard Florey Institute of Experimental Physiology and Medicine for gene synthesis research.

Additional expenditure on new initiatives to be introduced by the Government in 1983-84 includes:

- \$2m for the development of geriatric assessment units; \$0.9m for remedying information deficiencies necessary for the development of aged care programs;
- \$0.4m for the establishment of a National Institute of Environmental and Occupational Health;
- \$0.3m for the establishment of a Chemical Hazards Assessment Unit;
- \$0.2m to match funds being provided by New South Wales for a feasibility study for a proposed Centenary Institute of Cancer Research and Cell Biology at the University of Sydney; and
- \$0.5m for the promotion of a 'growing younger' campaign to teach the aged to adapt to changing circumstances and for research into a 'wellness movement' directed at unemployed youth.

GENERAL ADMINISTRATIVE EXPENDITURE

Expenditure under this heading is estimated at about \$185m in 1983-84 and comprises the major portion of general administrative and capital expenses of the Department of Health, including the costs of administering Commonwealth medical benefits, nursing home benefits and assistance and subsidies for private hospitals.

In 1982-83 about \$4m was incurred on administrative measures to counter medical fraud and overservicing. The Government has decided to increase these measures substantially by implementing a Special Surveillance and Investigations Program at a total cost of about \$8.1m in 1983-84 (included in the \$185m above).

As mentioned under 'Diagnostic Services' above, \$2.3m is provided in 1983-84 for the commencement of construction of a new National Biological and Dental Standards Laboratory building.

For services up to 31 January 1984 the Commonwealth will continue to pay a service fee to registered medical insurance funds for paying medical benefits on the Commonwealth's behalf to PHB, HB and Health Care card holders and their dependants whose doctors decline to bulk-bill. On the introduction of Medicare on 1 February 1984 all medical benefits claims for services rendered from that date will be payable through the Health Insurance Commission. The estimated cost of the service fee in 1983-84 is \$4.1m.

Health Insurance Commission—Costs associated with the Medicare benefits payments arrangements

An amount of \$89.6m in 1983-84 has been provided for the Health Insurance Commission to enable it to undertake the planning, establishment and operational activities associated with the Medicare benefits payments arrangements. Of this amount \$21.9m

is for capital equipment and the balance \$67.7m will provide for, inter alia, the development of a unique patient identification system, publicity for the new health arrangements and the wage and salary costs of those employed in paying benefits from 1 February 1984.

RECOVERIES.

Recoveries shown under this heading are in respect of charges met by certain countries for treatment given to their war veterans through facilities made available by the Department of Veterans' Affairs, charges made on departments and authorities for the use of the Department of Health's computer facilities, and other miscellaneous receipts.

4. SOCIAL SECURITY AND WELFARE

The Australian social security system is intended to protect people from economic hardship caused by events such as loss of earnings through age, invalidity, sickness, unemployment or the loss or absence of a supporting spouse as a result of death, desertion or long-term separation. It is designed also to compensate veterans for service-related disabilities and the dependants of those whose deaths are service-related and to assist parents with the expenses associated with raising children.

Much of this assistance is provided by way of cash benefits. There are selective or income-tested benefits such as invalid and widows' pensions and unemployment benefits, as well as universal benefits such as family allowances and handicapped child's allowance. Most basic rates of pensions and benefits, and some allowances, are subject to personal income tax.

In addition, assistance is provided, either directly or through State and local government authorities and voluntary agencies, for a wide range of welfare services for people with special needs.

Assistance is provided in a variety of forms for the advancement of Aborigines.

Total direct outlays on social security and welfare in 1983-84 are estimated to be \$16 843m which is equivalent to 29.7% of total Budget outlays. The increase over 1982-83 is \$2731m or 19.3%.

In addition to these outlays on social security and welfare, assistance is provided through the personal income tax system. For example, the pensioner rebate provides tax-relief for many pensioners, the dependent spouse and sole parent rebates assist single income families, tax concessions for occupational superannuation provide support for retirement incomes and the deductions allowed for gifts to certain welfare bodies provide indirect assistance to the organisations concerned. Details are outlined in Budget Statement No. 4.

	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Assistance to the Aged—					
Age Pensions and Allowances	4 506.9	4 867.6	5 325.0	+ 457.4	+ 9.4
Aged Persons' Homes and Hostels	56.7	58.4	69.0	+ 10.6	+ 18.1
Home Care Services	23.6	32.7	35.9	+ 3.2	+ 9.8
Hotel Care Subsidies	22.2	35.8	40.3	+ 4.5	+ 12.4
Other	0.2	0.2	0.2	..	.. 14.9
Total	4 609.7	4 994.8	5 470.4	+ 475.7	+ 9.5
Assistance to Veterans and their Dependents—					
Disability Pensions and Allowances	514.6	651.7	748.3	+ 96.6	+ 14.8
Service Pensions	807.5	1 057.9	1 288.3	+ 230.4	+ 21.8
Other	0.6	0.8	1.2	+ 0.4	+ 43.0
Total	1 322.8	1 710.5	2 037.8	+ 327.4	+ 19.1

ASSISTANCE TO THE AGED

Age Pensions and Allowances

Age pensions are payable to women aged 60 years and over, and to men aged 65 years and over, who have had continuous residence in Australia for a period of usually not less than ten years. Under an income test, the pension is reduced by 50 cents for each \$1 of non-pension income above \$30 a week for a single pensioner and \$50 a week (combined income) for a married pensioner couple. This income test is applied to all pensions, supporting parent's benefit and sheltered employment allowance. For age pensioners aged 70 years and over, however, a minimum income-test-free pension is payable; in addition, no income test applies if the pensioner is permanently blind.

In the May Economic Statement the Government announced certain measures which were designed to ensure that outlays on pensions are more effectively directed to those who need them, that tax expenditures on occupational superannuation achieved the purpose of encouraging genuine provision for retirement incomes, and that retirement benefits provided in different forms are treated on a fairer basis than in the past.

From 1 November 1983, an income test will be applied to that component of age pension for people aged 70 years and over which is currently paid free of an income test. Under these revised arrangements, single pensioners receiving the income-test-free pension and having non-pension income up to \$200 a week and married pensioner couples with non-pension income up to \$333 a week will continue to receive the same pension as at present. Above these amounts, the current income-test-free component will be reduced by 50 cents for every extra \$1 of non-pension income received. Entitlement to part-pension will, therefore, continue for single people aged 70 years and over with non-pension income up to about \$303 a week and for married couples with non-pension income up to about \$505 a week. This measure is expected to reduce age pension outlays by about \$160m in 1983-84, and about \$230m in a full year.

Other retirement income measures arising from the May Economic Statement include the following:

- lump sum retirement benefits received after 1 July 1983 for services after that date will be subject to new rates of taxation unless, for example, the benefits are converted into a pension or annuity or rolled over into another superannuation fund or approved account. Existing tax arrangements will continue to apply to lump sum payments relating to service prior to 1 July 1983; and
- action to encourage people to convert assets (including lump sum retirement benefits) into regular incomes. Apart from amendments to the *Life Insurance Act* and the *Income Tax Assessment Act*, the Government is considering the treatment of annuities under the pension income test and the introduction of indexed bonds to facilitate the availability of indexed annuities.

The amended taxation arrangements for lump sums are expected to yield savings to revenue in the order of \$10m in 1983-84, increasing over time to around \$300m a year.

The Government has now decided to take further action on the pension income test. Pensioners in receipt of certain income from friendly societies and trade unions do not have that income included in the pension income test. The Government has decided to remove that exemption with effect from 1 November 1983.

	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Assistance to the Handicapped—					
Invalid Pensions and Allowances	977.1	1 068.4	1 215.0	+ 146.6	+ 13.7
Sheltered Employment Allowances	34.0	40.7	48.0	+ 7.3	+ 17.9
Mobility Allowance for Severely Disabled Persons	—	0.3	4.0	+ 3.7	+ 1 081.1
Rehabilitation Allowances	—	6.8	19.0	+ 12.2	+ 178.7
Handicapped Children's Benefits and Allowances	24.2	27.4	28.5	+ 1.1	+ 3.9
Handicapped Persons' Facilities	60.0	70.1	84.0	+ 13.9	+ 19.9
Rehabilitation Services	28.2	30.5	31.7	+ 1.2	+ 3.8
Other	1.6	1.0	1.0	..	+ 3.5
Total	1 125.1	1 245.2	1 431.2	+ 186.0	+ 14.9
Assistance to Widows and Single Parents—					
Widows' Pensions and Allowances	717.4	758.1	845.0	+ 86.9	+ 11.5
Supporting Parents' Benefits and Allowances	605.9	727.7	893.0	+ 165.3	+ 22.7
Total	1 323.3	1 485.8	1 738.0	+ 252.2	+ 17.0
Assistance to Families—					
Family Allowances	1 041.8	1 373.7	1 514.0	+ 140.3	+ 10.2
Family Income Supplement	—	2.2	36.0	+ 33.8	+ 1 526.9
Children's Services(a)	47.4	65.1	86.0	+ 20.9	+ 32.1
Crisis Accommodation for Families in Distress	2.0	4.0	7.9	+ 3.9	+ 98.5
Orphan's Pension	2.9	3.7	4.2	+ 0.5	+ 14.6
Other	5.3	5.9	6.5	+ 0.7	+ 11.4
Total	1 099.4	1 454.5	1 654.6	+ 200.1	+ 13.8
Assistance to the Unemployed and Sick—					
Unemployment Benefits	1 224.3	2 249.0	3 261.0	+ 1 012.0	+ 45.0
Sickness Benefits	225.1	270.8	342.0	+ 71.2	+ 26.3
Special Benefits	74.1	89.2	108.0	+ 18.8	+ 21.1
Unemployment Relief	14.9	19.6	25.2	+ 5.7	+ 28.9
Relocation Assistance Scheme	1.6	2.2	2.0	- 0.2	- 7.4
Other	1.1	0.7	0.4	- 0.3	- 42.3
Total	1 541.1	2 631.3	3 738.6	+ 1 107.3	+ 42.1
Other Welfare Programs—					
Funeral Benefits	1.4	1.5	1.6	..	+ 0.5
Telephone Rental and Postal Concessions	25.7	31.5	34.6	+ 3.1	+ 9.9
Mortgage and Rent Relief	—	16.0	19.8	+ 3.7	+ 23.3
Assistance to Homeless Men and Women	5.5	5.3	11.4	+ 6.1	+ 114.2
Assistance for Migrants	12.0	7.9	10.3	+ 2.4	+ 30.5
Welfare Programs in the ACT	12.0	12.6	14.8	+ 2.2	+ 17.6
Other	5.8	8.6	15.0	+ 4.4	+ 51.6
Total	55.9	83.5	105.5	+ 22.0	+ 26.4
Aboriginal Advancement Programs nec	78.6	96.3	114.1	+ 17.9	+ 18.6
General Administrative and Other Expenditure	348.6	414.2	556.9	+ 142.8	+ 34.5
Recoveries and Repayments	3.1Cr	3.6Cr	4.3Cr	- 0.7	- 18.0
TOTAL SOCIAL SECURITY AND WELFARE	11 501.3	14 112.4	16 843.0	+ 2 730.6	+ 19.3

(a) Excludes block grants paid to the States and the Northern Territory for pre-school education. Those amounts are recorded under the function *Education*.

The Government will re-introduce an income and assets test for social security pensions, supporting parent's benefit and repatriation service pensions. The test will not take effect until after consultation with relevant groups, and not until after 1983-84.

Wife's pension is payable to the wife of an age, invalid or service pensioner who does not qualify for an age, invalid or repatriation service pension in her own right. The pension is subject to the same income test as for age pensions for people under 70 years. The same general conditions apply to the granting of a wife's pension as apply to the granting of age and invalid pensions and require the claimant to be residing in Australia at the time of lodgment of claim and grant of pension.

The Government has decided to introduce, from 1 December 1983, a spouse carer's pension. The pension will be payable, subject to the conditions applying to a wife's pension, to a man not entitled to another pension and providing care and attention for his age or invalid pensioner wife, where such care and attention is required for an extended or indefinite period by virtue of the wife's severe physical or mental disability.

Additional payments for each child are available to pensioners with children. The Government has decided that from November 1983 the additional pension for each dependent child is to be increased from \$10 a week to \$12 a week.

A single pensioner with one or more children may also qualify for a mother's/guardian's allowance of \$6 a week (\$8 a week if a child is under 6 years or an invalid). From May 1984, mother's/guardian's allowance is to be paid at the uniform rate of \$8 a week. It has also been decided to extend payment of the allowance from 1 December 1983 to a married pensioner who is left to care for children where his or her spouse has been committed to hospital or nursing home care on a basis likely to be permanent. These payments are subject to an income test.

For pensioners who pay rent, lodging or board and lodging to private landlords, supplementary assistance is payable, subject to a test on the amount of rent paid and the level of non-pension income, up to a maximum rate of \$10 a week. The subsidy rate is 50 cents for each \$1 of rent in excess of \$10 a week, with the amount thus determined reduced by \$1 for each \$2 of non-pension income (combined income in the case of pensioner couples).

Upon the death of one of a married pensioner couple, the surviving pensioner may receive, for up to six fortnightly instalments, the equivalent of the two pensions that would have been paid had the spouse not died.

Age pension (including wife's pension paid to the wife of an age pensioner) is subject to personal income tax. Partly as a result of the pension income tax rebate, however, no tax is payable by those having little or no income apart from their pension. The additional payments for children and supplementary assistance are not subject to tax.

The Government has decided to introduce from May 1984 remote area allowances for persons living in Income Tax Zone A (including Special Zone A) who are income tested pensioners (other than pensioners aged 70 or over receiving the special rate of age or service pension payable from 1 November 1983), beneficiaries, blind pensioners or sheltered employment and rehabilitation allowances at the rate of \$7 a week for a single person, \$12 a week for a married couple, and \$3.50 a week for each child. The allowance will only be paid to permanent residents of the Tax Zone and will not be payable in respect of temporary absences overseas or in other cases for temporary absences in

excess of 8 weeks. The allowances will be exempt from income tax and deductible from the maximum claimable value of any income tax zone rebate for which the recipient would otherwise be entitled.

The basic rates of pensions are increased automatically each six months in accordance with movements in the Consumer Price Index (CPI). The rates will be adjusted in November 1983 by the percentage increase in the CPI between the December quarter 1982 and the June quarter 1983 (4.3%), and in May 1984 by the percentage increase in the CPI between the June and December quarters 1983.

The existing maximum rates of age pensions and additional payments, and the rates to apply from November 1983, are set out below:

Pension or additional payment	From November 1983	
	Existing	\$ a week
<i>Pensions</i>		
Standard (or single) rate of pension (a)	82.35	85.90
Married rate of pension (each person) (a)	68.65	71.60
Wife's pension	68.65	71.60
Spouse carer's pension	—	71.60(b)
<i>Additional Payments</i>		
Additional pension for each child (including a student child)	10.00	12.00
Guardian's allowance—		
Sole parent with at least one child under 6 or invalid	8.00	8.00
Other sole parents	6.00	8.00(c)
Supplementary assistance	10.00	10.00
Remote area allowance—		
Single pensioner/beneficiary	—	7.00(d)
Married pensioner/beneficiary	—	12.00(d)
Addition for each child	—	3.50(d)

(a) The special component paid to those 70 years and over without an income test (and from November 1983 subject to a special income test) is \$51.45 a week (standard rate) and \$42.90 a week (for each of a married couple).

(b) To be introduced in December 1983.

(c) Effective from May 1984.

(d) To be introduced in May 1984.

The above rates also apply to invalid and widows' pensions, supporting parents' benefits and sheltered employment allowances. Widows and supporting parents may receive mother's allowance in lieu of guardian's allowance. Sheltered employment allowances receive, rent and income-test-free, a non-taxable incentive allowance in lieu of supplementary assistance.

The average rate of age pension (including additions for children and supplementary assistance) is estimated to rise from about \$66.70 a week in 1982-83 to about \$73.60 a week in 1983-84, an increase of 10.3%. This rise is mainly caused by the increases in pension rates in line with the CPI.

The number of age pensioners is expected to decline between 30 June 1983 and 30 June 1984. This is due to the reintroduction of an income test on the whole pension for those 70 years and over, offset in part by the effect of the expected increase in the number of people reaching age pension age.

The following table sets out the number of age pensioners at 30 June 1983 together with the estimated number at 30 June 1984.

30 June	Age Pensioners (including wives of pensioners in receipt of wife's pension)	Decrease over previous year	
	'000	'000	%
1983	1 417		
1984 (estimate)	1 390	27	1.9

Source: Department of Social Security.

The cost of the automatic increases in the rates of age pensions in November 1983 and May 1984 is estimated to be \$183.5m in 1983-84 and \$413m in a full year. Increases to additional pension for children and the introduction of a uniform rate of guardian's allowance are estimated to cost \$0.7m in 1983-84 and \$1.4m in a full year. Introduction of the spouse carer's pension is estimated to cost \$1m in 1983-84 and \$2.2m in 1984-85. Removal of the income test exemption for certain income from friendly societies is estimated to save some \$7m in 1983-84 and \$10m in a full year.

The total cost of age pensions and allowances in 1983-84 is estimated to be \$5325m, an increase of \$457m or 9.4%.

Aged Persons' Homes and Hostels

Under the *Aged or Disabled Persons Homes Act 1954*, organisations are assisted to provide suitable accommodation in which aged people, or disabled people aged 16 years or over, may live. Grants on a \$2 for \$1 basis up to certain maximum limits may be made to religious, charitable and other approved organisations and local government bodies to meet the cost of erection, extension or purchase of these facilities. The maximum subsidies are reviewed periodically and for approved projects commencing from 1 January 1983 the subsidy limits are \$15 020 for single accommodation units and \$17 425 for double units, with a maximum subsidy of \$1920 per unit for land costs. Expenditure under the Act is estimated at \$63m in 1983-84.

The *Aged or Disabled Persons Hostels Act 1972* was designed to encourage the provision of hostel accommodation for the aged. Grants under this Act are made only in respect of hostels which were approved for funding under the Act within the three year period commencing on 27 September 1972. (Grants for hostel accommodation approved after this period are made under the *Aged or Disabled Persons Homes Act 1954*.) Subject to certain conditions, the Commonwealth meets under this Act the cost of hostel accommodation provided by eligible organisations up to a maximum limit per person for buildings. The maximum building cost limit is \$22 530 per person for projects commencing on or after 1 January 1983. In addition, up to \$2400 per person may be provided for the purchase of land and a further \$250 per person is available for furnishings. Accommodation is allocated strictly on the basis of need and without any contribution from the prospective resident. Grants in 1983-84 for projects under construction at 30 June 1983 or expected to commence in 1983-84 are estimated at \$6m.

Total expenditure in 1983-84 on the purchase or construction of aged persons' accommodation is expected to be \$69m, an increase of \$10.6m or 18.1%.

Grants for pensioner accommodation under Housing Agreements with the States and the Northern Territory are included under the function *Housing*.

Home Care Services

Under the *States Grants (Home Care) Act 1969* and the *States Grants (Paramedical Services) Act 1969*, the Commonwealth provides funds in association with the States for a range of home care services, mainly for aged persons, and for the provision of senior citizens' centres and associated welfare officers.

Under the *States Grants (Home Care) Act 1969*, the Commonwealth shares on a \$1 for \$1 basis with the States the cost of approved housekeeping or other domestic assistance provided wholly or mainly for aged persons in their homes. The Commonwealth also shares with the States, on a \$2 for \$1 basis, the approved capital cost of senior citizens' centres and, on a \$1 for \$1 basis, the cost of the salary of a welfare officer employed in conjunction with such a centre. Grants on similar terms are also provided to the Northern Territory for these purposes.

Grants towards the cost of approved housekeeping and other domestic assistance for aged persons in their homes are estimated to rise from \$17.7m in 1982-83 to \$19.1m in 1983-84 because of past and prospective cost increases and the expansion of approved services. Grants towards the cost of the salary of a welfare officer employed in conjunction with a senior citizens' centre are estimated to rise from \$2m in 1982-83 to \$2.4m in 1983-84 because of the effect of salary increases awarded in 1982-83, allowance for prospective increases and an increase in the number of approved positions.

The Government has decided to provide \$7m in 1983-84 for the construction of senior citizens' centres.

Grants towards the cost of home care services in the Northern Territory are expected to rise from \$61 379 in 1982-83 to \$107 000 in 1983-84 to provide for an expansion in home care services and an increase in the number of welfare officers.

Under the *States Grants (Paramedical Services) Act 1969*, the Commonwealth shares on a \$1 for \$1 basis with the States the cost of approved paramedical services provided wholly or mainly for aged persons in their homes. Victoria, South Australia and Tasmania are participating in the program. Grants in 1983-84 are estimated to be \$1.4m.

The *Delivered Meals Subsidy Act 1970* is designed to assist the establishment, expansion, improvement or maintenance of approved 'meals on wheels' services. The basic rate of subsidy is 50 cents a meal with an additional subsidy of 5 cents a meal payable for each meal with an approved Vitamin 'C' supplement included. Expenditure under the Act in 1983-84 is estimated to be \$6m, compared to \$4.8m in 1982-83, because of an expected increase in the number of meals delivered and the full year effect of the increase in the basic rate of subsidy from 1 October 1982.

Total spending on home care services in 1983-84 is estimated to be \$35.9m, an increase of \$3.2m or 9.8%.

Hostel Care Subsidies

Under the *Aged or Disabled Persons Homes Act 1954*, the Commonwealth currently pays a personal care subsidy of \$30 per person a week to eligible organisations for persons aged 80 years or over and other persons who require, and are receiving, ap-

proved personal care while living in hostel-type accommodation provided by those organisations.

The Government has decided to vary the existing arrangements with effect from 1 January 1984 in order to better direct available resources to those in most need. The Act will be amended to:

- introduce a new Hostel Care Subsidy of \$10 per person a week payable in respect of residents of eligible hostels; and
- rescind automatic payment of Personal Care Subsidy in respect of people aged 80 years and over. Personal Care Subsidy will, thereafter, be payable in respect of hostel residents assessed as requiring, and receiving, daily assistance in the performance of daily living tasks. The subsidy will be payable in addition to Hostel Care Subsidy and the rate of subsidy will be increased from \$30 to \$40 a week.

In addition to the above arrangements, further assistance will be provided to hostels providing care in approved separate special facilities catering for ambulant dementia sufferers. An amount of \$0.2m will be available for this purpose in 1983-84. The amount of each grant will be determined by the Minister for Social Security.

The revised arrangements outlined above are estimated to add \$4.5m to outlays in 1983-84 and \$11m in 1984-85.

Outlays in 1983-84 are estimated to total \$40.3m comprising \$23m on Personal Care Subsidy under existing arrangements in respect of the period to 1 January 1984, \$9.3m for Hostel Care Subsidy, \$7.8m for the new Personal Care Subsidy arrangements and \$0.2m for grants for facilities providing for ambulant dementia sufferers. This represents an increase of \$4.5m or 12.4% over total outlays in 1982-83.

ASSISTANCE TO VETERANS AND THEIR DEPENDANTS

Disability Pensions and Allowances

Disability pensions and allowances are available to certain veterans and their dependants.

The term 'veteran' includes any man or woman eligible for consideration under the *Repatriation Act 1920* or associated Acts by virtue of service in the Australian armed forces. 'Service' includes service in the 1914-18 War, the 1939-45 War, the Interim Forces, the Korean and Malayan Operations, the Far East Strategic Reserve, special service in South East Asia (including Vietnam) and service with the Defence Force on or after 7 December 1972. Repatriation benefits are also available to certain merchant mariners who suffer incapacity or the dependants of those who died as a result of enemy action or capture or detention by the enemy, to former members of the Royal Papuan Constabulary and New Guinea Police Force who operated under Australian Army Command from 7 December 1941 to 31 December 1945, and to all representatives of Australia who served with, or the dependants of those who died while serving with, peacekeeping, observation and monitoring forces.

While the liability provisions of the Repatriation legislation differ slightly in relation to different conflicts and the nature of service, it can be broadly stated that benefits are available for death or incapacity resulting from eligible service. Disability pension is not subject to personal income tax or an income test.

Classes of Disability Pensions

Pensions are paid to eligible veterans in three main categories:

- The Special Rate (including the T & PI) Pension, payable to a veteran who, as a result of service, is blinded, or is totally and permanently incapacitated to the extent that he is unable to earn more than a negligible percentage of a living wage;
- The Intermediate Rate, payable to a veteran who, because of service-related disabilities, can work only part-time or intermittently; and
- The General Rate, payable to a veteran who suffers from service-related incapacity but who is still able to work full-time. The amounts payable range from 10% to 100% of the General Rate, according to the assessed degree of incapacity.

Dependants' pensions are also paid to the wives of incapacitated veterans and to their children. These pensions are paid at rates that depend on the assessed degree of the veteran's incapacity. When the death of a veteran has been accepted as service-related or at the time of death he was receiving, or is later adjudged to have been eligible to receive, a pension at the Special Rate or as a double amputee, his widow qualifies for a war or defence widow's pension and associated benefits, while each of his children receives a pension at 'orphan' rates and associated benefits. Other dependants of deceased veterans may qualify for pensions in certain circumstances.

Allowances

Various allowances are provided to supplement the disability pension. These allowances vary according to the type or severity of disablement and the special needs of the pensioners.

Rates of Pensions and Allowances

Disability pensions and war and defence widows' pensions are automatically adjusted each May and November in line with movements in the CPI.

The Government has decided to increase the rates of war orphans' pensions and various allowances from November 1983.

The existing and proposed rates of these pensions and allowances are shown in the following table:

Benefit	From:	
	Existing	November 1983
	\$ a week	\$ a week
Disability Pensions—		
Special Rate	157.75	164.55
Intermediate Rate	108.65	113.30
General Rate (100%)	59.50	62.05
War and Defence Widow	82.35	85.90
Wife	4.05	4.05
Each Child	1.38	1.38
War Orphans—		
Father dead—each child	16.60	18.45
Both parents dead—each child	33.20	36.90
Allowances payable under Schedule 5 to the Repatriation Act for certain amputations and/or loss of vision—		
Items 1-6	98.25	102.50
Items 7-15	4.75	5.30
	to 31.05	to 34.50
Clothing Allowance—		
Highest rate	2.00	2.20
Middle rate	1.30	1.45
Lowest rate . . . . .	.95	1.05
Attendant's Allowance—		
Highest rate	46.60	51.80
Lower rate	23.30	25.90
Domestic Allowance	12.00	12.00
Recreation Transport Allowance (a month)—		
Highest rate	53.00	59.00
Lower rate	26.50	29.50
Gift Car Allowance (a year)	636.00	708.00
Funeral Benefit	500.00	500.00

A Temporary Totally Incapacitated (TTI) pension is an additional rate of pension paid to a veteran who has been classified as temporarily totally incapacitated by service-related incapacity and as unable to earn other than a negligible percentage of a living wage. The rate of TTI pension, when combined with disability pension, equals the Special (T & PI) Rate.

A Temporary Incapacity Allowance is payable at a rate up to the equivalent of the Special Rate pension to veterans who, for a continuous period of more than four weeks, undergo hospitalisation and consequential convalescence or treatment for a service-related incapacity.

A Loss of Earnings Allowance is paid to veterans who have suffered loss of earnings during the investigation of a claim or while receiving medical treatment for a service-related disability. In certain circumstances it may also be paid in respect of loss of earnings caused by any illness or incapacity. The allowance is paid either at a rate not exceeding the Special Rate pension less any disability pension in payment at the time, or at a rate equal to actual loss of earnings, whichever is lower.

At 30 June 1983, there were 410 473 veterans and their dependants in receipt of pensions for the veteran's disability or his service-related death. During 1983-84 the number is estimated to decrease by 3400 to 407 073.

The following table shows actual numbers of recipients of disability pensions by category at 30 June 1983 and estimated numbers at 30 June 1984.

Numbers of Recipients of Disability Pensions

	At 30 June 1983 At 30 June 1984 (est.)	
Incapacitated veterans—		
Special rate	17 930	22 045
Intermediate rate	1 367	920
General rate—		
100%	19 632	18 300
10%-95%	129 426	126 475
Dependants of incapacitated veterans—		
Wives	163 385	160 375
Children	22 936	19 075
Others	538	540
Dependants of deceased veterans—		
War and Defence widows	52 274	56 375
Orphans	900	1 033
Widowed mothers	243	210
Others	1 842	1 725

The effect on expenditure of the estimated decline in numbers is more than offset by the full year effect of increased rates of benefits introduced in 1982-83, the increase in benefit rates in November 1983 and the expected increase in May 1984 in line with movements in the CPI and the movement of some remaining pensioners to higher levels of pension. In addition, the rate of success of claims arising from a number of court and Administrative Appeals Tribunal decisions has continued to increase markedly, while the number of claims from veterans and their dependants wishing to test their eligibility, applications to re-open claims or applications for increased pension has also increased. After taking this into account it is expected that, consistent with the expected reduction in the number of ex-servicemen and women in Australia over the next 3 years, the number of veterans receiving disability pensions will continue to decline, but that the average rate of disability pension will increase. The following table provides actual and estimated numbers of ex-servicemen and women at 30 June in the years 1983 to 1986.

	Numbers of Ex-servicemen and Women
30 June	
1983	600 200
1984	580 800
1985	561 900
1986	542 100

Source: Department of Veterans' Affairs.

The cost of the automatic increases in the rates of disability pensions in November 1983 and May 1984 is estimated to be \$20.7m in 1983-84 and \$51.5m in a full year. Increases to minor benefits and allowances in November 1983 are estimated to cost \$0.3m in 1983-84 and \$0.4m in a full year.

Total outlays on disability pensions and allowances in 1983-84 are estimated to be \$748.3m, an increase of \$96.6m or 14.8%.

Service Pensions

Service pensions may be payable to:

- male veterans who served in a theatre of war and who have attained the age of 60 years or are permanently unemployed;
- female veterans who served in a theatre of war or embarked for service abroad and have attained the age of 55 years or are permanently unemployable;
- ex-members of the Defence Forces of British Commonwealth countries who satisfy the above criteria and have at least ten years' residence in Australia;
- ex-members of formally raised Armed Forces of Allied countries who meet the same criteria as apply to members of the forces of a Commonwealth country, providing they have not served in the forces of a country that was at the time at war with Australia;
- Australian mariners who served in a theatre of war during the 1939-45 War and who were domiciled in Australia at the time of their service; and
- merchant mariners of Commonwealth and Allied countries who meet the same criteria as veterans of those countries.

Service in a 'theatre of war' means, in respect of the 1914-18 War or 1939-45 War, service 'at sea, in the field or in the air in naval, military or aerial operations against the enemy in an area, or on an aircraft or ship of war, at a time when danger from hostile forces of the enemy was incurred in that area or on that aircraft or ship of war . . .'. Service in a theatre of war may also be conceded if a veteran is shown to have incurred actual personal danger from hostile forces.

In respect of certain later service, 'service in an operational area' and 'special service' as defined are the qualifications equivalent to service in a 'theatre of war'.

A service pension is the broad equivalent of an age or invalid pension. The advantages to the veteran are availability of the service pension five years earlier and, in certain circumstances, eligibility for a wide range of Repatriation medical treatment services.

Service pensioners are eligible for the same range of additional payments as are age pensioners and the rates of benefits are the same. Like age pensions, service pensions will be increased in November 1983 and in May 1984 in line with movements in the CPI.

As noted under age pensions, additional pension for children will increase to \$12 a week from November 1983 and a uniform rate of guardian's allowance will be paid from May 1984. A spouse carer's pension will also be introduced from 1 December 1983 on a similar basis to the spouse carer's pension to apply in respect of age pensions. A remote area allowance will also be introduced from May 1984.

Service pensions are subject to the same income test arrangements as social security pensions, with the exception that any disability pension received is disregarded as income for service pension income test purposes.

From November 1983, all service pensions for those aged 70 years and over will be subject to income test in the same way as age pensions for those aged 70 years and over. This is expected to reduce service pension outlays by \$7m in 1983-84 and \$10m in 1984-85.

As detailed under age pensions, certain income from friendly societies and trade unions will no longer be exempt from the pension income test. The Government has also decided to re-introduce a test on both income and assets for pension purposes.

Service pensions paid on account of age are subject to income tax. Those paid to people below service pension age on account of permanent unemployability, etc. are exempt from tax.

At 30 June 1983, there were 341 000 service pensioners (including wives) and by 30 June 1984 the number is estimated to increase by 38 000 to 379 000. The increase in estimated expenditure in 1983-84 reflects this estimated increase in numbers and increases in pension rates in line with the CPI.

It is expected that the number of veterans receiving service pensions will continue to grow in the short term. The age profile of ex-servicemen is illustrated in the following table:

AGE PROFILE OF EX-SERVICEMEN AT 30 JUNE 1983

	Number of ex-servicemen	Percentage of total ex-servicemen	Total male population (age 25 and over)	Ex-servicemen as percentage of total male population at corresponding age
	'000		'000	
25-29	2.1	0.4	640.7	0.3
30-34	12.6	2.3	620.9	2.0
35-39	17.0	3.1	574.4	3.0
40-44	8.4	1.5	453.7	1.9
45-49	6.9	1.3	388.6	1.8
50-54	31.2	5.7	382.2	8.2
55-59	103.3	18.7	375.5	27.5
60-64	145.7	26.4	317.6	45.9
65-69	110.8	20.1	250.9	44.2
70-74	63.2	11.5	189.5	33.4
75-79	28.3	5.1	116.0	24.4
80 and over	21.6	3.9	87.4	24.7
	551.1	100.0	4 397.4	12.5

Source: Department of Veterans' Affairs.

The cost of the automatic increases in the rates of service pensions in November 1983 and May 1984 is estimated to be \$44.7m in 1983-84 and \$111.4m in a full year. Increases to additional pension for children and guardian's allowance are estimated to cost \$0.8m in 1983-84 and \$1.3m in a full year. Introduction of the spouse carer's pension is estimated to cost \$0.1m in 1983-84 and \$0.1m in a full year.

Total outlays on service pensions in 1983-84 are estimated to be \$1288.3m, an increase of \$230.4m or 21.8%.

ASSISTANCE TO THE HANDICAPPED

Invalid Pensions and Allowances

Invalid pensions are payable to people aged 16 years or more who are assessed as being permanently incapacitated for work to the extent of not less than 85% or are permanently blind. Except in the case of people who are permanently blind, invalid pensions are subject to the same income test as is applied to age pensions for people under

70 years of age. As in the case of age pensions, the current exemption of income from certain friendly societies and trade unions will be withdrawn from 1 November 1983 and the Government will re-introduce a test on income and assets at a later stage. No period of residence is necessary for grant of invalid pension if the permanent incapacity or blindness occurred in Australia. If the permanent incapacity or blindness occurred outside Australia, the residence qualification is the same as for an age pension.

Invalid pensioners are eligible for the same additional payments as are age pensioners and the rates of payment are the same. As noted under age pensions, additional pension for children will increase to \$12 a week from November 1983 and a uniform rate of mother's/guardian's allowance will be paid from May 1984. Mother's/guardian's allowance will also be payable from 1 December 1983 to married pensioners who are left to care for children, where their spouse has been committed to hospital or nursing home care on a basis likely to be permanent. A remote area allowance will be introduced from 1 May 1984. Invalid pensioners undertaking training in activity therapy centres and adult training centres that have been approved under the terms of the *Handicapped Persons Assistance Act 1974* receive incentive allowance payable at the rate of \$10 a week. This allowance is non-taxable and is not subject to tests on the recipient's income or the amount of rent paid.

Wife's pension is payable, subject to the same income test, to the wife of an invalid pensioner if she is not eligible for an age, invalid or service pension in her own right. The Government has decided to introduce a spouse carer's pension from 1 December 1983. The pension will be payable, subject to the conditions applying to a wife's pension, to a man providing care and attention to his invalid pensioner wife, where such care and attention is required for an extended or indefinite period by virtue of the wife's severe physical or mental disability.

Unless the recipient is of age pension age, invalid pension is not subject to tax. Wife's pension is exempt from tax if the recipient and her husband are both below age pension age. Additional payments are not subject to tax.

At 30 June 1983 there were 277 300 invalid pensioners (including wives of invalid pensioners in receipt of wife's pension) and during 1983-84 the number is estimated to increase by 7700 to 285 000.

The average rate of invalid pension (including additions for children and supplementary assistance) is estimated to rise from about \$72.70 a week in 1982-83 to about \$80.50 a week in 1983-84, an increase of 10.7%. This rise is mainly caused by the increases in pension rates in line with movements in the CPI as outlined under age pensions.

The estimated cost of the automatic increases in the rates of invalid pensions is \$41.7m in 1983-84 and \$93.9m in a full year. Increases in additional pension for children and mother's/guardian's allowance are estimated to cost \$4.6m in 1983-84 and \$6.9m in a full year. Introduction of the spouse carer's pension is estimated to cost \$1.3m in 1983-84 and \$2.8m in a full year.

Total outlays on invalid pensions and allowances in 1983-84 are estimated to be \$121.5m, an increase of \$146.6m or 13.7%.

Sheltered Employment Allowances

Sheltered employment allowance is payable to disabled people engaged in approved sheltered employment who are qualified to receive an invalid pension or who would become so qualified if they ceased to be provided with sheltered employment. The rates of payment are the same as invalid pension. The allowance is non-taxable and is subject to the same income test as invalid pension. A non-taxable incentive allowance of \$10 a week is paid rent-test-free and income-test-free to recipients of sheltered employment allowance.

The estimated cost of the automatic increases in the rates of sheltered employment allowances is \$1.5m in 1983-84 and \$3.4m in a full year.

Total outlays on sheltered employment allowances in 1983-84 are estimated to be \$48m, an increase of \$7.3m or 17.9%.

Rehabilitation Allowances

From March 1983, all persons undergoing treatment with the Commonwealth Rehabilitation Service otherwise eligible for a social security pension or benefit are eligible to receive, while under treatment or training and for a period of up to six months thereafter, a non-taxable rehabilitation allowance equivalent to the invalid pension and subject to the same income test conditions as invalid pension. The cost of this allowance and training and living-away-from-home allowances in 1983-84 is estimated to be \$19m.

Mobility Allowance for Severely Disabled Persons

Provided they have not received a sales tax exemption under Items 135 or 135A of the *Sales Tax (Exemptions and Classifications) Act 1935* on the purchase of a motor vehicle within the previous 2 years, severely disabled people who are gainfully employed or undertaking vocational training and who are unable to use public transport because of their disabilities are eligible for a non-taxable mobility allowance of \$10 per week. Expenditure is estimated to be \$4m in 1983-84 compared to \$0.3m in 1982-83, the increase mainly reflecting the full year effect of introduction of the new allowance.

Handicapped Children's Benefits and Allowances

A handicapped child's allowance is payable at the rate of \$85 a month to the parents or guardians of severely handicapped children under the age of 16 years who are being cared for at home and need constant care and attention. The allowance continues to be payable in respect of dependent full-time students aged 16-24 years except where the student is in receipt of an invalid pension. It is also payable, wholly or in part, in respect of handicapped children who need marginally less care and attention than severely handicapped children. In these latter cases, the allowance may be paid if, by reason of the provision of care and attention, the family is subjected to severe financial hardship. Handicapped child's allowance is not subject to tax.

The number of recipients of handicapped child's allowance at 30 June 1983 was 27 900 and this number is estimated to increase to 29 000 by 30 June 1984. Expenditure is estimated to rise from \$25.7m in 1982-83 to \$26.7m in 1983-84.

The Commonwealth pays a handicapped children's benefit to non-profit organisations and local government bodies conducting approved homes providing accommodation and care for intellectually and physically handicapped children. The rate of

benefit is \$5 a day for each child under 16 years of age. The benefit may continue to be paid to an eligible organisation when a child is absent from the institution for a short period only, such as a week-end home visit. Expenditure is estimated to increase from \$1.7m in 1982-83 to \$1.8m in 1983-84.

Handicapped Persons' Facilities

Under the *Handicapped Persons Assistance Act 1974*, the Commonwealth provides subsidies on a \$4 for \$1 basis to approved non-profit organisations and local government bodies for the purchase, construction, extension, alteration, rental and maintenance of premises that cater for people with physical or intellectual handicaps.

Services qualifying for subsidy comprise training, activity therapy and sheltered employment as well as residential accommodation for handicapped people who use these services. Residential accommodation also qualifies for subsidy if it is for people who, because of a disability, need special accommodation to allow them to engage in normal outside employment. For approved accommodation projects commencing after 1 January 1983 the maximum subsidy limits are \$18 024 for single accommodation units and \$20 910 for double units.

Subsidies on a \$4 for \$1 basis may be provided for the cost of furnishing and equipping the various types of centres, while assistance with operating costs is provided by means of staff salary subsidies paid on a \$1 for \$1 basis, although a higher proportion of salaries, up to 100%, may be paid during the first two years of operation of new services.

The Government has decided to vary certain of the existing subsidy arrangements to help improve the efficiency and effectiveness of the services:

- from 1 October 1983 subsidies on the \$4 for \$1 basis may be granted towards the approved cost of leasing approved equipment. At present, equipment subsidy is restricted to purchased equipment;
- from 1 October 1983 subsidies will be extended to equipment replacing similar previously subsidised equipment used for income-producing purposes in sheltered employment services; and
- from 1 January 1984 there will be a discretion provided by the legislation to enable a maximum salary subsidy of 80% to be paid in respect of selected key staff employed in the third and subsequent years of operation of an approved service.

A training fee of \$500 is payable to eligible sheltered employment services for each former disabled employee who, after completing at least six months' sheltered employment, transfers to and retains full-time paid open employment for 12 months or more. From 1 October 1983 the Government has decided also to pay an Open Employment Incentive Bonus of \$500 to each successful former allowee. The Bonus will not be treated as income for pension/allowance and benefit income test purposes and will be exempt from tax.

The new measures announced by the Government are estimated to add \$2m to outlays in 1983-84 and \$5m in a full year.

In addition to outlays under the Act, \$0.8m will be made available in 1983-84 to support measures intended to upgrade the effectiveness and the quality of Commonwealth subsidised services for handicapped people, an increase of \$0.2m on 1982-83.

Total outlays on handicapped persons' facilities in 1983-84 are estimated to be \$84m, an increase of \$13.9m or 19.9%. Apart from the cost of new measures, this increase is due to the full year effect of the cost of services established during 1982-83 and to past and prospective cost increases.

Rehabilitation Services

The Commonwealth Rehabilitation Service (CRS) provides treatment and training to enable disabled persons to realise their full potential in physical, mental, social and vocational terms. Treatment and training are provided free to persons if there is a reasonable prospect of their being able to undertake full-time, part-time or sheltered employment or household duties or of their becoming capable of leading an independent or semi-independent life at home.

The following broad categories are accepted for rehabilitation:

- pensioners and claimants for pension who would be likely to derive substantial benefit from that treatment and training;
- beneficiaries and claimants for benefit who, without that treatment and training, would be likely to become unemployable;
- persons being paid allowances under section 9 of the *Tuberculosis Act 1948* who would be likely to derive substantial benefit from that treatment and training;
- persons of 14 or 15 years who, without treatment and training, would be likely to become qualified to receive invalid pension on attaining the age of 16 years; and
- men aged from 16 to 65 or women aged from 16 to 60 who would be likely to derive substantial benefit from that treatment and training.

Persons who do not fall within these eligibility criteria may be accepted for rehabilitation on a paying basis.

The number of persons accepted for rehabilitation and training is not expected to increase significantly beyond the 1982-83 level of 5340.

Provision has been made within the 1983-84 Budget allocation for the Commonwealth's share of the costs of operating a rehabilitation centre in Hobart jointly with the Tasmanian Government (\$1.4m in 1983-84), for the operation of a permanent rehabilitation facility in Newcastle in conjunction with facilities operated by the State Health Authority (\$0.3m), and for a similar joint rehabilitation facility in Darwin (\$50 000).

In addition to its multi-purpose centres, the CRS presently operates seven Work Preparation Centres—two each in Sydney and Melbourne and one each in Brisbane, Adelaide and Perth—which aim to prepare mildly intellectually handicapped young people for open employment. In full operation, the seven centres will train up to 600 people a year for suitable employment.

Regional services operate by way of a number of mobile casework teams working from existing centres to service nearby provincial centres and a number of outposted teams in selected regions.

Expenditure is estimated to rise from \$30.5m in 1982-83 to \$31.7m in 1983-84 as a result of the full year effect of price and salary increases that occurred during 1982-83 and the extension of services.

Other

In 1982-83, \$0.6m was expended under a scheme of financial assistance to organisations towards the production costs of braille and audio material for people with print-handicaps; \$0.8m is provided for this scheme in 1983-84.

ASSISTANCE TO WIDOWS AND SINGLE PARENTS

Widows' Pensions and Allowances

Pensions are payable to widows, subject to an income test. No period of residence is necessary if a woman and her husband were residing permanently in Australia when she became a widow. In other cases, there is a residence qualification of either five years continuous residence in Australia immediately prior to claiming a pension or ten years continuous residence in Australia at any time.

A woman residing overseas who is in receipt of a wife's pension may be granted a widow's pension upon the death of her husband without returning to Australia, provided that if she had been resident in Australia she would have so qualified.

There are three classes of widows who receive pension:

- Class A widow—a widow with one or more qualifying children in her care;
- Class B widow—a widow without qualifying children who is at least 50 years of age (or at least 45 years of age if her Class A pension ceased after she reached that age because she no longer had a qualifying child in her care); and
- Class C widow—a widow without qualifying children who is in necessitous circumstances within 26 weeks of her husband's death.

For all classes, the term 'widow' includes a woman who was the common-law wife of a man for at least three years immediately before his death. For Class A and B, it also includes a wife who has been deserted for at least six months, a divorced woman or a woman whose husband has been imprisoned for six months.

Changes to the income test noted under age pensions will apply also to widows' pensions.

Widow pensioners are eligible for the same additional payments as are age pensioners and the rates of payment are the same. As noted under age pensions, the additional pension for children will be increased to \$12 a week from November 1983 and mother's allowance will be paid at a uniform rate of \$8 a week from May 1984. A remote area allowance will be introduced from 1 May 1984. These payments are subject to an income test.

Widows' pensions are subject to personal income tax, although no tax is payable by those having little or no income apart from their pension. The additional payments are not subject to tax.

At 30 June 1983 there were 84 300 Class A widows, 80 200 Class B widows and 100 Class C widows in receipt of pensions.

It is estimated that the number of Class A widow pensioners will decrease by 300 to 84 000 during 1983-84 and the number of Class B and Class C widow pensioners will increase by 700 to 81 000. The average rate of pension for Class A widow pensioners is estimated to rise from \$99.90 a week in 1982-83 to \$110.70 a week in 1983-84, an increase of 10.8%. The average rate for Class B and Class C widows' pensions is estimated to rise from \$76.20 a week in 1982-83 to \$84.40 a week in 1983-84, an increase of 10.8%.

These increases arise from the automatic increases in pension rates in line with movements in the CPI as outlined under age pensions and increases to additional pension for children and the introduction of a uniform rate of mother's allowance. The estimated cost of the increase in the rates of widows' pensions in November 1983 and May 1984 is \$26.8m in 1983-84 and \$60m in a full year. Increases in additional pension payments and mother's allowance will cost \$12.6m in 1983-84 and \$23.1m in a full year.

Total outlays on widows' pensions and allowances in 1983-84 are estimated to be \$845m, an increase of \$86.9m or 11.5%.

Supporting Parents' Benefits and Allowances

A supporting parent's benefit is paid to sole parents who support one or more children and are not receiving another pension or benefit. The Government has decided that from 1 December 1983, supporting parent's benefit (including mother's allowance) may be paid to a married person who is not qualified to receive an age, invalid or wife's pension where he or she is left with the responsibility of caring for a child or children due to his or her spouse being committed to hospital or nursing home care on a basis likely to be permanent. It has also been decided to extend eligibility for a supporting parent's benefit, from the same date, to persons who at the time of adopting a child have never married, are divorced, widowed, or separated.

The benefit is payable at the same rate as the Class A widow's pension and subject to similar conditions. Changes to the income test noted under age pensions will apply also to supporting parents' benefits. Supporting parents may be eligible for supplementary assistance, additional benefit for children and mother's or guardian's allowance. As noted under age pensions, additional pension for children is to be increased to \$12 a week from November 1983 and a uniform rate of mother's/guardian's allowance of \$8 a week will be paid from May 1984. A remote area allowance will be introduced from 1 May 1984.

There is a residence qualification if the claimant was not living in Australia at the time of becoming a supporting parent. Residence qualifications are identical to those for a widow pensioner.

Supporting parents' benefits are subject to personal income tax, although no tax is payable by those having little or no income apart from their benefit. The additional payments are not subject to tax.

At 30 June 1983, there were 140 200 supporting parent beneficiaries. It is estimated that the number will increase by 13 700 to 153 900 by 30 June 1984, an increase of 9.8%. This increase reflects in part the fact that many sole parents apply for supporting parent's benefit rather than Class A widow's pension.

The total number of supporting parent beneficiaries and Class A widow pensioners, however, is estimated to increase by 6% by 30 June 1984. The average rate of benefit (including additions for children and supplementary assistance) is estimated to rise from \$103.40 a week in 1982-83 to \$113.80 a week in 1983-84, an increase of 10.1%. The main reasons for this rise are the increases in benefit rates in line with movements in the CPI, as outlined under age pensions, and increases to additional pension for children and mother's allowance.

The estimated cost of the automatic increase in the rates of supporting parents' benefits in November 1983 and May 1984 is \$24.1m in 1983-84 and \$54.8m in a full

year. Increases in additional pension for children and mother's/guardian's allowance are estimated to cost \$19.5m in 1983-84 and \$32.6m in a full year.

Total outlays on supporting parents' benefits and allowances in 1983-84 are estimated to be \$893m, an increase of \$165.3m or 22.7%.

ASSISTANCE TO FAMILIES

Family Allowances

Family allowances are payable to people with children under 16 years of age or with dependent students aged 16 to 24 years receiving full-time education at a school, college or university and not in employment. Allowances are usually paid to the mother.

Family allowance, double orphan's pension and handicapped child's allowance are not payable outside Australia except where the child is temporarily abroad or is living abroad pending migration to Australia (within four years).

Parents of children receiving student allowances under the Tertiary Education Assistance Scheme and other related student assistance schemes are not eligible for family allowances for those children. Family allowances are not paid in respect of students receiving an invalid pension. The allowances are not subject to income tax.

The rates of family allowance are:

	\$ a month
First child	22.80
Second child	32.55
Third child	39.00
Fourth child	39.00
Fifth and later children	45.55
Child in an institution	39.00

The following table sets out the actual number of children in respect of whom family allowances were paid at 30 June 1983 together with the estimated number at 30 June 1984.

30 June	Children in Families				Total		Change over previous year
	Under 16	Full-time students aged 16 to 24 years	Total	Children in Institutions including students (a)	Number	%	
	'000	'000	'000	'000	'000	%	
1983	3 983	311	4 294	10	4 304	+1.2	
1984 (estimate)	4 016	314	4 330	10	4 340	+0.8	

(a) At 30 June 1983 there were 805 such students.

Source: Department of Social Security.

Outlays are estimated to increase by 10.2% from \$1373.7m in 1982-83 to \$1514m in 1983-84 because of a small rise in the number of recipients and the full year effect of higher rates for first and second children announced in the 1982-83 Budget.

Family Income Supplement

The family income supplement, introduced from May 1983, provides non-taxable assistance to low income families who are not in receipt of social security or similar pensions or benefits. A supplement of up to \$10 a week—equal to the rate of additional

benefit for children—is payable on an income tested basis in respect of each child under 16 or dependent student aged 16-24 years, provided they are not receiving educational or similar allowances.

As noted under unemployment benefit, the rate of additional benefit for children is to increase to \$12 a week from November 1983. The maximum rate of family income supplement will similarly increase to \$12 a week per child from November 1983.

The maximum rate is payable where the parents' combined income does not exceed the income limit under the Health Care card arrangements for a married couple without children (\$193 a week at May 1983 and \$199 from November 1983), and the rate is reduced by \$1 for each \$2 of combined parental income above that limit. The income limits will be increased in March 1984 by \$10 a week, reflecting the liberalised unemployment benefit income test arrangements to apply from that date, and again in May 1984, in line with indexation increases in the married rate of unemployment benefit.

Expenditure is estimated to be \$36m in 1983-84 compared to \$2.2m in 1982-83, the increase mainly reflecting the full year effect of introduction of the new supplement and the increase in the maximum rate of payment.

Children's Services

The Commonwealth provides capital and recurrent assistance for a wide range of services for children and their families. These include early childhood services such as day care centres, family day care and emergency and occasional care. Services for school aged children include before and after school care and vacation care. Other projects supported are refuges for adolescents under the Youth Services Scheme, support for families in crisis and special services for Aboriginal, migrant and disabled children.

Services providing day care for pre-school aged children are, as a condition of funding, required to develop and implement an income test and fee scale within approved guidelines so that families that satisfy the income test will be eligible for a fee rebate funded by the Commonwealth.

The pilot Youth Services Scheme has been extended for another year to 30 June 1984 to maintain the operation of current services until the review of all Commonwealth crisis accommodation programs is finalised. The scheme supports emergency accommodation and counselling services for homeless young people and its costs are shared \$1 for \$1 by the Commonwealth and the States and the Northern Territory. The estimated total cost of the scheme in 1983-84 is \$3.8m.

Expenditure on children's services (excluding the block grants to the States and the Northern Territory to assist in meeting the costs of pre-school education) in 1982-83 was \$65.1m. Expenditure on existing approved services is expected to rise to an estimated \$76m in 1983-84 due to the combined effects of past and prospective cost increases, the full year effect of the expansion of the number of services supported and increases in subsidy limits. The Government has decided to proceed with the approval of high priority applications for new and expanded projects and new policy initiatives and has allocated an additional \$10m in 1983-84 increasing to \$30m in 1984-85 for this purpose.

Total outlays on children's services in 1983-84 are estimated to be \$86m, an increase of \$20.9m or 32.1%.

Block grants for pre-schools are recorded under the functional heading 'Education'.

Crisis Accommodation for Families in Distress

Under this heading the Commonwealth provides funds to the States, the Northern Territory and Aboriginal Hostels Ltd to improve the stock of emergency accommodation available to assist families with dependent children who have an immediate need for accommodation. In 1982-83, about 370 units of accommodation were made available with the \$4m provided. A further \$4m will be provided in 1983-84. In addition, in 1983-84 the Commonwealth, subject to satisfactory negotiations with the States and the Northern Territory, will provide up to \$3.9m under the National Women's Emergency Services Program for additional assistance for women's refuges to allow the phasing in of award wages for women's refuge workers, urgent expansion of existing services and provision of new services. Comparable arrangements will operate in the ACT.

Orphan's Pension

A double orphan's pension of \$55.70 a month is payable, free of income test, to the guardian of a child under 16 years of age or of a dependent full-time student aged 16 to 24 years. It is paid in respect of a child both of whose parents are dead, or if the whereabouts of the sole surviving parent are unknown, or if the child's sole surviving parent or adoptive parent is in prison for at least 10 years or in a mental hospital for an indefinite period. It may also be paid for a refugee child whose parents are not in Australia or whose whereabouts are unknown. Orphan's pension is not payable in respect of a person who is receiving an invalid pension. It is not subject to income tax.

At 30 June 1983 there were 6100 recipients. The number is estimated to increase to 6600 by 30 June 1984.

Expenditure is estimated to be \$4.2m in 1983-84 compared to \$3.7m in 1982-83, the increase mainly reflecting the increase in numbers in receipt of orphans' pensions.

Other

The provision for the operations of the Institute of Family Studies in 1983-84 is \$1.7m, which includes funds for the conduct of research and the making of grants to encourage family studies. A further \$3.8m is provided for grants to approved marriage counselling organisations and pre-marital education organisations, of which \$0.1m is to be made available to promote the services being offered by these organisations. To maintain the level of educational activity for family planning, \$0.9m will be provided in 1983-84. Grants to family planning associations for clinical services in 1983-84, estimated at \$3.2m, are provided under Health Program Grants (*see the function Health*).

ASSISTANCE TO THE UNEMPLOYED AND SICK

Unemployment Benefits

Sickness and Special Benefits

Unemployment benefit is available, subject to an income test, to persons without employment who are willing and able to undertake suitable work and making efforts to obtain work. Sickness benefit, also subject to an income test, is available to persons temporarily incapacitated for work. A special benefit may be paid to persons ineligible for pension, supporting parent's benefit or for unemployment or sickness benefit if they are unable to earn a sufficient livelihood for themselves and their dependants.

To be eligible for unemployment or sickness benefit, a person must be at least 16 years of age and under 60 years (females) or under 65 years (males). The person must also have lived in Australia for at least a year immediately prior to claiming benefit or intend to remain permanently.

The basic rates of benefit are generally the same as for age and invalid pensions except for single people under 18 years of age and unemployment beneficiaries 18 years and over without dependants. The Government has decided that, from 1 November 1983, the maximum rate of benefit for unemployment beneficiaries aged 18 years or more without dependants will be increased from \$68.65 a week to \$73.60 a week, and thereafter that rate will be indexed in accordance with the automatic indexation arrangements for other pensions, with an additional \$2 a week to be paid from 1 May 1984. The Government has also decided to increase the maximum rate of benefit for single unemployment and sickness beneficiaries aged 16 and 17 years from \$40 a week to \$45 a week from 1 November 1983.

All unemployment and sickness beneficiaries with children are eligible for an additional benefit for each dependent child at the same rate as for children of pensioners. As noted under age pensions the rate of additional benefit will increase from \$10 a week to \$12 a week for each child from 1 November 1983 and a remote area allowance will be introduced from 1 May 1984. Mother's or guardian's allowance is not currently payable to unemployment, sickness and special beneficiaries. The Government has, however, decided that from 1 May 1984 mother's/guardian's allowance at the rate of \$8 a week is to be paid to single beneficiaries with children.

After receiving benefits for six consecutive weeks, sickness beneficiaries become eligible, subject to a special income test, to receive supplementary allowance of up to \$10 a week if they pay private landlords for rent, lodging or board and lodging. Supplementary allowance is payable on the same basis and subject to the same income test as supplementary assistance but is not payable to beneficiaries in hospital who have no dependants.

The income test for unemployment and sickness benefits provides that the maximum rate of benefit is reduced by 50 cents a week for each \$1 of non-benefit income in the range of \$10 to \$60 a week and by \$1 a week for each \$1 of income over \$60 a week. From 1 March 1984, the free area of \$10 a week is to be increased to \$20 a week and the upper limit of the taper is to be raised from \$60 to \$70 a week.

The Government has decided that from March 1984, supplementary allowance and the additional benefit payments for children are to be exempted from personal income tax. Basic rates of unemployment and sickness benefits, like the basic rates of most pensions, will continue to be subject to tax.

The average number of unemployment beneficiaries underlying the 1983-84 estimate is 680 000 compared to the average number in 1982-83 of 540 200. The average number of sickness beneficiaries is estimated to rise from 57 700 in 1982-83 to 65 000 in 1983-84 and the average number of special beneficiaries is estimated at 22 000.

The cost of the automatic increase in the rates of unemployment, sickness and special benefits in line with movements in the CPI, as outlined under age pensions, is estimated to be \$48.9m for unemployment benefit, \$9.7m for sickness benefit and \$1.9m for special benefit in 1983-84 and to be \$116m, \$22.9m and \$4.5m for these benefits, respectively, in a full year.

The increase in the maximum rate of unemployment and sickness benefits for single people under 18 years is estimated to cost \$11.5m in 1983-84 and \$17.2m in a full year and the increase in the maximum rate of unemployment benefit for persons aged 18 years or more without dependants is estimated to cost \$97.8m in 1983-84 and \$235.9m in a full year. The increase in additional benefit for children and the introduction of guardian's allowance is estimated to cost \$23.7m in 1983-84 and \$38.3m in a full year. The introduction of the remote area allowance is estimated to cost \$1.3m in 1983-84 and \$8m in a full year. The change to the benefits income test is estimated to cost \$7.8m in 1983-84 and \$23.3m in a full year.

Total outlays on unemployment benefits in 1983-84 are estimated to be \$3261m, an increase of \$1012m or 45%. Outlays on sickness and special benefits in 1983-84 are expected to be \$342m and \$108m respectively, representing increases of 26.3% and 21.1%.

Unemployment Relief

The main activity under this heading is the Community Youth Support Scheme (CYSS), introduced in 1976, under which grants are made to assist local community-based committees to provide unemployed young people with a range of employment-oriented skills, develop activities and build up their self reliance. After the 1981-82 review of the Scheme, CYSS projects now aim particularly at providing training in work skills and encouraging young people to gain work experience in community service and part-time, casual and temporary work. Other changes have involved a closer liaison between CYSS projects, the Commonwealth Employment Service (CES) and local educational institutions, and the encouragement of a greater awareness of ethnic and geographically isolated unemployed young people. Grants at three standard levels (\$40 000, \$65 000, \$90 000) are provided for twelve months for projects that meet the requirement for funding under the guidelines of January 1982. These grant levels, applying from 1 July 1983, represent an average increase of 19.9% on 1982-83 grant levels.

In 1983-84, \$21.2m has been provided for up to 306 CYSS projects. Expenditure in 1982-83 was \$17.9m and provided for 276 projects.

Also under this heading are seventeen other community-based youth projects involving unemployed youth registered with the CES. In 10 projects, known as the Volunteer Youth Program, the young people undertake a variety of voluntary community service activities. The remainder are special community projects which offer a range of employment oriented training activities to the young people involved. In 1983-84 \$0.4m has been provided for the Volunteer Youth Program and \$3.6m for community special projects, compared with expenditure of \$0.2m and \$2m, respectively, in 1982-83.

Relocation Assistance Scheme

Assistance with relocation expenses is available, subject to approval by the CES, to unemployed persons (or persons notified of impending redundancy) who have been unable to find continuing employment nearby within a reasonable time. Approval requires an offer of a job in another area, for which no local CES registrants are suitable immediately or with training. The assistance covers fares, removal expenses (up to \$2000), and re-establishment costs, legal and agent's fees (up to \$1500) or rental allowances (up to \$500).

In 1982-83, 1985 persons were relocated under this scheme. An amount of \$2m is provided in 1983-84, on the assumption that about 2000 applicants will be assisted.

Other

Included under this heading is \$0.4m in 1983-84 for assistance to unemployed people to attend job interviews with prospective employers.

OTHER WELFARE PROGRAMS

Funeral Benefits

A funeral benefit of up to \$20 is payable to a person liable for the funeral costs of an eligible age or invalid pensioner or recipients of sheltered employment allowance or tuberculosis allowance. A funeral benefit of up to \$40 is payable to an age, invalid, wife or widow pensioner, a supporting parent beneficiary, or a person in receipt of sheltered employment allowance or tuberculosis allowance, who is liable for the funeral costs of a spouse, a child or another pensioner. Funeral benefits are not taxable.

For funeral benefit purposes a 'pensioner' means a person who satisfies or has satisfied the Commonwealth pensioner 'fringe benefits' income test. As explained under the functional heading *Health*, the income test is to be indexed automatically from November 1983. Expenditure is estimated at \$1.6m in 1983-84.

Telephone Rental and Postal Concessions

Pensioners, supporting parent beneficiaries and recipients of some other benefits who meet certain requirements, including, in most cases, the income test for Commonwealth fringe benefits (which is to be indexed from November 1983), may be eligible for mail redirection concessions and a reduction of one-third in the basic annual rental for a telephone.

Outlays on these concessions to social security and repatriation pensioners are estimated to increase from \$31.5m in 1982-83 to \$34.6m in 1983-84, reflecting the additional cost involved in the Government's decision to increase the income limits for Commonwealth fringe benefits, and the increase in telephone rental charges.

Mortgage and Rent Relief

An amount of \$19.8m will be provided in 1983-84 for assistance to low income home buyers experiencing extreme difficulty in meeting their mortgage repayments and to low income private renters experiencing similar difficulty in meeting rent payments. Commonwealth funds are provided to the States and Northern Territory on a \$1 for \$1 matching basis with similar new expenditures by the States. Comparable arrangements operate in the Australian Capital Territory. Expenditure in 1982-83 on this program totalled \$16m. Queensland did not participate in the scheme in 1982-83.

Assistance to Homeless Men and Women

The *Homeless Persons Assistance Act 1974* provides for the payment of capital grants to voluntary agencies and to local authorities for approved projects (night shelters, reception centres and hostels) to upgrade and replace inadequate existing accommodation and to build or purchase facilities for homeless persons. It also provides payment of rental subsidy of up to 100%, salary subsidy of up to 50% of the salary of approved staff, an accommodation and meals subsidy of \$1.35 a person a night for resident homeless persons and a meals subsidy of \$0.45 a person for non-resident persons.

The Government has decided to amend the Act with effect from 1 January 1984 to provide:

- up to 100% subsidy for the salary of one approved social welfare worker position in each approved centre;
- separate subsidies for accommodation and each meal provided (including meal vouchers issued) with the subsidies set at \$0.50 a meal and \$1.50 a person a night for accommodation; and
- accommodation vouchers, equivalent in value to the accommodation subsidy, to be issued by approved centres and exchanged for accommodation in places approved by the Department of Social Security. The value of such vouchers (and like assistance) will be excluded from the definition of income for pension and benefit income test purposes.

The introduction of these measures is estimated to cost \$1.6m in 1983-84 and \$2.5m in 1984-85.

Total outlays in 1983-84 are estimated to be \$11.4m, compared with \$5.3m in 1982-83, reflecting the Government decisions, the full year effect of the cost of new centres opened in 1982-83, and past and prospective cost increases.

Assistance for Migrants

The development of the range of programs of assistance for migrants has been the result of an evaluation of the post-arrival programs and services for migrants by the Australian Institute of Multicultural Affairs (AIMA). The Government has considered the programs and several aspects have been enhanced resulting in significant additional expenditure on migrant welfare programs for 1983-84.

Grants to enable agencies serving ethnic communities to employ social welfare workers will increase from \$3.2m in 1982-83 to \$4.9m in 1983-84. As a result, the number of grants available will increase from 140 at June 1983 to some 200 at June 1984. Activities covered by these grants include provision for the special needs of aged persons and migrant women. Ethnic communities are to receive \$0.2m through grants for self-help activities.

Provision for State translating and interpreting services under the Commonwealth/State cost-sharing arrangements has also been substantially increased from \$0.5m in 1982-83 to \$1.2m in 1983-84. In addition, the Telephone and Interpreter Service is to receive \$1.9m in 1983-84 as recommended by the 1982 AIMA evaluation.

Funding for migrant resource centres has been increased from \$1.3m in 1982-83 to \$1.5m in 1983-84 to take account of increased responsibilities for providing services to migrants. An allocation of \$0.4m has also been made available to reimburse voluntary agencies providing material assistance to refugees arriving in needy circumstances and to assist sponsors under the Community Refugee Resettlement Scheme.

Overall provision for services to migrants in 1983-84 is \$10.3m, compared with \$7.9m in 1982-83.

Welfare Programs in the Australian Capital Territory

The Commonwealth provides welfare benefits and subsidies to ACT residents on a similar basis to those provided by State governments (for example, rental rebates, bus subsidies and rates remissions for pensioners, care of foster children and grants to welfare organisations). Estimated expenditure in 1983-84 for these purposes is \$14.8m

(compared with \$12.6m in 1982-83). The increase is due mainly to a rise in the level of payments to welfare organisations from the ACT Community Development Fund (\$1m) plus an increase in the number of persons becoming eligible for rental rebates and rates remissions (\$1m).

In 1983-84, \$0.3m will be provided for payment to the Community Development Fund towards home care services in the Territory. This will place the ACT in a similar position to the States and the Northern Territory in relation to this Commonwealth program. The ACT will also participate in the new National Women's Emergency Services Program; \$60 000 has been provided for this purpose in 1983-84.

Other

The Commonwealth reimburses the Australian National Railways Commission (ANRC) for loss of revenue resulting from the carriage of passengers or freight free or at concessional rates. Concessional fares apply mainly to ex-service personnel and eligible pensioners, although concessions are also extended to distinguished overseas visitors. Freight concessions are generally applicable to goods transported for charitable, patriotic, educational and developmental purposes. The Commonwealth also reimburses sickness beneficiaries a portion of passenger fares on ANRC and Australian National Line services. In 1983-84 the cost to the Commonwealth of these concessions is estimated at \$2.6m, the major component being for pensioner concessions. The increase of \$0.1m on 1982-83 is attributable to an expected increase in the number of eligible persons.

The AIMA was established in 1979 to develop awareness and tolerance of diverse cultures through research, public information and other educational activities, and to provide advice to governments. An amount of \$4.3m has been provided for AIMA including \$2m for renovation and construction of new accommodation in central Melbourne.

In 1983-84, \$0.5m has been allocated for the maintenance of approximately 200 unattached refugee children who are wards of the Minister for Immigration and Ethnic Affairs under the *Immigration (Guardianship of Children) Act 1946*.

The Government has decided to provide \$5m for grants to community welfare agencies in financial difficulty or in need of support in providing emergency relief to persons, an increase of \$2.3m on 1982-83.

ABORIGINAL ADVANCEMENT PROGRAMS

This item includes funding provisions for the Aboriginal Development Commission (ADC), National Aboriginal Conference (NAC) and a wide range of programs of special assistance for Aboriginals administered through the Department of Aboriginal Affairs.

The ADC is to receive \$57.3m in 1983-84. Within that total is provision for assistance to Aboriginal communities and groups to acquire land, to engage in business enterprises, to provide housing loans to Aboriginals at concessional rates of interest and, more generally, to further the economic and social development of Aboriginals. Estimated expenditure by the ADC on these activities in 1983-84 is \$37.6m. Provision is also included in the ADC's 1983-84 allocation for direct grants to Aboriginal housing

associations for the construction and purchase of homes for Aboriginal families. Expenditure of \$30.5m on this activity will permit the construction of 541 new housing units this financial year.

Expenditure by the NAC is estimated at \$7.3m in 1983-84, an increase of \$3.5m on 1982-83. The NAC's role is to provide a forum for the expression of Aboriginal views, particularly on the long term goals and objectives of government in Aboriginal affairs. The increased funding proposed for 1983-84 reflects the Government's electoral commitment to strengthen and restructure the NAC and to involve it more closely in the decision-making process.

An amount of \$35.5m is also to be provided in 1983-84 through the Department of Aboriginal Affairs for programs including grants-in-aid to Aboriginal communities and other organisations and States' grants in the fields of employment, general welfare and training. This amount includes some \$14.5m for Community Development Employment projects, which will be expanded in 1983-84 to cover some 12 additional remote Aboriginal communities, and \$5m for special works projects, which provide funds to Local Government bodies to undertake labour intensive projects providing work experience and training for Aboriginals.

It is estimated that in 1983-84 an amount of \$14m will be payable by the Commonwealth in respect of royalty payments from mining on Aboriginal land in the Northern Territory in accordance with section 63 of the *Aboriginal Land Rights (Northern Territory) Act 1976*. Payments are made to the Aboriginals Benefit Trust Account to be applied to or for the benefit of Aboriginals in the Northern Territory in accordance with the provisions of the Act.

GENERAL ADMINISTRATIVE AND OTHER EXPENDITURE

This expenditure comprises the general running and capital expenses of the Departments of Social Security (\$446.7m in 1983-84, including an estimate of the costs of reintroducing a test on assets and income for social security and repatriation service pensions), Veterans' Affairs (\$89.8m, excluding expenses relating to repatriation institutions which are recorded under *Health*), Aboriginal Affairs (\$19.7m), and the Social Welfare Policy Secretariat (\$0.8m).

5. HOUSING

The Commonwealth administers a wide range of programs to assist people to meet their housing needs. Total direct outlays on housing are estimated to increase by 23.1% in 1983-84 to \$911.5m.

In addition to the outlays included in this function, other assistance for housing is given through:

- recycled funds of the Defence Service Homes Corporation (these are not reflected in Budget outlays);
- revenue forgone on certain loans made by the Commonwealth at concessional rates of interest, including advances to the States for public housing purposes and ACT Commissioner for Housing loans;
- taxation revenue forgone through income tax rebates on mortgage interest payments and tax deductions for municipal rates on the principal family residence (see Budget Statement No. 4);
- the \$100m element of the calendar 1983 Wages Pause Program allocated for public housing under the *Special Employment-related Programs Act 1982* (see 'Labour and Employment'); and
- outlays classified under other functions, eg supplementary (rental) assistance for pensioners and certain Social Security beneficiaries, assistance towards accommodation for the aged and disabled, crisis accommodation for families in distress, assistance to low income persons experiencing extreme difficulty in meeting mortgage and rental payments and certain Aboriginal housing activities of the Aboriginal Development Commission (see *Social Security and Welfare*).

The following table identifies Commonwealth expenditure on and provisions for those outlays classified under the *Housing* function:

	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Public Housing Assistance to the States and Northern Territory—					
Loan Assistance	146.0	291.9	346.0	+ 54.1	+ 18.5
Repayment of Principal	37.8Cr	40.0Cr	43.0Cr	— 3.0	— 7.4
Net Loans	108.2	251.9	303.0	+ 51.1	+ 20.3
Grants—					
Pensioner Housing	32.0	32.0	32.0	—	—
Aboriginal Housing	34.2	34.2	52.0	+ 17.8	+ 52.0
Other Grants	50.0	120.7	270.0	+149.3	+123.7
Total Grants	116.2	186.9	354.0	+167.1	+ 89.4
Other Grants to States for Housing	8.0	5.5	5.5	—	—
Assistance to First Home Owners	114.6	150.5	122.5	— 28.0	— 18.6
Housing Loans to Savings Banks—Repayments	4.6Cr	3.3Cr	0.9Cr	+ 2.4	+ 73.3
Defence Service Homes—					
Interest Subsidy	41.7	54.6	63.5	+ 8.9	+ 16.3
Other Outlays (net)	79.6	87.4	55.0	— 32.4	— 37.1
Total Defence Service Homes	121.3	142.0	118.5	— 23.5	— 16.5

	1981-82	1982-83	1983-84	Change	
	Actual	Actual	Estimate	\$m	%
Housing in the A.C.T.—					
Dwellings Built for Sale or Rental	7.1	13.7	12.4	- 1.3	- 9.2
Gross Advances	17.8	27.7	26.3	- 1.3	- 4.7
Community Housing Expansion Program	—	—	1.0	+ 1.0	n.a.
Repayment of Principal	26.6Cr	27.2Cr	24.0Cr	+ 3.2	+ 11.8
Sale of Rental Houses	—	3.8Cr	6.6Cr	- 2.8	- 73.0
Rents from Government Dwellings	22.9Cr	25.3Cr	25.8Cr	- 0.5	- 1.9
Maintenance of Rental Dwellings	5.1	5.4	7.3	+ 1.9	+ 34.8
Net Outlay	19.5Cr	9.6Cr	9.3Cr	+ 0.3	+ 3.0
Accommodation for Migrants	0.4	0.3	0.6	+ 0.3	+ 98.0
Accommodation for Aboriginals, nec	8.6	10.3	13.1	+ 2.7	+ 26.6
General Administration	5.8	6.5	5.5	- 1.1	- 16.1
Other Recoveries and Repayments	0.7Cr	0.8Cr	0.9Cr	- 0.2	- 22.1
TOTAL HOUSING	458.3	740.3	911.5	+171.3	+ 23.1

Note: n.a.—not applicable.

PUBLIC HOUSING ASSISTANCE TO THE STATES AND THE NORTHERN TERRITORY

Public housing assistance to the States and the Northern Territory is provided under the 1981 Commonwealth State Housing Agreement (CSHA) and also under Loan Council borrowing programs. Total gross payments to the States and the Northern Territory for public housing purposes are estimated at \$700m in 1983-84 while repayments of advances are estimated at \$43m. Within this total gross amount, the Commonwealth will provide \$500m to the States and the Northern Territory under the CSHA for expenditure on public housing in 1983-84.

In addition, under arrangements agreed at the June 1982 Loan Council meeting, a State may nominate amounts from its Loan Council Program for public housing. For 1983-84, a State may nominate funds provided that it first meets the matching requirements under the CSHA for expenditure in 1983-84 on public housing from its own resources. Such nominated additional amounts would be advanced to the State on relevant terms and conditions applying to other Commonwealth public housing loans (see below). The States have not yet formally advised the amounts they intend to nominate under these arrangements in 1983-84. An indicative amount of \$200m has therefore been included in this function compared with \$145.9m nominated for 1982-83. (Any increase or decrease in this amount of \$200m will be matched by a corresponding change in Loan Council funds classified under Function 10A 'Payments to or for the States, Northern Territory and Local Government nec').

Loan Assistance and Grants to the States and the Northern Territory for Housing under the CSHA

Loan assistance and grants are provided to the States and the Northern Territory for public housing purposes under the CSHA executed under the authority of the *Housing Assistance Act 1981*. The terms of the current CSHA, which was to operate for the five years 1981-82 to 1985-86 will apply for 1983-84 but the agreement will be renegotiated during the course of the year. Pending renegotiation of the CSHA, the

Commonwealth will provide \$500m to the States and Northern Territory in 1983-84. The following table sets out the amount and nature of Commonwealth assistance to the States and Northern Territory for public housing for 1983-84 compared with 1982-83.

	1982-83	1983-84
	Actual	Estimate
	\$m	\$m
Loan Assistance	146.0	146.0
Grant Assistance—		
Pensioners	32.0	32.0
Aboriginals	34.2	52.0
Untied	120.7	270.0
Total	332.9	500.0

The main features of the Commonwealth's assistance for 1983-84 are:

- \$146m is to be provided for loan assistance to the States and the Northern Territory in 1983-84, the same as in 1982-83. The loans are repayable over a 53 year period and carry an interest rate of 4.5% per annum. (Under the Loan Council arrangements noted above, the States are able to nominate additional amounts for public housing from their Loan Council Programs to be provided on these loan terms and conditions.);
- \$354m is to be provided to the States and the Northern Territory as grants in 1983-84, compared to \$186.9m in 1982-83—an increase of \$167.1m or 89.4%. In 1983-84, as in 1982-83, grants will be provided for three broad categories—pensioners, Aboriginals and untied grant assistance. Grants totalling \$32m are earmarked for rental housing assistance for pensioners. Eligible persons under the pensioners category include those in receipt of an age, invalid or widow's pension, a supporting parent's benefit, a special benefit, a sheltered employment allowance, a rehabilitation allowance in certain circumstances, and some classes of service pension. Grants totalling \$52m are earmarked for Aboriginals in need of rental housing assistance—an increase of \$17.8m or 52.0% on 1982-83. These grants include a component previously provided under the housing grants program administered by the Department of Aboriginal Affairs which was incorporated into CSHA arrangements from 1 July 1981. Untied grant assistance will total \$270m in 1983-84, up \$149.3m or 123.7% on 1982-83.

Under the CSHA, all loan assistance and untied grant assistance to the States and the Northern Territory is provided on a \$1 for \$1 matching basis. State and Territory expenditures on public housing and surpluses arising from the operation of the rental housing and home purchase assistance programs under the Agreement are eligible for such matching.

The allocation of loan assistance and untied grant assistance between rental housing and home ownership assistance programs is, under the Agreement, determined by each State and the Northern Territory. Funds allocated to rental assistance programs assist in providing concessional rental assistance for low income earners, and may be applied to the construction or acquisition of housing for rental or sale and for innovative purposes covered by the Agreement, such as the leasing of dwellings from the private sector and private/public housing joint ventures. The States and the Northern Territory have

the responsibility for the design and conduct of their programs and are free to determine eligibility criteria, provided that assistance is directed to those in need. Rental rebates are provided to allow tenants to pay a rent geared to their income and their family circumstances. The Agreement does not limit the number of dwellings that may be sold, but all sales by the housing authorities are to be at market value or replacement cost, and on the basis of cash transactions.

Funds allocated to home ownership assistance programs assist those who are unable to obtain mortgage finance in the private market. The Agreement does not impose specific means tests or prescribe how assistance is to be provided; instead, each State and the Northern Territory determines the conditions of eligibility for home purchase assistance and applies funds to schemes of its own choosing. Assistance to home buyers is provided on flexible terms so as to limit concessions, as far as practicable, to the period of real need. Purchasers of housing authority dwellings also have access to loans from the home purchase assistance program if they are unable to obtain finance in the private market.

Details of the State by State and Northern Territory allocation of the \$146m loan assistance and the \$354m grants in 1983-84 are shown in Budget Paper No. 7, *Payments to or for the States, the Northern Territory and Local Government Authorities, 1983-84*.

Other Grants to States for Housing

The *States Grants (Housing) Act 1971* provides for housing assistance to the States by way of grants of \$2.75m a year, payable for a period of 30 years, in respect of the States' housing operations in each of the years 1971-72 and 1972-73. An amount of \$5.5m is provided in 1983-84 for this purpose. The payments are in lieu of an interest concession on funds used by the States for public housing in those years.

ASSISTANCE TO FIRST HOME OWNERS

The Government undertook a detailed review of housing policy culminating in the May 1983 announcement of a number of measures designed to assist first home buyers and to boost the housing construction industry. Included among those measures was the decision to replace the Home Deposit Assistance Scheme (HDAS) and certain personal income tax rebates on mortgage interest payments with the First Home Owners Scheme (FHOS) which will operate from 1 October 1983.

Home Deposit Assistance Scheme

Home Deposit Assistance Grants are payable, subject to a family income test, to eligible persons to assist with the purchase or construction of a first home that is contracted for on or between 18 March 1982 and 30 September 1983. For homes contracted for before 1 August 1983 grants are payable on the basis of \$1 for each \$1 of savings held in an acceptable form (such as deposits with savings banks, credit unions, or building societies). A maximum basic grant of \$2500 is payable in respect of savings held for two years ending on the contract date. For homes contracted for in August and September 1983 the Government has decided to waive the savings requirement in determining the basic grant.

In addition to the basic grant, the Scheme provides for a family bonus of \$500 for families with one dependent child and \$1000 for families with two or more dependent children.

The maximum basic grant is available to first home purchasers whose family income, in the financial year immediately preceding home purchase, is less than or equal to 135% of average weekly earnings. Assistance tapers off to cut out at 155% of average weekly earnings.

Expenditure on HDAS is estimated at \$43m in 1983-84 compared with \$85.9m in 1982-83. The budget provision for 1983-84 represents the estimated cost of payments under the Scheme in respect of houses contracted for before 1 October 1983.

Homes Savings Grants

Provision of \$1.8m has been made for final settlement of outstanding claims under the Homes Savings Grant Scheme which was replaced by HDAS with effect from 2 June 1982.

Mortgage Interest Rebates

As announced in the May 1983 Economic Statement the Government has decided:

- to terminate, with effect from 1 July 1983, the general Housing Interest Income Tax Rebate Scheme available to all homeowners paying in excess of 10% p.a. on housing loans on their sole or principal residence. Savings in 1983-84 were estimated at \$50m rising to \$175m in 1984-85; and
- to terminate, with effect from 1 October 1983, access to the March 1982 Housing Interest Income Tax Rebate Scheme which provided rebates over five years to first home owners. First home owners receiving benefits under the scheme at 30 September 1983 will continue to receive benefits if 1982-83 taxable income meets the income test to apply under FHOS. Savings in 1983-84 were estimated at \$30m rising to \$155m in 1984-85 and \$190m in 1985-86.

First Home Owners Scheme

The First Home Owners Scheme will come into effect in respect of a first home that is contracted for on or after 1 October 1983.

Benefits are payable subject to the same family income test as currently applies under HDAS and described in that section; they are not subject to a savings test.

Eligible first home buyers will have a choice as to the form of assistance they receive. They may elect to receive a subsidy towards mortgage repayments over five years or they may choose a lump sum payment in the first year with smaller subsidy payments over the first five years of home ownership. The maximum subsidy available under the Scheme will be \$7000 for eligible first home buyers with two or more dependent children, \$6500 for those with one dependent child or \$5000 for those without dependent children.

Outlays in 1983-84 are estimated at \$77.7m in respect of an estimated 37 500 first home buyers. In 1984-85 the Scheme is estimated to cost \$165m (in respect of an estimated 87 500 beneficiaries) rising to \$190m (137 500 beneficiaries) in 1985-86.

HOUSING LOANS TO SAVINGS BANKS—REPAYMENTS

Under the *Banks (Housing Loans) Act 1974*, loans of \$150m were made to savings banks and certain other banks to provide a short term stimulus to activity and employment in the home building industry. By 30 June 1983, all but three of the eleven participating banks had fully repaid these loans. Repayments in 1983-84 are estimated at \$0.9m. The balance of \$0.9m expected to be outstanding at 30 June 1984 is scheduled for repayment in 1984-85.

DEFENCE SERVICE HOMES

The Defence Service Homes Scheme assists former and serving members of the Defence Forces and certain other eligible persons to acquire a home by providing low interest loans. The maximum loan is \$25 000. The first \$12 000 is available to borrowers at an annual interest rate of 3.75%, the next \$3000 at 7.25%, and the remaining \$10 000 at 10%. Applications for loans to purchase existing homes are currently subject to a ten month waiting period.

Total expenditure on Defence Service Homes loans is estimated at \$134m in 1983-84, compared to \$152.5m in 1982-83. The decrease in estimated expenditure is the result of a reduction in the number of expected loan settlements in 1983-84 compared to 1982-83. In 1982-83, 6353 applications were received for loans compared to 7303 in 1981-82. The expenditure in 1983-84 is expected to be financed as follows:

(a) from Non-Budget Sources—

- \$71m from repayments of principal retained in the Defence Service Homes Trust Account for re-lending;

(b) from the Budget—

- \$13m excess payments by borrowers available to the Defence Service Homes Trust Account by way of the Special Appropriation under Section 39C of the *Defence Service Homes Act 1974*; and
- \$50m by way of capital appropriation from the Budget.

In 1983-84 \$15.3m is being provided for the Defence Service Homes Corporation's salary and administrative expenses (excluding rent).

An interest subsidy estimated at \$63.5m will be appropriated to the Corporation in 1983-84, compared to \$54.6m in 1982-83. The interest subsidy reflects the extent to which interest charged to borrowers of Defence Service Homes loans falls short of the interest payable to the Commonwealth on the Corporation's capital. Interest receipts from the Corporation estimated at \$131m in 1983-84 (\$114.9m in 1982-83) are recorded in the estimates of receipts (see Statement No. 4).

A capital repayment in 1983-84 of \$9.5m is estimated to be made from the Defence Service Homes Trust Account to the Consolidated Revenue Fund reflecting the proceeds of sales of surplus land holdings. Repayments in 1982-83 amounted to \$2.7m. The Corporation has surplus land holdings as a result of phasing out its estate development and construction activities.

Receipts in 1983-84 in respect of excess payments by borrowers are estimated at \$14m. In 1983-84, \$13m of these and previous years' excess payments are expected to be paid to the Defence Service Homes Trust Account to meet 1983-84 repayments. A

further \$1.5m is expected to be used for other purposes specified in the *Defence Service Homes Act*, such as to meet borrowers' commitments for rates, repairs and other improvements.

Receipts from the Corporation in 1983-84 for administrative fees and recoveries are estimated at \$2.2m.

HOUSING IN THE AUSTRALIAN CAPITAL TERRITORY

Dwellings Built for Sale or Rental

Expenditure on construction and upgrading rental dwellings is estimated to be \$12.4m in 1983-84, down \$1.3m on 1982-83. The reduction is due to the program of 'spot purchase' of privately owned houses to add to rental stocks in 1982-83 at a cost of \$2.2m being suspended in 1983-84. However construction of 450 new houses and 50 new aged persons units will be commenced in 1983-84 (266 and 34 respectively in 1982-83).

Gross Advances

Expenditure under this heading includes loans under the ACT Commissioner for Housing Loans Scheme to means-tested applicants as well as loans to public servants compulsorily transferred to the ACT and Queanbeyan (NSW). Eligible welfare applicants receive concessional interest rate loans; the interest rate is 5.75% in the first year, increasing annually by 0.5% until it reaches the Commonwealth Savings Bank Housing Loan rate. A total of \$26.3m is expected to be available for such loans in 1983-84 compared to \$27.7m in 1982-83. Of this proposed expenditure \$22.4m is for loans under the ACT Commissioner for Housing Loans Scheme (\$24.9m in 1982-83), comprising a \$15m Budget appropriation and \$7.4m in funds recycled through the ACT Housing Trust Account. The balance of \$3.9m is for loans to public servants compulsorily transferred to Canberra (\$2.7m in 1982-83) and is provided from Budget appropriations. An estimated 800 loans will be provided in 1983-84 under the Commissioner for Housing Loans Scheme, including some 206 loans to meet outstanding commitments under the former Commonwealth of Australia Mortgage Scheme which, until abolished in 1982, provided a separate avenue for purchase of government houses by tenants. This compares with 874 loans under the two schemes in 1982-83.

Community Housing Expansion Program

An amount of \$1m is being allocated for the first time in 1983-84 under this heading to allow a wider range of housing opportunities to be pursued. The funds will be available, for example, to facilitate the establishment of community housing cooperatives, the provision of publicly funded boarding houses to be operated by community based groups, and joint funding schemes by Government, private interests and other non-profit organisations.

Repayments of Principal

This item comprises repayments of principal in respect of loans provided for the purchase of private and Government dwellings in the ACT. The reduction of \$3.2m in this item mainly reflects an expected reduction in the number of early discharges of mortgages.

Sale of Rental Houses

This item includes revenue from the sale of Government houses to tenants in the ACT and is based on 160 expected sales in 1983-84. There were 184 houses sold in 1982-83.

Rents from Government Dwellings

This item comprises receipts from rental of government dwellings in the ACT.

Maintenance of Rental Dwellings

Outlays under this heading are for repairs and maintenance, servicing and caretaking of Government owned houses and flats in the ACT.

ACCOMMODATION FOR MIGRANTS

This heading covers expenditure on minor works, new and replacement plant, and major items of equipment required in the operation of migrant centres and migrant transitory flats. Outlays have been increased in 1983-84 primarily for urgent and essential minor works.

ACCOMMODATION FOR ABORIGINALS, NEC

Apart from a small non-recurring payment in 1982-83 to the Aboriginal and Islander Housing Panel Incorporated, the only expenditure included under this heading is that in respect of Aboriginal Hostels Ltd which will receive \$13.1m in 1983-84. The company now funds the operation of 120 hostels providing 2990 beds.

The Aboriginal Development Commission administers housing loans and grants programs for Aboriginals and Aboriginal housing associations. Payments to the ADC, which is expected to spend \$43m on these housing programs in 1983-84, appear under the functional heading *Social Security and Welfare—'Aboriginal Advancement Programs nec'*.

GENERAL ADMINISTRATION

Outlays of \$5.5m under this heading provide mainly for the administrative costs of the housing function of the Department of Housing and Construction.

OTHER RECOVERIES AND REPAYMENTS

Included in this item are principal repayments from the Northern Territory Government in respect of previous Housing Commission advances and of staff housing transferred by the Commonwealth to the Northern Territory Government from 1 July 1978.

6. URBAN AND REGIONAL DEVELOPMENT NEC AND THE ENVIRONMENT

The Budget provides \$148.3m for activities covered by this heading in 1983-84, an increase of \$22.3m or 17.7% on 1982-83. The increase is mainly due to the recommendation of major land servicing by the National Capital Development Commission (NCDC) in the ACT and expenditure on the improvement and maintenance of Aboriginal community facilities.

	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Urban and Regional Development nec—					
Growth Centres (net)	32.2	33.5	37.5	+ 4.1	+12.2
Decentralisation Assistance (net)	1.6	0.1	2.7Cr	- 2.8	n.a.
Urban Rehabilitation (net)	0.5	3.5	1.0	- 2.6	-72.5
Land Commissions/Urban Land Councils (net)	24.5Cr	3.9Cr	0.8Cr	+ 3.2	+79.9
Urban Flood Mitigation	3.3	4.6	0.1	- 4.5	-97.8
Other Urban Development and Amenities	30.2	34.6	56.1	+21.6	+62.4
Total Urban and Regional Development nec	43.3	72.3	91.3	+18.9	+26.2
Protection of the Environment	5.2	9.7	12.8	+ 3.2	+32.7
Sewerage and Garbage (net)—					
Special Payment to Western Australia	—	12.1	7.9	- 4.2	-34.7
Other Outlays	4.2	4.0	4.6	+ 0.7	+17.3
General Administrative Expenditure (net)	24.8	28.0	31.7	+ 3.8	+13.4
TOTAL URBAN AND REGIONAL DEVELOPMENT NEC AND THE ENVIRONMENT	77.5	126.0	148.3	+22.3	+17.7

NOTE: n.a.—not applicable

URBAN AND REGIONAL DEVELOPMENT NEC

This heading covers outlays related to urban and regional development which are not classified to other functions. It includes assistance for the Albury-Wodonga growth centre, general decentralisation assistance, urban rehabilitation and development, urban flood mitigation and direct expenditure on development in the ACT.

Growth Centres (net)

The Commonwealth will provide no loans for growth centres in 1983-84. As a consequence, and apart from repayments (of \$83 000) in respect of loans previously provided to New South Wales and Victoria for municipal works, assistance provided for growth centres consists of capitalised interest on past advances to the States for the Albury-Wodonga, Bathurst-Orange and Macarthur growth centres. The capitalised interest provisions represent notional advances to the States which are offset by equivalent notional receipts from the States. The latter are recorded with 'Other Interest Receipts' in Statement No. 4. The notional advances indicate the extent of the concession actually afforded to the States by the deferment of interest payments.

In addition, a grant of \$0.4m—recorded as part of the General Administrative Expenditure Item—is provided to meet the Commonwealth's one-third contribution towards the administrative expenses of the Albury-Wodonga Development Corporation in 1983-84.

Decentralisation Assistance (net)

The Regional Development Program was introduced in 1977-78 to provide assistance of a capital nature to State, local government and community bodies, and private firms pursuing manufacturing and tertiary activities, in selected non-metropolitan centres. It was terminated in 1981. Total financial assistance allocated under the program amounted to \$36.5m for 79 projects. An amount of \$1.5m is provided in 1983-84 to meet the carryover of commitments in respect of assistance approved before the termination of the program.

Repayments of, and interest receipts from, loans made under the program will continue for some years. Repayments during 1983-84 are estimated at \$4.2m. (Interest receipts from the loans are estimated at about \$2.1m in 1983-84 and are recorded with 'Other Interest Receipts' in Statement No. 4.)

Urban Rehabilitation (net)

Estimated expenditure in 1983-84 on the Glebe Estate comprises \$1m for the continuation of rehabilitation work and \$0.9m for maintenance and administration costs. Income from rent is estimated at \$1.2m.

Under a 1974-75 agreement, the Commonwealth undertook to provide grants of up to \$17m to New South Wales for the acquisition of 3.2 hectares of land in the Woolloomooloo Basin of Sydney and for planning and site development. Total payments to the State amounted to \$16.3m at the end of 1982-83, and a final payment of \$0.7m is provided for in the 1983-84 estimates.

The agreement also provides for the State to make payments to the Commonwealth in respect of each unit of public housing produced and for the payment of receipts from any part of the property that is not retained for public housing. Such recoveries had amounted to \$2.9m by the end of 1982-83 and further recoveries of \$0.2m have been allowed for in 1983-84.

In 1974 the Commonwealth advanced \$3.5m to Victoria to acquire, for rehabilitation, the Emerald Hill estate in South Melbourne. Repayments commenced in 1978-79 and are estimated to amount to \$0.2m in 1983-84.

Land Commissions/Urban Land Councils (net)

Under a program commenced in 1973-74, Commonwealth assistance was provided to several States for land acquisition, servicing the land acquired (where costs were not met from normal government subventions) and urban renewal and redevelopment. This program was terminated in 1977-78.

The South Australian and Victorian Governments have reached agreement with the Commonwealth to make lump sum payments over a number of years in settlement of loans provided in earlier years for assistance to the South Australian Land Commission and the Victorian Urban Land Council/Urban Land Authority respectively. Payments totalling \$11.5m were received in 1982-83. Receipts in 1983-84 are estimated at \$9.5m, but will be partly offset by \$8.7m capitalised interest on loans provided to

other States in 1977-78 and earlier years. (As described under 'Growth Centres' above, these capitalised interest provisions represent notional advances to the States and are matched by equivalent notional receipts shown in Statement No. 4.)

Urban Flood Mitigation

The Commonwealth contributed \$4.6m in 1982-83 for urban flood plain management (including works) under the National Water Resources Program, including \$1.3m to New South Wales, \$1.1m to South Australia, \$0.9m to Victoria, and \$0.9m to Queensland. The amount of any funds for urban flood mitigation works in 1983-84 will depend on allocations to be made for individual projects under the National Water Resources Program. Pending allocation to individual projects these funds are classified under 'Irrigation and Other Pastoral Water Projects' in the function 'Industry Assistance and Development'.

Other Urban Development and Amenities

This item includes \$11m allocated under the Aboriginal Public Health Improvement Program (APHIP) as the third annual provision in respect of a \$50m five-year program to improve Aboriginal environmental health; a total of \$18.5m was provided for this program in 1981-82 and 1982-83. The APHIP is concerned mainly with the provision of clean water and sewerage for Aboriginal communities on a priority of needs basis, and the allocation includes direct payments to Aboriginal communities and payments to the States and the Northern Territory for these purposes. Total expenditure under this heading on programs for the improvement and maintenance of Aboriginal community amenities in 1983-84 will be of the order of \$34.8m (\$24.5m in 1982-83), comprising payments to the States and the Northern Territory of \$9.4m and direct payments to Aboriginal communities of \$25.4m.

An amount of \$19.3m is provided in 1983-84 principally for residential land development, underground electricity mains, provision of street lighting and footpaths as well as servicing of commercial and industrial sites in the ACT. The increase of \$10.3m is mainly due to the recommencement of major land servicing by the NCDC in the ACT. The total estimated cost of major land servicing projects proposed for commencement in 1983-84 is \$25m, of which \$5m will be spent in 1983-84.

An amount of \$1.4m is provided in 1983-84 for a planning exercise in respect of a program of urban improvement at the local government level.

PROTECTION OF THE ENVIRONMENT

An amount of \$12.8m is being provided in 1983-84 for purposes related to the protection of the environment—an increase of \$3.2m on 1982-83 expenditure. The net increase takes account of reduced allocations for some programs reflecting significant non-recurring expenditures. Support for the operations of the Supervising Scientist and the Alligator Rivers Region Research Institute is being increased by \$0.5m in 1983-84 to \$3.6m to allow continuation of the development of environmental protection services in the region. Funds for capital works and services have, however, been reduced by \$1.8m in 1983-84 reflecting the non-recurring purchase of housing accommodation for staff in 1982-83.

The largest increase under this general heading relates to the continuation of the program for the rehabilitation of the former uranium mining site at Rum Jungle to be undertaken by the Northern Territory Government at a cost of \$5.3m in 1983-84 (\$0.8m was provided for this purpose in 1982-83). Increased funding is also being provided to establish an environmental contaminants program (\$0.5m) and to provide matching support for conservation organisations (\$0.6m).

Other outlays in 1983-84 under this heading are for the continuation of the National Tree Program (\$0.5m), coastal surveillance of the Great Barrier Reef region (\$0.4m) and for the operations of the Baseline Air Pollution Monitoring Station in Tasmania (\$0.3m).

SEWERAGE AND GARBAGE (NET)

Spectral Payment to Western Australia

The Commonwealth has undertaken to provide \$20m to Western Australia towards the cost of construction of a sewerage pipeline in the Cookburn Sound area from Woodman Point to the sea off Cape Peron. An amount of \$12.1m was provided in 1982-83 with the remaining \$7.9m to be provided in 1983-84.

Other Outlays

A net amount of \$5.8m is included in 1983-84 for the provision of sewerage, garbage and drainage facilities and services in the ACT. The increase of \$0.8m on 1982-83 expenditure is largely attributed to the extension of garbage services to the newer suburbs of Canberra and to contract, wage and fuel cost rises.

Repayments of \$1.1m in respect of loans provided to the States in earlier years under a former program of assistance for sewerage works are offset against outlays under this heading.

GENERAL ADMINISTRATIVE EXPENDITURE

The major components under this heading are the administrative expenditure of the National Capital Development Commission (\$13.1m) and consultancy fees payable by the Commission for investigation, design and construction purposes (\$13m). Also included is that component of the administrative expenditure of the Department of Home Affairs and Environment which can be identified as relating to the environment (\$3.2m) and the Commonwealth's contribution, mentioned earlier, to the running costs of the Albury-Wodonga Development Corporation (\$0.4m).

7. CULTURE AND RECREATION

Provisions for the support of cultural and recreational activities are budgeted to increase by 14.6% from \$523m in 1982-83 to \$599.2m in 1983-84.

	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Broadcasting and Television-					
Australian Broadcasting Corporation	247.0	274.2	288.8	+ 14.7	+ 5.3
Operation and Maintenance of Australian Broadcasting Corporation Transmitters	33.4	34.2	42.2	+ 7.0	+ 19.8
Special Broadcasting Service	26.4	38.9	33.7	+ 4.9	+ 16.9
Provision and Installation of Transmitters	9.4	9.6	14.2	+ 4.6	+ 47.8
Regulation of the Broadcasting Industry	4.0	3.9	4.4	+ 0.5	+ 12.6
Planning of Broadcasting and Other Related Expenditure, nec	4.5	5.6	7.7	+ 3.0	+ 36.1
Total	333.8	357.4	391.1	+ 33.6	+ 9.4
Libraries	18.7	21.0	27.2	+ 6.1	+ 29.3
Australian National Gallery	24.1	18.1	13.2	- 4.9	- 27.0
Film Industry Development	6.0	6.8	12.6	+ 5.8	+ 86.5
Assistance to the Arts	32.3	35.8	40.0	+ 4.3	+ 12.0
War Memorial	3.5	5.7	8.6	+ 2.9	+ 50.3
Museum of Australia	0.4	0.6	3.4	+ 1.8	+ 287.4
Archives	8.9	16.2	11.9	+ 1.7	+ 17.0
Youth, Sport and Recreation	22.9	28.1	41.3	+ 13.2	+ 46.9
Other Cultural Organisations	7.6	4.9	9.7	+ 4.8	+ 98.8
Wildlife and National Parks	14.7	10.0	14.2	+ 4.3	+ 42.7
National Estate	3.4	3.5	4.0	+ 0.5	+ 13.4
Australian Heritage Commission	0.7	0.8	1.2	+ 0.4	+ 58.1
Cultural and Recreational Activities in the ACT, nec	15.1	20.2	21.8	+ 1.6	+ 8.1
Total	158.4	165.5	208.1	+ 42.5	+ 25.7
TOTAL CULTURE AND RECREATION	482.2	523.0	599.2	+ 76.2	+ 14.6

Broadcasting and Television

Total outlays by the Commonwealth on broadcasting and television services are estimated at \$391.1m in 1983-84, an increase of \$33.6m or 9.4% on 1982-83.

Australian Broadcasting Corporation

The Budget provides for a total of \$288.8m to be paid to the Australian Broadcasting Corporation (ABC—until 30 June 1983 the Australian Broadcasting Commission) in 1983-84, comprising \$280.2m for domestic radio and television services and \$8.6m for Radio Australia.

Of the amount to be provided to the ABC for its domestic radio and television services, and for its other general activities including the maintenance of the ABC orchestras and the various merchandising activities of the ABC, \$260.9m is for operational purposes and \$19.3m for capital expenditures. Actual expenditures in 1982-83 for these purposes were \$246.4m and \$14.4m, respectively. The proposed increase of \$14.5m in operational expenditures by the ABC in 1983-84 should, after allowing for cost increases, enable the ABC to expand or improve its existing levels of activity. An amount of \$1m has been provided for the development of more commercially oriented accounting and financial reporting systems in the ABC, as recommended by the Dix Committee

of Inquiry into the ABC, as well as \$0.4m to meet the initial operational costs associated with the planning and installation of computer controlled switching equipment (at an estimated total cost of \$3.8m) to enable the ABC to use the national communications satellite system for program distribution when that system becomes operational in 1985. The estimated increase of \$4.9m in capital expenditure by the ABC in 1983-84 will allow for increased purchases of technical equipment as well as for the purchase of a site in Hobart for a proposed new radio/management complex (\$1.2m), an upgrading of ADP facilities (\$1m), the commencement of work on a second regional radio network (\$0.2m) at a total estimated capital cost of \$34.4m, and \$0.1m for further feasibility studies into the rationalisation of the ABC's accommodation requirements in Sydney.

The amount to be provided for Radio Australia in 1983-84 consists of \$8.4m for operational purposes and \$0.2m for technical equipment. The corresponding figures in 1982-83 were \$8.3m and \$0.9m respectively. The reduction for technical equipment reflects the completion of engineering installations in the new Radio Australia complex at East Burwood, Victoria.

An amount of \$4.1m was provided to the ABC in 1982-83 in connection with its role as Host Broadcaster at the 1982 Commonwealth Games in Brisbane, bringing the total funds provided to the ABC for that activity since 1979-80 to \$18.9m.

Operation and Maintenance of Australian Broadcasting Corporation Transmitters

The Government has announced that the Australian Broadcasting Corporation will own and control its transmitters within national transmitting stations. New transmitters will still be provided by the Commonwealth but, once they are ready to broadcast, ownership will be vested in the ABC. Responsibility for national transmitting stations and associated facilities will remain unchanged, although there will be flexibility to transfer some transmitting stations to the ABC's control in future.

The operation and maintenance of national transmitting stations will continue to be carried out by Telecom under contract to the Commonwealth. An amount of \$43.9m has been provided for payment to Telecom for this purpose in 1983-84. Revenue of \$1.7m in 1983-84 is expected from leasing charges for the shared use of technical facilities at national transmitting stations by commercial operators, and from the sale of assets.

Special Broadcasting Service

The Budget provides \$33.7m for the Special Broadcasting Service (SBS) in 1983-84, compared with \$28.9m in 1982-83. From this allocation, together with cash on hand and income from sale of sub-titled television programs, the SBS expects to spend approximately \$2.4m on corporate management, \$6.7m on ethnic radio and \$24.9m on multicultural television (comparable figures in 1982-83 were \$2m, \$6.3m and \$20.6m). After allowing for cost increases, these amounts are expected to enable the existing ethnic radio stations 2EA and 3EA, as well as the Channel 0/28 multicultural television services in Sydney and Melbourne, to be maintained at about the same levels of activity as in 1982-83. The estimates also provide for the existing multicultural television service to be extended to Canberra and its environs towards the end of 1983. Preparations are being made to extend that service to other capital cities in due course. The SBS expects to spend an amount of \$0.65m in 1983-84, the same level as in 1982-83, on grants to eligible public broadcasting stations which transmit ethnic radio programs.

Provision and Installation of Transmitters

The Budget allocation for 1983-84 represents an increase of \$4.6m (47.8%) on 1982-83 expenditures and provides \$7.5m for the upgrading and extension of the ABC network in country areas, including \$1m for the commencement of work to convert certain national transmitting stations from dependence on terrestrial links to use of the national communications satellite system for the distribution of ABC radio and television programs in future (at a total estimated cost of \$4.5m) and \$0.5m for a scheme to provide ABC radio and television programs to remote and underserved communities which do not currently receive these services either due to rugged terrain or because they are outside present service areas (total expenditure on this scheme is estimated to be \$6.1m). The Budget also provides \$5.8m to complete the rehabilitation of the Radio Australia transmitting facilities at Cox Peninsula, Darwin, and the installation of transmitters at Radio Australia stations at Shepparton, Victoria, and Carnarvon, Western Australia. An amount of \$1m is provided for the extension of multicultural television to Canberra and its environs in 1983-84.

Regulation of the Broadcasting Industry

An amount of \$4.4m has been provided for the Australian Broadcasting Tribunal to enable it to conduct public inquiries into the granting and/or renewal of commercial and public broadcasting station licences and to carry out other functions under the *Broadcasting and Television Act 1942* relating to the regulation of radio and television broadcasters.

Planning of Broadcasting and Other Related Expenditure, nec

The Department of Communications is responsible for policy matters concerning radio and television services in Australia, including the examination of technical issues relating to the adequacy and location of national, commercial and public broadcasting stations. Expenditure by the Department on these functions is estimated at \$7.7m in 1983-84, compared with actual expenditures of \$5.6m in 1982-83. The 1983-84 estimate includes \$0.6m to help reduce the current backlog of broadcasting applications and related planning proposals, \$0.4m for the proposed second ABC regional radio service and \$0.3m for station planning under the remote and underserved communities scheme. A total of \$0.3m has also been provided for the public broadcasting sector, including a special non-recurring grant of \$0.1m to the Public Broadcasting Association of Australia to enable it to explore the feasibility of establishing a Public Broadcasting Foundation which might attract significant funding from the private sector.

Libraries

The 1983-84 provision of \$21.8m for the operating expenses of the National Library of Australia includes \$12.3m for salaries and related costs and \$4.4m for acquisition of library material. The material planned for purchase by the Library includes a wide range of books and periodicals, films, pictorial material, maps, sound recordings, music scores and manuscripts. Copies of Australian publications are also lodged with the National Library under the requirements of the *Copyright Act 1968*.

Development of the Australian Bibliographic Network will continue during 1983-84. The Network is now operating in all States and Territories and enables on-line consultation of the Library's cataloguing information and the location of library material by participating libraries throughout Australia.

Extensions to the National Library were commenced in 1982-83. Their total estimated cost is \$12.6m and expenditure in 1983-84 is estimated at \$4.5m, compared with \$0.4m in 1982-83, during which year construction commenced.

Also included in this category is \$0.9m for the non-salary operating expenses of the Canberra Public Library Service (CPLS). Expenditure on salaries and overtime by the CPLS is included in the Department of Territories and Local Government's administrative votes under the function *General Public Services—'Administrative Services'*.

Australian National Gallery and Collection

The Gallery was officially opened on 12 October 1982 by Her Majesty the Queen. The occasion was televised and broadcast to an audience of nearly two million Australians. Since opening day well over half a million people have visited the Gallery.

The Gallery's allocation for 1983-84 is \$13m (\$15.4m in 1982-83) including \$9.4m for salaries and administrative and operating expenses and \$3.6m for acquisitions to the National Collection. The higher provision in 1982-83 reflected the costs of fitting out and furnishing required before the official opening.

In addition, following strong public support in its first 9 months, the Gallery estimates that it will receive gross revenue of \$3m from its commercial activities (publications and Gallery Shop, admission charges, membership and corporate support). Net proceeds from admission charges are applied to acquisitions for the National Collection.

Capital expenditure on the Australian National Gallery is estimated to decline to \$0.2m in 1983-84, compared with \$2.7m in 1982-83, reflecting the completion of major construction.

Film Industry Development

The Australian Film Commission assists the local film industry by providing equity capital and loans for the production, promotion and distribution of Australian films and television programs. Grants are also provided to encourage script-writers and to assist in the development of new projects.

The provision of taxation concessions for the film industry has resulted in the Australian Film Commission reducing its loan and investment support for films in recent years, and increasing its involvement in marketing and developmental activities. The Government has decided to reduce the generosity of taxation concessional arrangements (see Budget Statement No. 4) but to increase direct assistance by providing an additional \$5m in 1983-84 to the Commission for increased activity on loan and investment support. This is reflected in the provision of \$12.6m in 1983-84 for the purposes of the Commission (an increase of 86.5% on 1982-83). Cash balances and general revenues estimated at \$1.8m are also expected to be available for the purposes of the Commission in 1983-84.

Assistance to the Arts

The Australia Council administers the Commonwealth's major programs of assistance to the arts through Boards responsible for theatre, community arts, music,

literature, Aboriginal arts, crafts, design and visual arts. These programs include assistance for the Australian Opera, the Australian Ballet and the Australian Elizabethan Theatre Trust Orchestras.

The total allocation for the Council in 1983-84 is \$37.9m (an increase of 12.8% on 1982-83). The allocation includes a provision of \$2.5m over and above real ongoing funding levels, which is expected to give the Council the flexibility to redirect expenditure on the Arts more towards community activities, in line with Government policy.

The Public Lending Right scheme is expected to cost \$1.6m in 1983-84. Under this scheme authors and publishers of Australian books are compensated for loss of income in cases where fifty or more copies of an eligible book are available for loan from public libraries. The provision for 1983-84 includes an increase of 10% in the rates of payment to authors and publishers.

Artbank, which acquires works of art from Australian artists for placement on hire in public places, is to be provided with \$0.5m in 1983-84 including an amount of \$0.4m for the acquisition of works of art.

A payment of \$0.2m will be made in 1983-84 to the Australian Ballet Development Fund as the second and final instalment of the Commonwealth's contribution of \$0.5m towards a permanent building for the Australian Ballet in Melbourne.

War Memorial

In 1983-84 an amount of \$6m (\$5.5m in 1982-83) is provided for the operating costs of the Australian War Memorial including provisions for continuing upgrading of exhibition areas, maintenance of collections and \$0.3m for acquisitions.

In 1982-83 a start was made on a three stage program of upgrading the War Memorial building with a view to having all works completed by 1988 in time for Australia's Bicentennial celebrations. Expenditure in 1983-84 on these works, which include alterations to the main entrance to improve reception facilities, is estimated at \$2.5m. This amount also provides for design work on the second stage (including enlargement of the existing aircraft hall).

Museum of Australia

An amount of \$1m (\$0.6m in 1982-83) is provided for the 1983-84 costs of the Museum of Australia Interim Council and secretariat, and for acquisitions.

The proposal for the establishment of the Museum of Australia, as contained in the Interim Council's Report 'The Plan for the Development of the Museum of Australia', was accepted in principle by the Government on 23 May 1983. An 88 hectare site adjacent to Yarramundi Reach at the western end of Lake Burley Griffin has been set aside for the Museum and approval has been given for the National Capital Development Commission (NCDC) to proceed with the design of a building.

Expenditure on capital works for the Museum is estimated at \$1.4m in 1983-84 compared to \$78 000 in 1982-83, reflecting progress on the construction of the storage repository at Mitchell, ACT.

Archives

In 1983-84 an amount of \$11.9m is provided to preserve and maintain archival material of national significance or public interest. Included in the 1983-84 provision is \$0.5m for the commencement of a ten year staged program designed to computerise many of the Australian Archives' manual procedures.

Youth, Sport and Recreation

An amount of \$41.2m is provided under this heading in 1983-84, compared with \$28.1m in 1982-83; an increase of 46.9%. Provisions for assistance in 1983-84 include the following:

- \$2.8m for the continuing establishment and administrative costs of the Department of Sport, Recreation and Tourism;
- \$8m to provide assistance on a \$ for \$ matching basis to the States and Territories for the development of international standard sports facilities. This is part of a total \$25m program, commenced in 1980-81, of which \$8.5m has already been provided. \$4.9m was provided in 1982-83;
- \$6.8m for sport and recreation programs (\$3.7m in 1982-83) under which assistance is provided:
 - to national sporting bodies for administration, coaching and other activities such as participation in international competition;
 - for sport and recreation for the disabled;
 - for continued secretarial support for the Australia Games Foundation; and
 - for national recreational organisations to encourage recreational activities and to contribute to the development of the Commonwealth's recreational and fitness policies;
- \$0.9m special assistance as the final instalment of the \$1.4m being made available for teams preparation for the 1984 Olympic Games;
- \$5.4m for the operating expenses of the Australian Institute of Sport (AIS) (\$4.5m in 1982-83) which provides potential top class Australian sportsmen and sportswomen with access to specialised coaching programs while allowing them to pursue their studies and careers. An amount of \$0.2m has been provided in 1983-84 for the expansion of the Institute's activities to include hockey as a designated sport to be located in Perth, WA. This will increase the number of Institute sports to 11; and
- \$10.2m for expenditure by NCDC on facilities at the National Sports Centre at Bruce (ACT), an increase of \$2m on 1982-83. \$8.9m is to be spent in 1983-84 on continued construction of the indoor sports training facilities and arenas for the AIS that were commenced in 1982-83; a further \$1.3m expenditure is estimated on the commencement of construction on residential accommodation for AIS athletes, administrative and sports science buildings for the AIS, and upgrading of the National Athletics Stadium (total estimated cost of \$19m).

Also included in 1983-84 under this item are \$1.1m for assistance to youth organisations and international youth exchanges, \$0.8m for grants-in-aid to life saving bodies and \$2.9m for grants-in-aid to Aboriginal communities and groups for cultural, recreational and sporting activities.

Other Cultural Organisations

Outlays under this heading in 1983-84 are estimated at \$9.7m, compared with \$4.9m in 1982-83. The increase mainly reflects:

- an increase of \$1.9m to \$4.4m in 1983-84 for the operating expenses of the Australian Bicentennial Authority which was established to prepare for the Australian Bicentenary celebrations in 1988. This, together with funds already held by the Authority, provides for total expenditure in 1983-84 of \$4.8m compared with expenditure of \$3m in 1982-83; and
- amounts of \$2.4m and \$0.9m as further part payments of total grants of \$5m and \$2m respectively towards preparations for sesquicentenary celebrations in Victoria and South Australia. Final payments of \$2.5m and \$0.9m respectively are expected to be made in 1984-85.

Other provisions under this heading include:

- \$0.5m for the Australian Children's Television Foundation, a private company limited by guarantee that was established early in 1982 with the assistance of the Commonwealth (\$0.2m in 1981-82 and \$0.5m in 1982-83) and some States to encourage the development, production and broadcasting of quality television programs for children. The Commonwealth has committed a total of \$1.5m in support over a period of three years ending in 1984-85, after which period the Foundation is expected to be self-supporting;
- grants totalling \$0.5m for the National Trusts;
- \$0.4m for the observance of Australia Day; and
- administration of the *Historic Shipwrecks Act 1976* (\$0.1m) under which funds are provided for rewards as and when approved, for servicing the Australian/Netherlands Committee on Old Dutch Shipwrecks and for undertaking recovery and protection of historic shipwrecks and relics.

Wildlife and National Parks

An amount of \$14.2m is provided in 1983-84 (compared to outlays of \$10m in 1982-83) for wildlife conservation and management and the development of (marine and terrestrial) national parks. The 42.7% increase reflects greater activity by the Australian National Parks and Wildlife Service (ANPWS) and the Great Barrier Reef Marine Park Authority (GBRMMPA).

Outlays for the GBRMPA are planned to increase by \$1.4m (48.5%) in 1983-84 and reflect the Government's decision to continue the acceleration of the declaration and zoning of sections of the Great Barrier Reef Marine Park. Increased funding is also being provided to meet the Commonwealth's share of costs for day-to-day management of the Capricornia section and the newly established Cairns/Cormorant Pass section of the Park. A total amount of \$8.9m is being provided to the ANPWS in 1983-84 (an increase of \$2.9m) including \$2.9m for the development and operation of the Kakadu National Park in the Northern Territory and \$1.2m for payment to the Northern Territory Government for the operations and management of the Uluru National Park. Funds have also been allocated to meet the Service's responsibilities for whale protection and for activities required under the *Wildlife Protection (Regulation of Exports and Imports) Act 1982*.

National Estate

An amount of \$2.8m is provided in 1983-84 (\$2.2m in 1982-83) to finance programs of assistance to the States and the Territories for the restoration, preservation and improvement of buildings and areas of special significance. In addition, \$1.2m is to be provided to the Tasmanian Government on a \$2 for \$1 matching basis for the fifth year of a seven-year program to restore and develop the Port Arthur region. The cost to the Commonwealth of this program is currently estimated to be of the order of \$6m over the seven-year period.

Australian Heritage Commission

The Australian Heritage Commission is responsible for the identification of places of National Estate significance and for providing advice on measures for their protection. An amount of \$1.2m is provided for the operational costs of the Commission in 1983-84, an increase of 58% on the Commission's expenditure in 1982-83 (\$0.8m).

Cultural and Recreational Activities in the ACT, nec

This heading covers the net cost of construction and maintenance of parks, gardens and reserves, as well as the provision of assistance for cultural, recreational and community activities in the ACT (including Jervis Bay). The increase is mainly due to an increase of \$1.2m in grants made to cultural, recreational and community organisations from the ACT Community Development Fund.

8. ECONOMIC SERVICES

This category covers the various economic services and forms of economic assistance provided by the Commonwealth to industry and the community generally. It includes the provision of economic infrastructure, the regulation of private sector economic activity and more direct forms of Government participation in economic activity.

A. TRANSPORT AND COMMUNICATION

The following table shows the Commonwealth's expenditure for transport and communication purposes in 1981-82 and 1982-83 and the estimates for 1983-84. In aggregate, these outlays are expected to decrease by \$55m or 3.1% in 1983-84. However, after removing the effects of certain non-recurring payments (see below) in 1982-83, outlays under this heading are expected to increase by 12.8% in 1983-84. The net outcome reflects the effects of a large increase in road grants to the States and Northern Territory under the Australian Bicentennial Roads Program, the non-recurring payments in 1982-83 already mentioned, the expiry of some programs in 1982-83 and reductions in expenditures in 1983-84 on airport development works and the subsidy to fund the Australian National Railways Commission's (ANRC) operating loss.

The major non-recurring payments in 1982-83 were capital contributions to TAA, Qantas, AUSSAT Pty Ltd and Australian National Line (ANL) (partly offset by early loan repayments by ANL). Programs which expired at the end of 1982-83 were assistance to the States for railway mainline upgrading and special payments to Victoria, Queensland and South Australia for transport purposes.

A number of the Commonwealth authorities which operate transport and communications services now borrow on their own behalf. Transactions between these authorities and the Budget, which have in recent years been largely confined to the repayment of earlier loans from the Budget, together with interest and dividend payments to the Budget, are recorded in Statement No. 4 under 'Interest, Rent and Dividends'. Receipts and outlays figures for the Commonwealth Government sector as a whole up to 1982-83, which take account of the activities of these authorities, are shown in Table 11 of Statement No. 6.

	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Communication—					
National Communications Satellite System	6.0	43.5	—	- 43.5	- 100.0
Radio Frequency Management	12.3	12.9	14.0	+ 1.0	+ 7.8
Administrative and Other	4.7	5.3	5.0	- 0.3	- 5.7
Total Communication	22.9	61.7	18.9	- 42.8	- 69.3
Air Transport—					
Provision of Civil Aviation Services—					
Operational and Administrative Expenditure	300.2	360.9	375.8	+ 14.9	+ 4.1
Plant and Equipment for Airways and Navigational Facilities	15.8	22.6	35.3	+ 12.6	+ 55.7
Buildings and Works	46.8	118.0	74.0	- 44.0	- 37.3
Recoveries—					
Air Navigation Charges	101.8Cr	124.2Cr	126.1Cr	- 1.9	- 1.5
Airport Rentals and Business Concessions	38.7Cr	40.0Cr	43.5Cr	- 3.5	- 8.7
Other	13.2Cr	15.1Cr	16.4Cr	- 1.3	- 8.4
Total Civil Aviation Services	209.0	322.2	299.1	- 23.1	- 7.2
Quotas—					
Capital Contribution	25.0	60.0	—	- 60.0	- 100.0
Repayment of Advances	10.5Cr	9.1Cr	7.3Cr	+ 1.8	+ 19.7
Australian National Airlines Commission (TAA)—					
Capital Contribution	—	115.0	—	- 115.0	- 100.0
Repayment of Advances	2.9Cr	3.2Cr	2.5Cr	+ 0.7	+ 21.6
Assistance to Operators and Aviation Bodies—					
Air Service Subsidies	4.7	6.2	7.8	+ 1.6	+ 25.0
Grants to Aviation Organisations	0.5	0.6	0.8	+ 0.2	+ 40.5
Aerodrome Local Ownership Plan	6.7	29.9	45.6	+ 15.7	+ 52.5
Total Air Transport	232.6	521.6	343.5	- 178.1	- 34.1
Road Transport—					
Road Grants to States and NT	685.0	850.9	1 163.0	+ 312.1	+ 36.7
Road and Related Works in the ACT	15.4	19.6	21.4	+ 1.8	+ 9.2
Public Transport and Equipment in ACT	4.3	3.5	2.6	- 0.9	- 24.9
Special Payment to Tasmania for Tourist Roads	—	10.0	—	- 10.0	- 100.0
Special Grant for Second Hobart Bridge	16.4	16.7	6.8	- 9.9	- 59.3
Road Research and Investigations	1.9	2.0	2.0	—	—
Repayment of Advances	0.6Cr	—	—	—	—
Total Road Transport	722.4	902.7	1 195.8	+ 293.1	+ 32.5
Rail Transport—					
Australian National Railways Commission—					
Operating Loss	70.4	106.0	85.0	- 21.0	- 19.8
Capital Works	5.0	3.0	3.0	—	—
Alice Springs—Darwin Railway Preliminary Planning	1.9	3.0	5.0	+ 2.0	+ 66.7
Adelaide—Crystal Brook Railway Repayment	—	—	0.7Cr	- 0.7	n.a.
Assistance to States—					
Mainline Upgrading	24.3	21.8	—	- 21.8	- 100.0
Repayments of Advances	5.2Cr	4.8Cr	7.2Cr	- 2.4	- 50.1
Other Rail Transport	0.8	0.5	0.4	- 0.1	- 14.0
Total Rail Transport	97.1	129.5	85.6	- 43.9	- 33.9

	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Sea Transport—					
Australian Shipping Commission (ANL)—					
Capital Contribution	—	90.0	—	- 90.0	- 100.0
Repayment of Advances	2.0Cr	73.8Cr	2.4Cr	+ 71.4	+ 96.7
Subsidies for Services	3.8	4.0	4.8	+ 0.8	+ 18.8
Other Payments	1.8	0.6	—	- 0.6	- 100.0
Assistance to Shipping Bodies and Shippers—					
Tasmanian Freight Equalisation Scheme	29.4	27.3	23.0	- 4.3	- 15.6
Australian Shippers' Council	0.2	0.2	0.2	—	+ 14.0
Provision of Services—					
Buildings and Works	1.9	1.5	3.1	+ 1.6	+ 108.5
Marine and General Services	4.8	4.6	4.3	- 0.3	- 5.7
Payment to OTC for Maritime Communications	4.0	4.1	4.7	+ 0.6	+ 15.1
Repayments	0.2Cr	0.2Cr	0.2Cr	—	- 2.2
Total Sea Transport	43.7	58.2	37.4	- 20.7	- 35.6
Pipelines—					
Pipeline Authority	24.5	25.5	22.4	- 3.2	- 12.5
Repayments	17.4Cr	18.6Cr	20.1Cr	- 1.5	- 8.1
Total Pipelines	7.1	7.0	2.3	- 4.7	- 67.6
Special Payments to Victoria, Queensland and South Australia for Transport	35.0	65.0	—	- 65.0	- 100.0
Urban Public Transport	1.5	—	—	—	—
Transport Planning and Research	2.8	3.1	3.3	+ 0.2	+ 4.8
General Administrative and Other Expenditure	45.0	44.6	53.4	+ 8.8	+ 19.7
Other Recoveries	30.1Cr	33.0Cr	34.7Cr	- 1.7	- 5.2
TOTAL TRANSPORT AND COMMUNICATION	1 180.2	1 760.4	1 705.4	- 55.0	- 3.1

Note: n.a.—not applicable.

COMMUNICATION

National Communications Satellite System

AUSSAT Pty Ltd, which has an issued capital of \$75m, was established to own and operate the domestic satellite communications system to be introduced in Australia in 1985-86. In 1982-83 an amount of \$43.5m was provided to AUSSAT by the Commonwealth as equity capital, raising the total subscribed capital of AUSSAT as at 30 June 1983 to \$49.5m. No equity contributions are expected to be made to AUSSAT during 1983-84. In the Economic Statement to Parliament in May 1983 the Government announced its intention to permit the private sector to acquire up to 49% of the equity capital of AUSSAT, subject to an appropriate spread of shareholdings and satisfactory arrangements being in place to protect the public interest; these arrangements may include regulation of satellite services to ensure co-ordination with terrestrial services. Revenue in 1983-84 from this source is estimated at \$24.3m (see Statement No. 4 under 'Sale of Existing Assets'). The sale of 49% of the Commonwealth's equity in AUSSAT would also reduce from \$25.5m to \$13m the balance of the capital expected to be subscribed to AUSSAT by the Commonwealth after 1983-84.

Radio Frequency Management

Administration of the *Wireless Telegraphy Act 1905* includes the regulation and monitoring of the activities of many different categories of radio communications licensees (including those with 'Citizen Band' radios). The budget allocation of \$14m for this purpose in 1983-84 includes an amount of \$0.5m for the purchase of automated spectrum occupancy and surveillance equipment to enable more effective monitoring of the radio frequency spectrum by the Department of Communications.

Administrative and Other Expenditures

This item consists largely of the salary and administrative expenses (\$4.9m) of the Department of Communications not attributed to other functions. The reduction of \$0.3m on actual expenditures in 1982-83 mainly reflects the abnormally large 1982-83 figure due to the completion, in the latter part of 1982, of the public inquiries into the monopoly position of the Australian Postal Commission and into the provision of telecommunications services in Australia.

AUTHORITIES PROVIDING COMMUNICATION SERVICES

Communication services are provided by the Australian Telecommunications Commission (Telecom), the Australian Postal Commission (Australia Post) and the Overseas Telecommunications Commission (OTC), all of which operate outside the Budget. Transactions between these authorities and the Budget in the three years to 1983-84 have been confined to the payment of interest and dividends to the Commonwealth, as recorded in Statement No. 4 (although there were also some advances to Telecom and Australia Post and repayments of capital by Australia Post and OTC in earlier years). Receipts and outlays figures for the Commonwealth Government sector as a whole, which take account of the activities of these and other authorities, are presented in Statement No. 6.

Australian Telecommunications Commission

Telecom is required to operate on a commercial basis with the financial objective of generating, by way of charges for its services, such amounts as will enable it to cover its operating costs and to meet at least half of its capital expenditures in each year. The existing legislative provisions relating to the financial structure and statutory financial objectives of Telecom are under review by the Government. Telecom's capital expenditure in 1983-84 is estimated to be \$1670m, compared with about \$1500m in 1982-83. To finance this program, Telecom has been given approval for new domestic borrowings of \$290m in 1983-84: the bulk of the other funds required will continue to come from internal sources (mainly depreciation provisions and retained profits). As has been the practice in recent years, Telecom will also be permitted to retain \$110m in 1983-84 of its estimated employer superannuation liability to the Commonwealth (this will, however, be subject to the payment of interest on that sum to the Commonwealth beginning in 1983-84). The arrangements relating to the retention by Telecom of part of its annual employer superannuation liability to the Commonwealth are currently under review.

Australian Postal Commission

Australia Post is also required to operate on a commercial basis with the financial objective of raising, by way of postal charges, such amounts as will enable it to cover its operating costs and also meet at least half of its capital expenditures each year. The legislative provisions relating to the financial structure and statutory financial objectives for Australia Post are also under review by the Government. Australia Post's capital works program in 1983-84 is estimated to be \$54m, compared with about \$44m in 1982-83. Since its inception in 1975, Australia Post has been able to finance most of its capital works from internal sources with some use being made of supplier arranged credit: it is expected that this will again be the case in 1983-84.

Overseas Telecommunications Commission

OTC is responsible for providing international telecommunications services between Australia and other countries and is also required to operate on a commercial basis. In 1983-84, OTC is expected to pay dividends totalling \$32.5m to the Commonwealth. (See Statement No. 4.)

OTC is examining the possibility of participating in three new cable projects linking Perth-Jakarta-Singapore and Singapore-Hong Kong-Taiwan (to replace the SEACOM cable which is nearing the end of its design life) and Singapore-Middle East-France, all of which are expected to be ready for service by the end of 1986. OTC is expected to fund its contribution towards the capital costs of these projects from borrowings and retained profits (after meeting its projected dividend obligations to the Commonwealth).

AIR TRANSPORT

Provision of Civil Aviation Services

The Department of Aviation provides many services to the air transport industry, including air traffic services, the operation of about 60 aerodromes and a network of air navigation facilities. These activities account for the major portion of operational and administrative expenditures and outlays on buildings, works, plant and equipment.

Operational and Administrative Expenditure

Operational and administrative expenditure on air transport activities in 1983-84 is estimated at \$375.8m, an increase of \$14.9m over 1982-83; salaries, including overtime, account for \$262.9m of this amount, up \$2.1m on 1982-83. The non-salaries component of operational and administrative expenditure represents a 12.8% increase over 1982-83 expenditure and caters particularly for major airport maintenance works, the commissioning of new airport and airways facilities, the introduction of new aircraft types, the continuation of the Department of Aviation's Canberra transfer program, changes in administrative and accounting arrangements and the engagement of consultants associated with the establishment of the proposed National Airports Authority, the independent inquiry into aviation cost recovery, the introduction of new computing facilities and the selection of a site for a second major airport at Sydney.

The estimates include a provision of \$0.5m for the Independent Air Fares Committee, about the same amount as in 1982-83. The Committee was established in January 1982 under the *Independent Air Fares Committee Act 1982* to determine the domestic air fares charged by operators of regular public transport services.

Plant and Equipment for Airways and Navigational Facilities

An amount of \$35.3m is provided in 1983-84, an increase of \$12.6m or 55.7% on 1982-83, for purchases of navigational, communication and other plant and equipment. The Commonwealth's total commitment under this program for the next three years totals \$98.9m. Major continuing projects over this period include installation of earth stations to provide for the Department's use of the national communications satellite when it becomes operational in 1985-86 (\$30.9m), equipment associated with the redevelopment of Brisbane Airport (\$9.2m), replacement of most of the Department of Aviation's light aircraft fleet (\$7.6m), the acquisition of air traffic control simulators for training purposes (\$6m) and the upgrading of radar display systems at major airports (\$8.8m). These continuing projects account for most of the very large increase in expenditure under this program in 1983-84. New projects covered by the program include the purchase of equipment associated with airport works at Perth, Hobart, Sydney and Darwin (\$2.1m) and the building of air traffic control towers at Wagga Wagga and Coffs Harbour (\$1m).

Buildings and Works

Provision for outlays on buildings, works and related acquisitions totals \$74m in 1983-84, a reduction of \$44m on 1982-83 outlays. The decrease, which reflects the completion in 1982-83 of several major airport projects, has been partially offset by expenditures on the redevelopment of Brisbane Airport and the commencement in 1983-84 of a program of new works that is estimated to cost a total of \$178m. That program includes the following major projects:—

- Relocation of civil aviation facilities at Darwin Airport (\$95m);
- Construction of taxiways and associated works at Sydney (Kingsford Smith) Airport (\$11.5m);
- Commencement of a new international terminal complex (\$48m) and parallel taxiway (\$3m) at Perth Airport; and
- Strengthening of pavements at Hobart Airport (\$3m). This project is included as part of Commonwealth assistance for Tasmania arising from cessation of the Gordon-below-Franklin power project.

Approval has also been given to design development only proceeding in 1983-84 for terminal, pavement and associated facilities estimated to cost \$19m at Townsville Airport.

Recoveries

Air Navigation Charges

Revenue in 1983-84 from this source is estimated to be \$126.1m, \$1.9m more than in 1982-83. The increase reflects the full-year effect of the increase in charges in October 1982, partially offset by an expected decline in aviation activity in 1983-84.

It is not proposed to vary air navigation charges in 1983-84. However, as announced in the May Economic Statement, the rate of customs and excise duties applicable to aviation fuel, which is an attributable revenue for aviation cost recovery purposes, has been increased by 2 cents a litre from 1 July 1983. These duties were increased last in 1977 and it is expected that the measure will yield additional revenue of \$15m in 1983-84.

Overall cost recovery in 1983-84 is estimated at about 50% compared to approximately 52% in 1982-83 and a peak of 66% in 1979-80. The recovery rate is expected to be about 97% for international airlines, 88% for the domestic trunk sector, 25% for regional airlines and 12% for the general aviation sector.

Airport Rentals and Business Concessions

Revenue from airport rentals in 1983-84 is estimated to increase by \$2.9m to \$19.3m, reflecting increases in rental charges. Revenue from business concessions at airports in 1983-84 is estimated at \$24.2m, an increase of \$0.6m over 1982-83.

Other Recoveries

The major item under this heading is recoveries from other departments and organisations for services provided by the Department of Aviation; these recoveries are estimated at \$13.1m, up \$0.7m on 1982-83. Charges levied on a range of regulatory services provided by the Department are expected to total \$0.5m in 1983-84, about the same as in 1982-83. Other recoveries are expected to total \$2.8m.

Capital Contributions to Qantas Airways Ltd and Australian National Airlines Commission

In 1982-83 the Commonwealth provided additional capital to both Qantas and TAA. Qantas received \$60m in 1982-83 following the provision of \$25m in 1981-82; total subscribed share capital now stands at \$149.4m. TAA received an additional \$115m in 1982-83, made up of \$25m provided in December 1982 as an interim measure and a further \$90m provided in May 1983. The previous injection of capital in TAA was in 1960-61; Commonwealth capital contributions to TAA now stand at \$130m.

Repayments of Advances by Qantas Airways Ltd and Australian National Airlines Commission

Past advances to Qantas and TAA comprised mainly the proceeds of loans raised by the Commonwealth on behalf of the airlines to assist in the financing of aircraft purchases. Amounts repaid by the airlines to the Commonwealth in respect of past loans (estimated at \$9.8m in 1983-84) are in turn repaid to the lenders. The forecast reduction (from \$12.3m in 1982-83) reflects the timing of repayments. The balance expected to be outstanding in respect of these loans as at 30 June 1984 is about \$33m (based on exchange rates as at 30 June 1983), which is due for repayment over the subsequent three years. These bodies now raise loans on their own behalf, in some cases under Commonwealth guarantee, or finance projects under lease finance arrangements, and have not borrowed from the Budget since 1976-77.

Interest payments and, when they are made, dividend payments from the airlines to the Budget are recorded in Statement No. 4. The activities of Qantas and TAA are comprehended in Statement No. 6 which includes receipts and outlays figures for the Commonwealth Government sector as a whole.

Assistance to Operators and Aviation Bodies

The Commonwealth and Queensland Governments will continue to provide a subsidy to TAA for the continuation of airline services to communities in western Queensland. Each Government provided \$1m in 1982-83 for this purpose and the Commonwealth will provide up to \$2m in 1983-84 subject to a matching increase by Queensland. There is to be a review, early in 1984, of the arrangements for meeting the future air transport needs of western Queensland communities.

The Government will continue to provide assistance to reduce air fares charged by the airlines on routes between Melbourne and Tasmania below the fares applicable on comparable routes on the mainland. An amount of \$5.3m has been made available in 1983-84 for this purpose. The Government will also continue to provide financial assistance to operators of certain air services in order that communities in the remote areas concerned receive a basic level of air service. An amount of \$0.5m has been made available in 1983-84 for this purpose compared to expenditure of \$0.4m in 1982-83.

Provision has been made in 1983-84 for contributions of \$0.7m to the International Civil Aviation Organisation, \$35 000 to the Gliding Federation of Australia, \$26 000 to the Commonwealth Air Transport Council, \$30 000 to the Royal Federation of Aero Clubs of Australia, \$15 000 to the General Aviation Association, \$15 000 to the Australian Parachute Federation and \$15 000 to the Sport Aircraft Association of Australia. These provisions represent an increase of 40.5% on 1982-83. It is the first time that the Commonwealth has made contributions to the latter two organisations.

Aerodrome Local Ownership Plan

A provision of \$45.6m has been made in 1983-84 (compared to expenditure of \$29.9m in 1982-83) to meet the Commonwealth's share of the cost of approved aerodrome development and maintenance projects proposed by local government authorities and other aerodrome licencees under the Aerodrome Local Ownership Plan. Of this amount, \$41.6m is for development works, including \$7.6m for new projects.

The Commonwealth's commitment to development grants under the Plan over the next 3 years currently totals \$89.9m. Major projects already approved or underway include Cairns (\$20m), Port Hedland (\$10m), Tamworth (\$7m), Devonport (\$6.7m), Broken Hill (\$5.2m), Albury (\$3.8m), Karratha (\$2.1m) and Maroochydore (\$2m); upgrading to F28 aircraft standard will take place at Armidale, Cooma, Tamworth and a NSW north coast centre yet to be determined at a total cost of \$15m. Provision also has been made for development works at various other aerodromes subject to local authorities accepting transfer of the aerodromes under the Plan.

ROAD TRANSPORT

Road Grants to States and NT

Under the *Roads Grants Act 1981*, the Commonwealth is providing \$3650m to the States and the Northern Territory for expenditure on roads over a 5 year period ending 1984-85, of which \$778m will be allocated in 1983-84; \$734m was provided in 1982-83.

In addition, a Commonwealth levy on motor fuels is to provide an estimated \$2500m for road works and urban public transport projects under the Australian Bicentennial Road Development (ABRD) program over the period 1982-83 to

1988-89. The aim of the program is the development of the road system to a high standard by 1988, the bicentennial year. Under the program, funds for arterial and local roads are allocated between the States generally on the basis of a set of relativities contained in the *Roads Grant Act 1981*; funds for national roads, however, are distributed on the basis of assessed national priorities.

The ABRD program is being financed by an excise surcharge on motor spirit and distillate which was increased from 1 cent to 2 cents per litre on 1 July 1983 and which will terminate on 31 December 1988. This levy (net of rebates) is paid into a special trust fund and can be used only for this program. It is expected that \$410m will be collected during 1983-84.

An amount of \$385m will be provided for expenditure under the program in 1983-84; \$117m was spent in 1982-83. The trust fund is expected to have a balance of \$89m as at 30 June 1984 for subsequent expenditure under the program.

Total provisions for road funding under these two programs and under the new Jobs on Local Roads initiative (see the function 'Labour and Employment') represent an increase of 45% over 1982-83 expenditures.

Road and Related Works in the ACT

This heading covers outlays on the construction, improvement and maintenance of urban, arterial and rural roads, highways and bridges in the ACT. In 1983-84 a further payment of \$2.4m is to be made to the NSW Government as a contribution to the construction of the Burbong Bridge (which, although located in NSW, will replace an older bridge on the ACT side of the border). Other outlays under this heading include \$10.2m for construction of new roads and improvements to existing roads, \$7.2m for road maintenance and \$1.6m for provision of street lighting.

The increase in outlays mainly reflects progress with construction of roadworks directed towards developing appropriate access arrangements for the new Parliament House.

Public Transport Equipment in the ACT

Expenditure under this heading includes the purchase of buses for Canberra's bus service (ACTION). Estimated expenditure in 1983-84 is \$2.6m compared with \$3.5m in 1982-83, reflecting a reduction in the intended number of bus purchases.

Special Payment to Tasmania for Tourist Roads

The Commonwealth provided a non-recurring special grant of \$10m to Tasmania in 1982-83 for the improvement and development of the State's tourist roads.

Special Grant for Second Hobart Bridge

The Commonwealth is funding (by way of special grants) the full cost of providing a second bridge, expected to be completed late in 1983, across the Derwent River at Hobart. The total cost of this new bridge, its immediate approaches and associated works is estimated to be about \$48.6m of which \$41.8m has already been provided, with the remaining \$6.8m to be made available in 1983-84. This provision will also cover the related dismantling of the temporary Bailey Bridge and essential land reformation around that area, at a cost of \$0.7m.

Road Research and Investigations

The provision under this heading is for the Commonwealth's financial contribution of \$2m to the Australian Road Research Board, the same amount as allocated in 1982-83. That Board, which is funded also by the States, undertakes research into road design and construction.

RAIL TRANSPORT

Australian National Railways Commission (ANRC)

Operating Loss

A provision of \$85m has been made to meet ANRC's anticipated operating loss in 1983-84. This compares to the subsidy of \$106m in 1982-83 and reflects an expected increase in traffic due to improved economic conditions in 1983-84 and the end of the drought. ANRC expects, however, that market factors will continue to constrain its capacity to fully offset recent and prospective cost increases by fare and freight rate increases. The 1983-84 provision also takes into account revenues generated by the Adelaide-Crystal Brook railway which will become fully operational in 1983-84 and economy measures introduced by ANRC in the latter part of 1982-83. The Government has asked ANRC to undertake a comprehensive review of its operations with the objective of introducing additional measures to further improve financial performance.

Capital Works

ANRC's capital works program in 1983-84 will be financed by loans from the Budget (\$3m), borrowings from the domestic capital market (\$16m) and internally generated funds (\$21m).

The domestic market borrowings will be applied to construction of the standard gauge railway between Adelaide and Crystal Brook, which is expected to be completed by March 1984. The first stage of this \$86m project was opened in December 1982 and all expenditures (including \$31.3m in 1982-83) have been financed by borrowings on the domestic capital market.

The Budget loans of \$3m are for rehabilitation of the Tasmanian railway system. A ten year rehabilitation program, estimated to cost \$20m, was commenced in 1977-78; expenditure to 30 June 1983 totalled \$11.6m.

Internally generated funds (including \$17m provided through the operating loss subsidy and \$4m from sale of assets) are expected to be available to finance other components of ANRC's capital works program, including its new headquarters building.

Alice Springs—Darwin Railway Preliminary Planning

A further \$5m is being provided in 1983-84 to complete route identification and preliminary planning and design for the proposed Alice Springs to Darwin standard gauge railway, at a total cost of \$10.3m. The Northern Territory Government has rejected a Commonwealth offer to proceed with construction of the railway on the basis that the Commonwealth and the Northern Territory contribute 60% and 40% of the costs respectively or, as an alternative, to undertake full upgrading of the Stuart Highway in the NT and provide additional rail facilities. In these circumstances, the Commonwealth has decided that there should be an independent economic evaluation to determine the most cost-effective means of providing high standard transport access to the Northern Territory.

Assistance to the States

Mainline Upgrading

The five-year program of mainline railway upgrading provided for under the *National Railway Network (Financial Assistance) Act 1979* was completed in 1983. Under this program, the Commonwealth provided loans to those States which operate their own non-metropolitan railway systems, to finance strategic, high benefit projects designed to improve the efficiency of the national mainline railway network. Loans for these works over the five years have totalled \$66m; New South Wales received \$22.8m, Queensland \$20.2m, Victoria \$19.1m and Western Australia \$3.9m.

Repayment of Advances

Repayments of past advances from the Commonwealth for State rail projects are estimated to amount to \$6.4m in 1983-84. The main component of the repayment relates to the standardisation of the lines between Albury and Melbourne and between Kalgoorlie and Kwinana.

Also included under this item are repayments (estimated at \$0.8m in 1983-84) of loans provided to the States for mainline railway upgrading under the *National Railway Network (Financial Assistance) Act 1979*.

The balance of loans owing to the Commonwealth as at 30 June 1984 will be \$101.7m.

Other Rail Transport

An amount of \$0.4m is being provided in 1983-84 as the Commonwealth's financial assistance to the Australian Railways Research and Development Organisation (ARRDO) made through the Department of Transport. This amount is additional to the ANRC's contribution to ARRDO which is based on the level of the Commonwealth's direct involvement in railway operations.

SEA TRANSPORT

Australian Shipping Commission (ANL)

Capital Contribution

In 1982-83, the Commonwealth provided ANL with \$90m as additional equity capital; the capital of ANL now stands at \$125.9m. The additional funds (\$30m as a cash injection and \$60m by way of conversion to capital of Commonwealth loans) were provided to place ANL on a firmer commercial basis in the face of the downturn in domestic and international trading conditions. The additional capital was provided as part of a package wherein, for their parts, ANL agreed to improve its efficiency and the seagoing unions agreed to reduce manning and improve productivity.

Repayment of Advances

Past advances to ANL comprise borrowings from the budget and proceeds of loans raised by the Commonwealth on ANL's behalf, to assist in the financing of capital expenditure, mainly ship purchases.

During 1982-83, ANL's repayments comprised \$13.8m in respect of loans raised overseas on its behalf by the Commonwealth, and the early repayment of budget loans totalling \$60m (due to be repaid over the period 1984-85 to 1986-87) under arrangements relating to the provision of an additional \$90m in equity capital (*c.f.* above).

An estimated \$2.4m will be repaid by ANL in 1983-84 in respect of overseas loans raised on its behalf by the Commonwealth.

No repayments of budget loans are due in 1983-84. ANL's outstanding borrowings from the Commonwealth will total \$50.5m at 30 June 1984. ANL's ship purchases and other major capital expenditures in recent years have been financed substantially by lease finance arrangements.

Subsidies for Services

This provision comprises \$2.8m (an increase of \$0.3m over 1982-83) as a subsidy for the *Empress of Australia* passenger service between Tasmania and the Australian mainland, and \$2m (an increase of \$0.5m over 1982-83) to subsidise the operation by ANL of the service between the east coast of Australia and Darwin.

Commonwealth subsidies for the Darwin-East Coast service have been provided in the past as an interim measure pending introduction of new roll-on roll-off wharf facilities at Darwin; despite the availability of those facilities and the introduction by ANL of a fortnightly roll-on roll-off service since March 1983, the service remains uneconomic. The Commonwealth has decided to provide a subsidy of \$2m in 1983-84. The future of the service now rests on the commercial judgment of ANL and on any financial assistance from the Northern Territory Government. Additional Commonwealth funds would only be considered in the context of the outcome of the Commonwealth Inquiry into the transport needs of the Northern Territory.

Assistance to Shipping Bodies and Shippers

An amount of \$23m (compared with \$27.3m expended in 1982-83) is provided for the Tasmanian Freight Equalisation Scheme which is intended to compensate Tasmanian producers for freight cost disabilities. The scheme aims to bring the door-to-door freight costs of eligible cargoes shipped by sea between Tasmania and the mainland into approximate equality with the door-to-door costs of moving similar goods by road or rail over comparable interstate routes on the mainland. Around 93% of the cost of the scheme is provided as assistance for goods northbound from Tasmania to the mainland, and 7% is for specified goods used as inputs to production, southbound from the mainland to Tasmania. The decrease in assistance reflects reduced traffic as a consequence of the economic situation.

The other component under this heading is Commonwealth assistance to the Australian Shippers' Council, which has been set at a maximum of \$220 000 for 1983-84 and the subsequent two years, on the basis of a \$2 Commonwealth contribution for each \$1 contributed through members' subscriptions. Commonwealth assistance to the Council in 1982-83 totalled \$193 000. The Council is designated under the *Trade Practices Act 1974* to negotiate the terms and conditions of carriage of Australia's outward trades; membership consists of exporter associations and producer groups.

Provision of Services

Buildings and Works

Included in the provision of \$3.1m for various marine navigational aids in 1983-84 is an amount of \$1.2m for construction of marine navigational aids to mark a new shipping channel (*Hydrographer's Passage*) through the Great Barrier Reef. This channel

is expected to provide substantial savings in shipping time and fuel; and the construction and operational costs of the aids will be recovered through light dues on the commercial shipping industry.

Marine and General Services

Included under this heading is \$2.8m in 1983-84 for the purchase of capital plant and equipment for marine navigational aids (compared to \$3.9m in 1982-83) which is fully cost recovered through light dues on commercial shipping. The \$1.1m decline in expenditure reflects the final payments in 1982-83 for four new light vessels. Also included is \$1.2m for expenditure in 1983-84 (compared with \$0.7m in 1982-83) for oil pollution control equipment under the National Plan to Combat Oil Pollution (which is fully cost recovered through charges levied on shipping), and \$0.3m for the purchase of new equipment for the motor vehicle emissions laboratory at Zetland, Sydney.

Payment to OTC for Maritime Communications

Provision has been made for payment of \$4.7m to OTC to meet operating costs incurred in providing maritime safety communications services for ships at sea in the area around Australia. The increase over 1982-83 expenditure (+\$0.6m) is to cover OTC's forecast increased operating costs.

PIPELINES

Interest bearing loans of \$22.4m to be made to the Pipeline Authority in 1983-84 are to meet the estimated shortfall between the Authority's revenue (\$44.7m), derived primarily from the carriage of natural gas from Moomba in South Australia to Sydney, other cities in New South Wales and to Canberra, and its expenditures. These expenditures include operation, maintenance and administrative expenses (\$8.1m), interest on private sector borrowings (\$5.7m), and interest (\$35.4m) and loan repayments (\$20.1m) to the Commonwealth. Loan repayments to the Commonwealth in 1983-84 include \$2.8m advanced to the Authority in 1982-83 to meet the cost of urgent capital works which is to be refinanced by off-budget borrowings in 1983-84.

Following a rupture in July 1982 of the Moomba-Sydney natural gas pipeline 4.2 km downstream from Moomba, the Pipeline Authority moved immediately to construct a new section of pipeline to by-pass the ruptured section at a cost in 1982-83 of \$4.5m. After a thorough examination by the Authority of the main pipeline to determine the condition of the pipe and the likelihood of further failures in the line, the first 30 km of pipeline downstream from Moomba is to be replaced. Within the Authority's off-budget borrowing program of \$25.5m for 1983-84, an amount of \$23m relates to the construction of the replacement pipeline and the permanent linking of the by-pass to the mainline.

SPECIAL PAYMENTS TO VICTORIA, QUEENSLAND AND SOUTH AUSTRALIA FOR TRANSPORT

The Commonwealth provided special grants totalling \$65m to certain States in 1982-83 for the upgrading of transport systems. Of the total allocation, Victoria received \$35m, Queensland \$20m and South Australia \$10m.

TRANSPORT PLANNING AND RESEARCH

An amount of \$3.3m is being provided in 1983-84 for the Bureau of Transport Economics, which conducts surveys and research into the economics and operations of all modes of transport. This represents an increase of \$0.2m or 4.8% on 1982-83.

GENERAL ADMINISTRATIVE AND OTHER EXPENDITURE

This item covers the general running expenses of the Department of Transport (excluding the Bureau of Transport Economics which is mentioned above). The provision of \$53.4m in 1983-84 is \$8.8m (19.7%) over 1982-83 expenditure and is partly a consequence of a higher allocation for salaries (up \$3.2m) mainly due to an estimated increase in average staffing in 1983-84.

It reflects also the creation of a new, separately located Department of Transport (previously part of Transport and Construction)—which accounts for \$1.1m of the total increase—and an additional \$0.7m provided for implementation of a new national motor vehicle certification system.

Wages and salaries account for \$33.5m (62.8%) of 1983-84 administrative expenditure and 36.8% of the total increase in administration costs.

A large component of expenditure included under the heading—for recurrent expenditure on the provision of marine navigational aids—is fully recoverable (see below).

Also included is \$0.4m for civil coastal surveillance (compared to \$0.3m in 1982-83), being the Department of Transport's share of the costs of the program.

The civil coastal surveillance program, which is managed by the Department of Transport, mainly covers quarantine, fisheries, transport and environment functions (but not customs activities) and user departments' expenditures are classified to the relevant functions. Funds provided for coastal surveillance within the separate appropriations for user departments contribute to a total program of \$21.2m in 1983-84 compared with \$20.9m in 1982-83. These figures include Defence consumables—fuel, lubricants, stores and civil contractor services (\$8.3m in 1983-84)—but exclude the cost of Defence Force personnel and equipment which provide much of the surveillance effort under the program.

The provision for 1983-84 allows for Darwin based aerial littoral surveillance and Great Barrier Reef aerial surveillance until 31 March 1984, when contracts expire. Surveillance of the Darwin approaches relating to the Department of Immigration and Ethnic Affairs' responsibilities in respect of refugee boats terminated on 31 March 1983.

The 1983-84 provisions have been set pending a major review of coastal surveillance requirements, expected to be completed in the first half of 1983-84.

OTHER RECOVERIES

The main component under this heading is revenue from light dues imposed on commercial shipping for the use of marine navigational aids provided by the Commonwealth. The present charge of 49 cents per net registered ton per quarter will be increased to 53 cents on 1 October 1983, resulting in an estimated increase in revenue to \$27.2m in 1983-84 compared to \$24.9m in 1982-83. Despite the increase, there will be a

shortfall in cost recovery for 1983-84, reflecting the depressed level of shipping activity, but the new charge is considered to be consistent with 100% recovery over the medium term.

Also included in this item is revenue from the charter of Department of Transport vessels, estimated at \$3.1m in 1983-84, compared with \$3.8m in 1982-83; the decline is due to reduced usage of the vessels. The major user is the Division of National Mapping for bathymetric mapping.

An increase is estimated under this heading from charges levied for motor vehicle compliance plates supplied to vehicle manufacturers and importers; these charges are designed to recover the cost of providing administrative services and technical support to the Australian Design Rule (ADR) certification system. A more cost effective certification system is being introduced in 1983-84 which will provide increased assurance that motor vehicles comply with the safety requirements of ADRs. These arrangements will increase Commonwealth expenditure but will result in reduced costs to industry. New certification arrangements for ADR 38—Heavy Trailer Braking Systems—will also be implemented during the year. Increased charges, which will operate from 1 October 1983, will fully recover the cost of the new system. Estimated revenue for 1983-84 is \$1.8m, compared with \$1.5m in 1982-83.

The item includes also estimated revenues from charges for services provided by the Commonwealth under the *Navigation Act 1912*, including ship safety surveys, cargo inspections and various other safety inspections. The revenue estimate of \$1.7m (compared with \$1.9m in 1982-83) reflects the depressed level of activity in the shipping industry. However, as a result of compensating reductions in expenditure, cost recovery in 1983-84 is expected to remain at about the same level (50%) as in 1982-83.

B. WATER SUPPLY, ELECTRICITY AND GAS

Outlays under this function are currently estimated to be \$89.2m in 1983-84, a decrease of \$13.5m or 13.2% on last year's outlays. The decrease largely reflects non-recurring payments in 1982-83 to South Australia for water supply (\$10m) and to Queensland in respect of the final payment for the Gladstone Power Station (\$8m). It should be noted that part of the budget provision for the National Water Resources Program is yet to be allocated to specific projects, some of which may relate to this function. The unallocated portion is currently included under 'Industry Assistance and Development—Irrigation and Other Pastoral Water Projects'.

	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Urban Water Supply—					
Special Payment to South Australia	—	10.0	—	-10.0	-100.0
Other Outlays	5.8	7.3	0.7	-6.7	-91.0
Gladstone Power Station	—	8.0	—	-8.0	-100.0
Electricity Supply in the Northern Territory	45.7	60.2	72.1	+11.9	+19.8
Subsidy on Liquefied Petroleum Gas	30.8	27.8	28.2	+0.3	+1.1
Other Payments	0.1	—	—	—	—
Repayments	15.8Cr	10.6Cr	11.7Cr	-1.1	-10.2
TOTAL WATER SUPPLY, ELECTRICITY AND GAS	66.6	102.7	89.2	-13.5	-13.2

Urban Water Supply

Included under this heading is an amount of \$0.7m for water storage and reticulation in the ACT, an increase of \$0.5m on 1982-83 outlays. The increase largely reflects the need for upgrading of and additions to existing systems.

As noted above, assistance for urban water supply projects in the States will depend upon subsequent decisions on the allocation of the \$46m to be provided in 1983-84 under the National Water Resources Program. In 1982-83, \$2.2m was provided under this program to assist with the construction of water treatment plants in the Adelaide metropolitan area, \$2.1m for the construction of Tanjil Dam to serve the Latrobe Valley, \$0.1m for additional water supply facilities for Port Hedland, \$2m for the construction of the Harding River Dam to provide supplementary water supply for the West Pilbara region, and \$0.7m for the construction of a water filtration plant on the Morgan-Whyalla pipeline. The Government is to provide up to \$20m in 1983-84 under the Community Employment Program for the improvement and upgrading of country towns' water supply. Details are included under 'Labour and Employment—Community Employment Program'.

Electricity Supply in the Northern Territory

New arrangements for Commonwealth financial assistance towards the operational costs of electricity supply in the Northern Territory for the period ending in 1986-87 have been decided. Under these arrangements, which allow for the determination of a subsidy each year in accordance with an agreed formula relating to major cost factors, an amount of \$64.2m is provided for operational costs in 1983-84. The increase in 1983-84 reflects forecast general price and load growth increases. A further amount of \$0.6m is provided for final adjustment of the subsidy payment of \$57.8m in 1982-83.

The Commonwealth has also agreed to provide total grant assistance to the Northern Territory of \$124m in 1980-81 prices towards the construction cost of a coal-fired power station for Darwin, to replace the existing oil-fired plant. The grant is to be provided over the construction period for the power station. The station will be located on Channel Island and is expected to be commissioned in 1988. An amount of \$7.4m is being provided in 1983-84.

Subsidy on Liquefied Petroleum Gas

The Commonwealth introduced a scheme, effective from 28 March 1980 for three years, to subsidise certain non-commercial uses of liquefied petroleum gas at the rate of \$80 per tonne. The scheme was extended as from 30 September 1980 to certain commercial and industrial users. On 29 June 1982 it was announced that the subsidy would be extended for a further year until 27 March 1984, at the existing rate. Expenditure for 1983-84 is estimated at \$28.2m compared with \$27.8m in 1982-83.

Repayments

Estimated repayments in 1983-84 include \$6.1m from the Snowy Mountain Hydroelectric Authority (SMHEA) in respect of advances and interest accumulated during construction by the Authority.

The SMHEA now funds capital expenditure for the operation and maintenance of the scheme largely from loans raised in the private capital market. The Authority's borrowing program amounted to \$1.5m in 1982-83; a further borrowing program of \$2.2m

will be undertaken in 1983-84. These funds are to be used primarily for communication and protection works, and for the construction of staff accommodation. The SMHEA is expected to commence work in 1983-84 on the construction of a new head office and workshop complex in Cooma at an estimated total cost of \$10m, of which some \$1m will be expended in 1983-84.

Repayments are also being received in respect of assistance provided to Queensland for the Gladstone Power Station (\$2.7m) and for the Julius Dam (\$1.1m), and from the Northern Territory in respect of electricity assets transferred to the Northern Territory Electricity Commission on 1 July 1978 (\$1.6m).

C. INDUSTRY ASSISTANCE AND DEVELOPMENT

The Commonwealth assists industry through a variety of measures including direct financial assistance, taxation concessions, guaranteed domestic price and other marketing arrangements, financial guarantees, the customs tariff and import quota restrictions.

Direct financial assistance from the Budget is provided in the form of bounties and subsidies, price support and reconstruction or adjustment schemes, development projects in support primarily of industry, disease eradication schemes, contributions to research and promotion, and other payments to or for the benefit of industry. It also includes outlays of some departments and instrumentalities which service industry (e.g. the Departments of Industry and Commerce and Primary Industry and the Australian Tourist Commission). These departments and instrumentalities provide many services either free of charge or for charges which do not recover fully the costs involved.

Outlays recorded under some other functional headings are also of assistance to industry. Examples are the provision of airports and airway services, roads and shipping subsidies, expenditure to maintain or improve the defence capacity of industry, certain expenditures by the CSIRO and disaster relief assistance provided through the Natural Disaster Relief Arrangements.

Apart from these direct outlays from the Budget considerable assistance is also provided to industry through special provisions in the taxation system which, as they result in a reduction of Government revenues, are as much a call on the Budget as are direct outlays. Some such provisions (e.g. those for the investment allowance) are of wide application; others affect only particular industries (e.g. the exemption from income tax of income from gold mining; the averaging provisions for income arising from primary production) or specific activities of particular industries (e.g. the accelerated or immediate write-offs available to primary producers for certain capital expenditure). In many years, the revenue forgone under such provisions has been estimated to be at least of the same order of magnitude as direct outlays for industry assistance and development.

In the May Economic Statement and the 1983-84 Budget Speech, the Treasurer announced the elimination of certain tax expenditures in 1983-84. In regard to industry assistance, under section 75A of the *Income Tax Assessment Act 1936*, primary producers are able to obtain a special deduction, by way of equal annual instalments over 10 years, in respect of a range of capital expenditures such as clearing and drainage of land, preparation of land for agriculture or for grazing purposes etc. The Government has decided to remove the deductions in respect of expenditures incurred after 23

August 1983 (other than under a contract entered into by that date). Expenditures on soil conservation operations, conserving or conveying water and for fences for disease control may still qualify for the existing outright deductions available under the Act.

Further information concerning such tax expenditures is provided in the Appendices to Budget Statement No. 4.

Net direct industry assistance from the Budget (i.e. after deducting amounts collected by way of industry levies and charges such as the wool tax and livestock slaughter levies) is estimated at \$1103.7m in 1983-84, a decrease of \$5.1m or 0.5% on 1982-83. Outlays on direct assistance to major industry categories are summarised in the following table:

	1981-82	1982-83	1983-84	Change	
	Actual	Actual	Estimate	\$m	%
Forestry and Fishing Industries	\$m 4.6	\$m 14.5	\$m 2.7	-11.8	-81.7
Agricultural and Pastoral Industries—					
Specific Industries	119.0	163.7	111.3	-52.4	-32.0
General Assistance Not Allocated to Specific Industries	95.5	208.8	225.6	+16.8	+8.0
Total Agriculture and Pastoral	214.5	372.5	336.9	-35.6	-9.6
Mining and Manufacturing Industries	201.5	269.5	284.2	+14.7	+5.4
Tourist Industries	9.4	11.2	20.2	+9.0	+80.0
Assistance to Export Industries	343.2	332.3	296.2	-36.1	-10.9
Other Assistance to Industry	168.8	108.7	163.5	+54.8	+50.4
TOTAL INDUSTRY ASSISTANCE AND DEVELOPMENT	942.0	1 108.7	1 103.6	- 5.1	- 0.5

Detailed information on each of these industry categories is set out below.

FORESTRY AND FISHING INDUSTRIES

	1981-82	1982-83	1983-84	Change	
	Actual	Actual	Estimate	\$m	%
Softwood Forestry Development (net)	3.5	0.1	1.1Cr	-1.2	na
Other Forestry	0.3	11.1	0.1	-11.0	-99.1
Fisheries Research, Promotion and Development	3.9	6.3	7.2	+0.9	+15.2
Fisheries Charges	3.2Cr	3.0Cr	3.6Cr	+0.6	+18.4
TOTAL FORESTRY AND FISHING INDUSTRIES	4.6	14.5	2.7	-11.8	-81.7

NOTE: na—not applicable.

Softwood Forestry Development (net)

Under the *Softwood Forestry Agreements Act 1978* the Commonwealth provided assistance to the States towards the maintenance cost of the softwood forestry plantations established under the *Softwood Forestry Agreements Acts of 1967, 1972 and*

1976. An amount of \$0.8m was provided in 1982-83 for the final payments under these arrangements which expired at the end of 1981-82. No further payments are to be made under the Agreements. Repayments of earlier loans are estimated at \$1.1m in 1983-84.

Other Forestry

Net payments of \$0.1m under this item in 1983-84 reflect the purchase of plant and equipment for the Australian Capital Territory forestry operation and include the transactions of the ACT Forestry Trust Account. Forestry operations in the ACT are broadly on a self financing basis.

The reduction in outlays under this heading is due to the provision of a non-recurring interest-free loan of \$11m to South Australia in 1982-83 for log salvaging and forest reconstruction following the February 1983 bushfires. This loan is to be repaid in full within three years.

Fisheries Research, Promotion and Development

An amount of \$3.3m is to be provided in 1983-84 to reimburse the States and the Northern Territory for the costs of observer, administration, patrolling and enforcement activities carried out on behalf of the Commonwealth. Of the balance, \$2.4m is for fisheries research grants, \$0.4m for fisheries surveys and development, \$0.4m for coastal surveillance and \$0.5m for a joint Commonwealth/State fisheries research program in the Torres Strait.

Fisheries Charges

The 1983-84 estimate of \$3.6m consists of local licence fees of \$0.4m and payments of \$3.2m negotiated with foreign governments and foreign fishing interests for access to the Australian Fishing Zone.

AGRICULTURAL AND PASTORAL INDUSTRIES

Net Commonwealth outlays on agricultural and pastoral industries are estimated at \$336.9m in 1983-84. These outlays are the net result of direct Commonwealth financial assistance, industry contributions collected by the Commonwealth on industry's behalf and interest earned on industry contributions held in trust funds. The reduction in net outlays of \$35.6m in 1983-84 reflects, among other things, the easing of drought conditions throughout Australia and the consequent termination of the drought relief fodder subsidy scheme, the termination from 30 June 1983 of the Australian Wheat Board (AWB) borrowing costs reimbursement arrangement, and the decision to significantly increase expenditure in 1983-84 under the Rural Adjustment Scheme.

	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Specific Industries—					
Wool Industry—					
Wool Marketing Assistance . . .	90.3	88.2	100.0	+ 11.8	+ 13.3
Wool Tax	86.6Cr	88.9Cr	100.0Cr	- 11.1	- 12.5
Total Wool Marketing Assistance	3.7	0.7Cr	—	+ 0.7	n.a.
Research, Promotion and Other Expenditures	78.6	81.2	91.0	+ 9.8	+ 12.1
Wool Tax	51.9Cr	53.2Cr	60.0Cr	- 6.8	- 12.9
Total	30.4	27.3	31.0	+ 3.7	+ 13.4
Wheat Industry—					
Wheat Finance Fund	38.7	60.6	33.1	- 27.5	- 45.4
Wheat Board Interest Subsidy	22.2	20.9	—	- 20.9	n.a.
Research	5.7	6.7	6.7	—	- 0.5
Charges and Repayments	28.3Cr	40.8Cr	24.2Cr	+ 16.7	+ 40.9
Total	38.4	47.3	15.6	- 31.7	- 67.0
Sugar Industry—					
On-lending to Queensland	—	40.0	4.2	- 35.8	- 89.5
Dairy Industry—					
Dairy Industry Stabilization	79.7	93.0	122.9	+ 29.9	+ 32.2
Price Support for Dairy Products	1.3	0.4	—	- 0.4	n.a.
Research, Promotion and Other Expenditures	7.8	9.9	15.6	+ 5.7	+ 58.1
Charges and Repayments	89.6Cr	105.7Cr	140.3Cr	- 34.6	- 32.7
Total	0.7Cr	2.4Cr	1.7Cr	+ 0.7	+ 29.2
Fruit Industry—					
Stabilization, Research and Promotion	10.5	14.5	21.1	+ 6.7	+ 46.0
Other	—	1.0	5.4	+ 4.4	+ 455.6
Charges and Repayments	3.0Cr	13.2Cr	18.0Cr	- 4.7	- 35.8
Total	7.4	2.2	8.6	+ 6.3	+ 286.4
Poultry Industry—					
Stabilization and Research	22.1	20.0	20.7	+ 0.7	+ 3.5
Charges and Repayments	21.0Cr	20.4Cr	20.2Cr	+ 0.2	+ 1.1
Total	1.1	0.4Cr	0.5	+ 0.9	+ 228.9
Cattle, Sheep and Pig Industries—					
Eradication of Cattle Diseases and Compensation (net)	1.7	0.3	12.1	+ 11.8	n.a.
Inspection Services (net)	31.3	37.7	28.3	- 9.3	- 24.8
Beef Industry Assistance	3.5	1.9	0.7	- 1.2	- 63.7
Animal Health Services	1.3	1.9	2.0	+ 0.2	+ 10.1
Research, Promotion and Other Expenditures	17.8	25.9	27.7	+ 1.8	+ 6.8
Charges and Repayments	14.8Cr	19.8Cr	19.7Cr	+ 0.2	+ 0.9
Total	40.8	47.8	51.2	+ 3.4	+ 7.1
Other Agricultural and Pastoral Industries	4.3	4.7	6.0	+ 1.3	+ 28.1
Charges and Repayments, nec	2.7Cr	2.9Cr	4.0Cr	- 1.2	- 40.9
Total Specific Agricultural and Pastoral Industries	119.0	163.7	111.3	- 52.4	- 32.0

	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	\$m	%
General Assistance Not Allocated to Specific Agricultural and Pastoral Industries—					
Rural Adjustment	16.4	17.9	46.0	+ 28.1	+ 157.7
Drought Relief	—	107.6	45.4	- 62.1	- 57.8
Fertilizer Subsidies	48.7	47.4	51.0	+ 3.6	+ 7.5
Inspection Services nec	6.0	6.8	5.6	- 1.1	- 16.7
Other	1.7	2.0	2.8	+ 0.8	+ 37.6
Recoveries and Repayments	24.1Cr	29.0Cr	12.8Cr	+ 16.2	+ 55.8
Total	48.7	152.7	138.1	- 14.6	- 9.6
Irrigation and Other Pastoral Water Projects—					
Irrigation, Investigation and Other Water Projects (a)	16.3	23.1	—	—	—
Salinity Mitigation and Drainage	6.7	7.3	58.9	+ 28.1	+ 91.4
Flood Mitigation	1.1	0.3	—	—	—
Recoveries and Repayments	3.0Cr	3.1Cr	3.2Cr	- 0.2	- 5.9
Total	21.2	27.7	55.6	+ 27.9	+ 100.8
Land Development—					
Soil Conservation	—	—	1.0	+ 1.0	n.a.
War Service Land Settlement	1.5	1.5	1.9	+ 0.3	+ 21.1
Other	0.6	0.5	0.6	+ 0.2	+ 34.8
Repayments	3.7Cr	3.1Cr	3.8Cr	- 0.7	- 21.2
Total	1.6Cr	1.1Cr	0.3Cr	+ 0.8	+ 71.3
General Administrative and Other Expenditure	28.7	31.0	33.9	+ 2.8	+ 9.1
Recoveries	1.4Cr	1.5Cr	1.6Cr	- 0.2	- 11.0
TOTAL AGRICULTURAL AND PASTORAL INDUSTRIES	214.5	372.5	336.9	- 35.6	- 9.6

(a) The 1983-84 estimates include the total provision under the National Water Resources Program (NWRP) except for Northern Territory urban flood mitigation. A further part of the 1983-84 NWRP appropriation may be allocated to urban water projects. Expenditures in 1981-82 and 1982-83 on urban water projects are recorded under the functions 'Urban and Regional Development nec and the Environment' and 'Water Supply, Electricity and Gas'.

NOTE: n.a.—not applicable.

WOOL INDUSTRY

Wool Marketing Assistance

The Government has authorised the Australian Wool Corporation to operate a minimum reserve price of 460 cents per kg clean, averaged over the whole clip for the 1983-84 wool selling season, compared with a minimum reserve price of 454 cents per kg for the latter part of the 1982-83 season following the devaluation of the Australian dollar in March 1983 and the minimum reserve price of 422 cents per kg set at the beginning of the 1982-83 season. The Corporation will continue to operate its reserve price scheme with the objective of reducing wool price instability.

The Wool Tax (8% of the gross returns from wool sales) is estimated to yield \$160m in 1983-84. This tax includes a special levy of 5% on the gross returns, which is paid to the Corporation's Market Support Fund to finance any losses from the operation of the reserve price scheme. It is estimated that the special levy will provide \$100m in 1983-84. The remaining 3% is used to finance wool research and promotion.

Research, Promotion and Other Expenditures

The 1983-84 estimates provide for Commonwealth contributions of \$20m towards wool promotion and \$11m towards wool research. These contributions are supplemented by the industry contributions, included in the Wool Tax, of an estimated \$50m for promotion and \$10m for research.

The following table summarises Commonwealth Budget assistance to the wool industry:

	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	%
	\$m	\$m	\$m	\$m	
Outlays on the Industry (net of charges and repayments)	30.4	27.3	31.0	+3.7	+13.4
Financed by—					
Commonwealth Contributions from CRF	33.6	27.7	31.0	+3.3	+12.0
Interest on Investments—					
Commonwealth Securities (a)	0.3	0.3	0.4	+0.1	+40.9
Other (b)	1.5	3.5	3.3	-0.2	-5.6
Change in Relevant Trust Fund Balance	5.0Cr	4.1Cr	3.7Cr	+0.4	+9.8

(a) This interest is offset against outlays under 'Public Debt Interest'.
(b) These receipts are recorded under 'Interest, Rent and Dividends' in Statement No. 4.

WHEAT INDUSTRY

The current Wheat Marketing Plan covers the five crop seasons 1979-80 to 1983-84. The Industries Assistance Commission (IAC) will be reporting shortly to the Government on the marketing, pricing and assistance arrangements for the wheat industry beyond the 1983-84 season.

Under the current Plan, the Commonwealth guarantees a minimum return for a particular wheat pool which is equal to 95% of the average of the estimated net returns from the pool in question and those of the previous two pools. On delivery of their wheat to the Australian Wheat Board (AWB), growers receive a first advance payment equal to the guaranteed minimum price. In 1983-84 these advances will be fully funded by commercial borrowings by the AWB, continuing the practice adopted in 1981-82. Before that, advances were financed by borrowings from the Rural Credits Department (RCD) of the Reserve Bank under Commonwealth guarantee or by a mixture of borrowings from the RCD and commercial sources. In all cases where commercial borrowings were undertaken, the Commonwealth met the difference between the costs incurred by the AWB on its commercial borrowings and those which would have been incurred on RCD advances.

As announced in the Treasurer's economic statement in May 1983, commencing in 1983-84, the Board is now permitted to source at least half its borrowing requirement from overseas and the reimbursement arrangements have been terminated from 30 June 1983—the cost of the reimbursement in 1982-83 was \$20.9m.

The Wheat Finance Fund was established under the current Wheat Marketing Plan to refinance outstanding RCD borrowings. It is financed by an industry levy of \$2.50 per tonne on deliveries to the Wheat Board. The Fund is being maintained at the statutory maximum balance of \$100m and excess levy receipts and interest earnings are

refunded to growers on a first-in-first-out basis. Total Fund receipts in 1983-84 are estimated at \$19.5m from the levy on the 1982-83 pool and \$13.6m in interest earnings, all of which will be refunded to growers.

In addition to the levy, wheatgrowers pay a Wheat Tax on wheat delivered to the Wheat Board to fund research on behalf of the industry. It is proposed that the rate of tax will increase from 25 to 30 cents per tonne for the 1983-84 season commencing 1 October 1983. In 1983-84 Wheat Tax receipts are estimated at \$4.7m and will be supplemented by a Commonwealth contribution to wheat research of \$2.3m.

The following table summarises Commonwealth Budget assistance to the wheat industry:

	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	%
	\$m	\$m	\$m	\$m	
Outlays on the Industry (net of charges and repayments)	38.4	47.3	15.6	-31.7	-81.7
Financed by—					
Commonwealth Contributions from CRF	25.3	24.5	2.3	-22.2	-55.7
Interest on Investments—					
Commonwealth Securities (a)	5.6	0.1	0.5	+0.4	+71.4
Other (b)	5.1	22.3	14.0	-8.3	-16.3
Other Trust Fund Receipts (c)	3.6	..	..	..	..
Change in Relevant Trust Fund Balances	1.2Cr	0.5	1.2Cr	-1.6	-133.3

(a) This interest is offset against outlays under 'Public Debt Interest'.
(b) These receipts are recorded under 'Interest, Rent and Dividends' in Statement No. 4
(c) These receipts are recorded under 'Other Financing Transactions'.

SUGAR INDUSTRY

On-lending to Queensland

Under the price stabilization arrangements of the International Sugar Agreement, Australia is required to set aside 380 000 tonnes of special reserve stocks of raw sugar in the two year period to 31 December 1983. To help defray the costs of these special stocks, Australia sought drawings of \$36.7m from the Buffer Stock Financing Facility of the International Monetary Fund. Upon receipt, these funds were on-lent to Queensland on the same terms and conditions under which they were received.

In addition, an interest free loan of \$3.3m was received in 1982-83 from the Stock Financing Fund of the International Sugar Organisation for on-lending to Queensland. This fund is financed through a levy on traded sugar. In 1983-84 Australia is eligible for further loans of around \$4.2m from the Stock Financing Fund.

DAIRY INDUSTRY

Notwithstanding Commonwealth direct financial assistance to the dairy industry (outlined below), receipts in 1983-84 are expected to exceed expenditure by \$1.7m due mainly to the repayment by the States of loans of \$2.6m in respect of dairy industry adjustment programs.

Dairy Industry Stabilization

The existing marketing arrangements for dairy products were introduced by the Government on 1 July 1977. They provide for a stabilization levy (equal to the difference between the domestic bulk wholesale price and the assessed export price) on the production of certain prescribed dairy products. The levy proceeds (for each of the prescribed products) are disbursed among manufacturers and, in turn, are passed on to producers. The arrangements are designed to protect the domestic price structure and to equalise the unit return for each prescribed product, based on total domestic and export sales. Levy collections and payments to manufacturers are each estimated at \$122.9m in 1983-84 and reflect an increase in the differential between the estimated domestic bulk wholesale price and assessed export price returns.

Price Support for Dairy Products

During 1983-84 the Commonwealth will continue to underwrite the equalised domestic and export returns for prescribed dairy products (butter, skim milk powder, casein, certain cheeses and whole milk powder). Under this arrangement the Commonwealth guarantees a gross pool return equal to 95% of a three-year moving average of gross equalised pool returns where each year's return receives equal weight. The three years taken into account are that year for which underwriting is being determined (in this case 1983-84) and the previous two years. A Commonwealth payout will not be required in 1983-84 if, as expected, returns to the industry exceed the underwritten values.

The IAC is to report to the Government by November 1983 on whether or not assistance, including underwriting, should be provided to the Australian dairy industry and, if so, the nature and extent of such assistance.

Research, Promotion and Other Expenditures

Dairy promotion and research expenditure and Australian Dairy Corporation administrative costs are financed primarily through a levy collected from the industry on all wholemilk and butterfat produced in Australia. The revenue from the levy is estimated at \$14.8m in 1983-84 and reflects an increase in the levy on wholemilk from 17 to 29 cents per 100 litres from 1 October 1983. The research component will be supplemented by a matching Commonwealth contribution of \$0.6m for expenditure on approved research programs.

FRUIT INDUSTRY

Stabilization, Research and Promotion

Under the current apple and pear price underwriting arrangements, which apply for the 1981 to 1985 export seasons inclusive, the Commonwealth guarantees export returns in each season at 95% of the weighted average return for the preceding four seasons. The stabilization arrangements for pears terminated at the end of 1980 and those for apples are being phased out over four years with stabilization payments being reduced by any amounts due under the underwriting scheme. Stabilization and underwriting assistance is estimated at \$2.1m in 1983-84. The industry makes no contribution to these arrangements.

The Commonwealth is also providing supplementary assistance for apples and pears for the four seasons 1981 to 1984 inclusive, on a dollar for dollar basis with participating States, with a view to facilitating structural adjustment within the apple and pear industry. Expenditure in 1983-84 is estimated at \$0.8m.

Under marketing arrangements for the dried fruits industry, \$14.8m will be paid to the Australian Dried Fruits Corporation in 1983-84 for the purpose of equalisation of domestic and export market returns. These payments are fully funded by industry levies which are shown under 'Charges and Repayments'. The dried fruits industry's marketing and financing arrangements are to be the subject of an IAC inquiry in 1983-84.

An amount of \$3.5m, raised largely through industry levies, is provided to finance the operations of various fruit marketing authorities, promotional activities and research.

Other

The Commonwealth is providing a bounty of \$100 per tonne for berryfruit sold for processing over the five-year period commencing 1 July 1982. The estimated cost in 1983-84 is \$0.3m.

In addition, the Commonwealth is to extend its program of grants to the States to provide adjustment assistance to growers of canning fruit for the 1983-84 season. Up to \$1m will be provided by the Commonwealth in 1983-84 under the scheme. Assistance is to be provided by way of grants for the removal of fruit trees under conditions to be determined in consultation with the relevant States.

The Government has decided to provide an interest free loan of \$4.1m to Letona Co-op Ltd. This loan, which is to be repaid within 15 years, will be provided to the New South Wales Government for on-payment to Letona. The Government has also decided that from 1 January 1983 interest will cease to accrue on the loan of \$874 000 provided in 1971 to Letona. This loan, together with accrued interest, now amounts to \$1.4m. Letona is burdened with long term debts and this assistance, together with assistance by the New South Wales Government, is intended to promote long term viability for the cannery.

POULTRY INDUSTRY

Outlays on stabilization (estimated at \$19.8m in 1983-84) are financed from industry levies which flow back to the industry through State egg marketing authorities in accordance with the terms of the Egg Industry Stabilization Scheme. The Budget provides for Commonwealth contributions towards agreed research programs (\$0.2m in respect of poultry and \$0.3m in respect of chicken meat) to match expenditure for that purpose from industry levy receipts.

CATTLE, SHEEP AND PIG INDUSTRIES

Eradication of Cattle Diseases and Compensation (Net)

Net payments for cattle disease eradication and compensation are estimated at \$12.1m in 1983-84.

An estimated \$37m is payable to the States and Northern Territory in 1983-84 for bovine brucellosis and tuberculosis eradication. This includes \$28.6m for eradication operations of which \$4m is to be provided on a dollar for dollar basis with the States and Northern Territory for a range of new assistance measures designed to accelerate the eradication of bovine brucellosis and tuberculosis in central and northern Australia. It also includes \$8.4m for grants to compensate owners for cattle slaughtered under the eradication program, including \$1.7m resulting from the decision to increase the rate of Commonwealth compensation payable for slaughtered tuberculosis reactors from 50% to 75% of net assessed compensation value; this is the same rate as applies to slaughtered brucellosis reactors.

Recoveries from the disease eradication component of the Livestock Slaughter Levy and the Livestock Export Charge are estimated at \$25.2m in 1983-84 and are offset against total Commonwealth outlays on disease eradication operations.

Also included under this heading is an amount of \$0.2m for the maintenance of a facility in Papua New Guinea having the capability of producing large numbers of sterile screw-worm flies. This will facilitate a sterile insect release method campaign to eradicate any outbreak of screw-worm fly in Australia.

Inspection Services (Net)

Direct expenditure on meat and livestock export inspection services undertaken by the Department of Primary Industry is estimated at \$70.1m in 1983-84, an increase of \$11.4m over 1982-83. Offset against this is estimated revenue of \$41.8m, comprising \$31.5m from charges on exporters for meat and livestock inspections and other recoveries of \$10.3m. The Government has decided that the rate of cost recovery should be 50% and as a consequence it is intended that meat export inspection charges for cattle be increased on 1 October 1983 from approximately \$1.80 to \$5.40 per carcass. This increase is the first since 1979 when charges were first introduced.

The estimates also reflect the transfer of the NSW domestic meat inspection service to the Commonwealth from 1 July 1983 and include a payment of \$1.5m by NSW to the Commonwealth as part payment of the accrued leave liabilities of the transferred employees. Charges on meat produced in non-export registered works in NSW are to be maintained at their current levels.

Beef Industry Assistance

The Commonwealth is to provide \$0.7m in 1983-84 towards the cost of implementing a beef cattle carcass classification system (assistance provided for this purpose in the five years to 30 June 1983 totalled \$3.4m). The net reduction in outlays under this heading reflects a non-recurrent payment in 1982-83 of \$0.9m to satisfy the Commonwealth's joint guarantee with the Victorian Government of a borrowing by Co-operative Farmers and Graziers Direct Meat Supply Limited.

Animal Health Services

In 1983-84, the Commonwealth will provide \$2m to finance the activities of the Bureau of Animal Health whose functions are the supervision of livestock health export certification and co-ordination of national animal health programs for endemic and exotic animal diseases.

Research, Promotion and Other Expenditure

The Commonwealth matches industry expenditure funded from industry levies on approved research programs for the meat and pig industries. It also makes payments, which are fully funded from industry levies, for pig meat promotion and to the Australian Meat and Livestock Corporation (AMLC) for its administrative and operational expenses, including promotion. Estimated outlays in 1983-84, including those funded from industry contributions, are \$14.9m for meat and pig industry research and pig meat promotion and \$12.3 for the AMLC.

The Government is to contribute \$0.6m in 1983-84 to the Sheep Meat Market Development Fund administered by the AMLC. The Fund is intended to develop and expand markets for Australian hogget and mutton in the Middle East and is funded on a dollar for dollar basis by the Commonwealth and the meat industry.

Charges and Repayments

Included under this heading are the industry levies in respect of the AMLC and for meat and pig research and promotion (\$18.8m) and repayments of advances (\$0.9m) in 1983-84 under a beef industry assistance scheme.

The following table summarises Commonwealth Budget assistance to the cattle, sheep and pig meat industries:

	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Outlays on the Industry (net of charges and repayments)	40.8	47.8	51.2	+3.4	+7.1
Financed by—					
Commonwealth Contributions from CRF	41.1	54.4	50.0	-4.4	-8.1
Interest on Investments—					
Commonwealth Securities (a)		0.2	0.2	-0.1	-25.3
Other (b)	0.7	1.6	1.8	+0.2	+10.2
Change in Relevant Trust Fund Balances	1.1Cr	8.4Cr	0.7Cr	+7.6	+91.3

(a) This interest is offset against outlays under 'Public Debt Interest'.

(b) These receipts are recorded under 'Interest, Rent and Dividends' in Statement No. 4.

OTHER AGRICULTURAL AND PASTORAL INDUSTRIES

This heading covers outlays, mainly promotion and research, in respect of the honey, oilseeds, tobacco, wine, barley and cotton industries. Industry contributions towards these activities are included in 'Charges and Repayments nec'.

GENERAL ASSISTANCE NOT ALLOCATED TO SPECIFIC AGRICULTURAL AND PASTORAL INDUSTRIES

Rural Reconstruction/Adjustment

The Rural Adjustment Scheme established by the States and Northern Territory Grants (Rural Adjustment) Act 1976 provides Commonwealth assistance, the amount of which is determined annually, to the States and the Northern Territory for the purposes of farm debt reconstruction, farm build-up, farm improvement and rehabilitation, carry-on finance and household support. Assistance for debt reconstruction, farm build-up, farm improvement and rehabilitation is made available by the Common-

wealth, 85% of assistance being by loan and 15% by grant. For carry-on finance, the States and the Territory share equally with the Commonwealth the financing of loans together with repayments of principal and payments of interest received from producers. The Commonwealth funds all household support and receives any principal and interest subsequently recouped by the States and the Territory on funds so provided.

The Commonwealth meets half of the administrative costs incurred by the States and the Territory in the provision of carry-on finance and contributes towards the administrative costs of providing the other forms of assistance. Outlays under the scheme in 1983-84 are estimated at \$46m, compared with \$17.9m in 1982-83. (An amount of up to \$10m will also be required in 1984-85 to fund approvals expected to be made but not financed in 1983-84). Outlays under this Scheme also include an estimated Commonwealth contribution of \$11m for carry-on finance to the sugar industry which is to be matched by contributions from the Queensland and New South Wales Governments. These funds will be used to provide loans to growers who are assessed as viable in the long term.

The IAC is to report, by January 1984, on the adequacy of the Rural Adjustment Scheme to meet the longer term adjustment needs of rural industries.

Drought Relief Assistance

The Drought Relief Fodder Subsidy Scheme, established by the *Drought Assistance (Primary Producers) Act 1982*, provides for the Commonwealth to make arrangements with the States and the Northern Territory for the payment of a subsidy to drought declared primary producers towards the cost of purchasing fodder for sheep and cattle.

Under the Scheme, eligible primary producers received a subsidy for feeding sheep and cattle based on 50% of the price of feed wheat and the nutritive value of the fodder relative to wheat. Payments to primary producers in each month do not, however, exceed 80 cents per sheep and \$8 per head of cattle or half the purchase price of fodder for those sheep or cattle whichever was the lesser. For primary producers meeting the various eligibility requirements, the subsidy became payable on fodder purchased after 1 September 1982. In 1982-83 \$103.7m was advanced to the States for the purposes of the Scheme.

Following widespread rain throughout Australia the Government announced that the Fodder Subsidy Scheme would cease from 30 June 1983 with all fodder purchased after that day being ineligible for the subsidy. Under the arrangement with the States, however, primary producers are allowed up to six months to submit claims after their eligibility for subsidy ceases. It is estimated that \$34m will be required in 1983-84 to meet these claims.

The Drought Relief Interest Subsidy Scheme, which was also established by the *Drought Assistance (Primary Producers) Act 1982*, provides for the Commonwealth to make payments to eligible primary producers which cover all interest payments exceeding 12% in respect of borrowings undertaken for the purposes of primary production on or before 31 August 1982 and borrowings after that date for carry-on purposes. To be eligible for the subsidy, primary producers must, inter alia, be drought declared and not have readily realisable financial assets in excess of 12% of the farm

enterprise's total farm debt. No subsidy is payable in respect of interest accrued prior to 1 September 1982. An amount of \$3.3m was paid to primary producers under the Scheme in 1982-83.

The Government has announced that the Interest Subsidy Scheme will cease on 31 December 1983. Primary producers are allowed up to twelve months to submit claims from the date they cease to be drought declared or from the date of termination of the Scheme, whichever is the earlier. It is estimated that expenditure under the Scheme in 1983-84 will be \$11.4m.

Outlays under this heading do not incorporate the considerable assistance provided to primary producers by way of drought relief assistance under the Natural Disaster Relief Arrangements, which is included under the sub-function 'Payments to or for the States, the Northern Territory and Local Government Authorities, nec'.

Fertilizer Subsidies

The estimate for 1983-84 includes \$46m for the phosphate fertilizer subsidy of \$12 per tonne, and \$5m for the nitrogenous fertilizer subsidy of \$20 per tonne. Legislation was passed in 1982-83 which made imports of phosphatic fertilizers eligible for subsidy and provided for the continuing payment of fertilizer subsidies until 30 June 1985.

Inspection Services nec

In addition to meat export inspection services, the Commonwealth provides export inspection services in respect of wool, grains, fruits, dairy products, fish and other exports requiring quality certification. Expenditure on these services is estimated at \$11.1m in 1983-84, offset against which is estimated revenue of \$5.5m from export inspection charges. In accordance with the Government's policy of recovering 50% of the cost of inspection services provided by the Department of Primary Industry, it is intended that existing charges on most products will increase on 1 October 1983.

Other

This covers the provision of agricultural services in the ACT (\$2.3m), assistance for minor agricultural research (\$0.3m) and projects sponsored by the Australian Agricultural Council (\$0.2m). The major part of the increase of \$0.8m is to fund the repair and replacement of ACT rural fences for which the Commonwealth has responsibility. Full responsibility for agricultural extension services has been passed to the States (which have always had the main role in this area) with Commonwealth funding being incorporated within the tax sharing grants to the States.

Recoveries and Repayments

In 1983-84 the Commonwealth Development Bank is to make a \$2m repayment on past Commonwealth advances compared with repayments of \$17.9m made in 1982-83. Repayments in 1982-83 included a special repayment of \$15m which finalised repayment of some outstanding advances and thereby reduced the scheduled repayments to be made in future years.

The balance of the estimate comprises repayments by the States of past advances for rural adjustment assistance.

IRRIGATION AND OTHER PASTORAL WATER PROJECTS

Expenditure under this heading comprises Commonwealth assistance, mainly to the States and the Northern Territory, for rural water conservation, irrigation, salinity mitigation and drainage, and flood mitigation. The Commonwealth provides funds for water-related purposes under the National Water Resources Program (NWRP) and, outside this program, to Queensland for construction of the Burdekin Dam. In 1983-84 an amount of \$46m is provided for the NWRP and up to \$13m for the Burdekin Dam (an increase of up to 39% on expenditure on these programs in 1982-83).

The recommendations of the recently completed report, the 'Perspective on Australia's Water Resources to the Year 2000', have been discussed with the State water resources Ministers in the Australian Water Resources Council (AWRC). The scope and nature of Australian Government assistance for water resource programs beyond 1983-84 will have regard to the outcome of these discussions.

Of the 1983-84 allocation for the NWRP, \$38.9m has not yet been allocated to specific projects, and (pending allocation) is included under the item 'Irrigation, Investigation and Other Water Projects'. Further details on the NWRP are contained in Budget Paper No. 7, *Payments to or for the States, the Northern Territory and Local Government Authorities, 1983-84*.

Irrigation, Investigation and other Water Projects

Final allocations for irrigation projects under the NWRP in 1983-84 have still to be settled, but will include an estimated \$4m for the Bundaberg irrigation scheme and \$1.1m for the Commonwealth's contribution under the River Murray Waters Agreement to the costs of the River Murray Commission (\$1m for works and \$0.1m for administrative expenses). Legislation has been introduced to implement the new River Murray Waters Agreement between the Commonwealth, New South Wales, Victoria and South Australia. The new Agreement gives the River Murray Commission an advisory role in relation to various activities in the Murray/Darling catchment affecting the quality of tributary flows and enables the Commission to formulate water quality objectives and standards for any part of the Murray River. The Government is also providing up to \$13m in 1983-84 for construction of the Burdekin Dam.

The Commonwealth will provide \$0.5m for water research in 1983-84 and will establish an Interim Council to advise on the need for an Institute of Freshwater Studies. The States and the Northern Territory will receive funds for water resources assessment projects in 1983-84 but, except for the amount for the Northern Territory (\$1.4m), allocations and related studies are still to be determined.

Salinity Mitigation and Drainage

In 1982-83 the Commonwealth provided \$5.3m as further assistance for a coordinated program designed to alleviate salinity and drainage problems in the Murray Valley and \$2m for salinity control in the south west area of Western Australia. Assistance in 1983-84 under this heading will depend on the allocation of assistance under the NWRP.

Flood Mitigation

Assistance to the States and the Northern Territory for flood mitigation (excluding urban flood mitigation) totalled \$0.3m in 1982-83, including \$0.1m for New South

Wales flood plain management works and studies and \$0.2m for Victorian flood mitigation. Possible assistance under the NWRP for flood mitigation projects in 1983-84 is still to be determined.

Recoveries and Repayments

Repayments are estimated at \$3.2m in 1983-84 and include \$2m from New South Wales in respect of earlier advances for the construction of the Blowering Reservoir.

LAND DEVELOPMENT PROJECTS

Soil Conservation

The Commonwealth has provided \$1m for the implementation of a National Soil Conservation Program involving financial assistance to the States for the purposes of soil conservation and related research and extension activities (\$0.6m) and a public awareness campaign to be undertaken by the Commonwealth (\$0.4m).

War Service Land Settlement

The provision of \$1.9m in 1983-84 includes \$1.8m towards the operation and maintenance of the Loxton irrigation project in South Australia and \$0.1m for South Australia to make credit facilities available to eligible settlers.

Repayments

Of the \$3.8m repayments estimated for 1983-84, \$2.6m relates to War Service Land Settlement, \$0.7m to repayments under the Queensland Brigalow Lands Agreement and \$0.5m to repayments of agricultural re-establishment loans made to former members of the defence services.

GENERAL ADMINISTRATIVE AND OTHER EXPENDITURE

This item includes the salaries and administrative costs of the Department of Primary Industry (\$24.4m), the Bureau of Agricultural Economics (\$8.4m), and the Commonwealth's contribution to the Australian Plague Locust Commission (\$0.6m). The estimates for the Department include the cost of administering the Drought Relief Interest Subsidy Scheme (\$1.4m).

MINING AND MANUFACTURING INDUSTRIES

	1981-82	1982-83	1983-84	Change	
	Actual	Actual	Estimate		
	\$m	\$m	\$m	\$m	%
Mining Industry—					
Uranium—					
Exploration and Development	8.2	2.0	0.6	- 1.5	- 71.8
Commonwealth Uranium Stockpile (net)	23.2	46.7	—	-46.7	-100.0
Transfer of Cooper Basin Interests (net)	—	—	0.5	+ 0.5	n.a.
Bureau of Mineral Resources	18.6	21.0	23.1	+ 2.1	+ 10.1
Other Mining (net)	11.6	2.2	2.8	+ 0.6	+ 28.0
Total	61.7	71.8	27.0	-44.9	- 62.5
Manufacturing Industry—					
Shipbuilding Assistance	26.8	25.6	26.1	+ 0.5	+ 2.1
Industrial Research and Development	24.2	52.8	71.6	+18.8	+ 35.6
Agricultural Tractors Bounty	6.9	3.2	7.5	+ 4.3	+135.1
Machine Tools Bounty	14.5	14.1	13.5	- 0.6	- 4.0
Book Bounty	15.7	18.7	20.0	+ 1.3	+ 6.7
Heavy Commercial Vehicles Bounty	6.4	3.7	6.0	+ 2.3	+ 60.1
Textile Industry Bounties	23.8	67.7	68.1	+ 0.4	+ 0.6
Steel Industry Bounties	—	1.0	32.0	+31.0	n.a.
Other Bounty Payments	5.2	4.8	4.7	- 0.1	- 2.8
Development of Microwave Landing System	2.1	2.2	1.9	- 0.3	- 15.7
Other Assistance	4.8	3.8	5.8	+ 2.1	+ 54.7
General Administration (net) (a)	9.7	—	—	—	—
Total	139.8	197.7	257.2	+59.6	+ 30.1
TOTAL MINING AND MANUFACTURING INDUSTRIES	201.5	269.5	284.2	+14.7	+ 5.4

(a) Recorded under this item is the expenditure on the industry policy function of the Department of Industry and Commerce prior to the administrative arrangements which were announced on 7 May 1982. Administrative expenditure from that date for the Department is recorded under 'Other Assistance to Industry'.
Note: n.a.—not applicable

MINING INDUSTRY

In addition to the direct assistance outlined below, the Commonwealth assists the development of the mining industry through the taxation system by way of various special provisions applying to certain mining companies or to their shareholders. Further details of assistance provided through the taxation system are included in the Appendices to Budget Statement No. 4.

Uranium—Exploration and Development

The Commonwealth will make payments in 1983-84 of \$0.2m to the Northern Land Council (NLC) in accordance with the Agreement made under the *Aboriginal Land Rights (Northern Territory) Act 1976*. That Agreement sets down the terms and conditions under which the NLC agreed to mining operations proceeding in the Ranger Project area and provides, inter alia, for payments to the NLC during the currency of the Agreement. The Commonwealth will also continue to meet the expenses (estimated at \$16 500 in 1983-84) of the Ranger Assessor, who estimates periodically the cost of rehabilitation of the Ranger Project area. Both of these expenditures will be recouped from Energy Resources of Australia Ltd, which acquired the Commonwealth's interest in the Ranger Uranium Joint Venture in 1980-81.

In accordance with the Memorandum of Understanding between the Commonwealth and the Northern Territory, an amount of \$0.2m is provided in 1983-84 to complete the construction of state-type social infrastructure at Jabiru township to support the Ranger uranium development.

An amount of \$0.3m has been provided in 1983-84 for the Australian Uranium Export Office; a similar amount was provided in 1982-83.

Commonwealth Uranium Stockpile

Under agreements entered into with certain Australian companies, the Commonwealth supplied uranium from its stockpile to enable those companies to meet initial delivery obligations under contracts approved prior to December 1972. The agreements provided for amounts equivalent to the net proceeds from the sale of these borrowed uranium concentrates to be paid to and held by the Commonwealth, pending the return of such concentrates to the stockpile. The last of the uranium concentrates borrowed under these agreements was returned to the Commonwealth in 1982-83 and Energy Resources of Australia Ltd was reimbursed \$46.7m in respect of that material.

Bureau of Mineral Resources

An amount of \$23.1m is provided in 1983-84 for the continuing activities of the Bureau of Mineral Resources, Geology and Geophysics (\$21m was spent in 1982-83). This provision includes a \$2.9m addition to the Bureau's vote to enable it to conduct a national marine geoscientific research program.

Transfer of Cooper Basin Interests (net)

In 1975 the Commonwealth, through the former Petroleum and Minerals Authority, purchased interests in the Cooper Basin from the Delhi International Oil Corporation. Delhi is now owned by CSR Limited. The purchase price included a deferred payment which has now become due and is expected to be paid in instalments over the next seven years. The Commonwealth's interests were sold to the South Australian Oil and Gas Corporation (SAOG) in 1977, with that contract containing a similar provision to defer some part of the purchase price. Because of a difference in the timing of receipts from SAOG and payments to CSR, the Commonwealth expects a net outlay of \$0.5 million in 1983-84.

Other Mining (net)

A provision of \$1m (\$0.9m in 1982-83) has been included to meet Australia's contributions to the administrative costs of several international mineral commodity organisations. An amount of \$0.1m is provided as the Commonwealth's contribution towards the Government diamond valuer for the Argyle project in Western Australia.

\$1.5m has been provided for the Commonwealth's contribution towards the administrative costs (shared with NSW) of the Joint Coal Board.

Under the *Petroleum (Submerged Lands) Act 1967* an amount of \$1m is estimated to be collected by the Commonwealth and passed to the States in 1983-84 in respect of fees and other charges.

In addition, \$0.2m is provided in 1983-84 as a Commonwealth contribution to the cost of the relocation of the pilot plant operated by the Australian Mineral Development Laboratories, a South Australian statutory authority. A similar contribution is expected in 1984-85.

MANUFACTURING INDUSTRY

Ship Building Assistance

Under the *Bounty (Ships) Act 1980*, bounty is assessed as a percentage of the cost of construction of vessels. The current rate of bounty of 27.5% applies until 30 June 1984. Thereafter, it phases down to a long term rate of 20% which is to apply from 1 July 1986. Outlays in 1983-84 are estimated at \$26m (\$24.9m in 1982-83) and represent subsidies towards the cost of 90 ships.

Bounty for vessels for which tenders closed before 1 July 1981 will continue to be provided under the *Ship Construction Bounty Act 1975*. Payments in 1983-84 under that Act are estimated at \$0.2m (\$0.9m in 1982-83), and are being applied towards the cost of 5 ships.

Industrial Research and Development

A further five-year program of grants under the *Industrial Research and Development Incentives Act 1976* was commenced on 1 July 1981, to encourage research and development by industry.

Under the Act, companies can apply for commencement grants (intended to encourage the build-up of a research and development capability) and project grants in respect of specific research projects. The maximum grant rate for commencement and project grants is generally 50% of eligible research and development expenditure. A ceiling on grant payments limits individual companies or groups to a maximum grant of \$40 000 per annum for commencement grants and \$750 000 per annum for project grants. Project grant applications are ranked according to their potential contribution to industry policy objectives and selected for funding on that basis. Commencement grant applications, provided they meet the eligibility criteria, are generally funded in order of receipt.

Assistance is also provided for industrial research projects which are considered to be in the public interest and which normally involve the commercial development of the research results of public sector or non-profit research institutions.

Outlays for the above programs are estimated at \$71.6m in 1983-84, compared with \$52.8m in 1982-83, reflecting the Government's decision to increase support for industrial research and development. The 1983-84 provision includes \$16.2m for commencement grants (1982-83 outlays of \$13.1m), \$45.5m for project grants (\$34.8m) and \$10m for public interest projects (\$4.9m).

In addition to the above direct incentives for research and development, expenditure on 'scientific research', including expenditure on certain plant, equipment and buildings, continues to be an allowable deduction under the *Income Tax Assessment Act 1936*.

Agricultural Tractors Bounty

Under the *Bounty (Agricultural Tractors) Act 1966*, assistance is payable to eligible producers of certain agricultural tractors until 31 December 1984 or such later date as is fixed by proclamation. To be eligible for bounty, tractors must meet a minimum local content provision of 55%. The bounty rates are indexed quarterly to reflect import price movements. Payments in 1983-84 are estimated at \$7.5m, compared with \$3.2m in 1982-83. The increase reflects the Government's decision,

following consideration of the Temporary Assistance Authority's (TAA) report on 'Agricultural Wheeled Tractors', to double bounty rates for a period of 12 months from 10 June 1983 and to pay a bounty of 15% of factory cost on tractor cabs produced and sold in Australia for fitting to imported agricultural tractors for the same period. The longer term assistance needs of the industry have been referred to the IAC for report.

Machine Tools Bounty

Under the *Bounty (Metal-working Machine Tools) Act 1978*, bounty assistance is to be provided until 30 June 1984 to Australian manufacturers of non-portable power operated metal working machine tools, at a rate of 331% of factory cost, subject to certain local content requirements. In addition a bounty, at the rate of 25% of design costs incurred in Australia, is payable to machine tool manufacturers for the Australian design cost component of machines covered by the Act.

Bounty payments are estimated to decrease from \$14.1m in 1982-83 to \$13.5m in 1983-84. The IAC is currently reviewing the long term assistance needs of the industry.

Book Bounty

Under the *Bounty (Books) Act 1969*, a bounty is paid on the cost of production of eligible books manufactured in Australia. Bounty assistance is to be provided until 31 December 1986. The bounty is currently payable at a rate of 30% phasing down to 25% from 1 January 1984.

Payments in 1982-83 amounted to \$18.7m and \$20m is being provided for 1983-84, the increase reflecting expected cost increases and the expected number of claims.

Heavy Commercial Vehicles Bounty

The *Bounty (Commercial Motor Vehicles) Act 1978* provides for bounty payments on assembly of certain general purpose vehicles, including buses, which incorporate prescribed components used as original equipment. Bounty assistance will be provided until 31 December 1984 at the rate of 20% of the into-store value of eligible local components.

Bounty payments are estimated at \$6m in 1983-84 compared with \$3.7m in 1982-83, reflecting expected recovery in demand and a higher into-store cost of vehicle components. The long term assistance needs of the industry are currently being reviewed by the IAC.

Textile Industry Bounties

A broad program of assistance for the textiles, clothing and footwear industries, intended to encourage the development of a more efficient industry structure, was introduced on 1 January 1982. The program will operate until 31 December 1988 and includes bounty assistance for a number of textile products.

The *Bounty (Textile Yarns) Act 1981* provides for the payment of bounty on the value added by Australian producers of eligible yarns. The rates of bounty vary for different yarn types and range from 33% to 59% of value added.

Bounty payments are expected to be \$66m in 1983-84 compared with \$66.7m in 1982-83.

Under the *Bounty (Printed Fabrics) Act 1981* bounty assistance is provided at a rate of 70% of the value added by Australian printers of certain lightweight woven fabrics.

Payments are estimated to be \$1.5m in 1983-84, compared with \$0.6m in 1982-83. Continuing rationalisation within the industry, a low level of demand and administrative difficulties reduced payments in 1982-83, but these factors are likely to have less effect in 1983-84.

The *Bounty (Bed Sheetting) Act 1977* provides a bounty, at a rate of 20 cents per square metre up to a maximum payment of \$0.6m per bounty year, on the production of bed sheeting made up into bed linen. Payments for 1982-83 were \$0.4m and it is estimated that payments for 1983-84 will be \$0.6m.

Steel Industry Plan Bounties

The Government has announced an assistance plan for the steel industry comprising sliding scale bounties for five years on the following products produced and sold in the domestic market:

- high alloy bar products and stainless steel flat products;
- hot rolled strip for use in the production of certain cold rolled strip and sheet;
- hot rolled strip and plate, other than high alloy, for use in the production of pipes and tubes; and
- hot rolled plate for use in the production of certain quenched and tempered steel.

The Plan will commence operation on 1 January 1984 and bounty will be payable at a maximum rate of 20% or 17% on sales and transfers up to a certain level. The rate will reduce for specified increments in sales and transfers. The ceiling on bounty payments under the Plan will initially be \$71.6m per annum with the ceiling for individual bounties being adjusted in line with movements in domestic steel prices. Bounty payments in 1983-84 are estimated to be \$30m.

Prior to the Government's decision on the Steel Industry Plan the *Bounty (Steel Products) Act 1983* was proclaimed following Government consideration of a TAA report. This Act provides for payment of a bounty at the rate of 5% of the price paid or payable for certain high alloy steel products produced and sold for use in Australia between 1 January and 31 December 1983, subject to a total limit of \$3m. Payments of \$1m were made in 1982-83 and \$2m is expected to be paid in 1983-84. As from 1 January 1984 these products will receive bounty under the Steel Industry Plan.

Other Bounty Payments

Following a report by the TAA, the *Bounty (Room Air Conditioners) Act 1983* provided for payment of bounty on certain room air conditioners produced and sold in Australia between 27 October 1982 and 30 June 1983. Bounty is payable at the rate of \$60 or \$90 per unit, according to cooling capacity, up to a limit of \$1.5m. Payments in 1982-83 totalled \$1.0m and \$0.5m is expected to be paid in 1983-84. The Government is currently considering a TAA report on the industry's request for further short-term assistance.

Under the *Bounty (Paper) Act 1979*, bounty is payable (at the rate of \$90 per tonne on specified coated paper and \$70 per tonne on specified uncoated paper) on the production and sale of eligible paper products up to a maximum of \$2.5m per year until 5 February 1987. Payments in 1983-84 are estimated at \$1.7m, compared with \$1.4m in 1982-83.

Under the *Automatic Data Processing Equipment Bounty Act 1977*, bounty is payable until 28 March 1984 on eligible equipment at the rate of 7.5% of the value added by Australian manufacturers. Payments in 1983-84 are estimated at \$0.8m, compared with \$0.7m for 1982-83. The IAC is currently reviewing the long-term assistance needs of the industry.

The *Bounty (Injection-moulding Equipment) Act 1979* provides for the payment of a bounty on the value added by Australian manufacturers of eligible equipment. The bounty rate is currently 5% and this rate will continue until 23 May 1984 when the Act is due to terminate. Following a report by the TAA, the Government decided to provide additional assistance of 20% of the value added of injection moulding machines and parts completed after 23 May 1983 until a decision is announced on a report currently being prepared by the IAC. The bounty will be payable to producers who continue to manufacture the machines throughout this period and undertake to maintain employment at least at the level existing at the time the decision was announced. Payments in 1983-84 under the existing Act are estimated at \$0.8m, compared with \$0.7m in 1982-83. Since eligibility for the additional short-term assistance will not be established until the IAC reports on the industry, no estimate has been made of the likely additional cost involved.

Under the *Bounty (Penicillin) Act 1980* subsidy assistance is provided to local manufacturers producing penicillin for the further manufacture of antibiotics in Australia. Total bounty payments for any given bounty period are subject to a ceiling amount. Under the provisions of the Act this ceiling and the rate of bounty can be altered. On the basis of manufacturers' expected production schedules, \$0.9m is expected to be expended in 1983-84, compared with \$0.7m in 1982-83.

Development of Microwave Landing System

The Government decided in 1981 to provide support of up to \$4.9m for a further three-year joint Commonwealth/industry program for the development of the Intersean microwave landing system. An amount of \$1.9m is provided in 1983-84 for the last year of this further program. Expenditure in 1982-83 under this program amounted to \$2.2m.

Other Assistance

Commonwealth support for the Productivity Promotion Council of Australia in 1983-84 is \$1.7m (\$0.6m in 1982-83) which is to enable the Council to hire its own staff (following the phasing out of Commonwealth staff involvement) and to provide increased support for the Council's activities.

In addition the following amounts are to be provided in 1983-84: \$2m for Technology and Innovation Programs of the Department of Science and Technology (\$0.7m in 1982-83); \$1m for the Technology Transfer Council (\$0.6m in 1982-83); and \$0.2m for the Industrial Design Council of Australia (\$50 000 in 1982-83) reflecting the Government's decision to increase support for these programs and organisations.

Assistance is also provided to Australian industry, particularly manufacturing industry, through the Government's preference policy towards local industry in purchasing and through the Offsets/Australian Industry Participation policy. It is not possible to precisely quantify the cost of this assistance to the Budget.

General Administration (net)

Recorded under this item is expenditure on the industry policy function of the Department of Industry and Commerce prior to the administrative arrangements which were announced on 7 May 1982. Later years' administrative costs and expenditure are recorded under 'Other Assistance to Industry—General Administration'.

TOURIST INDUSTRY

	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Australian Tourist Commission	8.9	10.0	17.5	+7.5	+75.0
Great Barrier Reef Island Tourist Resorts—Diesel Fuel Subsidy	—	—	1.0	+1.0	na
Other Assistance to the Tourist Industry	0.5	1.2	1.7	+0.5	+40.0
TOTAL TOURIST INDUSTRY	9.4	11.2	20.2	+9.0	+80.0

NOTE: n.a.—not applicable.

The 1983-84 Budget provision of \$17.5m for the Australian Tourist Commission represents a 75% increase over the 1982-83 provision for the Commission (\$10m).

Provision is made for a grant to the Queensland Government of \$1m in 1983-84 to subsidise the costs of diesel fuel to Great Barrier Reef island tourist resorts. The provision of \$1.7m in 1983-84 for *Other Assistance* covers general operational expenses of the ACT Tourist Bureau, Australia's contribution to the World Tourism Organisation and administration expenditure related to the Tourism function of the Department of Sport, Recreation and Tourism.

ASSISTANCE TO EXPORT INDUSTRIES

	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Export Expansion Grants Scheme	197.0	155.0	98.0	-57.0	-36.8
Export Market Development Grants Scheme	84.0	105.0	115.0	+10.0	+9.5
Export and Trade Promotion	27.7	31.4	35.5	+ 4.2	+13.3
Compensation Payments	2.6	0.2	0.3	+ 0.1	+28.7
EFIC—					
Interest subsidy for concessional finance facility	6.4	15.3	18.7	+ 3.4	+21.9
Premiums and Repayment	1.9Cr	3.7Cr	3.2Cr	+ 0.5	+14.2
General Administration	27.4	29.1	31.9	+ 2.8	+ 9.5
TOTAL ASSISTANCE TO EXPORT INDUSTRIES	343.2	332.3	296.2	-36.1	-10.9

Export Expansion Grants Scheme

The Export Expansion Grants Scheme sought to encourage increased exports of Australian goods and services, industrial property rights and know-how through the provision of grants based on increases in eligible export earnings over a base period.

Following examination of an IAC report on export incentives, the former Government decided not to extend the Scheme's enabling legislation beyond its expiry date of

30 June 1983 as it was considered that the Export Expansion Grants Scheme was not as effective in encouraging increased Australian exports as the Export Market Development Grants Scheme.

The 1983-84 Budget provision of \$98m is estimated to reduce obligations outstanding in respect of the 1982-83 and earlier grant years from \$133m at 30 June 1983 to \$35m at 30 June 1984 and to reduce the carryover of outstanding claims from \$50m to \$35m over the same period.

Export Market Development Grants Scheme

The Export Market Development Grants Scheme is designed to encourage exporters and prospective exporters to seek out and develop overseas markets. Grant payments are based on a grant rate of 70% of eligible expenditure with the level of the annual grant ceiling for each claimant set at \$200 000. The Scheme also provides for the payment of travelling expenses of \$50 per day (for up to 10 days for each export promotional visit).

The 1983-84 allocation is estimated to involve the carryover of outstanding claims of \$35m at 30 June 1984 compared to \$32m at 30 June 1983. It is estimated that claims to be lodged in 1983-84 applicable to the 1982-83 grant year and earlier years will total \$118m, an increase of \$23m over claims lodged in 1982-83.

Export and Trade Promotion

Export and trade promotion outlays are estimated at \$35.5m in 1983-84. They encompass expenditure on the Trade Commissioner Service (\$25.9m), matching grants to primary product marketing boards and corporations for overseas promotion (\$1.1m) and general trade promotional activities undertaken by the Department of Trade (\$8.5m), including the promotion of Australian consultancy services in developing countries and a continuation of the Technical Support Facility to meet the costs of Australian experts advising on, and formulating development projects for, countries in the Middle East.

For 1983-84 the Government has decided to establish a \$1.5m Market Research fund which is to enable the Trade Commissioner Service to identify and research new market and product development opportunities overseas.

Compensation Payments

A provision of \$0.3m is made in 1983-84 for payment of compensation or other assistance to persons or firms adversely affected as a direct result of the former Government's actions during 1980 in respect of Afghanistan and Iran. This compares with net outlays of \$0.2m in 1982-83. Payments under the compensation arrangements are expected to be finalised in 1983-84.

Export Finance and Insurance Corporation (EFIC)

EFIC provides export credit insurance and guarantee facilities, insurance cover for direct investment overseas against non-commercial risks and, where necessary, export finance for medium and long term credit sales of capital goods.

Interest Subsidy for Concessional Finance Facility

EFIC's concessional finance facility is financed by trading bank loans at commercial rates of interest. The Corporation lends these funds to overseas buyers at concessional

interest rates consistent with the minimum credit terms specified under the Organisation for Economic Co-operation and Development (OECD) Arrangement on Export Credits. The difference between the commercial interest rates at which EFIC borrows and the interest rates at which it lends is met from the Budget by way of a subsidy payment to EFIC each year. The subsidy payment was \$15.3m in 1982-83 and is estimated to increase to \$18.7m in 1983-84. The increase in estimated payments in 1983-84 reflects increased lending for the Ok Tedi Project in Papua New Guinea (in respect of which the interest subsidy is expected to increase by \$4.5m to \$8.4m in 1983-84).

At 30 June 1983, the Corporation had entered into loan agreements in support of capital goods exports amounting to almost \$495m involving an outstanding maximum subsidy commitment of about \$133m. The corporation has made advance commitments to lend around \$86m including a \$50m credit line which will bring to \$274m the credits provided to finance procurement from Australia for the Ok Tedi project in Papua New Guinea.

It is estimated that the costs to the Budget of EFIC's concessional finance facility in the financial years 1983-84 to 1985-86 would be \$10.3m, \$10.2m and \$10m respectively for EFIC's general business, and an additional \$8.4m, \$12.2m and \$12.6m for Ok Tedi.

Premiums and Repayment

The Commonwealth's share of insurance premiums arising under the national interest provision of the *Export Finance and Insurance Corporation Act*, which is expected to total \$2.8m in 1983-84 compared to \$3.3m in 1982-83, is included under this heading.

Also included is a repayment of \$0.4m in respect of advances totalling \$4m made to EFIC in 1974-75 and 1975-76 to enable the establishment of an export finance facility. These advances were made before it was decided to finance such a facility through the trading banks at commercial rates of interest.

General Administration

Included under this heading are the net administrative costs of the Department of Trade (\$29.1m) and the Export Development Grants Board (\$2.8m).

OTHER ASSISTANCE TO INDUSTRY

	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Petroleum Products Freight Subsidy	147.5	123.8	100.6	-23.2	-18.7
Energy Research and Conservation	15.8	18.0	19.4	+ 1.4	+ 7.6
Commonwealth Trading Bank—Capital	—	—	15.0	+15.0	na
Australian Industry Development Corporation	—	45.5Cr	12.5	+58.0	na
Biotechnology Research Grants Scheme	—	—	1.5	+ 1.5	na
General Administration(a)	5.5	12.5	14.5	+ 2.0	+15.8
TOTAL OTHER ASSISTANCE TO INDUSTRY	168.8	108.7	163.5	+54.8	+50.4

(a) Recorded under this item are administrative costs and expenditure incurred by the Department of Industry and Commerce (other than for Customs) since 7 May 1982. Expenditure under the industry policy function of the Department of Industry and Commerce prior to 7 May 1982 is recorded under 'Mining and Manufacturing Industries'.

NOTE: n.a.—not applicable.

Petroleum Products Freight Subsidy Scheme

The Scheme, which has been operational in country areas in its current form since 1 July 1978, provides for the payment of a freight subsidy on the cost of distributing motor spirit, power kerosene, aviation fuels and automotive distillate. In the Budget context the Government has decided to amend the Scheme so as to remove from eligibility for subsidy power kerosene and locations where there is no retail site. This is estimated to result in savings of \$2.1m in 1983-84 and \$4.2m in a full year.

As announced in the Treasurer's May Economic Statement, the Scheme was amended so that as from 1 June 1983 the subsidy is payable only on freight differential costs in excess of 1.1 cent per litre rather than 1 cent per litre as previously applied. The maximum freight cost differential will in future be indexed in line with increases in the CPI. An amount of \$100.6m is being provided for the Scheme in 1983-84 compared with expenditure of \$123.8m in 1982-83. This expected decrease mainly reflects the May Economic Statement decision to increase the subsidy margin to 1.1 cents per litre and the full year effect of the decision in the 1982-83 Budget to increase the subsidy margin to 1 cent.

Biotechnology Research Grants Scheme

The Government has introduced a Biotechnology Research Grants Scheme to promote the commercial development of biotechnology by Australian industry. Expenditure in 1983-84 is estimated at \$1.5m.

Energy Research and Conservation

Grants for the support of projects under the National Energy Research, Development and Demonstration Program are provided through both the Energy Research Trust Account (ERTA) and the Coal Research Trust Account. Expenditure from the ERTA on energy research and development projects in 1982-83 was \$14m, including \$0.2m in the form of assistance for overseas energy research. A similar level of expenditure on energy research and development projects is expected in 1983-84. The Government has agreed that new energy research projects costing \$12m over four years may be approved in 1983-84. Expected expenditure on new and existing projects in 1983-84 will be met from the ERTA balance available to the Program (\$1m) and an appropriation of \$12.9m.

In addition to this provision for energy research, coal research is also funded by an excise, set at 5 cents per tonne of coal produced. The levy applies to black coal production from non-State Government operated coal mines, and is supplemented by contributions from the States in respect of State Government operated brown and black coal mines. Receipts into the Coal Research Trust Account are expected to total \$5.1m in 1983-84, and expenditure from the Trust Account is estimated at \$4.5m, compared with \$4.3m in 1982-83.

The Minister for Resources and Energy approves the distribution of funds for energy research, development and demonstration projects in the light of advice from the National Energy Research, Development and Demonstration Council.

The Commonwealth appropriation for the National Energy Conservation Program (NECP) in 1983-84 is \$0.2m and will allow expenditure from the NECP Trust Account of \$1.3m in 1983-84, compared with expenditure of \$0.6m in 1982-83. This

program funds activities promoting liquid fuel conservation, conservation of other energy forms such as electricity and gas, and energy conservation in buildings.

An amount of \$0.3m is provided for the National Industrial Energy Management and Audit Scheme in 1983-84 (\$0.2m was spent in 1982-83). This scheme funds seminars and workshops, publications and films, awards, selected industry-wide energy audits and reimbursement of consultancy costs for small and medium sized firms to encourage and assist industry to use energy more efficiently and reduce energy costs.

Commonwealth Trading Bank

The Government has decided to provide a capital injection of \$15m to the Commonwealth Trading Bank in 1983-84. This will be the first such subscription made by the Government to the Bank since its inception.

Australian Industry Development Corporation

The Australian Industry Development Corporation provides finance for industries concerned with the manufacture, processing, treatment, transportation and distribution of goods, and with the development and use of natural resources and technology. Its paid up capital of \$62.5m has been fully provided by the Commonwealth, with a further capital instalment of \$12.5 million to be provided in 1983-84. In 1982-83, the Corporation repaid \$45.5m of an overseas loan to the Commonwealth which was in turn repaid by the Commonwealth to the lenders.

General Administration

This heading includes administrative costs of the Department of Industry and Commerce, with the exception of its Customs responsibilities (\$14.1m), and the Canberra Development Board (\$0.4m).

D. LABOUR AND EMPLOYMENT

The Commonwealth funds a number of activities relating to employment programs, the management and settlement of industrial disputes, oversight of industrial awards and agreements, manpower and training schemes, employment services and immigration services. The 1983-84 provisions for this range of activities are set out in the table below.

	1981-82	1982-83	1983-84	Change	
	Actual	Actual	Estimate	\$m	%
Industrial Relations—	\$m.	\$m	\$m	\$m	%
Conciliation and Arbitration	9.6	11.2	13.4	+ 2.2	+ 19.8
Industrial Relations Bureau	5.4	6.3	—	— 6.3	— 100.0
Payment to Stevedoring Industry	17.4	17.3	17.0	— 0.3	— 1.8
Coal Mining Industry Long Service Leave	8.1	14.2	19.0	+ 4.8	+ 34.1
Trade Union Training	4.0	5.2	5.7	+ 0.5	+ 10.3
Administration	9.7	10.4	16.5	+ 6.1	+ 58.7
Recoveries	0.3Cr	0.3Cr	0.3Cr	..	+ 2.5
Total	54.0	64.2	71.3	+ 7.1	+ 11.0
Employment—					
Trade Training	82.1	95.4	117.8	+ 22.4	+ 23.5
Skills Training	16.3	14.8	23.5	+ 8.7	+ 58.7
Youth Training	63.3	77.9	93.5	+ 15.6	+ 20.0
Special Training	25.5	31.7(a)	33.2(a)	+ 1.5	+ 4.7
Employment Services	101.9	100.2	119.6	+ 19.4	+ 19.4
Assistance to Long Term Unemployed	—	0.4	32.1	+ 31.7	+ 8 447.2
Special Employment Programs—					
Wage Pause	—	152.4	147.6	— 4.7	— 3.1
Community Employment Program	—	—	301.5	+ 301.5	n.a.
Infrastructure Support for the Steel Regions	—	—	18.5	+ 18.5	n.a.
Administration and Other	35.1	61.8	71.6	+ 9.9	+ 16.0
Recoveries	0.5Cr	0.7Cr	0.7Cr	..	+ 2.3
Total	323.6	533.8	958.2	+ 424.4	+ 79.5
Immigration—					
Assisted Migration	33.3	29.2	33.3	+ 4.1	+ 13.9
Administration	54.6	63.1	68.6	+ 5.5	+ 8.8
Recoveries	5.5Cr	5.6Cr	7.5Cr	— 1.8	— 32.5
Total	82.4	86.7	94.4	+ 7.8	+ 9.0
TOTAL LABOUR AND EMPLOYMENT	460.0	684.7	1 124.0	+ 439.2	+ 64.1

(a) Includes expenditure for 'Special Needs Clients'.

NOTE: n.a.—not applicable.

INDUSTRIAL RELATIONS

Conciliation and Arbitration

Outlays under this heading provide for the operations of the Conciliation and Arbitration Commission (\$12.2m), the Public Service Arbitrator (\$0.4m) the Remuneration Tribunal (\$0.5m), whose main functions are to settle disputes and determine wage and salary claims and the provision of certain legal and other costs in special circumstances.

Industrial Relations Bureau

The Industrial Relations Bureau (whose main functions were to ensure compliance with, and safeguard rights and entitlements under, the *Conciliation and Arbitration Act 1904* and regulations and federal awards) was abolished as from 1 July 1983, following amendments to the Act. The Commonwealth Arbitration Inspectorate has been re-established within the Department of Employment and Industrial Relations and will be responsible for securing the observance of industrial awards. Identifiable administrative costs relating to the Inspectorate are included in 'Industrial Relations—Administration'. The Department and the Office of the Industrial Registrar will continue to offer advice to individuals and organisations concerned about their rights and obligations under the Act.

Payment to Stevedoring Industry

Payments are made to the Stevedoring Industry Finance Committee from a levy imposed on stevedoring employers under the *Stevedoring Industry Levy Act 1977*. The 1983-84 estimate is \$17m compared to \$17.3m in 1982-83. These funds are used primarily to fund the balance of the industry deficit on long service liabilities taken over from the Australian Stevedoring Industry Authority on 5 December 1977; to meet employer contributions to the Stevedoring Employees' Retirement Funds; for payments of award entitlements—such as sick and annual leave payments; for the provision of services and amenities for waterside workers; and to meet certain administrative costs. A matching receipt item records the stevedoring industry collections; details may be found in Statement No. 4—'Other Taxes, Fees and Fines'.

Coal Mining Industry Long Service Leave

A Trust Account was established in 1949 to finance long service leave payments for miners engaged in black coal production. The relevant State Governments reimburse employers for long service leave payments to miners and recoup from the Trust Account the cost of these payments and administrative expenses. The Trust Account's income is derived from payments made by the Commonwealth (estimated at \$19m in 1983-84) equivalent to a four-fifths share of its receipts from a 25 cents per tonne levy imposed on black coal production. The involvement of the Commonwealth in the present arrangements is under review. Long service leave payments from the Trust Fund in 1983-84 are estimated at \$19m.

Trade Union Training

The *Trade Union Training Authority Act 1975* provides for training services for unionists and for the operation of State training centres and a national training college at Albury-Wodonga. The estimate of \$5.7m in 1983-84 (an increase over the previous year of \$0.5m) includes provision for a further expansion of training resources for the Authority resulting from the Committee of Inquiry into the future development of trade union training (the Paine Report) in 1977. Approximately 38 000 student training days will be offered by the Authority at its State Centres and the Clyde Cameron College at Albury-Wodonga in 1983-84; this compares with 31 163 training days in 1982-83.

Administration

This item records the administrative expenditure of the industrial relations functions of the Department of Employment and Industrial Relations, which is estimated to

increase by \$6.1m to \$16.5m in 1983-84. This increase reflects mainly the re-establishment of the Commonwealth Arbitration Inspectorate within the Department and the provision of \$0.2m for the implementation of a grant system to encourage and assist Australian organisations to introduce participative work practices for employees and/or industrial democracy in the private sector.

EMPLOYMENT

Trade Training

The Commonwealth's involvement in trade training is directed towards improving supplies of skilled labour to assist Australia's economic growth and development and providing training opportunities for young Australians.

Assistance for trade training is provided by the Commonwealth under a number of schemes; proposed expenditure on the main schemes in 1983-84 is summarised in the following table.

	1980-81 Actual	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	\$m	\$m	%
Commonwealth Rebate for Apprentice Full-time Training (CRAFT)—						
Employer Rebate—						
Technical Education	37.1	52.6	65.0	74.0	+ 9.0	+ 13.8
Off-the-job Training	9.5	11.6	13.9	18.3	+ 4.4	+ 31.6
\$1,000 Cash Rebate	13.7	9.9	1.3	—	- 1.3	- 100.0
Trainee Living Away From Home Allowance	4.2	4.6	4.7	4.7	..	..
Total CRAFT	64.5	78.7	84.9	97.0	+12.0	+ 14.2
Group One-Year Training Scheme	1.5	1.7	1.8	1.8	..	+ 1.7
Special Apprenticeship Assistance	1.2	0.8	3.3	6.0	+ 2.7	+ 82.7
Support of Group Apprentice Schemes . . . . .	..	0.2	0.5	0.7	+ 0.2	+ 48.2
Special Commonwealth/State Trade Training Schemes	0.8	0.7	4.9	12.3	+ 7.4	+150.5
Additional Apprentices in State Establishments	0.1	..	—	—	..	..
Total Trade Training	68.1	82.1	95.4	117.8	+22.4	+ 23.5

The Commonwealth Rebate for Apprentice Full-time Training (CRAFT), introduced in January 1977, is the Commonwealth's major apprenticeship support program. CRAFT encourages employers to take on and train apprentices by providing tax-exempt subsidies to employers for the cost of releasing apprentices to undertake technical education and other off-the-job training. The subsidies are:

- a Technical Education Rebate for attendance at prescribed basic trades courses in technical and further education institutions; and
- an Off-the-job Rebate for approved full-time off-the-job training, other than prescribed basic trades courses, in an employer's establishment or other acceptable venue for up to 130 days. This training is normally undertaken in the first year of apprenticeship.

Assistance levels are set according to the trade concerned, year of apprenticeship and stage of technical education, and range from \$21 to \$41 a day.

Employers may also qualify for a special higher rebate (a 40% premium on the first year technical education rebate) by engaging an apprentice who has completed an approved pre-employment training course which results in a minimum reduction of 6 months in the normal period of apprenticeship as well as an exemption from at least one stage of technical education.

CRAFT also assists apprentices by providing a taxable allowance to those in their first and second years of training who are required to live away from home to take up or remain in apprenticeship. Weekly rates are \$33 for first year apprentices and \$14 for second year.

Final payments of the \$1000 cash bonus were made in 1982-83. This bonus was payable to employers in certain trades for each first year apprentice indentured during the period 1 December 1980 to 30 June 1981 over and above the number indentured during the same period in 1979-80.

The \$12m increase in the 1983-84 provision for CRAFT reflects the full year effect of the January 1983 increase in rebate levels, partly offset by a decrease in the expected number of rebate claims.

In 1982-83, the number of apprentices attracting rebates increased to 100 544 though the economic circumstances prevailing in that year led to a decline in apprentice intakes. As a consequence, it is estimated that assistance will be sought for only 96 000 apprentices in 1983-84; allowance is being made for 2 738 000 days of technical education and 729 000 apprentice-days of off-the-job training.

Number of Apprentice-days ('000) Funded under CRAFT

	1979-80	1980-81	1981-82	1982-83	1983-84 (est.)
Technical Education	2 260	2 493	2 834	3 021	2 738
Off-the-job Training	686	997	716	514	729
Total	2 946	3 490	3 550	3 535	3 467

Several other schemes are directed to more specific trade training needs.

Under the Group One-Year Apprentice Scheme, apprentices indentured to private employers may receive full-time training for their first year of apprenticeship in Commonwealth and State Government establishments that would otherwise have surplus training capacity. The costs (including wages) of this training are met in full by the Commonwealth, at a current annual average cost of \$8500 per apprentice. At the end of the first year, the apprentices commence work with their employers. The number of apprentices in training during 1983 is 210, compared to 196 in 1982.

The Special Assistance Program aims to reduce wastage among apprentices who are retrenched or threatened with retrenchment owing to the economic circumstances of their employer. A wage subsidy is payable for up to 17 weeks to the existing employer of an apprentice under threat of retrenchment. The current wage subsidy is \$86.90 per week for adults and \$63.70 per week for juniors where the weekly wage is equal to, or greater than, the Federal Minimum Adult Award Wage. Financial assistance is also available to employers who engage and re-indenture out-of-trade apprentices. Due to the significant increase in the number of unemployed apprentices in 1982-83, the period for which the subsidy will be available to an employer who engages and re-indentures

an out-of-trade apprentice has been increased from 17 to 26 weeks. Employers in receipt of assistance under the program will also be eligible for CRAFT benefits. Apprentices who are out-of-trade can receive a formal training allowance (currently equal to the Unemployment Benefit entitlement plus \$23.30 per week for junior apprentices and \$46.35 per week for adult apprentices) for the period required to complete technical education and/or 130 days off-the-job training. Apprentices may also receive assistance towards moving or living-away-from-home costs under certain circumstances.

Besides the assistance available under CRAFT, employers may also obtain additional support for group apprenticeship arrangements (i.e. where indenture is to an industry body rather than a single employer). This scheme is jointly administered with the States on a cost-sharing basis. It is expected that grants totalling \$0.7m will be paid in 1983-84 to employer groups to underwrite administrative support facilities for 32 group apprenticeship projects. In 1982-83, 24 projects were assisted.

Jointly funded Commonwealth/State Special Trade Training Schemes are directed towards developing new approaches to trade training. With the objective of offsetting reduced apprenticeship intakes, \$6m is being provided to the States and Territories to meet the recurrent costs of providing 3000 additional places in Technical and Further Education (TAFE) colleges in 1984 over and above the number of places provided in 1983. Accelerated training of adult apprentices to provide manpower for resources development projects in Western Australia, Victoria, New South Wales and Queensland will continue in 1983-84 at an estimated cost of \$0.3m.

Skills Training

The Commonwealth provides assistance outside the trade skills area to foster greater mobility and flexibility in the labour force, help overcome specific skills short-ages, train unemployed persons towards employment in occupations that are in demand, and to encourage industry's own internal staff training and other personnel development schemes. Estimated expenditure on these schemes is shown below.

	1980-81	1981-82	1982-83	1983-84	Change	
	Actual	Actual	Actual	Estimate	\$m	%
General Training Assistance for Individuals—	\$m	\$m	\$m	\$m	\$m	%
On-the-job	8.5	6.5	2.7(a)	1.3(a)	-1.4	-51.7
In Educational Institutions	3.0	2.8	3.3	3.2	-0.1	-2.3
Labour Adjustment Training	—	—	1.6	10.0	+8.4	+525.9
'Skills in Demand' Projects	0.5	2.5	2.0	2.0	..	0.4
Industry Training Services	3.0	4.5	5.2	7.0	+1.8	+34.0
Total Skills Training	14.9	16.3	14.8	23.5	+8.7	+58.7

(a) Excludes expenditure for 'Special Needs Clients' which is now included in 'Special training'.

In 1983-84, an amount of \$23.5m will be allocated for skills training, with particular emphasis being given to the Government's commitment to special training methods to help retrenched workers or those under threat of retrenchment. In recognising the special problems experienced by workers who have been retrenched, especially where large scale retrenchments are concentrated in particular industries or areas, the Government has made available a flexible program of training assistance by providing \$10m for labour adjustment training. For this purpose, a wide range of special training

courses is being developed, mainly in TAFE institutions. Approved training must be vocational in nature and training allowances will be made available to assist people to upgrade, update, or broaden their skills in order to improve their employment prospects outside the retrenching firm or industry.

The Skills in Demand program will continue to operate during 1983-84 to meet specific skills shortages, establish new or improved training arrangements and help unemployed people to obtain stable employment. Expenditure for this program is estimated at \$2m in 1983-84, the same as for 1982-83.

Taken together, the funds for labour adjustment training and skills in demand are expected to allow for 3000 approvals in 1983-84, compared with 1615 approvals in 1982-83.

General Training Assistance continues to be available for unemployed persons registered with the Commonwealth Employment Service (CES) where further training would equip them for particular employment opportunities or help them find suitable employment.

Assistance for formal training in education institutions is available to unemployed CES registrants who wish to train for occupations where vacancies are expected to exist on completion of training. Full-time trainees receive an income-tested allowance equivalent to the Unemployment Benefit and a training allowance (currently \$46.35 a week for adults, \$23.20 a week for juniors), which is income-tested on the combined income of trainee and spouse. All trainees are reimbursed (up to \$375 a year) for costs of essential books and equipment and for fees.

Where the CES cannot find experienced persons for jobs on offer, and training on-the-job is an appropriate way to develop the particular skills required, the Commonwealth will pay a wage subsidy (currently \$86.90 a week for adults and \$63.70 a week for juniors) to employers who undertake to provide such training. Trainees are paid normal award rates. It is expected that on-the-job training will be absorbed during 1983-84 into the Private Sector Assistance Program (see below under 'Assistance to Long Term Unemployed').

An amount of \$4.5m is being provided for these two categories of general training assistance for individuals in 1983-84 compared with \$6m in 1982-83.

The support provided for Industry Training Services encourages the systematic development of training programs through all sectors of industry and commerce, including small business. Assistance is provided mainly for the employment of manpower development executives and industrial training officers by industry training committees and industry associations; grants are also available for the development of new training programs, research into training needs, the production of basic training manuals and group training schemes to allow groups of small firms to employ training specialists.

Funds are also provided for the support of the operations of the National Training Council and tripartite industry training committees in industries throughout Australia. It is estimated that some 100 industry training committees in 20 industry sectors will receive support in 1983-84.

Expenditure for Industry Training Services is estimated at \$7m in 1983-84, compared to \$5.2m in 1982-83.

Youth Training

Continued emphasis is being given to increasing the opportunities for further education, training and work experience that are available to the young unemployed, especially those who have been out of work and away from education for a long period. Transition education and training has been provided through the School to Work Transition Program begun in 1980 and through the associated Education Program for Unemployed Youth (EPUY). From January 1984, both programs will be integrated into a new Participation and Equity Program; further information concerning this development is provided within the function 'Education'. Details of transition allowances payable under the existing and new programs are given below.

Transition allowances are provided so that young unemployed persons need not be discouraged for financial reasons from taking up courses that would add to their skills and their employability. Subsidies are also available to employers, under the Special Youth Employment Training Program (SYETP), who provide work experience opportunities for the young unemployed. Details of expenditure on these schemes are as follows:

	1980-81 Actual	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	\$m	\$m	%
School to Work Transition—						
Education Program for Unemployed Youth, "Transition" Allowance and TAFE Courses	4.7	8.4	11.1	12.2	+ 1.2	+ 10.4
Books and Equipment Allowance	—	—	0.3	0.5	+ 0.2	+ 67.6
Experimental Training Projects	—	—	0.9	2.5	+ 1.6	+ 163.8
Pre-apprenticeship Allowance	1.6	1.1	1.9	3.5	+ 1.6	+ 81.4
Assistance for Work Experience (SYETP)—						
Standard	31.3	27.1	31.0	33.4(a)	+ 2.4	+ 7.8
Extended	1.9	16.9	19.9	26.2(a)	+ 6.3	+ 31.4
Commonwealth and State Establishments	8.1	9.7	12.7	15.1	+ 2.4	+ 19.3
Total Youth Training	47.5	63.3	77.9	93.5	+ 15.6	+ 20.0

(a) Standard and Extended SYETP will be replaced by the Private Sector Assistance Program during 1983-84 (see below under 'Assistance to the Long Term Unemployed').

An income-tested Transition Allowance, equivalent to Unemployment Benefit plus \$6 a week for fares and incidentals, has become available since the beginning of 1981 to participants in approved, Commonwealth-funded, school to work transition courses offered in TAFE institutions—i.e. pre-apprenticeship, pre-vocational and pre-employment courses, and short EPUY courses concerned with basic literacy, numeracy, social skills and motivation. Coverage extends to similar State-funded courses.

Those eligible are CES registrants aged 15 to 19 years (15 to 24 years for EPUY courses) who have been unemployed and away from full-time education for at least 4 of the previous 12 months.

The Transition Allowance is also available for the longer-term unemployed (i.e. those aged 15 to 24 years who have been away from full-time education and unemployed for at least 8 of the previous 12 months) who undertake approved 'mainstream' TAFE courses in occupational skills that lead to greater employability.

Overall, 14 069 trainees were approved for assistance in 1982-83; 15 600 are expected to be assisted in 1983-84 at a cost of \$12.7m.

In addition, \$2.5m will be provided in 1983-84 for continuing the funding of developmental projects, involving TAFE institutions, industry and established community groups in developing and undertaking experimental training activities. These are specifically designed to improve training for longer-term unemployed youth and improve their prospects of becoming employed in their local area. Funds for 1983-84 are more than double the expenditure in 1982-83 reflecting achievement of successful targeting on longer-term unemployed youth and further identification by the CES of a range of relevant courses. In 1983-84, 500 trainees are expected to be assisted compared with 150 trainees in 1982-83.

A books and equipment allowance of \$30 is also available to transition students to offset the inhibiting effects of these costs on the willingness of some young unemployed people to participate in the Transition Program.

As an encouragement to students to undertake training leading to an apprenticeship, an allowance of \$20 per week continues to be available to students in full-time pre-apprenticeship courses at TAFE institutions where neither the Transition Allowance nor assistance under the Tertiary Education Assistance Scheme is available. The allowance is also now available to students participating in trade-based pre-vocational courses. Expenditure is expected to increase to \$3.5m in 1983-84 compared with \$1.9m in 1982-83 and will provide for 4950 trainees compared to 3785 trainees in 1982-83. The substantial increase reflects the decision to widen eligibility for the allowance and to provide assistance to the States to create up to 3000 additional pre-apprenticeship and trade-based pre-employment course places in 1983 and 1984.

Complementing this support for classroom-based training is the assistance available to employers under SYETP who provide opportunities for work experience in full-time jobs to young unemployed who lack the prior experience, specific job skills or personal qualities that employers usually require. Private employers who offer up to 17 weeks of work experience are paid a taxable subsidy of \$75 a week. Participants are CES registrants aged 15 to 24 years who have been unemployed and away from full-time education for at least 4 of the last 12 months. A higher subsidy of \$100 a week for the initial 17 weeks, followed by \$75 a week for a further 17 weeks, is payable to employers who provide work experience for CES registrants aged 18 to 24 years who have been unemployed and away from full-time education for at least 8 of the past 12 months.

Work experience placements may also be offered in Commonwealth establishments, with full costs in this case being met from the program.

In all, a total of \$74.7m will be available for SYETP in 1983-84, an increase of \$11.1m over 1982-83 reflecting a significant carry-over of participants from the previous year in the private sector component of SYETP.

The program of work experience placements in the private sector will be replaced by the Private Sector Assistance Program during 1983-84 (see below under 'Assistance to Long Term Unemployed').

The numbers of young people in receipt of transition allowances and of those participating in work experience placements in recent years are as follows:

	Transition Allowance (including EPUY)	Pre-apprenticeship allowance	Assistance for work experience	Total
1980-81	9 300	3 000	76 000	88 300
1981-82	12 800	2 900	69 700	85 400
1982-83	17 200	5 100	79 500	101 800
1983-84(est.)	20 500	5 100	67 270(a)	92 870

(a) The program of work placements in the private sector will be replaced by the Private Sector Assistance Program during 1983-84 (see below).

Special Training

The Commonwealth provides special employment counselling and training, through the CES, for job seekers disadvantaged because of mental or physical disability, different cultural or language background, or through being unemployed for lengthy periods.

Following the implementation of the National Employment Strategy for Aborigines in 1977, a variety of arrangements (similar to those for general training assistance to individuals) has been made available to assist Aborigines to gain employment skills and experience and so enhance their ability to compete in the labour force. The main form of assistance is on-the-job training (for up to twelve months) in clerical, semi-skilled and technical areas of Commonwealth and State Government establishments. Expenditure in 1983-84 is estimated at \$16.5m, providing for 1700 new trainees compared with expenditure of \$15.4m in 1982-83 for 2003 trainees.

Training allowances and employer subsidies are also available to unemployed Aboriginal CES registrants on a similar basis to general skills training assistance. An amount of \$3.2m is provided for formal training allowances to cover an estimated 900 new trainees, and subsidies to cover 2000 trainees are expected to cost \$4.7m. Special projects are developed where no other forms of training are appropriate; 60 projects are expected to be supported in 1983-84 at a cost of \$1.2m. In all, \$25.8m will be provided in 1983-84 for Aboriginal training compared to \$24.6m in 1982-83.

An amount of \$6.5m is available in 1983-84 for employment and training programs to assist disabled persons whose social, physical or mental handicaps hinder their access to open employment. This includes allowances for formal training and employer subsidies for on-the-job training (along similar lines to assistance for the able-bodied), which will account for an estimated \$5.1m, involving some 2400 new trainees. Comparable expenditure in 1982-83 was \$6.3m.

Assistance is also provided for those considered to have special disabilities which disadvantage them from competing in the open labour market, such as ex-prisoners, non-English speaking migrants, or wards of the State. In 1983-84, 900 special needs trainees are expected to be assisted at a cost of \$0.9m, an increase of \$0.1m over 1982-83.

Employment Services

Outlays under this heading relate mainly to the identifiable administrative expenditure of the CES, which provides a nationwide job-placement and career reference and advisory service through a network of 247 local offices, 56 branches, 10 seasonal offices and 141 agencies. The CES also provides the administrative support for the Commonwealth's employment and training programs, including selection of trainees from

among CES registrants. During 1982-83, the CES processed 2 141 776 registrations and assisted in 460 213 placements; 213 431 participants were approved for employment and training programs, with 215 490 expected to be approved in 1983-84. Expenditure on the CES in 1982-83 amounted to \$100.2m and is expected to increase to \$119.6m in 1983-84. This increase includes provision for the accelerated implementation of the CES Job Bank computerised vacancies information system, which is being progressively installed in CES metropolitan and regional centre offices.

Assistance to Long Term Unemployed

The Adult Wage Subsidy Scheme, a new program initiated early in 1983, aims at providing a period of stable employment to longer-term unemployed adults. A taxable wage subsidy of \$100 a week for 17 weeks, followed by \$75 a week for a further 17 weeks is payable to private employers to employ such persons. A higher subsidy (\$125 a week for 12 months) is payable to an employer who employs a person aged over 45 years who has been unemployed for over 12 months. It is estimated that 2 850 trainees will be assisted in 1983-84 at a cost of \$10.1m. The scheme will be discontinued when the new Private Sector Assistance Program is introduced during 1983-84.

The Private Sector Assistance Program will provide training for up to 70 000 persons in a full-year. The program will replace the current work experience programs (i.e. Standard and Extended SYETP), general training assistance on-the-job subsidies and the Adult Wage Subsidy Scheme. The new program will place emphasis on the need for subsidised placements to be additional to normal staff intakes and for the development of formal training standards. In 1983-84 it is estimated that 38 200 persons will be assisted by the program at a cost of \$22m.

Community Employment Program

A major initiative of the Government has been the introduction of an Australia wide employment-generating program—the Community Employment Program (CEP), established by the *Community Employment Act 1983* for a period of three years. An amount of \$300m will be provided in 1983-84 for direct job creation. When it is fully operational, CEP will provide annually up to 70 000 full-time jobs averaging 6 months each on labour intensive projects of social and economic benefit to the community that are proposed by State and Local Governments, community organisations and interest groups.

Participants will be employed under the scheme from between three and twelve months and will be paid appropriate minimum award rates. Those eligible for participation must be CES registrants who have been out of work for at least three months, with priority being given to those who have been unemployed for at least nine months, those who have never worked, and those who for other reasons are in need of immediate employment. Equal access to employment opportunities is to be provided for men and women, which may necessitate special measures directed towards ensuring that women receive an equal share of jobs created. Although emphasis will be placed on providing jobs in areas experiencing relatively high unemployment, funds will be allocated to the States and Territories principally in proportion to population. Arrangements have been made to ensure joint Commonwealth and State involvement in the consideration, approval and supervision of projects.

CEP has several separate components whose common objective is to maximise the number of jobs created within the funds available. Towards this objective, it is expected that project proponents will provide at least 30% of the cost, although where this cannot be achieved up to 100% of the cost will be met by the Commonwealth. To enable the ACT to participate in the CEP on the same basis as the States, an allocation of \$1.5m has been made to the Department of Territories and Local Government to reflect the 30% State contribution required for CEP projects. This allocation is separate from the CEP appropriation. The components of CEP are shown below.

General job creation projects through the States and Territories	\$m
Town water supply projects	160.0
Jobs on Local Roads	20.0
- allocated on Roads Grants Act criteria	28.0
- allocated on the basis of population	42.0
Commonwealth Government projects(a)	50.0
	300.0(b)

- (a) Full cost of projects will be met by the Commonwealth.
 (b) Excludes the separate allocation of \$1.5m for the ACT.

Wages Pause Program

Following a special Premiers' Conference held on 7 December 1982, the Commonwealth implemented a wage pause in areas of its own employment and undertook to fund employment-generating programs from the savings to its own budget that resulted from the pause. For this purpose, \$300m was appropriated in the *Special Employment-related Programs Act 1982*, equal to the savings then estimated to accrue to the Commonwealth in 1983. This amount was allocated to two components of the Wage Pause Program.

The first, the public housing component, was for \$100m. These funds, which were allocated between the States and Territories on a population basis, were to be applied mainly to the construction of new rental accommodation in order to maximise the employment-generating effect of the program. An amount of \$53.5m was paid for these purposes in 1982-83 with the balance of \$46.5m to be provided in 1983-84.

The rest of the Wage Pause Program (\$200m) was allocated to the general employment component. Again, funds were provided to the States and the Territories on a population basis with the intention of generating worthwhile employment opportunities in areas other than public housing. States were required to use half their allocation under this component to assist the young unemployed, and half to assist older workers and others disadvantaged in the labour market, including the disabled, migrants with language difficulties and Aboriginals. Equal employment opportunities were to be afforded to unemployed females. A total of \$98.9m was provided for these purposes in 1982-83. The 1983-84 estimate of \$101.1m represents the balance of this component.

Infrastructure support for the steel regions

An amount of \$18.5m has been allocated for infrastructure development projects in the Illawarra, Hunter and Whyalla regions. Project details are yet to be discussed between the Commonwealth and relevant State Governments. The objective of the support is to widen the range of options available to these regions for future industrial development.

Administration

Estimated outlays of \$71.6m under this heading cover the costs of administration of the employment and youth functions of the Department of Employment and Industrial Relations and include central and regional offices and the Bureau of Labour Market Research. The large increase over 1982-83 (\$9.9m) reflects an overall growth required for the expansion of manpower and training programs, administration of the new CEP, together with the cost (\$2m) of a longitudinal study on the long-term unemployed. Identifiable administrative costs relating to the Department's industrial relations responsibilities and CES administrative costs are included in 'Industrial Relations' and 'Employment Services' sections above.

IMMIGRATION

Migration Program

The migration program for 1983-84 will be held to a ceiling of between 80 000 and 90 000 visaed migrants with no growth proposed for the triennium to 1985-86 unless economic conditions improve sufficiently: less reliance is now being placed on the migration program as a source of skilled workers. Significant elements of the program are the expected arrival of 20 000 persons in the refugee and special humanitarian categories, between 53 000 and 59 000 in the family reunion category and 7 000 to 11 000 in the labour shortage and business categories. These estimates exclude New Zealand citizens, who are not subject to migrant selection processes. In regard to the refugee intake, there is to be a greater diversification of refugee sources with an increased emphasis on refugees from Central and South America and the Middle East.

Provision is made for a target of 16 000 assisted passages for refugees at a cost of \$13.8m in 1983-84, compared with actual expenditure of \$11.1m in 1982-83 to cover the same number of assisted passages. The increase reflects significantly higher travel costs associated with the change in the proportions of refugees from different countries. Contributions to the net operating costs of migrant centres managed by the Commonwealth Accommodation and Catering Services Ltd in 1983-84 are \$18.2m—an increase of \$1.2m. Restrictions on eligibility for centre accommodation have resulted in some savings through closure of a number of centres, but these savings have been offset by increased costs, including wages and income maintenance/redundancy payments. In addition, \$0.9m has been provided for the preparation of information material for migrants in Australia and overseas and \$0.3m to cover the cost of transporting refugees from the port of arrival in Australia to migrant centres and private accommodation.

Administration

Outlays under this heading relate to the administrative expenditures of the Department of Immigration and Ethnic Affairs. The increase of \$5.5m in 1983-84 results from increased salary costs, the full-year effect of increased travel charges and increased expenditure in relation to efforts to find and deport illegal migrants and visitors working without permits.

Recoveries

Following the termination of the Assisted Passage Scheme in 1981, no further recoveries from contributions by assisted migrants (\$0.1m in 1982-83) are expected in 1983-84. This decrease is more than offset by receipts of \$1.9m due to a recent decision to introduce a new administrative charge in relation to work permits for temporary residents.

E. OTHER ECONOMIC SERVICES

This grouping covers outlays on economic services provided by the Commonwealth which are not readily classified to more specific functional groupings. Included are outlays relating mainly to wage, salary and administrative expenses for certain forms of economic and trade regulation and for specialised activities, and administrative expenses not directly identifiable with specific industries or groups of industries.

	1981-82	1982-83	1983-84	Change	
	Actual	Actual	Estimate	\$m	%
Economic and Trade Regulation—					
Patent, Trade Marks and Designs Office	11.9	13.4	15.4	+2.0	+14.8
Industries Assistance Commission	9.5	9.0	9.6	+0.6	+6.2
Trade Practices	5.1	5.5	5.6	+0.1	+2.7
Prices Justification	1.4	0.8	0.7	-0.1	-16.0
Consumer Protection nec	0.1	0.1	0.1	..	+20.0
National Companies and Securities Commission	1.4	1.7	2.1	+0.4	+23.9
Other	0.8	1.0	1.0	..	+2.1
Recoveries	12.7Cr	14.6Cr	16.9Cr	-2.3	-15.8
Total	17.4	16.9	17.6	+0.7	+4.2
Specialised Activities—					
Meteorological Services (net)	39.8	47.8	47.0	-0.9	-1.8
National Mapping	10.9	12.1	12.5	+0.4	+3.2
Total	50.7	59.9	59.4	-0.5	-0.8
General Administration and Other Expenditure (net) (a)	40.7	19.3	22.0	+2.6	+13.7
TOTAL OTHER ECONOMIC SERVICES	108.7	96.2	99.0	+2.9	+3.0

(a) The figures for this item are not comparable between years because of changed Administrative Arrangements which took effect from 7 May 1982 and 11 March 1983 and affected the former Departments of Business and Consumer Affairs, and National Development and Energy. Details of these changes are given in the explanation of this item.

ECONOMIC AND TRADE REGULATION

Outlays for the various regulatory bodies listed under this heading mainly comprise salaries and administrative expenditure.

The *Patent, Trade Marks and Designs Office* oversees and administers Australian property systems for the protection of inventions, trade marks and industrial designs, examines applications for Letters Patent of inventions and for the registration of designs and trade marks, and publishes details of successful applications.

The allocation of \$15.4m to the Office in 1983-84 (which is fully offset by recoveries) includes provision for salaries and allowances (\$11.1m), administrative and equipment costs (\$4m) and membership of international organisations (\$0.3m). The increase of \$2m in outlays estimated for 1983-84 comprises the effects of wage and salary increases granted in 1982-83, higher administration and equipment costs associated with on-going operations including the continuation of the program of recording Australian and overseas patents on film, and the establishment of a significantly enhanced

computer capacity to improve the efficiency in the Office and reduce the backlog of patent applications. An amount of \$1.4m is included for computer related services and equipment.

The Industries Assistance Commission holds inquiries and reports to the Government in accordance with the *Industries Assistance Commission Act 1973* on matters which affect assistance to industries and which are referred to it. The 1983-84 estimate is \$0.6m above the 1982-83 expenditure reflecting, for the most part, an expected increase in staff numbers and the full year effect of the August 1982 wage determination by the Australian Conciliation and Arbitration Commission. The Government has announced that there will be a review of the Industries Assistance Commission to ensure that its operations are consistent with the Government's industry policy objectives.

The item *Trade Practices* covers the activities of both the Trade Practices Commission and the Trade Practices Tribunal. The Commission administers the *Trade Practices Act 1974*, which proscribes restrictive trade practices and provides for consumer protection. The Tribunal considers appeals against decisions by the Commission on authorisation applications. The small increase in the 1983-84 estimate compared with 1982-83 expenditure reflects the higher costs of operating the Commission at essentially the same level of activity as that of the previous year.

Outlays under the *Prices Justification* heading in 1982-83 relate to the Petroleum Products Pricing Authority (PPPA) which was created in June 1981, under the *Petroleum Products Pricing Act 1981* to conduct inquiries and report to the Government on the prices for the wholesale supply of petroleum products and related services. Following abolition of the Prices Justification Tribunal in 1981, some Tribunal staff were attached to the PPPA pending resolution of their employment status. The reduction in the Authority's estimate for 1983-84 reflects the continuing redeployment or retirement of most of these staff.

The Government will be introducing legislation in 1983-84 to establish a Prices Surveillance Authority (PSA) to undertake pricing surveillance activities and require price notification in selected areas. The PSA will subsume the Petroleum Products Pricing Authority. The legislation will also provide for inquiries into pricing practices to be conducted by the new authority.

The estimate for *Consumer Protection* in 1983-84 relates to a grant of \$0.1m for the Australian Federation of Consumer Organisations to assist in the cost of co-ordinating the activities of consumer bodies in Australia and presenting their views on consumer protection matters to governments and industry.

The *National Companies and Securities Commission* administers a uniform scheme of regulation of companies and securities matters, including the Companies legislation and counterpart State law. It is financed on a joint Commonwealth/State basis with the Commonwealth contributing half the funds required and the States providing the balance in proportion to their respective populations. The increase in the Commonwealth contribution to \$2.1m in 1983-84 is due to price and wage increases, the establishment of the Companies and Securities Law Review Committee which will commence operations on 1 January 1984, and two special investigations which have been authorised by the Ministerial Council for Companies and Securities.

The major item included in the *Other* category is expenditure by the National Standards Commission (\$0.9m).

Recoveries largely comprise fees charged by the Patent, Trade Marks and Designs Office in line with the policy objective of full cost recovery for the services rendered by the Office.

Meteorological Services (net) includes the activities of the Commonwealth Bureau of Meteorology (\$62.5m) and the Ionospheric Prediction Service (\$1.4m) less recoveries in respect of Bureau services (\$19.3m).

The Bureau of Meteorology provides a range of weather services and forecasts for the general public and specialised users. Estimated expenditure by the Bureau in 1983-84 is mainly for salaries, administrative and operational expenses. The provision for plant and equipment in 1983-84 (\$2.5m) has decreased from expenditure in 1982-83 (\$5.6m), reflecting the non-recurring cost of the acquisition and installation of the Bureau's new computer in 1982-83.

The costs attributable to the major specialised users of Bureau services (civil aviation and defence) are recoverable. Taking into account other minor revenues, net outlays from the Budget on meteorological services in 1983-84 are estimated at \$47m compared with \$47.8m in 1982-83.

The Ionospheric Prediction Service (IPS) provides predictions on the state of the ionosphere for users of radio communications systems including Defence services, Telecom Australia and the Overseas Telecommunications Commission. Estimated expenditure by the IPS of \$1.4m in 1983-84 is mainly for salaries and administrative expenses.

For *National Mapping*, \$12.5m is included in the 1983-84 estimates (compared with net expenditure of \$12.1m in 1982-83). This amount includes \$2m for the continuation of the enlarged bathymetric mapping program resulting from the former Government's decision to employ a surplus Department of Transport navigational aid vessel for this purpose, pending construction of a research vessel for CSIRO as a national scientific facility. In addition, the above figures reflect the finalisation of National Mapping's development of a lunar laser ranging facility in co-operation with the National Aeronautics and Space Administration of the U.S.A. Trust account disbursements for this purpose are expected to be \$36 000 in 1983-84 (compared with receipts of \$617 000 and disbursements of \$558 000 in 1982-83).

GENERAL ADMINISTRATION AND OTHER EXPENDITURE (NET)

For 1983-84 these outlays relate to the operating and capital costs (other than those allocated to specific regulatory functions) of the Department of Resources and Energy (\$15.7m), together with the productivity development functions of the Department of Science and Technology (\$6.3m).

Adjustments to this item resulting from changes to the Administrative Arrangements are as follows:

- (a) from 7 May 1982, relevant responsibilities of the former Department of Business and Consumer Affairs were transferred to the Departments of Administrative Services, and Industry and Commerce and appear, from 1982-83 on, under the functions 'Administrative Services' and 'Industry Assistance and Development' respectively.

- (b) from 11 March 1983, the former Department of National Development and Energy was renamed the Department of Resources and Energy and certain responsibilities were transferred to the Department of Industry and Commerce (now included within the function 'Industry Assistance and Development') and the Department of Territories and Local Government (now included within the function 'Administrative Services'). Responsibilities were also transferred to the Department of Resources and Energy from the former Department of Trade and Resources.

9. GENERAL PUBLIC SERVICES

This grouping covers a broad range of general public services and activities relating to the organisation and operation of the Commonwealth Government, including legislative services, administrative services, administration of the courts and law enforcement, foreign affairs, overseas aid and administration of external territories.

A. LEGISLATIVE SERVICES

This heading covers outlays on legislative activities including expenditure by the five Parliamentary Departments together with other expenditures relating to the Governor-General's Office, the Office of Parliamentary Counsel, the Parliament House Construction Authority, the ACT House of Assembly and the Australian Electoral Office. Commonwealth outlays on legislative activities for 1983-84 are estimated at \$223.3m, an increase of \$24.5m or 12.3% on 1982-83.

	1981-82	1982-83	1983-84	Change	
	Actual	Actual	Estimate	\$m	%
	\$m	\$m	\$m	\$m	%
Governor-General's Office and Other Official Establishments	3.5	3.9	4.1	+ 0.2	+ 5.8
Parliamentary Expenditure—					
Salaries and Allowances of Senators and Members	18.4	26.4	18.7	- 7.7	-29.2
Other (net)	64.4	71.7	78.6	+ 6.9	+ 9.6
Parliament House Construction Authority	24.6	55.4	90.1	+34.7	+62.6
ACT House of Assembly	0.5	0.5	0.9	+ 0.4	+7.1
Australian Electoral Office	20.9	40.9	30.9	-10.0	-24.4
Total Legislative Services	132.3	198.8	223.3	+24.5	+12.3

Parliamentary Expenditure

The estimated decrease in outlays under the heading *Salaries and Allowances of Senators and Members* arises mainly as a result of a decrease of \$8.2m in the estimate of benefits payable under the *Parliamentary Contributory Superannuation Act 1948*. This reflects an expected reduction, compared with 1982-83, in the number of former members becoming entitled to benefits in 1983-84.

Outlays under *Other (net)*, which include salaries, administrative costs and capital works associated with the functioning of Parliament and administrative costs of electorate offices of Senators and Members, are estimated to increase by \$6.9m in 1983-84. Higher salary and allowance payments account for \$1.4m of this increase, mainly reflecting the full year effect of parliamentary and ministerial staff appointments following the 1983 Federal election and of increased allowances. The remainder of the increase is largely accounted for by cost increases affecting a range of salary and administrative items.

Parliament House Construction Authority (PHCA)

Outlays under this item include an amount of \$2.1m for the administrative costs of the Parliament House Construction Authority, \$13m for architectural and professional fees and \$69.5m for construction of the new Parliament House. In addition, an amount of \$2.9m will be provided in 1983-84 for non-building items and \$2.6m will be provided for general services associated with the project. The increase in outlays over 1982-83 reflects progress on the project as construction gathers momentum.

Australian Electoral Office

Provision is made under this heading for outlays by the Australian Electoral Office for the administration of the *Commonwealth Electoral Act 1918*, the conduct of Commonwealth elections and referendums and industrial elections. The decrease of \$10m mainly reflects the cost in 1982-83 of the 1983 Federal election, the resultant decrease being partly offset by an expansion of the Aboriginal Electoral Education Program, an enrolment drive through an education and information program, higher staffing levels and increased expenditure on computer services.

B. LAW, ORDER AND PUBLIC SAFETY

Commonwealth outlays on law, order and public safety functions for 1983-84 are estimated at \$376.4m, an increase of \$54.4m or 16.9% on 1982-83.

	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Courts and Legal Services—					
High Court	4.5	4.3	4.7	+ 0.4	+ 9.2
Federal Court	5.2	5.9	6.3	+ 0.4	+ 6.8
Family Law	17.5	19.2	21.1	+ 1.9	+ 9.9
Courts of the ACT	2.7	2.5	3.1	+ 0.6	+22.7
Bankruptcy Administration	4.0	5.8	7.7	+ 1.9	+37.5
Crown Solicitor	11.2	13.1	14.1	+ 1.0	+ 7.7
Australian Law Reform Commission	1.2	1.4	1.7	+ 0.3	+21.0
Legal Aid	39.3	57.8	71.4	+13.6	+33.5
Protection of Human Rights	1.0	1.8	2.6	+ 0.7	+39.1
Total	86.7	111.8	132.6	+20.8	+18.6
Police, Security and Criminology—					
Security Services and Organisations	32.3	37.6	49.4	+11.8	+31.2
Police and Prison Services	96.4	109.8	117.3	+ 7.4	+ 6.7
Other	7.4	12.8	24.4	+11.6	+90.4
Total	136.1	160.3	191.0	+30.7	+19.2
Attorney-General's Department—					
General Administrative and Other Expenditure	21.1	30.9	33.4	+ 2.4	+ 7.9
Reporting Service	8.1	7.9	8.1	+ 0.2	+ 2.0
Total	29.1	38.8	41.4	+ 2.6	+ 6.7
Public Safety and Protection—					
Road Safety	0.7	1.3	1.9	+ 0.6	+48.0
Other	8.5	10.1	9.9	- 0.2	- 2.2
Total	9.1	11.3	11.7	+ 0.4	+ 3.3
Building, Works and Equipment nec	4.0	7.3	6.2	- 1.1	-15.5
Recoveries	7.3Cr	7.5Cr	6.5Cr	+ 1.1	+14.2
TOTAL LAW, ORDER AND PUBLIC SAFETY	257.7	322.0	376.4	+54.4	+16.9

COURTS AND LEGAL SERVICES

High Court

Under the *High Court of Australia Act 1979* the High Court, which is the ultimate court of appeal in Australia, administers its own affairs. An amount of \$4.7m is provided in 1983-84 for the operations of the Court in Canberra and the States and includes an amount of \$0.7m for salaries and allowances of Justices.

Federal Court

The Federal Court was established by the *Federal Court of Australia Act 1976* and has an Industrial Division and a General Division and original and appellate jurisdiction. An amount of \$6.3m is provided in 1983-84 for the operations of the Court, of which \$1.9m relates to salaries and allowances for Judges and \$2.8m for salaries and allowances of administrative staff.

Family Law

The Family Court of Australia, established by the *Family Law Act 1975*, exercises original and appellate jurisdiction in all matrimonial causes in all States and Territories except Western Australia where the jurisdiction is exercised by the Family Court of Western Australia. The Court also provides a counselling service to assist people with marital problems.

The provision of \$21.1m in 1983-84 includes \$2.8m for reimbursement to Western Australia of the costs of running the State Court and \$4m for reimbursement to other States of the cost of performing certain family law services on behalf of the Commonwealth.

The increase of \$1.9m over 1982-83 outlays reflects increases in salary and wages costs and general increases in other administrative costs.

Courts of the Australian Capital Territory

An amount of \$3.1m, an increase of \$0.6m on 1982-83 outlays, is provided in 1983-84 for the operations of the ACT Supreme Court and Court of Petty Sessions, including the Children's Court and Small Claims Court. The increase reflects the full year effect of increases in salary and wages costs and increases in administrative costs.

Bankruptcy Administration

A provision of \$7.7m is included in 1983-84 for the administration of bankruptcies. The increase of \$1.9m on 1982-83 outlays includes provision for increased staff, additional administrative costs and some funds to enable the training of new staff in bankruptcy matters.

Crown Solicitor

An amount of \$14.1m, about 8% higher than 1982-83 outlays, is being provided in 1983-84 to the Crown Solicitor's Division for legal work for the Commonwealth Government and statutory authorities.

Legal Aid

The provision for legal aid in 1983-84 is \$71.4m or 23.5% higher than 1982-83 expenditure. This provision includes \$11.3m for Aboriginal legal aid and \$0.8m for grants to voluntary legal aid organisations. Since 1976 it has been the policy of the

Government to provide legal aid in Australia through a scheme involving co-operation between the Commonwealth and States (except for Aboriginal legal aid which is administered by the Department of Aboriginal Affairs). Under the scheme, legal aid is to be provided in each State and Territory (except for voluntary legal aid organisations) through a single independent statutory Commission established by State or Territory legislation. Commissions have been established in the Australian Capital Territory, Queensland, South Australia, Victoria, Western Australia and New South Wales although the latter commission has not yet taken over the operations of the Australian Legal Aid Office in that State.

Approximately 74 000 people received legal aid in 1982-83, 13 000 through the services of salaried lawyers and 61 000 through referrals to private practitioners. It is expected that some 83 000 people will receive legal aid in 1983-84.

The provision of \$11.3m in 1983-84 for the Aboriginal legal aid program represents a 41.9% increase on 1982-83 and is to support 17 Aboriginal Legal Services providing advice, representation and related services for an estimated 85 000 cases. The Services employ 201 Aboriginals and 92 non-Aboriginals.

The increase of \$13.6m in 1983-84 for legal aid mainly reflects the expected increase in the number of cases, in wages and salaries and in fees of private legal practitioners. Included in the increased amount is a provision of \$2.3m for the greater use of salaried legal practitioners which reflects an attempt to contain expenditure on legal aid in future years. Also included is an amount of \$1.1m for the expansion of Aboriginal legal services.

Protection of Human Rights

The estimate of \$2.6m in 1983-84 provides for the operations of the Human Rights Commission which was established under the *Human Rights Commission Act 1981*. The increase of \$0.7m over 1982-83 expenditure arises mainly from increases in salary and wages costs and increases in staffing levels.

POLICE, SECURITY AND CRIMINOLOGY

Security Services and Organisations

This provision, which represents an increase of 31% on 1982-83 outlays, includes expenditure for the Australian Security Intelligence Organisation (ASIO) (\$36.8m) and the Australian Secret Intelligence Service (ASIS) (\$12.6m).

The expenditure on ASIO includes \$8.4m by the National Capital Development Commission for new offices for ASIO which accounts for most of the increased provision under this heading. The additional funds also cover cost increases and non-recurring costs related to the development of an office automation system, the movement of staff to Canberra and the provision of equipment for the Organisation's new building in Canberra.

The increased provision for ASIS also covers cost increases and, in particular, that proportion of the one-time cost associated with staff movements which can be estimated with confidence at this time.

Police and Prison Services

This item includes \$113.9m for the operations of the Australian Federal Police Force (AFP), \$1.2m for anti-terrorist equipment and training for Australian police forces and \$1.5m for the care of ACT prisoners in New South Wales institutions under the *Removal of Prisoners (Australian Capital Territory) Act 1968*. The increase of \$7.4m under this heading mainly reflects an increase in the numbers of police officers and support staff to be employed by the AFP and increased AFP computer services costs of \$1m.

Other

This item includes provision for the operation of the Office of the Special Prosecutor (\$9.4m), the Office of National Assessments (\$2.4m), the Australian Institute of Criminology (\$1.2m) and various Royal Commissions and Inquiries. Also included are provisions for police scientific research, the Commonwealth's contribution towards the Central Fingerprint Bureau and the International Police Commission, and the Commonwealth's share of the cost of operations of the Australian Bureau of Criminal Intelligence and the National Police Research Unit.

In general, the servicing of Royal Commissions, Commissions of Inquiry and the like is undertaken by the Department of the Special Minister of State. Identifiable costs (which include assistance to witnesses) are set out below:

	Expenditure to 30 June 1983	Estimate 1983-84	Total
Review of Customs Administration and Procedures	\$ 212 500	\$ 8 500	\$ 221 000
Royal Commission on the Activities of the Federated Ship Painters and Dockers Union	6 475 300	3 648 000	10 123 300
Royal Commission of Inquiry into Drug Trafficking	4 073 300	2 000 400	6 073 700
Royal Commission into the Australian Meat Industry	1 144 300	—	1 144 300
Royal Commission on Australia's Security and Intelligence Agencies	9 000	1 979 000	1 988 000
*Review of the National Capital Development Commission	367 500	45 100	412 600
*Review of the Defence Organisation	931 400	—	931 400
*Review of Commonwealth Administration	166 700	—	166 700
*Independent Inquiry into Government Laboratory Services and Facilities	561 300	238 500	799 800
*Inquiry on Medical Fees for Medical Benefit Purposes	82 100	—	82 100
*Royal Commission on the Use and Effects of Chemical Agents on Australian Personnel in Vietnam	2 800	3 199 000	3 201 800
*Committee of Review of the Australian Institute of Multicultural Affairs	—	177 700	177 700
Total	14 026 200	11 296 200	25 322 400

* Costs of these Royal Commissions and Reviews have been incorporated in other functions, as appropriate, but are set out here to indicate total outlays on such inquiries.

ATTORNEY-GENERAL'S DEPARTMENT

General Administrative and Other Expenditure

The increase of \$2.4m (about 8%) on 1982-83 expenditure reflects mainly the purchase of computer equipment and associated services and the full year effects of increases in wage and salary costs and increases in staffing levels.

Reporting Service

The Commonwealth Reporting Service is responsible for reporting proceedings of federal courts and tribunals and government inquiries. The expected outlays of \$8.1m in 1983-84 (up \$0.2m on 1982-83 outlays) are comprised primarily of salaries and allowances (\$6.9m).

PUBLIC SAFETY AND PROTECTION

Road Safety

The provision for 1983-84 of \$1.9m, an increase of \$0.6m over 1982-83 expenditure, is to fund a number of new Commonwealth initiatives in road safety promotion and research; the establishment of a road safety mass data system for accident research, in co-operation with the States and the Northern Territory, at an annual cost to the Commonwealth of \$0.4m; the implementation of a feasibility study into a National Road Safety Public Education Program (\$0.2m); and \$0.5m to be provided on the basis of a matching contribution from the States for a further drink driving publicity campaign. The estimates also provide \$0.6m for road safety promotion and research activities by the Office of Road Safety and \$0.2m for continuation of Commonwealth grants to the States and the Northern Territory for promotion of road safety practices.

Other

This item includes the operating expenses of the ACT Fire Brigade (\$6.1m), fire protection services for Commonwealth property (\$2.7m) and amounts for bush fire prevention, control and supervision on rural lands and public reserves in the ACT (\$0.9m). The overall decrease of \$0.2m on the 1982-83 outlays is accounted for by the expected return to normal fire risk conditions following abnormal conditions in 1982-83 (down \$1m) partially offset by minor increases in operating expenses.

BUILDING, WORKS AND EQUIPMENT, NBC

Expenditure under this heading relates mainly to the construction and refurbishing of Commonwealth Law Courts in the States and police facilities in the ACT. This provision includes an amount of \$5.1m for the completion in 1983-84 of construction of new Hobart Law Courts, \$0.9m for furniture and fittings for the new Robert Garran Offices in Canberra and \$0.2m for various miscellaneous new works proposals. The net reduction of \$1.1m over 1982-83 relates to the completion of building works approved in previous years. In addition, the Government has agreed in principle to the development of law courts complexes at Perth, WA and Parramatta, NSW at a total estimated cost of \$35.5m.

RECOVERIES

Included under this heading are court fees of the High Court, Federal Court and Family Court (\$4.2m); receipts of the Deputy Crown Solicitors' Offices, comprising mainly fees charged to Commonwealth statutory authorities and commercial undertakings for services rendered and debt recovery (\$1.1m); and payments by statutory authorities for fire protection services (\$0.8m).

C. FOREIGN AFFAIRS, OVERSEAS AID AND EXTERNAL TERRITORIES (a)

Total outlays on foreign affairs, overseas aid and external territories are estimated to increase by 13.3% to \$1085.5m in 1983-84. This expenditure is mainly directed towards policies designed to promote relations with overseas countries and to assist in the economic and social development of developing countries; net expenditure on external territories is small. Official Development Assistance (ODA) accounts for the greater share (76%) of expenditure under this heading; a more detailed account of Australia's aid program is provided in Budget Paper No. 9—*Australia's Overseas Development Assistance Program*.

	1981-82	1982-83	1983-84	Change	
	Actual	Actual	Estimate	\$m	%
	\$m	\$m	\$m	\$m	%
Aid Payments:					
Bilateral Aid—					
Papua New Guinea	233.8	275.7	303.3	+ 27.5	+ 10.0
Projects, Technical Co-operation and Related Activities	133.8	154.5	185.0	+ 30.5	+ 19.7
Training	21.5	26.8	31.9	+ 5.1	+ 18.9
Food Aid	86.1	69.6	70.1	+ 0.5	+ 0.7
Other	15.6	29.2	33.6	+ 4.5	+ 15.3
Total Bilateral Aid	510.8	555.9	623.9	+ 68.0	+ 12.2
Multilateral Aid:					
International Development Finance Institutions	59.9	67.1	105.1	+ 37.9	+ 56.5
UN Programs, Regional and Other International Organisations	70.2	93.0	81.8	- 11.1	- 12.0
Total Multilateral Aid	130.0	160.1	186.9	+ 26.8	+ 16.7
Aid Administration	11.1	10.9	11.5	+ 0.6	+ 5.3
Total Aid	651.9	726.9	822.3	+ 95.4	+ 13.1
Memberships of International Organisations and Other Non-Aid Expenditure	47.1	40.8	43.8	+ 3.0	+ 7.2
External Territories	7.3	5.2	6.4	+ 1.2	+ 23.4
General Administrative Expenditure	163.7	193.3	220.1	+ 26.9	+ 13.9
Recoveries and Repayments	9.5Cr	8.0Cr	7.2Cr	+ 0.8	+ 10.1
TOTAL FOREIGN AFFAIRS, OVERSEAS AID AND EXTERNAL TERRITORIES (a) (b)	860.5	958.2	1085.5	+127.3	+ 13.3

(a) Referred to elsewhere in Budget documentation as 'Foreign Affairs and Overseas Aid'.

(b) Some figures in the table differ slightly from those shown in Budget Paper No. 9 because of the use of different concepts for recording Australia's overseas aid performance.

AID PAYMENTS

An amount of \$822.3m is provided for expenditure on overseas aid and aid administration in 1983-84, an increase of \$95.4m or 13.1% over expenditure in 1982-83. Taking into account certain other aid-related expenditures, which are detailed below in 'Assistance Additional to Aid Payments', total assistance to developing countries in 1983-84 is estimated to be \$842.4m.

(a) Referred to elsewhere in Budget documents as 'Foreign Affairs and Overseas Aid'.

This figure excludes the significant amounts spent by the Commonwealth and State Governments on the education and training of several thousand students from developing countries who are attending various tertiary and other training institutions in Australia. This assistance, which is not brought to account directly under the overseas aid program, is estimated to cost around \$61m in 1983. Other indirect economic assistance is provided by the Export Finance and Insurance Corporation through the financing, in certain circumstances, of exports of capital goods on concessional terms.

BILATERAL AID

Papua New Guinea

An amount of \$303.3m is provided for expenditure on aid to or on behalf of the Papua New Guinea Government. This is an increase of \$27.5m or 10.0% on the assistance provided in 1982-83.

The major part of Australia's assistance to Papua New Guinea is provided as a grant-in-aid under a five-year aid agreement which expires at the end of 1985-86 and which originally provided for a 5% annual real reduction in Australian aid.

Following discussions with the Papua New Guinea Government, the terms of the agreement were revised in mid-1983 to allow for a slower reduction in the real level of budgetary assistance to Papua New Guinea. In respect of 1982-83, the level of grant assistance was increased by \$10m to \$262.8m. Using this revised base level, the rate at which budget support grants will decline in real terms in the following three years has been reduced from 5% to 1%, 2% and 3% for 1983-84, 1984-85 and 1985-86 respectively. In accordance with the revised terms of the formula, provision is made for a budget support grant of \$288.1m in 1983-84, while expenditure for the final three years of the agreement is now expected to total \$907m, compared to \$811m under the previous terms of the agreement. The new agreement also provides for a reduction in the level of assistance in certain circumstances.

Outlays on the provision of education and technical assistance under the Papua New Guinea—Australia Technical Co-operation Program are estimated at \$2.8m in 1983-84, an increase of \$0.4m over 1982-83. Payments of termination and retirement benefits and other pensions to expatriate officers (and their dependants) of former Papua New Guinea administrations and the Australian Staffing Assistance Group, which are made under the *Papua New Guinea (Staffing Assistance) Act 1973*, will be higher due to increases in retirement and other benefits. The estimate for 1983-84 is \$12.3m, an increase of \$1.7m on 1982-83 expenditure.

Projects, Technical Co-operation and Related Activities

Expenditure under this heading is estimated at \$185m in 1983-84, an increase of \$30.5m on 1982-83 expenditure. The major component represents assistance to developing countries, mainly in the Asian and Pacific regions, in relation to the provision of Australian expertise and equipment to support projects such as the development of agriculture and the establishment of general infrastructure and health care facilities. An amount of \$142.7m is to be provided in 1983-84 for bilateral projects and technical assistance, compared to \$122.1m in 1982-83.

Assistance under the Development Import Grants Scheme, which provides grants to developing countries to import Australian goods and equipment for development activities, is estimated to be \$9.3m, compared to \$13.6m in 1982-83. An amount of

\$6.4m, an increase of \$1.3m on 1982-83, has been provided for the Australian Staffing Assistance Scheme, under which Australia subsidises the salaries of Australians employed by developing country governments.

Assistance of \$13.1m is to be provided under the Association of South-East Asian Nations (ASEAN)—Australia Economic Co-operation Program, an increase of \$1.1m on 1982-83. Funding for the co-financing of projects in association with the World Bank is expected to increase substantially from \$1.5m in 1982-83 to \$10m in 1983-84, reflecting the commencement of a number of large projects for which Australia will be providing support. An amount of \$3.5m has also been allocated in 1983-84, mainly for the purchase of computer and peripheral equipment as part of a project established in 1982-83 to automate the functions of the Office of the Narcotics Control Board in Thailand.

Training

Expenditure in 1983-84 on training programs (excluding training provided to Papua New Guinea) is estimated at \$31.9m, an increase of \$5.1m on 1982-83.

Expenditure on training programs covers the direct costs, including student fees, of officially sponsored students from developing countries, except Papua New Guinea, and support for training institutions in some ASEAN and South Pacific countries. Also included under this heading is an amount of \$5.2m for the provision of experts and equipment to selected Asian universities and the provision of fellowships in Australia for Asian academics under the Australian Universities International Development Program. An amount of \$0.6m is provided for the payment of visa-related charges of private South Pacific students.

Food Aid

Outlays on bilateral food aid, including food security measures, in 1983-84 are estimated at \$70.1m, an increase of \$0.5m on 1982-83.

Under the Food Aid Convention (FAC) of the International Wheat Agreement, Australia has a commitment to provide a minimum of 400 000 tonnes of wheat or wheat equivalent as food aid in 1983-84. Of this, just over 240 000 tonnes or 60% will be given bilaterally and the remaining 40% will be contributed to the World Food Program (WFP) (see heading 'United Nations Programs, Regional and Other International Organisations'). In 1982-83, 70% of the FAC commitment was delivered under the bilateral program.

The cost in 1983-84 of food grain provided bilaterally under the FAC, including a small component for monitoring, is estimated at \$45.8m. A provision of \$6.9m has also been made for certain handling and freight costs. This compares with \$46.2m for grain and \$6.4m for freight in 1982-83. The rising costs of food grain and freight charges have offset the effects of the substantial reduction in grain provided bilaterally.

In addition to the minimum commitment of 400 000 tonnes, 50 000 tonnes of food grain aid, valued at \$10.4m including freight, will be given on a bilateral basis to the International Emergency Food Reserve (IEFR) in 1983-84. The IEFR is an international facility administered by the WFP and the United Nations Food and Agriculture Organization (FAO) for emergency situations.

Other bilateral food aid comprises \$5m for non-grain food aid items, such as milk powder and high protein biscuits, and \$2m, an increase of \$1m on 1982-83, for food security measures involving projects aimed at increasing food production, marketing and distribution in developing countries.

Other Bilateral Aid

An amount of \$6.4m will be provided for emergency humanitarian relief in 1983-84, provided partly on a bilateral basis and partly multilaterally, to allow Australia to respond quickly and effectively to emergency relief programs in different parts of the world. This is considerably below the amount of \$18.4m spent on this item in 1982-83, which included a contribution of \$10m for reconstruction in Lebanon.

The Australian Centre for International Agricultural Research Trust Account will receive an estimated \$7m in 1983-84 compared to \$3.8m in 1982-83. Expenditures from the trust account are expected to increase to \$9.2m in 1983-84 from \$1.7m in 1982-83. The Centre was established in 1981-82 to commission and fund research in Australian institutions on agriculture and related areas of benefit to developing countries.

The scope of the Development Import Finance Facility was extended in 1982-83 to enable all Australian aid recipients to import Australian goods and services for development projects on concessional terms matching those offered by other countries exporting similar goods and services. Expenditure on this item is estimated at \$10m in 1983-84, \$8.4m above expenditure in 1982-83. The increase reflects an expected rise in the number and size of successful tenders by Australian exporters for work on development projects.

A total of \$8m has been allocated to non-government aid organisations in 1983-84, principally to Australian voluntary organisations. This compares with \$7.2m allocated in 1982-83.

MULTILATERAL AID

The Commonwealth supports a wide range of international organisations, including development finance institutions, United Nations agencies and various regional organisations. Payments in 1983-84 are estimated at \$186.9m, an increase of \$26.8m or 16.7% over 1982-83.

International Development Finance Institutions

Australia provides significant support for the lending activities of international finance institutions both by way of capital contributions and contributions for concessional funding activities. Financial support for these institutions takes the form of cash payments and the lodgement of promissory notes which are drawn down by the institutions either as required to meet their commitments or on the basis of previously agreed schedules.

Expenditure in 1983-84 is estimated at \$105.1m, compared to \$67.1m in 1982-83. This increase is mainly due to increases in the level of drawdowns against promissory notes lodged with the International Development Association (IDA) from \$43.1m in 1982-83 to \$70.1m in 1983-84 and with the Asian Development Fund (ADF) from \$8.2m in 1982-83 to \$15m in 1983-84. Other estimated payments are capital contributions to the International Bank for Reconstruction and Development (IBRD) of

\$11.7m, \$6.3m to the Asian Development Bank (ADB), including \$2.7m for the ADB's Third General Capital Increase, and contributions to the International Fund for Agricultural Development (IFAD) of \$1.9m.

After allowing for payment of the 1983-84 provisions, total outstanding obligations in future years to these organisations will amount to \$380m. These amounts, which will be drawn down over a number of years, comprise \$191m for ADB (including \$145.8m for the ADF, its concessional lending affiliate) \$177.3m for the IBRD (including \$153.8m for IDA, its concessional lending affiliate), and \$11.7m for IFAD.

United Nations Programs, Regional and Other International Organisations

Total payments under this heading are estimated to amount to \$81.8m in 1983-84, a decrease of \$1.1m on 1982-83.

Expenditure under the World Food Program (WFP) is estimated to decrease by \$2.3m or 6.6% to \$32.9m in 1983-84. The decrease is due to the deferment to 1984-85 of the payment of the balance (\$9.1m) of Australia's pledge of \$20m in cash and commodities for the 1983-84 biennium. The cost of grain provided under this program is estimated to increase to \$28.4m reflecting an increase in the volume of food grain distributed through the WFP (from 120 000 tonnes in 1982-83 to 160 000 tonnes) and higher grain prices which are offset to some extent by the partial substitution of rice and flour for wheat in the program. The remaining \$4.5m has been set aside to pay freight costs on the shipment of grain.

Provision is also made under this heading for contributions of \$27.4m in 1983-84 to several United Nations organisations, including the United Nations Development Program, the United Nations High Commissioner for Refugees, the United Nations Fund for Population Activities and the United Nations Relief and Works Agency. This reduction of \$9.7m on contributions in 1982-83 in contributions to UN organisations has been brought about by the termination or reduction of a number of voluntary contributions which Australia makes to these organisations.

Assistance to regional and other international programs is estimated at \$21.7m in 1983-84, an increase of \$0.9m over 1982-83 expenditure. Organisations receiving support include the Commonwealth Fund for Technical Co-operation, the Commonwealth Youth Program, the South Pacific Commission, and the South Pacific Bureau for Economic Co-operation; support is also to be given to a number of international and regional research and training centres.

AID ADMINISTRATION

The administrative costs of the Australian Development Assistance Bureau are estimated to increase from \$10.9m in 1982-83 to \$11.5m in 1983-84.

ASSISTANCE ADDITIONAL TO AID PAYMENTS

Certain other budget provisions totalling \$20.1m are recognised as Official Development Assistance (ODA) for international reporting purposes.

Of expenditure on Australia's Defence Co-operation Program (estimated to be \$45.2m in 1983-84), some \$7.8m will be spent on projects, such as malaria eradication, which are recognised as ODA. The Defence Co-operation Program also supplements

the overseas economic aid program to the extent that it releases for possible development assistance purposes resources that recipient governments might otherwise have used for defence purposes. Details of the Program, which is primarily undertaken as an extension of Australia's own defence effort, are described in the section on Defence Co-operation under the Defence function.

Australia also provides indirect economic aid through its contributions to the regular budgets of a number of international organisations (eg the World Health Organisation and the United Nations Food and Agriculture Organisation) that assist in the financing of aid projects in developing countries. The aid component of Australia's contribution to these organisations in 1983-84 is estimated at \$6.8m. Other aid and aid-related expenditure in the Budget amounts to \$5.5m.

MEMBERSHIP OF INTERNATIONAL ORGANISATIONS AND OTHER NON-AID EXPENDITURE

These outlays relate mainly to Australia's membership of a large number of international and regional organisations. Participation in these organisations entails contributions to their administrative expenses and, in some cases, their functional activities. Total expenditure for these purposes in 1983-84 is estimated at \$43.8m including \$10.5m for the United Nations regular budget, \$4.4m for the World Health Organisation, \$4.1m for the United Nations Food and Agriculture Organisation (FAO), \$3.8m for the United Nations Educational, Scientific and Cultural Organisation (UNESCO), \$2.2m for the International Labour Organisation (ILO) and \$1.9m for the Organisation for Economic Co-operation and Development (OECD).

An increase of \$1m is associated with the South Pacific Forum which will be held in Canberra from 28-30 August 1983.

This heading also includes provision for cultural relations overseas and exchange visits, together with expenditures by the Australia-Japan Foundation, the Australia-China Council and the Australia-New Zealand Foundation.

INTERNAL TERRITORIES

Under this item are shown the costs (net of revenue) of administering the three external territories of Cocos (Keeling), Christmas and Norfolk Islands. Expenditure in respect of the Australian Antarctic Territory is primarily for scientific purposes, and is shown under 'General and Scientific Research nec'. Expenditure in respect of other external territories is negligible, and has not been separated from the expenditure items within which it falls. The net outlay in respect of each of the three territories is shown below.

	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Cocos (Keeling) Islands	5.3	5.4	5.7	+0.2	+4.0
Christmas Island	1.5	0.8C	0.2	+1.0	n.a.
Norfolk Island	0.5	0.5	0.5	..	..
TOTAL	7.3	6.2	6.4	+1.2	+23.4

NOTE: n.a. not applicable.

The increase in estimated net expenditure on the Cocos (Keeling) Islands in 1983-84 is mainly due to provision being made to enable the Cocos Islands Cooperative Society Ltd to take over during the year the operation of the shop, hostel and mess on the Islands from the Commonwealth Accommodation and Catering Service. The gross costs of administering Christmas Island in 1983-84 are estimated at \$6m and are recovered from Island revenue and the Christmas Island Phosphate Commission, except for an estimated cost of \$0.3m associated with the Administrator and his immediate staff. The increase in the net cost of administering the Island in 1983-84 is the result of the recovery of \$1m from the Commission in 1982-83 in respect of expenditure in 1981-82. Estimated net expenditure on Norfolk Island again includes an amount of \$0.3m for the restoration and maintenance of historic structures.

GENERAL ADMINISTRATIVE EXPENDITURE

Outlays on administrative costs of the Department of Foreign Affairs and the Overseas Property Office of the Department of Administrative Services are estimated to increase by \$26.9m in 1983-84 to \$220.1m. The increase in overseas property services of \$10.2m mainly reflects the impact of devaluation of the Australian dollar, increased costs of leased accommodation and additional outlays on repairs and maintenance, including security works at overseas posts. The increase of \$9.9m in the Department of Foreign Affairs overseas service largely reflects higher administrative costs and locally engaged staff salaries plus the full-year effects of the devaluation. The main reasons for the remaining increase of \$6.8m are the cost of implementation of the recommendations of the Royal Commission of Inquiry into Drug Trafficking (contained in its Interim Report No. 2—Passports), the upgrading of computer facilities, higher administrative costs and the full-year effects of devaluation.

RECOVERIES AND REPAYMENTS

Recoveries and repayments are estimated at \$7.2m in 1983-84. These include repayments in respect of loans provided to the Papua New Guinea and Fiji Governments on concessional terms under the overseas aid program.

D. GENERAL AND SCIENTIFIC RESEARCH NEC

This heading covers outlays on scientific research and development which cannot readily be classified under other functional categories. It therefore excludes substantial elements of Commonwealth support for scientific, industrial and general research directed to specific fields such as defence technology, medicine, education and industry which are accounted for elsewhere in this Statement. Activities included under this heading cover the Commonwealth Scientific and Industrial Research Organization (CSIRO), the Australian Atomic Energy Commission (AAEC), general research grant schemes, and a variety of other research programs and supporting services undertaken by Commonwealth departments and instrumentalities, all of which involve several functions and disciplines.

Net total outlays in 1983-84 for the items included in this General and Scientific Research category are estimated at \$438.5m, a decrease of \$0.1m over 1982-83. This reflects a reduced requirement for capital works and services for the CSIRO due to the

completion of the construction phase of the Australian National Animal Health Laboratory early in 1983-84, offset by general cost increases and the strengthening of support for a number of research activities, particularly those relating to Australia's involvement in the Antarctic.

	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Australian Atomic Energy Commission	37.8	36.4	38.3	+ 2.0	+ 5.4
Commonwealth Scientific and Industrial Research Organization	293.5	328.2	316.9	- 11.3	- 3.4
Antarctic Division	21.8	32.1	36.2	+ 4.1	+ 12.7
Research Grants	20.1	22.1	24.9	+ 2.8	+ 12.8
Australian Institute of Marine Science	5.7	6.4	6.9	+ 0.5	+ 8.1
Anglo-Australian Telescope Board	1.7	1.9	1.8	..	- 2.6
Australian Institute of Aboriginal Studies	2.6	2.9	3.3	+ 0.4	+ 13.5
Other Research and Science nec (net)	10.3	8.8	10.2	+ 1.4	+ 16.4
TOTAL GENERAL AND SCIENTIFIC RESEARCH NEC	393.6	438.7	438.5	- 0.1	..

Australian Atomic Energy Commission

The Commission's primary function is the maintenance of a nuclear research establishment. It conducts scientific and technical research and investigations into matters associated with uranium and atomic energy (including the running of the HIFAR reactor) and the production and sale of radio-isotopes.

An amount of \$38.3m is provided towards the cost of the Commission's activities in 1983-84 compared with \$36.4m in 1982-83. This amount provides for expenditure on salaries and related payments of a similar order to that in 1982-83 and for a 17% increase in non-salary running expenses and capital works. It includes \$1.6m for the fourth year of a five year safety upgrading program for the HIFAR reactor and \$1.3m towards the building of a pilot fabrication plant to produce and test the radioactive waste disposal technique known as SYNROC. The provision also includes \$1.3m for the continuation of other buildings and works commenced in recent years.

The budget provision for the Commission is determined having regard to its receipts from other sources including funds from the sale of radio-isotopes. The Commission regularly reviews the prices charged for its products and services with a view to recovering costs. The Commission also receives funds from the National Energy Research, Development and Demonstration Program, referred to under the function 'Industry Assistance and Development'.

Commonwealth Scientific and Industrial Research Organization

CSIRO is the largest research organisation in Australia, employing more than 7500 staff. Its main role is to carry out programs of predominantly strategic research, which includes collaborative, commissioned and other forms of joint projects with Government bodies and Australian industry. CSIRO is organised into five Institutes—Animal and Food Sciences, Biological Resources, Energy and Earth Resources, Industrial Technology and Physical Sciences—together with a Bureau of Scientific Services.

Appropriations to CSIRO in 1983-84 total \$316.9m. Included in these funds are provisions for buildings and works, repairs and maintenance and acquisitions, which were not previously appropriated to CSIRO. The total provision allows \$268.7m for operations, \$4.5m for capital items, \$5.4m for repairs and maintenance to the organization's plant and equipment and buildings and \$26m for major capital works projects. In

addition, \$3.5m is being provided in 1983-84 to allow construction to proceed on the new Australia Telescope (which is expected to cost \$29.1m over a five year period and commenced in 1982-83) and \$7m for an oceanographic research vessel currently being constructed as a national science facility. The figure for major capital works projects includes provision of \$3m for a new laboratory complex for the Division of Materials Science at Clayton, Victoria, \$8m for the continuation of the construction of the Australian National Animal Health Laboratory (ANAHL) and \$8.8m for the continuation of the construction of the marine laboratories in Hobart.

The provision for the construction costs of ANAHL is to allow completion of the construction phase in 1983-84. The \$31.3m decrease on the 1982-83 expenditure for this project is offset by increases for wage and salary costs (\$4m), increased support for key technology areas (\$4m), increases associated with the construction of the new oceanographic research vessel (\$3.1m) and the Australia Telescope (\$3.1m), an increased cash requirement for the construction of the marine science laboratories (\$4.8m) and other increases (\$1m). The net result is a decrease in CSIRO appropriations for 1983-84 of \$11.3m.

After taking into account expected 1983-84 revenues (\$11.5m) and cash on hand at 1 July 1983 (\$3.2m), it is estimated the CSIRO will have total funds of \$331.6m available in 1983-84 for its activities. Details of expenditure for operations and equipment and capital works and services financed from these sources are provided in the table below.

	Actual 1982-83	Estimate 1983-84
	\$m	\$m
Research Programs—		
Animal and Food Sciences	46.9	50.6
Biological Resources	64.4	66.9
Energy and Earth Resources	36.4	36.8
Industrial Technology	32.9	34.8
Physical Sciences	56.6	60.5
Scientific Services	10.1	10.8
Miscellaneous	6.2	6.4
Head Office	15.7	16.2
Capital Works and Services—		
Construction of Research Vessel	3.9	7.0
Construction of Australia Telescope	0.4	3.5
Other	4.6	4.5
Buildings, Works and Acquisitions	59.0	28.2
Repairs and Maintenance	5.0	5.4
Total	342.1	331.6

In addition, the organization expects to receive \$35m in 1983-84 (\$34.2m in 1982-83) as industry contributions and other forms of private and government support for several specific projects to bring its total estimated expenditure in 1983-84 to \$366.6m (\$376.3m in 1982-83).

Antarctic Division

The Antarctic Division of the Department of Science and Technology carries out research programs in the Antarctic and organises and provides logistic support in that region both for its own scientists and those from other institutions. The Australian National Antarctic Research Expeditions (involving each year about 140 expeditioners) operate from three stations on the Antarctic continent and one on Macquarie

Island. The research programs focus mainly on atmospheric physics, cosmic ray physics, glaciology, biology, medical science, geology and geophysics, with increasing emphasis being given to marine research in the Antarctic and Southern Ocean.

Expenditure in 1983-84 is estimated at \$36.2m, up \$4.1m or 12.7% on 1982-83. The increase reflects the commencement of the development of a replacement Antarctic transport system (\$2.6m in 1983-84) and higher wage, salary and other operating costs (\$3.1m). These increases are partly offset by a reduced requirement (\$1.6m) for buildings and works activities associated with the 10 year rebuilding program in the Antarctic which will cost \$7.5m in 1983-84. The second stage of the program was commenced in 1982-83 and its continuation will cost \$4.4m in 1983-84. Initial works for Stage 3 of the program will be commenced in 1983-84 with an estimated expenditure of \$3.1m.

Research Grants

Total assistance for research grant schemes and fellowships is estimated to be \$24.9m in 1983-84 (\$22.1m in 1982-83). This includes provision for the Australian Research Grants Scheme and Queen Elizabeth II Fellowships (\$21.8m in 1983-84 compared to \$19.6m in 1982-83) which support research projects by teams and individuals in the physical, chemical, biological and earth sciences, in engineering and applied sciences and in the humanities and social sciences. Additional funding has also been provided to allow the implementation of a new three year National Research Fellowship Scheme providing 50 fellowships in 1984 to cost \$0.6m in 1983-84. The \$2.4m provision in 1983-84 for marine science research (allocated through the Queen's Fellowships and Marine Research Allocations Advisory Committee) reflects the net effect of increased emphasis on research grants for marine science and changed funding arrangements as the program is now to be funded on a calendar year basis. Outlays are estimated to be \$3.6m in 1984 compared to \$2.1m over the twelve months to 30 June 1983.

Australian Institute of Marine Science

The Australian Institute of Marine Science was established to carry out research in marine science. The Institute has its laboratory complex near Townsville and is directing its research mainly to tropical waters, particularly coral reefs. The Institute collaborates with other institutions including the CSIRO and the Great Barrier Reef Marine Park Authority.

Outlays for the Institute in 1983-84 are estimated at \$6.9m compared to \$6.4m in 1982-83. The increase is mainly due to wage, salary and other operational cost increases. The total allocation provides funds to meet the salary and allowance costs of 113 staff (\$3m), associated administrative and operational costs (\$3.3m including \$1.3m for the hire and operation of research vessels) and \$0.6m for capital equipment.

Anglo-Australian Telescope Board

This item provides for the Australian Government's contribution (\$1.8m) to the cost of operations and instrument development of the Anglo-Australian 3.9 metre optical telescope at Siding Spring, NSW and its associated research facilities. The total cost of operations in 1983-84 (to be shared equally with the UK Government), is estimated at \$3.7m.

Australian Institute of Aboriginal Studies

The Australian Institute of Aboriginal Studies was established in 1964 to promote, encourage and assist studies and research in relation to Aboriginal people. The Institute also has a responsibility to monitor the social impact of uranium mining on Aboriginal communities in the Northern Territory. The provision for the Institute in 1983-84 is \$3.3m or 13.5% more than 1982-83 outlays.

An external review of the Institute's operations and its inter-relationship with other organisations was completed in 1982 and is currently being considered.

Other Research and Science nec (net)

The estimated outlays in 1983-84 of \$10.2m under this heading cover several activities associated with the support of scientific research and development in Australia.

The largest single item is the grant to the Standards Association of Australia (\$2.6m). Other grants are being made to the Learned Academies (\$0.6m), research associations (\$1.7m) and the National Association of Testing Authorities (\$0.8m). In addition, \$0.5m is being provided for scientific and technical co-operation with several overseas countries, \$84 000 for completion of the Inquiry into Commonwealth Laboratory Services and Facilities and \$1.1m for the Australian Biological Resources Study. A \$145 000 provision has also been included for the Assistance to Inventors Scheme (\$120 000 in 1982-83).

Included under this heading also are provisions for the Australian LANDSAT Station (gross expenditure \$2.4m in 1983-84 partly offset by revenues of \$0.8m). The remaining substantial expenditure is for the Australian Science and Technology Council (ASTEC) which advises the Government on matters involving science and technology policy (\$0.9m).

E. ADMINISTRATIVE SERVICES

This heading covers general administrative services not allocated to specific functions, and various common services provided for the general operations of Government. These outlays are estimated to increase by \$240.1m or 16.8% in 1983-84 to \$1671.6m.

	1981-82	1982-83	1983-84	Change	
	Actual	Actual	Estimate	\$m	%
Financial Affairs and Fiscal Administration—					
Customs and Excise Administration	110.8	143.2	152.5	+ 9.3	+ 6.5
Taxation Administration	258.7	301.9	360.2	+ 58.3	+19.3
Other	97.4	102.0	119.5	+ 17.5	+17.1
Total	466.9	547.1	632.2	+ 85.1	+15.6
Statistical Services	115.1	98.5	96.4	- 2.1	- 2.1
General Administration of the ACT	45.2	52.9	49.9	- 2.9	- 5.5
Other Administrative Services, nec	99.5	107.2	126.3	+ 19.1	+17.8
Common Services—					
Construction Services (net)	145.4	158.5	164.5	+ 6.0	+ 3.8
Commonwealth Offices	29.4	43.0	45.8	+ 2.8	+ 6.6
Printing and Publishing	5.8	5.7	6.7	+ 1.1	+18.9
Property Management and Services	67.2	73.4	107.3	+ 33.9	+46.1
Government Purchasing	4.1	5.2	6.0	+ 0.7	+13.8
Rent	78.3	100.1	141.7	+ 41.6	+41.5
Publicity Services	10.9	11.7	13.0	+ 1.3	+11.2
Storage and Transport Services	15.4	27.2	21.8	- 5.4	-20.0
Other	7.2	8.6	7.0	- 1.6	-18.6
Total	363.6	433.4	513.8	+ 80.3	+18.5
Net Superannuation Payments, nec	218.1	270.6	331.7	+ 61.1	+22.6
Recoveries, nec	67.1Cr	78.3Cr	78.8Cr	- 0.6	- 0.7
TOTAL ADMINISTRATIVE SERVICES	1 241.3	1 431.4	1 671.6	+240.1	+16.8

FINANCIAL AFFAIRS AND FISCAL ADMINISTRATION

Customs and Excise Administration

The estimated increase in outlays for 1983-84 of \$9.3m mainly reflects the full year cost of wage increases granted in 1982-83, cost increases in administrative items and the continuing reorganisation of the Customs Service (including the reclassification of positions and training of staff) aimed at improving control activities. Other major increases in 1983-84 include funding for the move of the Service's Victorian Office into the Melbourne World Trade Centre; the acquisition of a new diesel launch to be used for coastal surveillance and port of entry work; costs associated with the start of operations of Cairns airport as an international airport from 1 January 1984; and the acquisition of residences for officers stationed in remote locations.

Taxation Administration

The estimated cost of the operations of the Australian Taxation Office in 1983-84 is \$360.2m, \$58.3m or 19.3% greater than in 1982-83. The increase reflects increases in salary and administrative costs, increased staffing levels and the implementation of a phased replacement and enhancement of computer facilities to increase the Office's capability to counter tax avoidance/evasion and to administer tax revenue legislation changes.

Other

This heading covers outlays of the Departments of Finance and Treasury, the Auditor-General's Office, the Commonwealth Grants Commission and the newly established Economic Planning Advisory Council (EPAC). The increase of \$17.5m in 1983-84 reflects in part an increase of \$10.2m in the provision for loan flotation and management expenses, mainly because of higher expected overseas loan raisings during 1983-84, partially offset by a reduction in domestic loan flotation expenses. The balance of the increase under the heading is attributable to the establishment and initial operating costs of EPAC (\$0.7m), increases in salaries (\$2.4m), provision for the full year effect of bank debits tax payments which were introduced in April 1983 (\$1.9m), increased computer equipment purchases for the Department of Finance (\$1.3m) and cost increases for a range of administrative expenditures. In addition, work will commence in 1983-84 on the refurbishment of the Royal Australian Mint at a total estimated cost of \$5.6m; expenditure in 1983-84 is estimated to be \$0.4m.

STATISTICAL SERVICES

This provision is for outlays of the Australian Bureau of Statistics. The estimated overall decrease of \$2.1m reflects the reduction in plant and equipment purchases (down \$5m) in the final year of the Bureau's computer re-equipment program, partially offset by increased salary and general administrative expenses.

GENERAL ADMINISTRATION OF THE AUSTRALIAN CAPITAL TERRITORY

Outlays under this heading are for works and services of a general nature in the Australian Capital Territory undertaken by the Department of Territories and Local Government, the Department of Housing and Construction and the National Capital Development Commission which cannot be readily classified under other functions.

Estimated expenditure in 1983-84 includes salaries, allowances and overtime (\$36m), administrative expenses (\$6.7m), plant and equipment (\$2m), repairs and maintenance (\$2.1m) and expenditure on works (\$3.3m). Expenditure in 1983-84 by the Commission under this function is \$6.7m lower than 1982-83 outlays, mainly reflecting completion of major redevelopment projects at the Canberra City and Phillip bus interchanges and completion of landscaping projects in the suburb of Parkes.

OTHER ADMINISTRATIVE SERVICES, NEC

Included under this heading are operational expenses of the Department of the Prime Minister and Cabinet, the Department of Home Affairs and Environment (excluding environmental activities), the central office (excluding the productivity development functions) of the Department of Science and Technology and the Australian Government Analytical Laboratories, and certain operational expenditures of the Departments of Administrative Services and the Special Minister of State. Also included are expenditures related to the operational costs of the Administrative Appeals Tribunal and the Office of the Commonwealth Ombudsman.

The increase of \$19.1m reflects mainly increased expenditure of \$8.1m on salaries, computer services and additional computer equipment to meet the staffing and ADP needs of the Departments of Administrative Services and the Special Minister of State. Provision of an additional \$1.4m has also been made for computer equipment purchases and services for the Department of the Prime Minister and Cabinet and \$1.2m for the Department of the Special Minister of State to publicise initiatives following the

Economic Summit Conference and subsequent Government decisions. The balance of the increase under this heading reflects net increases in salary and administrative costs partially offset by a reduced provision for official hospitality after the Royal Visit in 1982-83.

COMMON SERVICES

Construction Services (net)

Outlays under this heading provide for the running costs of the construction function of the Department of Housing and Construction and include salaries, allowances and overtime (\$117.8m), administrative expenses (\$18.6m), plant and equipment (\$3m) and consultants' fees (\$23.3m). Consultancy costs relating to Defence works projects appear under the Defence function.

The main contributions to the increase of \$6m in expenditure on this function are \$3.1m for salaries and allowances and \$3.5m for consultants' fees, offset by a reduction of \$2.2m in plant and equipment requirements following the transfer of the Department's motor vehicle fleet to the Department of Administrative Services.

Commonwealth Offices

The major components of the 1983-84 estimate of \$45.8m are \$28.4m for the construction and \$15.7m for the maintenance of Commonwealth offices. Significant construction projects to be commenced in 1983-84 include a new office block at Townsville (total cost \$11.5m), refurbishment of the Melbourne Commonwealth Centre (total cost \$3.9m), the first stage of a program of works to provide accommodation throughout Australia for new computer equipment for the Department of Social Security (total cost \$4.1m), extensions to Commonwealth offices at Lismore (NSW), Glenorchy and Bellerive (Tasmania) (total cost \$4.1m) and a further stage in the refurbishment of the Administrative Building, Canberra (total cost \$3.2m). Also, the Government has agreed to design development proceeding in 1983-84 on possible Commonwealth offices at Adelaide (total cost \$30m) and Sydney (Kingsford Smith) Airport (total cost \$7.5m).

In addition, expenditure of \$1.5m is planned in 1983-84 on the third and final stage of a three year program to provide signs, improved access and specialised toilet facilities for disabled persons in Commonwealth buildings.

Printing and Publishing

This heading covers the salaries, administrative and plant and equipment expenses of the Commonwealth's printing and publishing activities. The increase of \$1.1m reflects increased costs in the distribution of publications, additional staff resources and an increase in plant and equipment purchases in 1983-84.

Property Management and Services

Costs associated with the maintenance and security of Commonwealth office accommodation and the property survey program for Commonwealth departments and authorities are included under this heading.

Major components of the 1983-84 estimate of \$107.3m are salaries, allowances and overtime (\$24.9m), office services including electricity, fuel oil and gas and security services (\$22.6m), fitting-out work in leased office premises (\$39.7m), and contract cleaning (\$8.9m). The increase of \$2.6m in the office services component largely reflects increases in electricity charges. The increase of \$26.7m in expenditure on fitting-out work in leased premises is mainly attributable to the provision of additional or replacement accommodation for the Departments of Social Security, and Employment and Industrial Relations, the Australian Taxation Office, the Office of the Special Prosecutor and a number of departments in Canberra.

Government Purchasing

The salaries, allowances and overtime of staff of the Purchasing Division of the Department of Administrative Services account for \$5.4m of the estimated expenditure of \$6m in 1983-84. The increase of \$0.7m reflects an increase in the number of staff to be employed in the Division.

Rent

This item provides for rental costs for office and other non-residential accommodation leased for civil departments. The increase of \$41.6m (or 42%) on 1982-83 reflects the full year cost of new leases taken up in 1982-83 (\$18m), increased rentals on existing leases (\$13m) and proposed expenditure on new leases in 1983-84 (\$10.6m) which will have a full year cost of \$28.2m.

The proposed expenditure on new leases includes provision for additional and replacement office space for the Departments of Social Security, and Employment and Industrial Relations, the Australian Taxation Office, the Office of the Special Prosecutor and a number of departments in Canberra.

Publicity Services

The 1983-84 estimate for these outlays includes provision for the publicity programs undertaken by the Australian Information Service (\$6.8m) and support for Film Australia (\$6.2m). The increase for Film Australia, together with cash balances and general revenues, will enable total expenditure by the Australian Film Commission on Film Australia activities (the production and distribution of film projects of national significance as well as films for government departments and authorities) to be increased from \$9.5m in 1982-83 to \$11.3m in 1983-84 (an increase of 19%).

Storage and Transport Services

This item provides for the operation of the Department of Administrative Services' vehicle fleet and for removal and storage costs associated with the transfer of non-Defence employees.

The estimate for 1983-84 includes an additional \$5.4m for vehicle purchases, which is offset by an anticipated increase in revenue from the sale of surplus vehicles of \$7.9m. The increase in vehicle purchases is due both to a Government decision to phase in a vehicle replacement policy based on the optimum replacement period and the transfer of vehicle fleets managed until 1 July 1983 by the Departments of Aviation and Housing and Construction. The costs of these fleets before 1983-84 were shown under the headings 'Provision of Civil Aviation Services' in the function 'Transport and Communications' and 'Construction Services (net)' above, respectively.

The overall reduction of \$5.4m shown for this heading is partly due to a Government decision to recover the costs of bulk storage services from client departments. Costs for individual departments will now be reflected in their administrative and operational outlays under the relevant function.

Other

Included here are expenditures for the construction and purchase of staff housing for Commonwealth public servants in remote localities and the Northern Territory (\$1.3m), the purchase of houses from officers compulsorily transferred from Melbourne to Canberra (\$1m), and the costs of printing Australian Government Gazettes (\$2.2m).

The subsidy towards food and beverage services provided for Commonwealth establishments by the Commonwealth Accommodation and Catering Service Ltd is to decrease by \$1.3m to \$2.7m in 1983-84, reflecting the use of \$1.4m in retained earnings to offset costs.

NET SUPERANNUATION PAYMENTS, NEC

This item covers superannuation benefits, other than employee-financed lump sum benefits, payable under the *Superannuation Act 1922* and the *Superannuation Act 1976* to or in respect of former employees of the Commonwealth and certain Commonwealth authorities (excluding Defence Force personnel and employees of the Australian Postal and Telecommunications Commissions). In addition, it covers payments in respect of pensions to South Australia and Tasmania for former railway employees.

The figures shown are net of estimated receipts from Commonwealth authorities as employer contributions towards the accruing cost of superannuation benefits for existing employees or as reimbursement of the employer share of benefits paid to former employees or their dependants.

The estimated increase of \$61.1m in net superannuation payments for 1983-84 is due mainly to the cost, under the Commonwealth Superannuation Scheme, of pension increases payable from July 1983 to existing pensioners and an expected net increase in the number of pensioners. Payments to South Australia and Tasmania for former railway employees are estimated to increase by \$2.4m in 1983-84.

RECOVERIES, NEC

Recoveries shown under this heading include administrative charges for work undertaken by the Department of Housing and Construction on behalf of other Commonwealth departments (\$23m), rent from Commonwealth property (\$8.4m), legal costs and fines recovered as a result of court action by the Australian Taxation Office (\$8.2m), charges for the hire of computers (\$3.8m), disposal of surplus civil government stores by the Department of Administrative Services (\$3.1m), audit fees (\$6.2m), customs fees, payroll charges and commission, and various other miscellaneous receipts.

10. NOT ALLOCATED TO FUNCTION

Outlays not allocated to specific functions comprise those payments to the States, the Northern Territory and local government authorities which are not elsewhere classified, natural disaster relief, public debt interest payments, and a bulk allowance for prospective increases in staff numbers and the wages and salaries of Commonwealth Government employees, other than Defence Service personnel and employees paid from votes included in the Defence function.

A. PAYMENTS TO OR FOR THE STATES, THE NORTHERN TERRITORY AND LOCAL GOVERNMENT AUTHORITIES, NEC

Outlays under this heading include general revenue funds for the States, State Government Loan Council programs, assistance related to State debt, assistance for local government and outlays for natural disaster relief. Similar forms of assistance in respect of the Northern Territory are also included. These payments, which mainly constitute general purpose Commonwealth financial assistance, amount to 65% of total Commonwealth Budget funds to be made available to the States in 1983-84 and 77.5% of those to be made available to the Northern Territory. Most specific purpose payments to the States and the Northern Territory are not included under this heading, being classified elsewhere in this statement under the relevant functional headings. Details of total payments to the States and the Northern Territory are provided at the end of this section. A more detailed description of all payments to States and Northern Territory programs can be found in Budget Paper No. 7, *Payments to or for the States, the Northern Territory and Local Government Authorities 1983-84*.

	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Payments to or for the States nec—					
General Revenue Assistance—					
Tax Sharing Grants	6 689.7	7 772.5	8 557.8	+ 785.3	+ 10.1
Identified Health Grants	1 137.2	1 017.3	1 159.5	+ 142.2	+ 14.0
Temporary Revenue Assistance Grants		30.0	155.5	+ 125.5	+418.3
Special Grants	58.5	19.6Cr	—	+ 19.6	+100.0
Total	7 885.4	8 800.1	9 872.8	+1 072.7	+ 12.2
State Government Loan Council Program—					
Capital Grants	435.8	457.7	489.7	+ 32.0	+ 7.0
Advances (a)	871.5	769.4	779.3	+ 9.9	+ 1.3
Sinking Fund Receipts	213.6Cr	223.8Cr	232.7Cr	— 8.9	— 4.0
Total	1 093.7	1 003.3	1 036.3	+ 33.0	+ 3.3
Assistance Related to State Debt	57.0	58.9	60.7	+ 1.8	+ 3.1
Assistance to Local Government—					
Tax Sharing Grants	350.9	424.5	459.3	+ 34.8	+ 8.2
Total Payments to or for the States nec	9 387.0	10 286.8	11 429.2	+1 142.4	+ 11.1

	1981-82	1982-83	1983-84	Change	
	Actual	Actual	Estimate	\$m	%
Payments to NT nec—					
General Revenue Assistance—					
Tax Sharing Grants	315.1	378.9	424.3	+ 45.4	+ 12.0
Identified Health Grants	26.1	23.5	25.3	+ 1.8	+ 7.6
Additional Assistance	20.0	15.0	—	- 15.0	-100.0
Special Grant	—	—	16.9	+ 16.9	n.a.
Grant in lieu of Uranium Royalties	1.2	3.7	3.5	- 0.2	- 6.2
Payments for Furlough and Recreation Leave	1.5	0.5	0.4	- 0.1	- 15.2
General Capital Assistance—					
Grant	38.3	40.2	43.0	+ 2.8	+ 7.0
Advance	76.6	80.4	86.0	+ 5.6	+ 7.0
Repayments	1.8Cr	2.7Cr	3.7Cr	- 1.0	- 37.4
Total General Purpose Assistance	476.9	539.6	595.8	+ 56.2	+ 10.4
Debt Charges Assistance	21.8	31.1	54.5	+ 23.3	+ 74.9
Assistance to Local Government—					
Tax Sharing Grants	1.7	2.0	2.2	+ 0.2	+ 8.2
Total Payments to NT nec	500.4	572.8	652.4	+ 79.7	+ 13.9
Assistance Related to South-West Tasmania	—	—	27.0	+ 27.0	n.a.
Natural Disaster Relief—					
Payments for Natural Disaster Relief	29.8	146.3	110.4	- 35.9	- 24.6
Repayments	9.0Cr	14.5Cr	16.3Cr	- 1.8	- 12.5
Total Payments for Natural Disaster Relief	20.8	131.8	94.1	- 37.7	- 28.6
TOTAL PAYMENTS TO OR FOR THE STATES, THE NORTHERN TERRITORY AND LOCAL GOVERNMENT AUTHORITIES NEC	9 908.2	10 991.4	12 202.7	+ 1 211.3	+ 11.0

(a) Nominations by the States from the Loan Council Program for public housing are classified to the function *Housing* with other public housing expenditure. The gross Loan Council Program (including public housing nominations) in 1983-84 is \$1469m, compared with \$1373m in 1982-83, the first year to which the nomination arrangements applied.
NOTE: n.a.—not applicable.

STATES' GENERAL REVENUE FUNDS

The Commonwealth provides general revenue funds (comprising in 1983-84 tax sharing grants, identified health grants and special temporary revenue assistance) to the States. A total of \$9872.8m, representing an increase of \$1072.7m or 12.2% compared with 1982-83, is expected to be provided in this form to the States in 1983-84.

Tax Sharing Grants

Since 1976-77, the bulk of general revenue assistance to the States has consisted of tax sharing grants, which are based on a fixed percentage share of Commonwealth taxation. Since 1982-83, this share has been 20.72% of the preceding year's total tax collections, defined as total net Commonwealth taxes less hypothecated taxes (such as the special surcharge on motor spirit and distillate used to fund the Australian Bicentennial Road Development Program) and State-type taxes levied in the Australian Capital Territory (such as stamp duty).

The distribution of tax sharing grants among the States was considered at the June 1982 Premiers' Conference in the context of the 1982 Report of the Commonwealth Grants Commission. The Commission's report recommended an increase in the tax sharing relativities for the more populous States, with a reduction for the less populous States, compared with the relativities then in force. In view of the budgetary difficulties that would have resulted for the smaller States if the Commission's relativities were implemented immediately, arrangements with the following main features were introduced:

- revised relativities were determined, to be phased in evenly over the three year period ending 1984-85;
- a guarantee was provided by the Commonwealth that each State's tax sharing grant would increase by at least 2% in real terms in 1982-83 and a further 1% in real terms in each of 1983-84 and 1984-85; and
- a 'supplementary' pool was set aside from the overall tax sharing pool (but within the total 20.72% States' share) equal to 0.397% of total Commonwealth tax collections in the preceding year, to fund the guarantee. Any portion of the pool not required for the guarantee was available for distribution among the States in accordance with the relativities for that year.

The *States (Tax Sharing and Health Grants) Act 1981* was amended to reflect these arrangements. This Act is subject to review before 30 June 1985.

As a result of the low growth in 1982-83 tax collections (the base for 1983-84 tax sharing grants), all States except Queensland are expected to benefit from the real terms guarantee in 1983-84. The cost of this guarantee is estimated to exceed the size of the 1983-84 'supplementary' tax sharing pool by \$198m.

In total, tax sharing grants in 1983-84 are estimated at \$8557.8m or 10.1% higher than in 1982-83. This amount is equivalent to 21.21% of 1982-83 total Commonwealth tax collections, compared with the basic share of 20.72% payable in the absence of guarantee arrangements.

Identified Health Grants

Effective from 1 July 1981, identified health grants have been payable to the States and the Northern Territory as general purpose financial assistance under the *States (Tax Sharing and Health Grants) Act 1981*. For New South Wales, Victoria, Queensland and Western Australia, these payments replaced the specific purpose assistance previously provided on a cost-shared basis for hospital operating costs, community health and school dental services. South Australia and Tasmania have continued to receive specific purpose assistance for hospital operating costs under the Hospital Cost Sharing Agreements (see the function *Health* above) as well as a separate identified health grant under the *States (Tax Sharing and Health Grants) Act 1981* to replace the assistance previously provided to both States for community health and school dental services.

From 1 February 1984 South Australia and Tasmania have agreed, as part of the hospital funding aspects of Medicare (see the function *Health* above), to terminate their hospital cost sharing agreements with the Commonwealth and to receive hospital payments under the identified health grant provisions of the *States (Tax Sharing and*

Health Grants) Act 1981. Although the precise transitional arrangements (including legislative amendments) have yet to be determined it is the intention that, from 1 February 1984, South Australia and Tasmania will receive in 1983-84 an addition to their existing identified health grants equal to the amounts of grants that, in the absence of the Medicare arrangements, they otherwise would have received had their cost sharing agreements continued over the entire year.

Calculation of Identified Health Grants—1983-84

The total amount of identified health grants payable to the States (other than South Australia and Tasmania) and the Northern Territory in 1983-84 is calculated by increasing the amount of similar assistance for 1982-83 in the same proportion as total Commonwealth tax collections (as defined in the *States (Tax Sharing and Health Grants) Act 1981*) in 1982-83 bear to total collections in 1981-82.

The total amount of identified health grants for the four States in 1983-84 is \$1063m and the grant for the Northern Territory is \$25.3m.

Identified health grants payable to South Australia and Tasmania (not including payments for hospital operating costs under section 30 of the *Health Insurance Act 1973*) in 1983-84 will be the sum of the identified health grants to be paid to each State from 1 February 1984 in the Medicare context (see above) and amounts already payable under the existing identified health grants arrangements. For 1983-84 these latter amounts are calculated in the same manner as the aggregate amount for the other four States and the Northern Territory (see above).

Subject to the determination of transitional arrangements in respect of Medicare, South Australia's and Tasmania's identified health grants in 1983-84 are estimated at \$71.9m and \$24.6m respectively.

Distribution of Health Grants—1983-84

The distribution of the 1983-84 identified health grants among the States (other than South Australia and Tasmania) and the Northern Territory is the same as that which applied to those States and the Northern Territory in 1982-83.

Temporary Revenue Assistance Grants

In recognition of the unusual severity of the States' own budgetary difficulties, the Commonwealth agreed at the 1983 June-July Premiers' Conference to provide temporary additional assistance of \$155.5m in 1983-84. This payment, in the form of a special temporary revenue assistance grant, will be a once only transfer to the States, not to be included in the base for determining tax sharing grants in 1984-85 or later years.

In view of the severity of the February 1983 bushfires, the Commonwealth provided additional general revenue assistance grants to Victoria (\$19.5m) and South Australia (\$10.5m) in 1982-83.

Special Grants

Under the arrangements decided at the June 1982 Premiers' Conference, the States are precluded from applying for special grants in respect of the years 1982-83 to 1984-85, the phasing-in period for the new tax sharing relativities.

STATE BORROWING PROGRAMS

Set out in the following table are details of 1983-84 new money borrowing programs for State Governments and their authorities, reflecting programs determined at the June-July 1983 Loan Council meeting and, for borrowings outside Loan Council program control, estimates notified by the States.

State and Local Sector: New Money Borrowings	1982-83	1983-84	Change	
	Actual	Estimate	\$m	%
Loan Council Approved Programs				
State Governments—				
Public Housing(a)	145.9	200.0(b)	+ 54.1	+37.1
Other	1 227.1	1 269.0	+ 41.9	+ 3.4
Total	1 373.0	1 469.0	+ 96.0	+ 7.0
State Larger Non-electricity Authorities (including infrastructure)	1 042.2	1 202.6	+160.4	+15.4
Estimated Borrowings—				
Electricity Authorities	2 612.1	2 656.0	+ 43.9	+ 1.7
State Smaller Authorities	532.8	593.0	+ 60.2	+11.3
Total State and Local Borrowings	5 560.1	5 920.6	+360.5	+ 6.5

(a) Classified to the function *Housing* with other public housing expenditure.

(b) Estimate only.

State Government Loan Council Program

The Commonwealth funds the State Government Loan Council Program from its own Budget. One third of the program is provided as interest-free capital grants, the remainder as interest bearing advances.

At its June-July 1983 meeting, Loan Council approved a State Government Loan Council Program of \$1469m, an increase of \$96m or 7% on the 1982-83 Program.

States can nominate from this program funds for public housing to be provided under the concessional terms and conditions of the Commonwealth-State Housing Agreement (CSHA), subject to their first satisfying the matching requirements of the CSHA. The States have not yet advised the amounts they intend nominating for public housing under these arrangements in 1983-84. An estimated amount of \$200m has been separately identified in the budget figuring for this purpose, and is shown in the function *Housing*. The balance of the program is provided as advances at current rates of interest.

Electricity Authorities

At its June 1982 meeting, Loan Council agreed, subject to certain conditions, to electricity authorities being freed of Loan Council constraints with regard to the amount and terms of their domestic borrowings for a trial period of three years. At the June-July 1983 Loan Council Meeting, the States agreed to limit the borrowings of electricity authorities in 1983-84 to the estimates they had previously supplied to the Loan Council Secretariat. These estimates are included in the above table.

States' Larger Non-electricity Authorities Program (including Infrastructure)

Loan Council also approved a borrowing program for State larger non-electricity authorities of \$1202.6m for 1983-84, an increase of \$160.4m or 15.4% on the 1982-83 program. This program (which consists of borrowings guaranteed by State governments which are not reflected in the Commonwealth Budget) includes an amount of \$1097.1m for the basic element of the States' larger semi-government authorities program, \$42m for temporary special additions, and \$63.5m for previously approved (non-electricity) infrastructure projects. No new projects were admitted to the infrastructure program. As from 1983-84, Loan Council has removed all formal restrictions—over the terms, conditions and timing of the domestic borrowings of all authorities—these matters will in future be determined by the individual members of Loan Council.

The distribution of the 1983-84 States' larger (non-electricity) authorities program is set out in the following table:

	1982-83				1983-84			
	Larger (Non-electricity) Authorities(a)				Larger (Non-electricity) Authorities			
	Basic Program	Infra-structure Program	Special Additions	Total	Basic Program	Infra-structure Program	Special Additions	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
New South Wales	323.7	66.4	—	390.1	427.2	40.5	—	467.7
Victoria	264.5	23.7	20.0	308.2	349.0	6.0	—	355.0
Queensland	179.6	60.0	7.0	246.6	237.0	17.0	—	254.0
South Australia	28.4	—	4.5	32.9	37.5	—	22.0	59.5
Western Australia	33.2	5.4	13.7	52.3	43.8	—	—	43.8
Tasmania	2.0	10.1	—	12.1	2.6	—	20.0	22.6
Total	831.4	165.6	45.2	1042.2	1097.1	63.5	42.0	1202.6

(a) Amounts borrowed.

States' Smaller Authorities' Borrowings

Loan Council agreed to increase from \$1.5m to \$1.8m the annual limit to which smaller authorities can borrow individually for new money without requiring a Loan Council approved program.

ASSISTANCE RELATED TO STATE DEBT

Under the Financial Agreement the Commonwealth is to pay \$15.2m to the States each year until 1985 as a contribution towards interest payable on their debt. The Commonwealth also makes sinking fund contributions under the agreement in respect of State debt; these payments are estimated at \$45.5m in 1983-84.

ASSISTANCE FOR LOCAL GOVERNMENT

Under the tax sharing arrangements introduced in 1976-77, the Commonwealth provides funds to the States for general purpose assistance to local government authorities. The assistance is provided as a proportion of Commonwealth net personal income tax collections in the preceding year. The proportion currently applying is 2%. It is estimated that these grants will increase by \$34.8m to \$459.3m in 1983-84, and that this will provide some real increase in the grants.

PAYMENTS TO THE NORTHERN TERRITORY NEC

Under the *Northern Territory (Self-Government) Act 1978*, the Legislative Assembly of the Northern Territory has power, with the assent of the Administrator or the Governor-General, to make laws for the peace, order and good government of the Territory. Ministers of the Territory have executive authority in respect of specified functions of a State-type nature. An outline of the financial arrangements applying to the Northern Territory is provided in Chapter V of Budget Paper No. 7, *Payments to or for the States, the Northern Territory and Local Government Authorities, 1983-84*. Under the Memorandum of Understanding between the Commonwealth and the Northern Territory, Commonwealth financial assistance to the Territory has been on a State-type basis since 1979-80.

The main payments to be made to the Territory in 1983-84 which are not included under other functional headings are described below.

Tax Sharing Grant

The bulk of general purpose revenue assistance is provided as a tax sharing grant. The Territory's grant changes each year in proportion to changes in the population of the Territory and to changes in total Commonwealth tax collections (as defined in the *States (Tax Sharing and Health Grants) Act 1981*) lagged by one year.

The Northern Territory's grant for 1983-84 is \$424.3m, an increase of \$45.4m or 12% on the 1982-83 amount. This compares with an increase in States' aggregate tax sharing grants of 10.1%.

Identified Health Grants

Under the *States (Tax Sharing and Health Grants) Act 1981* the Northern Territory (along with New South Wales, Victoria, Queensland and Western Australia) receives a general purpose grant that replaces separate specific purpose assistance previously provided on a cost-shared basis for hospital operating costs, community health and school dental services. Details are provided under the heading 'States General Revenue Funds' within this function.

Additional Assistance

For the six years from 1979-80 the Northern Territory receives either a special grant after consideration of the recommendation of the Commonwealth Grants Commission, or an additional assistance grant (as determined by the Memorandum of Understanding), whichever is the greater. The Commonwealth Grants Commission has recommended the payment in 1983-84 of a special grant of \$16.9m to the Northern Territory in respect of the 1981-82 financial year. As this grant exceeds the additional assistance grant of \$10m otherwise payable in 1983-84, the Territory will receive the special grant in 1983-84.

Grant in Lieu of Uranium Royalties

The Commonwealth makes a grant to the Northern Territory Government of an amount in lieu of uranium royalties. The payment in 1983-84 is estimated at \$3.5m, compared with \$3.7m in 1982-83.

Payments in Respect of Recreation Leave and Furlough Entitlements

Commonwealth payments to the Territory in lieu of the accrued recreation leave and furlough entitlements of its officers who transferred to the Northern Territory Public Service are estimated at \$0.4m for 1983-84. These payments are made on an emerging cost basis and the 1983-84 provision relates to entitlements of officers who retired or resigned in 1981-82.

General Capital Assistance

The Commonwealth provides general purpose capital funds to the Northern Territory on the same terms and conditions as apply to the State Government Loan Council program. The level of general purpose capital assistance to the Territory changes each year in proportion to changes in State Government Loan Council programs, excluding any special additions. The level of assistance may, by agreement, be supplemented by temporary or permanent additions to the Territory program.

As a result of the 7% increase approved for the State Government Loan Council program, the Territory's capital program will increase from \$120.6m to \$129.1m in 1983-84. In line with the arrangements for the States, one-third (\$43m) will be provided as grants and the remainder as advances from the Commonwealth at rates of interest, and on terms similar to those applying to the States. As is the case for the States, the Northern Territory will be able to nominate amounts from its 1983-84 capital program for expenditure on public housing, subject to it first satisfying the matching requirements of the Commonwealth-State Housing Agreement (CSHA). Nominated amounts will be advanced on the same loan terms and conditions as apply to advances made under the CSHA. The Territory did not nominate any funds for this purpose in 1982-83.

Debt Charges Assistance

The Northern Territory pays debt charges to the Commonwealth on its general purpose capital advances. These charges are rising rapidly in the early years of self-government and the Commonwealth is currently fully funding them by way of annual specific purpose payments to the Territory. The Budget provision of \$54.5m is equal to the debt charges estimated to be incurred by the Territory in 1983-84 and is an increase of \$23.3m on the 1982-83 payment.

Assistance for Local Government

A specific purpose payment of \$2.2m will be provided to the Northern Territory for distribution as general purpose assistance among local government authorities in the Territory in 1983-84. This payment represents an increase of \$0.2m on 1982-83 and is in line with the agreement that annual payments are to vary in proportion to changes in net personal income tax collections (lagged by one year).

ASSISTANCE RELATED TO SOUTH WEST TASMANIA

Arising from the termination in July 1983 of the Gordon River Power Development Stage Two in South West Tasmania, the Commonwealth has undertaken to provide financial assistance to Tasmania in respect of alternative employment projects and

financial support for employees and contractors who cannot be redeployed to alternative projects in the short term. The initial arrangements agreed with Tasmania to give effect to this undertaking are to be reviewed by the Commonwealth and the State in October 1983. Pending the outcome of that review and the development of longer-term arrangements, an amount of \$27m is provided for payments to the State in 1983-84 for these purposes. The extent to which this provision is drawn upon will depend, inter alia, on future funding arrangements to be agreed.

In addition, an amount of \$3m has been provided for strengthening of the Hobart Airport runway, recorded under the function 'Transport and Communication'.

Other issues arising from termination of the power development, including that of Tasmania's future power requirements, will be the subject of further discussions with the State.

NATURAL DISASTER RELIEF

Under arrangements introduced in 1978-79, the Commonwealth provides assistance on a \$3 Commonwealth to \$1 State basis for expenditures by each State (and the Northern Territory) on approved relief and restoration measures in respect of major disasters where such expenditures exceed the annual base amount established for each State (and the Northern Territory) in terms of its assessed financial capacity. In addition, the Commonwealth meets half of the cost of assistance provided for approved measures for the immediate relief of personal hardship and distress where such assistance is not provided under the \$3 for \$1 arrangements. Further details on disaster relief arrangements are provided in Budget Paper No. 7, *Payments to or for the States, the Northern Territory and Local Government Authorities, 1983-84*.

In the 1982-83 Budget a provision of \$8.5m was made for natural disaster relief payments to the States and the Northern Territory. As a consequence of the major bushfires in Victoria and South Australia in February 1983, and the severe drought in all the mainland States, natural disaster relief payments by the Commonwealth in 1982-83 totalled \$146.3m. It should be noted that, because of the severity of the drought, the Commonwealth also provided special assistance for primary producers in 1982-83, outside the natural disaster relief arrangements, under the Interest Subsidy and Fodder Subsidy Schemes.

An amount of \$110.4m is provided for natural disaster relief payments to the States and the Northern Territory in 1983-84. This mainly relates to:

- continuing substantial drought relief payments in a number of States, and particularly in Queensland;
- allowance for large commitments for relief in respect of the extensive flooding which occurred in New South Wales and Queensland between April and June 1983; and
- continuing assistance for bushfire relief in Victoria and South Australia.

Repayments

Some Commonwealth assistance to the States for natural disaster relief is provided as interest-free advances in respect of eligible expenditures by the States. These expenditures usually take the form of concessional loans to individuals and business enterprises affected by natural disasters. Such advances are normally repayable by the

States in eight equal annual instalments, with the first instalment due for repayment two years after the end of the financial year in which the relevant advances were made. Repayment by the States of advances made in previous years are estimated at \$16.3m in 1983-84.

SUMMARY OF COMMONWEALTH PAYMENTS TO THE STATES, THE NORTHERN TERRITORY AND LOCAL GOVERNMENT AUTHORITIES

The payments described above are largely of a 'general purpose', as distinct from 'specific purpose', kind. Detailed information on both categories of payments is provided in Budget Paper No. 7, *Payments to or for the States, the Northern Territory and Local Government Authorities, 1983-84*. Estimated total Commonwealth payments to the States and the Northern Territory in 1983-84 are summarised below.

	1982-83			1983-84		
	1981-82	Actual	Change on 1981-82	Estimate	Change on 1982-83	
	Actual				\$m	%
Payments to or for the States and local authorities—						
General Purpose Revenue Funds	7 885.4	8 800.1	+ 11.6	9 872.8	+1 072.7	+12.2
General Purpose Capital Funds	1 307.3	1 373.0	+ 5.0	1 469.0	+ 96.0	+ 7.0
Total General Purpose	9 192.7	10 173.1	+ 10.7	11 341.8	+1 168.7	+11.5
Specific Purpose Assistance—						
Assistance related to State Debt	57.0	58.9	+ 3.3	60.7	+ 1.8	+ 3.1
Education Commissions	2 639.3	2 996.0	+ 13.5	3 141.6	+ 145.6	+ 4.9
Housing—Advances	138.5	138.7	+ 0.1	138.7	—	—
Grants for Housing	116.7	179.5	+ 53.8	338.1	+ 158.7	+88.4
Roads	662.0	820.0	+ 23.9	1 127.5	+ 307.0	+37.4
Local Government Tax-sharing	350.9	424.5	+ 21.0	459.3	+ 34.9	+ 8.2
Hospital Cost-sharing	171.7	220.3	+ 28.3	119.7	- 100.6	-45.6
Other	393.5	944.8	+140.1	1 189.7	+ 244.9	+25.9
Total Specific Purpose	4 529.6	5 782.7	+ 27.7	6 774.0	+ 991.3	+17.1
Total Payments to or for the States	13 722.3	15 955.9	+ 16.3	18 115.8	+2 159.9	+13.5
Payments direct to Local Authorities	27.2	59.2	+117.8	87.7	+ 28.6	+48.3
Gross Payments from the Budget to the States	13 749.4	16 015.0	+ 16.5	18 203.5	+2 189.0	+13.7
Repayments	326.0Cr	320.1Cr	- 1.8	335.0Cr	+ 14.9	+ 4.7
Net Payments to the States and Local Authorities	13 423.8	15 695.4	+ 16.9	17 869.6	+2 174.2	+13.9
Payments to the Northern Territory—						
General Purpose Revenue Funds	363.8	421.7	+ 15.9	470.4	+ 48.8	+11.6
General Purpose Capital Funds	114.9	120.6	+ 5.0	129.1	+ 8.4	+ 7.0
Specific Purpose Funds	145.0	180.2	+ 24.5	247.9	+ 67.7	+37.6

	1982-83			1983-84		
	1981-82	Actual	Change on 1981-82	Estimate	Change on 1982-83	
	Actual				\$m	%
Gross payments from the Budget to the Northern Territory	623.7	722.9	+ 15.9	848.4	+ 124.9	+17.3
Repayments	4.1Cr	5.2Cr	- 27.6	6.6Cr	- 1.4	-26.5
Net payments from the Budget to the Northern Territory	619.7	717.8	+ 15.8	841.9	+ 123.5	+17.2
TOTAL NET PAYMENTS TO THE STATES, THE N.T. AND LOCAL AUTHORITIES	14 043.1	16 412.7	+ 16.9	18 710.4	+2 297.7	+14.0

B. PUBLIC DEBT INTEREST

Interest payments from the Budget sector to other sectors are recorded under this heading. Offset against gross interest payments on Commonwealth securities is interest on Commonwealth securities held by the various Commonwealth Government Trust Accounts. Public debt interest in 1983-84 is estimated at \$4 133.3m, an increase of 22.4% on the outcome in 1982-83. As a proportion of total outlays, public debt interest in 1983-84 is estimated at 7.3% compared with 6.9% in 1982-83.

	1981-82 Actual	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Interest on account of the Commonwealth—					
Paid under the Commonwealth Inscribed Stock Act and the Loans Securities Act	1 562.3	1 864.7	2 500.0	+ 635.3	+ 34.1
Paid on advances to Commonwealth authorities under specific legislation	13.4	14.3	8.6	- 5.7	- 39.9
Paid under the Loans (Interest Equalization Deposits) Act	12.9	15.9	14.3	- 1.6	- 10.1
Other (a)	3.9	1.8	1.8	..	..
Total	1 592.5	1 896.6	2 524.6	+ 628.0	+ 33.1
Interest on account of the States—					
Paid under the Commonwealth Inscribed Stock Act and the Loans Securities Act	1 382.7	1 543.0	1 670.0	+ 127.0	+ 8.2
Paid under Savings Bank Agreements	37.7	46.4	50.0	+ 3.6	+ 7.9
Other (b)	1.3	1.1	1.0	- 0.2	- 14.1
Total	1 421.7	1 590.5	1 721.0	+ 130.4	+ 8.2
Gross Interest Payments	3 014.2	3 487.2	4 245.6	+ 758.4	+ 21.7
Interest Received on Government Securities and Cash Balances held by the Commonwealth Government on its own behalf—					
Loan Consolidation and Investment Reserve	118.6Cr	100.5Cr	95.0Cr	+ 5.5	+ 5.4
Other	14.8Cr	9.0Cr	17.3Cr	- 8.2	- 91.4
Total Public Debt Interest	2 880.9	3 377.7	4 133.3	+ 755.6	+ 22.4

(a) Mainly interest payments by the Commonwealth on trustee moneys lodged with it at call and interest payments on borrowings from private lenders by the ACT Commissioner for Housing.

(b) Interest payments on advances to the States in respect of the Mt Isa Railway and War Service Land Settlement.

Gross Interest Payments

Interest paid on the Commonwealth's own behalf is in respect predominantly of outstanding Treasury Bonds, Australian Savings Bonds, Treasury Notes and Treasury Bills. Other interest shown on account of the Commonwealth relates mainly to securities issued on behalf of certain Commonwealth authorities and in respect of Income Equalization Deposits.

Commonwealth securities are also issued on behalf of the States in respect of borrowings undertaken by the Commonwealth on behalf of the States. For the purposes of this paper payments of interest in respect of debt of State Governments and Commonwealth authorities are treated as a Commonwealth outlay. Reimbursement by the

States and relevant Commonwealth authorities of interest paid on these Commonwealth securities is recorded as receipts under the heading 'Interest, Rent and Dividends' (see Statement No. 4).

The estimated increase in gross interest payments on Commonwealth securities in 1983-84 amounts to \$758.4m (21.7%) compared with an increase of \$473m (15.7%) recorded in 1982-83.

The rise in public debt interest payments in 1982-83 was due largely to the increased issue of debt by the Commonwealth during the year, the particularly high level of interest rates in the first quarter and the increased cost of meeting interest payments on overseas debt as a result of the depreciation in the Australian dollar. The larger increase in estimated interest in 1983-84 mainly reflects the full-year impact of interest payable on the large debt issued, other than Treasury Notes, in 1982-83 and the interest liability on estimated debt issue in the first half of 1983-84.

Interest paid on public debt in any year embodies both the cost of debt issued in past years and that expected to be issued in the current year. Because all the factors that will affect the total amount, timing and cost of debt to be issued in 1983-84 cannot be known in advance with any precision, such estimates are necessarily subject to considerable uncertainty.

Interest Received

Interest is received by the Loan Consolidation and Investment Reserve (LCIR) on investments in Commonwealth securities which were issued mainly in Special Loans to assist with the financing of State Loan Council programs. These amounts, which represent the receipt of interest by the Commonwealth from itself (through one of its Trust Accounts), are offset against gross interest payments, in order to record only public debt interest payments to other sectors. The fall in estimated interest receipts in 1983-84 reflects a reduction in the LCIR portfolio holding of securities.

Interest is also received by other Commonwealth Trust Funds on their investments in Commonwealth securities. These amounts also are deducted in arriving at public debt interest payments. The estimated decrease in these receipts for 1983-84 mainly reflects a change in the type of investments held by the Wheat Finance Fund, from Commonwealth securities to fixed deposits.

C. ALLOWANCES FOR PROSPECTIVE STAFF, WAGE AND SALARY INCREASES (NON-DEFENCE)

The individual appropriations for wages and salaries are calculated using the latest available wage and salary rates at the time the Budget is prepared, i.e. wage and salary rates ruling at the beginning of the financial year 1983-84. The expected costs of prospective increases in wage and salary rates during 1983-84 are taken into account by inclusion in the Budget estimates of a bulk allowance. Thus, a portion of the year on year increase in average wage and salary rates between 1982-83 and 1983-84 is included in the appropriations; the bulk allowance provides for the remainder.

The unappropriated provision of \$130m included under this heading relates to all wage and salary appropriations other than those recorded in the Defence function where a separate allowance is included.

Also included under this heading is \$33m which has been appropriated to the Department of Finance and covers the salary and related administrative costs of additional staff for extensions to on-going programs and for new initiatives announced in the 1983-84 Budget, the precise allocation of which was not known at budget time. The allocation of this amount between departments will be considered by the Government in the post-Budget period and the expenditure will be classified to the appropriate function.

APPENDIX TO STATEMENT No. 3

THE 1983-84 BUDGET ESTIMATES OF OUTLAYS COMPARED WITH THE FORWARD ESTIMATES OF 1983-84 OUTLAYS

This Appendix presents an analysis of changes, by function, in the estimates of 1983-84 Budget outlays since the publication in March 1983, in the context of the National Economic Summit Conference, of the *Report on the Forward Estimates of Budget Outlays 1983-84, 1984-85 and 1985-86*. The major causes of changes to the estimates of outlays since then are subsequent changes to the forecasts of economic and other parameters on which the forward estimates were based and policy decisions taken by the Government in the context of the May Economic Statement and 1983-84 Budget process.

For the purpose of this analysis, subsequent parameter variations are defined as changes in exogenous influences which affect the level of expenditure on a given program by changing the volume and/or rate of benefit or cost, on the assumption that the elements of the then approved policies on which the forward estimates were based remain unchanged. Such changes may involve movements in economy-wide parameters (for example, variations in forecasts of inflation indices) or in program-specific parameters (for example, changes in the number of pensioners). As discussed further below, both types of parameter assumptions underlying the forward estimates have been revised in the light of more recent information, including the implications of expenditure results for the last six months of 1982-83, current exchange rates, movements since December 1982 in the Consumer Price Index (CPI) and in Average Weekly Earnings (AWE), changed forecasts of other economic parameters, and changed estimates of unemployment and other beneficiaries.

In a number of cases, the costs of programs have been affected by both policy decisions and changes in parameters. Where the separate effects are readily apparent they have been identified separately in the analysis. Where the separate influences of policy and parameter changes are difficult to identify, the change in the budget estimate has been attributed to that which is considered to be the dominant causal factor.

Changes in Government policies which affect the level of activity in the economy generally, or cause changes in certain economy-wide parameters, might have an important indirect effect on parameters which influence the cost of specific Government programs. For example, the degree of fiscal stimulus inherent in the 1983-84 Budget has some bearing on the estimated number of unemployment benefit recipients and thus on the level of expenditure for the unemployed. Similarly, altered indirect taxes and the funding through taxes of expenditure previously met privately might, by way of their influence on the CPI, affect the costs of certain programs. It is usually difficult and often speculative to attempt to quantify the indirect effects of a given policy change on the costs of other Government programs, and the analysis presented here makes no attempt to do so.

While the following table and the associated text need to be interpreted in the light of the foregoing qualifications as well as the usual qualifications associated with current estimates of uncertain future outcomes, they are nevertheless intended to provide a broad indication of the major causes of the difference between the Forward and Budget estimates of 1983-84 outlays.

	1982-83 actual		1983-84 forward estimate		Subsequent parameter adjustments for non-policy variations net(O)		1983-84 forward estimate adjusted for parameter adjustments for non-policy variations		1983-84 Budget estimate		Difference adjusted forward estimate and Budget estimate		Accounted for by the Government for outlays		Policy decisions on program related tax changes and other revenue decisions		Effect of program decisions net of expenditure and revenue decisions
	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%	Increase	Decrease	Net	Increase	Decrease	Net	
1. Defence	4782	5158	282	5499	5280	-159	2	-159	2	-159	2	-159	2	-159	2	-159	-164
2. Health	3463	3696	233	3463	4292	829	23	829	23	829	23	829	23	829	23	829	-46
3. Education	14112	16374	2262	14112	16374	2262	15	2262	15	2262	15	2262	15	2262	15	2262	107
4. Social Security and Welfare	256	256	0	256	256	0	0	256	0	256	0	256	0	256	0	256	10
5. Unemployment Compensation	126	102	-24	126	102	-24	20	102	18	102	18	102	18	102	18	102	17
6. Unemployment Insurance	323	323	0	323	323	0	2	323	0	323	0	323	0	323	0	323	17
7. Culture and Recreation	1760	1877	117	1760	1877	117	6	1877	6	1877	6	1877	6	1877	6	1877	6
8. Economic Services	103	103	0	103	103	0	137	103	137	103	137	103	137	103	137	103	-171
9. General Public Services	103	103	0	103	103	0	137	103	137	103	137	103	137	103	137	103	-171
10. Non allocated to Functions -	199	228	29	199	228	29	13	228	13	228	13	228	13	228	13	228	-39
A. Legislative Services	202	202	0	202	202	0	13	202	13	202	13	202	13	202	13	202	-17
B. Water Supply, Electricity and Gas	103	103	0	103	103	0	13	103	13	103	13	103	13	103	13	103	-31
C. Energy, Air and Transport	103	103	0	103	103	0	13	103	13	103	13	103	13	103	13	103	-31
D. Foreign Affairs and Overseas Aid	103	103	0	103	103	0	13	103	13	103	13	103	13	103	13	103	-31
E. General and Scientific Research etc	103	103	0	103	103	0	13	103	13	103	13	103	13	103	13	103	-31
F. Medical and Scientific Research etc	103	103	0	103	103	0	13	103	13	103	13	103	13	103	13	103	-31
G. Other Economic Services	103	103	0	103	103	0	13	103	13	103	13	103	13	103	13	103	-31
H. Other Public Services	103	103	0	103	103	0	13	103	13	103	13	103	13	103	13	103	-31
I. Total General Public Services	103	103	0	103	103	0	13	103	13	103	13	103	13	103	13	103	-31
J. Total General Public Services	103	103	0	103	103	0	13	103	13	103	13	103	13	103	13	103	-31
K. Administration or for the States, N.T. and Local Government	103	103	0	103	103	0	13	103	13	103	13	103	13	103	13	103	-31
L. Public Debt Interest	103	103	0	103	103	0	13	103	13	103	13	103	13	103	13	103	-31
M. Prospective State, Terr. and State Income	103	103	0	103	103	0	13	103	13	103	13	103	13	103	13	103	-31
N. (Non-Disposal)	103	103	0	103	103	0	13	103	13	103	13	103	13	103	13	103	-31
Total Outlays	48982	54294	5296	48982	54294	5296	130	54294	130	54294	130	54294	130	54294	130	54294	-623

(a) The functional presentation includes changes caused by reclassifying certain expenditures between functions. Such changes affect functional totals but have no effect on aggregate outlays.

The estimated increase in outlays due to changes in parameter forecasts and other non-policy variations since the Forward Estimates Report is \$838m or 1.5% of the forward estimate of 1983-84 outlays. The adjusted forward estimate of 1983-84 outlays (obtained by adding the estimated effect of parameter and other variations to the original forward estimate) is \$55 432m or \$1271m (2.3%) less than the 1983-84 Budget estimate.

This adjusted forward estimate is based on current forecasts of economic and other parameters, but assumes that approved policies and programs at the time of preparation of the forward estimates report would have been continued (or terminated) on the basis of then existing policies. The adjusted forward estimates therefore make no provision for programs due to expire before or during 1983-84, or for new policies introduced by the Government.

The difference between the adjusted forward and 1983-84 Budget outlays estimates, of \$1271m is accounted for by the net effect of policy decisions of the Government. Decisions have been made to reduce expenditure by \$1214m on a range of programs inherited from the previous Government. The new policies announced in the May Economic Statement or in the 1983-84 Budget Speech will increase outlays by \$2485m.

Increased receipts resulting from Government decisions involving program related tax expenditure and program related receipts items amount to an estimated \$623m. The last column of the table shows that if the latter amount is offset against the policy induced net increase in 1983-84 outlays, policy decisions can be said to have increased the call on general revenues by a net amount of about \$648m. This analysis, of course, excludes the effect of taxation revenue and other revenue decisions taken for general budgetary purposes which are described in detail in Statement No. 4.

The functional analysis of changes between the adjusted forward estimates and the budget estimates presented in the body of the table gives some indication of the changes in program priorities which have resulted from the Government's May Economic Statement and 1983-84 Budget decisions. The major policy induced changes in the 1983-84 estimates of Budget outlays compared to those shown in the Forward Estimates Report are summarised below:

- Of the total net increase resulting from policy decisions (\$1271m), net increases in estimated outlays in the areas of *Housing* and *'Labour and Employment'* account for \$550m reflecting the Government's concern to create additional employment and housing opportunities.
- *Social Security and Health* programs account for a further \$571m of the policy induced net increase in outlays. The estimated net increase in outlays under the Health function of \$454m reflects mainly the introduction of Medicare (\$600m), offset by associated reductions in outlays in respect of the Commonwealth's contribution to the Hospital Benefits Reinsurance Trust Fund (-\$80m) and the termination of the previous hospital cost-sharing arrangements involving payments to South Australia and Tasmania (-\$79m). With the introduction of Medicare, these latter payments will now be made under the function 'Payments to or for the States, the Northern Territory and Local Government Authorities, nec'. The net effect of Medicare on the Budget will be further reduced by the abolition of the tax rebate for basic health insurance (\$95m) and the introduction of the Medicare levy estimated at \$390m.

- Policy related increases in payments to the States, the Northern Territory and Local Government account for a further net increase of \$320m.
- Offset against these net increases are net decreases in outlays due to policy decisions in the areas of 'Transport and Communications', and 'Industry Assistance and Development' amounting to a total net reduction in estimated outlays of \$199m.
- Although decisions on the Defence vote provide for real growth in outlays of about 4% in 1983-84 and allow for continuation of existing programs, the Budget estimate is \$159m less than the adjusted forward estimate which was based on financial guidance of 7.4% real growth under the Five Year Defence Program.

The following text outlines by function the major causes of changes in estimates of outlays due to revised parameter forecasts and other non-policy variations to the estimates since the forward estimates were formulated; the amount shown at the beginning of each function represents the net effect of such changes. (The text includes, where applicable, effects on functional outlays caused by reclassification. It should be noted that functional reclassification of outlays, while affecting the totals of relevant functions, has no impact on aggregate outlays.) Changes to outlays caused by Government policy decisions are described in the body of Statement No. 3, which, together with Statement No. 4, also mentions decisions affecting tax expenditures and relevant receipts. These decisions are therefore not described in any detail in this Appendix.

Defence—up \$282m

Variations in economic and other parameters underlying the estimates account for all of the increase. Of this amount, devaluation of the Australian dollar, and subsequent movements, especially in relation to the \$US, added \$11m to prospective expenditure. In addition, specific adjustments were required for prospective cost increases (\$67m) arising under contracts for major equipment purchases in the United States, and the forward estimates provision for prospective wage and salary increases has been increased by \$30m based on recent projections of AWE. A further increase in the estimate (\$69m) was made to reflect actual price and exchange rate levels in 1982-83 relevant to Defence outlays which were higher than assumed at the time of the forward estimates, and so provided a higher estimation base for 1983-84 outlays.

Education—up \$109m

Of the increase of \$109m due to parameter variations, \$39m results from an increase in the forecast number of beneficiaries and average benefits paid under student assistance schemes such as the Tertiary Education Allowance Scheme and the Secondary Allowances Scheme. A further \$6m is due to the effect of increases in non-government school enrolments on the cost of per capita grants, and the remaining \$64m is largely attributable to higher salary requirements based on recent forecasts of AWE.

Health—up \$32m

About \$15m of the above increase can be attributed to the net effect of changed parameters. Greater than anticipated utilisation of medical services and increased numbers of Health Care card holders and their dependants increased estimated outlays by \$61m. This increase is largely offset by lower than previously anticipated demand for

pharmaceutical benefits (—\$50m). When allowance is made for other increases and decreases the remaining \$17m is largely explained by a backlog of medical benefits claims (+\$18m) which had not been envisaged at the time of the forward estimates.

Social Security and Welfare—up \$352m

The main increases in this function occurred because of parameter changes (+\$290m) comprising:

- the net effect (+\$121m) of changes to the estimated numbers of pensioners and beneficiaries on which the forward estimates were based. The main increases were due to upwards variations to the estimated average number of age (+\$38m), veterans (+\$90m) and invalid (+\$28m) pensioners, supporting parent beneficiaries (+\$25m) and family allowance beneficiaries (+\$13m). These were partially offset by reductions in the estimated average number of unemployment beneficiaries (—\$49m), widow pensioners (—\$4m) and mobility (—\$14m) and rehabilitation (—\$7m) allowances;
- increases of \$91m to reflect the actual CPI figures for the March and June quarters of 1983 and revisions to the CPI forecast which impact on the estimated cost of the automatic indexation provisions of pensions and benefits; and
- the net effect (+\$78m) of changes to the 1982-83 cost base on which pension and benefits estimates are framed. These include, for example, updates of the average rates of fortnightly pension/benefit paid.

Other changes to the forward estimates occurred because of staff increases approved after the forward estimates (+\$11m), cost increases not reflected in the CPI (+\$8m), and other variations (+\$43m) to the forward estimates arising mainly from a rescheduling of the financial requirements under the administrative votes of the Department of Social Security in connection with the computer and network equipment program, and the reclassification of certain outlays from the ACT Community Development Fund to this function.

Housing—down \$6m

The decrease on the forward estimate mainly reflects the effects (—\$8m) of changed assumptions about the basic parameters underlying the forward estimates including the change in the 1982-83 base for nominated advances under the Loan Council arrangements (+\$8.6m) and increases in estimated numbers of beneficiaries under the Home Deposit Assistance Scheme (+\$12m) and the Home Savings Grant Scheme (+\$1.5m). These increases were more than offset by reductions in the capital and interest subsidy requirements of, and higher than expected proceeds from land sales by, the Defence Service Homes Corporation (—\$30m). The net reduction due to these parameter changes was partially offset by other increases (+\$2m), mainly in the estimates for the administrative expenses of the housing function of the Department of Housing and Construction.

Urban and Regional Development nec and the Environment—up \$29m

The forward estimates assumed, on the basis of negotiations then in progress, that the NSW and WA Governments would settle outstanding debts in respect of growth centres and land commissions and commence repayment of negotiated lump sum amounts in 1983-84 (\$22m). These negotiations have been delayed and as a result no

provision for repayment has been included in the 1983-84 Budget estimates and a further \$19m has been added to the estimates for the capitalised interest in respect of the outstanding debt. Offset against this total amount is a reduction of \$15m reflecting revised estimates of requirements for general urban development and protection of the environment.

Culture and Recreation—down \$2m

Changes in economic and other parameters resulted in an increase of about \$11m in the Budget estimate, largely reflecting wage and salary increases, cost increases incurred by the ABC and the effects of devaluation and CPI increases not reflected in the forward estimates. These increases were more than offset by savings of about \$13m against the forward estimate reflecting the implications for 1983-84 outlays of progress achieved in 1982-83 on a number of construction projects, as well as a reassessment of funds to be provided for the staffing, administrative and operational expenses of national collecting and other institutions.

Transport and Communication—down \$40m

Variations in underlying parameters largely account for this decrease, the most substantial being reduced expenditure under the Australian Bicentennial Road Development Program due to a reassessment of the expected level of receipts (—\$20m) from the excise surcharge on motor spirit and distillate (based on updated fuel consumption forecasts), reduced estimated subsidy requirements under the Tasmanian Freight Equalisation Scheme due to expected reductions in shipping activity (—\$9m) and an increase in estimated revenue from air navigation charges as a result of an increase in projected international airline activity (—\$8m).

Water Supply, Electricity and Gas—down \$13m

About \$5m of the decrease is accounted for by a reassessment of operational assistance for the Northern Territory electricity supply in 1983-84, taking into account more recent projections of the relevant cost indices. The estimated 1983-84 funding requirement for construction of a coal-fired power station in Darwin has been reduced by over \$4m in the light of a revised construction schedule. The balance of the net decrease is attributable to a reduced estimate of expenditure on the Liquefied Petroleum Gas Subsidy in line with a lower projection of demand for liquefied petroleum gas.

Industry Assistance and Development—down \$176m

Payments for drought relief assistance (the Fodder and Interest Subsidy Schemes) are estimated to be \$132m lower due to the widespread rains which have reduced the number of primary producers who are eligible for drought assistance and the consequent decisions by the Government to terminate the Fodder Subsidy Scheme from 30 June 1983 and the Interest Subsidy Scheme from 31 December 1983. In addition, depressed economic conditions have led to downward revisions in outlays for a number of programs. A decline in estimated bountiable production has lowered the estimate for bounty payments by about \$12m and a reduction in expected applicants for Industrial Research and Development (I R and D) commencement grants is the main factor underlying the parameter related reduction of approximately \$8m in estimated outlays on I R and D programs. Estimated payments in 1983-84 under the Export Expansion Grants Scheme and Export Market Development Grants Scheme were also revised

downward by \$7m and \$23m, respectively, reflecting slower forecast growth in export activity. The Budget estimates also reflect a greater decrease (—\$26m) in outlays on the Petroleum Products Freight Subsidy Scheme than was projected at the time of the forward estimates in the light of the 1982-83 Budget decision to raise the subsidy margin to 1.0 cents per litre.

Finally, the effects of reclassifications of certain administrative expenses (to 'Administrative Services' and from 'Other Economic Services') and other minor variations to the estimates account for a net increase of \$31m.

Labour and Employment—up \$10m

Variations in parameters identified below account for \$8m of this increase. The remaining \$2m is the net effect of various small estimating changes.

The function includes payments made to the Stevedoring Industry Finance Committee from a levy imposed on stevedoring employers under the *Stevedoring Industry Levy Act 1977*. A further decrease in activity on the waterfront is expected to result in a decrease in the payment made to the Committee (—\$4m). Increased payments from the Coal Mining Industry Long Service Leave Trust Fund to the States are expected to be made (+\$10m), reflecting the impact of depressed economic activity on applications for long service leave.

Within the 'Immigration' sub-function, the major component of the increase (+\$2m) is due to the full-year effect of increased activities related to the detection and deportation of illegal migrants and visitors working without permits, which began in 1982-83.

Other Economic Services—down \$33m

The functional reclassification of the administrative expenditure of the Department of Trade from 'Other Economic Services' to 'Industry Assistance and Development' accounts for \$30.8m of the decrease. Other changes in functional classification since the forward estimates, relating to functions formerly performed by the Department of Business and Consumer Affairs, account for a further reduction of \$1.2m.

Legislative Services—down \$6m

This net decrease consists of a reduction of \$9m in estimated expenditure by the Parliament House Construction Authority based on actual construction during 1982-83, partly offset by increased estimates of expenditure on salaries and administrative expenses.

Law, Order and Public Safety—up \$2m

This increase consists of the net effect of an increase of \$3m due to increased staffing levels and projected salary and wages costs, partly offset by reduced requirements for technical equipment and transfer of responsibility for debt recovery to statutory authorities.

Foreign Affairs and Overseas Aid—up \$18m

The most important parameter change affecting this function has been the depreciation of the Australian dollar. Of the \$18m total increase on the forward estimates relating to parameter changes, some \$10m can be attributed to depreciation which

affects contributions to non-aid international organisations (\$4m), payments to overseas employees and contractors, and the cost of services with a foreign exchange cost component. Apart from this, some \$4m can be attributed to cost increases not reflected in the Australian CPI, notably allowances to Australian officers serving overseas, salary increases for locally engaged staff and increases in Australia's assessed contributions to various international organisations. The remaining increase is the result of various factors such as staffing increases, unavoidable shippage of minor works, revised expectation of revenue from philatelic sales in the external territories and reduced revenue from the Overseas Property Bureau and the Australian Development Assistance Bureau.

General and Scientific Research nec—down \$14m

The reduction results from revised estimates of forecasts for a number of programs and agencies based on more recent information, including the effect of acceleration of capital works in 1982-83 which brought forward some \$2m of expenditure.

Administrative Services—down \$18m

The reduction of \$18m is, in the main, the net effect of two significant increases—higher estimates for loan flotation expenses (\$16m) and the transfer of functions previously classified as 'Industry Assistance and Development' (\$8m)—being more than offset by an estimated increase in employer superannuation contributions (—\$10m), a reduction in the expected average employment level for construction services of the Department of Housing and Construction (—\$5m), transfer of the activities of the ACT Community Development Fund to the *Social Security and Welfare and Culture and Recreation* functions (—\$5.4m), reduced working capital advance for transport and storage services (—\$3m), and various further reductions stemming mainly from reduced estimates for salaries and administrative expenses, in particular in relation to the administration of the ACT (—\$9m).

Payments to or for the States, the Northern Territory and Local Government Authorities nec—up \$204m

General revenue assistance to the States increased by \$124m reflecting the final determination of 1982-83 tax collections and latest estimates of State populations and the CPI. In addition, the estimate of payments for natural disaster relief in 1983-84 increased (\$80m) due to unexpected expenditure relating to the recent severe drought, the effects of the February 1983 bushfires in Victoria and South Australia and the mid-year floods in New South Wales and Queensland.

Public Debt Interest—up \$72m

This increase is mainly due to higher than previously forecast issues of Commonwealth securities and to the higher interest costs on overseas borrowings as a result of exchange rate movements.

Allowance for Prospective Staff, Wage and Salary Increases (Non-Defence)—up \$35m

Increases in projected AWE in 1983-84 and changed assumptions as to the timing of those increases added \$35m to the bulk allowance for prospective wage and salary increases during 1983-84.

STATEMENT NO. 4—ESTIMATES OF RECEIPTS 1983-84

Total Budget receipts in 1983-84 are estimated at \$48 342m, an increase of 8.6 per cent over 1982-83 collections. In the absence of the measures announced in the Budget and the Medicare levy, which are estimated to yield \$1443m in 1983-84, revenues would have increased by 5.4 per cent to \$46 899m. Of this latter total, the measures announced in the Treasurer's 19 May Economic Statement account for some \$457m. Excluding the pre-Budget measures and the Budget measures (with a combined revenue yield of \$1900m), the estimate of receipts in 1983-84 would thus have been \$46 442m, 4.3 per cent higher than in 1982-83.

RECEIPTS MEASURES

The Table below shows the estimated revenue effects in 1983-84 and in a full year of the measures announced in the Treasurer's May Statement and in the Budget. Measures in the May Statement are treated only briefly below, except where there have been appreciable changes to their scope or their estimated revenue yield.

Measure	Estimated change in receipts	
	1983-84 \$m	Full year \$m(a)
(1) Announced in Economic Statement of 19 May 1983		
Personal Income Tax—		
Abolition of income tax rebate for basic health insurance from 1 July 1983	95	375
Termination of Housing Interest Rebate Schemes	80	395
Abolition of the automatic in-out averaging arrangement for primary producers	15	20
Changes to Income Equalisation Deposit Scheme	—	n.a.
Reduction to \$416 of the threshold for taxation of certain income of unmarried minors	5	70
Increase of the block concessional rebate threshold to \$2000	11	70
Abolition of the rebate on up to \$1000 dividend income	75	100
Changes to the taxation arrangements for lump sum superannuation and kindred payments	10	300(b)
Business income—		
Extension to 5 years of the period over which primary producers can depreciate certain plant and equipment	9	50(c)
Termination of special depreciation allowance for petroleum storage	—	n.a.
Termination of special concessions for conversion of oil/LPG fired plant	—	15(c)
Removal of certain exemptions from interest withholding tax	12	45
Placing of tax treatment of friendly societies in respect of insurance business on a par with that of life insurance companies	—	n.a.
Termination of deductibility of losses from tax-exempt activities	—	n.a.
Customs and Excise Duty—		
Increase in excise on aviation fuels by 2 cents per litre	20	21
Other Measures—		
Increase in interest rate on interest bearing capital of Telecom and Australia Post	101	101
Sale of 49 per cent of Commonwealth's 100 per cent equity in AUSSAT	24	(d)
(2) Budget Measures		
Personal Income Tax—		
Termination of concession for first home insulation	—	6
Phased removal of exemption for part time members of the Reserve Defence Forces	5	—20
Exemption of certain allowances of unemployment and sickness beneficiaries	—	22
Increase in provisional tax uplift factor from 10 per cent to 11 per cent	45	(d)
Medicare levy (e)	390	1 050



Measure	Estimated change in receipts	
	1983-84 \$m	Full year \$m(a)
Business Income—		
Amendment of film industry incentives	1	4
Abolition of deductions under section 75A of the Income Tax Assessment Act	—	3
Amendment of section 26 (4) of the Income Tax Assessment Act	—	n.a.
Measures to counter tax avoidance and evasion—		
Recovery of tax in 'bottom of the harbour' cases	60	(f)
Sales Tax—		
Correction of anomalies and inconsistencies	29	44
Crude Oil Excise	245(g)	(d)
Customs and Excise Duty—		
Increased excise on petrol, diesel and aviation fuels	295	354
Expansion of excise base (fuel oil, heating oil, kerosenes and fortifying spirit)	122	147
Indexation of excise rates	236	(h)
Indexation of excise-equivalent components of like customs duties	13	(h)
Deletions from excise base	-2	-2
Simplification of structure of tobacco excises	4	5

n.a. not available.

(a) Full year estimates are the ultimate change in receipts that would have occurred if the measure had applied in respect of 1983-84 to the estimated level of the relevant tax base in that year.

(b) Calculated by applying to all superannuation lump sums and kindred payments in 1983-84 the rates applicable under the new rules to payments in respect of service after 30 June 1983.

(c) First full year.

(d) Not applicable.

(e) The estimate for the Medicare levy is based on a levy of 1 per cent on taxable incomes payable from 1 February 1984.

(f) Total amount ultimately to be recovered is estimated at \$270m.

(g) This figure is estimated as the net result of several initiatives taken by the Government, after consultation with the oil industry, in the light of developments in 1982-83. The initiatives embrace restraint on production for domestic consumption (from the Fortescue field; preparation of legislation to authorise an import duty (for possible later implementation, if necessary) to encourage use of domestically produced crude oil and permission to export crude oil in certain circumstances.

(h) Full year gain would be similar to 1983-84 gain. Gains in future years are heavily influenced by assumptions about inflation, but would grow rapidly because of the compounding involved.

(1) MEASURES ANNOUNCED IN ECONOMIC STATEMENT OF 19 MAY 1983

PERSONAL INCOME TAX

Health Insurance Rebate

The rebate for basic health insurance premiums has been abolished in respect of contributions for basic health insurance coverage after 30 June 1983.

Housing Interest Rebate Schemes

The housing interest rebate which was announced in the 1982-83 Budget has been terminated from 30 June 1983 and the special home loan interest tax rebate announced in March 1982 for first home buyers is to be more restricted and no new entrants will be accepted from 1 October 1983. The latter scheme is to continue on an income-tested basis for persons who enter it on or before 30 September 1983, with a rebate being available until the fifth year of first home ownership.

Income Tax Averaging

Since the 1977-78 income year, the primary producer averaging provisions have had the effect that tax is calculated by reference to the rate on average income only in years when current income exceeds average income. Ordinary rates have applied in other years.

Commencing with the 1983-84 income year, the automatic in-out nature of the arrangements is to cease and a rate based on average income will be used every year.

Income Equalisation Deposit Scheme

New arrangements are to apply to deposits made on or after 1 September 1983 under the Income Equalisation Deposit (IED) scheme for primary producers. Deposits on or after that date are no longer to qualify for a tax deduction when made, nor are they to be included in assessable income when redeemed. An interest rate at a margin of 2 percentage points above the two year bond rate is to be paid on these deposits. Deposits made prior to 1 September 1983, which were deductible when made and are assessable when withdrawn, attract a lower rate of interest.

Taxation of Certain Minors

The level above which a minimum rate of 46 per cent is applied to unearned income of unmarried minors is to be reduced from \$1040 p.a. to \$416 p.a. The reduction will take effect from the 1983-84 income year and the new shading-in range will be from \$417 to \$1372.

Concessional Rebate Block

A concessional rebate at the standard rate of tax is available to taxpayers on the excess of expenditure on certain eligible items, such as superannuation contributions, life insurance premiums, net medical expenses, education expenses and private rates, above a specified level. That level is to increase from \$1590 to \$2000 with effect from the 1983-84 income year.

Dividend Income Rebate

The rebate available on up to \$1000 of dividend income of individual taxpayers which was introduced in the 1982-83 Budget has been abolished as from 1 July 1983.

Taxation of Lump Sum Superannuation and Kindred Payments

Under arrangements announced on 19 May, 30 May and 7 August 1983, a new basis will apply to taxation of certain lump sums received after 30 June 1983. Features of the new arrangements are set out in Appendix II.

BUSINESS INCOME

Depreciation Arrangements for Primary Producers

Under measures announced on 19 July 1982, depreciation was allowed over either a 5 or 3 year period under the general depreciation provisions. Under those arrangements the depreciation period of certain primary production plant, including structural improvements for the storage of hay, grain or fodder, was reduced from 5 to 3 years.

For such primary production plant items acquired under a contract entered into after 19 May 1983, or commenced to be constructed by a taxpayer after that date, the deduction period is to revert to 5 years.

Concession for Conversion of Oil-Fired Plant

The two year write-off for the cost of converting oil-fired and LPG-fired plant to an alternative energy source and the 40 per cent conversion allowance for the cost of plant fired by other energy sources installed to replace oil-fired and LPG-fired plant are no longer available in respect of conversion costs incurred under a contract entered into after 19 May 1983 or incurred in connection with a conversion that the taxpayer commenced to carry out after that date.

Termination of Special Depreciation Allowance for Petroleum Storage

The special depreciation arrangements for storage facilities for petroleum fuel are no longer available in respect of facilities acquired under a contract entered into after 19 May 1983 or that the taxpayer commenced to construct after that date.

Certain Exemptions from Interest Withholding Tax

Generally, interest payable to non-residents from Australian sources is taxable under withholding arrangements at the rate of 10 per cent of the gross interest. Two exemptions from that general arrangement have been removed. Interest arising on money borrowed overseas under contractual obligations entered into after 19 May 1983 by 'Australian entities' as defined in the legislation and by the Australian Industry Development Corporation will now be subject to interest withholding tax. Exemption will continue to apply to interest on widely held overseas loans of a 'bearer bond' nature, borrowings by the Commonwealth and State Governments, and borrowings by Commonwealth and State authorities where the Treasurer is satisfied that funds borrowed by the authorities are not to be used in direct competition with private sector enterprises.

Friendly Societies

The tax exemption for friendly societies on investment income from life, disability and accident insurance business is to be terminated from the 1983-84 income year. Tax is to be imposed at a level comparable to that on the non-superannuation business of life insurance companies.

Deductibility of Losses from Exempt Activities

From the 1983-84 income year, a deduction will not be allowable against a taxpayer's income from other sources for losses incurred from tax exempt activities such as gold mining.

CUSTOMS AND EXCISE DUTIES

The excise rates on aviation gasoline and aviation turbine fuels were raised by 2 cents per litre to 6.555 and 6.190 cents per litre respectively, with effect from 1 July 1983.

(2) BUDGET MEASURES

PERSONAL INCOME TAX

Home Insulation

The deduction for thermal insulation of a first home is to be terminated. The deduction will cease to apply to amounts paid in respect of thermal insulation material after 23 August 1983 except where the payment was made under a contract entered into on or before that date.

Part-time Members of the Reserve Defence Forces

Sections 23 (s) and 23 (sa) of the Income Tax Assessment Act provide an exemption from income tax of the pay and allowances for certain part-time members of the Reserve Defence Forces. The exemption is to be phased out in two steps. From 1 December 1983, one-half of such pay and allowances will be exempt and from 1 December 1984 the exemption will be completely terminated.

Unemployment Benefits

Since 1976, both the basic levels of unemployment and sickness benefit and additional allowances for children and for rent or lodging have been subject to income tax. From 1 March 1984 additional allowances payable to unemployment, sickness and special beneficiaries in respect of children and to sickness beneficiaries for rent or lodging charges will cease to be assessable income. The basic levels of benefit will remain subject to tax.

Provisional Tax

To take account of expected growth in incomes, provisional taxpayers' incomes for the previous year have, in recent years, been increased by a standard percentage to obtain notional current year incomes on which the calculation of provisional tax payments is based. The standard percentage applied in 1981-82 and 1982-83 was 10 per cent; in view of the considerably higher increase in average incomes expected in 1983-84, 11 per cent will apply in 1983-84. The 1983-84 rates scale will be applied to incomes calculated in this way and rebates will be allowed at the 1983-84 values. Provisional taxpayers retain the option of self-assessing, i.e. of providing an estimate of their income for the current year which is then used in calculating their provisional tax payments.

Medicare Levy

The Government's new health insurance arrangements are to be financed in part by a levy on taxable incomes to apply from 1 February 1984. Further details of the levy arrangements will be released closer to the commencement date.

BUSINESS INCOME

Film Industry Concessions

Concessions introduced in 1980 for the film industry provided for:

- (a) a deduction of 150 per cent of the capital cost of acquiring an interest in the initial copyright of an Australian film; and
- (b) an exemption of net earnings from the film of an amount up to 50 per cent of the capital investment.

The immediate deduction is to be reduced from 150 to 133 per cent of expenditure, while the maximum exemption is to be reduced from 50 to 33 per cent of the expenditure in respect of an eligible investment contracted for after 23 August 1983. Additional direct assistance is to be given to the film industry by means of budget outlays.

Abolition of Section 75A of the Income Tax Assessment Act

A deduction in equal instalments over 10 years is allowed under section 75A of the Income Tax Assessment Act for expenditure incurred by a primary producer in respect of certain classes of capital expenditure not subject to depreciation. Land clearing, swamp drainage and ploughing and grassing the land for grazing purposes are examples of the classes of allowable capital expenditure. The provision is to be abolished and the deduction will cease to apply to such expenditure incurred after 23 August 1983 other than expenditure under a contract entered into by that date.

Amendment of Section 26 (a)

Section 26 (a) of the Income Tax Assessment Act provides that profit arising from the sale of any property acquired for the purpose of profit-making by sale be included as assessable income.

The provision is to be amended with effect from 23 August 1983 to correct certain defects. Specifically, the scope of the provision is to be extended so that:

- (a) if property acquired for resale at a profit is transferred to a passive recipient, e.g., by gift, section 26 (a) will apply as if the transferee acquired it from the transferor at the same price as the transferor paid, and for the same purpose;
- (b) the provision will not be deficient on 'lack of identity' grounds and will apply to an appropriate part of the profit derived where a sale of property (including shares) effectively represents the disposal of other underlying property that was acquired for the purpose of profit-making by sale; and
- (c) bonus shares or rights acquired in respect of shares are treated as having been acquired as part of the transaction by which and for the same purpose as the shares to which they relate were acquired.

Further details are being released separately.

MEASURES TO COUNTER TAX AVOIDANCE AND EVASION

Recovery of Tax in Bottom of the Harbour Cases

The recoupment tax law is to be extended to enable the recovery of personal tax on the *after-tax taxable income* of companies in those years where evasion of company tax was involved, and where a liability to vendor's recoupment tax exists. Payment of the personal tax to be recouped will be allowed, free of interest, over a period of 12 months.

The recoupment tax law as it applies to company tax is also to be strengthened and improved.

Further details are being released separately.

SALES TAX

Various anomalies and inconsistencies in the sales tax laws are to be corrected. The changes, which are summarised in Appendix III to this Statement, will apply to goods in the categories affected that pass the taxing point after 23 August 1983. Their effects will be to subject to tax some goods that are now exempt, to increase the rate of tax on certain other goods, to exempt from tax other goods that are now taxable and to reduce the rate of tax on certain other goods. In addition an exemption is to apply for ships and other vessels licensed to carry not less than twelve adult passengers to be used principally by the owner in carrying on a business for the purpose of providing, for the public, transport of passengers for reward on regular scheduled sight-seeing tours; the exemption is to apply from and including 19 August 1981, when such vessels became taxable. The sales tax law is also to be amended to make it clear that audio disc players are taxable at the rate of 32.5 per cent.

CRUDE OIL EXCISE

Legislation will be prepared to provide authority for the imposition of a duty on petroleum imports, should that prove necessary to discourage 'underlifting' of indigenous crude oil.

Eso/BHP have been advised that the Government wishes that in 1983-84 not more than 18m barrels of crude oil be produced for domestic consumption from the excise-free Fortescue field but that approval would be given to export, for spot sale, production from that field in 1983-84 in excess of that level. Approval may also be forthcoming for spot sales of excisable ('old') oil in certain circumstances. This, together with the stand-by import duty legislation, should ensure that the maximum available level of domestic crude oil production is taken up and that a balance is maintained between the production of 'old' and non-excisable ('new') oil.

CUSTOMS AND EXCISE DUTIES

Subject to the further changes, noted below, to flow from the indexation of all excise and related customs duties, certain excise rates are to be increased from 23 August 1983 as follows:

- the excise on motor spirit and diesel fuel will be increased by 1.5 cents per litre. However, the rebate of excise on diesel fuel in respect of off-road use by the mining, forestry, farming and fishing industries and by households, hospitals and aged and nursing homes (i.e. all groups presently entitled to the rebate) will remain at 7.155 cents per litre;
- excises on aviation turbine fuel and aviation gasoline will rise by 0.5 cents per litre;
- fuel oil, heating oil and power and lighting kerosene will become subject to excise at the same rate applying to motor spirit and diesel fuel. There will be an amendment to the Customs Tariff Act and the Excise By-laws to include heating oil within the definition of diesel fuel for excise and customs duty purposes. This will allow users access to an excise rebate of 7.155 cents per litre on the same basis as applies for diesel fuel;
- the excise on grape spirit used in fortifying wine (item 2J in the Excise Act) will be reintroduced at a rate of \$2.50 per litre of alcohol;

- the structure of excises on tobacco products will be simplified in two steps. First, the present array of rates in each major product group (cigarettes, manufactured tobacco and cigars) will be collapsed on to the rate under which most (in some cases all) clearances presently occur. Secondly, the wide differences among the three major product classes will be narrowed or eliminated. The rate for cigars of \$25.34 per kilogram of tobacco will rise to the rate applying to cigarettes. The rate of \$15.10 per kilogram on manufactured tobacco will be raised by \$5.00 per kilogram to \$20.10 per kilogram of tobacco; and

- amylic alcohol, fusel oil, playing cards, cigarette papers and tubes and matches will no longer be subject to excise.

There will be a program of six-monthly indexation of excise rates except for the rates on crude oil and LPG, which are subject to separate adjustment machinery under energy policy arrangements. The first indexed increase of 4.3 per cent (the compounded CPI increase for the March and June quarters 1983) will apply immediately to all the 'traditional' excises including most of those subject to the discretionary increases outlined above. The only exception is for manufactured tobacco whose rate will remain at the new level of \$20.10 per kilogram of tobacco until the next indexation increase on 1 February 1984.

The program of six-monthly indexation will apply to all excise rates (except for crude oil and LPG) each 1 February in respect of the CPI increases in the preceding September and December quarters, and each 1 August in respect of the preceding March and June quarters' CPI increases. The excise-equivalent component of like customs duties will be similarly indexed.

A full listing of the new excise rates is shown in the following section of this Statement. Appendix IV to this Statement provides the derivation of the rates applying from 23 August 1983 and explains how the indexation system will operate to maintain the real value of excises set in the Budget.

For each of the excise increases, a commensurate increase in the relevant rates of customs duties is also being made. All changes have effect from 8pm 23 August 1983.

RECEIPTS ESTIMATES

The following table compares estimated receipts in 1983-84 with 1982-83 collections. Comparisons between the Budget outcome for 1982-83, the outcome for the previous year and the 1982-83 Budget estimates are provided in Statement No. 5. Figures for the years since 1973-74 are shown in Table 9 of Statement No. 6.

	1982-83		1983-84		Proportion of total receipts	
	Actual	Change on 1981-82	Estimate	Change on 1982-83		
	\$m	per cent	\$m	\$m	per cent	per cent
Taxation Revenue—						
Income Tax—						
Individuals—						
Gross PAYE	20 812	10.5	22 207	1 395	6.7	45.9
Refunds	1 971 ^{Dr}	39.0	2 475 ^{Dr}	-504	25.6	-5.1
Net PAYE	18 840	8.2	19 732	892	4.7	40.8
Other	4 126	8.4	4 151	25	0.6	8.6
Medicare levy . . . . .	..	..	390	390	n.a.	0.8
Tax at source from payments for labour and services (a) . . . . .	..	..	500	500	n.a.	1.0
Total Individuals	22 967	8.2	24 773	1 806	7.9	51.2
Companies	4 768	-5.6	4 145	-623	-13.1	8.6
Withholding	259	26.3	296	37	14.3	0.6
Amounts recovered under Recoupment Tax legislation	80	n.a.	386	306	380.1	0.8
Total Income Tax	28 074	6.0	29 600	1 526	5.4	61.2
Sales tax	3 490	22.3	3 979	489	14.0	8.2
Excise duty—						
Crude oil and LPG	3 486	10.2	3 472	-14	-0.4	7.2
Other	3 320	17.3	4 374	1 054	31.7	9.0
Customs duty—						
Imports	2 036	-1.2	2 123	87	4.3	4.4
Coal exports	66	-31.4	58	-8	-12.1	0.1
Bank accounts debit tax	30	n.a.	200	170	575.7	0.4
ACT taxes and charges	91	26.3	99	8	8.9	0.2
Other taxes, fees and fines (net)	241	6.6	276	35	14.6	0.6
Total taxation revenue	40 834	8.1	44 181	3 347	8.2	91.4
Non-Tax Revenue—						
Interest, rent and dividends	2 922	13.0	3 347	426	14.6	6.9
Net receipts from Government enterprise transactions	700	81.5	701	1	0.2	1.4
Sale of existing assets	54	49.7	113	59	110.3	0.2
Total Non-Tax Revenue	3 675	22.2	4 161	486	13.2	8.6
TOTAL RECEIPTS	44 509	9.1	48 342	3 833	8.6	100.0

(a) Net collections are estimated at \$300 m after allowing for reductions in collections from 'other individuals' because of higher recourse to self-assessment.

TAXATION REVENUE

After taking account of Budget measures and measures announced in the May Statement, total taxation revenue in 1983-84 is estimated to increase by 8.2 per cent to \$44 181 m. Brief comments on the main components follow.

INCOME TAX—INDIVIDUALS

It is estimated that collections of income tax from individuals will increase by 7.9 per cent in 1983-84 compared with 8.2 per cent in 1982-83. In addition to gross PAYE collections, this includes components which are based mainly on taxable incomes in 1982-83 (PAYE refunds and collections from other individuals). Estimates of collections from the Medicare levy and collections of tax at source from payments for labour and services are also included in the total.

PAYE Instalment Deductions

Gross PAYE receipts (excluding PAYE taxpayers' share of the Medicare levy, estimated at \$330m) are estimated to increase by 6.7 per cent, compared with an increase of 10.5 per cent in 1982-83.

The estimate is based on an assumed annual average increase of 7 per cent in average weekly earnings on a national accounts basis and no change in average wage and salary earner employment. In the absence of the measures announced in the Budget Speech and in the May Statement, it is estimated that collections would have increased by 6.3 per cent in 1983-84.

PAYE Refunds

Refunds in 1983-84, which are in respect of tax assessed in 1983-84 on 1982-83 incomes, are estimated at \$2 475m, \$504m or 25.6 per cent higher than 1982-83 refunds. This large increase reflects principally personal income tax concessions announced prior to and in the 1982-83 Budget, notably home loan interest rebates and increased dependent spouse rebates. Allowance has been made also for the estimated underdeduction of tax instalment deductions in 1982-83 in the case of taxpayers with an extra pay during that year.

Other Individuals

Receipts from personal income tax other than by PAYE deductions are estimated to increase by \$25m or 0.6 per cent in 1983-84, compared with an increase of 8.4 per cent in 1982-83. The estimate excludes an amount of \$60m estimated to be paid by 'other individual' taxpayers under the Medicare levy. Property income is estimated to have grown very strongly in 1982-83 while other business income is estimated to have shown little change. There were very large drought-related falls in the realised income of primary producers. Allowance has been made in the estimate for a swing back from the very high levels of self-assessment by farmers apparent in 1982-83, so as to reflect the strong recovery in primary producer realised income expected in 1983-84. On the other hand, the estimate also allows for some \$200m reduction in collections because of higher recourse to self-assessment by those subject to the collection of tax at source on labour and services (discussed below).

In the absence of measures announced in the Budget Speech and in the May Statement, it is estimated that collections in 1983-84 would have fallen by 6.1 per cent.

Medicare Levy

A 1 per cent levy on taxable incomes is estimated to yield \$390m in 1983-84, \$330m from PAYE taxpayers and \$60m from 'other individuals'.

COLLECTION OF TAX AT SOURCE FROM PAYMENTS FOR LABOUR AND SERVICES

A tax deduction at source system will be applied from 1 September 1983 to certain payments for labour and services not subject to PAYE deductions in industries where evasion of tax on such payments is known to be significant. The system will be extended progressively to other industries. Revenue in 1983-84 is estimated at \$500m. However, the net gain to total revenue will be only \$300m, as self-assessment by 'other individual' taxpayers in respect of amounts withheld under the tax at source is expected to reduce provisional tax receipts in 1983-84 by some \$200m.

INCOME TAX—COMPANIES

Company tax collections are estimated at \$4 145m, a decline of \$623m or 13.1 per cent on 1982-83, reflecting an estimated decline of about 18 per cent in taxable income in 1982-83, the base for 1983-84 collections. It is estimated that \$230m of the revenue collected under the recoupment tax legislation will be received as company tax in 1983-84, but this amount is shown in the \$386m of total revenue attributed to the legislation.

WITHHOLDING TAX

The estimate of \$296m includes \$12m resulting from the decision to remove exemptions from interest withholding tax for interest on borrowings by the AIDC, or borrowers which pass the 'Australian entity' test, as announced in the May Statement.

RECOUPMENT TAX

The bulk of the proceeds to be recovered under the Taxation (Unpaid Company Tax) legislation is now expected to be received in 1983-84. The estimate includes the \$60m to be recovered in respect of personal taxation under the measures announced in this Budget. As noted above \$230m of the estimated proceeds of \$386m in 1983-84 is expected to be collected under the 'company tax' head of revenue.

SALES TAX

Sales tax is estimated to yield \$3 979m in 1983-84, an increase of 14.0 per cent on 1982-83 collections. Nominal private consumption expenditure is forecast to increase by a little over 9 per cent in 1983-84. As well as measures announced in the 1983-84 Budget Speech, the revenue estimate reflects the full year effects of the broadened tax base, effective from 1 January 1983, and of the increased sales tax rates announced in the 1982-83 Budget. In the absence of measures announced in the 1983-84 Budget Speech, revenue would have increased by 13.2 per cent. Estimated sales tax collections

in respect of goods within the specified rate classes and percentage increases by rate class for 1982-83 and 1983-84 are set out in the following table.

	1982-83		1983-84	
	Estimate	Change on 1981-82	Estimate	Change on 1982-83
	\$m	per cent	\$m	per cent
71 per cent (a)	298	91.0	414	38.9
20 per cent (a)	2 630	18.5	2 943	11.9
321 per cent (a)	562	17.3	622	10.7
	3 490	22.3	3 979	14.0

(a) Rates were 21 per cent lower from 1 July to 17 August 1982.

EXCISE DUTY

Total collections of excise duty are estimated at \$7 846m, an increase of \$1 039m or 15.3 per cent over 1982-83. The main components are as follows:

	1982-83		1983-84	
	Actual	Change on 1981-82	Estimate	Change on 1982-83
	\$m	per cent	\$m	per cent
Crude oil	3 430	10.5	3 378	-1.5
LPG	57	-5.0	94	37
Total	3 486	10.2	3 472	-14
Beer	1 123	11.1	1 221	98
Potable spirits	114	-5.0	130(a)	16
Tobacco products	799	9.0	883	84
Petroleum products	1 293	33.3	2 145(b)	852
Other (incl. credits)	-9	n.a.	-7	2
Total	3 320	17.3	4 374	1 054
TOTAL EXCISE DUTY	6 807	13.6	7 846	1 039

(a) Includes fortifying spirit.

(b) Includes fuel oil, heating oil, kerosenes.

Crude Oil and LPG duties

Total receipts from these sources are estimated to decline by \$14m or 0.4 per cent in 1983-84, compared with an increase of \$32m or 10.2 per cent in 1982-83.

The 1983-84 crude oil estimate is based on new procedures effective from 1 July 1983 in the Government's policy in relation to the pricing of indigenous crude oil and the associated excise levy arrangements. These procedures are outlined in Appendix V to this Statement. The estimate for crude oil excise receipts assumes maintenance throughout the year of the import parity price of \$36.53 per barrel for Bass Strait crude oil applicable since 1 July 1983. Since 1 July 1983, the excise payments for all fields have been determined by reference to the ruling import parity price for Bass Strait crude oil, rather than the respective import parity price for each field.

The forecast decline in crude oil levy receipts by \$52m or 1.5 per cent reflects a projected decline in excisable ('old') oil production by about 3 per cent. Non-excisable crude oil is estimated to represent about 15 per cent of total indigenous crude oil absorbed domestically in 1983-84, compared with about 2 per cent in the previous year.

These estimates assume that production for domestic purposes in 1983-84 from the non-excisable Bass Strait Fortescue field will be limited to 18m barrels. The Minister for Resources and Energy has advised Esso/BHP (the Bass Strait joint venturers) that the Government wishes that in 1983-84 not more than 18m barrels of crude oil be produced for domestic consumption from the Fortescue field, but that approval would be forthcoming to export, for spot sale, production from that field in 1983-84 in excess of that level. The Minister has also advised Esso/BHP that the Government may approve spot sales in 1983-84 of any 'old' oil from Bass Strait which is surplus to domestic refiners' requirements.

The production projection also assumes that the level of production which is 'shut in' because of unscheduled disruptions occasioned by industrial and technical problems and insufficient liftings by refiners, will be substantially lower in 1983-84 than it was in 1982-83. One major reason for expecting this improvement is the Government's determination to see that refiners maximise their liftings of indigenous crude. To this end the Government is in the process of preparing legislation which will provide authority for the imposition of a duty on petroleum imports, should the imposition of that duty prove to be necessary to discourage overlifting of indigenous crude oil.

Revenue from the crude oil levy in 1983-84 is estimated to represent about 70 per cent of total payments by refiners for excisable crude oil or about 60 per cent of payment for all indigenous oil expected to be absorbed by local refiners. This compares with about 68 per cent for 1982-83, when most of the indigenous crude oil produced was excisable.

Receipts from the duty on naturally-occurring LPG for 1983-84 are estimated to increase by \$37m or 64.9 per cent. The levy rate applying from 1 July 1983 was set at the equivalent of \$90.46 per tonne, which is about 56 per cent above the average levy rate of \$58.07 per tonne applying in 1982-83. This increase in the rate reflects the increase in LPG prices from \$251.85 to \$304.44 per tonne effective from 1 July 1983. The estimate of LPG excise revenue provides for the recent \$US10 reduction in the international price of LPG expected to be reflected in excise collections in the second half of 1983-84. It is forecast that excisable production will be about 10 per cent lower than in 1982-83.

Other excise duties

As outlined earlier in this Statement, a number of changes have been made to the excise system—the base has been expanded to include fortifying spirit, fuel oil, heating oil and kerosenes, excise rates for tobacco products have been simplified, and rates on petroleum products have been increased.

In addition a system of half-yearly indexation of excise rates has been introduced, with the first adjustment to take effect from Budget night and the second from 1 February 1984. Further details are at Appendix IV to this Statement. In estimating revenue from all the foregoing measures, allowance has been made for the estimated effects of the resulting price increases on consumption.

The increase of 31.7 per cent in estimated revenue in 1983-84 reflects both these measures and the full year effects of measures announced in the 1982-83 Budget. In the absence of measures announced in the 1983-84 Budget Speech and in the May Statement, collections would have risen by an estimated 11.4 per cent in 1983-84.

The rates of duty for the main excisable commodities are shown in the following table. These rates, other than on crude oil and LPG, will be indexed on 1 February 1984 by the increase in the Consumer Price Index in the September and December quarters of 1983.

Rates of Excise Duty: 23 August 1983

Beer (per litre)	\$	5
Potable Spirits (per litre of alcohol)		0.63
Brandy		16.69
General rate for other spirits		19.56
Spirits nei and liqueurs nei		20.08
Fortifying spirit		2.61
Tobacco products (per kilogram)		
Cigarettes		30.98
Cigars		30.98
Manufactured tobacco		20.10
Petroleum products (per litre)		
Motor spirit		0.09027
Diesel fuel(a)		0.09027
Aviation gasoline		0.07358
Aviation turbine fuel		0.06978
Fuel oil		0.09027
Heating oil(a)		0.09027
Kerosenes		0.09027
Crude oil (per kilolitre)		
Annual production ('000 kilolitres) of:		
0-50		0.0
50-100		11.49
100-200		34.48
200-300		45.97
300-400		91.94
400-500		160.90
500-600		183.88
over 600		199.97
Liquefied petroleum gas (per kilolitre)		48.57

(a) Rebate rate remains at \$0.07155 per litre, and will not be subject to indexation.

CUSTOMS DUTY

Imports

Collections of customs duty on imports are estimated at \$2123m, an increase of \$87m, or 4.3 per cent, over 1982-83. A modest increase in the value of imports is forecast in 1983-84 following a decline in 1982-83. The move to index the excise-equivalent component of customs duties on comparable imports has an estimated 1983-84 revenue yield of \$13m.

Coal Exports

Receipts from the coal export duty are estimated at \$58m in 1983-84, a decline of \$8m on 1982-83 collections. The decline reflects both the full year effect of abolition of the \$1 per tonne duty rate (announced in July 1982) and subdued overseas demand for Australian coking coal.

BANK ACCOUNTS DEBIT TAX

The 1983-84 revenue estimate of \$200m represents the first full year's operation of the tax, which was introduced in the 1982-83 Budget and took effect in April 1983.

ACT TAXES AND CHARGES

The components of ACT taxes and charges are as follows:

	1982-83	1983-84	Change	
	Actual	Estimate	\$m	per cent
Payroll tax	\$m	\$m	\$m	per cent
Stamp duty	21.4	22.0	0.6	2.8
Other	18.1	22.0	3.9	21.5
	51.8	55.4	3.6	6.9
TOTAL ACT TAXES AND CHARGES	91.3	99.4	8.1	8.9

Included in estimated 1983-84 other revenues from taxes and charges in the Australian Capital Territory are general rates (\$25.4m, an increase of 3.7 per cent) motor vehicle registration fees and drivers' licences (\$13.4m, an increase of 27.7 per cent), imposts on gambling (\$6.6m, a decrease of 13.2 per cent), liquor licences (\$3.8m, an increase of 9.5 per cent), and fines for parking infringements (\$1.9m, a decrease of 2.1 per cent). The estimated increase in 1983-84 mainly reflects increases in the level of ACT general rates in line with increases in the costs of providing services to ratepayers, as well as the increase in motor vehicle registration fees announced by the Minister for Territories and Local Government on Budget night 1983.

OTHER TAXES, FEES AND FINES

The components of other taxes, fees and fines are shown in the following table.

	1982-83	1983-84	Change	
	Actual	Estimate	\$m	per cent
Broadcasting and TV Station Licence Fees	\$m	\$m	\$m	per cent
Radiocommunications Licence Fees	40.4	52.1	11.7	29.0
Unfunded Employees Retirement Contributions	18.1	21.5	3.4	18.5
Stevedoring Industry Collections	90.3	101.1	10.7	11.9
Departure Tax	17.5	17.0	-0.5	-2.6
Passport Fees	41.7	41.3	-0.4	-1.1
Quarantine Charges	16.4	17.5	1.1	6.9
Other (net)	4.6	8.4	3.8	82.2
	11.5	16.8	5.3	46.1
TOTAL OTHER TAXES, FEES AND FINES	240.5	275.7	35.2	14.6

Licence fees are levied by the Commonwealth on the annual gross earnings of radio and television stations. Under a new formula to come into effect from 1 September 1983, there will be a slight increase in the schedule of fees payable by stations with annual gross earnings greater than \$9m, while the maximum rate payable will be increased from 7.5 per cent to 8 per cent for television stations and from 5 per cent to 5.5 per cent for radio stations. An offset against television licence fees for the encouragement of Australian produced programming is under consideration for introduction later in the financial year. The estimated increase in revenue in 1983-84 reflects both the new formula (\$2.4m) and the higher earnings achieved by stations in 1982-83, on which fees payable in 1983-84 are based (\$9.3m).

The radio frequency spectrum is used by numerous corporations and individuals, mainly in business, for a wide variety of private, commercial and public radio-communications purposes. (Nearly 500 000 radiocommunications licences are now in force.) Licence fees payable by users of the spectrum, which are imposed under the

Radiocommunications Licence Fees Act 1982, are to be increased as soon as practicable and will include, for the first time, a 'royalty' component reflecting the benefit derived from use of the radio frequency spectrum, which is a scarce resource lying within the public domain. Revenue from these fees is expected to increase by 18.5 per cent to \$21.5m in 1983-84.

The 1983-84 estimate of unfunded employees retirement contributions includes contributions to be paid during the year by Parliamentarians (\$0.9m) and Defence Force personnel (\$80.6m) to their superannuation schemes. The remainder of this item comprises net amounts paid into the Consolidated Revenue Fund from the Superannuation Fund to meet pension entitlements of retiring Commonwealth employees who, under the Commonwealth Superannuation Scheme, opt for a contributor-financed pension in lieu of a refund of their accumulated contributions.

Stevedoring industry collections, from a levy imposed on employers of waterside workers, are expected to decline by 2.6 per cent to \$17m in 1983-84 due to an expected decrease in the volume of cargo handled, on which levies payable are based. Details of the purpose of the levy may be found under the functional heading *Labour and Employment* in Statement No. 3, where a matching outlay to the Stevedoring Industry Finance Committee is recorded.

With a few exceptions (such as Defence Force personnel), a departure tax (\$20 per departure) is levied on all people aged 12 years and over leaving Australia, irrespective of whether they intend to return. Collections from this tax are estimated at \$41.3m, a decrease of 1.1 per cent, reflecting changed administrative arrangements whereby transit passengers will be granted exemption from the tax, and people making multiple departures on one ticket (e.g. Qantas Circle 8) will be taxed only once.

Revenue from passport fees (\$30 per person) is estimated to increase by 6.9 per cent to \$17.5m in 1983-84, reflecting an expected increase in the total number of passports issued.

Quarantine charges, levied mainly in respect of animal and plant imports and for the disposal of waste from aircraft and ships, are intended to recover, as far as possible, the direct operating costs of the Commonwealth's quarantine activities. The estimated increase of 82.2 per cent in 1983-84 mainly reflects increases in charges in line with the objective of recovering direct operating costs, as well as an increase in the volume of quarantine activities.

The 1983-84 estimate for the category 'Other' includes revenues from the following:

- bankruptcy charges (\$3.9m), comprising interest receipts of \$1.5m from investments by the Official Trustee of assets from the estates of bankrupts and deceased debtors, and \$2.4m representing fees and charges for the administration of the bankruptcy legislation;
- the Australian Capital Territory Corporate Affairs Office (\$2.3m), representing fees for the registration of companies in the ACT;
- bond store licence fees (\$2.1m), which are levied on importers of bonded goods (i.e. goods subject to customs duty) in respect of the cost of holding such goods in bond pending payment of customs duty; and
- the oil pollution levy (\$1m), which recovers costs incurred under the National Plan to Combat Pollution of the Sea by Oil.

OTHER RECEIPTS

INTEREST, RENT AND DIVIDENDS

This heading covers interest received by the Commonwealth Government from sources outside the budget sector, land rents collected in the ACT, dividends received from Government-owned companies other than financial enterprises, and amounts payable from offshore petroleum royalties (net) and from Northern Territory uranium royalties. Details are set out below.

	1982-83 Actual	1983-84 Estimate	Change	
	\$m	\$m	\$m	per cent
Interest received—				
From the States—				
On Advances for State Loan Council Programs	1 589.8	1 720.0	130.2	8.2
On Specific Purpose and Special Advances—				
Housing Agreements	196.2	205.2	9.0	4.6
Other	105.0	120.3	15.2	14.5
Total	1 891.0	2 045.4	154.5	8.2
Other interest receipts—				
From the Territories—				
Housing	35.0	35.6	0.6	1.7
Other	36.4	58.6	22.2	60.8
Defence Service Homes	114.9	131.0	16.1	14.0
Snowy Mountains Hydro-electric Authority	57.3	57.3	..	..
Pipeline Authority	33.0	35.4	2.4	7.3
Australian Shipping Commission	15.2	11.2	-4.0	-26.3
Postal Commission	4.2	5.4	1.2	28.5
Telecommunications Commission	480.1	605.3	125.1	26.1
Qantas Airways Ltd	3.1	2.6	-0.5	-15.2
Australian National Airlines Commission	0.8	0.7	-0.1	-12.3
Australian Industry Development Corporation	3.8	—	-3.8	-100.0
Australian National Railways Commission	4.2	4.2	..	..
Other	82.7	72.1	-10.6	-12.8
Total	870.7	1 019.4	148.6	17.1
Total Interest Receipts	2 761.7	3 064.8	303.1	11.0
Rent, dividends, etc.—				
Offshore Petroleum Royalties (net)	68.2	83.0	14.8	21.7
Royal Australian Mint	52.0	146.0	94.0	181.3
Overseas Telecommunications Commission	11.5	32.5	21.0	182.6
Land Leases—ACT	6.8	6.6	-0.2	-2.6
Uranium Royalties—Northern Territory	15.4	14.2	-1.2	-7.7
Other	6.1	6.0	-0.1	-1.5
Total	160.0	282.3	122.4	76.5
TOTAL INTEREST, RENT AND DIVIDENDS	2 921.7	3 347.1	425.5	14.6

Interest Receipts

The estimated increase in 1983-84 in interest received on advances for State Loan Council Programs reflects the level of interest rates applying to new raisings and to the roll-over of maturing debt, as well as the continuing growth in outstanding advances. The expected increase of 8.1 per cent in interest received on specific purpose and special advances mainly reflects growth in the level of advances outstanding.

Other interest receipts are expected to increase by 17.1 per cent to \$1 019.4m in 1983-84; the main contributing factors are as follows:

- A rise of 31.9 per cent is expected in 1983-84 interest receipts from the Territories, mainly due to the continuing rapid growth in the level of outstanding general purpose advances to the Northern Territory. (Arrangements in respect of these debt charges are summarised in Statement No. 3, under *Payments to or for the States, the Northern Territory and Local Government Authorities n.e.c.*)
- The estimated increase of 14 per cent in 1983-84 interest receipts from the Defence Service Homes Corporation is attributable to interest charges on new capital advances of \$50m the Corporation is expected to receive from the Commonwealth in 1983-84, and to the continuation of the progressive conversion of the Corporation's existing debt to reflect more closely current rates of interest.
- The estimated decrease of 26.3 per cent in 1983-84 interest receipts from the Australian Shipping Commission is due to the conversion of loans totalling \$60m to equity capital in June 1983 (refer to the functional heading *Transport and Communication* in Statement No. 3 for details).
- Estimated interest payments to the Commonwealth in 1983-84 by the Australian Postal Commission (\$5.4m) and the Australian Telecommunications Commission (\$605.3m) are, respectively, 28.5 per cent and 26.1 per cent higher than in 1982-83. The increases partly reflect the continuation of the policy to convert, on 1 July each year, the interest rate on one-tenth of the outstanding balances of the initial interest-bearing capital vested in these authorities by the Commonwealth in 1975 to the public semi-government rate of interest applying on 1 January prior to conversion (14.4 per cent per annum in January 1983). However, the increases are mainly attributable to the decision taken by the Government in May 1983 to generate additional revenue of about \$101m for the Commonwealth from these authorities in 1983-84 by increasing, with effect from 1 July 1983, the rate of interest payable on those parts of the initial interest bearing capital which were still subject to an interest rate of 10 per cent per annum. The new interest rate as a consequence of this decision is 13.21 per cent per annum. Telecom will also be required to pay interest estimated at \$8m to the Commonwealth in 1983-84 in respect of the withheld portion of its total employer superannuation liability accruing in 1983-84 (refer to the heading *Transport and Communication* in Statement No. 3 for details).
- Included in the estimate of 'Other' for 1983-84 are expected interest receipts of \$23m from a United States Federal Reserve trust account which holds Australian funds required to meet payments to contractors for the supply of military equipment under United States Government Foreign Military Sales arrangements. This is an increase of \$1.7m (8 per cent) over 1982-83. Also included in 'Other' are estimated interest receipts in respect of:
 - investments (other than in Commonwealth securities) of funds from a number of primary industry trust accounts (\$20m, a decrease of 29.8 per cent). (Outlays from these trust accounts are made for purposes such as research, disease eradication, promotion and stabilisation, and are recorded under the functional heading *Industry Assistance and Development* in Statement No. 3.);

- deposits lodged by the Commonwealth with the Primary Industry Bank in relation to the Income Equalisation Deposits Scheme (\$6.1m, a decrease of 14.4 per cent). Deposits to date have totalled \$101m (\$30m in 1978-79, \$45m in 1979-80 and \$26m in 1980-81), of which \$70.3m remains outstanding;
- investments of the former Defence Forces Retirement Benefits (DFRB) Fund now held by the Commonwealth following termination of the DFRB Scheme in 1976. At that time, the Commonwealth assumed responsibility for the payment of pensions under the Scheme and acquired its surplus assets. 1983-84 receipts (\$6.1m, compared with \$6.2m in 1982-83) represent interest payments in respect of these assets; and
- other bank balances of the Commonwealth (\$9.1m, a decrease of 13.7 per cent).

Rent, Dividends, Etc.

In total, receipts from rent, dividends, etc. are expected to increase by 76.5 per cent to \$282.3m in 1983-84. Details are provided below.

Until February 1983, the collection of offshore petroleum royalties and permit and licence fees was undertaken by the States. In respect of Bass Strait petroleum production (currently Australia's only offshore production area), a proportion of the relevant royalties (about one-third) collected each year by Victoria was transferred to the Commonwealth. Following the High Court Decision to uphold the *Seas and Submerged Lands Act 1973*, legislation governing the collection of these revenues has been amended. Under arrangements that commenced on 14 February 1983, all revenues relating to offshore petroleum royalties and permit and licence fees are now collected by the Commonwealth and passed on to the States after deducting the Commonwealth's share of royalties (40 per cent) relating to Bass Strait production. The figures in the table above are net of amounts to be paid to the States. The estimated net increase of 21.7 per cent in 1983-84 mainly reflects an expected increase in total domestic production including an expected increase in the proportion of new oil production. ('New' oil—discovered on or after 18 August 1976—is not subject to the oil levy. The levy takes precedence over royalty payments and therefore lowers the base value on which royalty payments are calculated.)

The receipts from the Royal Australian Mint relate to seigniorage and numismatic profits. The estimated increase of 169.3 per cent in receipts from this source in 1983-84 is due mainly to an additional \$102m expected to result from the introduction of the \$1 coin. This increase is expected to be partially offset by a decline in revenue from numismatic sales, higher costs of coinage metal, and purchases of gold for coin production (no such purchases were necessary in 1982-83).

The dividends expected to be paid to the Commonwealth by the Overseas Telecommunications Commission in 1983-84 total \$32.5m, an increase of 182.6 per cent over 1982-83, reflecting both a change in the timing of dividend payments by OTC in the future and the fact that, contrary to previous practice, OTC did not pay any interim dividend to the Commonwealth in 1982-83 in respect of its operating profit for that year. The dividend payments to be made in 1983-84 comprise \$12.5m in respect of OTC's 1982-83 trading profit (\$16.3m) and an estimated \$20m (representing a dividend target of 10 per cent of OTC's total shareholder funds as at 1 April 1983) payable

in respect of the expected trading profit in 1983-84. The changed timing of payments reflects a new arrangement whereby OTC will be required to pay a single (and final) dividend to the Commonwealth by 30 June 1984 in respect of the operating profit for the current trading year (ending 31 March 1984). Previously, two dividend payments were made by OTC each year, an interim payment by 30 June and a final payment by 31 December of that year.

Receipts from the collection by the Commonwealth of royalties and payments in the nature of royalties in respect of uranium mining in the Northern Territory are estimated to decrease by 7.7 per cent in 1983-84 to \$14.2m. These royalties cover Commonwealth payments to the Aboriginals Benefit Trust Account in relation to mining on Aboriginal land (refer to *Social Security and Welfare—Aboriginal Advancement Programs nec* in Statement No. 3) and payments in lieu of uranium royalties to the Northern Territory Government under a Memorandum of Understanding with that Government (refer to the category *Not Allocated to Function—Payments to or for the States, the Northern Territory and Local Government Authorities, nec* in Statement No. 3).

The estimate of \$6m in 1983-84 for other rent and dividends, etc. includes dividends expected to be received by the Commonwealth from Mary Kathleen Uranium Ltd (\$4.6m, the same as in 1982-83).

NET RECEIPTS FROM GOVERNMENT ENTERPRISE TRANSACTIONS

This category includes receipts (other than taxation revenue) from public financial enterprises and net operating revenues from certain activities carried on as business enterprises within the budget sector, as shown in the following table.

	1982-83	1983-84	Change	
	Actual	Estimate	\$m	per cent
	\$m	\$m	\$m	per cent
Reserve Bank	662.9	650.0	-12.9	-2.0
Commonwealth Banking Corporation	33.5	46.6	13.1	39.1
Canberra Bus Service—Loss on Operations	14.1Dr	14.2Dr	- 0.1	- 0.8
ACT—Water Supply and Sewerage	10.3	11.3	1.0	9.7
Other	7.0	7.1	0.2	2.4
TOTAL GOVERNMENT ENTERPRISE TRANSACTIONS	699.6	700.8	1.2	0.2

Receipts from the Reserve Bank in 1982-83 totalled \$662.9m, comprising final payments from 1981-82 profits of its Central Banking Business section (CBB, \$204.9m) and its Note Issue Department (NID, \$13m), together with an interim payment of \$445m from 1982-83 NID profits. The estimated receipts from the Reserve Bank in 1983-84 comprise final payments of \$11.3m from NID and \$204.6m from CBB profits in respect of 1982-83, and an interim payment of \$434m from expected 1983-84 NID profits.

Estimated receipts of \$46.6m in 1983-84 from the Commonwealth Banking Corporation represent the Commonwealth's share of the net profits in 1982-83 of the Commonwealth Savings Bank (CSB) and of the net profits (after tax) of the Commonwealth Trading Bank (CTB). The estimated increase of 39.1 per cent over the previous

year comprises a \$14.8m increase in the CTB payment which has been partly offset by a \$1.8m reduction in the CSB payment, and reflects changes in the operating profits of the two banks.

The estimated loss on operations of the Canberra Bus Service for 1983-84 is almost the same as in 1982-83, reflecting the containment of labour costs as a result of the wage pause combined with an expected increase in patronage.

Gross receipts from water and sewerage rates in the Australian Capital Territory are estimated to increase by 17.1 per cent in 1983-84, reflecting increases in charges for excess water usage, effective from 1 July 1983, as well as the increase in the sewerage rate announced by the Minister for Territories and Local Government on Budget night 1983. Operational costs, estimated to be \$16.6m in 1983-84, compared with \$13.5m in 1982-83, are offset against these receipts to give the net figures reflected in the table above.

The estimate of 'Other' in 1983-84 relates to the operations of the ACT Transport Trust Account, the Government Printer and Publications trust accounts and business undertakings of the Department of Transport and Construction.

SALES OF EXISTING ASSETS

Details of sales of existing assets are shown in the table below:

	1982-83	1983-84	Change	
	Actual	Estimate	\$m	per cent
	\$m	\$m	\$m	per cent
ACT—Sale of Leases	27.5	27.7	0.2	0.6
Sales of Surplus Land and Buildings	22.6	26.1	3.5	15.3
AUSSAT	—	24.3	24.3	n.a.
British Phosphate Commission	—	16.4	16.4	n.a.
Christmas Island Phosphate Commission	—	6.4	6.4	n.a.
Other	3.4	11.8	8.4	248.4
TOTAL SALES OF EXISTING ASSETS	53.6	112.7	59.1	110.3

n.a. not applicable

The item 'ACT—Sale of Leases' records revenue from the sale of commercial and residential leases in the Australian Capital Territory.

Proceeds from the sale of land and buildings deemed to be surplus to Commonwealth needs are estimated at \$26.1m in 1983-84, an increase of 15.3 per cent.

The Government has announced that it intends to sell 49 per cent of the Commonwealth's equity in AUSSAT Pty Ltd to the private sector. AUSSAT (which has an equity capital of \$75m, of which \$49.5m has so far been paid up) was established in 1981 to own and operate the domestic satellite communications system to be introduced in Australia in 1985-86. This sale is estimated to yield revenue of \$24.3m in 1983-84.

Agreement has been reached to wind-up the British Phosphate Commission (in which the British, New Zealand and Australian Governments are partners) and the Christmas Island Phosphate Commission (in which the New Zealand and Australian Governments are partners). The winding-up of both Commissions is expected to be

completed in 1983 and will result in the disposal of financial assets estimated to yield revenue of \$22.8m for the Commonwealth.

The estimate of \$11.8m for 'Other' in 1983-84 includes:

- the partial return of capital from Mary Kathleen Uranium Ltd to the Australian Atomic Energy Commission, following the closure of the Mary Kathleen mine;
- payment by the Australian Broadcasting Corporation for technical equipment purchased by the Commonwealth in relation to media coverage of the 1982 Commonwealth Games in Brisbane, which is to be retained by the Corporation; and
- expected proceeds from sales (arranged in 1982-83) of assets held by Commonwealth enterprises, following the Review of Commonwealth Functions. The Government has decided not to proceed with the sale of any further assets identified in that Review.

APPENDIX I TO STATEMENT NO. 4

TAXATION EXPENDITURES

Individuals and businesses derive financial benefits from taxation concessions of various kinds. In the year(s) when they have effect, the concessions reduce, or delay, collections of taxation revenue. They are often referred to as 'taxation expenditures'.

This Appendix provides information on some major items of taxation expenditure.

The inclusion of an item in the Appendix does not necessarily indicate that it is considered a departure from an equitable tax distribution. It implies no more than that the item confers a benefit on recipients and could conceivably be regarded as an alternative to direct expenditure in the same way that family allowances confer a benefit comparable with that conferred by the dependent child rebates which they replaced in 1976.

Taxation expenditure figures as such do not attempt to evaluate government taxation policy nor do they imply any question of the desirability of particular taxation provisions or their effectiveness in achieving set goals. Their purpose is merely to provide information about the assistance which is given through the taxation system.

In May 1982 the Treasury submitted a paper on Taxation Expenditures to the House of Representatives Standing Committee on Expenditure. The paper examined the concept of taxation expenditure and provided a comprehensive list of taxation expenditures together with, where possible, an indication of their cost to revenue. A copy of that paper was reproduced as an Appendix to Statement No. 4 of Budget Paper No. 1 in 1982-83.

Assistance to Individuals

Concessional income tax rebates, deductions and other reliefs provide assistance to particular groups of individuals.

Rebates

The principal rebates are those for maintenance of dependants, for sole parents, social security and repatriation pensioners and housekeepers, zone rebates allowed to taxpayers residing in remote areas, and rebates for certain types of allowable expenditures.

A concessional rebate is allowable where a taxpayer contributes to the maintenance of certain dependants and in some other cases. The maximum rebate for the years 1975-76 and 1978-79 to 1983-84 are:

Dependant etc.	Maximum Rebate:					
	1978-79 and					
	1975-76	1979-80	1980-81	1981-82	1982-83	1983-84
	\$	\$	\$	\$	\$	\$
Spouse, housekeeper, daughter-housekeeper						
With dependent child	400	597	800	830	963	1030
Without dependent child	400	597	800	830	830	830
Parent or parent-in-law	400	539	722	749	749	749
Invalid relative	200	270	362	376	376	376
Sole parent	200	417	559	580	713	780
Children (a)						
Student	200	270	362	376	376	376
Non-student under 16—one such child	200	270	362	376	376	376
each other such child	150	203	272	282	282	282
Social Security or Repatriation Pensions . . . . .	..	..	..	..	167	250

(a) After 1975-76 rebates in respect of children have relevance only to the calculation of Zone rebates.

Zone rebates are allowed to taxpayers who live in remote areas. Eligible residents in Zone A receive a rebate equal to \$216 plus 50 per cent of any entitlement to rebates in respect of dependents, sole parents and housekeepers (including notional rebates in respect of dependent children), eligible residents of Zone B receive a rebate of \$36 plus 20 per cent of the rebates for dependants, etc. For residents of either Zone A or Zone B who reside more than 250 kilometres from a centre of population of 2500 or more, the basic rebate is \$750 in lieu of the ordinary basic amount of \$216 or \$36.

A rebate at the standard tax rate is allowed on the excess of a taxpayer's aggregate expenditure on certain concessional items above a prescribed figure (\$1590 for 1982-83 and \$2000 for 1983-84). Eligible expenditure includes certain expenditure in respect of the taxpayer and his dependants on medical and hospital services net of recoupments, funeral expenses up to \$100, expenses of adoption of children, life insurance premiums and superannuation contributions up to a total of \$1200, education services in respect of the taxpayer, his children or dependants, up to \$250 per person, and rates and land taxes up to \$300 in respect of the taxpayer's sole or principal residence. On the basis of income tax statistics for 1981-82, about 9 per cent of taxpayers had concessional expenditures in excess of \$1590 and hence qualified for the rebate. Under the excess of \$2000 operative for 1983-84 the percentage of taxpayers qualifying for the rebate is expected to be less than that, perhaps in the order of 6 per cent.

Contributions made between 1 July 1981 and 30 June 1983 in respect of a period of cover during that period to a registered health fund for basic hospital and/or medical insurance were rebatable at the standard rate. This rebate was outside the concessional rebate block and was allowed regardless of the level of a taxpayer's other rebatable expenditures.

Rebates outside the concessional rebate block also apply to certain interest payments after 30 June 1982 in connection with the purchase of a sole or principal residence situated in Australia. Two mutually exclusive forms of rebate have applied. For

one scheme, the rebates ceased to be available in respect of interest payments made on or after 1 July 1983; the other scheme has been restricted and new entrants will not be admitted to it after 30 September 1983. Details of the changed arrangements are given in the Taxation Measures Section of Statement No. 4.

A rebate of personal income tax at the standard rate of tax was applied to dividends of up to \$1000 received by Australian resident taxpayers from Australian companies in the 1982-83 financial year.

Deductions

Gifts to the value of \$2 or more to organisations covered by sections 78 (1) (a) and 78 (1) (aa) of the Income Tax Assessment Act are deductible from assessable income. Between 1 July 1974 and 31 October 1978, interest paid on home loans was deductible, subject to an income test and certain other conditions.

Superannuation contributions made to a qualifying fund by self-employed persons and by employees not covered by employer-sponsored arrangements are deductible from assessable income up to a limit of \$1200 per annum. Contributions by such persons in excess of \$1200 are rebatable within the concessional rebate block, up to the limit of \$1200 for life insurance premiums and superannuation contributions subject to rebate.

A deduction was allowable in respect of the cost of purchase and installation of material for the thermal insulation of a first home the purchase of which was contracted for, or the construction of which commenced, after 1 October 1980 and before 24 August 1983.

Details of tax revenue forgone under most of the aforementioned taxation provisions in respect of income years 1975-76 and 1979-80 to 1981-82 are shown in the table below.

Provision	Estimated Revenue Cost for Income Years							
	1975-76		1979-80		1980-81		1981-82	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Dependant etc. rebates:								
Spouse, housekeeper, daughter-housekeeper	452		642		880		893	
Sole parent	9		36		53		58	
Dependent children	653		..		..		..
Other dependants	25		4		6		6	
Total	1 139		682		939		957	
Zone rebates		26		38		42		80
Health insurance rebate		..		..		..		479
Other concessional rebates(a)		117		78		93		110
Deductions:								
Gift provisions								
School building funds		9		14		16		19
Other gifts		16		24		33		46
Interest on home loans		83		..		..		..
Cost of insulating a first home		..		..		2		4
Superannuation contributions, self employed, etc.		..		..		30		57
Total		108		38		81		126
TOTAL		1 390		836		1 155		1 752

(a) Excludes cost of general concessional rebate which was absorbed into zero rate step of rate schedule with introduction of standard rate system in 1977-78.

Miscellaneous

A variety of income is specifically exempted from personal income tax. In particular, amounts paid under the *Social Services Act 1947* relating to the following are exempt from taxation: invalid pensions paid to persons under age pension age, supplementary assistance which is paid subject to a special income test to certain pensioners who pay rent or lodging charges, payments to pensioners that represent mother's or guardian's allowance or additional pension for children, family allowances, funeral benefits, sheltered employment allowance, double orphan's pensions, handicapped child's allowance and some training and living allowances under the Rehabilitation Service. From 1 March 1984, supplementary allowance paid to sickness beneficiaries and additional allowance for children paid to unemployment, sickness and special beneficiaries will be exempt. Some repatriation pensions are also exempt income as are some wartime persecution pensions received from other countries.

A number of lump sum income payments made to individuals are either tax free or are taxed on a concessional basis. Major changes were announced by the Treasurer on 19 May 1983 to the taxation treatment of lump sum superannuation and kindred

benefits; details are provided in Appendix II to Statement No. 4. Estimates of the extent of concessional treatment of superannuation involve consideration of the taxation treatment of contributions to funds, earnings of funds, and superannuation benefits. The Attachment to this Appendix examines further the conceptual basis and magnitude of this tax expenditure.

Industry Assistance

Industry also has received assistance through various taxation concessions. The main concessions available in recent years have been investment allowances, accelerated depreciation and trading stock valuation adjustment, all of which applied to a wide spectrum of industry, while special arrangements have benefited the primary production, mining, film and tourism industries.

Most of the relevant concessions in the income tax field may be grouped in three broad categories, namely:

- A—those allowing the deduction of amounts that are not authorised under the general provisions of the law;
- B—those allowing certain taxpayers to alter the timing of tax allowances; and
- C—those exempting certain classes of income.

Details of estimated amounts of revenue forgone in respect of some of these provisions are quantified below. Other provisions are not quantified, in some cases because of lack of data on revenue forgone or questions about the extent to which they may properly be regarded as wholly 'industry assistance'. These provisions include the concession whereby primary producers are allowed to adopt artificially low values for natural increase in their livestock accounts for taxation purposes; deduction of the cost of connecting business properties to electricity mains; measures related to the eradication of brucellosis and tuberculosis; income-spreading in the case of forced sales of livestock; the petroleum shareholder rebate; the accelerated depreciation of expenditure on employees' amenities; and certain sales tax exemptions.

Category A

The present investment allowance applies to a wide range of new plant and equipment, including leased plant. It provided originally for a deduction equal to 40 per cent of the cost of plant purchased under a contract made in the period 1 January 1976 to 30 June 1978 and first used by 30 June 1979 and a deduction of 20 per cent of the cost of plant ordered in the period 1 July 1978 to 30 June 1985 and first used by 30 June 1986. Following the Review of Commonwealth Functions the 20 per cent rate was reduced to 18 per cent for plant ordered on or after 1 May 1981. It was announced on 29 July 1982 and confirmed on 30 March 1983 that the allowance would apply to certain ships which were not previously eligible for it. The estimated revenue forgone in respect of the provisions is \$504m in 1981-82 and \$593m in 1982-83.

An immediate deduction is allowable in the year of expenditure for the capital cost of a wide range of soil conservation measures and of conserving or conveying water in a business of primary production. The estimated revenue forgone in respect of the provisions is \$38m in 1981-82 and \$23m in 1982-83.

Special deductions were allowable under section 75A of the Income Tax Assessment Act to taxpayers engaged in primary production in respect of certain classes of capital expenditure not subject to depreciation. Until this Budget the amount of the expenditure was allowed in equal annual deductions over 10 years. Clearing land, draining swamps and grassing the land for grazing purposes were examples of the classes of allowable capital expenditure. The deduction ceases to apply to such expenditure incurred after 23 August 1983 other than expenditure contracted for previously. Primary producers are also allowed to write off capital expenditure on telephone lines over 10 years. The estimated revenue forgone in respect of these provisions is \$3m in 1981-82 and \$3m in 1982-83.

The Income Equalisation Deposits (IED) scheme permits deposits by a primary producer, within specified limits, to be deducted against assessable income, and withdrawals of deposits to be included in assessable income. The scheme is to be significantly changed in respect to deposits made on or after 1 September 1983 and details of the arrangements are outlined in the Measures Section of Statement No. 4. The estimated net revenue forgone from the IED scheme is \$14m in 1981-82 and \$9m in 1982-83.

Under the averaging provisions, primary producers effectively have their income from primary production taxed at rates corresponding to their average income for the current and preceding 4 years. (Depending on the amount of their income not derived from primary production, some or all of that income may also be effectively taxed at the lower rate corresponding to average income.) In any year from 1977-78 to 1982-83 in which average income was greater than taxable income, primary producers were taxed at ordinary rates.

The purpose of the averaging provisions is to ensure that fluctuations in income in conjunction with progression in rates of tax do not lead to primary producer taxpayers with fluctuating incomes bearing higher tax rates than other taxpayers having incomes which, over a period of years, are comparable but non-fluctuating. The effects go beyond that when there is an upward (e.g. inflationary) trend in money incomes over a number of years since, even if fluctuations in income do not occur around that trend, the averaging provisions result in the taxpayers covered by them bearing lower tax rates than other taxpayers whose incomes over an equal period of years are comparable. Furthermore, even in the absence of an upward trend in income, the provisions introduced in 1977-78 and terminated from 1 July 1983 did more than remove the effect on tax of fluctuations in income, as averaging was applied only in years when to do so benefited the taxpayer, tax being calculated at ordinary rates in other years.

The revenue forgone as a result of the averaging rebate in 1982-83 was \$135 million. However, only a proportion of that amount can be rightly viewed as 'concessional assistance'.

Considerable assistance is provided to the Australian film industry. There was a deduction of 150 per cent of capital invested in a qualifying Australian film and an exemption of net receipts from the film of up to 50 per cent of the taxpayer's capital investment for films the production of which was contracted for between 1 October 1980 and 23 August 1983. From 24 August 1983, the deduction and exemption limits are 133 and 33 per cent respectively. The estimated revenue forgone was \$13m in 1981-82 and \$25m in 1982-83.

Category B

Particular difficulty exists in providing estimates of the cost of tax deferral measures. Tax concessions of a deferral nature include accelerated depreciation allowances, and rapid write-off provisions for the mining industry and primary producers. Part of the difficulty with these items is that their costs are spread over a number of years whereas tax expenditure estimates relate to single years. Particularly in the case of a concession such as an acceleration of depreciation deductions the cost may be small in the first one or two years after the introduction of the concession, yet may grow substantially in later years.

For an individual taxpayer, tax deferral is equivalent to an interest-free loan from the Government. For the Government it means revenue forgone. Even if aggregate investment subject to the relevant provisions remained constant, there could be a substantial cost over a lengthy transitional period and the revenue would never make up that loss unless the concession was repealed at a later date. When investment subject to the provisions is expanding, these concessions give rise to a continuing lower level of taxation than would otherwise be the case. These matters were discussed further in Appendix II to Statement No. 4 in 1982-83.

A wide range of accelerated depreciation arrangements apply to existing plant and equipment; recent changes have included:

- double depreciation was allowed in 1974-75 for new plant purchased by a limited range of industries;
- in 1975-76, double depreciation was extended to a wider range of industries;
- from 1976-77, double depreciation was not allowed on any new plant, but it continued to be applied to deductions in 1976-77 and later years relating to any eligible plant purchased in 1974-75 and 1975-76;
- a 20 per cent loading in depreciation rates was introduced in 1980-81; it was reduced to 18 per cent for plant ordered after 30 April 1981;
- special rates of depreciation are available for plant used to produce basic iron and steel, first ordered under a contract entered into after 18 August 1981;
- plant ordered after 19 July 1982, subject to certain exclusions, is eligible for accelerated depreciation over either 3 or 5 years; new primary production plant ordered after that date would generally be depreciated over 3 years. New depreciation in respect of buildings and new provisions relating to deductions for mining development expenditure were also introduced;
- on 30 March 1983, confirmation was made of the provision announced on 29 July 1982, of 5 year depreciation for Australian ships less than 5 years old, subject to certain conditions; and
- the period of depreciation of certain new primary production plant ordered after 19 July 1982 that had been reduced from 5 years to 3 years reverted to 5 years, with effect for plant acquired under a contract entered into after 19 May 1983.

In order to arrive at a cost in 1983-84 of accelerated depreciation provisions, it would be necessary to compare the level of depreciation deductions actually claimed with those which could have been claimed on the basis of the Taxation Commissioner's standard lives of plant. That, in turn, would require a break-up of the deductions for 1983-84 into

those relating to plant being depreciated at each of the accelerated rates already mentioned, as well as those being depreciated at standard rates. That calculation would involve more than allowing for differences between the 'rates' of depreciation applied in 1983-84 and the standard rates. Plant which has attracted accelerated depreciation rates in past years has been depreciated down to a smaller remaining balance than if it had been depreciated at standard rates. To allow for that would require data breaking up the depreciation claims by age of assets; such data are not available.

Provision also exists for fast write-off of capital expenditure on scientific research related to a business.

Depreciation allowances are provided for certain new income-producing buildings (or extensions to existing buildings) commenced after 21 August 1979 that are used to provide short-term accommodation for travellers. The allowance is 2 1/2 per cent per annum of the construction cost of the building. New non-residential income-producing buildings, the construction of which commenced after 19 July 1982, are also eligible for depreciation at a prime cost rate of 2 1/2 per cent.

As regards capital development expenditure in the mining industry, allowable capital expenditure incurred in respect of the development of a mine property or an oil field that was incurred under a contract entered into by 30 April 1981 was deductible on a *diminishing value basis* by reference to the estimated life of the mine or field or 5 years, whichever was less. Following the Review of Commonwealth Functions, annual deductions in respect of allowable capital expenditures under a contract entered into on or after 1 May and before 19 August 1981 are calculated by reference to the lesser of the estimated life of the mine or field or 6 years. The 1981-82 Budget changed the deduction to the lesser of the estimated life of mine or field or 10 years for expenditures under contracts entered into on or after 19 August 1981. The arrangements were subsequently changed so that mining and petroleum companies could deduct eligible capital expenditure incurred under a contract entered into after 19 July 1982 by reference to the lesser of the life of the mine or 10 years on a *straight line basis*. Expenditure on certain facilities for the transport of minerals is deductible in equal instalments over either 10 years or 20 years, at the taxpayer's option to be exercised with the first claim for the deduction. Certain incurred development and transport expenditure, however, is deductible under taxation provisions operative some years ago which continue to apply to expenditure made in those earlier years.

The income tax rebate provision for petroleum exploration and development allows a company engaged in petroleum exploration and development activities to entitle its corporate and non-corporate shareholders to a tax rebate of 27 per cent (30 per cent before 1 May 1981) for share capital subscribed that is spent on eligible outgoings if the company elects to forgo its own right to income tax deductions for the capital expenditure incurred.

Category C

Exemptions from income tax as a form of industry assistance include the exemption of income derived from the production of gold and the exemption of amounts paid by employers who take on young people under the Commonwealth Rebate for Apprentice Full-time Training Scheme (CRAFT). The estimated revenue forgone in respect of exempting gold mining income was \$65m in 1981-82 and \$35m in 1982-83.

RETIREMENT AND OTHER EMPLOYMENT TERMINATION BENEFITS

Retirement and other employment termination benefits are types of remuneration or income which may be saved for a period and are treated on a concessional basis for tax purposes. To define the nature of, and estimate the cost of, the concessions available for retirement and other employment termination benefits, their tax treatment at each step is compared with the normal treatment of remuneration and savings which is as follows:

- remuneration in respect of employment is generally deductible to the employer and fully taxed to the recipient;
- an addition to one's savings (say a bank deposit, purchase of a share or debenture) does not usually attract an exemption or rebate. It would normally have to be financed out of after-tax income;
- investment income on normal savings (interest, dividends, etc.) is taxed as it is earned; and
- disavowal of amounts (including interest) accumulated and already taxed at an earlier stage is not taxed again.

The treatment of retirement and other employment termination benefits in Australia differs from these 'norms' as follows:

- (a) *Remuneration* in the form of contributions to a superannuation fund by the employer is, subject to limits, deductible to the employer but unlike other forms of remuneration is not taxed to the employee.
Direct payments to employees at or after retirement or termination of employment, are generally deductible to the employer but may not be fully taxed to the recipient. Such payments include gratuitous 'golden handshakes' and promised benefits which have not been financed by use of a fund. The taxation treatment of these payments in the hands of the recipient varies considerably. Lump sum retirement payments paid directly are taxed in the same way as lump sums from funds (see below); 5 per cent of any sum in lieu of long service leave accrued before 16 August 1978 is subject to tax; other lump sums in lieu of long service leave and unused recreation leave are taxed at the standard rate; and unfunded pensions are taxed as ordinary income.
- (b) *Additions to the savings* (superannuation contributions) attract certain concessions. When made by a self-employed person or by an employee not participating in an employer sponsored fund, contributions up to \$1200 per annum attract a deduction. Further contributions made by a self-employed person or an unsupported employee in excess of the limit on deductible contributions, or contributions made by an employee participating in an employer sponsored fund, may, up to a limit of \$1200 per annum, count towards a rebate at the standard rate of tax on the excess over \$2000 of the individual's total rebatable expenditures.
- (c) *The investment income* earned on contributions by all but one class of approved superannuation fund is exempt from tax in the funds' hands; and the investment income earned by the remaining class of approved superannuation

funds (section 79 funds) is taxable but receives significant concessional treatment by means of a deduction from assessable income equal to 5 per cent of the cost of certain assets.

- (d) *Dissaving* in the form of lump sums and pensions paid out of money saved in superannuation funds is taxed whereas withdrawal of ordinary savings is not generally taxed. Lump sums have been taxed generally as to 5 per cent of the amount but new rules apply to lump sum superannuation and kindred payments received after 30 June 1983. Such lump sums will normally be divided into two parts—a proportion relating to periods of service prior to 30 June 1983 and the other relating to periods of service after that date. The former amount is to continue to be taxed, or remain exempt, under the old rules. The latter amount will be tax free to the extent that it represents the return of post-30 June 1983 superannuation contributions by individuals which attracted no deduction when made, and the residue will be taxed at special rates. More detail of the new rules is provided in Appendix II to Statement No. 4.

The following table shows estimates for 1983-84 of the components of the concessions and tax treatment of retirement and other employment termination benefits. It should be noted that the figures are based on available historical data and some assumptions about the composition and past growth of funds.

Without attempting to project the figures for future years, it is evident from the strong recent growth in contributions to superannuation funds (reflecting both salary increases and the increased proportion of the workforce covered by the funds) that there will be a similar growth in payments of benefits in future years. Accordingly, while the 'full year' estimate in the measures table of Statement No. 4 of the gain from the new tax treatment of lump sums is \$300m at the 1983-84 level of lump sum payments, in future years payments will increase and, so also will the consequential revenue yield—within a decade the yield will be much greater than \$300m.

The figures of net revenue forgone indicate, under the assumptions made, how much greater budget revenue would have been if the tax rules relating to ordinary income and savings, which are taken as the 'norm', were applied instead of the rules relating to the various elements of superannuation taxation arrangements.

Estimated Revenue Forgone through Retirement and other Employment Termination Tax Concessions 1983-84

	\$m
Tax-free treatment of employer contributions	1 450
Deduction of self employed/unsupported employees' contributions	65
Rebate on other contributions	30(a)
Under-taxation of fund earnings	1 200
Under-taxation of 'unfunded' benefits	40
Sub-total	2 785(b)
<i>Less:</i>	
Tax on funded pensions	255
Tax on funded lump sums related to periods of service before 1 July 1983	40
Tax on funded lump sums related to periods of service after 30 June 1983	10
Total Offsets	305
NET REVENUE FORGONE	2 480

- (a) Calculated on a pro rata basis—not as though such contributions were the last slice of concessional expenditure claimed.
- (b) Cost estimated relative to income items being fully taxable in the hands of the fund members.

APPENDIX II TO STATEMENT No. 4
TAXATION OF LUMP SUM SUPERANNUATION AND KINDRED
PAYMENTS

This Appendix sets out the main features of new arrangements for the taxation of lump sum superannuation and kindred payments announced on 19 May, and the subject of further statements on 30 May and 7 August 1983.

Lump sums received prior to 1 July 1983 were taxed on one of the following bases:

- (i) most lump sum superannuation and other payments associated with termination of employment had 5 per cent of the amount treated as assessable under section 26 (d) of the Income Tax Assessment Act;
- (ii) certain other lump sums of a capital nature not associated with termination of employment were taxed on 5 per cent thereof or were tax free;
- (iii) payments after 15 August 1978 in respect of unused annual leave were taxable at the standard rate; and
- (iv) payments after 15 August 1978 in respect of unused long service leave attributable to service after that date were taxable at the standard rate.

Principal features of the new arrangements for lump sums received after 30 June 1983 are as follows.

Scope

The new basis of taxation will apply to lump sums in categories (i) and (ii) above (but not (iii) or (iv) which remain taxable as above), with the exception of:

- death benefits;
- 'bona fide' redundancy payments;
- payments under 'approved early retirement schemes' for retirement which is premature to the normal retirement age for the occupation concerned;
- a portion of disability retirement lump sums, as a result of the formula described below.

Bona fide redundancy and approved early retirement payments were defined in the 19 May and 7 August announcements, respectively. Such payments will be calculated as the excess of the actual lump sum received in those situations over the amount which the recipient could reasonably be expected to have received had he or she resigned from employment on the date of retrenchment or early retirement. The amount that would have been payable on resignation is subject to the new rules. That formula will also mean that the new arrangements will not apply to any excess of a payment in lieu of accumulated sick leave in redundancy or early retirement situations over that payable on resignation.

Transitional Arrangements

Lump sums or parts thereof that relate to service before 30 June 1983 will remain taxable under the old rules (principally the 5 per cent basis), and only amounts relating to service after 30 June 1983 will be subject to the new rules.

The Commissioner of Taxation will have a power to vary that rule in cases where it would otherwise operate inequitably. The principle to be followed will be to protect

(that is, leave subject to the old tax rules) such part of the amount that a person receives as is equal to the payment that person would have received had he or she retired and been paid a lump sum at the change-over date.

The basic apportionment rule in relation to employees covered by employer-supported superannuation schemes is to be based on the period, or the aggregate of the periods, of employment to which the lump sum relates. This includes any period of qualifying employment prior to membership of a superannuation fund, any period of membership of a non-employer supported fund where there has been a transfer of accruing benefits between superannuation funds of different kinds and, in relation to post 30 June 1983 periods, any period during which moneys were held in an 'approved deposit fund'.

In general, where either in the past or the future, an employee has fully preserved his entitlements to lump sums when changing jobs or when moving from one fund to another, periods of employment (or, where appropriate, membership of a fund) and lump sums will both be aggregated when applying the basic apportionment rule described above. Where none of the lump sum has been preserved, there will be no aggregation of either the amount of that lump sum or the period to which it relates. Where there is partial preservation, and transfer of less than the entire benefit from fund to fund, there will be aggregation, with an adjustment related to the unpreserved amount.

In the case of a person who takes a lump sum from a section 23 (ja) or section 79 fund, the "period of service to which the lump sum relates" will generally be the period of membership of the fund.

Rates of Tax

In determining the tax rates to be applied to amounts subject to the new rules, the lump sum is to be broken into three parts:

- the part relating to service before 30 June 1983, which will be taxed under the old rules appropriate to the type of lump sum, i.e., on 5 per cent of the amount or tax free;
- an amount equal to employee contributions after 30 June 1983 which have not attracted a tax deduction. This part of the lump sum will be exempt; and
- the remainder of the 'after' 30 June 1983 component, which is fully taxable under the new rates.

In the case of *disability benefits* a greater proportion of the lump sum will be taxed under the old 5 per cent rules, leaving a smaller amount to be fully taxable under the new rules. That part of a lump sum disability payment which relates to the individual's notional period of service between his invalidity retirement and his normal retirement age will be taxed under the old rules. For example, without the concessional arrangements for disability payments, if an individual has been in his employer's superannuation fund for 5 years as at 30 June 1983 and was invalided out 5 years after that date, then 5/10 or 1/2 of the sum would be taxed under the old provisions (subject to tax on 5 per cent of the amount) and 1/2 taxed under the new provisions. However, under the disability concession, if the individual concerned would normally have retired 20 years after he was invalided out, then $(5+20) \div (10+20)$ or 25/30 of the lump sum will be taxable as to 5 per cent and only 5/30 subject to the new provisions. This formula will permanently have the effect of leaving part of disability lump sums taxable under the old rules even where the individual has no relevant service before 1 July 1983.

The rates of tax to be applied to fully taxable post-30 June 1983 amounts are:

- lump sums received prior to age 55 are to be taxed at a flat rate of 30 per cent; and
- the first \$50 000 of lump sum received at age 55 or later is to be taxed at 15 per cent, and any excess above \$50 000 at a rate of 30 per cent. The \$50 000 level will be subject to review on an annual basis taking into account all relevant considerations.

Rollovers

A lump sum superannuation payment will be exempt from tax if it is rolled over within 90 days into another superannuation fund or into an annuity or a superannuation pension.

To meet the situation where there is no appropriate new employer's superannuation fund into which a lump sum can be rolled over, approval will be given for the establishment of 'approved deposit funds' to receive such payments for the purpose of freeing the lump sum from tax under the new arrangements until the benefits are ultimately received (usually on retirement). The organisations which will be permitted to offer 'approved deposit fund' facilities and the rules which are to apply to them will be announced as soon as the final details have been settled. Any part of a lump sum may be rolled over into an approved fund, while the remainder is retained by the taxpayer. The amount rolled over will be free from tax (until it is withdrawn when it will be taxed in accordance with the rules applicable to it). The other part will attract whatever tax treatment applies to that portion, depending on whether it relates to service before 30 June 1983, to employee contributions after that date or to other amounts.

Where a lump sum is rolled over into a pension or annuity, the pension or annuity will be subject to tax when it is received as income. The taxation treatment of this income will depend on the tax status of the lump sum, or part thereof, rolled over, in the following respects:

- where the otherwise fully taxable part of a lump sum becomes exempt from tax upon roll-over into an annuity or pension, the annuity or pension will be fully taxable; and
- purchase price of an annuity not represented by roll-over of otherwise fully taxable lump sums will be treated as undeducted purchase price and this will free the related part of the annuity or pension from tax.

The types of annuity which these lump sums can be converted into and the institutions which can issue them have yet to be finally determined. However, the Government envisages that there will be considerable flexibility in the types of annuity offered. For example, an individual will not be restricted to rolling over into annuities which have no residual value on death but will also be able to purchase annuities which revert to a spouse and/or dependants at that time. Also it is proposed that 'annuities certain' may be purchased under these arrangements. As announced on 19 May, it is also proposed to make certain amendments to the Income Tax Assessment Act and the Life Insurance Act to improve the attractiveness of annuities.

APPENDIX III TO STATEMENT No. 4 CORRECTION OF SALES TAX ANOMALIES AND INCONSISTENCIES

The table below sets out in summary form the various sales tax anomalies and inconsistencies, the correction of which, effective after 23 August 1983, was announced in the 1983-84 Budget.

Description of Item	Present Tax Position	Proposed Tax Position
Oil and lubricants for use for business or industrial purposes	Exempt	Tax at 20%
Agricultural machinery, implements and apparatus for use other than in agricultural industry	Exempt	Tax at 20%
Equipment preparations and materials in checking or eradicating insect pests and garden diseases and pests (including insecticides, herbicides and fungicides) for use other than in agricultural industry	Exempt	Tax at 20%
Machinery, implements, apparatus and refrigerating agents for preserving, opening or storing of fruit for use other than in the fruit-growing industry	Exempt	Tax at 20%
Piping, tubing, channelling and guttering for use other than for irrigation, water supply, drainage and sewerage	Exempt	Tax at 20%
Baking powder, cream of tartar and bi-carbonate of soda for use other than for culinary purposes	Exempt	Tax at 20%
Goods in the nature of toilet preparations including skin creams, creams and lotions, anti-dandruff foams and cleansing creams; household antiseptics/disinfectants and household sterilising solutions	Exempt	Tax at 20% or 32.5%
Cosmetics which include sunscreen agents to provide protection from solar ultra-violet rays and which are put up for sale for such screening purposes	Exempt	Tax at 32.5%
Liners and component parts for swimming pools including goods designed to form part of swimming pools	Exempt	Tax at 20%
Swimming pool filters of a kind installed as fixtures	Exempt	Tax at 20%
Tractors n.e.c. including ride-on mowers and similar equipment designed and marketed with the general appearance and features of tractors	Exempt	Tax at 20%
Matches	Exempt	Tax at 7.5%
Audio discs for use with audio disc players	Tax at 20%	Tax at 32.5%
Recorded video tapes and recorded video discs sold for or hired out for domestic consumption	Tax at 7.5%	Tax at 32.5%
Blank video and blank sound tapes	Tax at 20%	Tax at 32.5%
Storage equipment for video cassettes	Tax at 7.5%	Tax at 32.5%
Parts for coin-operated machines	Tax at 20%	Tax at 32.5%
Electronically operated fittings and accessories, being goods of a kind used exclusively or primarily and principally as part of fixed electrical installations in consumer premises	Tax at 20%	Exempt
Infant sheets, pillow slips, sleeping bags and baby rugs	Tax at 7.5%	Exempt
Abrasive grains, pastes and powders	Tax at 20%	Tax at 7.5%
Jardinettes and vases	Tax at 32.5%	Tax at 7.5%
Household articles made of plastic or comparable material similar to household articles made of glassware	Tax at 20%	Tax at 7.5%
Spinning wheels and weaving looms of the kind ordinarily used for household purposes	Tax at 20%	Tax at 7.5%
Cut glassware of the kind ordinarily used for household purposes	Tax at 20%	Tax at 7.5%
Teletext equipment acquired on a once-only basis for incorporation in or as attachment to television sets for use by deaf persons	Tax at 32.5%	Exempt

APPENDIX IV TO STATEMENT No. 4
INDEXATION OF EXCISE RATES AND EXCISE-EQUIVALENT
COMPONENTS OF LIKE CUSTOMS DUTIES

The 'traditional' excises on beer, potable spirits, tobacco products and certain petroleum products are set in specific terms—that is, in dollars per unit of product. Imports of equivalent products bear customs duty, a large proportion of which is an excise-equivalent component, which is also set in specific terms. (The remaining smaller proportion of these customs duties is a protective component, which is frequently 'bound' under the General Agreement on Tariffs and Trade.) In the following outline, references to excises should be read to include the excise-equivalent component of customs duties on comparable imports.

Because discretionary increases in the nominal rates of excise have not been sufficiently frequent or large to offset the effects of inflation, the real rates have tended to decline over time, as shown in the following table.

Real and Nominal Rates of Excise Duty

	Beer (\$/litre)		Potable Spirits (\$/litre) (a)		Cigarettes (\$/kg tobacco)		Motor Spirit (cents/litre)	
	nominal	real(b)	nominal	real(b)	nominal	real(b)	nominal	real(b)
1973-74	0.253	0.253	6.80	6.80	14.00	14.00	4.905	4.905
1974-75	0.253	0.206	9.35	7.68	16.10	13.22	4.905	4.027
1975-76	0.394	0.277	10.21	7.19	19.36	13.63	4.905	3.454
1976-77	0.394	0.249	10.21	6.46	19.36	12.25	4.905	3.164
1977-78	0.394	0.230	10.21	5.97	19.36	11.32	5.155	3.015
1978-79	0.520	0.285	18.75	10.28	24.75	13.57	5.155	2.626
1979-80	0.520	0.260	18.75	9.38	24.75	12.38	5.155	2.578
1980-81	0.520	0.236	18.75	8.51	24.75	11.23	5.155	2.339
1981-82	0.520	0.211	18.75	7.61	24.75	10.04	5.155	2.092
1982-83	0.600	0.218	18.75	6.83	29.70	10.82	6.155(c)	2.241
1983-84(e)	0.630	0.212	19.56	6.59	30.98	10.45	9.027	3.043

- (a) Rate for whisky used as an illustration.
 (b) Deflated by the non-farm goods deflator, 1973-74=100.
 (c) The rate increased to 7.155 cpl from 1 July 1983 representing the second part of a two cent per litre surcharge, the proceeds of which, net of rebates, are allocated to a trust fund to finance the Australian Bicentennial Road Development Program.
 (e) Rates applying from 23 August 1983.

With effect from Budget night, the 'traditional' excise rates (as increased in several cases by discretionary increases in the Budget) will be indexed by movements in the Consumer Price Index (CPI) to minimise further erosion of real rates. The indexation arrangements will not apply to the protective component of customs duties. Nor will they apply to the excises on crude oil and LPG, whose rates are adjusted separately under long-standing energy policy arrangements.

The initial Budget-night indexation increase in excise rates will be 4.3 per cent, being the compounded increase of the CPI for the eight capital cities in the March and June quarters of 1983. The 4.3 per cent increase will be applied, in general, to the new rates struck in the Budget as set out in column two of the following table, as well as to those rates which were not subject to discretionary increase in the Budget.

The only variation to this general approach relates to manufactured tobacco, whose new rate of \$20.10 per kilogram of tobacco will not be subject to an indexation increase until 1 February 1984.

The following table sets out the derivation of the excise rates applying from Budget night.

	Rates prior to Budget	Rates arising from discretionary measures in the Budget	Rates after 4.3% indexation on Budget Night
	\$	\$	\$
Beer (/litre)	0.60	n.a.	0.63
Brandy (/litre alcohol)	16.00	n.a.	16.69
Other Spirits (/litre alcohol)	18.75	n.a.	19.56
Spirits net and Liqueurs net (/litre alcohol)	19.25	n.a.	20.08
Fortifying Spirit (23) (/litre alcohol)	—	2.50	2.61
Cigarettes (/kg tobacco)	29.70	n.a.	30.98
Manufactured Tobacco (/kg tobacco)	15.10	20.10	20.10 (a)
Cigars (/kg tobacco)	25.34	29.70	30.98
Motor Spirit (/litre)	0.07155	0.08655	0.09027
Avgas (/litre)	0.06855	0.07055	0.07358
Avtur (/litre)	0.06190	0.06690	0.06978
Diesel—Gross (/litre)	0.07155	0.08655	0.09027
—Rebate (/litre)	0.07155	—	0.07155(b)
Fuel Oil (/litre)	—	0.08655	0.09027
Heating Oil—Gross (/litre)	—	0.08655	0.09027
—Rebate (/litre)	—	0.07155	0.07155(b)
Kerosenes (/litre)	—	0.08655	0.09027

- n.a. not applicable
 (a) This product is unaffected by the initial Budget night indexation step.
 (b) The rebate is to be frozen at 7.155 cents per litre.

The next indexation adjustment will be on 1 February 1984 in respect of the CPI increases in the September and December quarters of 1983. All the Budget excise rates set out in the final column of the preceding table will be uplifted then, although the rebates of excise on diesel fuel and heating oil for eligible off-road use will continue at the 7.155 cents per litre rate.

Six monthly indexation of excise rates will proceed thereafter on 1 August and 1 February each year.

APPENDIX V TO STATEMENT No. 4

CRUDE OIL AND LIQUEFIED PETROLEUM GAS: PRICING AND LEVY ARRANGEMENTS

This Appendix summarises developments since the last Budget in pricing and excise levy arrangements for locally produced crude oil and LPG.

CRUDE OIL

On 22 December 1982, the then Minister for National Development and Energy announced new determinations of the import parity prices for domestically produced crude oil and the associated crude oil levy rates to apply from 1 January 1983. The determinations of the import parity prices for domestic fields were in accordance with the policy, announced by the then Minister for National Development on 4 July 1978, to base the import parity price for each domestic field on the official price of the 'marker' crude oil (Arabian Light) adjusted to reflect quality differentials, freight to the refinery port nearest that field, insurance and evaporation loss, and converted to Australian dollars, with further adjustments to allow for wharfage and credit terms and, in the case of Bass Strait crude, for coastal freight costs. Australian refiners pay the resultant import parity price for indigenous crude oil at the appropriate refinery port. Producers receive those prices less the excise levy payable to the Commonwealth.

The Minister for Resources and Energy announced on 16 March 1983 new determinations of import parity prices and associated crude oil levy rates to apply from 1 April 1983 which took into account the March devaluation of the Australian dollar and the reduction of \$US5 per barrel in the price of Arabian Light announced on 14 March 1983.

On 30 June 1983, the Minister for Resources and Energy announced changes in the Government's policy in relation to the pricing of indigenous crude oil and the associated levy arrangements. At the same time, new determinations of the import parity prices and crude oil levy rates to apply from 1 July 1983 were announced. As to the import parity prices, the only change from the prices set on 1 April 1983 was the removal of the compensation for credit allowance. This allowance was previously calculated on the basis that the refiners paid domestic producers on average 35 days after delivery and that producers paid the levy an average of 24.5 days before they were paid by refiners.

Under the new pricing arrangements, the Government-determined import parity price is calculated on the basis of the net 15 days credit applicable to Arabian Light crude landed in Australia. The Government will continue, however, to determine the amount payable by refiners to producers for an additional 20 days credit so that the refiners have the option of paying a price based on 15 days credit, or of paying producers a sum additional to the import parity price to maintain the previous 35 days credit arrangement. Since 1 July 1983 producers receive on average 15 days credit from the Commonwealth for the payment of the levy.

Official prices of Arabian Light crude and the Australian import parity prices for Bass Strait crude over the past three years are shown below.

	Arabian Light	Bass Strait
	(\$US per barrel f.o.b. Ras Tanura)	(\$A per barrel, f.o.b. Westport) (a)
1 July 1980	28.00 (b)	27.50
1 January 1981	32.00	30.33
1 July 1981	32.00	30.79 (e)
1 January 1982	34.00 (c)	32.25
1 July 1982	34.00	35.46 (e)
1 January 1983	34.00	38.69 (e)
1 April 1983	29.00 (d)	36.90
1 July 1983	29.00	36.53 (f)

- (a) Prices (and levy rates) are set in dollars per kilolitre but, for purposes of comparison, are converted to dollars per barrel equivalents.
- (b) Increased to \$US30.00 per barrel on 17 September 1980 with effect from 1 August 1980, and to \$US32.00 per barrel on 16 December 1980 with effect from 1 November 1980.
- (c) Increased to \$US34.00 per barrel on 29 October 1981 with effect from 1 October 1981
- (d) Reduced to \$US29.00 per barrel on 14 March 1983. (The price was reduced in two stages: to \$US30 per barrel with effect from 1 February 1983 and to \$US29 per barrel with effect from 1 March 1983.)
- (e) These increases in the import parity price were due largely to changes in the \$US/\$A exchange rate
- (f) This decrease is attributable entirely to the removal of the compensation for credit allowance previously included in the import parity price determination.

The Commonwealth Government's excise 'take' in 1982-83 was equivalent to about 69 per cent of the average price of \$36.66 per barrel of domestically produced excisable crude oil. (In addition to the levy proceeds, the Commonwealth receives a share of the royalties paid by the producers in respect of their offshore petroleum production. In 1982-83, that share amounted to \$68.2m and is recorded in the "Interest, Rent and Dividends" category of the receipts table shown in Statement No. 4.)

The crude oil excise applies to production of 'old' oil, oil produced from fields discovered prior to 18 September 1975, and the producers' return from this oil is the import parity price less the appropriate levy. Producers of 'new' oil from fields discovered on or after 18 August 1976 are not subject to any levy and receive the import parity price on the whole of their production.

The changes effective from 1 July 1983 in the arrangements for levying excise on 'old' crude oil simplified those arrangements and corrected a number of serious anomalies. Under the previous arrangements, different sized fields attracted different combinations of three levies: a fixed levy, a levy which changed according to movements in either the import parity price or the Consumer Price Index and a levy determined by the difference between the import parity price and a fixed controlled price. Over certain production ranges, these arrangements resulted, when production increased, in reduced overall returns to the producer or erratic marginal excise rates and, in some situations, returns to the producers could increase even though the import parity price remained unchanged or fell.

The new levy scale is structured so that, as annual production from each field increases, the increments attract progressively higher rates of excise as shown below. The excise payments for all fields are determined by applying the relevant marginal excise rates to the ruling Government-determined import parity price for Bass Strait crude oil. (Under the previous arrangements the excise rates for each field were based on the relevant import parity price for each field.)

Production Ranges '000 kilolitres pa	Marginal Excise Rate
0-50	0
50-100	5
100-200	15
200-300	20
300-400	40
400-500	70
500-600	80
Over 600	87

The crude oil levy and producers' returns from 'old' oil for each field applying from 1 July 1983 are shown below:

Annual Production Range (a)	% of Bass	Producer Returns (d)						
		Strait Price (b)	Excise Rate (c)	Bass Strait	Betrow Island	Cooper Basin	Dongara	Moone
'000 bbl	%	\$/bbl	\$/bbl	\$/bbl	\$/bbl	\$/bbl	\$/bbl	\$/bbl
0-315	0	0	36.53	37.22	36.49	34.10	38.23	
315-629	5	1.83	34.70	35.40	34.67			
629-1259	15	5.48	31.05	31.74	31.01			
1259-1888	20	7.31	29.22	29.92	29.19			
1888-2517	40	14.61	21.92	22.61	21.88			
2517-3146	70	25.37	10.96	11.65				
3146-3776	80	29.22	7.11	7.80				
Over 3776	87	31.78	4.75	5.44				

- (a) Converted to per barrel equivalents of the per kilolitre basis which is used to delimit the production 'franchises'.
 (b) Expressed as a percentage of the Bass Strait import parity price of \$36.53.
 (c) Excise-free 'new' oil production includes oil from the Fortescue and Jackson fields at import parity prices of \$36.53 and \$34.91 per barrel respectively.
 (d) The \$/barrel import parity price, excise rates and producer returns are derived from a conversion of the \$/kilolitre import parity price, excise rates and producer returns. Because of rounding differences, the \$/barrel producer returns and excise rates may not add precisely to the import parity price.

LIQUEFIED PETROLEUM GAS (LPG)

On 22 December 1982, the then Minister for National Development and Energy announced the new determinations of the excise rate and the maximum wholesale price for naturally occurring LPG to apply from 1 January 1983. These determinations were made in accordance with the policy announced on 8 April 1980.

The Minister for Resources and Energy announced on 30 June 1983 a new determination of the excise rate and the maximum wholesale price to apply to domestically produced LPG from 1 July 1983, consistent with the procedures established in April 1980. Under these arrangements, the domestic price at the supply terminal of naturally occurring and ex-refinery LPG is set at the lower of the export parity price for LPG or a crude-oil-indexed price. The latter is the price of LPG set in April 1980 (\$205 per tonne) indexed for movements since then in the import parity price of Bass Strait crude.

Over the previous two years (since 1 July 1981) domestic LPG prices had been determined on the export parity basis. As a result of substantial increases in international prices and the devaluation of the Australian dollar over the previous six months, the export parity price had risen to around \$325 per tonne. Accordingly, the 1 July 1983 determination of \$304.44 per tonne for LPG was made on the basis of the lower crude-oil-indexed price.

Producers of naturally occurring LPG from fields in production prior to 17 August 1977 pay excise at a rate equivalent to 60 per cent of the excess of the weighted average of domestic and export prices over \$147 per tonne. Naturally occurring LPG fields brought into production on or after 17 August 1977 are free of excise.

On 29 June 1982 the then Minister for National Development and Energy announced that the \$80 per tonne LPG subsidy payable to households and non-profit residential institutions and schools, and to commercial and industrial users in areas where natural gas is not readily available, would be extended for twelve months to 27 March 1984. The Minister for Resources and Energy announced on 30 June 1983 that the Government will be reviewing the future of the subsidy before the end of 1983.

The domestic prices, excise rates and returns to producers from domestic sales of naturally occurring LPG during 1983 are shown below:

	Returns to Producers (c)		
	Price (a)	Excise (b)	\$/tonne
From 1.1.83 to 30.6.83		\$/tonne	\$/tonne
		251.85	68.03
From 1.7.83		304.44	90.46

- (a) The prices charged to households, non-profit residential institutions, schools and industrial and commercial consumers in areas where natural gas is not readily available are reduced by the \$80 per tonne subsidy paid by the Commonwealth.
 (b) Approximate dollars per tonne conversion of levy rates which are set in dollars per kilolitre.
 (c) Producer returns for LPG produced from fields brought into production on or after 17 August 1977 are excise free.

STATEMENT No. 5—BUDGET OUTCOME, 1982-83

This Statement compares the 1982-83 Budget outcome with the 1981-82 Budget outcome and the 1982-83 Budget estimates, and discusses the major variations from the budget estimates. It also presents details on the financing of the 1982-83 Budget deficit.

The Budget outcome is summarised in the following table:

	1982-83				Difference from Estimate	
	1981-82 Actual(a)	Budget Estimate(a)	Actual(b)		\$m	%
	\$m	\$m	\$m	\$m		
Outlays	41 338	47 067	48 982	+1 915	+4.1	
Receipts	40 790	45 393	44 509	- 884	-1.9	
Deficit	548	1 674	4 473	-2 799		

Notes (a) The budget estimates and results for 1981-82 differ from those shown in the 1982-83 Budget Speech because of minor classification changes introduced in the 1983-84 Budget.

(b) The revised outcome, compared with the Commonwealth Government's Statement of Financial Transactions for 1982-83 issued on 18 July 1983, reflects minor classification changes introduced in the 1983-84 Budget and adjustments submitted by departments following detailed checking of accounting records.

The main features of the 1982-83 Budget outcome were as follows:

- an overrun of \$2799m (to \$4473m) on the deficit estimated at budget time, partly attributable to lower than expected economic activity, and partly to discretionary decisions;
- total outlays of \$48 982m, 18.5% higher than 1981-82 and 4.1% greater than the budget estimates;
- main contributions to the outlays overrun of \$1915m over budget estimates were increased payments for unemployment benefits, natural disaster relief payments for drought, capital injections to TAA, Qantas and the Australian Shipping Commission, increased equity payment to AUSSAT, drought assistance to farmers through interest and fodder subsidies and higher public debt interest payments;
- total receipts were below the budget estimate by \$884m or 1.9%;
- most major receipts categories fell below budget estimates, primarily because of a weaker labour market and a lower level of economic activity generally than was assumed at budget time. For example, gross Pay-As-You-Earn (PAYE) collections were down \$261m, sales tax \$139m, customs duty on imports \$131m and traditional excises, \$114m;
- there appears to have been a major, albeit unquantifiable, shortfall from the \$615m expected to be collected as a result of increased penalty rates for late payment of taxes due in earlier years. This was an aspect of the collection shortfalls from personal income tax on assessment (\$247m) and company tax (\$232m);
- there were also shortfalls of \$175m from estimated collections under the *Taxation (Unpaid Company Tax) Assessment Act* and of \$50m from the Bank Account Debit Tax, reflecting delays in implementing the 1982-83 Budget measures and also a subsequently revised (and narrower) scope to the unpaid company tax legislation; and

- only the crude oil and LPG levies and net receipts from government enterprises yielded significantly more than the budget estimates (by \$199m and \$225m respectively).

A major part of the deficit overrun was attributable to the automatic response of receipts and outlays to the sharp decline in the economy. It is estimated, however, that somewhat more than \$200m of the receipts shortfall and a significant proportion of the outlays overrun did not reflect automatic influences, but rather such factors as new policy decisions (including those in respect of drought and flood relief and financial assistance to Commonwealth transport authorities) and delays or subsequent changes in the implementation of Budget measures. In this sense, a substantial proportion of the deficit overrun could be regarded as reflecting the post-budget decisions of government.

OUTLAYS

The following table compares actual outlays in 1982-83 with the 1981-82 outcome and 1982-83 Budget estimate for each function and is followed by comments on significant differences from the budget estimates.

	Change in 1982-83 Actuals					
	Actual 1981-82	Budget Estimate 1982-83	Actual 1982-83	Over 1981-82	Over 1982-83 Budget Estimate	
	\$m	\$m	\$m	%	%	
Defence	4 134	4 622	4 782	+ 15.7	+ 3.5	
Education	3 341	3 792	3 802	+ 13.8	+ 0.3	
Health	2 912	3 379	3 425	+ 17.6	+ 1.4	
Social Security and Welfare	11 501	13 277	14 112	+ 22.7	+ 6.3	
Housing	458	571	740	+ 61.5	+29.7	
Urban and Regional Development nec and the Environment	77	113	126	+ 62.6	+11.4	
Culture and Recreation	482	501	523	+ 8.5	+ 4.4	
Economic Services—						
Transport and Communication	1 180	1 475	1 760	+ 49.2	+19.3	
Water Supply, Electricity and Gas	67	97	103	+ 54.2	+ 6.4	
Industry Assistance and Development	942	1 044	1 109	+ 17.7	+ 6.2	
Labour and Employment	460	510	685	+ 48.9	+34.2	
Other Economic Services	109	95	96	+ 11.6	+ 1.6	
<i>Total Economic Services</i>	<i>2 757</i>	<i>3 221</i>	<i>3 753</i>	<i>+ 36.1</i>	<i>+16.5</i>	
General Public Services—						
Legislative Services	132	161	199	+ 50.3	+23.8	
Law, Order and Public Safety	238	293	322	+ 25.0	+ 9.9	
Foreign Affairs and Overseas Aid	860	947	958	+ 11.4	+ 1.2	
General and Scientific Research nec	394	426	439	+ 11.5	+ 3.0	
Administrative Services	1 241	1 359	1 431	+ 15.3	+ 5.3	
<i>Total General Public Services</i>	<i>2 885</i>	<i>3 185</i>	<i>3 349</i>	<i>+ 16.1</i>	<i>+ 5.1</i>	
Not Allocated to Function—						
Payments to or for the States, the Northern Territory and Local Government Authorities nec	9 908	10 953	10 991	+ 10.9	+ 0.3	
Public Debt Interest	2 881	3 243	3 378	+ 17.2	+ 4.2	
Allowances for Wage and Salary Increases (Non-Defence)	—	210	—	—	-100.0	
TOTAL OUTLAYS	41 338	47 067	48 982	+ 18.5	+ 4.1	

Defence—up \$160m

The overrun on the budget estimates for total outlays in this function was due primarily to higher than expected expenditure on defence equipment and stores, general administrative expenses, and defence industrial capacity, offset by lower than estimated manpower costs. Outlays on defence equipment and stores were \$144m more than provided for in the budget as a result of higher than expected payments and the effect of exchange rate variations on the procurement of equipment and stores from overseas. Total manpower costs were \$54m below the budget estimate after taking account of the allowance of \$110m included in the budget estimate for prospective defence wage and salary increases. The reduction reflects the effects of the *Salary and Wages Pause Act 1982* which were not anticipated in the estimate of this allowance and a decrease of \$15m in Defence Force Retirement and Death Benefit payments because of a reduction in the number of personnel discharged from the Forces. Outlays associated with defence industrial capacity exceeded the budget estimate by \$21m. The major variations were wage and salary costs, higher administrative costs and an increase of \$10m for the subsidy on the production of Nomad aircraft (due to lower than estimated productivity and increased cancellation costs), offset by lower than expected expenditure on machinery and plant. General administrative expenses were up \$27m reflecting cost increases during the year.

Education—up \$10m

Although there was only a minor overrun on the budget estimate for this function, there were significant variations in a number of items within the function. Under-expenditure of \$26m on recurrent grants to State government and non-government schools resulted from savings made under the wages pause program. Expenditure under the Commonwealth tertiary education program increased by \$7m over the budget estimate; a Government decision in October 1982 to provide supplementary grants for academic and general salary increases resulted in an estimated addition of \$29m to outlays which was largely offset by estimated wages pause savings of \$19m and by cash-flow variations. Assistance for secondary and tertiary students was \$19m higher than the budget estimate because of the higher than expected average benefits and the greater than estimated number of students claiming assistance.

Health—up \$47m

There were numerous expenditure variations from the budget estimate within this function. Total hospital payments were \$30m above the budget estimate as a result of increased operating costs of hospitals in South Australia and Tasmania. This overrun was partially offset by lower than expected payments for private hospital bed day subsidies, reflecting lower than expected demand for private hospital services and lower than expected final payments to some States in respect of which the cost sharing arrangements ended on 30 June 1981. Outlays on veterans' hospitals exceeded the budget estimate by \$24m, reflecting higher operational costs, while nursing homes assistance was up \$16m due to greater than expected deficits for approved nursing homes. Expenditure on medical treatment and allowances for veterans and their dependants was \$9m over the budget estimate due to fee, cost and utilization increases. These overruns were largely offset by lower than expected expenditure on pharmaceutical benefits (down \$26m) due to lower than expected demand and nursing home benefits (down \$22m) mainly due to lower than expected increases in nursing home fees.

Social Security and Welfare—up \$836m

The major variation within this function is attributable to payments on unemployment benefits which were \$682m above the budget estimate. This overrun resulted principally from the substantially higher than estimated increase in the number of beneficiaries and also from increases in the estimated average rate of unemployment benefit resulting from a change in the composition of unemployment benefit recipients and the post-election increase in the benefit rate for single adults. Significant variations in other areas can be accounted for by differences between actual and estimated numbers of recipients of various social security pensions and benefits and between forecast and actual movements in the consumer price index. The items affected by these differences include invalid pensions (up \$28m), disability pensions and allowances for veterans and their dependants (up \$82m) and service pensions (up \$52m). Changes in the method of disbursement of certain repatriation pension payments also contributed to the overrun on the budget estimates for the last two of these categories. Other increases in this function include family allowances (up \$14m) and administrative expenditure for the Department of Social Security (up \$36m). The overrun in family allowances reflects an increase in the estimated number of recipients and the extension of family allowances for unemployed school leavers during the six week period before they become eligible for unemployment benefits. The increase in administrative expenditure mainly reflects wage and salary increases and significant staff increases required to cater for the unexpectedly high number of unemployment benefit claims. Partly offsetting these increases in expenditure were reductions in age pensions (down \$32m) due to a slower than estimated growth in the number of recipients, and assistance for aged persons' homes and hostels (down \$25m). The latter reduction resulted from an unforeseen lag between the approval and implementation stages due to a slower than expected commencement of approved projects by organisations.

Housing—up \$169m

The major factor underlying this increase was the reclassification after the budget was brought down of advances of \$146m for public housing nominated by the States from the States' Loan Council Programs to the *Housing* function. At budget time, the level of these advances was not known, and accordingly the whole of the Loan Council Programs was classified as *Not Allocated to Function*. Outlays under the Home Deposit Assistance Scheme for first home buyers added \$26m to the budget estimate reflecting a higher than estimated number of claimants. Capital advances to the Defence Service Homes Corporation were \$15m above estimate mainly as a consequence of the higher than expected total loans program. These overruns were partially offset by a shortfall of \$23m in estimated expenditure on Home Savings Grants reflecting a lower than expected number of applicants at the completion of the scheme.

Culture and Recreation—up \$22m

Greater than expected payments to the Australian Broadcasting Commission (now Corporation), due largely to increased wage and salary costs, account for \$18m of the overrun on the budget estimate for this function.

Transport and Communication—up \$285m

The major reasons for the overrun in this function were post-budget Government decisions to provide capital and like payments to TAA (\$115m) and Qantas (\$60m),

the advancement from 1983-84 of a payment of equity capital to AUSSAT Pty Ltd (\$26m) and a cash injection of \$30m for the Australian Shipping Commission. (A loan conversion of \$60m for the Australian Shipping Commission was offset by the early return of budget loans). In addition, the operating loss subsidy for the Australian National Railways Commission increased by \$34m over the budget estimate due largely to a decline in the volume of freight as a result of the drought and adverse economic conditions. These increases were partially offset by shortfalls in some items, including the Australian Bicentennial Road Development Program, down \$39m reflecting the deferment of draw-downs of the proceeds of the excise surcharge to later years of the five-year program, and the Aerodrome Local Ownership Plan Development Grants Scheme down \$11m due to airport development works being undertaken at a slower rate than expected at the time of the budget.

Water Supply, Electricity and Gas—up \$6m

A number of small changes occurred in this function, the largest being a final payment of \$8m to Queensland for the Gladstone Power Station the timing of which could not be accurately forecast at budget time. Urban water supply projects were \$7m over budget reflecting the post-budget allocation of funds provided under the National Water Resources Program. Offsetting decreases in expenditure resulted from an over-estimate at budget time of funds required by the Northern Territory for the construction of a coal fired power station (down \$6m) and of Liquefied Petroleum Gas subsidy payments (down \$6m), largely as a result of the depressed state of the economy.

Industry Assistance and Development—up \$64m

The most significant variation in this function resulted from post-budget drought measures (fodder and interest subsidies) totalling \$108m.

Other causes of variations included:

- a post-budget decision to provide a loan of \$11m to South Australia for log recovery, storage and transport following the February bushfires;
- reimbursements of borrowing costs to the Australian Wheat Board were \$18m lower than expected as a result of the drought and a narrowing of the differential between commercial borrowing costs and the costs of borrowing from the Rural Credits Department of the Reserve Bank.
- expenditure of \$17m less than the budget estimate on irrigation and other pastoral water projects, partly reflecting the post-budget allocation to other functional categories of funds provided under the National Water Resources Program (these funds are included under this function at the time of the budget pending allocation during the year to specific projects) and partly because of under-expenditure on certain projects by State Governments;
- additional expenditure of \$28m reflecting the earlier than expected return of uranium concentrates to the Commonwealth's stockpile by Energy Resources of Australia;
- lower than estimated bounty payments due to the depressed state of the economy, the more significant reductions being the Ships Bounty (down \$7m), Agricultural Tractors Bounty (down \$4m), Heavy Commercial Vehicles Bounty (down \$3m) and Textile Industry Bounties (down \$6m); and

- a post-budget decision to increase by \$5m payments made under the Export Expansion Grants Scheme.

Labour and Employment—up \$175m

The increase in this function is mainly attributable to the creation of a special employment program using savings from the post-budget wages pause. A total of \$152m was disbursed to the States under the Wages Pause Program. Other significant variations in the function include costs of special training for apprentices (up \$5m), offset by reduced outlays for skill training (down \$6m) and youth training (down \$8m). An economic downturn in the coal mining industry resulted in increased payments (up \$10m) from the Coal Mining Industry Long Service Leave Trust Fund. Increased administrative expenses for the Department of Employment and Industrial Relations (up \$17m) resulted mainly from additional staff and increased activity levels.

Legislative Services—up \$38m

The overrun on budget estimates can be attributed mainly to increased Electoral Office expenditure (up \$18m) due to the March Federal Election, for which no allowance was made in the budget and additional funds for the Parliament House Construction Authority (up \$10m) provided to maintain progress on the construction of the new Parliament House in line with the 1988 completion date. Unanticipated retirements of Members of Parliament associated with the 1983 election also contributed an additional \$9m to this function.

Law, Order and Public Safety—up \$29m

Several changes influenced the outcome of this function, the largest being the reimbursement by the Commonwealth of States' expenditure on Legal Aid (which added \$10m to the budget estimate), increased payments to legal practitioners for legal aid services (up \$2m), increases in wage and salary costs (\$4m), additional funds (\$2m) to meet the costs of administering the activities of the Office of the Special Prosecutor and higher salary and administrative costs of the Australian Federal Police (up \$5m).

Foreign Affairs and Overseas Aid—up \$11m

Two post-budget decisions were responsible for the overrun in this function: increased grants to Papua New Guinea (\$10m) and emergency humanitarian relief payments to Lebanon (\$10m). These increases were partially offset by small shortfalls in a number of items.

General and Scientific Research nec—up \$13m

The outcome for this function reflects increased expenditure by CSIRO, resulting largely from salary increases (\$9m) and rises in building costs including \$2m for expenditure on projects originally scheduled for 1983-84.

Administrative Services—up \$72m

This function covers the administrative votes of numerous departments. The bulk of the expenditure overrun is attributable to increases in wages and salary rates which took effect prior to the wages pause and to increases in staff numbers and administrative expenses.

Payments to or for the States, the Northern Territory and Local Government Authorities nec—up \$38m

The major increase in this function over the budget estimate resulted from unexpectedly high payments of \$138m under the natural disaster relief arrangements, mainly reflecting very severe drought conditions over much of Australia during 1982-83. Victoria and South Australia also received general assistance grants of \$19.5m and \$10.5m respectively in recognition of the severity of the February bushfires. Following final agreement on the 1980-81 hospital cost-sharing budget of New South Wales, that State was paid additional identified health grants in respect of 1981-82 and 1982-83 amounting to \$30m. These increases were largely offset by a reduction of \$146m in the State Government Loan Council Program reflecting post-budget nominations by States of additional amounts for public housing under arrangements agreed at the June 1982 Loan Council Meeting. These nominated funds were reclassified to the function *Housing*, where other public housing expenditure appears. There was also a \$14m shortfall on the budget estimate for payments to the Northern Territory consisting of a \$7m reduction in general purpose revenue assistance (the result of a lower than estimated growth in the Territory's population) and reduced assistance for debt charges (down \$7m).

Public Debt Interest—up \$135m

The increase in public debt interest is attributable mainly to higher than previously forecast issues of Australian Savings Bonds, Treasury Notes and Treasury Bonds arising from the sharp increase in the size of the deficit to be financed and the higher interest costs on existing overseas borrowings resulting from exchange rate movements.

RECEIPTS

The following table sets out 1981-82 and 1982-83 Budget receipts.

	1982-83		Change in 1982-83 Actuals		
	1981-82 Actual	Budget Estimate	Actual	Over 1981-82	Over 1982-83 Budget Estimate
	\$m	\$m	\$m	%	%
Taxation Revenue—					
Income tax—					
Individuals					
Gross PAYE	18 836	21 073	20 812	10.5	- 1.2
Refunds	1 418 ^{Dr}	2 100 ^{Dr}	1 971 ^{Dr}	39.0	+ 6.1
Net PAYE	17 417	18 973	18 840	8.2	- 0.7
Other	3 807	4 373	4 126	8.4	- 5.6
Total Individuals	21 224	23 346	22 967	8.2	- 1.6
Companies	5 053	5 000	4 768	- 5.6	- 4.6
Withholding	205	231	259	26.3	12.1
Amounts recovered under Recoupment Tax Legislation	—	255	80 ^(a)	n.a.	-68.5
Total Income Tax	26 482	28 832	28 074	6.0	- 2.6
Sales tax	2 854	3 629	3 490	22.3	- 3.8
Excise duty—					
Crude oil and LPG	3 163	3 287	3 486	10.2	- 6.1
Other	2 830	3 434	3 320	17.3	- 3.3
Customs duty—					
Imports	2 060	2 167	2 036	- 1.2	- 6.1
Coal exports	97	77	66	-31.4	-13.9
Bank accounts debits tax	—	80	30	n.a.	-63.0
A.C.T. taxes and charges	72	80	91	26.3	14.8
Other taxes, fees and fines (net)	226	248	241	6.6	- 3.1
Total Taxation Revenue	37 784	41 834	40 834	8.1	- 2.3
Non-Taxation Revenue—					
Interest, rent and dividends	2 585	2 939	2 922	13.0	- 0.6
Net receipts from Government enterprise transactions	385	475	700	81.5	47.3
Sale of existing assets	36	146	54	49.7	-63.2
Total Non-Taxation Revenue	3 006	3 560	3 675	22.2	3.2
TOTAL RECEIPTS	40 790	45 393	44 509	9.1	- 1.9

(a) \$60m collected as company tax

NOTE: n.a.—not applicable

Income Tax—PAYE

Net PAYE collections in 1982-83 were \$18 840m, 8.2% higher than in 1981-82 and \$133m or 0.7% below the Budget estimate. Gross collections were \$261m below estimate but this revenue loss was partly offset by lower than estimated refunds.

The shortfall in gross PAYE collections reflects the weaker than estimated labour market in 1982-83; employment declined by around 1% compared with the budget time estimate of zero growth. Average weekly earnings increased by 12% in line with the estimate underlying the budget time figure.

The 1982-83 outcome also reflected the part-year effects of the measures announced in the 1982-83 Budget to increase the tax-free threshold, increase the top of the standard rate step of the rate scale, reduce the standard rate from 32% to 30%, and increase dependant rebates where there is a dependent child under 16, all with effect from 1 November 1982.

Income Tax—Other Individuals

Non-PAYE individual income tax collections in 1982-83 were 8.4% higher than in 1981-82 but \$247m, or 5.6%, below the Budget estimate. An allowance of \$425m was included in the Budget estimate for revenue expected to be collected in this area following the 10 August 1982 announcement of increased penalty rates (effective from 14 February 1983) for late payment of taxes due in earlier years. While it is not possible to determine actual collections resulting from this measure (since they are indistinguishable from other income tax collections), it is believed that collections from the measure in 1982-83 were appreciably less than expected.

A further contributing factor to the lower than estimated outcome was the slump in farm incomes in 1982-83, resulting in a greater resort to self assessment in respect of provisional tax paid by primary producers.

Company Tax

Company tax collections in 1982-83 (excluding collections under the *Taxation (Unpaid Company Tax) Assessment Act*) were 5.6% lower than in 1981-82, and \$232m or 4.6% lower than the Budget estimate.

One cause of the shortfall was a sharper decline in company taxable income in 1981-82 (the year to which 1982-83 collections relate) than had been estimated at Budget time.

As in the case of non-PAYE income tax, an allowance was included in the Budget estimate for company tax revenue expected to be collected following the announcement on 10 August 1982 of increased penalty rates for late payment of taxes due in earlier years. It is believed that collections from this source were considerably less than had been expected.

Amounts Recovered Under Recoupment Tax Legislation

An estimate of \$255m was included in the 1982-83 Budget for recoveries from vendor shareholders under the *Taxation (Unpaid Company Tax) Assessment Act* of tax evaded in 'bottom of the harbour' strips of untaxed company profits and unpaid Division 7 tax. In the event, as a result of subsequent changes in the scope of the legislation and delays in its implementation, only \$80m was collected (\$60m of which was under the company tax head of revenue) in 1982-83.

Sales Tax

Measures announced in the 1982-83 Budget to increase existing rates of duty by 2½ percentage points and to broaden the taxable base with effect from 1 January 1983, as well as the full year effect of measures announced in the 1981-82 Budget, contributed to the increase of 22.3 per cent in 1982-83 sales tax receipts. Collections were, however, \$139m or 3.8 per cent below the Budget estimate, reflecting lower than estimated consumption expenditure, especially on motor vehicles and other household durables which form a substantial part of the sales tax base.

Excise Duty

The following table compares 1982-83 outcomes for the major excisable commodity groups with the 1981-82 outcome and 1982-83 Budget estimates.

	1982-83		Change in 1982-83 Actuals		
	1981-82 Actual	Budget Estimate	Actual	Over 1981-82	Over 1982-83 Budget Estimate
	\$m	\$m	\$m	%	%
Crude oil	3 104	3 237	3 430	10.5	6.0
LPG	60	50	57	-5.0	14.0
Total	3 163	3 287	3 486	10.2	6.1
Beer	1 011	1 129	1 123	11.1	-0.5
Potable Spirits	121	131	114	-5.0	-13.0
Tobacco products	732	838	799	9.0	-4.7
Petroleum products	970	1 331	1 293	33.3	2.9
Other (incl. credits)	-4	6	-9	n.a.	n.a.
Total—Traditional excises	2 830	3 434	3 320	17.3	-3.3
Total Excise Duty	5 993	6 721	6 807	13.6	1.3

Crude Oil and LPG levies

Receipts from the crude oil levy were 10.5% higher than in 1981-82 and \$193m or 6.0% higher than the Budget estimate. In line with standard practice in this area, it was assumed that import parity prices applicable at 1 July 1982 would apply throughout the year. In the event, two variations were made—a rise for Bass Strait crude of \$3.23 per barrel on 1 January 1983 and commensurate rises for other crude, primarily because of exchange rate effects; and a reduction of \$1.79 per barrel on 1 April 1983 reflecting primarily a drop in the Saudi marker crude price from \$US32 to \$US29 per barrel offset in part by a depreciation of the Australian dollar. The net effect of these changes in import parity prices was to increase revenue by about \$125m. The remainder of the increased revenue was primarily due to higher than estimated production of crude oil.

Receipts from the levy on naturally occurring LPG (which is a co-product with crude oil and natural gas) were 3% lower than in 1981-82 but \$7m or 14% higher than the Budget estimate. The latter movement was mainly attributable to an increase during the year in the prices received for LPG exports, the excise rate being set after taking account of export as well as domestic prices.

Revenue from the traditional excisable commodities (beer, potable spirits, tobacco products and petroleum products) was 17.3% higher than in 1981-82, but \$114m or 3.3% lower than the Budget estimate. The rapid increase reflected the effects of measures announced in the 1982-83 Budget:

- an increase in duty on beer of 8 cents per litre to \$0.60 per litre;
- an increase in duty on tobacco products of approximately 20%;

- replacement of the excise exemption for all off-road use of diesel fuel by a narrower rebate in respect of off-road use by agricultural, mining, fishing and forestry industries, nursing homes, hospitals, aged persons homes and households; and
- a surcharge of 1 cent per litre on motor spirit and diesel fuel, to finance the Australian Bicentennial Road Development Fund.

The following table illustrates the approximate relative contributions of petroleum product excise measures in the 1982-83 Budget to the 33.3% increase in collections from these products.

	Approximate 1982-83 Revenue Gain(a)
	\$m
Measure	
• Abolition of Diesel Excise Exemption Certificate	195(b)
• Introduction of New Diesel Rebate Scheme	-60
• 1 cent per litre ABRD surcharge on Petrol and Diesel	168
• Remaining Revenue Growth	20(c)
Total	323

- (a) Approximation obtained by applying measure to the level of petroleum product clearances which actually occurred. That is, no attempt is made here to estimate what clearances would have been in the absence of the measures. The approximation would therefore tend to overestimate the revenue gain from the measures.
- (b) Based on about 68% of diesel clearances being eligible for the old exemption certificate scheme.
- (c) Essentially due to underlying rate of growth in clearances.

Shortfalls compared with the budget estimate were recorded over all major excise commodity groups. The largest such percentage shortfall, proportionately, was for receipts from potable spirits, which were not subject to excise rate increases in the 1982-83 Budget, but may have been marginally affected by the 24 percentage point increase in sales tax. (None of the other excisable products is subject to sales tax.) In general, the shortfalls mainly reflected slightly lower consumption growth than was estimated at budget time.

Customs Duty

Collections of customs duty on imports were 1.2% lower than in 1981-82, and \$131m or 6.1% below the budget estimate. The value of imports was substantially below 1981-82 levels, whereas at budget time an increase of 8% had been estimated. As the shortfall appears to have been stronger in goods attracting lower rates of import duty, the decline in revenue was not as great as the decline in imports.

Receipts from the coal export duty were 31.4% per cent lower than in 1981-82 and \$11m or 13.9% below the budget estimate. The reduction over 1981-82 partly reflected the decision to remove the \$1 per tonne rate of duty on coal from 28 July 1982. The volume of coking coal exports in 1982-83, at 22m tonnes, was 2m tonnes lower than estimated at budget time.

Bank Accounts Debit Tax

A new tax on certain bank transactions, introduced in the 1982-83 Budget, was estimated to yield \$80m in 1982-83. Introduction of the tax was delayed from the announced starting date of 1 January 1983 until 1 April 1983 while banks (which collect

the tax) established administrative arrangements for collections. There was a consequent loss to revenue in 1982-83 of \$50m.

Interest, Rent and Dividends

Revenue was 13.0% higher than in 1981-82 and within 1% of the budget estimate.

The increase over 1981-82 reflected mainly the higher interest payments made by the States and Territories arising from continued growth in advances and higher interest charges applying to new raisings for State works. Interest paid by the Australian Telecommunications Commission was \$86m higher than in 1981-82, as a result of the decision taken by the previous Government to increase to 10%, as from 1 January 1982, the interest rate payable on the initial capital advances vested in Telecom and to convert on 1 July each year thereafter one tenth of these advances to the public semi-government rate of interest applying on 1 January prior to such conversions.

Net Receipts from Government Enterprise Transactions

Receipts from the Reserve Bank were \$663m, \$318m higher than in 1981-82 and \$225m above the budget estimate. This resulted from a higher level of investment funds, largely due to increased gold and foreign exchange holdings.

Sale of Existing Assets

At the time of the Budget it was estimated that receipts from the sale of existing assets would be \$146m, about four times higher than 1981-82 collections, mainly reflecting decisions flowing from the Review of Commonwealth Functions. Following the change of Government, most of these assets were withdrawn from sale and, largely on this account, actual revenue from sales was \$92m lower than the budget estimate.

FINANCING TRANSACTIONS

The manner in which the 1982-83 Budget deficit was financed is considered below. An analysis of longer term trends in the Commonwealth's financing transactions is provided in Statement No. 6.

Significance of Financing Transactions

The manner in which a budget deficit is financed has an important bearing on monetary and financial developments within the domestic economy and on the balance of payments. The financing instruments currently used by the Commonwealth Government include Treasury Bonds, Australian Savings Bonds (ASBs), Treasury Notes, Treasury Bills (which are issued only to the Reserve Bank), the Commonwealth's cash balances with the Reserve Bank and securities issued overseas.

An important distinction may be made between borrowing from the overseas sector on the one hand and from the domestic sector on the other. Commonwealth borrowing overseas has no direct impact on the domestic monetary aggregates but does have implications for external management and may have an indirect impact on domestic monetary aggregates through the response of private transactions to the Government's overseas borrowing.

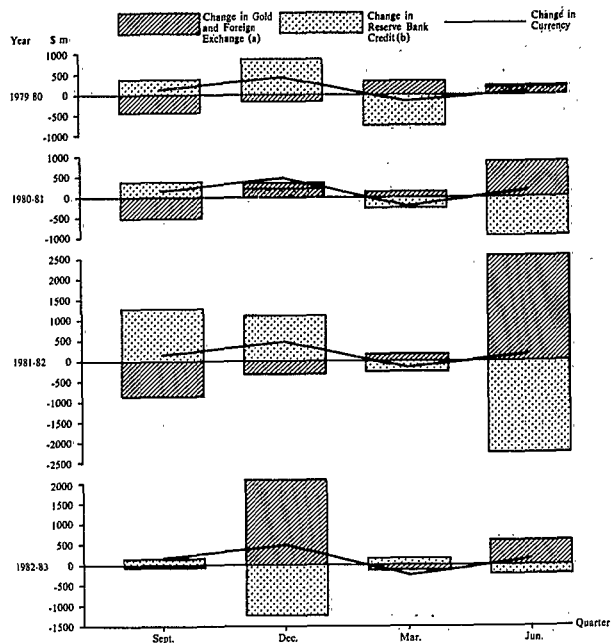
Another distinction may be made between borrowing from the domestic non-official sector (the official sector comprises the Reserve Bank and the authorities within the Commonwealth Government budget sector) and from the Reserve Bank. The Commonwealth Government can finance its deficit entirely by selling Treasury Bonds, ASBs and Treasury Notes to the domestic non-official sector; alternatively, it can sell fewer of those securities and issue Treasury Bills to the Reserve Bank and/or use its cash balances with the Reserve Bank. However, as the Reserve Bank is ultimately not a separate entity from the Commonwealth Government, the Commonwealth's use of Treasury Bills or cash balances is only an indirect form of financing, with the matching 'ultimate' financing transactions being reflected in the subsequent adjustments appearing in the Reserve Bank's balance sheet. For example, the Commonwealth Government's use of its cash balances with the Reserve Bank will be immediately reflected in a large net increase in the domestic non-official sector's currency holdings. Failing monetary policy action to absorb this increase through sales of securities, the most likely result will be either a loss of external reserves, as domestic interest rates are temporarily bid-down and overseas securities become more attractive to domestic investors, or a depreciation of the exchange rate to attempt to make the holding of Australian currency sufficiently attractive to induce the general public to retain 'excess' cash balances, or a combination of both. In this situation the 'ultimate' financing transaction would be either a rundown of the Reserve Bank's holdings of external reserves or an increase in the non-official sector's currency holdings—a liability of the official sector—or both.

This type of financing can occur for a financial year as a whole but it is particularly marked in the course of a year because of the large seasonal swings in the balance on budget transactions—from deficit in the first half of the financial year to surplus in the second half. In recent years—1982-83 being an exception—the deficit in the first half-year has been 'financed' by resort to Reserve Bank credit which has been repaid in the second half-year as seasonal tax payments occur. As an illustration of the point made above, Chart 1 indicates that this financing has not been reflected in movements in the non-official sector's currency holdings but in the 'ultimate' financing component, foreign exchange reserves. (As is also evident from Chart 1, currency holdings have a seasonality of their own, primarily related to the build-up for Christmas purchases.)

It is clear from Chart 1 that there is a high inverse correlation between the Government's use of Reserve Bank credit and the swings in foreign exchange reserves. Caution is necessary, however, in implying causation from that relationship; 1982-83 provides a good example. In that year, sales of securities to the non-official sector in the first half of the year were unusually high so that resort to Reserve Bank credit was less than usual. The former effect however, (and hence the latter effect also), may well have been largely the result (rather than the cause) of the large surplus on the external account during that period. There was not the usual heavy resort to Reserve Bank credit in the first half-year and, in fact, Treasury bills outstanding were run down substantially.

One general conclusion that can be drawn is that the use of Reserve Bank credit has influences extending well beyond the domestic monetary situation, encompassing, in particular, implications for the external account.

Chart 1
The Commonwealth's Use of Reserve Bank Credit and the Balance of Payments



(a) Defined net of valuation effect
(b) Change in holdings of Treasury Bills; Bonds and Notes less change in the Commonwealth's deposits at the Reserve Bank.

The composition by sector of the Government's domestic borrowing has considerable influence on the growth rates of the various monetary aggregates. Government claims on the savings of the household sector of the economy may be accessed directly (by selling securities to households) or indirectly (by selling securities to financial institutions). Indirect access involves household savings being intermediated through the balance sheets of financial institutions—with an increase in deposit liabilities being matched by an increase in Commonwealth Government Securities (CGS) holdings. All other things being equal, the greater the proportion of a given budget deficit financed indirectly, the greater the increase in the deposits of financial intermediaries, and hence the greater the increase in the various monetary aggregates.

Financing Transactions in 1982-83

The following table sets out financing transactions for the 1982-83 Budget deficit, by sector and instrument, in matrix form. The transactions shown in the table are discussed below.

Commonwealth Financing Transactions (a) (p) 1982-83

	Treasury Bonds	ASBs	Treasury Notes	Treasury Bills	Use of cash Balances	Total
Reserve Bank	-31	—	141	-1 400	-353	-1 643
Trading Banks	273	—	222	—	—	495
Savings Banks	1 867	—	-938	—	—	929
Authorised Dealers	12	—	527	—	—	539
Life Offices	547	—	88	—	—	635
Other non-Bank	791	2 390	92	—	—	3 274
Domestic Financing	3 459	2 390	-44	-1 400	-353	4 053
Overseas Financing	—	—	—	—	—	586
Less Discount on Treasury Bonds(b)	—	—	—	—	—	(-)167
Budget Deficit	—	—	—	—	—	4 473

(a) All amounts are net, in millions of dollars, and the domestic financing instruments are at face value.

(b) Changes in the face value of CGS sum to the deficit only when the discount on securities not sold at par is included at the time of sale in estimates of public debt interest. Although the Treasury Note discount is included, the Treasury Bond discount is not and must therefore be deducted from the face value of net domestic financing to be consistent with the budget deficit as measured.

(p) Preliminary.

Domestic Financing

Domestic financing encompasses the change in the indebtedness of the Commonwealth Government to all domestic residents—including the Reserve Bank and other government entities—arising from the use of any of the instruments identified above.

There was a very large jump in the budget deficit and the corresponding financing requirement in 1982-83 to \$4473m, from \$548m the previous year. Total domestic financing of the 1982-83 deficit was \$4053m. Holdings of CGS increased by \$5806m, comprising increases of \$3459m in Treasury Bond holdings and of \$2390m in ASBs, and a net run-down of \$44m in Treasury Note holdings.

The net increase in Treasury Bond holdings consisted of gross sales of \$6253m (\$6075m through the seven tenders held during 1982-83, and \$178m from tap issues 21 and 22 in July 1982) and maturities of \$2794m. Similarly, gross proceeds from the Treasury Note tenders amounted to \$15 197m and there were maturities of \$15 241m. The increase in holdings of Australian Savings Bonds consisted of gross sales of \$4149m of Series 21 to 24 and gross redemptions (including of the superseded Special Bonds) of \$1758m.

Last financial year stood apart from recent years, with the exception of 1980-81, in that the Budget deficit was fully funded by sales of CGS to the domestic non-official sector. With CGS sales to the domestic non-official sector, at \$5696m, much larger than the Budget deficit, the Commonwealth was able to reduce its indebtedness to the Reserve Bank during the year by \$1643m. This reduction consisted of an elimination of the Reserve Bank's holdings of Treasury Bills (the outstanding stock at 30 June 1982 having been \$1400m), a net increase in the Commonwealth's cash balances at the Reserve Bank of \$353m and a net run-off of some \$31m in the Bank's Treasury Bond holdings, with some offset provided by an increase of \$141m in the Bank's Treasury Note holdings.

The following table sets out domestic financing transactions in 1981-82 and 1982-83 between the various major sectors.

Domestic Financing Transactions 1981-82 and 1982-83

	1981-82	1982-83(p)
Domestic Financing (net)	\$m 319	\$m 4 053
From:		
Reserve Bank	264	-1 643
Commercial Banking Sector	259	1 424
Non-Bank Sector	-205	4 272

(p) Preliminary.

Net sales of securities to the domestic non-official sector were split roughly 60/40 between Treasury Bonds (\$3490m) and Australian Savings Bonds (\$2390m), with a small run-off in Treasury Note holdings (\$185m). More than half the increase in Treasury Bond holdings was accounted for by the savings banks. The principal reasons for this were the very large increase in savings bank deposits during the year and the shift to a Liquid Asset and Government Securities (LGS) requirement for them, both of which required additional LGS assets to be purchased by the savings banks, together with the large run-down in Treasury Note holdings by the savings banks. The abolition in August 1982 of the requirement that savings banks hold 7% of depositors' balances as Treasury Notes and deposits with the Reserve Bank immediately resulted in a run down in both these asset items and explains, at least in part, the portfolio reallocation by savings banks out of Treasury Notes into Treasury Bonds. Overall, savings bank holdings of CGS increased by \$929m in 1982-83. With a much smaller increase in deposits during the year, the trading banks had less need of additional Commonwealth securities to meet their LGS requirement. Their increase of \$495m during the year was split roughly 55/45 between Treasury Bonds and Notes.

Non-bank take-up of \$4272m consisted of \$1350m Treasury Bonds, \$531m Treasury Notes and \$2390m Australian Savings Bonds. Non-bank take-up is of particular significance as a factor underlying the formation of the volume of money, M3. Although the large increase in non-bank CGS holdings, compared with a small fall in 1981-82, was still insufficient to prevent the M3 growth rate exceeding the 1982-83 Budget projection range, it would have been smaller but for the very marked turn-around in ASB sales (which were minus \$722m in 1981-82).

Overseas Financing

Net overseas financing was \$586m in 1982-83, compared with \$368m the previous year. Gross overseas borrowings amounted to \$1150m and amortization to \$564m.

In July 1982, the Commonwealth undertook a £100m public issue in the United Kingdom for the equivalent of \$176m and also completed a Y20 000m bank loan in Japan to raise the equivalent of \$79m. A total of \$418m was raised in the United States in September 1982 by way of a two tranche public issue, each tranche being for an amount of \$US200m. In October 1982 the Commonwealth undertook a Y15 000m Euroyen public issue in the United Kingdom for the equivalent of \$60m and also completed a DM200m public issue in the Federal Republic of Germany to raise \$84m. The Commonwealth raised \$77m in November 1982 by way of a Dfl 200m public issue in The Netherlands. In December 1982 the Commonwealth completed a second tranche of the DM operation when \$86m was raised by way of a DM200m public issue in the Federal Republic of Germany. Also in December a second tranche of the Dfl borrowing operation in The Netherlands was completed raising \$77m by way of a Dfl 200m private placement. A Y20 000m public issue in Japan was completed in June 1983 to raise the equivalent of \$94m.

Overview

From a debt management point of view, the run-down in the domestic non-official sector's holdings of very liquid Treasury Notes in 1982-83, and the increase in its Treasury Bond holdings, was a useful development. The large increase in holdings of Australian Savings Bonds had mixed implications. Those heavy sales involved a substantial direct accessing of household savings and thereby made a significant contribution to containing the growth of the monetary aggregates. On the other hand, ASBs are very liquid and therefore present potential problems for debt management. The ASB was not originally intended as the only, or even necessarily the major, instrument giving direct access to household savings. Taking both monetary policy and debt management considerations into account, it might have been preferable for more of the necessarily large volume of CGS sales to the household sector to have been in a less liquid form than ASBs. Given both the expected greater need for direct access to household savings in 1983-84 and the historically large stock of ASBs held by the household sector as at end 1982-83, it would be desirable if Treasury Bonds played a more active role in directly tapping the household sector's savings during 1983-84.

**STATEMENT No. 6—BUDGET AND OTHER PUBLIC SECTOR
TRANSACTIONS SINCE 1973-74**

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**STATEMENT No. 6—BUDGET AND OTHER PUBLIC SECTOR
TRANSACTIONS SINCE 1973-74**

This Statement presents information on budget transactions since 1973-74 in both the functional and the national accounting classifications. It also provides data on transactions of the Commonwealth non-budget sector and other parts of Australia's public sector.

The *national accounts classification* categorises budget transactions by economic type, within a framework which is broadly consistent with conventions recommended in the United Nations Organisation's *A System of National Accounts* and in the International Monetary Fund's *A Manual on Government Finance Statistics*. These conventions provide a consistent framework for the aggregation of Commonwealth, State and local government transactions into consolidated figures for the public sector as a whole and they facilitate an assessment of the interrelationships between the budget, other parts of the public sector and the rest of the economy.

The *functional classification*, which categorises budget outlays according to their primary objectives or purposes, is based on the classification of purposes of government set out in *A System of National Accounts* and follows the same conventions for the determination of budget totals as the national accounts classification. This classification aims to facilitate consideration of the nature and relative priorities of government outlays.

Additional information on the two classification systems is presented in the Appendix to the Budget Statements.

BUDGET OUTLAYS—SUMMARY

The table below shows increases in both money and real terms in total Commonwealth budget outlays in each year since 1973-74 and the proportions of gross domestic product (GDP) represented by such outlays.

	Budget Outlays	Increase on Previous Year	Real Increase(a)	Budget Outlays as a Proportion of GDP
	\$m	%	%	%
1973-74	12 229	20.0	5.6	23.8
1974-75	17 837	45.9	19.8	28.9
1975-76	21 861	22.6	5.1	30.0
1976-77	24 123	10.3	-0.8	29.0
1977-78	26 738	10.8	2.4	29.6
1978-79	29 015	8.5	1.7	28.4
1979-80	31 661	9.1	-0.5	27.6
1980-81	36 290	14.6	4.0	27.7
1981-82	41 338	13.9	1.9	27.9
1982-83	48 982	18.5	6.3	30.4
1983-84(e)	56 703	15.8	7.2	31.6

(a) Increase in outlays deflated by increase in the implicit price deflator for non-farm GDP.

(e) Budget estimate.

Budget outlays are projected to increase by 15.8% in 1983-84 following an increase of 18.5% in 1982-83. Several of the 1983-84 outlays initiatives, however, were accompanied by associated receipts measures or tax-expenditure reductions. This has the effect of reducing the impact on the overall budget position (deficit) of these initiatives

to less than that implied in the 15.8% growth in outlays. The most notable example in this regard is the Medicare and associated initiatives which, while increasing outlays by around \$600m, is estimated to add only \$35m to the 1983-84 Budget deficit. (See also the Appendix to Statement No. 3.)

The nominal increase of 18.5% for 1982-83 is the highest recorded since 1975-76 and represents a significant departure from budget estimates, partly as a result of lower than forecast activity. In real terms—adjusted for the increase in prices as measured by the non-farm GDP deflator—total budget outlays increased by 6.3% in 1982-83. This was the largest real increase recorded since 1974-75. Estimates suggest that the real growth in outlays for 1983-84 will exceed that for 1982-83.

As a proportion of GDP, budget outlays are projected to rise from 30.4% in 1982-83 to an estimated 31.6% in 1983-84. Growth in outlays was contained to a rate less than that for GDP growth for most of the period 1976-77 to 1979-80, resulting in a fall in the ratio of outlays to GDP to 27.6% in 1979-80. Since then, growth in outlays has exceeded that for GDP. This reversal in trend is also reflected by the pattern of real growth in budget outlays which averaged well under 1% per annum from 1976-77 to 1979-80 but on current estimates will average about 5% per annum in the four years to 1983-84.

BUDGET OUTLAYS BY FUNCTION

Budget transactions on a functional basis for the period 1973-74 to 1982-83, together with estimates for 1983-84, are shown in Tables 1 to 6 at the end of this Statement.

Table 1 presents outlays data for the major functions in constant 1979-80 prices. By eliminating the price component of the nominal growth in outlays, the table gives an indication of the approximate value of the community's real resources devoted over the period to particular functional categories. The values are derived by deflating nominal outlays by the implicit price deflator for non-farm GDP. This approach, which concentrates on the use of the community's resources for government purposes, does not reflect differential rates of price increases which might exist between functional categories, and between the Commonwealth budget sector and the remainder of the economy. Table 2 shows the percentage changes from year to year for the outlays data in Table 1.

Table 3 shows outlays for the major functions in current prices. Table 4 shows the proportions of total outlays represented by each major function over the period, and Table 5 shows percentage changes in outlays for each major function from year to year. Table 6 presents outlays data from Table 3 in greater detail.

The following table shows nominal outlays for the major functional categories for 1973-74 and 1982-83 and the proportion and rate of increase they represent over that period.

			Average Annual Compound Rate of Increase	
	1973-74	1982-83	Proportion of Total Increase	Rate of Increase
	\$m	\$m	%	%
Defence	1 332	4 782	9.4	15.3
Education	858	3 802	8.0	18.0
Health	947	3 425	6.7	15.4
Social Security and Welfare	2 487	14 112	31.6	21.3
Housing	337	740	1.1	9.1
Urban and Regional Development nec and the Environment	144	126	..	-1.5
Culture and Recreation	159	523	1.0	14.1
Economic Services—				
Transport and Communication	868	1 760	2.4	8.2
Water Supply, Electricity and Gas	45	103	0.2	9.6
Industry Assistance and Development	430	1 109	1.8	11.1
Labour and Employment	112	685	1.6	22.3
Other Economic Services	35	96	0.2	11.9
Total Economic Services	1 491	3 753	6.2	10.8
General Public Services—				
Legislative Services	39	199	0.4	19.9
Law, Order and Public Safety	54	322	0.7	21.9
Foreign Affairs and Overseas Aid	362	958	1.6	11.4
General and Scientific Research nec	111	439	0.9	16.5
Administrative Services	434	1 431	2.7	14.2
Total General Public Services	1 000	3 349	6.4	14.4
Not Allocated to Function—				
Payments to or for the States, the Northern Territory and Local Government Authorities nec	2 763	10 991	22.4	16.6
Public Debt Interest	712	3 378	7.3	18.9
Total Not Allocated to Function	3 475	14 369	29.6	17.1
TOTAL OUTLAYS	12 229	48 982	100.0	16.7

Between 1973-74 and 1982-83, total budget outlays increased at an average annual compound rate of 16.7%. It should be noted, however, that the average annual compound rates of growth over a period of years mask significant changes which occurred within that period, whether because, *inter alia*, of changes to funding arrangements in a number of programs or the introduction of new programs. In addition, average compound growth rates can be significantly affected by non-recurring factors that affect outlays at one or other end of the period.

The rapid growth in *Labour and Employment* was concentrated in 1982-83, and partly reflects the creation of special employment programs associated with the wages pause, although if adjustments are made for this factor, outlays in this category still grew faster than average. Other functions for which outlays increased at a high rate were *Law, Order and Public Safety* and *Legislative Services* which also largely reflected substantial increases which occurred in 1982-83. Major factors which account for the increase in these functions in 1982-83 are detailed in Budget Statement No. 5. In brief, these were increased Electoral Office expenditure due to the March 1983 Federal Election, additional funds for the Parliament House Construction Authority and the reimbursement by the Commonwealth of States' expenditure on Legal Aid. Outlays in these functional categories remain a relatively small proportion of the total and account for little of the overall increase.

By comparison, outlays on *Social Security and Welfare*, which also grew significantly faster than the total, account for almost a third of the increase over the period. While part of this increase reflects changes in arrangements, such as the introduction of a scheme of family allowances in lieu of taxation rebates in 1976-77, the major part of the growth reflects increases in numbers of beneficiaries (whether because of liberalised eligibility criteria, demographic changes or economic conditions) in a situation where the real value of many benefits has been maintained or increased.

Outlays on *Education* have also grown faster than average reflecting in part the full year effect in 1974-75 of the assumption by the Commonwealth of financial responsibility for universities and colleges of advanced education. If general purpose assistance to the States and Northern Territory which resulted from changes to health funding arrangements introduced in 1981-82 is included in outlays under the *Health* function, (as was the case previously) that category also grew faster than average over the period. (The changes in funding arrangements for *Health* and *Education* are mentioned in the Notes on Tables at the end of this Statement.) On this basis, outlays on *Education, Health* and *Social Security and Welfare* together account for almost half of the total increase in nominal outlays over the decade.

Over one-fifth of the overall increase in outlays was accounted for by *Payments to or for the States, the Northern Territory and local government authorities nec*. While specific purpose payments to the State and local government sector are classified to the relevant function, a large proportion of total payments to that sector is not allocated to specific functions. Changes in funding arrangements such as those described in 'Notes on Tables' at the end of this Statement, and payments made under Natural Disaster Relief arrangements (as in 1982-83), can affect growth in this category from year to year. However, the bulk of the category consists of tax sharing grants (financial assistance grants in earlier years) and general purpose capital funds, which together constitute a major component of total outlays.

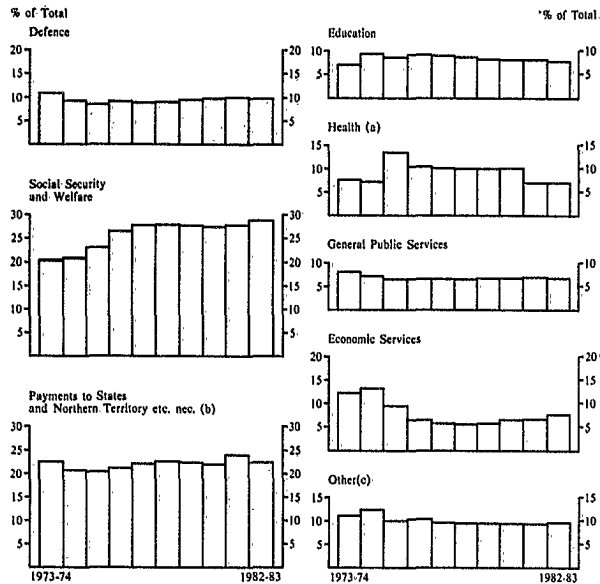
Outlays on *Defence* grew significantly in the first half of the period, but growth subsided in the late seventies before accelerating in 1979-80 and subsequent years. Defence expenditure over this period reflected, *inter alia*, Australia's involvement in, and withdrawal from, the war in Vietnam. The growth in Defence expenditure since 1979-80 reflects decisions taken by the then Government on improvements to defence capabilities.

The reduction in the relative importance of budget outlays on *Economic Services* reflects many factors, including the completion of the Snowy Mountains Hydro-electric Scheme and repayments of earlier advances to the Australian Industry Development Corporation and the Australian Wool Corporation. In the area of *Industry Assistance and Development*, particularly assistance to primary industry, outlays can fluctuate markedly according to seasonal and international trading conditions. The off-budget funding since the mid-1970s of authorities such as the Australian Telecommunications Commission, Qantas Airways Ltd and the Australian National Airlines Commission (TAA) is also an important factor that has contributed to the slower growth in outlays on *Transport and Communications*. In 1982-83, however, significant capital contributions from the budget were made to a number of government transport authorities. Details of these are provided in Statement No. 5. Over the ten year period the proportion of outlays devoted to both these categories has tended to decline.

The following charts (and Table 4 at the end of this Statement) show year-by-year movements in the relative sizes of the major functional blocks of outlays.

While the distribution of total outlays between the broad functional categories and changes in that distribution from year to year provide some broad indication of the importance attached to particular expenditure programs and of the changing objectives and priorities of public expenditure, it must be emphasised that comparisons of relative movements in different blocks of expenditure are affected by a number of important factors. These include (in addition to those mentioned above) changes in the operation of certain retirement benefits schemes, the transfer of the South Australian and Tasmanian railways to the Commonwealth and the granting of self-government to the Northern Territory. These and other factors, such as differential rates of price increase, affect relative rates of growth and must be borne in mind when comparing movements in different categories of expenditure.

Major Functional Blocks as Proportions of Total Budget Outlays — 1973-74 to 1982-83



(a) Changed funding arrangements for Health affect comparability of the functional classification between 1980-81 and subsequent years — see Notes on Tables.

(b) Includes outlays for Natural Disaster Relief. See also (a) and Notes on Tables.

(c) Outlays on Housing, Urban and Regional Development nec and the Environment, Culture and Recreation and Public Debt Interest. See also Notes on Tables.

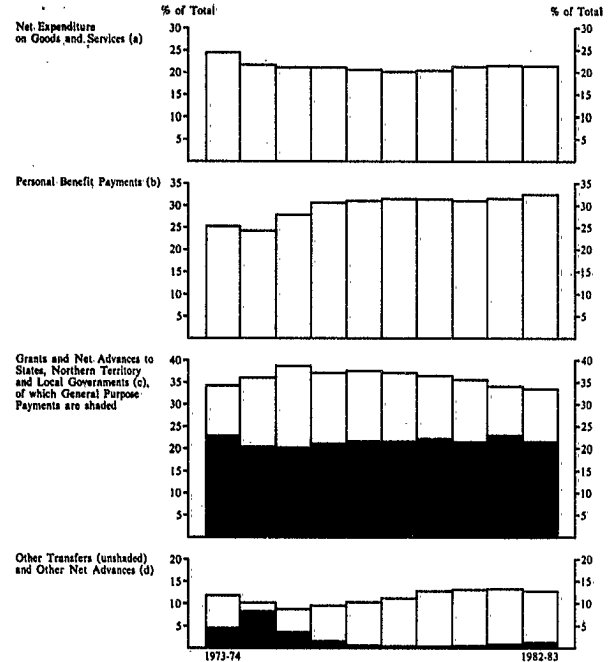
BUDGET OUTLAYS BY ECONOMIC TYPE

The national accounts *economic type* classification provides information on budget outlays in terms of direct expenditure on goods and services and transfers of income and capital funds to other sectors, namely the Commonwealth non-budget sector, the State and local government sector (including the Northern Territory), the private sector and overseas. This format enables budget sector transactions to be related to transactions elsewhere in the public sector (see the section 'The Budget and Public Sector as a Whole' which appears later in this Statement) and in the economy as a whole (see Budget Paper No. 10: *National Income and Expenditure*).

Table 7 at the end of this Statement shows budget outlays classified by economic type. Year-by-year movements in outlays by economic type are shown in the charts below.

These movements must also be viewed against the various changes in the structure of Commonwealth budget outlays (particularly with respect to transfer payments), and in the relationship between budget and non-budget sectors described earlier.

Budget Outlays by Economic Type as Proportions of Total Budget Outlays — 1973-74 to 1982-83



- (a) Comprises net current expenditure on goods and services, gross fixed capital expenditure and changes in stocks.
- (b) Includes pensions and allowances for the aged, the handicapped, veterans, etc; unemployment and sickness benefits, assistance to families, widows and other disadvantaged groups. Also includes unfunded employee retirement benefits.
- (c) Comprises grants and advances to the States, the Northern Territory and local government authorities for specific purposes and of a general purpose nature. Repayments of advances are deducted to arrive at net figures.
- (d) Comprises subsidies, interest payments, grants for private capital purposes, transfers overseas, purchases of existing assets, net advances to Commonwealth government authorities such as the Postal and Telecommunications Commissions, Qantas Airways Ltd., Australian National Airlines Commission and net advances to other sectors apart from State and local authorities.

The following table shows in summary form outlays for the main components and the proportion of total outlays they represented in the years 1973-74 and 1982-83.

	1973-74		1982-83		Proportion of Total Increase	Average Annual Compound Rate of Increase
	Proportion of Total		Proportion of Total			
	\$m	%	\$m	%	%	%
Net Expenditure on Goods and Services—						
Current	2 719	22.2	9 836	20.1	19.4	15.4
Capital	266	2.2	605	1.2	0.9	9.6
Transfer Payments—						
Personal Benefit Payments (a)	3 135	25.6	16 202	33.1	35.6	20.0
Grants to States, the Northern Territory and Local Government	3 435	28.1	15 361	31.4	32.4	18.1
Other	1 378	11.3	5 318	10.9	10.7	16.2
Net Advances—						
to States and Northern Territory	749	6.1	1 052	2.1	0.8	3.9
to Commonwealth Authorities	491	4.0	611	1.2	0.3	2.5
to Other Sectors (b)	59	0.5	-3	-	-0.2	n.a.
TOTAL OUTLAYS	12 229	100.0	48 982	100.0	100.0	16.7

(a) Includes unfunded employee retirement benefits.

(b) Comprises net advances to public financial enterprises and to the private sector.

Direct expenditure on goods and services (i.e. both current and capital) grow at a combined average annual rate of 14.9% and accounted for around one-fifth of the total increase over the period. The corresponding growth in nominal GDP was 13.5% indicating that, in relative terms, the budget's direct claim on resources has increased. Transfer payments have grown faster than both GDP and total outlays. In particular, there has been a substantial increase (from 25.6% in 1973-74 to 33.1% in 1982-83) in the proportion of total outlays represented by personal benefit payments, and this category accounts for over one-third of the total increase in outlays over the period. This growth largely parallels the increase referred to above in the proportion of outlays devoted to the function *Social Security and Welfare*.

From the viewpoint of the overall economy these transfers do not represent a direct call on the nation's final output. However, they will, in most cases, lead to demands by the recipients on the resources of the economy and from the Commonwealth's point of view they do represent outlays which need to be financed. The resulting impact on the general burden of taxation has been less than this growth in personal benefit payments over the period might suggest because the majority of these payments were made taxable during the period and indexed at a faster rate than the threshold above which tax is payable.

The degree of Commonwealth influence over the final manner of spending of funds which it transfers to other sectors varies greatly. For example, personal benefit payments are predominantly a form of income supplementation in the hands of those who receive them and can be spent as they wish. Transfer payments to the States, the Northern Territory and local government, which are also a large proportion of Commonwealth outlays, fall into two categories. Certain payments are made for specific purposes and the Commonwealth thus exercises a high degree of influence, even though it does not itself disburse the funds to individuals or enterprises. General purpose funds, on the other hand, form an untied supplement to revenues of the States, the Northern Territory and local government.

Total payments to the States, the Northern Territory and local government (i.e. both transfer payments and net advances) increased somewhat as a proportion of total outlays during the mid-1970s. By the end of the period, however, the proportion, about one-third of total outlays, was about the same as at the beginning of the period. During the mid-1970s specific purpose payments increased from a little over one-quarter to one-half of total payments to the State and local government sector. Since then this change has been partially reversed, principally through changes in health funding arrangements (see the Notes on Tables at the end of this Statement) which in 1981-82 produced a substantial shift from specific purpose to general purpose payments. (Although the general purpose grants in lieu of health payments are based on the amounts of those previous payments and are intended to replace them, the new grants are untied and can in fact be spent as the States and Northern Territory wish.)

There has also been a substantial shift in the economic type of outlays, away from net advances to the States and towards grants. Advances, both gross and net, have increased slowly over the decade compared to the strong growth in grants.

As already mentioned, in recent years Commonwealth authorities such as the Australian Telecommunications Commission, Qantas Airways Ltd and TAA have borrowed on their own account to help finance their capital programs. This is reflected in a decline in the proportion of total budget outlays represented by advances to such authorities.

DOMESTIC AND OVERSEAS OUTLAYS

Table 8 at the end of this Statement presents the domestic and overseas components of estimated outlays in 1983-84 together with the same components of actual outlays for the years 1973-74 to 1982-83. Information is presented for each of the major components of outlays in national accounting terms and is based on data supplied by Commonwealth departments and authorities and from central accounting records on past and prospective overseas transactions. Most of the national accounting categories presented in the Table have a domestic and overseas component.

The distinction between domestic and overseas transactions is based on the effects of the transactions on the demand for Australian resources. Domestic outlays, as defined, affect the demand for Australian resources while overseas outlays do not, at least not directly.

The overseas component of expenditure on goods and services in Table 8 consists of direct purchases by the Commonwealth from overseas suppliers. It includes the wages and salaries of Australia's overseas posts and the pay and allowances of Australian defence forces stationed overseas, but includes other expenses of the overseas establishments and defence forces; while the overseas personnel may be paid in foreign currency, their wages and salaries or pay and allowances are included in Australian GDP. This treatment thus reflects the fact that the payments are in respect of Australian manpower resources, whether the personnel are stationed at home or abroad.

While the major part of transfers overseas does not directly affect domestic demand, there is a significant component which has an impact on the domestic economy. For example, part of the transfers made to overseas countries and international organisations under the aid program is used to purchase Australian goods and services.

The major components of overseas outlays are defence and aid expenditure and interest paid. Of these, overseas defence expenditure has been somewhat more variable than the others. It declined markedly in 1981-82 due to the deferment of certain planned expenditure so that overseas outlays were a smaller proportion of total outlays in that year than at any time since 1976-77. The proportion increased in 1982-83, and is expected to remain at a similar level in 1983-84, largely as a result of increases in interest payments and defence expenditure overseas in both years.

BUDGET RECEIPTS

Details of Commonwealth budget receipts for the period 1973-74 to 1982-83, together with the 1983-84 estimates, are shown in Table 9 at the end of this Statement. The aggregate figures are given in the table below.

	Budget receipts	Increase on previous year	Real increase(a)	Proportion of GDP
	\$m	%	%	%
1973-74	11 950	25.9	10.8	23.3
1974-75	15 291	28.0	5.1	24.8
1975-76	18 294	19.6	2.6	25.1
1976-77	21 404	17.0	5.2	25.7
1977-78	23 427	9.5	1.1	25.9
1978-79	25 558	9.1	2.3	25.0
1979-80	29 627	15.9	5.7	25.8
1980-81	35 182	18.7	7.7	26.9
1981-82	40 790	15.9	3.7	27.6
1982-83	44 509	9.1	-2.1	27.7
1983-84(e)	48 342	8.6	0.6	27.0

(a) Increase in receipts divided by increase in the implicit price deflator for non-farm GDP.
(e) Budget estimate.

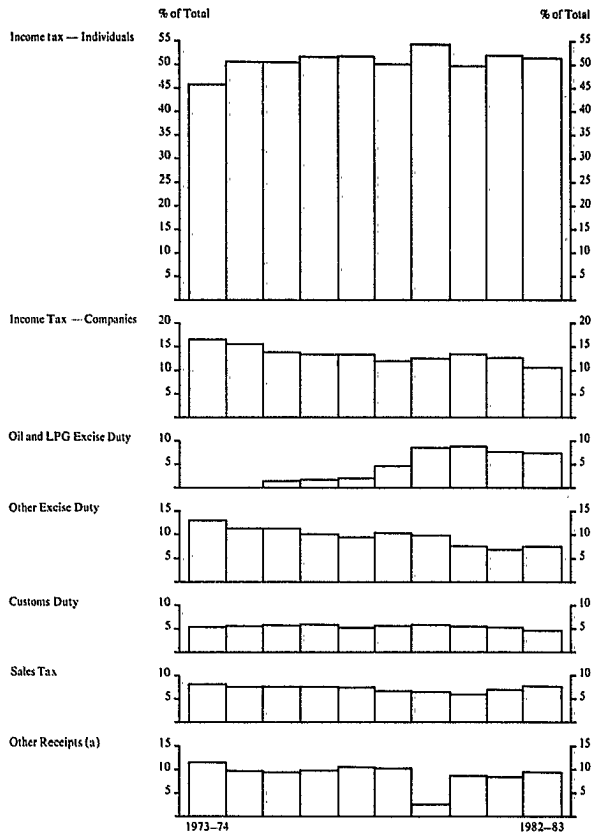
The following table illustrates the changing significance of the major receipts categories over the period, both as a proportion of GDP and as collections per member of the labour force in constant price terms.

	Collection as proportion of GDP		Collections per member of the labour force in constant prices	
	1973-74	1982-83	1973-74(a)	1982-83
	%	%	\$	\$
Customs Duty	1.2	1.3	277	303
Crude Oil and LPG	—	2.1	—	493
Other Excise	3.0	2.1	713	489
Sales Tax	1.9	2.2	444	503
Income Tax:				
Individuals (net)	10.7	14.3	2 516	3 312
Companies	3.8	3.0	896	696
Other receipts	2.7	2.7	632	622
TOTAL RECEIPTS	23.3	27.7	5 478	6 419

(a) Gross non-farm product deflator used to inflate to estimated 1982-83 prices.

Receipts increased from 23.3% of GDP in 1973-74 to 27.7% in 1982-83. The ratio increased in each year of the period except 1978-79. The overall increase in the ratio—over 4 percentage points—was very largely concentrated in the increase in the ratio of personal income tax to GDP, from 10.7% in 1973-74 to 14.3% in 1982-83. The only other major receipt category to increase significantly in relation to GDP over the period was the crude oil and LPG levies, introduced in 1975-76.

Major Categories of Budget Receipts as Proportions of Total Budget Receipts — 1973-74 to 1982-83



(a) Other General Taxation (Payroll Tax, Departure Tax, Estate Duty, Gift Duty, Stamp Duty and Other Taxes, Fees and Fines), Interest, Rent and Dividends, Net Receipts from Government Enterprise Transactions and Sale of Existing Assets.
For 1982-83, this category also includes proceeds from the special tax to recoup Company and Division 7 tax (the T(UCT) Assessment Act) and the Bank Account Debtis tax.

Revenue from the crude oil and LPG levies grew rapidly from their inception in the 1975-76 Budget to a peak in relative revenue importance in 1980-81, when they accounted for almost 9% of total receipts. The growth resulted mainly from changes in the levy arrangements and substantial rises in the price of Saudi Arabian marker crude and, consequently, in Australian import parity prices. From 1975-76 to 1977-78 growth in excisable production also contributed to revenue growth but since that time the excise base has contracted. Since 18 August 1976 the crude oil levy has applied only to production of 'old' oil (discovered before 14 September 1975). The levy on naturally-occurring LPG applies only to fields in production by 16 August 1977. The yield of the levies will therefore tend to decline through time in the absence of oil and LPG price rises. The movements in the marker crude price, the import parity prices and the levy have been detailed in an Appendix to Statement No. 4 in the Budget papers for 1979-80 and 1980-81 and have been updated in Appendix V to this year's Statement No. 4.

In 1981-82, revenue growth from the levies tapered off markedly due to a period of relative stability in the marker crude price, and a decline in production of excisable oil. In 1982-83, despite a fall in the US dollar price of marker crude, exchange rate depreciation edged up import parity prices and collections from the levies held approximately constant in real terms. Under present taxation policies revenue can be expected to decline in future years, barring a major jump in world oil prices. Details of receipts from the crude oil and naturally occurring LPG levies are set out in the table below.

	Revenue from Crude Oil and LPG Levies		Increase on Previous Year		Revenue as Proportion of GDP of Total Receipts	
	\$m	%	%	%	%	%
1975-76	264	n.a.		0.4	1.4	
1976-77	344	30.3		0.4	1.6	
1977-78	476	38.4		0.5	2.0	
1978-79	1 227	157.8	1.2	4.8	7.7	
1979-80	2 270	85.0	2.0	7.7	8.8	
1980-81	3 108	36.9	2.4	8.8	7.8	
1981-82	3 163	1.8	2.1	7.8	7.8	
1982-83	3 486	10.2	2.2	7.8	7.8	

The relative contribution to receipts of the traditional excises (on beer, potable spirits, tobacco products and refined petroleum products) and of the related customs duties on imports of these products, has been generally declining for a number of years, primarily because the rates of duty are set in dollar terms and have been increased infrequently and by amounts insufficient to offset erosion in real rates by inflation.

The following table shows the nominal rates of excise duty for the major commodities, and the effects of inflation on real rates, since 1973-74.

Real and Nominal Rates of Excise Duty

	Beer (\$/litre)		Potable Spirits (\$/lit al) (a)		Cigarettes (\$/kg tobacco)		Motor Spirit (cents/litre)	
	nominal	real (b)	nominal	real (b)	nominal	real (b)	nominal	real (b)
1973-74	0.253	0.253	6.80	6.80	14.00	14.00	4.905	4.905
1974-75	0.253	0.208	9.35	7.68	16.10	13.22	4.905	4.027
1975-76	0.394	0.277	10.21	7.19	19.36	13.63	4.905	3.454
1976-77	0.394	0.249	10.21	6.46	19.36	12.25	4.905	3.104
1977-78	0.394	0.230	10.21	5.97	19.36	11.32	5.155	3.015
1978-79	0.520	0.285	18.75	10.28	24.75	13.57	5.155	2.826
1979-80	0.520	0.260	18.75	9.38	24.75	12.38	5.155	2.578
1980-81	0.520	0.236	18.75	8.51	24.75	11.23	5.155	2.339
1981-82	0.520	0.211	18.75	7.61	24.75	10.04	5.155	2.092
1982-83	0.600	0.218	18.75	6.83	29.70	10.82	6.155(c)	2.241

(a) Rate for whisky used as an illustration.

(b) Deflated by the non-farm product deflator, 1973-74=100.

(c) The rate increased to 7.155 cpl from 1 July 1983 representing the second part of a two stage increase, the proceeds of which, net of rebates, will be allocated to a trust fund to finance the Australian Bicentennial Road Development Program.

Revenue from the traditional excises in nominal terms and deflated by the implicit price deflator for non-farm GDP is shown in the following table.

Traditional Excise Receipts

	Current Prices	1973-74 prices(e)	Revenue as Proportion of:	
			GDP	Total Receipts
	\$m	\$m	%	%
1973-74	1 555	1 555	3.0	13.0
1974-75	1 729	1 420	2.8	11.3
1975-76	2 068	1 456	2.8	11.3
1976-77	2 141	1 355	2.6	10.0
1977-78	2 258	1 220	2.5	9.6
1978-79	2 618	1 435	2.6	10.2
1979-80	2 695	1 348	2.3	9.1
1980-81	2 725	1 236	2.1	7.7
1981-82	2 830	1 149	1.9	6.9
1982-83	3 320	1 209	2.1	7.5

(e) Deflated by the non-farm product deflator, 1973-74=100.

The excise tax measures announced in the Budget are a direct response to these trends and should ensure that they do not continue.

THE BUDGET DEFICIT

The following table shows the overall budget deficit in relation to GDP since 1973-74, together with estimated domestic and overseas deficits and surpluses.

Commonwealth Budget Results

(+ Surplus, - Deficit)

	Domestic		Overseas		Total		Total as Proportion of GDP
	\$m	\$m	\$m	\$m	%		
1973-74	+225	-504	-279	0.5			
1974-75	-1 927	-618	-2 545	4.1			
1975-76	-2 855	-712	-3 567	4.9			
1976-77	-1 844	-875	-2 719	3.3			
1977-78	-2 339	-972	-3 311	3.7			
1978-79	-2 237	-1 220	-3 457	3.4			
1979-80	-567	-1 467	-2 034	1.8			
1980-81	-4 447	-1 556	-1 109	0.8			
1981-82	+920	-1 468	-548	0.4			
1982-83	-2 482	-1 991	-4 473	2.8			
1983-84(e)	-5 744	-2 617	-8 361	4.7			

(e) Budget estimates.

The budget deficit is often taken as a summary measure of the overall economic impact of the budget; it does provide a measure of the financial balance of budget transactions (i.e. the government's borrowing requirement) and hence the budget's direct impact on monetary conditions. There are, however, clear limits to what a single measure can convey of the variety of effects the budget has on the economy, notably, but not exclusively, effects on income/expenditure flows directly, on liquidity and on expectations and confidence. Neither the deficit, nor any other single measure, can serve as a wholly adequate indicator of all these effects. It is also important to recognise, as discussed below, that the budget deficit is only part of the total deficit of the Commonwealth sector which in turn is only part of the overall Public Sector Borrowing Requirement.

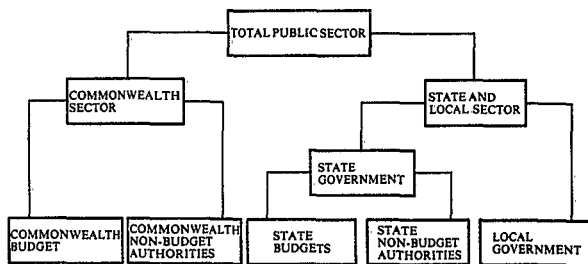
The direct income/expenditure effects of the budget can be more clearly identified by distinguishing between domestic and overseas transactions. The basic rationale for this distinction is that government payments made overseas do not add directly to domestic incomes nor to the demand for locally produced goods and services, while government receipts from overseas sources increase total receipts without withdrawing purchasing power from the domestic private sector. In the table above, overseas transactions have been netted out to arrive at estimates of the domestic and overseas deficits/surpluses.

From a monetary perspective, the domestic deficit measures the budget's immediate contribution to liquidity in the economy; the overseas deficit does not contribute directly to the money creation process. That said, the overseas budget deficit does contribute indirectly to money formation by setting in train forces (notably downward pressure on the exchange rate) that work to generate an offsetting surplus on private

sector external transactions, which in turn contributes directly to money formation. It follows that both the domestic and the overall budget deficit are relevant to an assessment of the impact of fiscal policy on monetary conditions. Which measure receives prominence will depend upon the purpose of the analysis, its time frame, and the circumstances of the economy.

THE BUDGET AND THE PUBLIC SECTOR AS A WHOLE

The Commonwealth Budget is only part—albeit an important part—of the public sector as a whole. The composition of the total public sector is shown in the following diagram.



This section outlines briefly the linkages between the Commonwealth Budget and the other parts of the public sector and indicates some broad trends in the public sector and its main components over the past decade.

COMMONWEALTH SECTOR

Tables 10 and 11 at the end of this Statement set out, in national accounts form, transactions of the Commonwealth non-budget sector and total Commonwealth sector respectively for the period since 1973-74. The total Commonwealth sector comprises the transactions of the Commonwealth Budget and of those Commonwealth authorities that operate outside the Budget. Non-budget authorities include the Australian Postal Commission, the Telecommunications Commission (Telecom), the Australian Shipping Commission, the Australian Wool Corporation, Qantas and TAA. Further information on the coverage of the budget sector and the Commonwealth non-budget sector is provided in the Appendix to the Budget Statements. The data in Tables 10 and 11 have been derived from information provided by the Australian Statistician in Budget Paper No. 10, adjusted for some conceptual differences.

The following table consolidates the transactions of the two elements of the Commonwealth sector for 1982-83.

The following table consolidates the transactions of the two elements of the Commonwealth sector for 1982-83.

Consolidation of Commonwealth Government Budget and Non-Budget Sub-sectors—1982-83 (\$m)

	Budget Sub-sector	Non-Budget Sub-sector	Transfers between Sub-sectors	Consolidated
Outlays—				
Net expenditure on goods and services	10 441	1 948	—	12 389
Transfer payments—				
Interest and dividends etc. paid—				
to Budget sub-sector	—	784	784	—
to other sectors	3 378	339	—	3 717
Income tax paid to Budget sub-sector	—	37	37	—
Other transfer payments	33 458	48	—	33 506
Net advances—				
to non-Budget sub-sector	611	—	611	—
to other sectors	1 049	154	—	1 203
Total Outlays	48 937(a)	3 310	1 432	50 816
Receipts—				
Taxation—				
Income tax from non-Budget sub-sector	37	—	37	—
Other taxation	40 798	3	—	40 801
Interest, rent and dividends, etc.—				
from non-Budget sub-sector	784	—	784	—
from other sectors	2 137	171	—	2 308
Gross income of public enterprises	700	1 843	—	2 543
Net sales of existing assets	9	—33	—	—24
Total Receipts	44 465(a)	1 984	821	45 628
Deficit financed by—				
Net advances from Budget sub-sector	—	611	611	—
Other	4 473	715	—	5 188
Total Deficit	4 473	1 326	611	5 188

(a) In this table, purchases of existing assets have been included in 'Net sales of existing assets' on the receipts side, because complete data on the purchases and sales of assets by the non-Budget sub-sector are not available.

While the Budget accounts for the vast bulk of Commonwealth sector outlays and receipts, non-budget sector transactions make important contributions in certain areas. In particular, about three-fourths of Commonwealth direct capital expenditure is attributable to non-budget authorities, most of it to Telecom. Until the mid-1970s, almost all capital expenditure by non-budget authorities was financed by advances from the Budget and by the authorities' internally-generated funds. Since 1976-77, however, a number of these authorities have undertaken substantial borrowing programs on their own account to contribute to the financing of their capital expenditures; for some, use of internally-generated funds has also increased significantly. As a consequence there has been a substantial decline since 1976-77 in the proportion of the non-budget sector deficit being met by advances from the Budget—although that proportion has increased markedly in the last two years.

Movements in stocks (especially of the Australian Wool Corporation) accounted for a large part of the year-to-year changes in the non-budget sector deficit in 1974-75 and 1978-79. Apart from these years, the non-budget sector deficit remained fairly steady in money terms over the decade but increased noticeably in 1981-82 and

1982-83. In 1982-83, the transport authorities in particular made substantial calls on the Budget. Capital and like payments to ANL, Qantas and TAA totalling \$265m were provided during the year.

Total Commonwealth Sector Deficit (a)

	Total Commonwealth Sector Deficit		Total Commonwealth Sector as Proportion of GDP	
	Budget	Non-Budget	Total Commonwealth Sector	Commonwealth Sector as Proportion of GDP
	\$m	\$m	\$m	%
1973-74	279	525	352	0.7
1974-75	2 546	1 054	2 514	4.1
1975-76	3 567	631	3 532	4.8
1976-77	2 719	618	3 030	3.6
1977-78	3 311	640	3 852	4.3
1978-79	3 457	226	3 618	3.5
1979-80	2 034	537	2 462	2.1
1980-81	1 109	540	1 473	1.1
1981-82	548	784	1 080	0.7
1982-83	4 473	1 296	5 188	3.2

(a) The deficits of the non-budget sector have been financed in part from advances from the budget sector. Because these advances are classified in the Budget as above-the-line transactions, the total Commonwealth sector deficit differs from the sum of the two component deficits.

TOTAL PUBLIC SECTOR

The transactions of the Commonwealth sector can be consolidated with those of the State and local government sector to derive transactions of the public sector as a whole. These consolidated transactions provide summary indicators of total public sector demand for real and financial resources.

Outlays

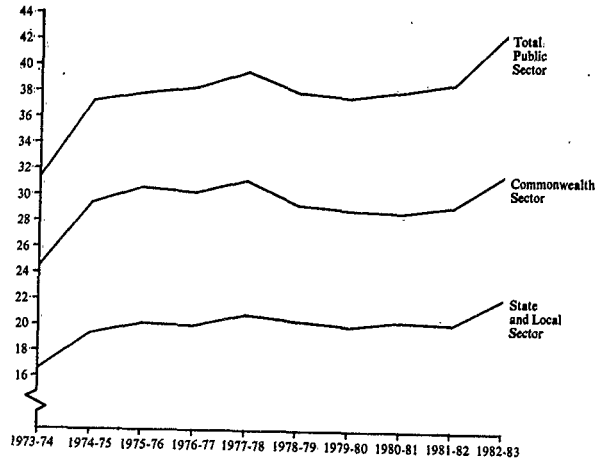
The following table and chart show outlays as a proportion of GDP for the public sector as a whole and for each of the two main government sectors.

Public Sector Outlays as a Proportion of GDP (a)(b)(c)

	Public Sector Outlays as a Proportion of GDP		Total Public Sector	
	Commonwealth Sector (d)	State and Local Sector	Commonwealth Sector	State and Local Sector
	%	%	%	%
1973-74	24.6	16.6	24.6	16.6
1974-75	29.4	19.4	29.4	19.4
1975-76	30.6	20.1	30.6	20.1
1976-77	30.2	20.0	30.2	20.0
1977-78	31.1	20.9	31.1	20.9
1978-79	29.5	20.3	29.5	20.3
1979-80	28.9	20.0	28.9	20.0
1980-81	28.9	20.3	28.9	20.3
1981-82	29.3	20.2	29.3	20.2
1982-83	31.8	22.2	31.8	22.2

- (a) Outlays of the public sector as a whole are less than the sum of the two component sectors because, on consolidation, transfers between sectors are netted out; grants and advances from the Commonwealth to the State and local government sector, and payments of interest between the sectors, are eliminated.
- (b) In this table and those that follow, data are not always completely comparable from one year to another on account of factors such as changes in funding arrangements, shifts in responsibility for certain functions between levels of government and changes in classification. For example, from 1978-79 the Northern Territory is treated as part of the State and local government sector; before then it is treated as part of the Commonwealth sector.
- (c) If adjustment is made for sale and lease-back transactions with the private sector, the estimates for 1981-82 and 1982-83, the years principally affected, are increased by the following amounts: for the Commonwealth sector by approximately 0.2 and 0.1 percentage points respectively; for the State and local sector by approximately 0.7 and 0.5 percentage points respectively; and for the total public sector by approximately 0.9 and 0.6 percentage points respectively.
- (d) Figures for the Commonwealth sector used in deriving this and the following tables differ from those appearing earlier in this Statement and in the tables at the end of this Statement in respect of the treatment of some items, eg primary industry charges, in order that figures may be on the same conceptual basis as data for the State and local government sector which are derived from ABS sources.

Public Sector Outlays as a Proportion of GDP



Total public sector outlays in the table above comprise final expenditure on goods and services as well as transfer payments and net advances by the public sector to other sectors of the economy.

Expenditures on goods and services represent direct claims on the real resources of the economy. Transfers and advances to and from the private sector influence the pattern and level of aggregate demand. These influences occur both through the payments made to the private sector and through the funding of those payments by taxation and/or government borrowing; in terms of their impact on governments' funding requirements, however, transfer payments and advances by governments are no different from final expenditure by them. Thus, the total levels of public sector outlays have implications for the availability of resources to the private sector.

With respect to advances, the qualification needs to be made that their impact on governments' future funding requirements will differ from that of final expenditures and transfer payments because they involve the creation of financial claims on other sectors of the economy which will be serviced by way of interest payments and will, at some stage in the future, be repaid. However, unlike government transactions in financial claims for purposes of monetary or debt management, advances (eg loans for welfare housing) are included in outlays since they are undertaken to pursue various public program objectives and give rise directly to expenditure by other sectors.

In the short run at least, growth in total public sector outlays will tend (if not matched by increases in revenue and/or borrowing from the domestic sector) to increase the aggregate demand for resources. Over the longer term, there are implications

for the mix of goods and services which are produced and for the flexibility of the economy. The levels of taxation associated with increased government spending can also have implications for incentives, the allocation of resources and wage demands within the economy.

A feature of the chart above is the sharp jump in outlays as a proportion of GDP which occurred in both the Commonwealth and State and local sectors in 1974-75. There was a smaller jump in outlays as a proportion of GDP in both sectors in 1982-83 and, while comparable data are not yet available, public sector outlays relative to GDP will increase substantially further in 1983-84. A good part of the increase in 1982-83 (and in prospect for 1983-84) is known to be associated with the recession and, elsewhere, has been classified as 'cyclical'.

The public sector's direct expenditure on goods and services, expressed as a proportion of GDP, is shown in the following table.

Net Expenditure on Goods and Services as a Proportion of GDP(a)

	Commonwealth Sector	State and Local Sector	Total Public Sector
	%	%	%
1973-74	7.4	13.4	20.8
1974-75	8.5	16.1	24.6
1975-76	7.8	17.1	24.9
1976-77	7.6	17.0	24.6
1977-78	7.6	17.8	25.4
1978-79	6.7	17.3	24.0
1979-80	6.8	17.2	24.0
1980-81	7.1	17.5	24.6
1981-82	7.4	17.2	24.6
1982-83	7.8	18.8	26.6

(a) See footnotes (b) and (d) to previous table.

A breakdown by main economic type of public sector outlays is provided in the table below.

Public Sector Outlays by Main Economic Type: Proportion of GDP

	Net Expenditure on Goods and Services		Transfers			Net Advances to Other Sectors	Total
	Consumption	Capital(a)	Personal Benefit Payments	Interest	Other(b)		
1973-74	13.0	7.8	6.4	2.1	1.8	0.4	31.6
1974-75	14.9	9.6	7.4	2.1	2.0	0.9	37.1
1975-76	15.8	9.0	8.8	2.1	1.6	0.6	37.9
1976-77	16.2	8.4	9.3	2.5	1.3	0.5	38.2
1977-78	16.8	8.6	9.6	2.8	1.4	0.4	39.6
1978-79	16.4	7.7	9.3	3.0	1.4	0.2	38.0
1979-80	16.4	7.6	9.0	3.1	1.4	0.1	37.7
1980-81	16.9	7.7	8.9	3.2	1.2	0.2	38.1
1981-82	17.2	7.5	9.2	3.4	1.4	0.2	38.8
1982-83	18.0	8.6	10.3	3.9	1.6	0.2	42.6

(a) Comprises expenditure on new fixed assets and increase in stocks.

(b) Other transfer payments including subsidies and transfers overseas.

As indicated in this table, direct consumption expenditures, personal benefit payments and interest payments have been the fastest growing of the major economic categories of outlays in the public sector as a whole over the past decade. Total transfers accounted for the major part of the increase in public sector outlays over the ten years, though they still account for a considerably smaller proportion of the total than net expenditure on goods and services. The preceding table shows that most of the increase in the latter has been concentrated in the State and local government sector.

The composition of total outlays differs markedly between the Commonwealth sector and the State and local government sector. Expenditure on goods and services represented less than a quarter of total Commonwealth outlays in 1982-83, but made up 85% of outlays of the State and local government sector. More than 70% of direct public sector demands for goods and services derives from State and local government, while almost 90% of total transfer payments from the public to the private sector is provided directly by the Commonwealth.

The difference in composition of outlays by sectors reflects the differing Constitutional and traditional responsibilities of the various levels of government. To a lesser extent it reflects the funding of a large proportion of State and local government outlays by payments from the Commonwealth; around 40% of total Commonwealth transfer payments in 1982-83 comprised grants to the State and local government sector.

Receipts

Over the decade to 1982-83, the bulk of total public sector receipts has been Commonwealth budget receipts, of which the dominant component has been personal income taxes. The following table shows trends in major public sector receipts as proportions of GDP.

Public Sector Receipts as a Proportion of GDP

	Commonwealth Sector		State and Local Sector		Total Public Sector(a)	
	Income Tax on Individuals	Total	Grants from Commonwealth	Own Revenue Raising		
	(1)	(2)	(3)	(4)	(5)	(6)
	%	%	%	%	%	%
1973-74	10.7	23.9	6.7	7.5	14.2	30.0
1974-75	12.5	25.3	8.4	7.5	15.9	31.5
1975-76	12.7	25.8	9.7	7.8	17.6	32.4
1976-77	13.3	26.6	9.2	8.0	17.2	33.3
1977-78	13.4	26.8	9.7	8.1	17.8	33.6
1978-79	12.5	26.0	9.4	7.8	17.3	32.5
1979-80	13.1	26.8	9.3	8.0	17.3	33.6
1980-81	13.4	27.8	9.2	8.0	17.2	34.6
1981-82	14.3	28.5	8.9	8.2	17.1	35.6
1982-83	14.3	28.6	9.5	8.8	18.3	36.1

(a) Net of all transfers between Commonwealth and State and local government sectors. Column (6) is equal to column (2) plus column (4) less interest payments between the sectors.

Public sector receipts have increased fairly consistently over the past decade and by 1982-83 represented a significantly higher proportion of GDP—6 percentage points higher—than at the beginning of the period. Most of the increase was in the Commonwealth sector, comprising in large part growth in income taxes on individuals, in

particular PAYE. Commonwealth grants to the State and local government sector increased sharply in the years 1973-74 and 1974-75 but then declined marginally, as a proportion of GDP, up to 1981-82. That decline is more marked if advances from the Commonwealth (treated as a financing item for the State and local government sector), in addition to grants, are taken into account. The State and local government sector's own revenue raisings, expressed as a proportion of GDP, remained fairly steady over this period. In 1982-83, however, both Commonwealth grants to State and local authorities and, notwithstanding the effect of depressed activity on collections, the latter's own revenue raisings increased significantly.

The Deficit and Public Sector Borrowing Requirement (PSBR)

The public sector deficit or PSBR comprises the deficits of the Commonwealth budget and non-budget sectors, which have been considered above, and of the State and local government sector.

Traditionally, the State and local government sector has financed most of its deficit by way of advances from the Commonwealth and by Loan Council approved borrowings of semi-government authorities. Advances from the Commonwealth budget are classified as an outlay in the Commonwealth accounts and hence contribute to the Commonwealth budget deficit (and help finance those of the other sectors). Consequently, in the text and table that follow, the deficit of the State and local government sector should be understood as net of Commonwealth advances, indicating the residual borrowing requirement of the sector.

In the past several years, State and local authorities have gained increased access to financial markets beyond Loan Council approved borrowings. Traditional sources of short term finance, such as promissory notes and trade credit have been utilised to a greater extent, as have financing techniques such as leasing, designed to lessen the initial cash impact upon the authorities concerned.

Furthermore, at the June 1982 meeting of the Loan Council, the major electricity authorities were freed from Loan Council borrowing constraints. Given that the electricity authorities are the largest undertakings (in terms of investment) of a quasi-commercial type in the State and local government sector, and that they are heavily reliant on borrowings to fund their capital programs, this measure represented a significant easing of financial controls over the State and local government sector as a whole. In 1982-83, conventional longer-term borrowings by these authorities rose to \$2 612m, some 122% above their level in 1981-82. Even after allowance for the likelihood that the electricity authorities made considerably less use of off-program financing (such as short term borrowings) in 1982-83, it seems beyond question that their increased borrowings overall made a large contribution to the sector's increased borrowing in 1982-83.

1982-83 saw a continuation of the trend towards increased State and local government sector deficits (expressed as a proportion of GDP) that has been evident since the mid-1970s. This occurred despite the growth in the sector's receipts (grants from the Commonwealth plus own revenue raisings) noted above and reflects a rapid rate of growth of State government spending in 1982-83.

While the overrun in the 1982-83 Commonwealth budget deficit still left the latter, as a proportion of GDP, significantly below the levels of 1974-75 to 1978-79, the total

public sector deficit in 1982-83 (again as a proportion of GDP) was significantly higher (at 6.4%) than its levels in the middle and late 1970s. The reason for this was the expansion in the deficit of the State and local government sector.

In the years up to 1982-83, the growing deficit of the State and local government sector could be attributed, at least in part, to some restraint on the growth in Commonwealth assistance. That was less true in 1982-83. Moreover, while receipts in the State and local government sector are to some extent sensitive to fluctuations in economic activity, they are significantly less so than Commonwealth budget receipts. The same can be said for outlays of the State and local sector. It appears, therefore, that the major factor accounting for the growth in the total deficit of this sector, especially in 1982-83, has been growth in discretionary expenditures.

Public Sector Borrowing Requirement (Public Sector Deficit)

	Levels			Proportions of GDP(£)				
	Commonwealth		State and Local (a)	Commonwealth			State and Local (a)	Total
	Budget (a)	Non-Budget (a)		Budget	Non-Budget (a)	%		
	\$m	\$m	\$m	\$m	%	%	%	%
1973-74	279	74	457	812	0.5	0.1	0.9	1.6
1974-75	2 546	-30	925	3 440	4.1	-0.1	1.5	5.6
1975-76	3 567	-38	450	3 979	4.9	-0.1	0.6	5.5
1976-77	2 719	310	1 022	4 052	3.3	0.4	1.2	4.9
1977-78	3 311	541	1 616	5 467	3.7	0.6	1.8	6.1
1978-79	3 457	161	1 926	5 545	3.4	0.2	1.9	5.4
1979-80	2 034	423	2 248	4 704	1.8	0.4	2.0	4.1
1980-81	1 109	360	3 175	4 645	0.8	0.3	2.4	3.6
1981-82	548	539	3 769	4 856	0.4	0.4	2.5	3.3
1982-83	4 473	714	5 182	10 370	2.8	0.4	3.2	6.4

(a) Because the deficits of the Commonwealth non-budget sector and of the State and local sector are financed in part by advances from the Commonwealth budget, the borrowing requirements of those sectors are reduced to that extent. The figures shown here are net of these advances, to indicate the residual borrowing requirement of those sectors.

(b) If adjustment is made for sale and lease-back transactions with the private sector, the estimates, as a proportion of GDP for 1981-82 and 1982-83, the years principally affected, are increased by the following amounts: for the Commonwealth non-budget sector by approximately 0.2 and 0.1 percentage points respectively; for the State and local sector by approximately 0.7 and 0.5 percentage points respectively; and for the total public sector by approximately 0.9 and 0.6 percentage points respectively.

COMMONWEALTH FINANCING TRANSACTIONS

Longer term trends in the Commonwealth's financing transactions are considered below. An analysis of the financing of the 1982-83 Budget is provided in Statement No. 5.

Table 1 below provides a summary of Commonwealth financing transactions over the past decade, divided into domestic and overseas components. Domestic financing has been disaggregated by sector. Overseas financing has been disaggregated to show currency of issue. Table 2 provides a disaggregation of domestic financing according to type of security.

Domestic Financing

Since 1973-74 domestic financing has been effected mainly through the issue of Commonwealth Government Securities (CGS) to the non-official sector (the official sector comprises the Reserve Bank and the authorities within the Commonwealth Government budget sector). In 1980-81 and 1982-83, sales of CGS to the non-official

sector exceeded net domestic financing requirements, resulting in a reduction in the Commonwealth's indebtedness to the Reserve Bank (by \$1643m in 1982-83). During the remaining years covered by the table the Commonwealth was a net borrower from the Reserve Bank.

The non-official sector has purchased over 80% of the increase in the Commonwealth's domestic debt in the last decade. (As discussed in Statement No. 5, Commonwealth financing from the Reserve Bank is ultimately financed by a rundown of the Bank's holdings of external reserves and/or an increase in the non-official sector's currency holdings.) On average, slightly more than half of this increase has been taken up by the four main 'captive' holders of CGS—the trading and savings banks, authorised short term money market dealers and life insurance offices. From 1976-77 to 1981-82, the 'other non-bank' group, which includes the household sector, made a generally declining contribution to the Commonwealth's financing requirements. This trend was reversed in 1982-83, with a substantial take-up of Australian Savings Bonds (ASBs) by the household sector.

Treasury Bonds have borne most of the domestic financing task over the last decade (see Table 2). During that period, three different marketing techniques have been successively employed: the cash-and-conversion system was replaced in April 1980 with the tap system under which bonds were continually on sale at yields varied from time to time by the authorities; and the tap system was in turn replaced in August 1982 by the tender system, whereby the authorities determine amounts offered and the market determines yields.

Notwithstanding the dominance of Treasury Bonds, other securities have made major contributions to domestic financing in certain years. There were substantial sales of ASBs following their introduction in February 1976 at an attractive interest rate. ASBs contributed over \$1000m to the domestic financing task in 1975-76, most of these sales occurring in February and March 1976. However, after more modest (but still positive) contributions from ASBs in the following four financial years, there were net redemptions totalling over \$1000m in 1980-81 and 1981-82. The ASB again became attractive in 1982-83 in a general climate of falling interest rates and there were net sales of \$2390m. The non-official sector's holdings of ASBs stood at a record \$4709m by end-June 1983. Treasury Notes are designed as a seasonal financing instrument to assist the non-official sector offset the seasonal variation in the budget's contribution to domestic liquidity. Ideally, net sales should be high in the early part of the financial year when the budget deficit is seasonally high, and there should be net redemptions in the latter part of the year to cushion the impact of large provisional and company tax payments. Although Treasury Notes have usually accomplished this within-year financing task effectively, they have also on occasions contributed significantly to the full-year domestic financing requirement—a task for which they were not intended. Net Treasury Note sales contributed over \$1000m to the domestic financing requirement in each of 1974-75, 1978-79 and 1980-81. The overall result has been a considerable build-up in the stock of Treasury Notes outstanding, from \$425m in June 1973 to \$3636m in June 1983.

Overseas Financing

Overseas borrowing by the Commonwealth is undertaken for external economic policy considerations since borrowing from the overseas sector adds to our official

reserves and can assist external management. Commonwealth borrowing overseas simply adds to the Commonwealth's cash balances at the Reserve Bank and hence, unlike domestic borrowings, does not directly affect the liquidity base of the domestic non-official sector.

In recent years, sizeable net overseas borrowing by the Commonwealth has only been undertaken when external reserves were depleted, notably in 1977-78 and 1978-79. Reflecting the borrowing build-up in this period, there was a marked increase in debt repayments a few years later. This increase became evident in 1981-82 and will become more marked in the current financial year, when repayments are expected to be around \$800m.

As mentioned above, overseas borrowing by the Commonwealth is not undertaken specifically to assist in financing the budget deficit; even the overseas component of the overall budget deficit is normally only partially covered by net overseas borrowing. Generally, the overseas budget deficit is financed indirectly. With the Commonwealth selling more securities domestically than its domestic budget deficit, then (all other things equal) domestic liquidity is reduced and private capital inflows increase. In effect, the resulting contribution to external reserves is used, at least in part, to finance the overseas deficit.

As is evident from Table 1, overseas loan raisings have been mainly undertaken in US Dollars, Deutsche-Marks, Swiss Francs and Yen (including Euroyen).

Overview

From a debt management point of view, it is of some concern that around 40% of the net increase in CGS holdings by the non-official sector in the past decade has been in the form of the very liquid Treasury Notes and, to a perhaps lesser degree, ASBs. Also, a tendency has developed toward the issue of much shorter bonds than a decade ago, resulting in a very considerable shortening in the average maturity of Treasury Bonds, and total Commonwealth debt, outstanding. The average period to maturity of Commonwealth debt in June 1973 was almost ten years; by December 1982 (the latest month for which data are available) this had fallen to a little over four years. This has meant that the 'roll-over' task has become more acute in recent years. For example, at 30 June, 1973 the value of CGS due to mature in the following financial year was less than \$1600m (or around \$4700m in June 1983 prices); the comparable figure for 30 June, 1983 is around \$6500m. Moreover, while only a small proportion of the stock of ASBs is due to mature in 1983-84, all ASBs can be redeemed at one month's notice.

Table 1: Summary of Commonwealth Government Budget Financing Transactions 1973-74 to 1982-83 (\$ million)

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83
DOMESTIC FINANCING (NET)										
Bank	345	2,483	3,309	2,388	1,448	1,981	1,706	1,372	331	4,033
Treasury Bank (a)	431	1,900	1,829	1,281	243	1,224	948	799	524	-218
Trading Banks	-77	1426	1,760	1,057	266	459	655	660	345	-643
Savings Banks	-19	-79	149	-105	-20	239	779	382	382	496
Non-bank	86	583	1,480	1,107	1,205	414	34	700	-123	929
Australasian Money Market						757	788	573	-203	4,271
Deutsche Marks	-31	68	111	289	100	100	25	22	-669	539
Life Assurance Offices	154	76	192	172	221	155	196	214	390	459
Other Non-bank (b)	141	127	1,230	824	695	502	567	337	-124	3,273
OVERSEAS BORROWINGS (NET)	-130	2	126	357	1,612	1,340	187	-98	588	586
Growth Raisings										
US Dollar	16	87	272	171	1,760	1,557	471	173	919	1,150
Sterling										
Deutsche Mark	129	34		466	129	207	95	184	184	213
Swiss Franc		56	44	23	387	587	207	95	590	170
Yen				183	389	264	264	78	135	154
Euroyen				117	552	208		271		
Guider	146	271	153	101	147	285				
Other	64	60	132	-27	251	127	111	-165	-141	-167
MISCELLANEOUS FINANCING TRANSACTIONS (c)										
TOTAL FINANCING TRANS-ACTIONS	279	2,546	3,567	2,719	3,311	3,457	2,034	1,109	548	4,473

(a) Includes increases in the Reserve Bank's holdings of Treasury Notes, Bonds and Bills plus decreases in the Commonwealth's cash balances at the Reserve Bank.

(b) Includes the discount/premium on Treasury Bonds and other residual financing transactions.

(c) Includes the discount/premium on Treasury Bonds and other residual financing transactions.

Table 2: Domestic Financing Classified by Instrument (\$ million—face value)

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83
Treasury Bonds (a)	772	1,669	2,653	1,622	734	605	212	621	1,239	3,459
ASBs and Special Bonds	91	-33	1,131	376	418	283	184	-319	-722	2,390
Treasury Notes	-38	1,689	-1,620	-87	-7	1,047	205	1,912	153	-44
Treasury Bills			809	450	103	40	40	40	40	40
Cash balances with RBA (b)	-480	660	21	21	103	-484	635	-242	151	-333
DOMESTIC FINANCING (NET)	345	2,483	3,309	2,388	1,448	1,981	1,706	1,372	331	4,033

(a) Includes Income Equalisation Deposits.

(b) Negative sign denotes increase in cash balances.

APPENDIX TO STATEMENT No. 6
MEASURES OF PUBLIC SECTOR BORROWING

Two measures of public sector borrowing are considered herein. One is the Public Sector Borrowing Requirement (PSBR), defined as the public sector deficit. This measure is most often used to identify the components of public sector borrowing by level of government; that is, to identify and aggregate the various 'deficits'. The other is referred to as Net Borrowing by the Public Sector (NBPS) and is often used to illustrate public sector borrowing in the context of borrowing and lending by the other major sectors in the economy. The purpose of this Appendix is to provide briefly:

- an explanation of the differences between the two measures;
- an indication of the uses of each; and
- a reconciliation of recent estimates of the two measures.

The two measures arise because of different accounting conventions. The PSBR reflects what might be termed budget accounting practice, as used by the Department of Finance in preparing the Commonwealth's accounts. The NBPS reflects national accounting practice, as used by the Commonwealth Statistician in the preparation of the National Accounts.

One difference between these accounting practices is the timing basis of recording transactions. Budget accounting reflects a payment or cash timing basis, where transactions are recorded when payments are made or received. National accounting reflects an economic or accruals basis, where transactions are recorded when goods are delivered or when income is earned.

The treatment of pre-payments on overseas defence purchases provides an example of the difference between the two conventions. Such payments are included as expenditures in the PSBR measure when they are made, while the NBPS does not record such payments as expenditure until goods are delivered. Another example concerns the treatment of indirect taxes. Indirect taxes are in principle 'earned' by the Government at the time the relevant private expenditures take place, and this is the basis on which they are recorded in the NBPS measure. However, sales taxes, for example, are only paid to the Government once a month on the basis of sales during the previous month, and it is on this basis that they are recorded in the PSBR measure.

The cash and accruals conventions are accounting ideals which actual measures never fully meet. The preparation of both measures is dependent on various statistical collections from the many separate authorities included in the public sector. It is not practicable to ensure that each respondent adheres rigidly to a particular accounting standard. In practice, the PSBR represents the aggregation of the data provided by individual authorities, whose accounting practices are assumed to reflect a cash rather than accruals basis. It is the task of the Statistician to decide which of the myriad of adjustments necessary in principle to convert the component estimates from a cash to an accruals basis are actually worth making (or are capable of being made).

A further and more important difference between the two measures concerns the treatment of repayable advances from the public to the private sector—and, where public sector accounts are disaggregated, between various levels of government. Australian budget accounting practice treats such net advances as an outlay, so that an increase in advances will, *ceteris paribus*, increase the deficit. However, national

accounting practice treats net advances as a (negative) financing transaction and they therefore have no impact on the overall borrowing requirement. The economic definition of income precludes repayable advances from being recorded as an outlay (or receipt) item in the National Accounts. However, such advances are made in the pursuit of public policy objectives (and also, in the short term, must be financed through higher taxes or borrowings), thereby suggesting an alternative treatment along the lines of the PSBR. This difference in the treatment of advances usually results in the PSBR being larger than the NBPS.

National accounting conventions aim to treat all expenditures and receipts throughout the economy on a basis which reflects patterns of real resource usage. However, the PSBR provides an indication of the impact of public authority borrowing on financial markets in the short term. For example, even if defence equipment is not due to arrive for some years, advance payments have to be financed and this adds immediately either to the tax burden or to the financing task.

Borrowing and lending measures for each of the other major sectors in the economy are based on the national accounting conventions and hence the NBPS measure is used to illustrate public sector borrowing in the context of comparisons of borrowing and lending by the various sectors.

The table below provides a reconciliation of the PSBR measure and its components, and the NBPS, for recent years.

	1979-80	1980-81	1981-82	1982-83 ^(p)
Commonwealth Budget Deficit	2 034	1 109	548	4 473
Commonwealth Non-Budget Deficit	423	360	539	714
State and Local Authorities Deficit	2 248	3 177	3 769	5 182
PSBR	4 704	4 645	4 856	10 370
plus Defence Adjustment	-177	74	-49	-216
less net Advances	164	229	231	371
less net timing adjustment for indirect taxes	30	-38	..	..
NBPS	4 333	4 528	4 576	9 783

(p) Preliminary

NOTES ON TABLES

Wherever possible, the definitions and concepts adopted for the historical series are the same as those used in Statement No. 3 and Statement No. 4 (although the tables of outlays presented here provide less detail than do those in Statement No. 3). To the extent practical, historical data have been adjusted to eliminate major breaks in series; however, some important changes affecting comparability cannot readily be removed and are mentioned below. Major discontinuities are indicated in the tables where appropriate.

Changes to both the functional and economic type classifications, which occur from time to time, require revisions to historical data in the tables. The figures may therefore differ in some respects from comparable figures shown in the Budget Statements in previous years. Significant changes to the functional classification are noted each year in the Appendix to Budget Paper No. 1.

The assumption by the Commonwealth Government in 1973-74 of full financial responsibility for universities and colleges of advanced education contributed to an increase in outlays classified to *Education* but also involved a compensating decrease in general purpose funds provided to the States. As a consequence, the rate of increase in Commonwealth Government resources devoted to education, as shown for the function *Education* in 1973-74, is somewhat overstated. A similar effect occurred in 1974-75, which was the first full financial year of the new tertiary education arrangements.

Changes in the operation of the Defence Force Retirement and Death Benefits, Ministerial Retiring Allowances and Parliamentary Retiring Allowances Schemes affect outlays for 1973-74 and subsequent years under the relevant functions and receipts under the heading *Other Taxes, Fees and Fines—Unfunded Retirement Benefits Contributions*. These changes involved a move from funded schemes to unfunded benefit schemes. The implementation of a new Commonwealth Superannuation Scheme on 1 July 1976 gave rise to similar effects.

The scheme of Family Allowances introduced in 1976-77 involved the abolition of tax rebates for dependent children and students, offset by substantial increases in family allowances in place of child endowment. The effect of this measure was to significantly increase the level of outlays under the *Social Security and Welfare* function in 1976-77, and to increase receipts from personal income taxation above what they would otherwise have been.

On 1 July 1978 the Northern Territory became a self-governing territory. Responsibilities transferred to the Ministers of the Territory from that date were mainly of a State-type character, as were the responsibilities transferred on 1 January 1977. In terms of financial arrangements, 1977-78 and 1978-79 were transitional years. During those years the Commonwealth provided the bulk of its assistance to the Northern Territory through global (general purpose) allocations which were recorded under the heading *Not Allocated to Function—Payments to or for the States, the Northern Territory and Local Government Authorities nec*. Before 1977-78, outlays on the Northern Territory were undertaken as direct Commonwealth outlays, rather than payments to the Territory, and were classified under appropriate functional headings. From 1979-80 Commonwealth financial arrangements with the Northern Territory are

similar to although not identical with those which exist between the Commonwealth and the States. In place of a global allocation, the Territory receives a combination of specific purpose and general purpose payments, the former classified to the relevant functions and the latter to *Not Allocated to Function—Payments to or for the States, the Northern Territory and Local Government Authorities nec*.

Grants to the States for pensioner accommodation in 1977-78 and previous years are recorded under *Social Security and Welfare*. In 1978-79 the scope of this scheme was extended to allow wider eligibility and to give the States greater flexibility in the application of the grants. In the light of these changes, grants under this program in 1978-79 and later years are now classified to the *Housing* function.

Outlays for 1981-82 and 1982-83 and the estimates of outlays for 1983-84 shown in the tables reflect changes in health funding arrangements. Specific purpose payments in respect of hospital operating costs (for NSW, Vic, Qld, WA and the NT, and from 1 February 1984 for SA and Tasmania), and community health and school dental services, recorded under the function *Health* in previous years, have been replaced by general purpose grants, shown under *Payments to or for the States, the Northern Territory and Local Government Authorities nec*.

The changes in administrative arrangements made on 11 March 1983 have, through the provision of data associated with new appropriation items, allowed some improvements to be made to the functional classification *Industry Assistance and Development* for the years 1981-82 to 1983-84. With the splitting of the responsibilities of the former Department of Trade and Resources, it has become possible to isolate the administrative expenditures for trade matters. These are now classified to the new sub-function 'Assistance to Export Industries' within *Industry Assistance and Development*—see the Appendix following this Statement for further details. The administrative expenditure of the 'resources' part of the former Department of Trade and Resources, however, is included in this new sub-function up to and including 1980-81. For 1981-82 and subsequent years these expenditures are classified to the sub-function 'Other Economic Services'.

The changes to administrative arrangements of 11 March 1983 have also introduced other discontinuities into the series. As a result of the changes some departments have been abolished while others have had their roles altered. In accounting for this, budget outlays and receipts have been reclassified to the gaining department. One result is that the administrative expenditure of the former Department of Home Affairs and Environment relating to Sport is now classified to the function *Culture and Recreation*. Some administrative expenditures of the former Department of Business and Consumer Affairs (which were gained by the Department of Industry and Commerce following changes to administrative arrangements on 7 May 1982) are now classified to *Administrative Services*—see the Appendix following this Statement for further details.

The discontinuity that existed in the tables last year, in respect of the *Defence* function, which resulted from changes to administrative arrangements made on 7 May 1982, has been largely rectified this year.

The tables include for the first time estimates of budget outlays in constant 1979-80 prices (Table 1) and the percentage change from year to year of these outlays (Table 2). The limitations of the methodology and of the uses which can be made of this data are contained in footnotes to Table 1.

Table 1—Commonwealth Government Budget Outlays 1973-74 to 1982-83 and 1983-84 (estimated)
(Constant 1979-80 prices) (\$m) (a)

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84 (estimate)
Outlays—											
1. Defence	2 663	2 684	2 624	2 773	2 790	2 868	3 019	3 221	3 355	3 483	3 361
2. Education	1 717	2 731	2 667	2 797	2 810	2 773	2 611	2 639	2 711	2 769	2 840
3. Health	1 894	2 108	4 159	3 218	3 156	3 181	3 169	3 312	2 364	2 495	2 897
4. Social Security and Welfare	4 973	6 095	7 084	8 060	8 685	8 876	8 784	9 000	9 335	10 279	11 359
5. Housing	673	1 152	792	695	591	419	343	310	372	539	615
6. Urban and Regional Development nec and the Environment	289	620	574	336	202	138	116	101	63	92	100
7. Culture and Recreation	317	389	356	326	306	308	321	365	391	381	404
8. Economic Services—											
Transport and Communication	1 736	2 120	1 872	1 251	999	793	807	897	958	1 282	1 150
Water Supply, Electricity and Gas	91	92	100	91	53	6	25	49	54	75	60
Industry Assistance and Development	840	1 298	513	281	327	529	613	767	765	808	744
Labour and Employment	225	274	307	306	333	364	302	351	373	499	758
Other Economic Services	71	80	96	86	88	85	92	90	88	70	67
Total	2 982	3 863	2 888	2 015	1 799	1 787	1 840	2 154	2 238	2 733	2 779
9. General Public Services—											
Legislative Services	78	69	75	80	88	77	79	102	107	145	151
Law, Order and Public Safety	109	138	152	159	158	189	200	201	209	235	254
Foreign Affairs and Overseas Aid	724	715	661	654	661	666	664	678	696	698	732
General and Scientific Research nec	223	235	235	234	232	251	271	285	319	319	296
Administrative Services	867	959	912	918	951	913	925	986	1 008	1 043	1 112
Total	2 001	2 115	2 036	2 045	2 089	2 096	2 138	2 253	2 342	2 439	2 559
10. Not Allocated to Function—											
Payments to or for the States, the Northern Territory and Local Government Authorities nec	5 526	6 075	6 248	6 485	6 918	7 208	7 100	7 233	8 042	8 005	8 229
Public Debt Interest	1 423	1 456	1 362	1 786	1 929	2 161	2 223	2 334	2 338	2 460	2 787
Allowance for Staff, Wage and Salary Increases (Non-Defence)	—	—	—	—	—	—	—	—	—	—	110
Total	6 949	7 531	7 610	8 271	8 847	9 369	9 299	9 567	10 380	10 465	11 126
TOTAL OUTLAYS	24 458	29 289	30 790	30 536	31 272	31 815	31 661	32 931	33 553	35 675	38 240

(a) Constant values and rates of change in Commonwealth Budget outlays by functional category have been estimated by deflating current price values by the implicit price deflator for non-farm GDP. (The farm sector is excluded to eliminate distortions arising from any sharp swings in farm prices which may be unrelated to more general economic conditions.) The use of the non-farm GDP deflator for this purpose reduces Budget outlays to a consistent value basis and so permits comparisons over the period of trade in the proportion of resources available for production of goods and services which the Government has appropriated for its own use.

Table 2—Commonwealth Government Budget Outlays 1973-74 to 1982-83 and 1983-84 (estimated) (Constant 1979-80 prices)
(Percentage changes from year to year) (a)

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84 (estimate)
Outlays—											
1. Defence	-4.5	0.8	-2.3	5.7	0.7	-2.8	-5.3	6.7	4.2	3.8	2.2
2. Education	71.0	59.1	-2.3	4.9	0.4	-1.3	-5.9	1.9	2.0	2.1	2.5
3. Health	6.5	11.3	97.4	-22.6	-1.9	0.8	-10.4	4.5	-28.6	5.5	16.1
4. Social Security and Welfare	4.2	22.6	16.2	13.8	7.8	2.2	-1.0	2.5	3.7	10.1	10.5
5. Housing	286.5	71.1	-31.3	-12.3	-14.9	-29.1	-18.3	-9.6	20.2	44.9	14.0
6. Urban and Regional Development nec and the Environment	158.1	114.9	-7.4	-41.5	-39.9	-31.8	-16.0	-12.6	-37.8	45.9	9.0
7. Culture and Recreation	20.2	22.4	-8.3	-8.5	-6.2	0.7	4.2	13.8	7.3	-2.7	6.1
8. Economic Services—											
Transport and Communication	2.0	22.2	-11.7	-33.2	-20.1	-20.6	1.8	11.1	6.8	33.9	-10.3
Water Supply, Electricity and Gas	10.8	1.1	8.3	-8.4	-42.0	-88.6	307.5	99.0	10.0	38.4	-19.6
Industry Assistance and Development	-9.4	50.8	-60.4	-45.3	16.2	65.1	13.8	25.0	-0.3	5.6	-8
Labour and Employment	6.7	21.9	12.1	-0.2	8.5	9.4	-17.0	16.1	6.4	33.6	52.0
Other Economic Services	9.9	12.5	21.1	-10.5	1.8	-3.6	8.4	-2.4	-1.4	-20.6	-4.7
Total	-0.9	29.5	-25.3	-30.2	-10.8	-12.7	2.9	17.1	3.9	22.1	1.7
9. General Public Services—											
Legislative Services	40.6	-11.6	9.1	7.2	9.4	-12.3	2.2	29.1	5.7	34.8	4.0
Law, Order and Public Safety	18.9	26.7	10.7	4.4	-0.5	19.6	5.4	0.7	4.0	12.1	8.2
Foreign Affairs and Overseas Aid	15.1	-1.3	-7.6	-1.1	1.1	0.8	-0.4	2.2	3.0	-0.1	4.9
General and Scientific Research nec	8.0	5.5	0.2	-0.7	-1.0	8.4	8.0	5.3	12.0	...	-7.4
Administrative Services	11.2	10.6	-4.9	0.7	3.6	-4.0	1.3	6.7	2.1	3.5	8.1
Total	13.5	5.7	-3.8	0.5	2.2	0.3	2.0	5.4	4.0	4.2	4.9
10. Not Allocated to Function—											
Payments to or for the States, the Northern Territory and Local Government Authorities nec	-7.3	10.0	2.8	3.8	6.7	4.2	-1.5	1.9	11.2	-0.5	2.8
Public Debt Interest	-7.1	2.3	-6.5	31.2	8.0	12.0	2.9	4.6	0.6	5.2	13.3
Total	-7.2	11.3	-3.7	35.0	14.7	16.2	1.4	6.5	11.8	4.7	16.1
TOTAL OUTLAYS	5.6	19.8	5.1	-0.8	2.4	1.7	-0.5	4.0	1.9	6.3	7.2

(a) See footnote to Table 1.

Table 3—Commonwealth Government Budget Outlays and Receipts 1973-74 to 1982-83 and 1983-84 (estimated) (\$m) (a) (b)

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84 (estimate)
Outlays—											
1. Defence	1 332	1 635	1 863	2 190	2 386	2 616	3 019	3 550	4 134	4 782	5 280
2. Education	858	1 063	1 894	2 210	2 402	2 529	2 611	2 930	3 341	3 802	4 211
3. Health	947	1 283	2 953	2 543	2 698	2 901	3 169	3 650	3 912	3 425	4 295
4. Social Security and Welfare	2 487	3 712	5 030	6 367	7 425	8 095	8 784	9 918	11 501	14 112	16 843
5. Housing	337	702	562	549	503	382	343	341	458	740	912
6. Urban and Regional Development nec and the Environment	144	378	408	265	173	126	116	111	77	126	148
7. Culture and Recreation	159	237	253	257	261	281	321	402	482	523	599
8. Economic Services—											
Transport and Communication	668	1 291	1 329	988	854	723	807	969	1 180	1 740	1 705
Water Supply, Electricity and Gas	45	56	71	72	45	6	25	54	87	103	89
Industry Assistance and Development	430	790	364	222	279	492	613	845	942	1 109	1 104
Labour and Employment	112	167	218	242	284	332	302	387	460	685	1 124
Other Economic Services	35	48	68	68	75	77	92	99	109	96	99
Total	1 491	2 353	2 050	1 592	1 538	1 630	1 840	2 373	2 757	3 753	4 121
9. General Public Services—											
Legislative Services	39	42	53	63	75	70	79	112	132	199	223
Law, Order and Public Safety	54	84	108	126	135	173	200	222	256	322	376
Foreign Affairs and Overseas Aid	262	433	469	516	565	606	664	748	840	958	1 085
General and Scientific Research nec	111	143	167	185	196	229	271	314	394	439	439
Administrative Services	434	584	648	725	813	832	925	1 087	1 241	1 431	1 672
Total	1 000	1 288	1 445	1 616	1 786	1 912	2 138	2 483	2 885	3 349	3 795
10. Not Allocated to Function—											
Payments to or for the States, the Northern Territory and Local Government Authorities nec	2 763	3 700	4 436	5 123	5 915	6 573	7 100	7 971	9 908	10 991	12 283
Public Debt Interest	712	886	967	1 411	1 649	1 971	2 223	2 561	2 881	3 378	4 133
Allowances for Staff, Wage and Salary Increases (Non-Defence)	—	—	—	—	—	—	—	—	—	—	163
TOTAL OUTLAYS	12 229	17 837	21 861	24 123	26 738	29 015	31 661	36 290	41 333	48 982	56 703
Receipts—											
1. Taxation Revenue	10 873	14 085	16 843	19 642	21 346	23 288	27 305	32 467	37 784	40 835	44 182
2. Interest, Rent and Dividends	1 045	1 194	1 424	1 647	1 834	1 946	2 033	2 290	2 585	2 922	3 347
3. Net Receipts from Government Enterprise Transactions	9	—	—3	85	225	300	265	240	385	760	701
4. Sale of Excess Assets	22	18	30	30	22	24	24	195	36	54	113
TOTAL RECEIPTS	11 950	15 291	18 294	21 404	23 427	25 558	29 627	35 182	40 790	44 509	48 342
DEFICIT	279	2 546	3 567	2 719	3 311	3 457	2 034	1 109	548	4 473	8 361

(a) See Appendix for details of changes made to functional classification.

(b) See Notes on Tables.

Table 4—Commonwealth Government Budget Outlays by Function as Proportions of Total Budget Outlays 1973-74 to 1982-83 and 1983-84 (estimated) (Per cent) (a)

Function	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84 (estimate)
Defence	10.9	9.2	8.5	9.1	8.9	9.0	9.5	9.8	10.0	9.8	9.3
Education	7.0	9.3	8.7	9.2	9.0	8.7	8.2	8.1	8.1	7.8	7.4
Health	7.7	7.2	13.5	10.5	10.1	10.0	10.0	10.1	(b)7.0	7.0	7.6
Social Security and Welfare	20.3	20.8	23.0	26.4	27.8	27.9	27.7	27.3	27.8	28.8	29.7
Housing	2.8	3.9	2.6	2.3	1.9	1.3	1.1	0.9	1.1	1.5	1.6
Urban and Regional Development nec and the Environment	1.2	2.1	1.9	1.1	0.6	0.4	0.4	0.3	0.2	0.3	0.3
Culture and Recreation	1.3	1.3	1.2	1.1	1.0	1.0	1.0	1.1	1.2	1.1	1.1
Economic Services—											
Transport and Communication	7.1	7.2	6.1	4.1	3.2	2.5	2.6	2.7	2.9	3.6	3.0
Water Supply, Electricity and Gas	0.4	0.3	0.3	0.3	0.2	—	0.1	0.1	0.2	0.2	0.2
Industry Assistance and Development	2.0	2.6	0.8	0.2	0.7	0.9	0.6	0.5	0.5	0.8	0.6
Primary Industry	1.5	1.9	0.9	0.7	0.3	0.8	1.3	1.9	1.7	1.5	1.3
Other	0.9	0.9	1.0	1.0	1.1	1.1	1.0	1.1	1.1	1.4	2.0
Labour and Employment	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2
Other Economic Services	—	—	—	—	—	—	—	—	—	—	—
Total	12.2	13.2	9.4	6.6	5.8	5.6	5.8	6.3	6.7	7.7	7.3
General Public Services—											
Legislative Services	0.3	0.2	0.2	0.3	0.3	0.2	0.2	0.3	0.3	0.4	0.4
Law, Order and Public Safety	0.4	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.7	0.7
Foreign Affairs and Overseas Aid	3.0	2.4	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.0
General and Scientific Research nec	0.9	0.8	0.8	0.8	0.8	0.8	0.9	0.9	1.0	0.9	0.8
Administrative Services	3.5	3.3	3.0	3.0	3.0	2.9	2.9	3.0	3.0	2.9	3.0
Total	8.2	7.2	6.6	6.7	6.7	6.6	6.8	6.8	7.0	6.8	6.7
Payments to or for the States, the Northern Territory and Local Government Authorities nec	22.6	20.7	20.3	21.2	22.1	22.7	22.4	22.0	(b)24.0	22.4	21.5
Public Debt Interest	5.8	5.0	4.4	5.8	6.2	6.8	7.0	7.1	7.0	6.9	7.3
Allowances for Staff, Wage and Salary Increases (Non-Defence)	—	—	—	—	—	—	—	—	—	—	0.3
TOTAL OUTLAYS	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(a) See Notes on Tables.

(b) Changed arrangements for health funding affect comparability of the functional classification between 1980-81 and subsequent years.

Table 5—Commonwealth Government Budget Outlays and Receipts 1973-74 to 1982-83 and 1983-84 (estimated) (Percentage Changes from Year to Year)

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84 (estimate)
Outlays—											
1. Defence	8.5	22.8	14.0	17.6	8.9	9.6	15.4	17.6	16.5	15.7	10.4
2. Education	94.3	93.8	13.9	16.7	8.7	5.3	3.2	12.3	14.0	13.8	10.7
3. Health	21.0	35.6	130.1	-13.9	6.1	7.5	9.3	15.2	(e)-20.2	(e)17.6	25.4
4. Social Security and Welfare	18.4	49.3	35.5	26.6	16.6	9.0	8.5	13.9	16.0	22.7	19.3
5. Housing	(b)339.2	108.4	-19.9	-2.4	-7.9	-24.4	-10.4	-0.4	34.3	63.5	23.1
6. Urban and Regional Development and the Environment	193.3	161.7	8.0	-34.9	-34.9	-27.2	-7.9	-3.7	-30.4	62.6	17.7
7. Culture and Recreation	36.6	49.1	6.9	1.8	1.5	7.4	14.3	25.4	19.9	8.5	14.6
8. Economic Services—											
Transport and Communication	15.9	48.8	-2.9	-25.7	-13.6	-15.3	11.6	22.5	19.4	49.2	-3.1
Water Supply, Electricity and Gas	25.9	23.2	26.3	1.9	-37.2	-87.8	346.9	119.2	23.0	54.2	-13.2
Industry Assistance and Development	2.9	83.7	-53.9	-39.1	25.8	76.1	24.7	37.8	11.5	(c)12.7	-0.5
Labour and Employment	21.2	48.4	30.6	11.1	17.5	16.7	-8.9	28.0	18.9	48.9	64.1
Other Economic Services	24.9	37.0	41.2	-0.4	10.2	2.8	18.9	7.8	10.2	(c)-11.6	3.0
Total	12.6	57.8	-12.8	-22.3	-3.4	6.0	12.9	25.0	16.2	36.1	9.8
9. General Public Services—											
Legislative Services	59.8	7.7	27.2	19.2	18.4	-6.4	12.1	42.3	18.1	50.3	12.3
Law, Order and Public Safety	35.1	54.3	23.1	16.1	7.7	27.6	15.6	11.0	18.3	25.0	16.9
Foreign Affairs and Overseas Aid	30.8	20.2	7.7	10.1	9.4	7.5	9.2	12.6	15.1	11.4	13.3
General and Scientific Research	22.7	28.5	16.8	10.5	7.2	15.7	19.4	16.0	25.2	11.5	...
Administrative Services	26.4	34.7	10.9	12.0	12.1	2.4	14.1	17.5	14.2	15.3	16.8
Total	29.0	28.8	12.2	11.8	10.6	7.0	11.8	16.1	16.2	16.1	13.3
10. Not Allocated to Functions—											
Payments to or for the States, the Northern Territory and Local Government Authorities	(b)5.3	33.9	19.9	15.5	15.4	11.1	8.0	12.3	(e)24.3	(e)10.9	11.0
Public Debt Interest	5.6	24.6	9.1	46.0	16.9	19.5	12.8	15.2	12.5	17.2	22.4
TOTAL OUTLAYS	20.0	45.9	22.6	10.3	10.8	8.5	9.1	14.6	13.9	18.5	(e)15.8
Receipts—											
Taxation Revenue	28.6	29.5	19.6	16.6	8.7	9.1	17.2	18.9	16.4	8.1	8.2
Other Receipts	3.4	12.1	20.3	21.4	18.1	9.1	2.3	16.9	10.7	22.3	13.2
TOTAL RECEIPTS	25.9	28.0	19.6	17.0	9.4	9.1	15.9	18.7	15.9	9.1	8.6

- (a) Changed arrangements for health funding affect comparability of the functional classification between 1980-81 and subsequent years.
 (b) See Notes on Tables. If the outlays under the two functions are adjusted to provide a comparable series, the percentage change in "Housing" in 1973-74 becomes 34.2 per cent, while the percentage change for "Payments to the States etc." becomes 12.5 per cent.
 (c) See Appendix regarding changes to functional classification.
 (d) Includes Allowance for Staff, Wage and Salary Increases (Non-Defence).

Table 6—Commonwealth Government Budget Outlays 1973-74 to 1982-83 and 1983-84 (estimated) (\$m)

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84 (estimate)
1. DEFENCE—											
Manpower Costs—											
Civilian	158	185	184	204	221	228	243	278	330	365	369
Forces	619	748	832	915	1,004	1,076	1,206	1,300	1,809	1,910	1,925
Defence Equipments Stores and Facilities	328	434	534	706	723	896	1,097	1,305	1,319	1,712	2,012
Defence Industrial Capacity	76	94	109	123	159	153	171	199	262	324	380
Defence Science and Technology	59	79	74	78	85	87	96	109	126	139	144
Defence Aid and Co-operation	10	89	39	25	27	25	30	38	40	44	46
Storage and Transport	8	12	11	13	15	15	19	23	31	32	29
Less Recoveries and Repayments	135	130	143	177	201	217	254	304	336	397	425
Other Outlays	62	136	64	62	81	81	96	97	119	140	159
Allowance for Prospective Wage and Salary Increases	—	—	—	—	—	—	—	—	—	—	110
TOTAL DEFENCE	1,332	1,635	1,863	2,190	2,386	2,616	3,019	3,550	4,134	4,762	5,280
2. EDUCATION—											
Universities	293	504	541	642	711	730	794	873	1,007	1,091	1,127
Advanced Education	176	365	393	470	475	508	530	585	616	685	710
Technical and Further Education	34	55	81	100	118	146	168	198	224	258	287
Cost Supplementations of Tertiary Grants	—	—	—	—	—	—	—	—	—	—	108
Schools—											
Schools in the States and N.T.	196	513	585	681	752	776	736	836	1,016	1,209	1,256
Schools and Pre-schools in the A.C.T.	34	57	80	84	89	93	94	106	117	142	146
Other Outlays	—	—	—	5	5	5	6	6	4	5	7
School to Work Transition (a)	—	—	—	1	1	3	8	28	34	42	25
Student Assistance Schemes	73	100	133	162	162	174	183	190	200	240	302
Special Groups	38	49	55	46	56	65	72	88	102	112	127
Other Outlays (net)	13	17	21	20	20	21	22	20	21	18	14
TOTAL EDUCATION	858	1,663	1,894	2,210	2,402	2,529	2,611	2,930	3,341	3,802	4,211
3. HEALTH—											
Medical Services and Benefits	229	287	774	602	430	605	713	792	902	1,064	1,527
Hospital Services and Benefits	194	275	1,290	1,015	1,315	1,352	1,479	1,717	593	682	745
Health Program Grants	—	—	7	6	4	4	4	5	6	6	7
Pharmaceutical Services and Benefits	242	289	317	271	295	316	323	365	459	506	552
Nursing Home and Domiciliary Care Services and Benefits	134	195	236	280	303	319	369	452	657	835	978
Community Health Facilities and Services	17	36	55	71	74	54	55	68	8	9	12
Treatment and Prevention of Tuberculosis	13	15	13	8	3	1	1	1	1	1	1
Health Services in the Territories (b)	47	76	85	107	101	76	47	51	84	87	92
Other Outlays (net)	71	111	176	183	173	173	178	199	203	236	382
TOTAL HEALTH	947	1,283	2,953	2,543	2,698	2,921	3,169	3,650	2,912	3,425	4,285

- (a) The School to Work Transition Scheme commenced in 1979-80; earlier years' outlays under this heading are for analogous outlays on the Employment Program for Unemployed Youth which has now been absorbed in the School to Work Transition Scheme.
 (b) Outlays under this heading from mid 1978-79 onwards relate only to the A.C.T.

Table 6—Commonwealth Government Budget Outlays 1973-74 to 1982-83 and 1983-84 (estimated) (\$m)—continued

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84 (estimate)
4. SOCIAL SECURITY AND WELFARE—											
Assistance to the Aged (a)	1 181	1 675	2 236	2 562	3 025	3 311	3 513	4 023	4 610	4 995	5 420
Assistance to Veterans and their Dependents	340	475	565	659	795	855	990	1 187	1 323	1 710	2 038
Assistance to the Handicapped	262	337	469	581	687	793	901	1 006	1 225	1 245	1 431
Assistance to Widows and Single Parents	229	324	402	542	652	752	846	1 069	1 323	1 406	1 738
Assistance to Families (b)	237	244	294	1 057	1 075	1 037	1 054	1 000	1 099	1 455	1 655
Assistance to the Unemployed and Sick	119	477	776	748	951	1 056	1 121	1 256	1 541	2 431	3 729
Other Outlays (c)	116	179	228	218	238	271	309	378	490	590	772
TOTAL SOCIAL SECURITY AND WELFARE	2 487	3 712	5 030	6 367	7 425	8 095	8 764	9 928	11 591	14 112	16 843
5. HOUSING—											
Grants and Net Advances to the States	223	391	563	569	378	316	259	267	232	(a) 444	663
Home Deposit Assistance	25	13	7	8	35	20	22	45	115	150	123
Housing Loans by Banks (net)	—	129	-23	-11	-11	-11	-41	-14	-5	-3	-1
Defence Service Homes (net)	38	395	71	52	42	39	36	34	121	142	119
Housing in the Territories (net) (d)	32	35	112	107	39	-13	-23	-26	-19	-19	-9
Housing for Migrants	1	1	1	1	1	1	1	1	1	1	1
Accommodation for Aborigines	11	26	30	28	25	29	33	39	9	19	13
Other Outlays	12	16	4	3	3	3	5	5	6	7	5
Less Other Recoveries and Repayments	3	3	3	8	6	1	1	1	1	1	1
TOTAL HOUSING	337	762	562	549	595	362	343	341	458	740	912
6. URBAN AND REGIONAL DEVELOPMENT AND THE ENVIRONMENT—											
Urban and Regional Development Expenditures see	83	266	218	144	118	86	82	26	43	72	91
Sewerage and Garbage	40	139	146	83	19	9	6	3	4	15	13
Other Outlays (net)	22	33	43	38	35	36	28	32	30	38	44
TOTAL URBAN AND REGIONAL DEVELOPMENT AND THE ENVIRONMENT	144	378	408	265	173	126	116	111	77	126	148
7. CULTURE AND RECREATION—											
Broadcasting and Television Services	112	152	169	169	171	180	201	257	324	357	391
Other Outlays (net)	46	85	84	88	99	99	120	145	158	166	200
TOTAL CULTURE AND RECREATION	159	237	253	257	261	281	321	402	482	523	590

(a) See Notes on Tables regarding changed arrangements for Grants to the States for pensioner accommodation.

(b) Excludes Mock Grants paid to the States and the Northern Territory for pre-school education. These amounts are recorded under the function 'Education'.

(c) Includes an amount of \$146 million in 1982-83 and an indicative amount of \$209 million in 1983-84 for welfare housing administered by the States from within the States Works and Housing Program—See Appendix.

(d) Outlays under this heading from 1978-79 onward relate only to the A.C.T.

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Table 6—Commonwealth Government Budget Outlays 1973-74 to 1982-83 and 1983-84 (estimated) (\$m)—continued

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84 (estimate)
8. ECONOMIC SERVICES											
A. TRANSPORT AND COMMUNICATION—											
Communications	388	522	403	208	45	-22	-2	14	23	62	19
Air Transport—											
Net Advances and Contributions to the Airlines	-19	34	25	-16	-23	-92	-96	-31	12	163	-19
Aviation Services	146	170	179	177	188	196	226	291	368	508	493
Other Expenditures	1	2	2	2	2	4	4	5	7	30	46
Less Air Navigation Charges	33	45	54	42	37	26	24	36	96	102	124
Less Other Recoveries	50	16	23	24	26	28	47	46	52	55	60
Total	54	146	139	77	68	4	4	122	233	522	343
Road Transport—											
Road Grants	317	363	434	434	478	508	565	628	635	851	1163
Other Expenditure	38	41	61	53	65	41	33	29	37	52	33
Total	354	404	495	487	543	549	598	657	722	903	1196
Rail Transport—											
Australian National Railways	9	24	94	74	93	109	96	26	77	112	93
Other Rail Projects (net)	-3	12	1	-3	-4	-3	..	10	20	18	-7
Total	6	36	95	71	89	105	97	86	97	130	86
Sea Transport (net)											
Special Payment to the States for Transport	10	65	92	30	19	8	34	28	44	58	37
Urban Public Transport Improvement	..	45	34	58	51	42	42	44	2	..	..
Pipelines (net)	54	63	65	37	15	12	12	10	7	7	2
Other Outlays	16	26	31	37	47	48	49	56	48	48	57
Less Other Recoveries	15	17	15	19	22	23	27	29	30	33	35
TOTAL TRANSPORT AND COMMUNICATION	866	1 291	1 329	966	854	723	807	989	1 180	1 790	1 205
B. WATER SUPPLY, ELECTRICITY AND GAS—											
Urban Water Supply	4	10	20	36	28	15	6	4	6	7	1
Snowy Mountains Scheme	13	2	-2	-5	-4	-5	-5	-7	-9	-6	-6
Clidstone Power Station	27	32	39	26	..	..	..	..	..	..	..
Liquefied Petroleum Gas Subsidy	..	..	..	..	..	..	..	..	..	..	..
Other Outlays	9	12	17	18	25	..	30	43	46	70	72
Less Repayments	8	..	3	3	3	4	4	5	5	2	3
TOTAL WATER SUPPLY, ELECTRICITY AND GAS	45	56	71	72	45	6	25	54	67	103	89

Table 6—Commonwealth Government Budget Outlays 1973-74 to 1982-83 and 1983-84 (estimated) (\$m) —continued

C. MINISTRY, ASSISTANCE AND DEVELOPMENT— Foreign and Failing Industries (a)	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
	10	30	15	11	4	10	5	5	5	14	3
<i>Agribusiness and Pastoral Industries—</i>											
Wood Industry	18	305	-14	-119	-79	18	8	31	30	27	31
Sheep Industry	-2	-2	-2	-2	-3	-3	-3	-3	-3	-4	-4
Sugar Industry	20	19	20	5	4	11	13	2	-1	-2	-2
Dairy Industry	1	1	1	1	1	1	1	1	1	1	1
Cattle Industry	14	16	14	37	122	79	72	72	74	46	5
Cattle (Sheep and Pig Meat Industry)	36	29	39	39	43	47	56	59	51	49	46
Poultry Industry	11	43	33	54	55	37	39	51	49	41	51
Pig Industry	11	43	33	54	55	37	39	51	49	41	51
Other Outlays (est)	24	40	37	27	36	34	19	20	12	15	26
Total	222	447	164	46	196	215	193	162	225	173	327
<i>Mining, Manufacturing and Other Industries—</i>											
Petroleum Search Subsidy	19	6	-	-	-	-	-	-	-	-	-
Other Mining Assistance (b)	13	35	-12	-28	-46	-13	-12	-13	-12	-12	-12
Industrial Research and Development Scheme	15	18	19	15	14	24	34	54	24	23	22
Other Outlays (est)	69	14	36	23	38	40	64	64	89	119	159
Total	116	78	71	92	100	70	104	206	230	284	364
<i>Tourism Industry</i>	4	7	7	4	3	4	8	9	9	11	20
<i>Assistance to Export Industries—(c)</i>											
Export Expansion Grants Scheme	-	-	-	-	-	20	170	268	197	145	98
Export Market Development Grants Scheme	15	15	15	14	17	37	65	60	44	105	115
Export Marketing Grants Scheme	1	2	3	3	4	2	2	4	3	3	26
Comprehensive Payments	-	-	-	-	-	-	-	6	1	-	-
EPIC (est)	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
Other Outlays	79	106	77	16	19	29	22	26	27	29	42
Total	93	122	111	56	65	99	260	338	343	312	296
<i>Other Assistance to Industry</i>											
Energy Research	22	2	-	-	-	46	71	120	146	124	104
Australian Industry Development Corporation	-	56	-	13	-	-	-36	-	-	-46	13
Other Outlays (est) (c)	-	-	1	1	-	-	-	-	5	12	31
Total	22	59	1	13	-	55	22	133	169	169	143
TOTAL INDUSTRY ASSISTANCE AND DEVELOPMENT	430	709	364	272	279	492	613	845	942	1 090	1 804

(a) Outlays refer to 1973-74. This table represents the Expenditure of Finance Branch, which is included in the 02850 (Commonwealth Grants).
 (b) Includes expenditures from the former Petroleum and Minerals Authority and department of petroleum and mineral investments. Also includes amounts relating to returns of uranium concentrate to the Commonwealth stockpile.
 (c) See Notes on Tables and Appendix for changes to functional classification.

Table 6—Commonwealth Government Budget Outlays 1973-74 to 1982-83 and 1983-84 (estimated) (\$m) —continued

D. LABOUR AND EMPLOYMENT— Conditions and Activities	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
	10	30	15	11	4	10	5	5	5	14	3
Payment to Manufacturing Industry	3	4	5	6	6	6	7	8	10	11	13
Payment to Manufacturing Industry (est)	12	46	78	74	118	123	99	157	137	220	264
Annual Wage Survey (est)	21	21	14	14	13	15	13	27	33	29	31
Other Outlays (est)	54	79	83	56	113	156	158	135	213	169	167
TOTAL LABOUR AND EMPLOYMENT	112	157	213	242	264	332	362	367	460	645	1 134
<i>OTHER ECONOMIC SERVICES—</i>											
Specialised Activities	8	13	16	17	16	15	15	16	17	17	18
Meteorological Services	27	33	36	39	40	41	43	48	56	67	66
Land Reclamation	9	17	17	17	17	15	17	16	16	17	17
Land Reclamation (est)	11	11	11	11	11	11	11	11	11	11	11
Other Outlays (est)	35	49	66	68	68	75	77	78	81	69	99
TOTAL OTHER ECONOMIC SERVICES	89	123	146	152	157	169	176	188	222	256	301
TOTAL ECONOMIC SERVICES	1 001	2 553	2 609	1 592	1 598	1 630	1 840	2 373	2 737	3 743	4 135
<i>GENERAL PUBLIC SERVICES—</i>											
A. LEGISLATIVE SERVICES—											
Parliamentary Expenses	25	37	36	42	51	53	59	78	107	153	137
Parliamentary Expenses (est)	1	1	1	2	2	2	3	4	4	4	5
Other Outlays (est)	39	42	52	63	75	79	79	112	127	199	223
TOTAL LEGISLATIVE SERVICES	65	80	89	107	128	135	141	190	238	356	375
<i>B. LAW, ORDER AND PUBLIC SAFETY—</i>											
Courts and Legal Services	13	20	37	48	58	71	89	75	117	112	137
Police Services (est)	13	21	22	23	21	26	32	35	35	50	51
Other Outlays (est)	54	44	106	126	115	113	200	222	228	322	396
TOTAL LAW, ORDER AND PUBLIC SAFETY	80	85	165	197	194	210	226	232	280	384	524

(a) Includes 1152.1 million for Special Employment Program—Wage Freeze in 1982-83, and \$374.5 million for Special Employment Program—Community Employment Program in 1983-84.
 (b) See Notes on Tables and Appendix for changes to functional classification.

Table 6—Commonwealth Government Budget Outlays 1973-74 to 1982-83 and 1983-84 (estimated) (\$m)—continued

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84 (estimate)
C. FOREIGN AFFAIRS AND OVERSEAS AID—											
<i>Aid Payments</i>											
Papua New Guinea	253	171	214	221	222	235	238	245	254	226	383
Malateral Aid	68	116	95	97	120	154	122	213	257	280	372
Multilateral Aid	16	43	41	56	77	67	79	95	130	166	117
Other Outlays (net)	75	105	120	136	145	151	165	195	220	242	275
TOTAL FOREIGN AFFAIRS AND OVERSEAS AID	362	435	469	516	565	608	664	748	860	956	1 085
D. GENERAL AND SCIENTIFIC RESEARCH NEC—											
<i>Australian Atomic Energy Commission</i>											
Commonwealth Scientific and Industrial Research Organisation	16	18	20	21	23	24	26	29	38	36	38
Antarctic Division	87	(a)102	124	133	147	149	195	228	293	328	377
Research Grants	4	5	6	7	9	12	13	14	18	22	36
Other Research and Science nec	7	8	7	12	11	13	14	12	20	22	25
Other Research and Science nec	4	6	11	12	9	11	15	15	20	20	22
TOTAL GENERAL AND SCIENTIFIC RESEARCH NEC	111	143	167	185	198	229	273	314	394	439	470
E. ADMINISTRATIVE SERVICES—											
<i>Financial Affairs and Fiscal Administration</i>											
Statistical Services	169	209	223	263	302	313	331	371	467	547	632
General Administration of the Territories (net)	31	41	47	58	58	57	64	86	115	98	96
Other Administrative Services nec	34	45	58	56	65	78	30	34	45	53	80
Common Services—	25	36	41	51	56	64	74	87	100	107	126
Construction Services (net)	66	90	96	97	104	93	109	120	145	138	144
Commonwealth Government Offices	28	45	36	13	28	34	27	35	29	45	46
Property Management and Services	25	39	45	48	44	46	51	56	67	73	107
Rent	29	37	44	48	51	55	62	69	78	100	142
Other	29	32	30	30	28	38	44	38	43	58	54
Non-Superannuation Payments nec	11	42	59	91	120	162	197	227	278	271	312
Less Recoveries	25	32	36	41	31	48	50	57	67	78	79
TOTAL ADMINISTRATIVE SERVICES	434	504	648	725	813	832	925	1 087	1 341	1 430	1 672
TOTAL GENERAL PUBLIC SERVICES	1 600	1 288	1 445	1 616	1 786	1 912	2 138	2 483	2 985	3 349	3 795

(a) From 1974-75, CSIRO outlays include expenditure on the Forestry and Timber Bureau. Similarly, expenditure on the Kimberly Research Station is included from 1975-76.

Table 6—Commonwealth Government Budget Outlays 1973-74 to 1982-83 and 1983-84 (estimated) (\$m)—continued

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84 (estimate)
10. NOT ALLOCATED TO FUNCTION—											
A. PAYMENTS TO OR FOR THE STATES, THE NORTHERN TERRITORY, AND LOCAL GOVERNMENT AUTHORITIES NEC											
States Tax Sharing Grants(a)	1 869	2 374	3 073	3 696	4 317	4 779	5 416	6 011	6 690	7 772	8 528
Grants to States in Lieu of Health Payments(a)	—	—	—	—	—	—	—	—	1 117	1 057	1 160
Other General Revenue Assistance (net)	64	115	39	17	15	12	10	7	59	10	156
State Government Loan Council Programs (net)	726	938	1 139	1 197	1 263	1 249	1 050	1 184	1 094	1 003	1 036
Assistance Related to State Debts	91	104	47	47	49	51	55	57	57	59	61
Local Government Tax Sharing Encouragements etc.	—	57	80	140	165	170	222	301	351	424	459
Total Payments to or for the States and Local Government Authorities nec	2 740	3 587	4 378	5 096	5 808	6 269	6 751	7 478	9 367	10 287	11 429
Payments to the Northern Territory	—	—	—	—	53	280	379	425	500	573	652
Payments to Tasmania—Gordon below Franklin(b)	—	—	—	—	—	—	—	—	—	—	27
Natural Disaster Relief (net)	23	113	58	27	53	24	10	20	21	(c)132	94
TOTAL PAYMENTS TO OR FOR THE STATES, THE NORTHERN TERRITORY, AND LOCAL GOVERNMENT AUTHORITIES NEC	2 763	3 700	4 436	5 123	5 915	6 573	7 180	7 971	9 908	10 991	12 283
B. PUBLIC DEBT INTEREST—											
Grass Interest Paid	811	996	1 094	1 525	1 754	2 078	2 359	2 722	3 054	3 487	4 246
Less Interest on Government Securities and cash balances held by the Commonwealth Government on its own behalf	109	110	128	114	105	105	136	161	133	199	112
TOTAL PUBLIC DEBT INTEREST	712	886	967	1 411	1 649	1 971	2 223	2 561	2 921	3 378	4 133
C. ALLOWANCE FOR STAFF, WAGE AND SALARY INCREASES (NON-DEFENCE)											
TOTAL NOT ALLOCATED TO FUNCTION	3 475	4 586	5 493	6 534	7 564	8 544	9 322	10 532	12 709	14 369	16 499
TOTAL OUTLAYS	12 229	17 837	21 841	24 123	26 738	29 615	31 661	36 292	41 338	48 982	56 703

(a) See Notes on Tables.

(b) Financial assistance in respect of alternative employment projects, arising from the termination in July 1983 of the Gordon River Power Development Stage 2 in South West Tasmania.

(c) Includes \$146 million for holiday and drought relief payments—See relevant text in Statement 5.

Table 7—Commonwealth Government Budget Outlays 1973-74 to 1982-83 and 1983-84 (estimated) in National Accounts Format (\$m)

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84 (estimate)
Net Expenditure on Goods and Services											
Current Expenditure	1 226	1 448	1 683	2 022	2 187	2 464	2 787	3 304	3 830	4 431	4 891
Defence	1 226	1 448	1 683	2 022	2 187	2 464	2 787	3 304	3 830	4 431	4 891
All Other	—	—	—	—	—	—	—	—	—	—	—
Capital Expenditure (a)	264	464	564	520	388	298	290	476	527	936	11 346
Total	2 994	3 886	4 636	5 159	5 326	5 827	6 423	7 783	8 959	10 441	12 823
Transfer Payments											
Personal Benefit Payments	3 070	4 311	6 079	7 378	8 768	9 096	9 898	11 213	13 067	15 519	19 646
Unfunded Employee Retirement Benefits	65	88	166	172	139	162	181	207	222	292	338
Grants to or for the States and Local Government Authorities	3 135	4 399	6 185	7 499	8 407	9 258	10 079	11 420	13 320	16 322	19 346
For Current Purposes	2 512	3 775	5 521	6 812	7 222	7 858	8 800	9 919	10 953	12 997	14 229
For Capital Purposes	903	1 404	1 570	1 549	1 516	1 492	1 502	1 595	1 686	2 129	2 670
Grants to the Northern Territory (b)	3 435	5 178	7 091	7 661	8 738	9 349	10 382	11 514	12 642	14 726	16 929
Interest Paid	712	887	968	1 412	1 649	1 871	2 223	2 541	2 881	3 378	4 133
Transfers Overseas	289	349	370	398	417	477	529	578	647	725	797
Subsidies	277	228	254	227	372	445	595	756	886	917	950
Grants for Private Capital Purposes	70	121	173	191	124	116	165	137	204	244	233
Purchases of Existing Assets	30	137	176	28	15	22	28	16	25	25	35
Total	1 378	1 706	1 799	2 144	2 630	3 322	3 884	4 514	5 141	5 954	6 982
Total	7 947	11 282	15 066	17 304	19 724	21 928	24 264	27 449	31 144	34 883	43 198
Net Advances											
To States	448	592	709	745	785	771	635	648	658	546	547
Works Payments	—	366	343	350	362	285	126	131	188	245	296
Other	99	226	221	183	114	73	78	178	178	97	97
To Northern Territory	749	1 225	1 372	1 278	1 261	1 129	56	817	54	853	79
To Commonwealth Governments	—	—	—	—	—	—	—	—	—	—	—
Partial Commission	385	3	3	—3	—28	—23	—14	—	—	—	—
Telecommunications Commission	—	392	215	65	—	—	—	—	—	—	—
SMHEA	9	2	—2	—5	—4	—	—	—	—	—	—
Airfares	—11	36	25	—16	—23	—92	—31	12	163	—10	—
Pensions Authorities	—56	65	67	39	17	14	18	7	7	2	—
Defence Service Homes (c)	—37	79	46	45	20	26	23	12	104	125	107
Other	15	466	176	28	45	147	187	189	230	322	251
To Other Sectors	891	1 165	709	383	101	66	110	179	344	611	338
Other	59	278	81	79	26	37	32	22	28	—3	118
Total	1 296	2 669	2 162	1 660	1 430	1 230	956	1 138	1 225	1 660	1 483
TOTAL OUTLAYS	12 229	17 877	21 361	24 123	26 738	29 013	31 461	36 290	41 338	48 982	56 783

(a) Consists of fixed capital expenditure on new assets plus increase in stocks less sales of previously owned assets.
 (b) For details of the changed arrangements for the Northern Territory refer to Chapter V of Budget Paper No. 7 Payments to or for the States, the Northern Territory and Local Government Authorities 1983-84.
 (c) Prior to 1975-76 advances were made by Defence Service Homes direct to the public. Since then advances have been made through an authority classified outside the Budget sector.

Table 8—Domestic and Overseas Outlays of the Commonwealth Government Budget—1973-74 to 1982-83 and 1983-84 (estimated) (\$m)

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84 (estimate)
Domestic Outlays											
Net Expenditure on Goods and Services—											
Defence	1 122	1 341	1 509	1 691	1 859	1 987	2 269	2 733	3 397	3 663	3 802
Other Current Expenditure	1 402	1 929	2 278	2 519	2 799	3 013	3 176	3 759	4 463	5 164	6 175
Capital Expenditure	257	383	540	492	353	272	274	426	420	590	641
Total	2 779	3 652	4 327	4 702	5 011	5 271	5 718	6 917	8 281	9 417	10 618
Transfer Payments and Net Advances—											
To or for the States, Northern Territory and Local Government Authorities	4 184	6 403	8 463	8 939	10 053	10 766	11 558	12 919	14 043	16 413	18 710
Personal Benefit Payments (a)	3 129	4 388	6 167	7 474	8 773	9 217	10 034	11 364	13 256	16 130	19 294
Interest Paid	646	822	822	1 815	1 302	1 674	1 849	2 200	2 539	2 915	3 338
Transfers Overseas	101	158	190	143	156	166	206	247	282	310	342
Net Advances (Other than to States)	494	1 314	670	318	130	83	44	157	313	553	525
Other (b)	377	470	453	344	311	583	780	909	1 095	1 206	1 218
Total	8 927	13 554	16 827	18 522	20 721	22 490	24 470	27 801	31 530	37 526	43 457
TOTAL DOMESTIC OUTLAYS	11 706	17 206	21 154	23 224	25 732	27 761	30 188	34 718	39 810	46 943	54 075
Overseas Outlays											
Net Expenditure on Goods and Services—											
Defence	104	107	174	311	328	417	517	571	433	768	1 089
Other Current Expenditure	92	106	108	118	152	143	171	202	233	241	280
Capital Expenditure	9	21	24	28	35	26	16	12	12	15	36
Total	205	234	307	457	515	586	705	786	678	1 024	1 405
Transfer Payments and Net Advances—											
Personal Benefit Payments (a)	6	11	18	25	34	41	45	52	64	72	72
Interest Paid	68	66	83	110	149	297	374	361	342	463	595
Transfers Overseas	188	191	180	243	261	311	314	328	385	425	455
Net Advances (Other than to States)	56	129	120	64	47	19	34	44	59	55	100
Total	318	397	400	442	491	668	768	786	849	1 015	1 223
TOTAL OVERSEAS OUTLAYS	523	631	707	899	1 006	1 254	1 473	1 572	1 528	2 039	2 628

(a) Includes unfunded employee retirement benefits.
 (b) Consists of subsidies, grants for private capital purposes and purchases of existing assets.

Table 9—Commonwealth Government Budget Receipts 1973-74 to 1982-83 and 1983-84 (estimated) (\$m)

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84 (estimate)
General Taxation Revenue—											
Income Tax—											
Individuals—											
PAYE	5010	6919	8362	9811	10 579	11 438	13 287	15 291	18 836	20 812	22 207
Less Refunds	772	848	1 343	1 282	940	1 040	1 127	1 170	1 418	1 971	2 475
Net PAYE	4238	6 071	7 020	8 529	9 639	10 398	12 160	14 121	17 417	18 840	19 732
Other	1 252	1 643	2 200	2 525	2 490	2 406	2 880	3 423	3 807	4 126	4 151
Medicare Levy	—	—	—	—	—	—	—	—	—	—	—
Special Tax on Labour and Services	—	—	—	—	—	—	—	—	—	—	500
Total Income Tax—Individuals	5 490	7 714	9 219	11 054	13 129	12 804	15 040	17 543	21 224	22 967	24 773
Companies	1 954	2 359	2 523	2 824	3 095	3 037	3 406	4 695	5 051	4 829	4 145
Withholding Taxes	79	88	95	96	118	114	141	161	205	259	296
Recoupment Tax	—	—	—	—	—	—	—	—	—	20	386
Total Income Tax	7 523	10 161	11 837	13 974	15 342	15 954	18 588	22 399	26 482	28 074	29 688
Excise Duty—	969	1 154	1 408	1 650	1 650	1 770	1 865	2 102	2 154	3 490	3 979
Oil and LPG	—	—	264	344	476	1 227	2 270	3 100	3 163	3 486	3 472
Other	1 555	1 729	2 068	2 141	2 258	2 618	2 695	2 725	2 830	3 326	4 374
Customs Duty—											
Imports	604	841	932	1 132	1 132	1 363	1 538	1 800	2 060	2 036	2 123
Coal Exports	—	—	112	121	100	94	91	85	97	66	58
Bank Accounts Debit Tax	—	—	—	—	—	—	—	—	—	30	206
Total	3 128	3 724	4 784	5 410	5 724	7 072	8 459	9 820	11 064	12 428	14 286
ACT Taxes and Charges—											
Payroll Tax	8	16	20	21	22	16	16	17	19	21	22
Stamp Duty	4	4	4	5	5	6	7	8	13	18	22
Other	13	18	21	23	24	29	30	35	40	52	53
Total ACT Taxes and Charges	25	37	45	49	52	50	53	61	72	91	99
Other Taxes, Fees and Fines—											
Departure Tax	—	—	—	—	—	12	18	19	36	42	41
Unfunded Retirement Benefits Contributions	27	35	40	52	61	67	73	86	90	101	101
Broadcasting and Television Licences etc.	71	25	7	14	25	23	31	33	47	59	74
Other	102	110	138	154	154	122	91	64	58	51	46
Total Other Taxes, Fees and Fines	203	169	185	217	236	220	208	189	227	242	276
Less Remissions	6	7	8	8	8	8	1	1	2	1	—
Total Taxation Revenue	10 873	14 085	16 843	19 642	21 346	23 288	27 305	32 467	37 794	40 825	44 181

(a) Includes some receipts from the Northern Territory prior to 1978-79.

Table 9—Commonwealth Government Budget Receipts 1973-74 to 1982-83 and 1983-84 (estimated) (\$m)—continued

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84 (estimate)
Interest, Rent and Dividends—											
Interest Received—											
From the States—											
States Works and Housing	604	663	695	832	948	1 018	1 089	1 258	1 421	1 590	1 720
Other	101	121	160	200	227	248	274	287	285	301	325
Other Interest Receipts—											
Defence Service Homes	36	38	66	68	69	74	77	83	93	115	131
Savoy Mountings	41	45	48	47	47	47	47	49	55	57	57
Australian Shipping Commission	3	3	13	17	20	19	18	16	17	15	11
Postal Commission	179	210	7	7	6	4	3	2	3	4	5
Telecommunications Commission	27	7	268	290	321	323	325	328	394	480	605
Qantas Airways Limited	7	7	10	14	14	15	8	5	3	3	3
Australian National Airlines Commission	3	4	5	5	6	6	4	1	1	1	1
Wool Corporation	—	8	34	24	9	1	—	—	—	—	—
Pipeline Authority	3	8	15	21	24	25	27	29	31	33	35
Other	37	40	58	66	74	87	85	91	126	162	170
Total	1 013	1 148	1 378	1 590	1 764	1 868	1 957	2 150	2 440	2 762	3 065
Rent, Dividends, etc.—											
Qantas Airways Ltd	—	6	3	—	—	6	—	—	—	—	—
Australian National Airlines Commission	2	—	1	3	2	2	6	2	2	—	—
Overseas Telecommunications Commission	3	5	5	12	12	12	20	25	20	12	33
Offshore Petroleum Royalties	11	12	13	14	23	28	43	55	52	68	83
Royal Australian Mint	14	20	19	21	22	24	—	35	53	52	140
Other	3	3	5	7	11	5	6	14	17	28	27
Total	32	46	46	57	70	78	75	130	145	160	282
Total Interest, Rent and Dividends	1 045	1 194	1 424	1 647	1 834	1 946	2 033	2 280	2 585	2 922	3 347
Net Receipts of Government Enterprises—											
Reserve Bank	—	—	—	80	216	262	226	198	345	663	650
Commonwealth Bank	7	5	5	12	15	28	36	42	39	34	47
Other	2	-10	-8	-7	-7	9	3	—	1	3	4
Total Net Receipts of Government Enterprises	9	-5	-3	85	225	300	265	240	385	700	701
Sale of Existing Assets	22	18	30	30	22	24	24	195	36	54	113
TOTAL RECEIPTS	11 950	15 291	18 294	21 404	23 427	25 558	29 627	35 182	40 790	44 509	48 342

Table 10—Receipts and Outlays of Commonwealth Non-Budget Sector 1973-74 to 1982-83 (\$m) (a)

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83 (c)
Outlays—										
Net Expenditure on Goods and Services—										
Current Expenditure	-21	-16	-7	-15	-26	-18	9	-7	-49	45
Capital Expenditure (b)	782	1 262	948	1 104	1 244	919	1 221	1 429	1 810	1 983
Total	761	1 246	941	1 089	1 218	900	1 230	1 432	1 761	1 948
Transfer Payments—										
Personal Benefit Payments	3	3	3	2	1	-4	-10		-4	3
Interest and Dividends, etc., Paid	255	330	464	569	647	648	683	774	935	1 123
Subsidies	1	4	3	-5	-6	-4	-7	-2	-2	15
Grants for Private Capital Purposes	-1	1	6	9	6	5	5	1	28	34
Income Tax Paid	12	15	16	10	14	18	16	26	19	37
Total	270	353	494	585	642	683	647	799	976	1 208
Net Advances—										
By Defence Service Homes (c)	-	-	8	12	16	-4	-4	-4	73	70
Other	27	-19	42	18	30	-34	52	28	16	84
Total	27	-19	50	30	-34	-7	38	24	49	154
TOTAL OUTLAYS	1 058	1 580	1 485	1 704	1 846	1 576	1 955	2 247	2 786	3 318
Receipts—										
Indirect Taxes	-	-2	-3	-3	-5	-4	-4	-7	-2	3
Interest, Rent and Dividends, etc.	3	2	7	81	105	82	125	163	177	171
Gross Income of Public Enterprises	540	547	862	1 026	1 099	1 367	1 303	1 464	1 737	1 843
Net Sales of Existing Assets	-10	-21	-12	-18	7	5	-6	87	-90	-23
TOTAL RECEIPTS	533	526	854	1 086	1 206	1 350	1 418	1 707	2 082	1 984
Deficit Financed By—										
Net Advances from Budget	454	1 087	661	303	101	66	107	179	344	611
Domestic Borrowings	26	22	19	346	106	222	359			
Overseas Borrowings	-	-	-	100	224	-27	83			
Decrease in Cash Balances	9	-72	-4	-200	174	-125	-288	341	440	715
Decrease in Security Holdings	5	-3	-5	-11	-7	-22	-20			
Other Funds Available	31	21	-60	81	50	112	296			
DEFICIT	525	1 054	631	618	640	226	537	540	784	1 326

(a) Derived from information published by the Australian Bureau of Statistics in Budget Paper No. 10, adjusted for some conceptual differences.
 (b) Consists of fixed capital expenditure on new assets plus increase in stocks less sales of previously rented houses.
 (c) See Footnote (c) to Table 7.
 (d) Preliminary.

Table 11—Receipts and Outlays of Total Commonwealth Government Sector 1973-74 to 1982-83 (\$m) (a)

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83 (c)
Outlays—										
Net Expenditure on Goods and Services—										
Current Expenditure	2 698	3 467	4 062	4 624	5 112	5 542	6 143	7 258	8 576	9 881
Capital Expenditure—										
Fixed Capital Expenditure (b)	1 003	1 355	1 584	1 670	1 753	1 426	1 576	1 801	2 062	2 249
Change in Stocks	41	312	-75	-50	-121	-209	-66	76	180	259
Total	3 742	5 134	5 571	6 244	6 744	6 759	7 633	9 135	10 818	12 389
Transfer Payments—										
Personal Benefit Payments	3 073	4 314	6 002	7 380	8 269	9 092	9 888	11 213	13 063	15 913
Unfunded Employee Retirement Benefits	65	88	106	121	139	162	181	207	252	292
Grants to or for the States and Local Government Authorities	3 435	5 178	7 091	7 661	8 738	9 349	10 302	11 514	12 642	14 726
Grants to the Northern Territory	-	-	-	-	53	280	361	469	529	635
Interest Paid	717	897	972	1 446	1 734	2 014	2 363	2 752	3 136	3 717
Transfers Overseas	289	349	370	388	417	477	520	575	648	735
Subsidies	278	232	259	222	366	441	548	758	863	926
Grants for Private Capital Purposes	69	122	179	110	130	123	170	138	227	278
Total	7 926	11 180	15 064	17 228	19 451	22 006	24 773	27 426	31 980	37 224
Net Advances—										
To States	749	1 225	1 372	1 278	1 261	1 129	817	853	782	969
To Northern Territory	-	-	-	-	-	-2	79	83	80	83
By Defence Service Homes (c)	37	78	56	12	16	-4	-14	-4	73	70
Other	86	259	123	97	36	34	20	42	4	81
Total	872	1 562	1 551	1 387	1 303	1 157	902	974	939	1 203
TOTAL OUTLAYS	12 540	17 876	22 186	24 959	27 896	29 922	32 928	37 735	43 147	50 816
Receipts—										
Taxation—										
Indirect Taxes	3 183	3 789	4 872	5 518	5 828	7 174	8 578	9 950	11 187	12 649
Direct Taxes	7 676	10 279	11 952	14 111	15 499	16 694	18 707	22 484	26 576	28 152
Total Taxation	10 859	14 068	16 824	19 629	21 327	23 268	27 285	32 432	37 763	40 801
Other Receipts—										
Interest, Rent and Dividends, etc. (d)	798	876	979	1 193	1 381	1 463	1 615	1 860	2 081	2 308
Gross Income of Public Enterprises	549	542	859	1 111	1 324	1 567	1 568	1 704	2 122	2 543
Net Sales of Existing Assets (e)	-18	-124	-8	-4	14	7	-2	266	101	-24
Total	1 329	1 294	1 830	2 300	2 719	3 037	3 181	3 830	4 304	4 827
TOTAL RECEIPTS	12 188	15 362	18 654	21 929	24 046	26 304	30 466	36 262	42 067	45 628
DEFICIT	352	2 514	3 532	3 030	3 852	3 618	2 462	1 473	1 080	5 188

(a) Derived from information published by the Australian Bureau of Statistics in Budget Paper No. 10, adjusted for some conceptual differences.
 (b) Consists of fixed capital expenditure on new assets less sales of previously rented houses.
 (c) See Footnote (c) to Table 7.
 (d) From 1 January 1982 the Commonwealth will collect petroleum royalties from offshore oil-fields and pay the States amounts corresponding to those they earlier collected and retained. Figures are net of such payments, and so comparable throughout.
 (e) Excludes sales of previously rented houses. See Footnote (b).
 (f) Preliminary.

APPENDIX: COVERAGE AND CLASSIFICATION OF INFORMATION IN THE BUDGET STATEMENTS

Budget information in the Statements accompanying the Budget Speech is classified in two ways:

- an economic type classification corresponding to that used in the National Accounts; and
- a functional classification.

This Appendix briefly describes the coverage of information and the basic principles and uses of the classifications.

COVERAGE

Most of the information in the Budget Statements relates to the Commonwealth budget sector.

The Commonwealth budget sector comprehends those transactions which are recorded in the Minister for Finance's statements prepared pursuant to section 50 of the *Audit Act 1901*. It includes all transactions passing through the Commonwealth Public Account, whether recorded in the Consolidated Revenue Fund, Trust Fund or Loan Fund.

Other transactions of Commonwealth authorities (i.e. largely those transactions which are not directly recorded in the Public Account), with the exception of transactions of Commonwealth-owned financial enterprises, constitute the Commonwealth non-budget sector.^(a) In addition, transactions of the Defence Service Homes Corporation and of the Royal Australian Mint, which pass through Trust Accounts within the Public Account, are analysed in the non-budget sector. In the first case this treatment was adopted to allow consistency in the analysis of transactions over the period covered; from June 1975 to December 1976 the Australian Housing Corporation, which operated outside the Public Account, administered the Defence Service Homes Scheme.

In the case of the Mint, the treatment has been adopted because of the increasing importance of business-type revenues from the Mint's activities and because of limitations on the availability of detailed monthly costings of the different types of Mint activities.

All the transactions of Commonwealth departments are recorded in the Public Account and are accordingly part of the budget sector. Furthermore, many Commonwealth authorities, such as the Australian Broadcasting Corporation, the CSIRO and the Industries Assistance Commission, operate largely or wholly through the Public Account; to the extent that they do, their transactions form part of the budget sector. Those of their transactions which do not pass through the Public Account (e.g. independent income and expenditure financed from that income) are recorded in the non-budget sector.

(a) Transactions of Commonwealth financial enterprises, which include the Reserve Bank, the Commonwealth Banking Corporation, the Australian Industry Development Corporation and the Export Finance Insurance Corporation, are analysed in the National Accounts as part of the Financial Enterprises Sector.



By far the larger part of the non-budget sector, however, consists of the transactions of authorities which operate wholly or largely outside the Public Account; these are mainly business enterprises such as the Australian Postal Commission, the Australian Telecommunications Commission, Qantas Airways Ltd and the Australian National Airlines Commission (TAA). Most of the transactions of such authorities are not reflected in the Budget Statements. There are, however, some transactions between the budget sector and the non-budget sector (e.g. advances from the budget to an authority, repayments of advances and payments of interest, dividends and, in some cases, company tax by the authority to the budget sector) reflected in the Budget Statements.

Information on the transactions recorded in the Commonwealth non-budget sector is presented separately and also consolidated with transactions of the Commonwealth budget sector in Budget Statement No. 6.

NATIONAL ACCOUNTING CONVENTIONS

Underlying the classifications of information in the Budget Statements are national accounting conventions used by the Australian Bureau of Statistics in producing data for the Commonwealth sector and for the economy as a whole. While there are some differences between the treatment of data in the Budget Statements and the treatment in Australian Bureau of Statistics publications (see below), the basic principles are generally the same and are those set out in the 1968 United Nations publication *A System of National Accounts*, which provides a widely accepted international standard. The use of national accounting conventions allows a consistent treatment of budget transactions, other public sector transactions, and the transactions of the private sector. Their use thus facilitates an assessment of the interrelationship between the budget and the rest of the economy.

A basic distinction is made in the Budget Statements between 'above the line' transactions—outlays and receipts, the difference between which is the deficit—and 'below the line' transactions—transactions undertaken to finance the deficit. Budget financing transactions are transactions in, or giving rise to, financial assets or liabilities and consist of borrowings and changes in holdings of financial assets such as cash and investments recorded in the Public Account, but excluding advances to other sectors. Such advances are more akin to direct expenditures and transfer payments in their impact and are accordingly classified above the line as outlays.

Budget outlays consist of expenditure on goods and services, transfer payments (such as personal benefit payments, grants and interest), and advances. Budget receipts consist of taxes together with interest, dividends, gross operating surpluses of budget sector business enterprises, and proceeds from sales of existing assets. These categories are used in the National Accounts presentation of information in the Budget Statements.

The adoption of national accounting conventions requires that the receipts and outlay figures in the Statements show the *net* transactions of the budget sector with the rest of the economy. Some important implications of this treatment are as follows:

- (a) The transactions of the three Funds forming the Commonwealth Public Account (the Consolidated Revenue Fund, Trust Fund and Loan Fund) are consolidated and *inter-fund transfers are eliminated*. For example, an appropriation of the Consolidated Revenue Fund paid to a Trust Account

through which ordinary government expenditure is channelled (e.g. the Transport and Construction Services and Transport and Storage Trust Accounts and various research funds) and the receipt of that transfer from Consolidated Revenue by the Trust Account are *netted and are not themselves shown as part of either aggregate receipts or outlays*; rather the expenditure of the Trust Account is shown in outlays. Thus only transactions between the budget sector and the rest of the economy are presented.

- (b) Budget outlays are intended to show the net extent to which resources are directed through the budget to other sectors of the economy. Therefore, recoveries and repayments (usually recorded as Consolidated Revenue Fund receipts) are normally offset against the relevant outlays to arrive at net figures. For example, air navigation charges paid by airlines are offset against outlays on the provision of civil aviation services. Similarly, repayments of principal on advances are offset against the corresponding advances.
- (c) Budget tax receipts are shown net of refunds. Thus income tax receipts, for example, are shown net of refunds of PAYE deductions. Similarly, remissions and reimbursements of import duties and sales tax are offset against their collection. Budget receipts include gross operating surpluses from activities in the budget sector which are carried out as business-type enterprises, i.e. operating revenues less operating expenses other than depreciation. Dividends, etc., from Commonwealth business enterprises outside the budget sector (which are usually paid into the Consolidated Revenue Fund) are also included in budget receipts.
- (d) Some Consolidated Revenue Fund transactions are classified as financing transactions. For example, some loan redemptions are met by appropriations of the Consolidated Revenue Fund.
- (e) Certain transactions which are netted in published totals of the receipts and payments of the Public Account are shown in gross form. The more important of these are interest on loans raised by the Commonwealth Government for State works programs and for the Australian National Airlines Commission and Qantas Airways Ltd. Interest paid on these loans is included under the outlay heading 'Public Debt Interest' while interest received on advances made to the relevant authorities is included as a receipts item. The debt to which these interest payments relate is also shown in gross form in the Statements.

A reconciliation between the appropriations of the Consolidated Revenue Fund and total outlays shown in Statement No. 3 is set out in Tables 1 and 2 of Budget Paper No. 5, *Estimates of Receipts and Summary of Estimated Expenditure*, and in Table 1 of a new post-Budget document, *Program Presentation of Appropriations and Outlays—Departmental Estimates*. The latter document also includes an explanation of this reconciliation in narrative form.

A more comprehensive account of the principles and methods used in the national accounting presentation of budget data is set out in the Appendix to the supplement to the *Treasury Information Bulletin* entitled *National Accounting Estimates of Receipts and Expenditure of Australian Government Authorities, September 1974*.

As mentioned earlier, the principles are essentially conceptually consistent with those used by the Australian Statistician in his publications but with the significant difference that outlays on primary industry assistance are shown in the Budget Statements net of the relevant primary industry levies and charges whereas the Statistician shows these outlays on a gross basis.

It should also be noted that in the Statistician's publications, separate data are not yet provided on transactions of the Commonwealth budget sector and transactions of the Commonwealth non-budget sector; the two sectors are aggregated to show the transactions of the Commonwealth sector as a whole.

CHANGES IN THE ECONOMIC TYPE CLASSIFICATION

Some changes have been made this year to the economic type classification to provide a more accurate reflection of the economic nature of the payments concerned. The more significant changes are outlined below:

- *Current Expenditure* other than for defence purposes has been affected by two changes—the reclassification of a number of social security payments from *Personal Benefit Payments* to *Current Expenditure* reflecting the administrative nature of these payments, and the reclassification of some payments to employers for training programs from *Current Expenditure* to *Subsidies*.
- Changes to the *Defence Projects (Other Governments and International Bodies) Trust Account* which are mentioned in the section 'Changes in the Functional Classification' later in this Appendix, have also had a minor effect on the economic type classification.

THE FUNCTIONAL CLASSIFICATION

The *functional classification* brings together outlays directed towards like objectives or purposes. It thus facilitates presentation of information on the functional nature of Government activities and on the total resources devoted by the Commonwealth to those objectives or purposes. The classification is based on that set out in *A System of National Accounts* referred to earlier, and is essentially the same as that used in Australian Bureau of Statistics publications. The contents of each function are described briefly in the final section of this Appendix. The major functions are, of course, relatively broad in scope, but Statement No. 3 also shows outlays under each functional heading further dissected into sub-functions and individual expenditure blocks which lend themselves to more detailed comment and analysis. Within each function a separate line shows any departmental administrative outlays which are classified to that function but which cannot, for practical reasons, be allocated to particular sub-functions.

One limitation on the extent to which data can be dissected into detailed purpose oriented sub-functions or programs arises from the need to monitor and report monthly on actual outlays and receipts on a basis consistent with the annual estimates, in order to provide the monthly *Statement of Commonwealth Financial Transactions*. To meet

this need it has been necessary in practice to work largely from existing central accounting records. These records are built around the Appropriation Acts, which are the legal authority for expenditure rather than being detailed costing documents. The figures in the functional classification, therefore, have been derived essentially by reclassifying appropriation data, supplemented by a limited amount of additional data on large appropriation items which cover more than one function or purpose.

Functional categories do not necessarily correspond with appropriation or departmental structures. For this reason, votes and revenue heads under the control of a particular department may be classified under more than one functional heading and it is not always possible to identify individual appropriation items for outlays identified in the Budget Statements.

Although the basic aim of a functional classification scheme is to reveal the allocation of Government outlays to the broad purposes for which they are undertaken, such a classification cannot always be applied without ambiguity. Particular outlays will often serve two or more distinct functions: military colleges, for example, may be said to serve both a defence and an education purpose. The application of a functional classification scheme therefore requires that an outlay be classified to a particular function; in this classification, that which it is considered primarily to serve. In the example quoted, the primary function is considered to be defence; this treatment is in line with United Nations recommendations.

Any single classification system cannot, of course, focus at one and the same time on every outlay characteristic that may be of interest to all users. Statement No. 3 brings together all budget outlays undertaken for similar purposes, whichever department is responsible for them. To provide information on Ministerial responsibilities in relation to each function, the document *Program Presentation of Appropriations and Outlays—Departmental Estimates* contains a summary table which shows the contribution of each department or portfolio to the Budget outlays together with a classification of that contribution in terms of the major functional classification used to describe outlays in Statement No. 3. Similar information for 1981-82 and 1982-83 was provided in the document *Functional Classification of Outlays—Departmental Estimates* which has been replaced by the document mentioned. This new document, which will be made available shortly after the Budget, also presents information on appropriations and outlays for each department or portfolio in program terms. To a considerable extent the program classification adopted for this purpose presents a more detailed disaggregation of departmental outlays along functional lines. Supplementary information on particular aspects of outlays is also provided in other documents. The document *Estimates of Receipts and Summary of Estimated Expenditure* has already been mentioned; it presents detailed information on receipts, special appropriations and Loan Fund expenditures and also provides details of estimates for some statutory authorities which are largely financed from the Budget. A separate Budget Paper is provided on *Payments to or for the States, the Northern Territory and Local Government Authorities*. Other Budget Papers issued with the Budget Speech deal with the *Civil Works Program* and *Australia's Overseas Development Assistance Program*.

CHANGES IN THE FUNCTIONAL CLASSIFICATION

From time to time it is necessary to amend the functional classification to reflect changes in the organisation, coverage and nature of government activities. Furthermore, additional information sometimes becomes available which leads to appropriation items being reclassified or allows items that had previously been classified to a single function to be split between functions.

Changes have been made this year with the reclassification to the *Housing* function of advances for welfare housing nominated by the States, from within the States' Loan Council Programs. Since 1982-83 the States have been allowed to nominate from the Loan Council Programs amounts for welfare housing (additional to those earmarked as special purpose payments for welfare housing under the same program which are already classified to the *Housing* function) subject to their first satisfying the matching requirements of the Commonwealth/State Housing Agreement. As these nominated amounts were unknown at the time of the 1982-83 Budget, they were classified as *Not Allocated to Function*. An estimate of amounts nominated by the States under the same arrangements is included in the 1983-84 estimates under the *Housing* function.

The blocks within the function *Industry Assistance and Development* have been restructured and certain items reclassified to allow for a more comprehensive presentation of information on assistance to exporters. Accordingly payments made by the Export Development Grants Board under the Export Expansion Grants Scheme and the Export Market Development Grants Scheme, previously classified to the sub-function 'Manufacturing Industry', have been reclassified to the newly created sub-function 'Assistance to Export Industries'. This reclassification has been done to reflect the fact that grants paid under these schemes accrue to exporters of goods and services in a wide range of industries and not only to exporters of manufactured goods. The new sub-function also includes outlays for Export and Trade Promotion, the activities of the Export Finance and Insurance Corporation and the few compensation payments still to be made under the previous Government's Iran-USSR Compensation Scheme, all of which were previously classified to the sub-function 'Other Assistance to Industry'. The administrative expenditure of the Department of Trade, previously classified to the function *Other Economic Services—General Administration and Other Expenditure*, and of the Export Development Grants Board, previously classified to the sub-function 'Manufacturing Industry—General Administration (net)', is also included in this new sub-function.

Some administrative expenditures of the former Department of Business and Consumer Affairs (which were gained by the Department of Industry and Commerce following changes to administrative arrangements on 7 May 1982) have been reclassified to *Administrative Services—Customs and Excise Administration*. These expenditures were previously classified to *Other Assistance to Industry—General Administration*. This reclassification has been done because these expenditures relate primarily to activities concerned with government administration and not industry assistance. There is however a resulting discontinuity between the 1981-82 expenditure and earlier years.

Responsibility for the Garden Island naval dockyard has been transferred from the Department of Defence to the Department of Defence Support reflecting further refinements to changed administrative arrangements of 7 May 1982. Accordingly the expenditure associated with this dockyard, previously classified to the sub-function

'Equipment and Stores' and 'Facilities' within the *Defence* function, has been reclassified to 'Defence Industrial Capacity' also within *Defence*. At the time of preparing the Budget Statements, however, data were not available to reclassify these expenditures in years prior to 1982-83.

As responsibility for the Defence Printing Establishment has been transferred from the Department of Defence to the Department of Administrative Services, the Defence Printing Establishment Trust Account has been reclassified from *Defence—Government Factory Operations to Administrative Services—Printing and Publishing*. Adjustments have also been made to the classification of the Defence Projects (Other Governments and International Bodies) Trust Account which were classified to the *Defence* function. The receipts and expenditures of this trust account relates to the use of Australian facilities by overseas governments and should therefore not be classified to the *Defence* function. Accordingly these transactions have been reclassified as financing transactions.

Expenditure from the ACT Community Development Fund (from 1980-81), previously classified to *Administrative Services—General Administration of the ACT*, has been reclassified to reflect the disbursement of funds to ACT welfare, cultural and community bodies. The welfare portion is now classified to *Social Security—Welfare Programs in the ACT* and the cultural and community support portion is now classified to *Culture and Recreation—Culture and Recreation in the ACT, nec*.

In addition to these changes in classification, minor amendments have been made to the structure of headings within the *Transport and Communication* function.

Historical data for the period 1973-74 to 1982-83 classified by function are presented in Statement No. 6. Because data classified by function are derived from the appropriation accounting system, adjustments to the historical series are constrained by the availability of data in that system. In particular, significant changes to departmental administrative arrangements have made it difficult to produce a strictly consistent series of outlays for the period covered in the Budget Statements. Wherever possible the more important discontinuities have been eliminated by sub-costing and regrouping appropriation data but it has not been practicable to eliminate all inconsistencies. Information on the significant discontinuities that remain in historical data is given in the section 'Notes on Tables' at the end of Statement No. 6.

DESCRIPTION OF FUNCTIONS

The following notes indicate briefly the nature and scope of the net outlays encompassed under each functional heading; they are not intended to provide a definitive listing of the contents of each category.

1. *Defence*

Outlays on military defence, including outlays to keep the armed services in a state of readiness. Includes outlays on central administration and on research in connection with activities carried out for defence purposes; outlays on military construction and equipment, inspection, transport and storage; outlays in support of defence industrial capacity; all outlays on recruiting, training, equipping and housing the armed forces, and on medical care and other services for them; outlays on military colleges; expenditure for the provision of quarters for families of military personnel; outlays on pensions and other payments for military personnel under the Defence Forces Retirement and Death Benefits Scheme; outlays on civil defence; outlays on foreign military aid and contributions to international military organisations and alliances.

2. Education

Outlays on the provision, management and support of all levels of educational services, including pre-schools, schools, trade and technical courses, courses in music and fine arts and university and other higher education. Includes outlays relating to the provision of scholarships and allowances to students at all levels; special educational programs designed specifically for the benefit of Aboriginal students, for migrants and other special groups; expenditure on non-vocational adult education courses, school bus services and general administration, regulation and research activities related to education.

3. Health

Outlays on facilities or services for the prevention and treatment of human illness. Includes outlays related to the prevention of diseases, such as immunisation and vaccination programs; regulation of standards of sanitation, etc.; outlays concerned with the provision of hospital and clinical services, including treatment and care of those suffering from psychiatric disorders, infectious diseases, etc.; and expenditure on nursing schools associated with hospitals.

Also includes the payment of hospital, nursing home, medical and pharmaceutical benefits which are designed to cover all or part of the costs of hospitalisation and medical treatment; health care of specific groups, such as Aboriginals, the aged, veterans and their dependants; community health centres, drug treatment centres, and domiciliary care services; general administration, regulation and research related to health matters. The function does not include general purpose grants to the States and the Northern Territory provided from 1981-82 in lieu of former specific assistance for hospital operating costs, community health and school dental services.

4. Social Security and Welfare

Provision of pensions and allowances and other benefits to persons who because of age, physical or mental disability, domestic circumstances or other reasons, are unable or not expected to earn a sufficient livelihood for themselves and their dependants. Includes the provision of benefits such as unemployment benefits, age and veterans' pensions, sickness benefits, other benefits to compensate for loss of income, and unemployment relief schemes. Provision of financial assistance towards the expenses associated with the bearing and raising of children, child care facilities in the States, marriage guidance, other social security benefits, child welfare services and institutions, homes for and care of the aged and disabled, and welfare programs to meet specific needs of disadvantaged groups.

5. Housing

Outlays on the provision of dwellings for sale or rent, mortgage finance for purchase or construction of dwellings, and other financial assistance aimed at facilitating the purchase or construction of dwellings or home ownership. Also includes general administration, regulation and promotion of standards, and research in the field of housing.

6. Urban and Regional Development nec and the Environment

Urban and Regional Development nec: Outlays on general promotion and assistance for urban and regional planning and development. Includes outlays on decentralisation assistance and the development of new cities, towns or settlements where it is not

possible to distinguish expenditure as being specifically for housing, roads, sewerage or other purposes, or it is not appropriate to classify the expenditure to other categories (e.g. in the case of outlays for urban development or renewal, including the purchase of land for such purposes); identifiable administrative costs associated with urban and regional planning and development activities, together with outlays for the provision of community amenities.

Environment: Outlays on water quality control, air pollution and monitoring and other outlays related to pollution prevention and protection of the environment including identifiable outlays on research, planning and investigation.

Sewerage and Sanitation: Outlays on the treatment and disposal of sewage, refuse collection and disposal.

7. Culture and Recreation

Outlays related to the support of performing and creative arts; libraries and galleries; support of organisations concerned with sporting and other leisure-time activities and provision of facilities serving purposes primarily related to these activities, such as swimming pools, community centres, athletic fields, etc.; contributions to youth and social organisations; outlays on the protection and preservation of historic sites and buildings, parks and wildlife reserves and other elements of the national estate; outlays on the provision, operation and regulation of radio and television broadcasting services.

8. Economic Services

This category covers regulation of and assistance provided to the private sector, direct government participation in economic activity, and provision of economic infrastructure.

A. Transport and Communication. Outlays concerned with postal services and domestic and overseas telecommunications; and outlays on construction, maintenance, promotion, administration and research relating to the various modes of land, sea and air transport, including pipelines for petroleum and gas transport. (Expenditure on the promotion of road safety practice is shown under the category 'Law, Order and Public Safety'.)

B. Water Supply, Electricity and Gas. Outlays on construction and other assistance, regulation and research in connection with the production, transmission and distribution of electricity; assistance to domestic users of gas; and outlays on the conservation, collection, purification and distribution of water primarily for domestic and industrial use.

C. Industry Assistance and Development. Direct assistance to primary, secondary and service enterprises in various forms including bounties, subsidies, export incentives, advances from the Budget and other transfers, including commodity price support arrangements; support of agricultural and other industrial research and development and of promotional activities—export promotion; outlays on the management and development of timber and fishery resources; provision of veterinary and other services to agriculture; land clearing, reclamation and settlement activities; outlays on programs of rural debt reconstruction and farm rehabilitation and adjustment; investigation, measurement, development and management of water resources for irrigation and pastoral purposes and rural flood mitigation; assistance for and encouragement of mineral

exploration; geological surveys; development of tourist facilities and tourist promotion; administration, promotion, regulation and research directly associated with specific primary, secondary or service industries.

D. Labour and Employment. Outlays related to the regulation of working conditions, the prevention and settlement of industrial disputes and the enforcement of industrial awards and agreements; various occupational training schemes for adults and young people, including assistance to enter or re-enter the work-force; provision of labour exchange facilities; special employment programs; outlays directly related to the assisted passage migration scheme; general administration, regulation and research in the field of industrial relations, employment and immigration affairs.

E. Other Economic Services. Outlays related to regulation of monopolies and restrictive trade practices, price control and justification, tariff regulation, other forms of business regulation; outlays on patents and trade marks administration; outlays on meteorological services and other technical services not allocable to specific kinds of industry; outlays on general administration in the area of economic and commercial affairs not allocable to other outlay categories within the *Economic Services* function.

9. General Public Services

This category covers outlays on a number of general public services and activities concerned with the organisation and operation of government.

A. Legislative Services. Outlays of the legislative and executive bodies of government, including Parliamentary committees and the operation of the Governor-General's establishments; outlays related to the conduct of elections and maintenance of registers of voters.

B. Law, Order and Public Safety. Outlays on law courts (other than those concerned with industrial relations) and bodies concerned with the administration of the legal system and preparation and execution of law court action; provision of legal aid; registration of legal titles to property; outlays in respect of prisons and other places of detention and correction, and probation services; police services, including traffic control; fire protection and other public safety promotion or services; general administration and research related to these activities.

C. Foreign Affairs, Overseas Aid and External Territories. Outlays of departments and agencies charged primarily with the handling of foreign relations; outlays on overseas economic aid and contributions to international bodies other than military alliances and organisations; administration and other expenditure relating to external territories.

D. General and Scientific Research nec. Contributions for the promotion of and outlays on basic and general research in the biological, physical and social sciences, which cannot readily be classified to other outlay categories or linked with the provision or promotion of a particular service or activity.

E. Administrative Services. Outlays on the collection of taxes, raising public loans, managing public debt, and controlling the disbursement and audit of public funds. Outlays on general services for the government as a whole, such as statistical services, the purchase and operation of government buildings and equipment (including the construction, repair and maintenance of general purpose buildings), rent, office cleaning,

personnel and other administration. General administrative expenses of departments which cover a variety of government activities and cannot be readily apportioned over relevant functions are also included under this heading.

10. Outlays Not Allocated to Function

A. Payments to or for the States, the Northern Territory and Local Government Authorities nec. General purpose grants and advances to States, the Northern Territory and local government authorities which may be spent at the recipient's discretion and are not therefore classifiable to specific functions. This category includes payments to assist the States and the Northern Territory to meet debt charges and general purpose funds provided from 1981-82 in lieu of previous separate specific purpose assistance for hospital operating costs, community health and school dental services.

Payments to States and direct assistance for the relief of victims of drought, flood, fire and other natural disasters, and for the restoration of community services and facilities; longer-term reconstruction activities of a specific nature are, to the extent possible, classified according to purpose.

B. Public Debt Interest. Interest payments made from the budget sector to other sectors, including interest payments on government securities, or other credit arrangements with other countries. Interest received from Government investments in Commonwealth Government securities is offset against gross interest payments.