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BUDGET STATEMENTS 1984-85

CIRCULATED BY THE
HONOURABLE P. J. KEATING, M.P.
TREASURER OF THE COMMONWEALTH OF AUSTRALIA, AND
THE HONOURABLE J. S. DAWKINS, M.P.
MINISTER FOR FINANCE
FOR THE INFORMATION OF HONOURABLE MEMBERS
ON THE OCCASION OF THE BUDGET 1984-85

1984-85 BUDGET PAPER No. 1

1984-85 BUDGET PAPERS

Budget Speech

- No. 1 Budget Statements 1984-85**
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) 1984-85**
Appropriates sums out of the Consolidated Revenue Fund for the ordinary annual services of Government.
- No. 3 Appropriation Bill (No. 2) 1984-85**
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 1984-85**
Appropriates sums out of Consolidated Revenue Fund for Parliamentary Departments.
- No. 5 Estimates of Receipts and Summary of Estimated Expenditure for the Year Ending 30 June 1985**
Contains, inter alia, information on estimated receipts and Departmental expenditure for the forthcoming year.
- No. 6 Civil Works Program 1984-85**
Provides details of the Commonwealth Government's civil works program for 1984-85.
- No. 7 Payments to or for the States, the Northern Territory, and Local Government Authorities 1984-85**
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 1984**
Provides data on the structure and movement of securities issued by the Commonwealth and the States.
- No. 9 Australia's Overseas Development Assistance Program 1984-85**
Sets out details of Australia's bilateral and multi-lateral aid programs.
- No. 10 National Income and Expenditure 1983-84**
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 1981-82 and 1982-83.

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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
—	nil
..	not zero, but rounded to zero
n.a.	not applicable (unless otherwise defined)
\$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 1984-85 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 1983-84, discusses aspects of the Government's economic policy approach and presents an assessment of the economic outlook for 1984-85.

STATEMENT No. 3: *ESTIMATES OF OUTLAYS 1984-85*—contains detailed estimates and explanations 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 1984-85 Budget outlays since the publication in March 1984 of the *Report on the Forward Estimates of Budget Outlays 1984-85, 1985-86 and 1986-87* and describes the effect of changes in inflation rates on outlay estimates.

STATEMENT No. 4: *ESTIMATES OF RECEIPTS 1984-85*—contains details of the revenue estimates, summarises new revenue measures and shows their estimated effects on receipts in 1984-85 and in a full year; appendices include details of taxation expenditures, pricing and levy arrangements for crude oil and LPG and taxation of lump sum superannuation and kindred benefits.

STATEMENT No. 5: *BUDGET OUTCOME 1983-84*—summarises the Budget outcome for 1983-84 and compares, for each major function block and each major receipt category, the difference between the actual outcome and the Budget estimates as well as the 1982-83 outcome. It also details how the 1983-84 Budget deficit was financed. An appendix presents a comparison of budget estimates and outcomes from 1974-75 to 1983-84.

STATEMENT No. 6: *BUDGET AND OTHER PUBLIC SECTOR TRANSACTIONS SINCE 1974-75*—provides an historical series of budget data by functional and national accounting classification. It also provides information on other parts of the public sector, their relationship with the Commonwealth budget sector on the overall public sector borrowing requirement and on budget financing transactions. An appendix brings together data on Commonwealth sector capital expenditure and budget payments for capital purposes.

APPENDIX: discusses the functional and national accounts classifications of budget transactions and explains the structure of the functional classification in detail. It also details changes in the economic type and functional classifications made for the 1984-85 Budget.

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 1984-85 BUDGET

BUDGET AGGREGATES

The key budget aggregates for 1984-85 are summarised in the following table, together with comparable data for 1983-84:

	1983-84			1984-85		
	Actual	Change on 1982-83		Estimate	Change on 1983-84	
	\$m	\$m	%	\$m	\$m	%
Outlays	56 570	7 635	15.6	63 948	7 378	13.0
Receipts	48 610	4 148	9.3	57 203	8 594	17.7
Deficit	7 961	3 487		6 745	-1 216	
Overseas Deficit	2 490	507		2 868	378	
Domestic Deficit	5 471	2 981		3 877	-1 594	

NOTE: The receipts and outlays estimates in the 1984-85 Budget incorporate a change in the accounting treatment of sales of existing assets. Previously these amounts were recorded as receipts; they are now treated—in accordance with international accounting conventions—as outlays (offsetting). Accordingly, both the receipts and outlays estimates for all previous years will be reduced by the sales of assets in each year (details are provided in Statements No. 3 and No. 4 and the Appendix to Budget Paper No. 1).

The projected increase in total budget outlays for 1984-85 is 13.0% in nominal terms compared with 15.6% in 1983-84. On the same basis, the increases in real terms based on forecasts and estimates of the non-farm gross domestic product (GDP) price deflator are 6.1% in 1984-85 and 7.7% in 1983-84. Budget outlays as a proportion of GDP, having increased from 29.9% in 1982-83 to 30.5% in 1983-84, are projected to increase further to 31.1% in 1984-85.

Total budget receipts are estimated to increase by 17.7% in 1984-85 compared with increases of 9.3% in 1983-84 and 9.1% in 1982-83. The substantial growth expected in 1984-85 receipts, notwithstanding the reduction in personal income tax rates, largely reflects: the very strong growth in business incomes in 1983-84 (including, in particular, primary producer incomes) from the depressed levels of 1982-83; strong forecast growth in employment during 1984-85; and continued nominal wage growth. That conjuncture of largely cyclical influences is supplemented in 1984-85 by the first full-year effects of the operation of the Medicare levy and the Prescribed Payments System as well as other measures announced in, and subsequent to, the Economic Statement of May 1983.

The budget deficit for 1984-85 is estimated at \$6745m, a decrease of \$1216m on the deficit recorded for 1983-84.

OUTLAYS

The following table shows outlays in 1983-84 and 1984-85 classified by broad economic type of expenditure:

BUDGET OUTLAYS BY ECONOMIC TYPE

	1983-84			1984-85		
	Actual	Change on 1982-83		Estimate	Change on 1983-84	
	\$m	\$m	%	\$m	\$m	%
Net Expenditure on Goods and Services—						
Defence (a)	4 989	+ 557	+12.6	5 384	+ 394	+ 7.9
Other Current Expenditure	6 345	+ 986	+18.4	7 403	+1 058	+16.7
Capital Expenditure (b)	580	- 18	- 3.1	840	+ 261	+45.0
Total	11 914	+1 525	+14.7	13 627	+1 713	+14.4
Transfer Payments, Grants and Net Advances—						
To the States, the NT and Local Government Authorities	18 754	+2 335	+14.2	20 414	+1 660	+ 8.9
Personal Benefit Payments (c)	19 033	+2 799	+17.2	21 669	+2 637	+13.9
Interest Paid	4 334	+ 956	+28.3	5 601	+1 267	+29.2
Transfers Overseas	790	+ 55	+ 7.5	863	+ 73	+ 9.2
Net Advances (other than to the States and NT) (d)	439	- 169	-27.8	445	+ 6	+ 1.3
Other (e)	1 306	+ 133	+11.4	1 330	+ 23	+ 1.8
Total	44 656	+6 110	+15.9	50 321	+5 665	+12.7
TOTAL OUTLAYS	56 570	+7 635	+15.6	63 948	+7 378	+13.0

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

Classification of outlays by economic type allows an analysis to be conducted according to the nature of the expenditure, as opposed to its purpose which forms the basis of the detailed functional dissection of outlays in Statement No. 3 of this Paper (and summarised in the table below).

Growth in 1984-85 outlays can be largely accounted for by four broad economic types. 'Personal Benefit Payments' represent 35.7% of the increase in outlays (an increase of 6.9% in real terms for this category). 'Payments to the States, the Northern Territory and Local Government Authorities' account for 22.5% of the increase (2.2% real growth), 'Interest Paid' 17.2% of the increase (21.3% real growth) and 'Other Current Expenditure' 14.3% of the increase (9.6% real growth). The main reasons for increases in these broad economic types are set out below.

- **Personal Benefit Payments.** \$885.8m of the increase in these payments relates to Medical Benefits, of which around \$721m has been assessed as arising from the introduction of Medicare in February 1984. Pensions and associated payments are expected to rise by around \$1024m to \$10 443m in 1984-85 following the Government's decision to increase most pensions in November 1984 and as a result of an estimated overall 1.9% increase in pensioner numbers and the indexation increases in pensions projected for May 1985. Supporting Parents' Benefits are expected to increase by around \$193m to \$1083m, primarily because of

Government decisions to increase the basic benefit rate and a 9.4% increase in the number of beneficiaries. Despite the expected fall in the number of unemployment beneficiaries, the discretionary increases in benefit rates result in unemployment, sickness and special benefits being estimated to increase in 1984-85 by around a total of \$105m or 3.2%.

- **Payments to the States, the Northern Territory and Local Government Authorities.** Tax-sharing grants are estimated to increase by \$516m (or 6.0%) to \$9054m in 1984-85, based on application of the real-terms guarantee for all States except Queensland. The rapid growth in 'Hospital Payments' under this heading (an increase of \$453.7m or 112.8%) reflects the full-year effects of the introduction of Medicare. 'Identified Health Grants' are expected to rise by \$206.7m or 17.3%, largely reflecting the effects of the South Australian and Tasmanian governments' agreement, under the Medicare arrangements, to receive such payments in lieu of hospital cost-sharing funding.
- **Interest Paid.** The substantial growth in Public Debt Interest reflects the full-year impact of interest payable on the large bond sales in 1983-84 (associated with the increased budget deficit in that year and debt issued in response to significant capital inflow prior to the float of the Australian dollar) and the within-year impact of estimated further large bond and Treasury note sales in 1984-85.
- **Other Current Expenditure,** which is estimated to increase by \$1058.0m, includes non-defence wages and salaries, administrative expenditures (including expenditure on the hire of consultants, and computer services, rent, superannuation payments and certain program-related expenditures).

Factors contributing to the high growth rate of 'Capital Expenditure' include accelerated expenditure by the Parliament House Construction Authority (up \$48.7m or 80.8%) and capital works on airports (up \$35.0m or 50.9%).

Estimates of outlays in 1984-85, 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 1984-85:

BUDGET OUTLAYS BY FUNCTION

	1983-84		1984-85			Proportion of Total Outlays
	Actual	Change on 1982-83	Estimate	Change on 1983-84		
	\$m	%	\$m	\$m	%	%
1. Defence	5 383	+12.6	5 820	+ 437	+ 8.1	9.1
2. Education	4 085	+ 9.9	4 544	+ 458	+11.2	7.1
3. Health	4 411	+28.8	6 184	+1 772	+40.2	9.7
4. Social Security and Welfare	16 438	+16.5	18 047	+1 609	+ 9.8	28.2
5. Housing	1 034	+39.8	1 252	+ 218	+21.1	2.0
6. Urban and Regional Development nec and the Environment	108	+10.1	92	- 16	-14.7	0.1
7. Culture and Recreation	612	+17.3	735	+ 123	+20.1	1.1
8. Economic Services—						
A. Transport and Communications	1 731	- 2.0	1 859	+ 128	+ 7.4	2.9
B. Water Supply, Electricity and Gas	97	- 6.0	93	- 4	- 3.9	0.1
C. Industry Assistance and Development	1 015	- 8.5	1 053	+ 38	+ 3.8	1.6
D. Labour and Employment	1 145	+67.2	1 222	+ 77	+ 6.7	1.9
E. Other Economic Services	108	+ 9.2	123	+ 16	+14.5	0.2
<i>Total Economic Services</i>	<i>4 093</i>	<i>+ 8.9</i>	<i>4 350</i>	<i>+ 255</i>	<i>+ 6.2</i>	<i>6.8</i>
9. General Public Services—						
A. Legislative Services	200	+ 0.9	307	+ 107	+53.3	0.5
B. Law, Order and Public Safety	376	+17.4	432	+ 56	+15.0	0.7
C. Foreign Affairs and Overseas Aid	1 160	+11.1	1 262	+ 101	+ 8.7	2.0
D. General and Scientific Research nec	453	+ 3.8	455	+ 1	+ 0.3	0.7
E. Administrative Services	1 631	+15.7	1 979	+ 348	+21.4	3.1
<i>Total General Public Services</i>	<i>3 820</i>	<i>+12.1</i>	<i>4 434</i>	<i>+ 614</i>	<i>+16.1</i>	<i>6.9</i>
10. Not Allocated to Function—						
A. Payments to or for the States, NT and Local Government Authorities nec	12 253	+11.5	12 829	+ 576	+ 4.7	20.1
B. Public Debt Interest	4 330	+28.2	5 601	+1 271	+29.4	8.8
C. Allowance for Prospective Wage and Salary Increases (non-Defence)	(a)	n.a.	60	+ 60	n.a.	0.1
<i>Total Not Allocated to Function</i>	<i>16 583</i>	<i>+15.4</i>	<i>18 490</i>	<i>+1 907</i>	<i>+11.5</i>	<i>28.9</i>
TOTAL OUTLAYS	56 570	+15.6	63 948	+7 378	+13.0	100.0

(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 full-year impact of Medicare and, in the *Social Security and Welfare* function, of higher benefit rates and beneficiary numbers. The growth in 'Public Debt Interest' reflects both the increased volume of debt issued in 1983-84 and the increased interest cost associated with refinancing maturing debt. A table showing a cross classification of estimated budget outlays in 1984-85 by function and economic type is presented below:

OUTLAYS BY FUNCTION AND ECONOMIC TYPE

Estimate 1984-85 (Heavy Type) compared with Actual 1983-84 (Light Type).

	Expenditure on Goods and Services		Personal Benefit Payments	Grants and Net Advances to or for States, NT and Local Government Authorities	Net Advances to Other Sectors	Interest Paid, Transfers Overseas and Other	Total
	Current	Capital					
1. Defence	\$m 5 384	\$m —	\$m 358	\$m 7	\$m —	\$m 80	\$m 5 820
2. Education	348	28	448	3 717	—	64	4 544
3. Health	1 282	43	4 839	3 366	—	15	6 184
4. Social Security and Welfare	1 056	46	2 860	435	10Cr	13	4 411
5. Housing	918	54	16 751	179	67	77	18 047
6. Urban and Regional Development nec and the Environment	758	46	15 391	116	60	68	16 438
7. Culture and Recreation	10	24	—	822	116	280	1 252
8. Economic Services	3	11	—	689	84	246	1 034
9. General Public Services	69	48	—	36	4Cr	58Cr	92
10. Not allocated to Function	56	26	—	63	3Cr	33Cr	108
TOTAL OUTLAYS	611	90	—	31	—	2	735
	541	54	—	16	—	1	612
	985	297	73	1 897	187	1 002	4 350
	876	136	64	1 808	208	1 003	4 095
	3 199	346	9	2	88	790	4 434
	2 746	238	9	1	91	736	3 820
	60	—	—	12 829	—	5 601	18 490
	—	—	—	12 253	—	4 330	16 583
TOTAL OUTLAYS	12 786	840	23 669	20 414	445	7 793	63 948
	11 334	580	19 033	18 754	439	6 431	56 570

RECEIPTS

Total receipts in 1984-85 are estimated at \$57 203m, an increase of 17.7% over collections in 1983-84. Measures announced since the 1983-84 Budget and in this Budget are estimated to reduce receipts by about \$1106m in 1984-85. In the absence of these measures, the receipts estimate would be about \$58 309m, 20% higher than in 1983-84. The receipts measures and the estimates are described in detail in Statement No. 4.

The table below provides a summary of estimated receipts in 1984-85 compared with collections in 1983-84:

BUDGET RECEIPTS—SUMMARY

	1983-84		1984-85		Proportion of Total Receipts	
	Actual	Change on 1982-83	Estimate	Change on 1983-84		
	\$m	%	\$m	\$m	%	%
Taxation Revenue—						
Income Tax—						
Individuals (net)	24 710	7.6	30 388	5 678.	23.0	53.1
Companies	4 383	-8.1	5 380	997	22.7	9.4
Withholding Tax	305	17.8	371	66	21.6	0.6
Special Tax to Recover Evaded Company and Division 7 Tax	252	215.0	200	-52	-20.6	0.3
Sales Tax	4 165	19.3	4 704	539	12.9	8.2
Excise Duty—						
Crude Oil and LPG	3 651	4.7	3 695	44	1.2	6.5
All Other	4 083	23.0	4 352	269	6.6	7.6
Customs Duty	2 395	13.9	2 780	385	16.1	4.9
Bank Account Debts Tax	183	510.0	190	7	3.8	0.3
Other General Taxation	371	12.1	401	30	8.1	0.7
Total Taxation Revenue	44 497	9.0	52 460	7 963	17.9	91.7
Other Receipts	4 112	13.3	4 743	631	15.3	8.3
TOTAL RECEIPTS	48 610	9.3	57 203	8 594	17.7	100.0

Measures announced in this Budget are estimated to cost (net) about \$1293m in 1984-85. That cost, however, is partly offset by other measures announced since the 1983-84 Budget and prior to this Budget that are expected to yield additional revenue of about \$187m in 1984-85.

Despite the substantial cost to revenue of the revisions to personal income tax scales announced in this Budget, the main receipts growth area in 1984-85 is still expected to be income taxes collected from individuals; these are estimated to increase in 1984-85 by \$5678m or 23.0%. As noted above, this partly reflects the full-year effects of the Medicare levy and the Prescribed Payments System but the other components—namely, collections from PAYE and non-PAYE or other individuals—are also expected to contribute significantly to the growth in this item; combined, these latter two sub-items contribute about three quarters of the total growth in collections from individuals.

Reflecting the strong rebound in corporate profitability in 1983-84 and the continued economic recovery expected during 1984-85, collections from company tax, sales tax and customs duties are also expected to contribute heavily to overall receipts growth in 1984-85. Subdued growth in collections is expected from the more narrowly based traditional excises and from crude oil and LPG levies.

STATEMENT No. 2—THE BUDGET AND THE ECONOMY

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STATEMENT No. 2—THE BUDGET AND THE ECONOMY

Overview

Following almost two years of decline, the Australian economy rebounded strongly in 1983-84. Important influences were the sizable fiscal stimulus, the breaking of the drought, developments in the stock cycle and generally favourable conditions abroad. As the year progressed, the pick-up broadened, employment grew rapidly and unemployment declined.

Adherence to the new wage fixing framework allowed the emergence from the wage pause to be traversed successfully and inflation fell back to a rate more in line with that of Australia's major trading partners.

Moderate rises in wage costs and expanding output produced a sharp improvement in real unit labour costs and in the share of profits in GNP. Substantial progress was therefore made last year in remedying one of the distortions that has severely hampered the efficient functioning of the Australian economy for more than a decade. The strong growth in employment and the recent apparent improvement in the outlook for business investment are undoubtedly related to this development.

Fiscal and monetary policy outcomes for 1983-84 were much as intended last budget time, a notable break with the performance of the preceding years. Important changes to arrangements in financial markets were made during 1983-84. The exchange rate was floated and almost all exchange controls were removed. More progress towards deregulation of financial markets is in prospect this year.

If favourable developments in domestic wage and price settings and continued growth in the world economy eventuate, the coming year should see a further decline in inflation coupled with strong growth in domestic final demand, including private capital investment, and further strong growth in employment.

Beyond that, sustained growth in the Australian economy will depend heavily on a continuing recovery in private business investment, which in turn requires a reduction in the public sector borrowing requirement to take pressure off financial markets and reduce real interest rates. It will also require continued moderation in labour costs, including on-costs.

Such a recovery process in Australia would be taking place in a world where growth is expected to moderate, financial markets are precariously placed and competitive pressures are becoming increasingly fierce. Australia's domestic economic policies in the years ahead will have to take account of this uncertain and demanding world environment. In that context the evident widening in the current account deficit of the balance of payments—from an already high base—must be taken into consideration.

The 1984-85 Budget has been framed in that context of potentially strong growth although with many uncertainties. The Government has sought a balance between the requirement for more restrained fiscal stimulus and the need to cement the continuing operation of the Prices and Incomes Accord.

Those and other issues are canvassed in the four parts of this Statement. Part I reviews domestic developments in 1983-84, Part II considers the world economy, Part III deals with the Government's policy approach and Part IV assesses the prospects for 1984-85.

PART I: REVIEW OF DOMESTIC ECONOMIC DEVELOPMENTS IN 1983-84

Output and Demand

The latest national accounts estimates indicate that the recession which commenced early in 1982 reached its trough in the June quarter 1983. Since then economic activity has expanded strongly with rapid growth evident in both the farm and non-farm sectors. This is indicated most clearly by growth through the course of 1983-84, which is presently estimated at about 10 per cent for total GDP and about 8 per cent for non-farm product.

These comparisons are drawn on the traditional income-based measure of product and, as shown by Table 1, this outstripped measured expenditure growth for 1983-84 as a whole by around one percentage point and by considerably more when measured through the course of the year. Timing and measurement problems often affect the GDP estimates—particularly the preliminary estimates—during periods of rapid changes in incomes, production and prices, making it difficult to reconcile the income and expenditure estimates. The difference between the two measures on this occasion is, however, unusually large and due allowance should be made for that in interpreting the data.

Other available indicators of production, such as the manufacturing gross product index, and the strong growth in employment are consistent with a large turnaround in output in 1983-84—at least of the order shown by the expenditure-based estimates.

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

Year—	Gross Non-farm Product		Gross Domestic Product		
	Income-based estimate (a)	Expenditure-based estimate (b)	Gross farm product	Expenditure-based estimate (b)	
	Change on previous period (per cent)				
1974-75	1.0	2.2	11.8	1.6	2.8
1975-76	2.1	3.5	8.0	2.5	3.8
1976-77	2.8	3.1	2.6	2.8	3.1
1977-78	1.0	0.6	-2.0	0.8	0.5
1978-79	4.1	4.8	19.4	5.1	5.7
1979-80	2.6	2.8	-11.3	1.6	1.7
1980-81	4.7	3.8	-11.2	3.6	2.8
1981-82	1.8	2.0	15.7	2.5	2.7
1982-83	0.1	..	-20.0	-1.2	-1.3
1983-84	4.1	2.9	36.7	5.7	4.7
Half year(c)—					
1982-83 I	0.7	1.8	-36.9	-2.0	-1.0
II	-1.8	-1.8	-9.7	-2.2	-2.2
1983-84 I	5.2	4.3	105.2	9.4	8.5
II	7.7	4.1	-2.8	7.0	3.6

(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.

Table 2. Contributions to Changes in Demand and Supply (average 1979-80 prices)

Year—	Demand										Supply		
	Final domestic demand										Imports	Total supply	
	Private consumption dwellings	Private investment in non-dwelling	Private final demand (a)	Public final demand (a)	Change in stocks	Exports	Statistical discrepancy	Total demand	GDP				
Private consumption dwellings	Private investment in non-dwelling	Private final demand (a)	Public final demand (a)	Change in stocks	Exports	Statistical discrepancy	Total demand	GDP	Imports	Total supply			
1980-81	1.7	0.4	1.8	4.0	0.9	-0.4	-0.9	0.7	4.4	3.1	1.4	4.4	
1981-82	2.0	-0.1	0.8	2.6	0.6	0.6	0.2	-0.2	3.9	2.1	1.8	3.9	
1982-83	0.7	-0.9	-1.4	-1.6	0.9	-1.5	-0.6	0.1	-2.6	-1.0	-1.7	-2.6	
1983-84	1.3	0.2	-1.0	0.5	1.0	0.9	1.4	0.9	5.7	4.8	0.9	5.7	
Half year (c)—													
1982-83 I	0.3	-0.6	-0.8	-1.1	0.6	-0.7	-0.6	0.1	-0.4	-2.1	-0.8	-1.3	-2.1
1982-83 II	0.1	-0.4	-1.0	-1.4	0.8	-1.4	-1.0	0.3	-1.0	-2.6	-0.9	-1.7	-2.6
1983-84 I	0.1	0.3	-0.5	0.2	0.7	2.0	0.3	0.4	4.8	3.9	0.9	4.8	
1983-84 II	0.5	0.3	0.2	0.9	0.6	1.7	-1.4	1.4	4.0	2.9	1.1	4.0	

(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 leaseback and similar 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 estimate of public investment expenditure.

(b) Calculated according to the formula $x_t = (x_{t-1} - x_{t-2}) \times 100 / D_{t-1}$, where x_t is the estimate appearing in the table for period t , x_{t-1} is the constant price value of the aggregate concerned in period $t-1$ and D_{t-1} is total demand or supply in period $t-1$.

(c) Seasonally adjusted.

In advance of further revisions to the accounts which might lessen the large disparity between the income-based and expenditure-based estimates of product for 1983-84, it would be well to bear in mind the possibility that the income measure is overstated and the expenditure measure understated. That said, the expenditure estimates for individual items still provide a useful indication of some of the forces underlying the recovery. These estimates and related indicators are discussed in the following section.¹

As shown in Table 2, the increase in aggregate demand in 1983-84 as a whole was rather narrowly based, the more substantial contributions coming from stocks, exports and public sector spending.² The recovery broadened in the second half of 1983-84 as private business fixed investment increased and the course of private non-farm stock building turned from decumulation to accumulation with a consequent substantial contribution to demand. The increase in aggregate demand in 1983-84 was met largely from domestic production, although imports made an increasing contribution to the growth in total supply as the year progressed.

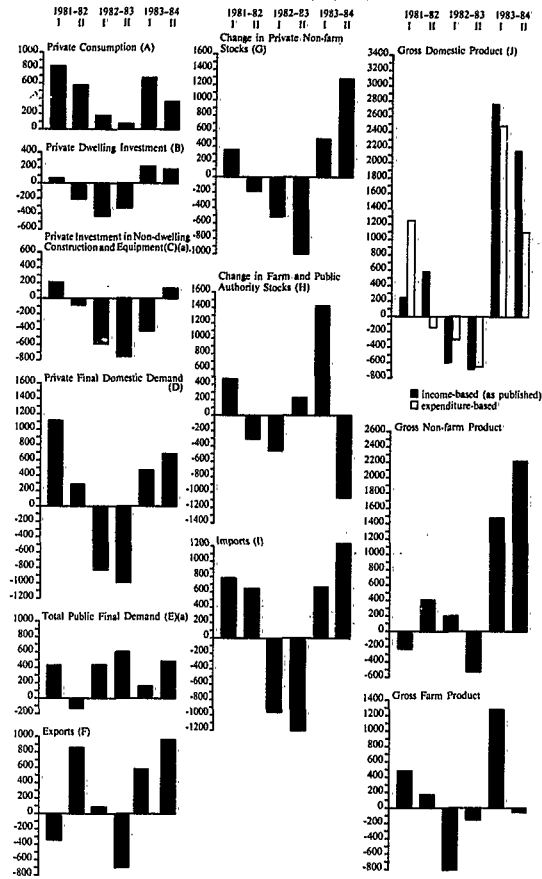
Private consumption expenditure (Chart 1 panel A) increased by 2.5 per cent in 1983-84, rather more slowly than the 4 per cent growth in real household disposable income; the saving ratio therefore increased sharply, from 12.4 per cent in 1982-83 to 13.6 per cent in 1983-84. After adjustment for Medicare³, personal consumption expenditure grew by 2.7 per cent in 1983-84.

The sharp increase in the statistical measure of household savings is no doubt partly related to the sharp increase in the statistical discrepancy which has its counterpart in 'savings' in the various income and outlay accounts. There are, however, plausible explanations for a large jump in household savings in 1983-84, deriving from the nature and size of personal income growth. There is typically a lag, perhaps averaging of the order of a year, in the response of consumption to sharp movements in income growth, and consumer spending propensities are probably relatively low in respect of some of the incomes which recorded rapid growth in 1983-84.

Wage and salary incomes rose only moderately in 1983-84, though there was an acceleration over the course of the year. By contrast, income of farm unincorporated enterprises rose by 163 per cent, contributing some 2 percentage points to the growth of 11.3 per cent in total household income. Non-farm unincorporated enterprise income, dividend income and interest receipts grew strongly. Cash benefit payments rose rapidly while the increase in direct tax payments was only moderate. Table 3 provides details of real household income and consumption. Table 4 shows the components of household incomes.

1. Unless otherwise noted, values of goods and services are expressed in constant prices with growth rates for half years based on seasonally adjusted data and expressed at annual rates.
2. The large contribution of the statistical discrepancy confuses matters as it is likely that some of this contribution relates to unrecorded expenditure; the most likely candidates are private consumption and government expenditure.
3. The introduction of the Medicare scheme from 1 February 1984 had the effect of transferring certain expenditures on health care, formerly included as private final consumption expenditure, to public final consumption expenditure. This detracted about 0.2 percentage points from private consumption growth in 1983-84.

Chart 1: Growth in Components of Expenditure on Gross Domestic Product
(\$m, constant 1979-80 prices, seasonally adjusted)



Identities: $D = A + B + C$; $J = D + E + F + G + H - I$

(a) Adjusted to remove the effects of the sale of public sector assets to the private sector under sale/leaseback arrangements.

Table 3: Real Household Income, Savings and Consumption (average 1979-80 prices)

Year—	Real household income (a)	Real household disposable income (a)	Saving ratio (b)	Real private final consumption expenditure
	Change on previous period (per cent)	Level (per cent)	Level (per cent)	Change on previous period (per cent)
1974-75	5.8	4.1	17.3	3.1
1975-76	0.9	0.5	15.2	3.1
1976-77	2.4	1.5	14.3	2.5
1977-78	0.8	0.8	14.0	1.3
1978-79	2.2	3.4	14.1	3.3
1979-80	1.3	0.6	12.6	2.4
1980-81	4.4	3.9	13.0	3.4
1981-82	5.4	4.1	13.2	3.9
1982-83	0.1	0.4	12.4	1.4
1983-84	3.1	4.0	13.6	2.5
Half year (c)—				
1982-83 I	-0.7	..	12.5	1.0
II	-2.5	1.7	13.0	0.5
1983-84 I	5.5	5.3	13.8	3.6
II	5.1	3.8	14.6	1.9

(a) Deflated by the implicit price deflator for private final consumption expenditure.

(b) Ratio of household saving to household disposable income.

(c) Seasonally adjusted, annual rates.

Table 4: 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, interest and dividends	Personal benefit payments to residents (a)	Household income	Income tax paid	Household disposable income
	Change on previous period (per cent)						
1980-81	16.0	-14.5	15.8	12.9	14.2	16.6	13.7
1981-82	15.7	-8.1	18.1	16.3	15.4	21.0	14.0
1982-83	10.7	-51.9	16.4	22.0	11.3	8.2	11.8
1983-84	6.2	163.0	14.7	17.4	11.3	7.6	12.2
Half year (b)—							
1982-83 I	13.1	-72.5	16.6	22.9	11.9	6.7	12.7
II	-0.7	-16.9	18.4	31.3	6.4	-15.2	11.0
1983-84 I	6.2	754.6	17.6	12.4	14.0	17.0	13.8
II	13.3	-6.3	9.7	17.0	12.2	21.7	10.7

(a) Includes unemployment and sickness benefits, family allowances, widows', age, invalid and repatriation pensions and other transfers to persons from general government.

(b) Seasonally adjusted, annual rates.

Private dwelling investment (Chart 1 panel B), after declining throughout 1982 and into the first half of 1983, increased exceptionally strongly throughout 1983-84 to be some 23 per cent higher in the second half of the financial year than a year earlier. The main impetus to the upturn in the dwelling industry appears to have come from ready availability of finance from the traditional lending institutions (up 50 per cent), declining mortgage interest rates, the new First Home Owners' Scheme and some upturn in underlying demand, occasioned by demographic and other factors. Compared with the previous upswing (1979-1981), a large proportion of housing finance has found its way into the purchase of new dwellings rather than existing dwellings.

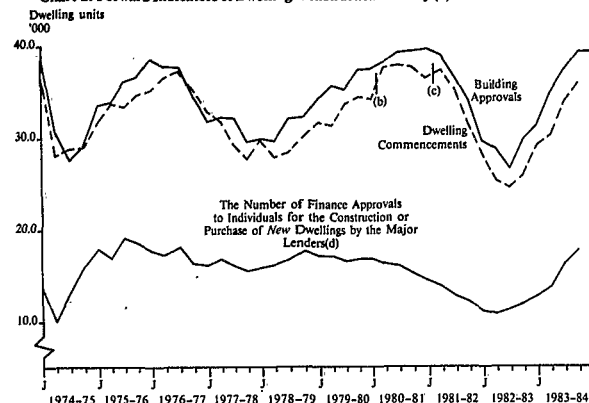
To date there has been little evidence of large scale speculative investment in multi-unit dwellings, a feature of the last housing upswing. Private dwelling commencements in 1983-84 appear to have been of the order of 120 000, up 30 per cent on a year earlier; commencements for private houses increased by about 38 per cent while commencements of private multi-unit dwellings were little changed. The current upswing in housing activity, being based largely on demand for single unit dwellings and financed in the main by traditional lenders, looks more securely grounded than past booms—though the very strength of the upswing could lead to difficulties (house prices and the cost of housing materials have already started to rise sharply in some areas).

Even without further growth in finance and building approvals, a considerable increase in private dwelling investment in 1984-85 is in the pipeline. Total commencements in the second half of 1983-84 appear to have been running at an annual rate of about 145 000, much the same as the peak rate achieved in the 1979-1981 boom; but work done on dwellings in the June quarter 1984 appears to have been some 20 per cent below the peak quarterly rate achieved at the end of 1981. The rate of commencements in the first half of 1984 appears to have been well above both the target set by the Government a year ago and current estimates of trend demand for new dwellings prepared by the Indicative Planning Council for the Housing Industry. There must be a risk that, as in past housing cycles, very high activity in the dwelling industry could bring with it a destabilising speculative element. The strength of the current upswing in housing construction activity can be gauged from Chart 2 which shows developments in a number of indicators of dwelling construction activity.

*Private business gross fixed capital expenditure*⁴ (Chart 1 panel C) declined throughout 1982 and 1983 with the demise of the resource investment boom and the onset of the general recession. Business investment fell in 1983-84 by 11.6 per cent, but there appears to have been some pick-up in investment in the second half of the financial year due to strong growth in plant and equipment investment.

4. The published figures have been adjusted to remove sales to the private sector of public sector assets under leaseback and similar arrangements.

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



- (a) Quarterly data; seasonally adjusted, thousands of dwelling units.
 (b) Break in commencements series due to the change from a census to a survey collection method from the September quarter 1980.
 (c) Break in commencements series due to changes in the method of processing survey returns from the September quarter 1981.
 (d) Major lenders are defined as savings banks, trading banks and permanent building societies.

Table 5: Private Gross Fixed Capital Expenditure as a Percentage of GDP (a)

	Business fixed investment (b)				Total (b)
	Dwellings	Non-dwelling construction	Equipment	Total	
	(per cent of GDP)				
Average—1960-61 to 1972-73	4.5	3.4	8.6	12.1	16.6
Year—					
1973-74	4.8	3.4	7.9	11.3	16.2
1974-75	3.7	3.2	7.4	10.6	14.2
1975-76	4.0	2.7	7.7	10.4	14.4
1976-77	4.4	2.3	7.8	10.0	14.5
1977-78	4.0	2.4	7.6	10.0	14.0
1978-79	3.8	2.4	8.3	10.7	14.6
1979-80	4.2	2.4	7.5	9.9	14.1
1980-81	4.5	2.9	8.8	11.6	16.1
1981-82	4.3	3.1	9.1	12.2	16.5
1982-83	3.2	2.7	7.9	10.7	13.9
1983-84	3.3	2.0	6.9	8.9	12.2
Half year(c)—					
1982-83 I	3.5	2.9	8.3	11.2	14.7
II	3.0	2.6	7.5	10.1	13.1
1983-84 I	3.2	2.0	6.9	9.0	12.2
II	3.4	1.9	6.9	8.9	12.3

- (a) Based on average 1966-67 prices for 1960-61 to 1972-73 and average 1979-80 prices thereafter.
 (b) Adjusted, from the September quarter 1981, for the impact of known sales of public sector assets to the private sector under sale/leaseback and similar arrangements.
 (c) Seasonally adjusted.

This pick-up in business investment occurred at a time when there was still much excess capacity in industry generally. However, as can be seen from Table 5, business investment had fallen to an exceptionally low level by the first half of 1983-84. The previous investment boom was concentrated in resource-based sectors and it may be that many firms outside these areas are operating with ageing capital equipment. The steep rise in output over the course of 1983-84 and the prospect of strong growth in 1984-85 in conjunction with a much improved profits position appears to have encouraged more firms to begin replacing existing equipment and to expand capacity.

Taken together, the growth in private final consumption and the strengthening of private gross fixed capital expenditure led to an acceleration of *private final domestic demand*⁵ (Chart 1 panel D) as 1983-84 progressed. In the second half of the year, private final domestic demand was increasing at an annual rate of 3 per cent.

*Public final demand*⁶ (Chart 1 panel E) increased by 4.5 per cent in 1983-84, the same rate as in 1982-83 (though somewhat more slowly, at around 4 per cent, when allowance is made for the impact of Medicare). These data understate the full extent of the fiscal stimulus in 1983-84, which is better indicated by the sharp increase in the total public sector deficit.

Looking to the components of public final demand, *public consumption expenditure* increased by 4.3 per cent in 1983-84, reflecting increases of 4.7 per cent for the Commonwealth sector and 4.1 per cent for the State and local government sector. These figures are, however, affected by the treatment of defence expenditure⁶ and the impact of Medicare. Abstracting from the Medicare impact, State and local government consumption expenditures rose by 3 per cent and total public consumption expenditure by 3.5 per cent in 1983-84. *Public capital expenditure*⁶ increased by 5 per cent in 1983-84, reflecting a fall of 2.3 per cent for the Commonwealth sector and an increase of 6.5 per cent for the State and local government sector. Although the estimated increase in State and local government capital expenditure is large, it nevertheless implies a significant element of underspending relative to expenditures foreshadowed in State budgets for 1983-84.

The volume of *exports of goods and services* (Chart 1 panel F) accelerated in 1983-84, growing by 7.2 per cent. Most of the growth for the year as a whole came from non-farm goods although with the ending of the drought there was a rapid rise in farm exports over the course of the year. The recovery in the world economy assisted export volumes as did the coming on stream of a number of resource-based investment projects.

There was a turnaround in the volume of *imports of goods and services* in 1983-84 (Chart 1 panel I), up 5.8 per cent following the decline of 9.7 per cent in 1982-83. Much of the increase in imports in 1983-84 can be explained by the acceleration in domestic demand and changes in its composition but, as shown in Chart 3, the ratio of imports to sales rose sharply during the year. However, if the growth in sales in 1983-84 is underestimated in the present national accounts estimates, then this lift in the import to sales ratio would be correspondingly overstated.

5. The published figures have been adjusted to remove sales to the private sector of public sector assets under leaseback and similar arrangements.

6. For the national accounts, all defence expenditure is classified as current expenditure and is brought on a deliveries rather than a payments basis. Abstracting from these influences, Commonwealth current expenditures are estimated to have increased by 9.2 per cent in 1983-84 (on a payments basis).

Chart 3: Ratio of Imports to Sales (a)

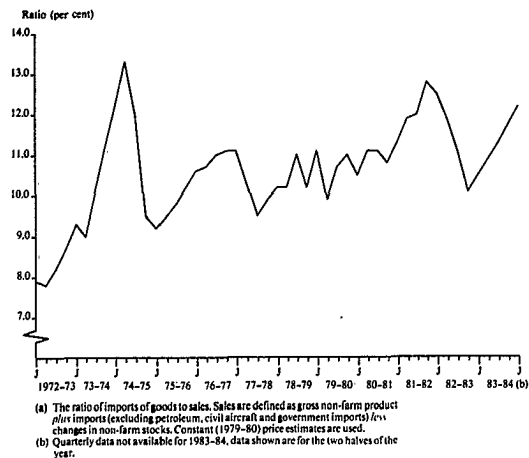


Chart 4: Ratio of Private Non-Farm Stocks to Sales (a)
(Constant 1979-80 prices, seasonally adjusted)

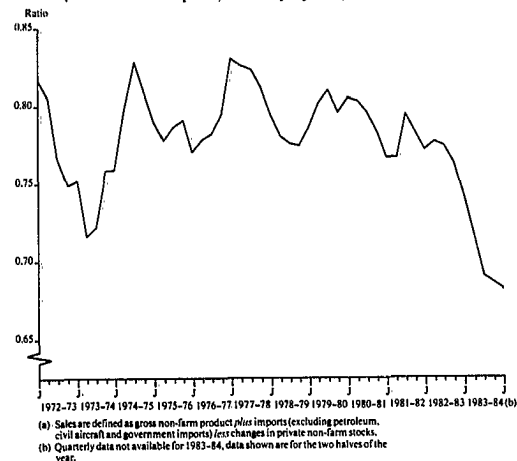
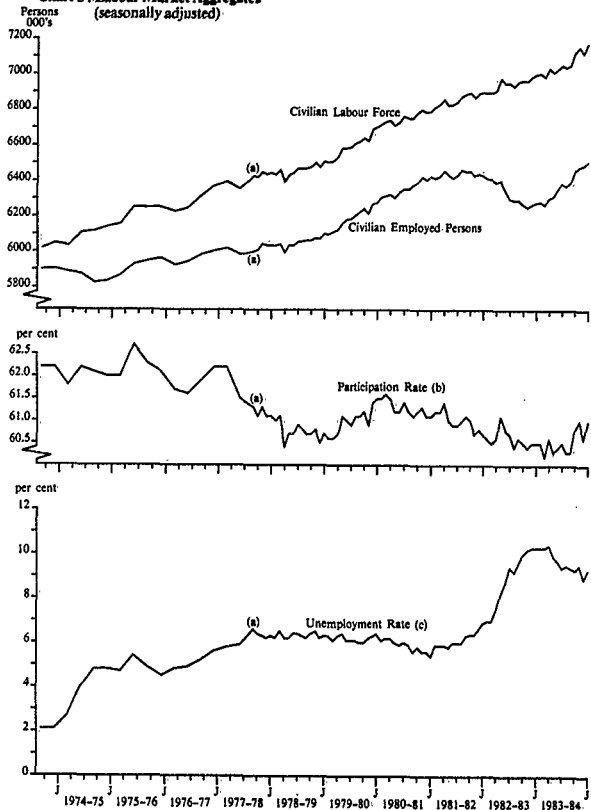


Chart 5: Labour Market Aggregates
(seasonally adjusted)



- (a) Prior to February 1978 the ABS Labour Force Survey was conducted in the mid-month of each quarter (February, May, August and November) while from February 1978 the survey has been conducted monthly.
 (b) The civilian labour force as a percentage of the civilian population aged 15 and over.
 (c) The number of unemployed persons as a percentage of the civilian labour force.

Changes in the rate of accumulation of stocks are shown in Chart 1 (panels G and H). The behaviour of non-farm stocks detracted from production growth in 1982-83 as stocks were run down at an accelerating rate. In the first half of 1983-84, the decumulation of stocks slowed down, resulting in some boost to activity levels. The contribution to overall activity was particularly marked in the second half of the year when stock accumulation resumed. Chart 4 sets out the non-farm stocks-to-sales ratio on a half-yearly basis. Despite the growth in non-farm stocks in the second half of 1983-84, they remain at a historically low level in relation to sales. Stock-holding behaviour appears to have been affected by the recession experience and high interest rates and there is some doubt whether the stocks-to-sales ratio will return fully to its pre-recession level.

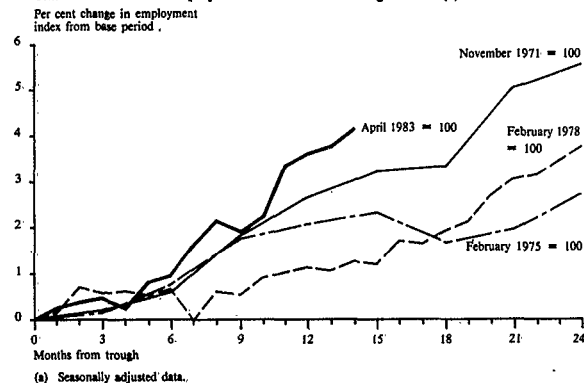
Farm stocks built up sharply in the first half of 1983-84 as rural output rose with the ending of the drought. But stock building slowed in the second half as rural exports increased. For the year as a whole, farm production and stock accumulation made a major contribution to product growth.

The Labour Market

The labour market strengthened considerably in 1983-84 with rapid employment growth and falling unemployment. The recovery period was notable for the sheer size of the increase in employment, the changing industry structure of employment and the changing composition of unemployment.

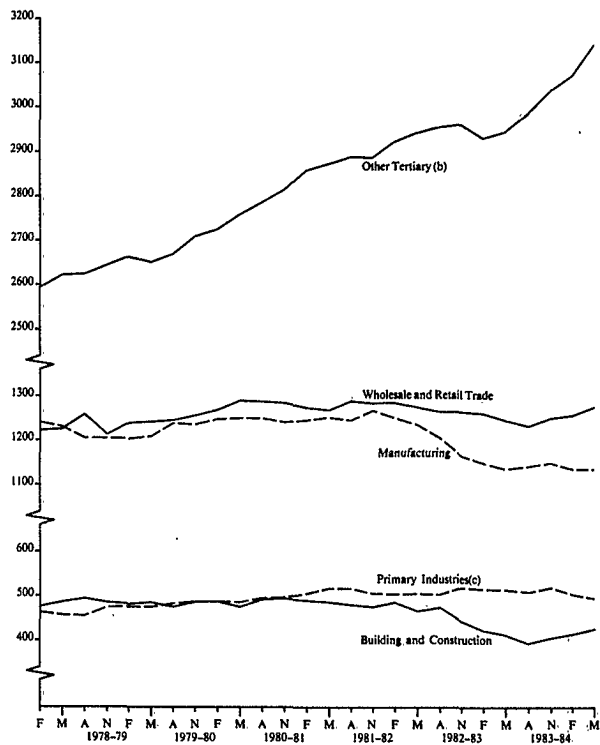
By June 1984 employment had increased by 257 900 or 4.1 per cent from its trough in April 1983, this increase more than reversing the decline during the recession period (see Chart 5). Employment growth during the present upturn has far out-paced that in other 'recovery' periods since the early 1970s (Chart 6). In part that reflects the

Chart 6: Growth in Employment from Previous Trough Levels (a)



severity of the shake-out in labour markets during 1982-83 and the subsequent reversal of the factor share imbalance which underlaid that shake-out. In part, it also reflects the nature and size of the pick-up in demand and the diverse impact, industry by industry, of that pick-up.

Chart 7: Employment by Broad Industry Group
(seasonally adjusted (a))



- (a) Seasonally adjusted by the Treasury.
 (b) Includes electricity, gas and water, transport and storage, communication, finance, property and business services, public administration and defence, community services and recreation, personal and other services industries.
 (c) Includes the mining and agriculture, forestry, fishing and hunting industries.

Chart 7 indicates that employment growth has been strongest in the tertiary sector (exclusive of wholesale and retail trade), which no doubt in part reflects the strength of public sector expenditure, both directly and indirectly through publicly-funded services. Employment in building and construction (where the rapid growth of dwelling investment has been the dominant influence) and in wholesale and retail trade has also begun to respond to the improved economic situation. Employment in manufacturing however has remained flat, notwithstanding an increase in manufacturing gross product of 6.1 per cent over the year to the March quarter 1984 (see Chart 8); the implied increase in productivity in manufacturing is indicative of labour-saving initiatives being adopted by an industry under considerable competitive pressure. Table 6 shows employment by industry.

Competitive pressures, the additional on-costs associated with full-time employment and the changing industry pattern of employment may also explain the shift to greater use of part-time employees. As Table 7 shows, the growth of part-time employment was little affected by the recession and it shared fully in the recovery. Between the June quarter 1981 and the June quarter 1984, part-time employment increased by 10.7 per cent whereas despite a strong recovery late in the period, full-time employment was still a little below its June quarter 1981 level.

The labour force expanded steadily throughout the recession and, with the improvement in the labour market, the participation rate has edged up. However, since growth in employment exceeded growth in the labour force, there has been some fall in the unemployment rate. By July 1984 unemployment had fallen to 8.8 per cent of the labour force compared with the peak rate of 10.4 per cent in September 1983 and 10.3 per cent in July 1983.

Chart 8: Quarterly Index of Manufacturing Gross Product
(seasonally adjusted; 1979-80 = 1000)

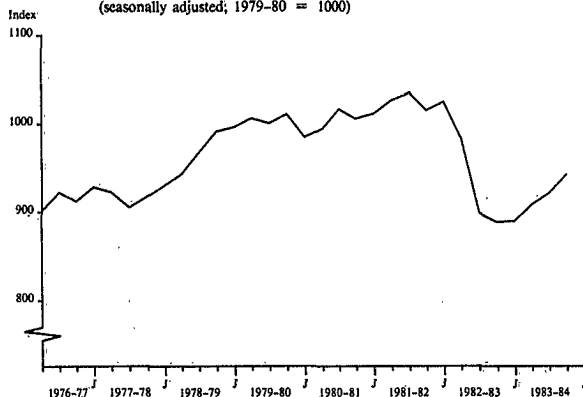


Table 6: Employment by Industry (a)

Industry—	Level 1983-84 '000	Change on a year earlier—					
		1982-83 per cent	1983-84 per cent	May 1983		May 1984	
				'000	per cent	'000	per cent
Agriculture, forestry, fishing and hunting	407.8	2.0	-2.1	8.7	2.1	-21.7	-5.2
Mining	98.2	-2.6	2.2	1.0	1.0	2.0	2.0
Manufacturing	1139.3	-6.8	-2.1	-100.2	-8.0	-0.9	-0.1
Food, beverages and tobacco	185.6	2.2	0.5	7.3	4.0	-9.4	-5.0
Metal products	193.5	-10.5	-6.1	-25.6	-11.4	-6.6	-3.3
Other manufacturing	760.2	-7.8	-1.6	-82.0	-9.7	15.0	2.0
Electricity, gas and water	143.0	9.3	2.3	17.1	13.6	7.8	5.5
Construction	409.7	-8.2	-6.3	-53.8	-11.4	14.7	3.5
Wholesale and retail trade	1 254.1	-1.9	-0.3	-28.8	-2.2	29.8	2.4
Transport and storage	363.6	2.3	-0.6	-12.7	-3.4	11.5	3.2
Communication	138.9	-4.1	4.6	-8.6	-6.1	3.3	2.5
Finance, property and business services	596.3	0.9	4.3	-2.5	-0.4	39.8	6.9
Public administration and defence	318.9	1.0	8.2	13.0	4.5	24.8	8.3
Community services	1 086.8	1.4	4.4	6.3	0.6	81.2	7.8
Recreation, personal and other services	412.2	0.7	2.3	-7.7	-1.9	25.4	6.4
Total	6 368.8	-1.6	0.8	-168.1	-2.6	217.7	3.5

(a) Data on employment by industry are available for the mid-month of each quarter only, i.e. for each February, May, August and November.

Table 7: Labour Market Indicators

Year—	Labour Force		Employment				Unemployment			
	Level '000	Participation Rate(a) per cent	Wage and Salary Earners(b) '000	Employers and Self- Employed(b) '000	Part- time '000	Full- time '000	Total '000	Full- time '000	Total '000	Total Unemploy- ment Rate(c) per cent
1979-80	6 600.7	61.0	5 202.7	958.7	971.4	5 221.7	6 193.1	339.0	407.6	6.2
1980-81	6 757.1	61.3	5 341.5	982.0	1 026.9	5 334.3	6 361.2	329.9	395.9	5.9
1981-82	6 863.4	61.0	5 423.6	976.9	1 040.2	5 399.7	6 439.9	352.8	423.4	6.2
1982-83	6 953.8	60.6	5 329.4	962.3	1 086.3	5 242.7	6 329.0	540.5	624.9	9.0
1983-84	7 068.7	60.6	5 373.6	969.8	1 106.1	5 281.9	6 388.0	589.0	680.8	9.6
Change on same period a year earlier (per cent) (d)										
Year—										
1979-80	2.1		2.4	2.7	3.8	2.0	2.3	-1.6	-0.3	
1980-81	2.4		2.7	2.4	5.7	2.2	2.7	-2.7	-2.9	
1981-82	1.6		1.5	-0.5	1.3	1.2	1.2	6.9	7.0	
1982-83	1.3		-1.7	-1.5	4.4	-2.9	-1.7	53.2	47.6	
1983-84	1.7		0.8	0.8	1.8	0.7	0.9	9.0	8.9	
Quarter(e)—		Rate (per cent)						Level '000		Rate (per cent)
1982-83 Sep.	1.0	60.6	-0.5	1.2	2.6	-1.0	-0.4	412.4	494.0	7.2
Dec.	1.8	60.9	-1.1	-2.1	6.1	-2.6	-1.2	526.7	610.9	8.8
Mar.	1.0	60.5	-2.7	-2.3	6.1	-4.4	-2.7	586.9	668.9	9.6
Jun.	1.4	60.5	-2.7	-2.8	3.0	-3.6	-2.5	629.6	718.1	10.3
1983-84 Sep.	1.6	60.4	-2.1	-2.6	..	-2.3	-1.9	631.2	724.5	10.3
Dec.	1.0	60.4	0.3	0.1	-0.2	0.1	..	593.2	680.0	9.7
Mar.	1.7	60.5	1.6	2.5	1.3	2.2	2.0	571.2	663.2	9.4
Jun.	2.4	60.9	3.5	3.5	6.2	3.0	3.6	564.5	659.3	9.2

(a) The civilian labour force as a percentage of the civilian population aged 15 and over.

(b) Data available for the mid-month of each quarter only, i.e. each February, May, August and November.

(c) The number of unemployed persons as a percentage of the civilian labour force.

(d) Percentage change on a year earlier except for those columns marked otherwise.

(e) Seasonally adjusted.

The classification of unemployment by duration shown in Table 8 indicates some change to the composition of unemployment during 1983-84. Despite the fall in total unemployment, the number of persons who have been unemployed for more than a year continues to rise and the mean duration of unemployment has also risen. This pattern is typical of the early stages of recovery. There is therefore a group of the longer-term unemployed which is still growing and which has not yet been reduced by the general lift in the economy. Long-term unemployment particularly affects the older unemployed. Of the unemployed aged 15 to 24, around 25 per cent have been unemployed for more than a year; for those aged 35 or more the ratio is over 40 per cent and it is even higher for older age groups. The recovery has encouraged people to re-enter the labour force and re-entrants tend to provide the bulk of the increase in employment in any month.

Table 8: Duration of Unemployment

Duration of unemployment (weeks) (a)	June—						
	1978	1979	1980	1981	1982	1983	1984
	persons ('000)						
0 to 4	83.2	78.3	80.4	74.9	95.5	87.6	92.9
4 to 8	58.5	48.0	55.1	48.9	63.6	71.1	66.9
8 to 13	53.2	44.8	49.8	40.3	58.9	72.1	58.8
0 to 13	194.8	171.1	185.4	164.1	217.9	230.8	218.6
13 to 26	73.1	73.9	77.8	63.7	82.0	132.9	102.1
26 to 39	54.6	56.9	59.0	43.6	52.9	121.1	89.7
39 to 52	13.7	16.2	14.3	11.9	16.3	35.6	25.0
0 to 52	336.2	318.1	336.4	283.2	369.1	520.4	435.4
52 to 65	20.7	26.5	24.4	19.0	23.1	56.3	54.0
65 to 104	17.0	21.2	19.8	15.7	19.4	39.8	54.5
52 to 104	37.7	47.7	44.2	34.6	42.5	96.2	108.5
104 +	19.6	27.2	28.7	35.8	40.0	76.5	90.2
Total	393.5	393.0	409.3	353.7	451.6	693.2	634.1
	Distribution (per cent of total unemployment)						
0 to 4	21.1	19.9	19.6	21.2	21.1	12.6	14.7
4 to 8	14.9	12.2	13.5	13.8	14.1	10.3	10.6
8 to 13	13.5	11.4	12.2	11.4	13.0	10.4	9.3
0 to 13	49.5	43.5	45.3	46.4	48.3	33.3	34.5
13 to 26	18.6	18.8	19.0	18.0	18.2	19.2	16.1
26 to 39	13.9	14.5	14.4	12.3	11.7	17.5	14.1
39 to 52	3.5	4.1	3.5	3.4	3.6	5.1	3.9
0 to 52	85.4	80.9	82.2	80.1	81.7	75.1	68.7
52 to 65	5.3	6.7	6.0	5.4	5.1	8.1	8.5
65 to 104	4.3	5.4	4.8	4.4	4.3	5.7	8.6
52 to 104	9.6	12.1	10.8	9.8	9.4	13.9	17.1
104 +	5.0	6.9	7.0	10.1	8.9	11.0	14.2
	Weeks						
Mean duration of unemployment	24.6	29.5	28.5	33.2	30.4	38.8	44.6
Median duration of unemployment	13.0	17.0	15.0	14.0	13.0	24.0	25.0

(a) Range of weeks: *m* to *n* is to be read as *m* to less than *n* weeks.

The increase in the demand for labour has brought with it an increase in vacant jobs and greater employer interest in filling positions. The ANZ Bank series on newspaper job advertisements shows that advertised vacancies increased by 63 per cent over the year to the June quarter. As yet there are few reports of labour shortages, and most of those are to do with specific skills in high demand such as computer programmers, foreign exchange dealers and building workers in the A.C.T.

The recovery in the demand for labour has also led to an increase in average hours worked by both full-time and part-time employees, the former being marginally the stronger. In the twelve months of 1983-84 hours worked per employee averaged 34.6 hours compared with 34.2 hours in 1982-83. This increase and the increase in employment itself meant that in the June quarter 1984 total hours worked were some 7 per cent higher than in the June quarter 1983.

Incomes and Labour Costs

Continuing wage restraint combined with increasing production produced in 1983-84 a marked shift of factor incomes towards profits.

Wages began to increase again during the year, after a period of near stability which resulted from the stringency of labour market conditions and the institution of the wage pause towards the end of 1982. The pause came to an end in October 1983 as the first six-monthly indexation increase under the new wage fixing arrangements established by the Conciliation and Arbitration Commission became effective. This increase, and its successor in April 1984, led to a resumption of growth in award wages following their near stability during the nine months of the pause.

Table 9 shows that, although award wages accelerated during 1983-84, the increase for the year as a whole was still below that for 1982-83, which was affected by the large wage settlements in the aftermath of the December 1981 metal industry agreement. Virtually all award wage growth during 1983-84 can be accounted for by the two national wage increases; the recorded increase of 8.9 per cent over the course of the year to end-May 1984 only slightly exceeds the compounded sum of the 4.3 per cent increase in October 1983 and the 4.1 per cent increase in April 1984. This observation is consistent with an impression of near-universal adherence to the 'no extra claims' provisions of the new wage fixing arrangements established by the Conciliation and Arbitration Commission in September 1983 and minimal adjustments to award rates of pay beyond national wage increases. Although some of the large number of claims lodged under the anomalies provision of the new arrangements were resolved by the Federal and State tribunals during the year, these generally involved small numbers of employees and hence very small additions to labour costs in overall terms.

As shown in Table 9, average weekly earnings grew more rapidly than average award rates of pay during 1983-84. This was partly a function of growth in overtime worked as economic activity gathered pace. It probably also reflected compositional changes among wage and salary earners—though full-time adult ordinary-time earnings, which are less subject to these compositional changes, also increased substantially faster than awards.

Table 9 : Award Rates of Pay and Earnings

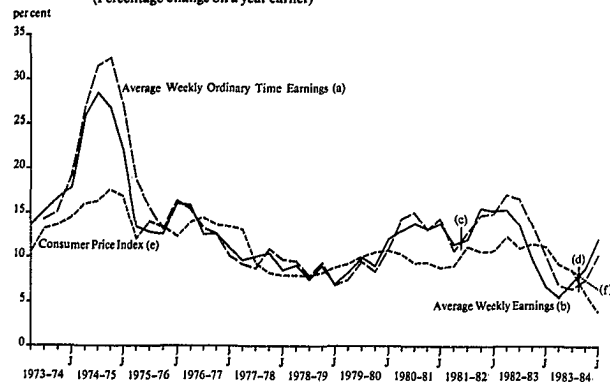
Year—	Average weekly earnings (survey basis)			Average earnings (national accounts basis) (a)		
	Award rates of pay: adult wage- and salary earners (b)	Full-time adult ordinary time earnings (c)	Total earnings (d)	Total earnings in real terms (e)	In nominal terms	In real terms (e)
Change on previous period (per cent)						
1980-81	11.7	14.2	13.5	3.7	12.9	3.2
1981-82	12.2	(f) 13.4	(f) 13.7	(f) 3.9	4.1	4.2
1982-83	10.9	14.2	11.2	-0.1	12.5	1.1
1983-84	(h) 5.1	7.8	8.4	0.4	5.3	-2.4
Half year (g)—						
1982-83 I	12.0	16.8	10.5	-2.0	15.4	2.4
II	3.4	7.1	6.0	-2.9	2.3	-6.2
1983-84 I	4.2	6.2	6.8	-1.2	4.7	-3.1
II	(h) 8.8	11.7	14.2	7.2	9.1	2.4

- (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-manual 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 an interim 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. From the December quarter 1983 the estimates are based on a more comprehensive survey of employers.
- (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 interim survey and relate to total average weekly earnings for all employees, and from the December quarter 1983, the estimates are based on the more comprehensive survey.
- (e) Deflated by the implicit price deflator for 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 average earnings series on a national accounts basis; the award rates of pay series, and the average weekly earnings (survey basis) series are not seasonally adjusted.
- (h) Data for June 1984 not available. It is assumed that there was no movement in the index of award rates of pay in that month.

It should be noted that the average earnings series is subject to sampling error and, moreover, that the estimates for the two halves of 1983-84 may not be fully comparable because of the introduction of an enlarged sample during the year. Notwithstanding these difficulties with the average earnings series, it seems clear that, like awards, earnings increased more slowly in 1983-84 as a whole than in 1982-83 (see Table 9).

Upward pressure on nominal unit labour costs in 1983-84 was relieved by moderate wages and earnings growth in the first half of the year and by the strong recorded increase in productivity throughout the year. This combination was sufficient to produce near stability in nominal unit labour costs for a time during 1983-84 (see Chart 10)—a most unusual development in recent Australian experience. Although these costs were rising again in the second half of the year, this was at the relatively moderate annual rate, by recent standards, of 5.7 per cent. The containment of nominal unit labour costs has been the major ingredient in the slow-down in inflation over the same period (see Chart 10).

Chart 9: Consumer Prices and Average Weekly Earnings
(Percentage change on a year earlier)

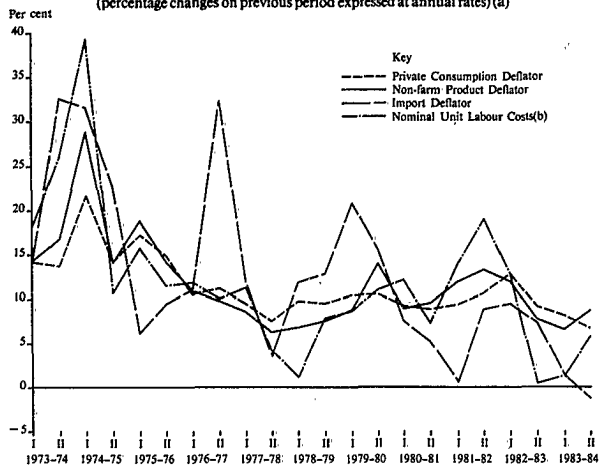


- (a) Average weekly ordinary time earnings of all adult full-time employees linked to the 'old' full-time non-manual adult male average weekly ordinary time earnings series.
- (b) Average weekly earnings for all employees linked to the 'old' seasonally adjusted male units series at the September quarter 1981.
- (c) Break in earnings series associated with change from payroll tax based earnings series to survey based earnings series.
- (d) Break in earnings series at December quarter 1983 because of the introduction of a new survey.
- (e) Based on six capital cities consumer price index up to and including the June quarter 1981 and on the eight capital cities index thereafter.
- (f) CPI adjusted by Treasury to remove the effect of the introduction, from 1 February 1984, of the new health insurance arrangements under Medicare.

While output prices have also decelerated, they have still outpaced nominal unit labour costs (see Chart 10), thereby producing a sizable fall in real unit labour costs—or to put it another way, a narrowing of the 'real wage overhang' which was present in varying degrees from the mid-1970s onwards and which jumped again in the early 1980s. The fall was most marked through 1983, but there was a further small decline in the first half of 1984. Two measures of real unit labour costs are shown in Chart 11.

The sharp moderation in nominal unit labour costs provided opportunities for a rebuilding of profit margins following the squeeze of 1982. According to the preliminary national accounts, the gross operating surplus of trading enterprise companies increased by 33 per cent in nominal terms, or 24 per cent in real terms (relative to the price deflator for gross non-farm product) in 1983-84. Largely as a result of this, the corporate profit share of non-farm product increased from the very depressed level of 11.9 per cent recorded in the first half of 1982-83 to 15.8 per cent in the second half of 1983-84. Chart 11 shows both this and an alternative measure of the profit share—the latter being for the private non-farm corporate sector, which corresponds to the index of real unit labour costs for the same sector shown in the top panel of the Chart.

Chart 10: Prices and Unit Labour Costs
(percentage changes on previous period expressed at annual rates) (a)



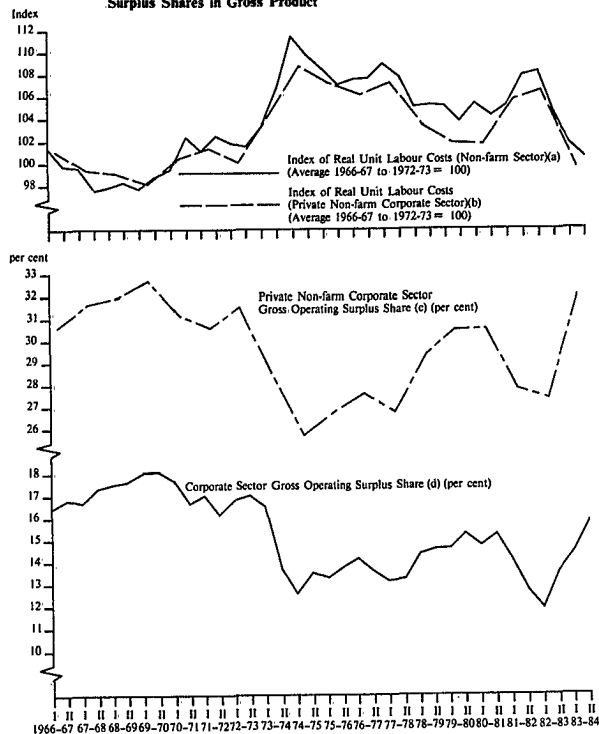
(a) Based on seasonally adjusted data.

(b) Ratio of non-farm wages, salaries and supplements and payroll tax, 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.

As is clear from Chart 11, both real unit labour costs and the profit share in 1983-84 moved substantially towards—and on some measures, returned to—the levels typical of the late 1960s and early 1970s. This development has attracted much attention. Caution is required, however, in making strict comparisons with historic norms. As noted by the Statistician, data limitations loom especially large in this area and measurement error can often be high, particularly for the most recent quarters. Given the size of the changes, there is particular uncertainty about the national accounts estimates of corporate gross operating surplus for recent quarters.

It is clear, nevertheless, that an important amelioration of the factor price imbalances which plagued the Australian economy for much of the 1970s and early 1980s did take place in 1983-84. On this score the strong recovery in employment already witnessed and the improving outlook for business investment is consistent with an economy where factor returns are more in line with factor productivity. But investment decisions and decisions regarding the hiring of permanent staff depend not only on the current levels of real wages and profitability but also on expectations about their future course. Sustained growth in investment and employment requires confidence that income moderation will continue and that reasonable profit rates will be maintained.

Chart 11: Real Unit Labour Costs and Gross Operating Surplus Shares in Gross Product



(a) Ratio of non-farm wages, salaries and supplements and payroll tax, deflated by the implicit price deflator for 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. Based on seasonally adjusted data.

(b) Ratio of wages, salaries and supplements and 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 payroll tax (less employment subsidies).

(c) Ratio of the gross operating surplus of the private non-farm corporate sector 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).

(d) 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.

Prices

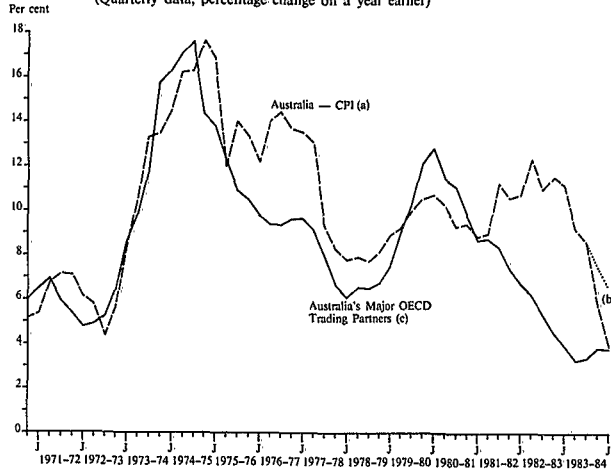
Australia's inflation rate fell substantially in 1983-84. The CPI in the June quarter 1984 was 3.9 per cent higher than a year earlier; excluding the effects of Medicare, the increase was around 6.5 per cent. The latter figure compares with an increase over the course of 1982-83 of 11.2 per cent.

Inflation has fallen much more sharply than after the previous wage surge in 1974-75. Much of the explanation lies in the more rapid slowing in wages on this occasion. Table 10 provides details of movements in a range of price indicators.

Chart 12 shows that consumer prices in Australia's major OECD trading partners increased by 3.8 per cent over the year to the June quarter 1984 compared with an increase of 6.5 per cent in Australia—a narrowing of the gap between our inflation and that of our major OECD trading partners. Over the half year to the June quarter, the Australian inflation rate fell to 4.8 per cent (annualised) compared with 4.1 per cent for our major trading partners.

Chart 12: International Comparison of Inflation Rates

(Quarterly data, percentage change on a year earlier)



- (a) Based on six capital cities consumer price index: up to and including the June quarter 1981 and on the eight capital cities index thereafter.
 (b) CPI adjusted for the impact of the introduction of Medicare.
 (c) 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 using import and export weights current for each financial year.

Table 10: Prices

	Year				Half year (e)				
	1982-83		1983-84		1982-83		1983-84		
	I	II	I	II	I	II	I	II	
Consumer price index (b) —									
All groups	9.4	10.4	11.5	6.9	12.9	9.8	8.0	1.8	
Food (weight of 21.3%) (c)	10.3	8.6	9.1	7.8	10.3	10.9	8.1	4.2	
All groups excluding hospital and medical services (weight of 95.7%)	9.4	9.6	10.7	7.8	12.2	9.3	8.1	6.1	
(C) Exports of non-farm goods and services	na.	25.4	20.8	6.9	22.4	9.0	11.9	-4.3	
Solely State and local government rates and charges									
Implicit price deflators (d) —									
Private final consumption expenditure	9.4	9.5	11.3	8.0	12.7	9.1	8.1	6.7	
Private gross fixed capital expenditure	10.4	9.8	11.5	5.0	12.2	8.3	4.2	3.1	
Total domestic final demand	10.3	10.3	11.2	7.1	12.3	8.2	6.6	6.8	
Non-farm exports of goods and services (e)	6.4	6.6	9.4	3.1	14.8	5.3	4.7	-2.1	
Imports of goods and services	8.7	3.8	8.5	2.4	9.4	7.3	1.5	-1.3	
Gross non-farm product	10.3	11.5	11.2	7.3	11.9	7.7	6.5	8.7	
Gross farm product	7.9	-10.8	-3.3	16.7	7.7	7.7	29.7	2.7	
Gross domestic product	10.1	10.3	10.9	7.2	12.1	7.8	6.3	8.5	
Sectoral indexes —									
Non-farm industry									
Materials used in	9.8	1.6	8.1	(f)6.2	6.6	14.8	-0.1	(g)-3.1	
Articles produced by	11.1	7.7	9.5	(h)6.6	10.3	8.1	6.0	(i)4.8	
Building —									
Materials used in house building	13.6	9.8	9.7	(h)7.7	9.6	7.2	7.2	(j)9.3	
Materials used in other building	12.9	11.1	11.6	(h)6.1	12.7	6.3	5.5	(i)6.6	

(a) Annual rates.
 (b) Weighted average of six capital cities for 1979-80 and 1980-81, eight capital cities data used thereafter.
 (c) Weights shown are those used in the tenth series of the CPI.
 (d) Half-year calculations are based on seasonally adjusted data.
 (e) Exports of non-farm goods and all services.
 (f) Average of six months to April.
 (g) Average of six months to April.
 (h) Average of twelve months to May on preceding twelve months.
 (i) Average of six months to May on preceding six months.
 (j) Average of six months to May on preceding twelve months.

Three measures of price and cost movements in Australia relative to changes in prices and costs in our four major trading partners, adjusted for changes in exchange rates, are provided in Chart 13. Movements in these indexes, which are based on unit wage costs, consumer prices and GDP deflators respectively, reflect changes in the ability of Australian producers to compete with overseas producers in domestic and international markets on the basis of price. The March quarter 1984 estimate based on consumer prices is affected to some extent by the introduction of Medicare.

Australia's international competitiveness, as depicted by these measures, improved during 1982-83 when the depreciation of the exchange rate outweighed the adverse effects on our competitiveness caused by rates of wage and price increase more than double those of our major trading partners. As noted above, during 1983-84 these wage and price differentials narrowed substantially. However, for much of the year an appreciating exchange rate for the \$A meant that our international competitiveness declined significantly. During the final three to four months, however, the exchange rate depreciated and, although not all relevant data are available for the June quarter 1984, the competitiveness lost in the earlier part of the year is likely to have been largely regained.

Fiscal Conditions

The Commonwealth Budget deficit in 1983-84 was \$7961 million—equivalent to 4.3 per cent of GDP—following deficits of \$4473 million (2.7 per cent) in 1982-83 and \$548 million (0.4 per cent) in 1981-82. The result in 1983-84 was influenced by the full-year effect of the 1982-83 personal tax cuts; the full-year cost of several expenditure programs introduced by the previous Government; and the initial cost of new expenditure programs—offset to some extent by savings on existing programs—introduced by the present Government. In contrast to the previous year, the large deficit was expected at budget time and the outcome for 1983-84 was relatively close to the budget figures. Receipts were within 0.8 per cent of the budgeted number while outlays were brought in within 0.1 per cent.

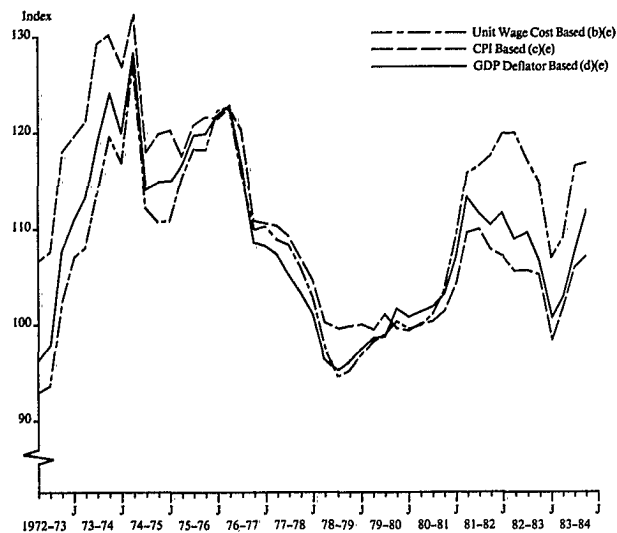
In 1983-84 Commonwealth budget outlays increased by 15.6 per cent, an increase of 7.7 per cent in real terms. Budget outlays represented 30.5 per cent of GDP in 1983-84, a little above the ratio in 1982-83.

Commonwealth budget receipts increased by 9.3 per cent in 1983-84. In real terms, receipts rose by about 1.9 per cent compared with a real decline in 1982-83 and an average annual real increase of around 3.3 per cent over the preceding decade. As a proportion of GDP, receipts fell in 1983-84 to 26.2 per cent. This fall essentially reflected the full year effects of the 1982-83 tax changes and the lagged effect of the depressed profits of 1982-83.

State and local government sector outlays are estimated to have risen by 10.2 per cent in 1983-84 (2.7 per cent in real terms), following a rise of 20.4 per cent in 1982-83 (8.3 per cent in real terms). As a proportion of GDP these outlays declined in 1983-84 after a strong increase the previous year (see Table 11).

State and local government revenues from own sources are estimated to have increased by 11.5 per cent (or 3.9 per cent in real terms) in 1983-84, while Commonwealth payments to the sector increased by 14.3 per cent (or 6.5 per cent in real terms). As a result, total State and local government sector revenues (including transfers and advances from the Commonwealth) are estimated to have increased by 13 per cent in 1983-84, or by 5.3 per cent in real terms.

Chart 13: 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. It should be noted that the rate of growth of unit labour costs in the Australian manufacturing sector is, on average, around one percentage point lower than in the non-farm sector as a whole.
- (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.

Table 11: Public Sector Outlays as a Percentage of Gross Domestic Product

	State and local government sector outlays				
	Common-wealth sector outlays(a)(b) (per cent) (1)	Financed by			Total(b)(d) (per cent) (5)
		Common-wealth assistance(c) (per cent) (2)	Own funds(b) (per cent) (3)	Total(b) (per cent) (4)	
Year—					
1973-74	24.3	8.1	8.4	16.5	31.4
1974-75	29.2	10.4	9.0	19.3	36.8
1975-76	30.4	11.6	8.4	20.0	37.6
1976-77	30.0	10.7	9.2	19.9	37.9
1977-78	30.9	11.1	9.8	20.9	39.4
1978-79	29.2	10.5	9.6	20.1	37.6
1979-80	28.5	10.0	9.8	19.8	37.2
1980-81	28.4	9.8	10.3	20.1	37.6
1981-82	28.9	9.4	10.6	20.0	38.3
1982-83	31.1	10.0	11.9	22.0	41.8
1983-84	31.7	10.1	11.2	21.3	41.8

- (a) Budget and non-budget sectors. The latter comprises mainly capital expenditure.
 (b) If adjustment is made for sale and leaseback transactions with the private sector, the estimates for 1980-81, 1981-82, 1982-83 and 1983-84, the years principally affected, are increased by the following amounts: for the Commonwealth sector by approximately 0.1, 0.2, 0.1 and less than 0.1 percentage points respectively; for the State and local government sector by approximately less than 0.1, 0.7, 0.5 and 0.6 percentage points respectively; and for the total public sector by approximately 0.1, 0.9, 0.6 and 0.7 percentage points respectively.
 (c) Grants and net advances 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 (4) less column (2) and interest payments between these sectors.

Total public sector outlays are estimated to have increased by 13.3 per cent in 1983-84 or by 5.6 per cent in real terms; as a proportion of GDP they remained steady at 41.8 per cent. Allowing for the effect of sale and leaseback transactions with the private sector, public sector outlays are estimated to have increased by 13.6 per cent in 1983-84, or 5.9 per cent in real terms. As a proportion of GDP they are estimated at 42.5 per cent in 1983-84, about the same proportion as in 1982-83.

The overall State and local government sector borrowing requirement (excluding that portion financed by Commonwealth net advances to the States but allowing for the effect of sale and leaseback transactions) is estimated to have been \$6170 million in 1983-84. This amounted to 3.3 per cent of GDP compared with 3.7 per cent in 1982-83 and 3.1 per cent in 1981-82, reflecting increased resort to borrowing by State and local government authorities since the mid-1970s.

The much lower rate of increase in the State and local government sector borrowing requirement in 1983-84 was in part a consequence of reduced borrowings for capital works by State electricity authorities which had increased their borrowings very substantially in the two preceding years. Initially, the expansion in electricity authority borrowings involved increasing resort to forms of borrowing not subject to Loan Council controls including leasing, trade credits and short-term borrowings. Following agreement at the June 1982 Loan Council meeting to remove controls over the amount

Table 12: Public Sector Borrowing Requirement(a)

	Commonwealth sector		State and local government sector(b)		Total	
	\$m	Percentage of GDP	\$m	Percentage of GDP	\$m	Percentage of GDP
Year—						
1973-74	353	0.7	457	0.9	807	1.6
1974-75	2 516	4.1	929	1.5	3 445	5.6
1975-76	3 527	4.8	448	0.6	3 975	5.4
1976-77	3 029	3.6	1 013	1.2	4 042	4.9
1977-78	3 850	4.3	1 591	1.8	5 441	6.0
1978-79	3 706	3.6	1 899	1.8	5 605	5.5
1979-80	2 489	2.2	2 249	1.9	4 738	4.1
1980-81	1 626	1.2	3 202	2.4	4 828	3.7
1981-82	1 318	0.9	4 688	3.1	6 006	4.0
1982-83	5 344	3.3	6 100	3.7	11 444	7.0
1983-84(p)	8 637	4.7	6 170	3.3	14 807	8.0

- (a) Total public sector outlays less receipts; net advances to other sectors by the public sector are treated as public sector outlays. This measure allows for the effect of sale and leaseback transactions with the private sector. It differs from the measure of net borrowing by the public sector used in Chart 14, which treats net advances as a financing transaction having no impact on the borrowing requirements and which does not allow for the effect of sale and leaseback transactions. The estimates of the magnitude of sale and leaseback transactions as a percentage of GDP for 1980-81, 1981-82, 1982-83 and 1983-84, the years principally affected, are for the Commonwealth sector approximately 0.1, 0.2, 0.1 and less than 0.1 percentage points respectively; for the State and local government sector approximately less than 0.1, 0.7, 0.5 and 0.6 percentage points respectively; and for the total public sector approximately 0.1, 0.9, 0.6 and 0.7 percentage points respectively.
 (b) The figures for the State and local government sector shown here are net of advances from the Commonwealth Budget; they therefore measure the borrowings undertaken by the sector.
 (p) Preliminary.

and terms of domestic borrowings by electricity authorities, conventional borrowings by these authorities increased dramatically (although they were, in part, related to the refinancing of existing and, often, short-term debt), while off-program techniques continued to be used by other types of authorities. The lower rate of increase in State and local government sector borrowings also reflected the fact that the increases experienced in the preceding two years were simply not sustainable, in terms either of the real increases in fixed capital expenditure they would have implied or of the ability of the authorities concerned to service the resultant debt burden.

The large Commonwealth Budget deficit and the sustained high investment level by Commonwealth, State and local government authorities, produced a historically high Public Sector Borrowing Requirement in 1983-84.

Monetary Conditions

Monetary policy in 1983-84 aimed to provide an appropriately firm financial framework that would promote an environment of sustainably lower inflation while allowing the expected pick-up in real activity to proceed.

In the 1983-84 Budget Speech, the Treasurer announced the setting of a conditional monetary projection (M3) of 9 to 11 per cent growth over the four quarters to the June quarter 1984. This projection was subject to review in the light of developments during

the year; in the event, it was revised to 10 to 12 per cent in December in the light of faster economic growth than had been expected at budget time within a climate of generally restrained wage and price increases.

However, the most notable change in the multiplicity of factors influencing domestic financial developments in the past year was the mid-year decision to move to a floating exchange rate regime. This decision (which is treated in more detail in the final Section of this Part) brought with it a significant change in the links between the domestic and external financial markets.

While, under the managed exchange rate regime, the exchange rate tended to respond over the medium term to the balance of market forces, in the short term there was a tendency for the management of the rate to lean against changes in market sentiment which were perceived to be erratic; but at times did so at the expense of heavy short-term flows of funds across the exchanges. These flows directly affected the liquidity of the financial system and constrained the effectiveness of instruments of monetary policy in curbing the growth of monetary aggregates. At the extreme, offsetting domestic action could have the perverse effect of magnifying such flows.

Under the managed exchange rate, net flows of foreign exchange added substantially to domestic liquidity in the first half of 1983-84. Most of the inflow occurred between September and December, more particularly in November and early December. In late October changes were made to exchange rate management procedures that were designed to reduce the potential for 'within day' speculation against the currency and to give greater weight to market forces; at the same time these changes, and in particular the withdrawal of the authorities from the official market for forward exchange, signalled the likelihood of more extensive moves in the months ahead. Although five bond tenders totalling \$6100 million were held between July and November 1983 and net sales of Australian Savings Bonds amounted to \$1666 million over the same period, growth of the monetary aggregates continued in excess of the range projected in the Budget.

Interest rates fell during the first half of 1983-84, particularly at the short end. Yields on 90-day bank-accepted commercial bills declined by around 6 percentage points between early July and early December, with the sharpest falls in the first week in December immediately prior to the decision to float. In part, that reflected the additional liquidity coming into the system and in part an attempt by the authorities to keep to a minimum the quantity of available short-term official paper in which short-term speculative inflow of funds could be 'parked'. The result was a decline in interest rates—particularly at the short end—to unsustainably low levels. Meanwhile, the fall in inflation and the reduced borrowing requirement of the private business sector also contributed to some easing in the general structure of interest rates.

The decision to float the exchange rate changed the nature of the links between domestic and international financial markets. From mid-December, there could be little or no recourse by the domestic financial system as a whole to overseas capital markets to meet domestic liquidity needs—although, clearly, individual institutions were still free to borrow and did borrow in overseas markets. While foreign borrowing was largely unhindered, the fundamental change was that the Reserve Bank no longer stood in the market offering to purchase foreign exchange at the prevailing rate. As discussed later in this part Reserve Bank intervention in foreign exchange markets

post-float was minor. Those continuing to draw on overseas markets had, in effect, to find a counterpart other than the Reserve Bank through whom to convert foreign exchange proceeds into \$A—thus, as noted, leaving funds in the system as a whole unaffected. The principal sources of liquidity were thereby limited to injections from the budget deficit, from maturing Commonwealth Government securities and from Reserve Bank transactions—thus assisting the monetary authorities to influence monetary conditions during the second half of 1983-84 in a manner more consistent with underlying policy needs.

The large inflows of funds in late 1983 had left a substantial 'overhang' of liquidity in the system by the time the decision to float the dollar was put into effect. With interest rates at artificially low levels and the banking system—in particular savings banks—in a highly liquid state the potential clearly existed for a rate of growth of credit expansion that would not have been helpful to containing inflation. With that concern in mind, the Government approved three Treasury Bond tenders totalling \$2550 million during the March quarter. A further Treasury Bond tender, for \$1000 million, was held in mid-May following the end of the seasonal rundown in liquidity. The Reserve Bank sold off its forward book and provided the foreign exchange to meet that part of the budget deficit which was expended overseas—both of which approaches also made a useful contribution to siphoning off the liquidity overhang.

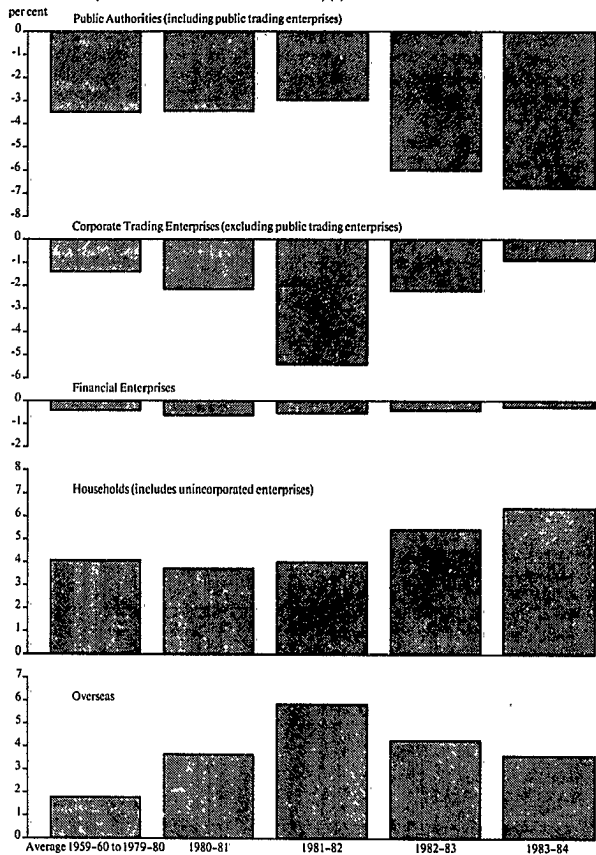
As monetary conditions firmed again, interest rates increased in early 1984 from their previously low levels. With the monetary system as a whole now effectively denied access to overseas funds to help it through the June quarter, preparations for the seasonal rundown began earlier than usual and the yield on 90-day bank-endorsed commercial bills rose by 4.5 percentage points between end-December and end-March. Yields on Treasury Bonds rose by up to one percentage point over the same period. Short-term interest rates subsequently eased from the second half of May, while Treasury Bond yields remained broadly unchanged.

Over the year as a whole, long-term domestic bond yields declined by between 0.9 and 1.4 percentage points to close 1983-84 in the range 13.0 to 14.2 per cent. Since then, yields on long bonds have fallen, by around three-quarters of a percentage point. Comparable yields in the United States, by contrast, rose over the same period from 10.5 to 13.5 per cent. The resulting shift in yield differentials partly reflected an improvement in Australia's inflation outlook and increased concern regarding the medium-term prospects for US financial markets. It also reflected the influence of the floating exchange rate regime, which attenuated the short-term link between domestic and overseas interest rates. The resulting shift in interest rate relationships contributed to a depreciation of the Australian dollar late in 1983-84.

Chart 14 illustrates the net lending and borrowing positions of the major sectors of the economy as a proportion of GDP over recent years. These positions provide some indication of the shift of resources and associated financial flows between various sectors, from which implications may be drawn for conditions in financial markets.

Although economic conditions improved markedly over the course of 1983-84 from the depressed levels evident in 1982-83, borrowings in the capital market remained dominated by the public sector. This reflected a record Commonwealth Budget deficit and sustained borrowing by the State and local government sector.

**Chart 14: 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.

Preliminary estimates suggest that the borrowing requirement of the corporate sector moderated further in 1983-84, reflecting the subdued level of business investment and the increase in corporate profitability. Household net lending to other sectors increased further in 1983-84, reflecting both rising incomes and an increase in the saving ratio.

For the year as a whole, then, reduced financial demands by the corporate sector and a large rise in household savings enabled the large borrowings by the public sector to be absorbed by financial markets with a reduced call upon the external sector and some reduction in nominal interest rates over the course of the year. The moderation in inflation and, it is to be hoped, inflationary expectations was also conducive to the modest decline in nominal interest rates.

Formation and Absorption of Liquidity

A budget deficit in the first half of 1983-84 of \$7.9 billion and, in the same period, a surplus on foreign exchange transactions of \$2.6 billion required a substantial borrowing program by the Commonwealth to mop up the resulting flood of liquidity.

Non-official take-up of Commonwealth Government securities (CGS) totalled \$9.2 billion in the first half of 1983-84, comprising a net \$5.6 billion in Treasury Bonds, \$2.5 billion in Australian Savings Bonds (ASBs) and \$1 billion in Treasury Notes.

In the second half of 1983-84, liquidity remained broadly unchanged, the budget deficit being in approximate balance. Net official sales of CGS in this period were accordingly small; net Treasury Bond sales of \$2.3 billion were offset by \$0.6 billion in redemptions of ASBs and the usual seasonal rundown of \$2 billion in Treasury Notes. As noted earlier, CGS transactions in the second half of the financial year were directed to reducing the substantial 'overhang' of liquidity in the system, thereby increasing the average maturity of outstanding debt.

For 1983-84 as a whole, the major part of the Commonwealth's borrowing program was met by net sales of \$7.9 billion in Treasury Bonds, of which \$2.3 billion was purchased by the banks. Net sales of ASBs totalled \$1.9 billion despite the sizable redemptions during the latter part of the year. Non-official holdings of Treasury Notes fell by slightly more than \$1 billion between June 1983 and June 1984. The average maturity of CGS on issue increased from 4.7 years in June 1983 to 5.3 years in June 1984, reflecting the reduction in the amount of Treasury Notes on issue and a substantial increase in Treasury Bonds held by the non-official sector.

Financial Intermediation

Overall, the pace of financial intermediation increased—though not markedly—in 1983-84. In line with the rebound in economic activity, the growth in nominal GDP accelerated from 6 per cent over the course of 1982-83 to around 18 per cent over 1983-84. This sharp acceleration was not matched by growth in the monetary aggregates.

From the June quarter 1983 to the June quarter 1984 the volume of money, M3, increased by 11.4 per cent; the growth in broad money⁷ was 11.3 per cent according to preliminary estimates. As these figures indicate—and as was expected last budget time—there was a sharp increase in the *velocity of money* during 1983-84, reversing the

7. Broad money includes currency in the hands of the non-financial institution private sector plus borrowings from that sector by banks, cash management trusts and the principal categories of non-bank financial intermediaries registered under the Financial Corporations Act.

cyclical decline which had occurred in the preceding year. The increase in velocity reflected moderate growth in most forms of lending, with the exception of a sharp increase in lending for housing and strong growth in other lending to the household sector.

Financial intermediation during 1983-84 continued, therefore, to be heavily influenced by cyclical factors including increased household savings and the sharp reduction in the demand for finance by the corporate sector. As a result, deposits with institutions catering to household savings—including savings banks and building societies—grew strongly, while borrowing from the public by institutions that lend to the corporate sector showed weaker growth.

Table 13 presents borrowing and lending growth rates of the major financial institutions in recent years.

Table 13: Net Borrowing and Lending by Financial Institutions (a)
(percentage increase year to quarter)

	1982	1983		1984
	June	June	December	June(p)
Borrowing (b)—				
Trading banks	14.5	6.8	4.2	7.0
Savings banks	7.5	18.1	23.7	16.4
Building Societies	10.0	12.3	12.9	14.7
Finance Companies	13.9	4.2	-3.3	1.7
Money Market Corporations	41.4	15.9	10.3	17.2
Other NBFIs (e)	18.6	26.6	13.6	24.0
Total (d)	14.0	11.4	9.9	11.7
of which:				
Banks (e)	11.4	12.1	13.2	11.1
Non-banks	18.3	11.5	6.5	12.3
Lending (f)—				
Trading banks	15.7	7.2	10.4	11.7
Savings banks	11.5	20.1	17.4	14.7
Building Societies	10.8	9.8	9.5	13.8
Finance Companies (c)	15.6	3.9	-1.6	3.6
Money Market Corporations	41.9	16.8	7.2	15.0
Other NBFIs (d)	21.8	20.2	16.4	19.5
Total (g)	16.7	11.1	8.8	11.8
of which:				
Banks	14.1	11.8	13.0	12.8
Non-banks	19.6	9.8	5.1	11.6

(a) Including trading and savings banks, and corporations registered under the Financial Corporations Act (with assets exceeding \$5 million). Underlying data are monthly averages; interpolated data are used for savings banks and NBFIs. All figures are percentage increases over the year to the quarter shown.

(b) For banks defined as 'total deposits' (excluding external territories); for non-banks defined as 'borrowings from residents' but excluding, where possible, borrowings from related corporations, other non-bank financial intermediaries and banks.

(c) Including FCA categories 'credit co-operatives', 'authorised money market dealers', 'pastoral finance companies' and 'general financiers'.

(d) The consolidated 'total' is derived from the sum of the two component items by deducting 'cash and bank deposits' of the NBFIs.

(e) M3 minus currency and deposits of the non-bank public with the Reserve Bank.

(f) Defined for banks as 'loans, advances and bills discounted'; defined for non-banks as the sum of 'loans, advances and deposits that are not marketable securities', 'bills of exchange and promissory notes discounted and held' and 'other assets arising from the provision of finance' (but excluding loans to related corporations).

(g) The consolidated 'total' is derived from the sum of the foregoing items by deducting, where possible, lending by banks to NBFIs except authorised dealers. (Lending by banks to authorised dealers is excluded from bank 'loans, advances and bills discounted'.)

(p) Preliminary.

The Monetary Aggregates

Factors contributing to monetary growth during 1982-83 and 1983-84 are shown in Table 14, while Table 15 presents growth rates of the various aggregates since 1980-81.

Table 14: Money Formation (\$ million) (a)

	1983-84			
	1982-83	1983-84	6 months to December	6 months to June
Budget Deficit	4 473	7 961	7 879	8 259
Foreign Exchange Transactions (b)	1 875	1 338	2 596	-1 129
Other (c)	-147	487	-335	823
CHANGE IN PRIVATE SECTOR LGS/SRD (d)	6 201	9 786	10 140	-354
Less Net Sales of CGS to private sector (d)	5 682	8 692	8 988	-296
Other (e)	-54	-4	43	-47
CHANGE IN MONEY BASE (f)	465	1 090	1 195	-105
Purchases of CGS by banks	1 516	1 682	2 235	-554
Change in bank advances	5 329	5 787	3 116	2 672
Other (g)	410	-1 087	-1 200	113
CHANGE IN VOLUME OF MONEY (M3) (h)	7 720	7 472	5 346	2 126
Purchases of CGS by NBFIs	296	582(p)	732	-150(p)
Change in NBFIs advances	3 794	5 464(p)	2 183	3 281(p)
Other (i)	-118	-824(p)	-172	-652(p)
CHANGE IN BROAD MONEY (j)	11 692	12 694(p)	8 089	4 605(p)
Net Sales of CGS to private sector comprising:				
Banks	1 516	1 682	2 235	-554
NBFIs	296	582(p)	732	-150(p)
Other (k)	3 870	6 428(p)	6 021	408(p)
Change in money base of which:				
Currency held by private sector	548	981	980	1
Deposits of the private sector with the RBA	-84	110	215	-105

(a) First five rows of the table are on a last day basis; private LGS/SRD and CGS (excluding IEDs) are measured at face value basis. Remaining figures are on a monthly average basis.

(b) Foreign exchange transactions are defined as change in gold and foreign exchange reserves less valuation effects less net overseas raisings by the Commonwealth.

(c) Includes miscellaneous accounts of the private sector with the Reserve Bank and miscellaneous factors nec.

(d) 'Private' is defined to exclude the Reserve Bank, Commonwealth Trust Funds and State Governments.

(e) Timing discrepancy reflecting the difference between the money base measured on a last-day basis and on a weekly average basis.

(f) Money base is defined as the private sector's holdings of notes and coin plus deposits of the private sector with the Reserve Bank (including SRD accounts).

(g) Other net assets (excluding notes and coin, SRD accounts and other accounts with the Reserve Bank) of banks.

(h) Defined as currency of the non-bank private sector plus bank deposits of the non-bank private sector.

(i) Other net assets (excluding notes and coin) of non-bank financial intermediaries and cash management trusts.

(j) The non-financial intermediary public's holdings of currency and deposits with financial institutions (including trading and savings banks and registered financial corporations excluding 'intra-group financiers' and 'other financial corporations'). Cash management trusts are included from January 1983.

(k) Includes a timing discrepancy since the total is on a last day basis.

(p) Preliminary.

Table 15: Growth Rates of Selected Financial Aggregates (a) (per cent)

	1980-81		1981-82		1982-83		1983-84	
	June	June	December	June	December	June	June	
Money Base (b)	10.4	12.4	8.8	6.3	10.3	12.1		
M1 (c)	11.9	2.1	-0.7	4.7	12.6	10.5		
M2 (d)	15.2	14.3	11.3	7.6	6.1	7.8		
M3 (e)	12.6	11.5	10.4	11.8	13.2	11.4		
Broad Money (f)	15.5	14.0	12.5	11.2	10.0	(p) 11.3		

- (a) Growth rates are for the year to the quarter shown, using quarterly figures based on monthly average data.
- (b) Defined as the private sector's holdings of notes and coin plus its deposits with the Reserve Bank (including SRD accounts).
- (c) Defined as the non-bank sector's holdings of notes and coin, deposits with the Reserve Bank and current deposits with trading banks.
- (d) 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.
- (e) Defined as M2 plus the non-bank sector's deposits with all savings banks.
- (f) Defined as M3 plus changes in public (non-financial intermediary) deposits with corporations registered under the Financial Corporations Act (excluding 'intra-group financiers', other non-bank financial corporations and retailers) and, from January 1983, cash management trusts. Data are interpolated where necessary to yield average of month figures.
- (p) Preliminary.

The *money base* is a measure of the supply of very liquid assets to the financial system. It consists of notes, coins and deposits (including Statutory Reserve Deposit Accounts) with the Reserve Bank. This measure increased by 12.1 per cent over the year to the June quarter 1984, following growth of 6.3 per cent over the previous year.

The *volume of money*, M3, increased by 11.4 per cent over the year to the June quarter 1984, thus falling within the revised conditional projection range of 10 to 12 per cent announced in December 1983. Although annual rates of M3 growth slowed during the second half 1983-84, this outcome was influenced by uneven growth in the previous year as well as policy action to moderate monetary growth following the large injection of liquidity from the external sector prior to the float.

Broad money grew slowly in the first half of the year but accelerated thereafter. By the June quarter 1984, the growth of this aggregate was close to that of M3, suggesting that normal cyclical influences were again the main determinants of relative growth in these aggregates rather than deregulation and re-intermediation which, for a period, had exerted some influence.

Balance of Payments

The current account deficit increased by \$0.5 billion in 1983-84 to \$6.7 billion. Net apparent capital inflow declined by \$0.1 billion from its 1982-83 level to \$8.5 billion. Table 16 shows major balance of payments aggregates for recent years. Table 17 shows quantity and price movements relating to trade in goods and services.

The small rise in the overall current account deficit masked sizable and divergent movements in its main components (Chart 15). The balance of trade improved from a deficit of around \$1 billion in 1982-83 to a surplus of around \$0.2 billion in 1983-84. A 15 per cent rise in export receipts outweighed a 9 per cent rise in import payments. The net invisibles deficit widened, however, increasing by 32 per cent to \$6.9 billion, largely because of a sharp rise in servicing payments on the stock of foreign debt and direct foreign investment.

Table 16: Balance of Payments: Main Aggregates (\$m, not seasonally adjusted)

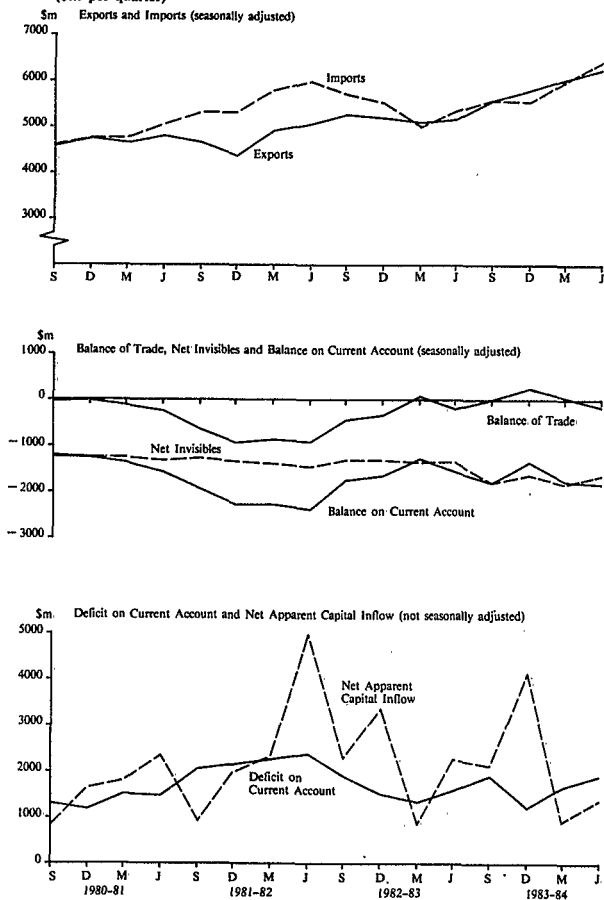
	1981-82		1982-83		1983-84	
	Year	Year	Year	I	II	
Current account—						
Exports	19 083	20 656	23 725	11 405	12 320	
Imports	-22 379	-21 610	-23 494	-11 234	-12 250	
Trade balance	-3 296	-954	231	171	60	
Net invisibles	-5 519	-5 234	-6 928	-3 297	-3 631	
Current account balance	-8 815	-6 188	-6 697	-3 126	-3 571	
Capital account—						
Government securities	541	967	998	842	156	
Securities domiciled overseas	368	582	361	448	-87	
Securities domiciled in Australia	173	385	637	394	243	
Other government	-30	-171	-582	-329	-254	
Total government capital	511	796	416	513	-97	
Trade credit net	198	-301	-54	108	-162	
Foreign investment in enterprises in Australia—						
Undistributed income	238	-511	360	180	180	
Other	9 133	9 083	7 584	4 352	3 232	
Other private capital and balancing item	90	-444	241	1 105	-864	
Net apparent private capital inflow	9 658	7 828	8 131	5 745	2 386	
Net apparent capital inflow	10 169	8 624	8 547	6 258	2 290	
Net official monetary movements	1 354	2 436	1 850	3 132	-1 282	
Current account deficit as a percentage of GDP	5.9	3.8	3.6	3.3	3.9	

Table 17: Movements in Exports and Imports at Constant Prices (a)

	1981-82		1982-83		1983-84	
	Year	Year	Year	I	II	
Volumes						
Rural exports	1.2	-5.3	2.3	5.1	46.6	
of which:						
Meat	-3.5	12.2	-26.8	-21.5	-34.0	
Cereals	9.6	-28.2	41.7	43.8	402.2	
Sugar	-0.1	4.0	-7.0	-18.4	54.4	
Non-rural exports	1.4	7.6	12.3	17.6	6.8	
of which:						
Mineral fuels	12.1	13.0	22.6	24.1	24.0	
Metal ores and minerals	-8.2	3.1	7.4	27.2	2.5	
Total exports of goods	1.3	1.8	8.1	13.3	21.0	
Total imports of goods	12.4	-10.8	6.1	13.3	25.0	
of which:						
Fuels	0.2	-5.6	-23.4	-37.9	56.0	
Machinery and transport equipment	15.4	-13.5	3.2	12.7	11.2	
Chemicals	10.2	-9.7	19.1	28.4	29.9	
Imports of goods and services	1.0	1.3	7.2	11.8	17.5	
Total imports of goods and services	11.2	-9.7	5.8	12.7	14.0	
Implicit price deflators						
Exports of goods and services	2.0	6.7	6.1	7.8	-1.4	
Imports of goods and services	3.8	8.5	2.3	1.4	6.4	
Terms of trade (b)	-1.8	-1.7	3.7	6.3	-7.3	

- (a) Percentage change on previous period. 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.

Chart 15: Recent Trends in Australia's Balance of Payments
(\$m per quarter)



Although the dollar value of the current account deficit rose in 1983-84, the deficit as a percentage of GDP declined to 3.6 per cent compared with 3.8 per cent in 1982-83 and 5.9 per cent in 1981-82. As 1983-84 progressed, however, the trend in the current account deficit became adverse; imports were rising even faster than domestic demand and the net invisibles deficit was consistently larger than in the previous year.

Export receipts increased by 15 per cent in 1983-84, reflecting an increase of about 8 per cent in volumes and an increase in prices of about 6 per cent. The main impetus to volume growth came from non-rural exports (particularly iron ore, petroleum, steaming and coking coal and alumina and aluminium). This reflected additions to capacity and greater capacity utilisation in the resource sector, the competitiveness of Australian raw materials production (which was maintained in some instances eg, coal and iron ore, only by cuts in contract prices) and the pick-up in world economic activity. Rural export volumes picked up a little from the previous year. High cereal export volumes in the second half of the year were largely offset by drought-induced falls in the volume of meat and sugar exports.

Average rural export prices were buoyed up by rises in meat and sugar prices. On the other hand, non-rural export prices recorded only a small increase as reductions in contract prices for iron ore and coal largely offset rises in other non-rural prices.

The total value of imports rose by 9 per cent in 1983-84 reflecting an increase in volumes of about 6 per cent and a rise in prices of about 2 per cent. Strengthening domestic demand (including private investment demand) during the course of the year and the turnaround in the stock cycle contributed to this rise, particularly in the second half of the year. Offsetting this was a substantial decline in petroleum imports facilitated by higher levels of domestic production of crude oil.

The net invisibles deficit grew by 32 per cent in 1983-84. Improved corporate profitability resulted in a rise in earnings on direct foreign investment, including higher retained earnings as well as higher profit remittances abroad. The build-up in foreign debt from high net capital inflows in recent years raised interest payments abroad and the rise in imports during 1983-84 increased freight payments abroad.

Total net apparent capital inflow was \$8.5 billion in 1983-84, well in excess of the current account deficit. As is evident from Chart 15 this resulted from large private capital inflows in the early months of 1983-84, particularly in the December quarter. These inflows were largely speculative, based particularly on an expectation of a revaluation of the Australian dollar. Net apparent private capital inflow in the six months ending December 1983 was \$5745 million, almost double the current account deficit.

Since the floating of the dollar on 12 December 1983, net apparent private capital inflow has been much lower. In the six months ending June net apparent private capital inflow was \$2387 million, much the same as the private sector's current account deficit.

Government capital transactions resulted in a net inflow of \$416 million in 1983-84 compared with \$796 million the year before. The inflow reflected net sales of Commonwealth securities (issued both abroad and in Australia) to non-residents of \$998 million, which more than offset an outflow on other transactions, principally prepayments for major items of defence and transport equipment, of \$582 million.

At end-June 1984 official reserves stood at \$12.4 billion, an increase of \$1.7 billion from the level at end-June 1983. Balance of payments transactions increased reserves by \$1.9 billion while revaluations (which arise from changes in the value of the \$A and in the price of gold) reduced reserves by \$0.2 billion. Foreign exchange reserves stood at \$8.6 billion at end-June 1984 compared with \$6.9 billion at end-June 1983. Reflecting high levels of private capital inflow prior to the float, official reserves at end-December 1983 were \$2.6 billion higher than at end-June 1983. During the second half of the year official reserves were run down by \$0.9 billion, mainly through the funding of the overseas component of the budget deficit.

Foreign Exchange Developments

Comprehensive measures to deregulate Australia's foreign exchange market were implemented in 1983-84. On 28 October 1983 the Reserve Bank implemented a number of adjustments to Australia's foreign exchange arrangements. They included the decision to substantially deregulate the official forward market (which at that stage accounted for less than 20 per cent of all forward exchange and hedge covering in Australia). At the same time the setting of the official \$US/\$A rate at the end of the day rather than, as before, at 9.30 a.m. was aimed at stemming 'within day' speculation against the official rate. For a short time thereafter, net foreign exchange inflows subsided.

However, by late November, inflows had again gathered strength. Along with its decision to allow the dollar to float from 12 December 1983 the Government also decided that a major part of the exchange control restrictions, which had been designed principally to support the administered exchange rate arrangements by limiting the opportunities for international capital flows, should be abolished.

At the same time the Reserve Bank announced that it would not generally be intervening in the foreign exchange market, while retaining a discretion to do so. Intervention could be required from time to time to test market trends or to smooth the impact that large transactions might otherwise have on the exchange rate. The Bank also announced that it would be making market purchases and sales of foreign exchange arising from transactions with its clients, including the Commonwealth Government. It would not be aiming to produce any particular exchange rate outcome—although transactions would of course have some effect on the rate.

In view of the heavy net inflows prior to the float and the impact these had on domestic liquidity conditions, the Bank took a number of opportunities subsequently to sell foreign exchange. These included:

- the sale of all of the net \$US300 million in forward exchange contracts outstanding when the Bank withdrew from the forward exchange market at the end of October 1983;
- sale of the equivalent of the final proceeds, received in February 1984, of a borrowing in the United Kingdom, undertaken and announced in October 1983; and
- net sales of foreign exchange as a result of the Bank testing and smoothing foreign exchange market conditions.

Since the float, the Bank also funded the Commonwealth Government's foreign exchange needs for the remainder of 1983-84 out of official foreign exchange reserves.

On 10 April 1984 the Treasurer announced the Government's decision to increase the number of foreign exchange dealers by authorising non-bank financial institutions that met certain criteria and agreed to certain conditions to deal in foreign exchange. The Treasurer subsequently announced that some 40 new dealers would be so authorised. In addition, as from 25 June 1984—the day on which the first of the new dealers commenced operations—the previous prohibition on the covering of non trade-related risks (in particular, capital) in the banks' forward market was removed. These decisions were designed to contribute to a deeper and more efficient foreign exchange market.

The decisions to deregulate the foreign exchange market both reflect and respond to the increasing integration of Australia into the international capital market. They should also be seen as part of policy to remove unnecessary ineffective regulation in the interests of greater efficiency.

In response to the large net foreign exchange inflow in the period prior to the float, the \$A strengthened steadily during most of the first half of 1983-84. This coincided with a weakening of the US dollar on world markets for some time after August in response to lower US interest rates. On 8 December 1983, immediately prior to the float, the \$A stood at \$US0.9025 and 81.4 in trade weighted terms, 3.2 per cent and 4.8 per cent higher respectively than at end-June 1983.

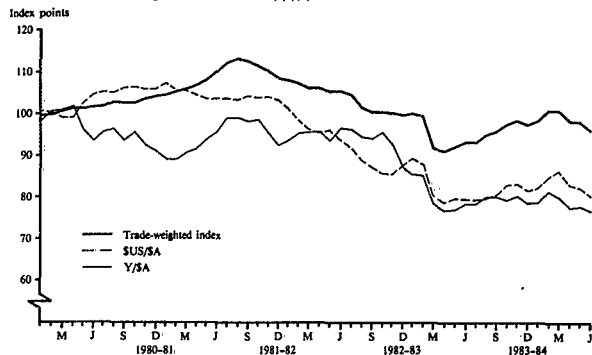
Since the float the \$A has, predictably, fluctuated more widely in response to the demand for and supply of foreign exchange. The dollar's variability has not generally, however, been out of line with the experience of other floating currencies over this period—which has been a time of considerable and fluctuating pressures in exchange markets the world over.

As indicated in Chart 16, the \$A reached its peak for the post-float period (and for 1983-84) in mid-March, both against the US dollar and on a trade-weighted basis. The main factors underlying the strengthening of the dollar at this time were a weaker US dollar on international markets, increases in domestic interest rates and an apparently improved current account performance.

Between this peak and end-June the \$A fell back by 10.8 per cent against the US dollar and by 7.5 per cent on a trade-weighted basis. This substantial weakening has been occasioned largely by the significant rebounding of the US dollar associated with increases in US interest rates and the continued strength of the US recovery. An easing of domestic interest rates associated with the passing of the seasonal tax rundown period has also contributed. The \$A also declined significantly over this time against the other major currencies—5.8 per cent against the Yen, 4.5 per cent against the Deutschemark and 3.9 per cent against Sterling.

These considerable changes within the year were, to a large extent, offsetting. Over the year to end-June the \$A rose 2 per cent on a trade-weighted basis. There were appreciations against the currencies of two of our major trading partners—the Federal Republic of Germany (7.7 per cent) and the United Kingdom (11.3 per cent)—and more modest depreciations against the US dollar (1.5 per cent) and the Yen (2.3 per cent).

Chart 16: Movements of the Australian dollar against Selected Currencies and in the Trade Weighted Index (March quarter 1980 = 100) (a)/(b)



(a) Upward (downward) movements represent appreciation (depreciation) of the \$A against other currencies.
 (b) Rates calculated as monthly averages.

PART II: INTERNATIONAL ECONOMIC CONDITIONS AND PROSPECTS

The strengthening in international economic activity, which emerged initially in the United States late in 1982, intensified and became more widely spread during the first half of 1984. For OECD countries as a group, some slowing is expected in the second half of 1984 and in 1985, mainly from an expected reduction in growth in the United States.

Real GNP in the United States is estimated to have risen by 3.7 per cent in 1983 and at a seasonally adjusted annual rate of 8.4 per cent in the first half of 1984. The recovery in the United States was influenced, in the first instance, by falling inflation and tax cuts, and was initially concentrated in a pick-up in personal consumption expenditure and residential investment and a slowing in the rate of inventory decumulation. The strengthening in final sales, which exceeded expectations, together with reduced wage and price inflation and increased business profitability (partly induced by tax cuts), subsequently contributed to a surge in business fixed investment. For 1984 as a whole, real GNP growth in the United States is now forecast to exceed 6 per cent. Growth of that order is not expected to be maintained beyond 1984 and the rate of economic expansion should ease in 1985 as stock building runs its course, as the economy moves nearer to capacity and as high interest rates take their toll of consumption and investment.

In Japan, a modest strengthening in economic activity developed in mid-1983 and real GNP rose by 3.0 per cent for 1983 as a whole. The initial impetus to faster growth came mainly from a boost in export demand which, in turn, was largely a consequence of the strong turnaround in the United States economy and the gain in Japanese competitiveness from the strengthening of the US dollar relative to the Japanese yen. Public fixed investment also made a substantial contribution to the initial recovery in domestic demand. The recovery became more broadly based in the second half of 1983, with strengthening private consumption and investment aided by a decline in real oil prices. Domestic demand now rivals exports as the principal source of growth and GNP is expected to grow by over 4½ per cent in 1984. The rate of expansion of the Japanese economy is currently forecast to moderate to a seasonally adjusted annual rate of around 3½ per cent in the first half of 1985.

In Western Europe the recovery is less well developed and more disparate and seems likely to remain fragile until private investment strengthens. A gradual recovery has been under way in the United Kingdom since mid-1981, with the rate of growth of GDP rising to a relatively strong 3.2 per cent in 1983 and edging up further in early 1984 prior to the national coal strike. In the Federal Republic of Germany, negative growth in 1982 gave way to a modest increase in output in 1983. Output there also has recently been adversely affected by a major industrial dispute, now concluded. Even so, of the major European economies, these countries appear to have the best growth prospects in 1984—with real GDP expected to increase by around 2½ per cent in the United Kingdom and by around 3 per cent in the Federal Republic of Germany. In France, marginal growth was achieved in 1983 and the rate of expansion is expected to remain modest during 1984, while growth in Italy is expected to resume following the decline recorded in 1983. For the smaller OECD industrial countries, real GDP growth is expected to rise from 1.6 per cent in 1983 to around 2½ per cent in 1984.

For OECD countries as a whole, the rate of real GNP growth is expected to be around 4½ per cent in 1984 compared with an estimated 2.4 per cent in 1983, but is currently forecast to slow to around 2½ per cent in 1985.

Real growth in non-oil developing countries is estimated to rise from 1½ per cent in 1983 to 3½ per cent in 1984. For the oil-exporting developing countries, there could be an expansion of around 4½ per cent in real terms in 1984, following four years of falling GNP (partly reflecting a sharp curtailment of government spending associated with falling demand and prices for OPEC oil during that time). Very recent developments in international oil markets cast something of a cloud over prospects for this group of countries.

The average inflation rate (as measured by private consumption deflators) in OECD countries fell from a peak of 11.1 per cent in 1980 to 7.9 per cent in 1982 and continued to decline to around 5½ per cent in 1983, reflecting subdued wage settlements, moderate increases in commodity prices and substantial productivity growth.

After two years when sharp falls were recorded, non-oil commodity prices increased, on average, by some 7 per cent (in US dollar terms) in 1983. This rise in commodity prices is, however, considerably weaker than that experienced in the previous (1976-77) economic recovery. The main restraining influences on commodity prices during the present recovery appear to have been the dominance of the strong recovery in the United States (which is generally less dependent than Europe and Japan on imported primary commodities), the earlier build-up of excess productive capacity and stockpiles, the sharp appreciation of the US dollar (which has added to the cost of raw materials in currencies other than the US dollar and had a dampening effect on demand), the general slowing in inflation and the propensity of countries experiencing balance of payments difficulties to cut imports and press exports (including, in both cases, of primary commodities). The high level of real interest rates in the last few years may also have constrained the level of final product inventories and hence the demand for raw materials.

The average price (cif) of crude oil imported into OECD countries declined by 15 per cent in real US dollar terms in 1983. Very recently, spot prices of crude oil have again been under some pressure.

Unit labour cost increases in manufacturing averaged only 1 per cent in the seven major OECD economies in 1983. Given prevailing levels of price inflation and unemployment, wages are expected to continue to show modest growth, at least over the short term, and unit labour costs in manufacturing are expected to be largely unchanged in 1984.

Conditions in 1984 appear conducive to a continuation of the generally more moderate rates of inflation experienced recently. For the major economies, it is expected that inflation will remain around present levels in 1984 and into the first half of 1985. For the smaller industrial countries as a group, a downward trend in inflation is envisaged.

Corporate profits improved in most major economies during 1983 and further increases are expected during 1984. Real wage restraint, lower inflation, improved after-tax profitability and higher rates of capacity utilisation in industry have contributed to increased business fixed investment, particularly in the United States,

Japan and the United Kingdom. This upturn has come in the face of interest rates which have remained high, both nominally and relative to inflation. Elsewhere, however, there is as yet little sign of private investment showing the pick-up necessary for the upswing to be sustained.

Employment has expanded rapidly in the United States, where civilian employment increased by around 6.4 million between the cyclical trough in December 1982 and July 1984. More modest employment growth has been recorded in Japan (where unemployment however has been much lower), while in Europe employment levels have remained largely unchanged. The civilian unemployment rate in the United States fell from a peak of 10.7 per cent in November and December 1982 to 7.5 per cent in July 1984; the general prediction is for a further modest reduction in the period ahead. Little change in the unemployment rate is expected in Japan, where participation rates—particularly for females—have increased, while in Western Europe the slow pace of output and employment growth seems likely to result in further rises in unemployment. It is generally acknowledged that the recovery in output and employment in major Western European economies has been inhibited by a relative lack of flexibility and adaptation in product and factor markets—what has become known as 'Eurosclerosis'. This contrasts, for instance, with the United States.

The strength of recovery in the United States and the exceptionally strong rise in the value of the US dollar have been associated with a record US current account deficit. The deficit, which is stemming more from very rapid import growth than from abnormally low export performance, is expected to widen substantially in 1985. A record Japanese current account surplus is also expected to increase still further in 1985, with more normal current account positions being recorded in most other OECD countries and the current account deficits of the oil-exporting and non-oil developing countries should show some decline. There is, however, a large statistical discrepancy in global estimates of current account balances, and apparent trends in the external positions of major groups of countries need to be interpreted with some caution.

After falling by 2.7 per cent in 1982 and expanding by an estimated 2 per cent in 1983, the volume of world trade is expected to increase by around 7 per cent in 1984 and by 5½ per cent in 1985.

The OECD expects that the trend toward larger structural budget deficits from 1982 will be reversed during 1984, with an increasing such deficit in the United States being largely offset by fiscal restraint in other major economies and a more uniform trend to restraint than at any time since 1979 in most of the smaller industrial economies. In the years beyond 1985, the fiscal imbalance in the United States might be reduced a little, although attempts to agree on measures to achieve that outcome have met with limited success to date. Overall, budget deficits in the OECD area are expected to remain at a historically high level in relation to both GNP and household savings.

Monetary policy was tightened in the second half of 1983 in the United States, the Federal Republic of Germany and (to a lesser extent) the United Kingdom, as growth in monetary aggregates was brought back towards the upper limits of target ranges. In Japan, monetary policy has remained largely non-accommodating to inflation. For the OECD countries as a whole, monetary policy has generally remained firm and this is expected to continue with the lowering of monetary targets in the United States, the

Federal Republic of Germany, the United Kingdom and France. There is widespread recognition that the errors of the past, when monetary growth has too often been allowed to be overly expansionary in the early stages of recovery, must be avoided this time around.

Following the high levels reached in late 1981, nominal interest rates declined in 1982. While further declines have since been recorded in some countries, interest rates started to rise again in early 1984 in North America and the United Kingdom. In the United States, the surge in private credit demands accompanying the continuing expansion of the economy contributed to a rise in the prime lending rate of around 2 percentage points between March and June 1984. With generally firm, anti-inflationary monetary policies being pursued in the OECD area, and with budget deficits a continuing cause for concern, interest rates within that area are unlikely to show a substantial fall in the near term, if they do not actually rise further.

Although large fiscal deficits apply in nearly all industrial countries, the focus of concern is the present policy mix in the rapidly expanding and influential United States economy. Financial markets the world over remain sensitive to economic conditions and policies in the United States. Particular concerns are harboured about the possible clash of private and public sector credit demands under existing policies, and possible moves to alter monetary policy. Net borrowing by US non-financial sectors (seasonally adjusted) increased from \$US395 billion in 1982 to an annualized level of \$US557 billion over the six months to May 1984. While the recent tentative steps toward a 'downpayment' on the budget deficit indicate that the authorities are cognizant of the problem, the modest proportions of the package to date (especially as it relates to the period immediately ahead) will lend little, if any, assurance to financial markets in the next year or so. On present policies, the US fiscal deficit will not shrink significantly as recovery proceeds. Accordingly, the stock of public debt must be expected to continue to swell, with potentially grave consequences in terms of future budgetary tensions and strains on financial markets.

The imbalances in domestic US economic policy have international consequences. High US interest rates put enormous strain on heavily indebted developing countries and endanger rescue packages put together to assist the adjustment of those countries in financial difficulty. The domestic economic adjustments which clearly have to be made by many developing and Eastern European countries with debt problems have resulted, and for some time yet must be expected to continue to result, in constrained import capacity and lower rates of economic growth. While the pick-up in demand in the United States and other industrial countries has worked to raise export incomes in debtor countries, the beneficial effects upon debt servicing burdens have been largely offset by the recent further rise in interest rates in the United States and the associated strength of the US dollar (in which a great deal of the debt of these countries is denominated). Many major debtor countries continue to face formidable debt-servicing obligations, notwithstanding the recent rescheduling of large amounts of principal repayments. The easing of international debt problems will depend on continued global economic expansion. But sustained domestic economic adjustment by individual debtor countries, improving market access for debtor countries' exports and an adequate net flow of official and private capital to debtor countries to support the adjustment process will also be necessary.

Fears are also held that, if the necessary adjustment from the present abnormal pattern of exchange rates and current account balances is too precipitate, this could have disruptive consequences and pose threats to international stability, at least in the short term.

For most economies there remains an ongoing need to achieve macroeconomic balance by reducing inflation and budget deficits and ensuring that profitability is adequate to sustain recovery in business investment. But furthering the recovery is not just a matter of redressing macroeconomic imbalances. Policies are also necessary to improve the underlying structure of Western economies, particularly those which appear to have lost the dynamism and flexibility to generate strong growth. The poor employment record of Europe over the past decade, when compared with that of the United States, is an indication of the costs of harbouring market inflexibilities. There is also a need to strengthen the multilateral trading system and remove some of the protective measures—both covert and overt—that have been put in place over recent years. Countries like Australia, which can only gain access to world markets on the basis of relative efficiency, have a particular interest in such reforms.

PART III—POLICIES FOR SUSTAINED RECOVERY

As discussed in other parts of this Statement, the Australian economy rebounded strongly in 1983-84 as it emerged from the recession. While there are risks and uncertainties, the prospects are for a further year of firm growth in 1984-85. Wage increases have moderated and there has been a marked improvement in profits. The rate of inflation has declined towards that of our major trading partners. Employment is increasing strongly and unemployment has declined.

Australia has experienced other periods of strong growth in the past decade or so but none has been sustained for long enough to prevent a progressive increase in unemployment throughout the period. The overall performance of the economy since the late 1960s has been mediocre. Since that time, Australia's average real rate of growth has been only slightly above the much-reduced rate for the OECD as a whole, and somewhat below that average rate when measured on a per capita basis. Australia's unemployment rate has risen in line with that of the OECD region, our rate of inflation has tended to run ahead of the OECD rate, our share of world trade has fallen and so has our per capita income relative to that of many other countries both within the OECD area and outside it.

Australia's economic performance has, of course, been adversely affected by international developments in the past decade including higher inflation, slower growth in world trade, destabilising capital flows and heightened uncertainty. But the below-average performance of our economy has been sufficient to indicate that domestic influences have also played a part. It is the domestic constraints to economic growth over which governments have an influence. Accordingly, the question arises how, this time, the burst of growth might be brought to lead to a better outcome than the several spurts of the past decade or so.

The central elements of an answer to that question were clearly identified by the present Government in its early days of office. The major constraints to sustainable economic growth concern issues such as inflation and the related question of factor-share imbalances (and the way in which those are resolved) and questions of the efficient allocation of resources and the way in which improved efficiency is pursued. Those general rubrics lead into practical policy questions such as the means of obtaining restraint in the growth of wage costs (including the role of the Prices and Incomes Accord and its relationship with fiscal policy); the size of the public sector and of its borrowing requirement; the conduct of monetary policy; and the changing structure of the Australian economy and the effects thereon of both general and specific government policies.

This Part of Statement No. 2 looks briefly at some of those issues.

Prices and Incomes Policy

A key element of the Government's approach to the economy is the comprehensive prices and incomes policy based on the Accord between the Australian Labor Party and the Australian Council of Trade Unions. The policy, which recognises the need for restraint in income claims if there is to be a sustained recovery in economic growth and employment, has several important elements:

- emphasis on a central mechanism for wage determination based on the Australian Conciliation and Arbitration Commission;

- policies and institutional arrangements to influence the determination of non-wage incomes and prices as a complement to the system of wage determination;
- recognition of the many non-wage determinants of living standards, and the influence of government policy on those determinants;
- concern to achieve an equitable distribution of income; and
- much greater emphasis than hitherto on consultation between government, trade unions and employers on economic conditions and policy.

Real wages declined during 1983 as a consequence of the recession, the decline in the bargaining power of the trade unions and the formalization of that decline in the wage pause. Wherever wage pauses or freezes have been instituted, the transition back to 'normal' operating arrangements has involved problems. In Australia's case, however, the introduction of the Accord enabled that process to be entered upon without disruption.

The Accord has been put forward fundamentally as an instrument for achieving restraint when economic recovery proceeds far enough to place wage, price and income setters in a stronger market position to go their own ways. Given the strength of the economic pick-up so far, the Accord has been called upon to perform that task rather earlier than expected. The commitment by nearly all unions not to make extra claims outside the centralised framework has been clearly reflected in the figures for award wages, the growth of which has been confined to the increases flowing from indexation.

Maintaining income restraint over the medium term as recovery strengthens further will provide a continuing test of the Accord's effectiveness.

In that context, however, it should be noted that wages alone do not provide a complete picture of the development of overall labour costs. Non-wage labour costs ('on-costs') have, by all accounts, expanded even more rapidly than wage costs over the past decade or so. The lack of adequate data clouds the picture; but in at least some sectors of the economy, on-costs are now estimated to be about half as much as direct wage costs.

On-costs are, of course, just as inescapable a cost of employing labour, and therefore potentially as much an impediment to more jobs, as wages themselves. It would therefore be a matter for concern if success in holding wages to the path mapped out by the prices and incomes policy were to result in increased upward pressure on the non-wage component of the employment 'contract'.

Aspirations for wider and more generous superannuation cover are relevant in this context, but there are numerous other potential examples all of which fall within the terms of the Accord and are therefore the subject of consultation between the Government and the ACTU.

The deceleration in wages and the associated large reduction in real unit labour costs in Australia has been a most favourable development in terms of transforming the pick-up in the economy into a sustained recovery. It has enhanced the prospect of higher investment and of increased employment attendant upon that investment. The rate of unemployment remains, nevertheless, very high by the standards of the early 1970s, despite a restoration of the balance of factor shares to what pertained at that time. That has, of course, been a very recent development and its full implications for employment are no doubt yet to be seen.

The high rate of unemployment also reflects the major adjustments to the labour force in the recession, the changing structure of the economy and the fact that some workers retrenched from declining industries during the recession have not yet acquired the new skills necessary to regain employment. The relatively low average level of private business investment during the past decade and the associated impact on the (continually ageing) private capital stock have contributed to lower demand for labour. Given the prospect of a fairly strong growth in aggregate demand in the period immediately ahead, employment growth would be stronger and unemployment lower if the recent adjustment in the relative cost of labour were at least maintained. Equally, employment will be stronger the higher the rate of private investment.

From a medium-term perspective, an important issue is that the present approach to wage determination and the emphasis on uniform percentage increases provides little scope for changing wage relativities. This is an inevitable consequence of a wages policy that must place priority on reducing the overall rate of wage increase and inflation in the economy. The challenge will be to devise and implement adjustments to the system that allow for greater flexibility in relativities without precipitating an acceleration in the overall level of labour costs in Australia such as we have seen in the past.

The Government has put in place a prices surveillance mechanism that recognises that the best form of price control is generally the effective operation of competitive market forces. The Prices Surveillance Authority is to focus its activities on areas where effective competition is not present and where price and wage decisions have pervasive effects throughout the economy, consistent with the need to minimise intrusion into business activities. The policy also recognises the importance of adequate profits for increased investment and employment in the private sector.

Fiscal Policy

The Government's basic approach to fiscal policy has been to provide the maximum direct stimulus to demand considered consistent with avoiding inflationary pressures.

At the time of the 1983-84 Budget, with the economy still deep in recession, a substantial fiscal stimulus was considered appropriate—subject to the intention, announced at that time, to reduce the degree of stimulus as private sector demand recovered.

The economy responded strongly in 1983-84, vindicating that initial policy approach. Early in the 1984-85 budgetary processes, therefore, the Government made known its intention to reduce the budget deficit in the forthcoming year.

That fiscal policy objective, however, had to be reconciled with the intention to provide significant taxation reductions to lower and middle income earners and the desire to increase social welfare payments to the genuinely needy.

In framing the 1984-85 Budget, the task of meeting the fiscal policy objective was eased by the unusually strong growth in revenues which this second year of strong recovery will produce: the particular conjuncture of healthy growth in the current year revenue base and lagged effects of those major revenue items—company and other individuals personal income tax—which derive from the very sharp lift in the incomes concerned in 1983-84. As detailed in Statement No. 4, those effects were such as to yield increased revenue, before new measures, of \$9.7 billion or 20 per cent in 1984-85.

Beyond that, as noted, scope had to be found for significant personal income tax reductions. The revenue cost of those tax reductions in 1984-85 is about \$1.3 billion, reducing the net increase in revenue (before any other measures) to about \$8.4 billion or 17 per cent.

Constraining outlays growth to within the limits imposed by that revenue growth while providing for a significant reduction in the budget deficit, was rendered difficult by the extent to which budget outlays have become increasingly 'locked-in' over successive years by processes of indexation, forward commitments and the like.

For 1984-85, two particular items have been of notable importance in terms of their contribution to outlays growth: first, the full-year operation of Medicare which, alone, contributes about 2.2 percentage points of the total 6.1 per cent real growth in outlays; and, secondly, escalating public debt interest payments—the legacy of past budget deficits and their necessary financing—which, in 1984-85, will contribute a further 1.6 percentage points to aggregate outlays growth.

Beyond those two specific items, the full-year cost of other programs introduced in 1983-84 has made a contribution to the overall increase in 1984-85 outlays growth.

Notwithstanding this, outlays are budgeted to rise by 13 per cent in 1984-85, an increase which is lower than the outcome for any year since 1979-80, and follows an increase of 15.6 per cent in 1983-84. In real terms the estimated outlays growth is 6.1 per cent compared with 7.7 per cent in 1983-84 and 6.5 per cent in 1982-83 and the average of 4.6 per cent for the ten years to 1983-84.

In the event, the balancing of fiscal policy objectives with other policy requirements produced a reduction in the budget deficit for 1984-85 of \$1.2 billion and in the domestic deficit of \$1.6 billion, in line with the basic objective of reducing the total public sector borrowing requirement as that of the private sector expands.

The borrowing requirement of the State and local government sector (excluding Commonwealth net advances to the States) rose from around 1 per cent of GDP in the late 1960s to 3.3 per cent in 1983-84. In recent years, the growth of that borrowing has gone well beyond limits set by Loan Council and, during the early 1980s, authorities made increasing, and increasingly blatant, resort to forms of financing which circumvented Loan Council control.

In 1984, steps were taken to bring all forms of borrowing within a 'global allocation' for all State and local government authorities; a similar approach was agreed in respect of Commonwealth and Territory off-budget authorities. Within that global total, the States have been given considerable freedom over the nature of the borrowing that their authorities might undertake. However, with the taxation advantages of lease-type financing now much diminished, it might be expected that there will be greater resort to conventional borrowing methods.

For 1984-85, the global allocation for State and local government authorities was set at the same money level as in 1983-84, implying some fall in real terms and in proportion to GDP from 3.7 per cent to 3.3 per cent. On the Commonwealth side, the reduction in the budget deficit for 1984-85 will be partly offset by increased borrowings by Commonwealth authorities. In total, the public sector borrowing requirement (PSBR) is estimated to decline from around 8 per cent in 1983-84 to around 7 per cent in 1984-85.

Looking beyond this year, there is a clear need for the PSBR to be further reduced if the economic recovery is to be sustained. Experience this year with the global approach should provide some basis for consideration of how its objectives might be further extended. Not unrelated to that consideration will be the review, in 1985, of the tax sharing arrangements and the study presently under way on the distribution of tax powers between the Commonwealth and State governments. The question of tax reform more generally is also likely to be high on the agenda of governments.

In the end, the perennial problem of controlling the growth of outlays is unlikely to be significantly reduced by any mere institutional arrangements. That problem will remain to be solved primarily by discretionary government action to reduce outlays, to redirect them to areas of greatest need and to improve the efficiency of programs.

Monetary Policy

As discussed in earlier years in this Statement, the long and variable lags with which monetary policy affects the economy suggest that monetary policy should be formulated having regard to the Government's medium-term objectives. While there is legitimate debate regarding the influence of monetary factors on the level of activity and the rate of inflation in the short term, there is broad agreement that, over the medium term, growth of the monetary aggregates is an important influence on the rate of inflation. At the international level, the much faster growth in world liquidity since the late 1960s is seen as one of the more important factors contributing to the sharp acceleration in inflation in the industrial countries since that time, and most countries now regard monetary control as an essential ingredient of anti-inflationary policy. Moreover, there is now general agreement that past errors of monetary laxity have been most damaging in the early stages of recovery. The success of monetary policy in Australia in 1983-84 is the more significant in that context.

As noted in Part I of this Statement, the monitoring of monetary conditions in recent times has been complicated by the deregulation of the banking system and continued financial innovation. Over the past 20 years or so, the non-bank financial sector has tended to grow faster than the more regulated banking sector. More recently, however, the trend towards increased flexibility in domestic financial markets has been associated with deregulation of the banking sector. That process was carried further in the removal from 1 August, 1984 of the maturity controls on deposits of the trading and savings banks. In the immediate future the banks' balance sheets can be expected to grow somewhat faster than normally. How much faster remains uncertain but growth in M3 is likely to be closer to, or even above, growth in broader aggregates such as 'Broad Money' than in the past. This process of potential re-intermediation will occur primarily in the form of competition for short-term deposits. The present holdings of such deposits by merchant banks and, to a lesser extent, permanent building societies and credit unions is very large even in relation to M3. The potential for the M3 measure to be distorted by this process is correspondingly high. Growth in these broader aggregates is largely unaffected by the recent institutional changes and will, therefore, provide an important guide to underlying monetary conditions in the period ahead.

Apart from these immediate considerations relating to re-intermediation, the growing complexity of the financial system (including the high degree of substitution between bank and many non-bank deposits) underlines the need for the authorities to monitor and influence the growth in total borrowing and lending.

Trends in the broader aggregates (and in financial conditions generally) have been closely monitored in recent years, but the main focus of policy has been the growth of the measure M3, reflecting the key role of the banking sector in the financial system. That measure sits toward the middle of the spectrum of monetary aggregates. At one end of that spectrum, there are very narrow aggregates comprising those most liquid assets which provide the underpinning for lending by the banks and other financial institutions. At the other are the broader aggregates such as 'Broad Money' which go beyond what is normally regarded as 'money' but the expansion of which is clearly related to total transactions in the economy.

By controlling the lending capacity of the banks, governments have been influencing liquidity conditions within, and lending by, the financial system as a whole. Control of the growth in bank deposits (and therefore lending) has been based on controlling growth in the Liquid and Government Securities (LGS) assets of the banks—that is, the holdings of cash plus Commonwealth Government securities (CGS), on which bank lending has been based.

The focus on growth of the banks' LGS assets has reflected the historical importance of the liquidity conventions under which CGS holdings are counted as part of a bank's liquidity. Since CGS holdings of the banks are part of what was considered to be the LGS 'fulcrum' of the banking system, the authorities have also had to be concerned with the split in sales of CGS to the banks and the non-bank public. That approach has effectively treated all CGS holdings as being highly liquid. Under a market-oriented system for selling government securities, the banks must necessarily be concerned with the composition of their LGS assets and the costs of converting those securities to cash as the need arises. Control of the banks' balance sheets thus rests more squarely now on control of what has become known as the 'money base'.

Capacity to control the very liquid assets of the banks was considerably enhanced by the introduction in 1982 of the tender system for selling Commonwealth Treasury Bonds. In addition, the Reserve Bank has increasingly operated to influence liquidity conditions through open market operations and its re-discount facility. However, until the floating of the Australian dollar in late 1983, a tightening of the liquidity base could always be relieved by funds brought in from overseas if there were a demand for them at the newly-prevailing interest rates. Neither the primary issue of CGS nor the operations of the Reserve Bank could necessarily be relied upon fully to have their intended effects on the liquidity available to the system.

Under the current exchange rate regime, by contrast, the money base of the financial system cannot be varied by the external transactions of financial institutions. Additions to the money base are now basically determined by the budget deficit, the Government's net CGS sales and transactions of the Reserve Bank with the non-official sector. Given that the private banks and other deposit-taking institutions have to hold (or have ready access to) a certain amount of cash for prudential purposes, operations in CGS now provide a firmer lever for control of the liquidity of the financial system.

Floating of the Australian dollar has, therefore, given the authorities greater scope to conduct an independent monetary policy. However, insulating the domestic economy from destabilising capital flows in this way necessarily means accepting greater fluctuations in the exchange rate. This is not always straightforward; international experience testifies that foreign exchange markets can get out of kilter with the underlying competitive positions of economies.

While external factors can often predominate in the determination of the exchange rate in the short term, the underlying position must necessarily come back to the soundness or otherwise of domestic economic policies. Growth in the monetary aggregates is obviously an important factor in that but it is only one of a number—including fiscal conditions, wage and price developments and structural policies—shaping expectations about the soundness of a currency.

The decision to float the exchange rate in December 1983, together with the concurrent, and in many respects more important, decision to remove virtually all exchange controls, has integrated the Australian economy more closely with the international financial system than ever before in the post-war period. The float has given the authorities much greater scope to influence domestic monetary developments but it has also increased the need for the settings of monetary policy to be—and be seen to be—appropriate. If policies are perceived to be inappropriate this will quickly be reflected in the exchange rate with potentially disruptive effects on domestic economic performance.

The Dynamics of Growth

The commentary above has concentrated on the main elements of macroeconomic policy and prices and incomes policy which are presently the focus of attention and which, in the main, have been central to the formulation of the 1984-85 Budget.

Such policies are always important. It is worth recalling, however, that even in the 1950s and 1960s, when macroeconomic policies were conducted considerably more successfully than in the 1970s and, to date, the 1980s, Australia's economic growth rates generally lagged behind the OECD average.

At the risk of some over-simplification, it can be said that, in the main, this was the result of inappropriate microeconomic policies—excessive regulation (including, needless to say, in the financial sector) and protection in its many guises.

In the end, no amount of manipulation of the instruments of macroeconomic control can transform a non-competitive, inflexible and sluggish economy into one which can generate strong economic growth. The dynamics of growth spring from the ability to adjust to changing circumstances. Regulation and protection can impair that ability. The short-term benefits from increased protection and other forms of assistance distract from more substantial adverse effects over the longer term. Without competitive pressures, industries may have little incentive to pursue productivity gains—and there may be little incentive also for both human and capital resources to move into newer areas of industry. Yet it is precisely the development of newer industries and the restructuring of established ones that is critical to the longer-term health of any economy. As is evident in parts of Australian manufacturing industry, even high and increasing levels of protection cannot guarantee jobs. In the ultimate structural change cannot be avoided; either an industry makes the necessary changes and becomes competitive or it eventually shrinks to insignificance. Attempts to resist the inevitable put at risk the beneficial effects that can and do flow from structural adjustment.

A comparison of the economic performance over the past decade of a number of the newly industrialised countries in the Pacific region with that of some of the more 'mature' economies of the same region should be sufficient to underline the point.

Decisions over the last few years to move steadily towards deregulation of the financial markets and to open them to increased competition will assist the process of change. The current economic upswing provides the opportunity to make necessary adjustments to other elements of policy with the same objective.

Background

While the turnaround in the Australian economy in 1983-84 was considerably stronger than expected, its pattern was more or less in line with past experience. There were some signs of a broadening in the pattern of demand in the second half of 1983-84 and the recovery process during 1984-85 is expected to build on this as the effects of the less durable cyclical influences wane.

In the main, the pick-up has so far involved bringing back into production previously underutilised resources of labour and capital. But more than that is needed to put the economy firmly on the path of long-term, sustainable growth. Building an ongoing recovery will require an expansion of Australia's productive capacity. The substantial progress made last year in improving corporate profitability and moderating income claims will be helpful in that regard. But there are risks and uncertainties in the sustainability of the process; these are addressed in the concluding section of this Part.

For the moment, it suffices to say that the forecasts set out below, of continued strong growth and declining inflation, are based on the assumption that the challenge of ensuring continued price and cost moderation and of developing further the conditions conducive to expanding business investment will be met in the year ahead.

The Forecasting Framework

The forecasts herein are based on the forecasting framework established by the Joint Economic Forecasting Group. These forecasts—like any others—are conditional on an underlying set of assumptions. Those assumptions deal with what are largely exogenous factors, such as the world economy, rural conditions and policy settings; they have been chosen mainly because they appear plausible but it should be borne in mind that risk is attached to each—and that risk of that kind affects the forecasts as much as any uncertainty about the stability of the behavioural relationships that are taken to underlie the workings of the economy.

In addition, the forecasts must necessarily be based on currently available statistical data which can be subject to substantial revisions and, on occasions, be seen subsequently to have provided an insecure stepping-off point for the forecaster. This fact is of particular importance for 1984-85, given the doubts surrounding profit and wage data for 1983-84 which are central to judgments regarding the outlook for business investment.

It would accordingly be unwarranted to suggest that the forecasts represent anything other than the mid-point of a range of plausible possibilities conditional on the set of assumptions made. The focus of attention in the following assessment should be concentrated on the overall picture, rather than on particular projections for individual items.

Forecasting Assumptions

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

- an overall deficit of \$6745 million, comprising an estimated domestic deficit of \$3877 million and an overseas deficit of \$2868 million;

- an estimated increase in total outlays of 13.0 per cent (about 6.1 per cent); and
- an estimated increase of 17.7 per cent (about 10.5 per cent) in total receipts.

The other major assumptions are:

- continuing recovery in world activity. The pace of the recovery could slow somewhat with an expected moderation in growth rates in the North American economies. Real GNP in the major seven OECD economies as a whole is assumed to grow by around 3½ per cent in 1984-85;
- inflation in the major industrial economies at about the same rate as recorded in 1983-84 (around 4½ per cent);
- continued successful operation of the Prices and Incomes Accord, with negligible sectional wage increases;
- monetary policy such as to promote an environment of sustainably lower inflation, while allowing the expansion of real activity to proceed;
- an unchanged exchange rate in TWI terms;
- a return to normal seasonal conditions; and
- no major revisions to the existing data base.

General Outlook

Based on those assumptions, the outlook for 1984-85, in summary, would be as follows:

Activity and Output

- a marked strengthening in private sector activity, encompassing firm growth in consumption, an acceleration (from very low levels) in business investment, and continuing strong growth in dwelling sector activity;
- continued strong growth in public sector demand;
- a further large contribution from non-farm stocks as the restocking phase of the cycle continues;
- a run-down in farm stocks;
- a sharp pick-up in exports (especially rural exports) largely offset by a substantial increase in imports;
- continuing strong growth in non-farm product; and
- a moderate decline in farm product.

Labour Market

- strong growth in employment with the increase in year-average terms particularly marked;
- an edging up in the participation rate over the course of the year; and
- a further modest decline in the unemployment rate over the course of the year.

Prices and Incomes

- further easing in rates of price and cost inflation; and
- continuing improvement in corporate profitability and cash flow.

Balance of Payments

- a marked increase in the current account deficit.

Financial Markets

- a reduction in the public sector borrowing requirement; and
- a marked decline in household sector lending and little change in the corporate sector borrowing requirement.

Further comments on the major components of the forecasts are offered below. Expenditure estimates, unless otherwise stated, are in real terms (and, where appropriate, abstract from the estimated effects of sale/leaseback transactions between the public and private sectors).

Activity and Output

The reclassification of certain health expenditures from the private to the public sector associated with the introduction of Medicare affects recorded growth in private consumption expenditure in both 1983-84 and 1984-85. Abstracting from this influence *private final consumption expenditure* is forecast to increase in 1984-85 by much the same as the increase in 1983-84 (about 2½ per cent). However, as recorded in the national accounts, consumption growth will be somewhat lower (around 2½ per cent). After increasing strongly in 1983-84 (by 4 per cent) the growth in real household disposable income is expected to slow markedly in 1984-85. Consumer confidence as well as real wage and salary incomes are likely to be boosted by employment growth and decelerating inflation which, in conjunction with the effects of the large rise in real disposable incomes in 1983-84 (which would usually be expected to influence consumption with a lag on average of around one year), should provide a significant stimulus to consumption this year. This would be consistent with the saving ratio declining for the year as a whole to around the average for 1982-83 with the decline over the course of the year being more marked.

The recovery in the *dwelling* sector is expected to broaden as the year progresses to include multi-unit dwellings as well as house construction. As in previous housing cycles, the rapid increase in activity is assumed to spark some speculative element to the demand for housing, particularly for multi-unit dwellings, which would boost the overall level of commencements. But even with little further growth in commencements, *private dwelling investment* is set to increase strongly. While the outlook is somewhat uncertain, growth of around 15 per cent is forecast for private dwelling investment in 1984-85.

A significant feature of the forecasts is the projected turnaround in *business investment* in 1984-85, albeit from a very low base. Private business fixed investment increased in the second half of 1983-84 and, with profit growth strong, inflation declining and demand growing solidly, is forecast to continue to grow. The increase is projected to be around 5 per cent in 1984-85 which assumes that, as in previous recoveries, businesses will revise upwards somewhat their investment expectations as the recovery proceeds (a process already evident in recent statistics from the quarterly surveys). Investment in building and construction is expected to be little changed from 1983-84 while investment in plant and equipment is expected to accelerate over the course of the year.

The forecast for business investment is heavily dependent upon the assumption of continued wage and other industrial moderation, including expectations for the period beyond 1984-85, and of no outbreak of non-wage labour costs. There will clearly be certain areas where specific adverse influences will probably mean a continuing decline in investment. However, the outlook for manufacturing investment outside basic metal products appears to have improved and expectations data point to quite strong real growth in that area.

Public final demand, abstracting from the impact of Medicare, is forecast to increase strongly in 1984-85, at around 5 per cent (4 per cent in 1983-84). Commonwealth current expenditures on a national accounts (deliveries) basis are projected to increase strongly (around 11 per cent) in 1984-85, largely reflecting the timing of deliveries of defence equipment—notably a naval frigate and a number of F/A-18s. Reflecting very strong increases in on-budget capital works and the importation of a number of aircraft by Qantas, Commonwealth capital expenditures could increase by around 18 per cent after a moderate decline in 1983-84 (around 2 per cent).

State and local government expenditure on goods and services is projected to increase more moderately than in recent years. It was agreed at the Loan Council meeting in June, in the context of a global approach to Commonwealth and State authority borrowings and of the slowdown in spending on some major projects by the States, that total authority borrowings by the States in 1984-85 will be about the same in money terms as in 1983-84. Reflecting that, State and local government capital expenditures are forecast to remain broadly unchanged from the historically high levels recorded in 1983-84. The rate of growth in underlying consumption expenditures is expected to be much the same as the average growth of recent years (3 per cent).

The turnaround in *non-farm stocks* made a major contribution (just over 1 percentage point) to product growth in 1983-84. As business enters the restocking phase of the cycle it is forecast that the contribution in 1984-85 as a whole could be even larger. Growth through the year is also expected to be boosted although to a lesser extent than during 1983-84. While this would mean an increase in the stocks-to-sales ratio, it would remain significantly below previous norms, consistent with the view that recent periods of low profits and high interest rates have resulted in a permanent change to stock-management behaviour.

In 1984-85 *farm product* is projected to decline by around 10 per cent. This mainly reflects lower grain production as a result of the assumed less favourable (i.e. more normal) seasonal conditions. *Farm and miscellaneous stocks* are expected to decline in 1984-85 in order to satisfy domestic and overseas demand.

The forecasts point to growth in *non-farm product* in 1984-85 (in year average terms) of around 5 per cent. After allowance for the decline in farm product, GDP growth in 1984-85 would be around 4 per cent. The large size of the statistical discrepancy at the close of 1983-84 makes judgments about growth over the course of 1984-85 difficult, but non-farm product growth of 5 per cent for 1984-85 as a whole would appear to be consistent with an ongoing rate of growth of around 4½ per cent.

Balance of Payments

Exports of goods and services are forecast to grow strongly, perhaps by a little more than 10 per cent in 1984-85. Rural exports are expected to increase particularly strongly with the help of the large stock carryover from the record 1983-84 cereal harvest, a pick-up in the demand for wool and the prospect of a record sugar crop. Non-rural exports are again projected to increase at a rate well above the expected growth in world trade. This reflects the coming on stream of additional capacity in aluminium-related industries, increased petroleum exports and the commencement of LPG and condensate exports from the Cooper Basin. However, by comparison with 1983-84, manufactured exports might be more subdued and growth in coal and iron ore exports could moderate as market diversification becomes more difficult.

Imports of goods and services are forecast to increase sharply (by around 9 per cent) in 1984-85 reflecting an acceleration in final domestic demand to around 4 per cent (from 1.7 per cent in 1983-84), the rebuilding of non-farm stocks, changes to the composition of demand and the lagged effects of the earlier loss of international competitiveness. Growth is expected to be further boosted by the delivery of defence equipment and by airline re-equipment programs.

As always, the likely *balance on the current account* is surrounded by considerable uncertainty. The trade balance could return to a small deficit (reflecting a possible worsening in the terms of trade) after recording a marginal surplus in 1983-84. The net invisibles deficit is expected to continue to widen. As a result, the implied deficit on the current account could increase to around 4 per cent of GDP in 1984-85 (compared with 3.6 per cent in 1983-84).

Private capital inflow could be substantially below levels recorded in 1983-84 despite a rising current account deficit. This reflects the operation of the new foreign exchange arrangements over the whole of the year, and the larger proportion of the current account deficit being financed in 1984-85 by official borrowing abroad, both at Commonwealth and State levels, and by reductions in foreign exchange reserves.

The Labour Market

In the face of an ongoing rate of growth in gross non-farm product of around 4½ per cent *non-farm employment* is forecast to increase by around 2½ per cent over the course of 1984-85 (or by 3½ per cent in year-average terms). Allowing for some modest 'encouraged worker' effect on the participation rate, a variable which has been subject to considerable volatility of late, growth in the *labour force* over the course of 1984-85 would be a little less than that in employment. If so, the measured level of *unemployment* would decline slightly over the year (implying, in year-average terms, a decline of around one percentage point in the unemployment rate). As always, there is a large margin of uncertainty attaching to these labour market estimates.

Incomes and Prices

On the assumption of continued strict adherence to the arrangements now constituting the centralised system of wage fixation—with minimal sectional claims but some allowance for activity-induced increases in hours worked and some delayed impact from the April 1984 National Wage Case decision—the increase in *average weekly earnings* over the course of 1984-85 could slow to around 5½ per cent

(compared with more than 12 per cent during 1983-84). In year-average terms this would be consistent with an increase in survey-based average weekly earnings of around 8 per cent. Largely reflecting differences in the historical estimates, average weekly earnings on a national accounts basis—the concept used in preparing budget (PAYE income tax) estimates—could increase by around 7 per cent in 1984-85 following a rise of 5.2 per cent in 1983-84.

With firm monetary policy and the assumed absence of significant sectional wage pressures, the underlying rate of inflation is expected to fall further in 1984-85. The *CPI* is expected to increase by around 5½ per cent between the June quarter 1984 and the June quarter 1985. This comparison is not affected by the introduction of Medicare. The increase in the *non-farm product deflator* would be around 6½ per cent in year average terms in 1984-85 (7.3 per cent in 1983-84) and around 6 per cent through the course of the year.

The combination in 1984-85 of strong growth in activity, a solid rise in productivity, decelerating inflation and wages indexed to past *CPI* movements implies further strong growth in the *gross operating surplus of companies*—though less strong than the rebound in 1983-84 from the deep trough of the year before. Such an outcome would lift the profit share in 1984-85 to around 16 per cent, almost a percentage point higher than in 1983-84 and just below the average for the early 1970s. Mirroring this movement, real unit labour costs would fall further.

Financial Markets

As noted previously, monetary policy has been set with a view to providing growth in the monetary aggregates sufficient to finance continuing strong growth in economic activity, while at the same time maintaining some downward pressure on the rate of inflation. Abstracting from the effects of re-intermediation following the further deregulation of maturity controls on deposits (effective from 1 August 1984), *continuation of the above aim would appear broadly consistent with growth in M3 in the range of 8 to 10 per cent.* The lower deficit, the new foreign exchange arrangements and the financing of the Commonwealth's own foreign exchange requirements in 1984-85 from official borrowing overseas and a modest run-down in official foreign exchange reserves should enable those broad objectives to be met with substantially lower gross bond sales to the non-official sector than in 1983-84.

The *public sector borrowing requirement* is set to fall in 1984-85 as a proportion of GDP reflecting the lower Commonwealth budget deficit and the adoption by the Loan Council in 1984 of a system of 'global' limits on Commonwealth and State authority borrowings. The increase in corporate investment spending in 1984-85 is expected to be financed from internal sources—reflecting the recent and projected improvement in corporate cash flow. On present indications there is unlikely to be much change in corporate sector borrowing this year. With the fall in the saving ratio, lending by the household sector would decline markedly in 1984-85. The current account deficit is expected to rise, implying higher borrowing from the external sector. The consequences for interest rates and the exchange rate of the inter-meshing of these sectoral financing needs is difficult to gauge but the reduction in the borrowing demands of government should provide some scope to reduce capital market pressures.

Uncertainties

As mentioned earlier, the assumptions on which the foregoing forecasts are based are plausible ones but a good deal of uncertainty nevertheless attaches to a number of them. In assessing the full range of probabilities those uncertainties must be addressed.

Doubts regarding the wage and price data for 1983-84 have already been mentioned. Looking ahead, there are considerable doubts about the strength and durability of the world recovery and concern that, within Australia, another year of strong growth in activity and profits might place considerable pressure on both the wage-restraint and other aspects of the Accord.

The US economy grew very rapidly (7½ per cent) over the past year. While the recovery process is proceeding in Japan and parts of Europe, the future performance of the US economy is still of crucial importance for the world economic outlook. Growth in the US has had much momentum behind it but as 1984 proceeds and we move into 1985, that momentum may come under increasing threat from rising interest rates and distortions to exchange rates. The precise impact of any sharp slowing in US growth in 1985 on developments elsewhere in the world is uncertain but it could well be adverse, particularly in the short run. Such a slowing could be expected finally to trigger a downward adjustment to US interest rates and, in association with that, a large depreciation of the US dollar. This would give other countries more room to manoeuvre in their economic policies, but it could also lead to some dislocation. In particular, if the adjustment were too precipitate, the rest of the world could not but be affected by the loss of the demand stimulus now being provided by a swiftly-growing US economy. A country like Australia, whose terms of trade are highly sensitive to commodity prices, would be particularly vulnerable to any major falling off in the level of world economic activity and associated slowing in world trade.

On the basis of the forecasts set out earlier, growth in domestic demand and output in 1984-85 is likely to be rapid, involving strong rises both in profits and employment. A pre-condition for such an outcome is that the Accord is adhered to and that further moderation in wage and salary claims and a continued fall in inflation are achieved. Past Australian experience has been that it is difficult to restrict increases in wages and other employment benefits to those granted by the arbitral authorities in an economy where excess capacity is diminishing and profits are high and rising. The economic essence of the Accord is to make a break with that history so that benefits from continued moderation in labour costs accrue to the community generally and, most notably, those large numbers of Australians still unemployed.

The prime requirement today is an expansion of the productive capacity of the economy, especially in those areas in which Australian resources are most productive. There are risks attached to the outlook for 1984-85; but there is also the potential for achieving further progress towards what has eluded Australian Governments for more than a decade—sustainable economic growth.

STATEMENT NO. 3—ESTIMATES OF OUTLAYS 1984-85

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STATEMENT NO. 3—ESTIMATES OF OUTLAYS, 1984-85

1. DEFENCE

This Statement presents detailed estimates of Budget outlays in 1984-85, classified according to their primary purpose or function. Comparable figures are also shown for 1982-83 and 1983-84; data for the period since 1974-75 are presented in Statement No. 6.

SUMMARY

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

	1982-83 Actual	1983-84 Actual	1984-85		%
			Estimate	Change	
	\$m	\$m	\$m	\$m	
1. Defence	4 782.5	5 382.7	5 820.2	+ 437.5	+ 8.1
2. Education	3 715.7	4 085.3	4 543.7	+ 458.4	+11.2
3. Health	3 425.4	4 411.5	6 183.6	+1 772.1	+40.2
4. Social Security and Welfare	14 112.4	16 438.1	18 047.0	+1 608.9	+ 9.8
5. Housing	739.6	1 034.0	1 251.9	+ 217.9	+21.1
6. Urban and Regional Development nec and the Environment	98.4	108.4	92.5	- 15.9	-14.7
7. Culture and Recreation	521.6	612.0	734.8	+ 122.8	+20.1
8. Economic Services—					
A. Transport and Communication	1 766.9	1 731.2	1 859.2	+ 128.0	+ 7.4
B. Water Supply, Electricity and Gas	102.7	96.6	92.8	- 3.8	- 3.9
C. Industry Assistance and Development	1 108.7	1 014.6	1 052.7	+ 38.1	+ 3.8
D. Labour and Employment	684.7	1 144.9	1 221.9	+ 77.0	+ 6.7
E. Other Economic Services	98.5	107.6	123.2	+ 15.6	+14.5
Total Economic Services	3 761.5	4 094.8	4 349.9	+ 255.0	+ 6.2
9. General Public Services—					
A. Legislative Services	198.4	200.2	306.9	+ 106.7	+53.3
B. Law, Order and Public Safety	320.4	376.0	432.3	+ 56.3	+15.0
C. Foreign Affairs and Overseas Aid	1 044.6	1 160.2	1 261.6	+ 101.3	+ 8.7
D. General and Scientific Research nec	436.6	453.3	454.8	+ 1.5	+ 0.3
E. Administrative Services	1 408.8	1 630.5	1 978.8	+ 348.2	+21.4
Total General Public Services	3 408.8	3 820.3	4 434.4	+ 614.0	+16.1
10. Not Allocated to Function—					
A. Payments to or for the States, the NT and Local Government Authorities nec	10 991.4	12 253.1	12 829.2	+ 576.1	+ 4.7
B. Public Debt Interest	3 377.7	4 329.8	5 600.9	+1 271.1	+29.4
C. Allowance for Prospective Wage and Salary Increases (non-Defence)	—	—	60.0	+ 60.0	n.a.
Total Not Allocated to Function	14 369.1	16 582.9	18 490.1	+1 907.2	+11.5
TOTAL OUTLAYS	48 934.9	56 570.1	63 948.0	+7 377.9	+13.0

The budget provision for defence is \$5820.2m in 1984-85, an increase of 8.1% on the outlays of \$5382.7m in 1983-84. This maintains the steady growth that the Government considers is necessary to provide a self-reliant defence posture, including the achievement of a level of capital investment consistent with its long-term defence priorities.

In order to meet earlier than anticipated billings for long lead-time items of equipment and stores from the United States under Foreign Military Sales (FMS) arrangements, payments amounting to \$80m previously planned for 1984-85 (\$50m) and 1985-86 (\$30m) were advanced to 1983-84. When account is taken of these rescheduled FMS payments which will not affect the delivery date of the equipment and comparing both 1983-84 outlays and 1984-85 estimates on the same April 1984 price and exchange rate basis, this year's budget allocation provides an underlying real growth rate in defence outlays of about 3.3%.

The budget estimates are generally in April 1984 prices but have been adjusted to reflect exchange rates applying at the end of June 1984. Provision has also been made for prospective cost escalation included in certain overseas major equipment contracts, for some other post-April price increases and for contingent manpower costs. Subject to specific Government determined budgetary guidelines, Defence may seek provision in Additional Estimates for certain price increases which occur later in the year.

It should be noted that Table 4 to Statement 6 shows real growth of only 1.5% for the Defence function in 1984-85 over 1983-84 expenditure levels, largely because no account has been taken of the rescheduling of FMS payments. Further, the calculation in Table 4 compares the 1984-85 budget provision (predominantly April 1984 prices) with average outturn (average 1983-84 prices) thus assuming no further supplementation for 1984-85 price increases. It also employs the implicit price deflator for non-farm Gross Domestic Product rather than defence specific rates used to determine defence real growth.

The real increase in defence outlays will be directed principally towards meeting obligations for equipment and facilities entered into in previous years, particularly in relation to the new tactical fighter project. Operating expenditures are slightly higher in real terms than last year and this will allow Defence Force training activities and readiness stocks to grow accordingly. Outstanding obligations for the Department of Defence to be met in 1985-86 and later years are estimated at \$5775.3m compared to \$4769.0m carried into 1984-85. The increase is substantially due to additional orders being placed in 1984-85 in respect of already approved capital equipment and facilities, together with provision for new projects approved in the context of this Budget.

DEFENCE MANPOWER COSTS NEC

	1982-83 Actual	1983-84 Actual	1984-85 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Defence Manpower Costs nec—					
Civilian Forces—	365.0	381.7	395.2	+ 13.5	+ 3.5
Naval	380.6	394.4	398.7	+ 4.2	+ 1.1
Military	752.5	752.6	800.4	+ 47.8	+ 6.3
Air	497.7	519.5	551.3	+ 31.8	+ 6.1
Defence Forces Retirement and Death Benefits	279.1	323.4	349.7	+ 26.4	+ 8.2
Total	2 274.8	2 371.6	2 495.3	+123.7	+ 5.2
Defence Equipment and Stores—					
Naval Construction	222.2	302.1	344.0	- 58.1	- 19.2
Aircraft and Associated Initial Equipment	270.8	589.2	748.3	+159.0	+ 27.0
Armoured and Combat Vehicles, Artillery	19.7	11.6	11.4	- 0.1	- 1.2
Other 'Capital' Equipment and Stores	286.9	261.1	311.2	+ 50.2	+ 19.2
Acquisition of Boeing 707 Aircraft	0.1	..	0.1	+ 0.1	+169.8
Supporting Equipment and Stores	510.6	530.2	543.0	+ 12.8	+ 2.4
Repairs and Maintenance	182.7	188.0	211.6	+ 23.7	+ 12.6
Total	1 493.0	1 882.2	2 069.6	+187.4	+ 10.0
Defence Facilities—					
Advances to the States for Service Housing	8.3	5.3	6.0	+ 0.7	+ 12.5
Other Buildings, Works, Furniture and Fixings	133.1	154.1	177.9	+ 23.8	+ 15.4
Acquisition of Sites and Buildings	17.9	18.0	31.4	+ 13.4	+ 74.5
Repairs and Maintenance	81.8	83.4	102.7	+ 19.3	+ 23.1
Total	241.1	260.8	317.9	+ 57.1	+ 21.9
Defence Industrial Capacity—					
Wage and Salary, Administrative and Operational Expenditures	45.3	55.3	60.8	+ 5.5	+ 9.9
Buildings and Works	37.9	59.7	47.0	-12.7	-21.3
Machinery and Plant	41.2	57.9	51.3	- 6.6	-11.4
Maintenance of Production Capability	196.0	202.0	203.4	+ 1.5	+ 0.7
Government Factory Operations	4.9Cr	1.7Cr	9.0	+10.8	n.a.
Other	18.3	21.4	19.2	- 2.2	-10.4
Repayments	30.1Cr	36.0Cr	34.4Cr	+ 1.6	+ 4.5
Total	303.8	358.7	356.4	- 2.2	- 0.6
Defence Science and Technology Establishments (net)	138.8	147.2	157.7	+10.5	+ 7.1
Defence Co-operation—					
Papua New Guinea	17.3	16.4	17.8	+ 1.4	+ 8.4
Indonesia	10.2	8.9	9.8	+ 0.9	+ 9.7
Malaysia	4.9	5.7	5.5	- 0.3	- 4.6
Singapore	1.6	1.6	1.5	- 0.1	- 8.4
Other	10.3	12.9	13.6	+ 0.7	+ 5.5
Total	44.2	45.6	48.2	+ 2.6	+ 5.6
Storage and Transport Services	31.9	32.1	34.3	+ 2.2	+ 6.8
General Administration Expenditure	387.7	416.5	440.7	+24.2	+ 5.8
Natural Disasters, Civil Defence and Other Recoveries and Repayments	140.0Cr	139.9Cr	169.4Cr	-29.5	-21.1
Provision for Contingent Manpower Costs	—	—	60.0	+60.0	n.a.
TOTAL DEFENCE	4782.5	5382.7	5820.2	+437.5	+ 8.1

Expenditure under this category is the largest item in defence outlays and provides for the bulk of service and civilian manpower costs of the Department of Defence.

Manpower costs are estimated to increase from \$2371.6m in 1983-84 to \$2495.3m in 1984-85 reflecting the effect of increases of \$13.5m in civilian manpower costs and \$83.8m in service manpower costs owing to the full-year effects of National Wage Case decisions made in 1983-84, and an increase of \$26.4m in Defence Force retirement and death benefit costs. In addition, an amount of \$60m to meet contingent manpower costs is included in outlays but not appropriated.

Both service and civilian manpower numbers for 1984-85 will be lower than in 1983-84. As a result of continuing effects related to the withdrawal from service of HMAS Melbourne and cessation of Navy fixed-wing aircraft operations, the approved Navy strength at 30 June 1985 is expected to be 16 246 (a fall of 450) while Air Force strength is planned to increase by 120 to 22 797 on account of transfers of some functions from Navy. Approved strength at 30 June 1985 for Army is to be held at 32 677.

No change is expected in 1984-85 in active Army and Air Force Reserve approved strengths of 30 000 and 1400 respectively, while the strength of Naval Reserves is to increase by 42 to 1296. The Army's Emergency Reserves will be maintained at 306. The Government has accepted the recommendations of the Committee of Reference for Defence Force Pay that a Reserve allowance be paid to Reservists subject to completion of the minimal annual training obligation.

As well as directly serving the Defence Force by providing technical, administrative and other support, civilian manpower carries out financial, computer, personnel administration, supply, quality control, buildings and works management and policy functions in Defence central and regional offices. Civilian manpower provisions are consistent with the average operating staffing level for 1984-85 of 24 931, a reduction of 150 compared to the 1983-84 level.

Details of defence manpower strengths are:

	Actual Average Staff Level 1983-84	Estimated Average Staff Level 1984-85	Change
Permanent Forces	71 901	71 363	-538
Reserves	5 031	5 010	-21
Civilians	25 081	24 931	-150
Total	102 013	101 304	-709

NOTE: Figures are expressed in staff-years.

The costs of some elements of 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 \$26.4m in the provision for Defence Force retirement and death benefits are:

- annual up-date of pension rates in July 1984 to reflect the increase in the Consumer Price Index of 5.9% over the year to March 1984; and
- a projected pensioner population increase of 1628.

DEFENCE EQUIPMENT AND STORES

Outlays on defence equipment and stores are directed towards acquisition of equipment (ships, aircraft, armour, artillery etc) and provision of training and infrastructure support based on the need to develop a force structure possessing the capabilities for current defence and as a basis for future expansion if required.

Expenditure on capital equipment in 1984-85 is estimated at \$1314.9m, or \$151.0m more than in 1983-84. Outstanding obligations on capital items to be carried over to 1985-86 and later years are estimated to be \$4362.9m compared with \$3572.6m carried into 1984-85.

The level of expenditure in 1984-85 on contractual obligations on the more significant capital items are:

	\$m
• New tactical fighter	758
• Australian and US built FFG guided missile frigates	164
• P3C Orion aircraft	160
• DDG and DE destroyer updates	98
• Army trucks	48
• Guided weapons	38
• Underway replenishment ship	33
• Basic trainer aircraft	26
• Defence secure communications system	19
• Mine-hunting vessels	17

The level of provision made for payments during 1984-85 on equipment may be subject to adjustments during the year, resulting from variations in progress on individual projects and requirements for payment to the United States Government under Foreign Military Sales arrangements. Overall, funds provided are below the total obligation level of contractual payments scheduled in anticipation of net slippage that usually occurs across the capital equipment procurement program.

Production of equipment currently being undertaken in Australia includes the Army trucks, the underway replenishment ship and the defence secure communications system, while local projects in the developmental stage include the Australian built frigates, mine-hunting vessels and the basic trainer aircraft. These projects will lead to increased local production in the future.

A provision of \$754.6m is also made for supporting equipment and stores such as replacement plant and equipment, fuel, ammunition, rations and clothing required for the efficient performance of the Defence Force, and for repairs and maintenance of ships, aircraft, vehicles, weapons and other equipment. The addition of \$36.4m over the \$718.2m provided for these activities in 1983-84 allows for some increase in activity including additional steaming and flying time as well as provision for higher prices and the additional cost of maintenance of the more technically complex equipment entering the Services' inventories.

DEFENCE FACILITIES

Outlays for the provision and maintenance of facilities which include living and working accommodation for the Defence Force and the Department of Defence are expected to increase from \$260.8m in 1983-84 to \$317.9m in 1984-85.

Major works currently under construction and (expected 1984-85 expenditure) include the Australian Defence Force Academy, Australian Capital Territory (\$40.0m), Armoured Centre Puckapunyal, Victoria (\$8.0m), Woodside Army Camp, South Australia (\$8.5m), RAAF Base Williamtown, New South Wales (\$30.1m) and Derby Airfield, Western Australia (\$9.5m).

New facilities at RAAF Base Tindal, Northern Territory for the new tactical fighter constitute the major new project for commencement in 1984-85. The total cost of this project is estimated to be \$169.0m, with \$3.0m being planned for expenditure in 1984-85.

The provision for improvement of housing for service personnel and their families is an important element of the facilities program. In 1984-85, \$6.0m is being provided under the Commonwealth State Housing Agreement for the construction and improvement of service housing while a further \$41.5m is included under the headings 'Other Buildings, Works, Furniture and Fittings' and 'Acquisition of Sites and Buildings', comprising \$26.5m in respect of existing projects and \$15.0m to improve existing houses and to commit to construction or acquisition about 350 new or replacement houses. This housing program is estimated to cost \$78.6m over about 3 years.

In 1983-84, 250 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 1984-85 on defence facilities is estimated at \$102.7m, a substantial increase of \$19.3m over 1983-84. The additional provision reflects increased costs and the need to provide sufficient funds to maintain the value of defence facilities.

DEFENCE INDUSTRIAL CAPACITY

Expenditure under this part of the Defence function is the responsibility of the Department of Defence Support. Within overall defence policies, the role of that department is to support the nation's defence effort through the attainment of an appropriate defence industrial infrastructure, defence purchasing and procurement, the management of the Government's factories and dockyards and assistance to defence industry.

The recently announced defence policy for Australian industry requires that the Department of Defence Support, with guidance from the Department of Defence as to priorities and acceptable cost premiums, should develop programs for the retention and development of local industries and capabilities necessary for the support of the Defence Force.

Outlays on defence industrial capacity are estimated at \$356.4m in 1984-85 which provides for about the same level of activity as in 1983-84 when outlays were \$358.7m after taking account of certain changes in financial arrangements reflected in the 1984-85 estimates. As from 1 July 1984 Williamstown Dockyard operates through a Trust Account and all costs of production are met through charges to customers (notably the Navy) rather than in part from budget appropriations of the Department of Defence Support. Offsetting this has been the transfer of responsibility to the Department of Defence Support for funding of the Australian Industry Assistance program. Other changes in expenditure requirements include the tapering off in 1984-85 of investment

in plant and facilities infrastructure associated with the manufacture and assembly of the new tactical fighter aircraft and the completion of production of Nomad aircraft.

The outlays provision for defence industrial capacity includes \$71.0m for aerospace activities, \$104.3m for dockyards, \$114.9m for munitions, ordnance, and defence clothing production, and \$19.2m for Australian Industry Assistance programs for development of industry capabilities to provide an appropriate industrial base to support the Defence Force.

Major buildings and works under construction in 1984-85 include the modernisation of Garden Island Dockyard (\$21.5m), modernisation of Williamstown Dockyard to enable construction of the frigates (\$2.5m), structural bonding and chemical milling facilities, and other works at the Government Aircraft Factories (\$5.8m) to provide facilities for production, assembly and test of the new tactical fighter aircraft.

Major machinery and plant items include \$11.7m for the new tactical fighter project, \$5.6m for upgrading small arms ammunition production at the Ammunition Factory; Footscray, Victoria; \$1.5m for an occupational safety and health improvement program at the Munitions Filling Factory, New South Wales; \$1.3m for a new nitro-glycerine and paste propellant plant at the Mulwala Explosives Factory, New South Wales; and \$1.6m for upgrading of computer equipment for support of manufacturing establishments in the Melbourne region.

'Maintenance of Production Capability' includes the excess of production costs over receipts from customer orders for both public and certain private sector establishments in the munitions and aerospace functions. Pricing arrangements for Australian defence work and peacetime activities are such that full recovery of costs is not achieved on such orders. Outlays in 1984-85 include \$27.6m for aerospace private and public sector establishments and \$70.2m for the public sector munitions group of establishments. Other major items of expenditure include the purchase or manufacture of items of defence materiel for reserve stock holdings (\$4.8m), development of production techniques in respect of existing and proposed new projects in defence industries (\$6.7m), and subsidisation of the Nomad aircraft production program which ceases in 1984-85 (\$5.4m).

The 'Government Factory Operations' estimate includes provision of working capital of \$12.0m for Williamstown Dockyard, \$3.5m for munitions production and \$0.4m for the Government Aircraft Factories, offset by the repayment of surplus working capital by the Government Aircraft Factory (\$5.5m) and by the Australian Government Clothing Factory (\$0.8m).

The major items in the 'Recoveries and Repayments' estimates for 1984-85 are Nomad aircraft sales (\$1.4m), sales of surplus reserve stock holdings of defence materiel (\$2.0m), insurance, interest and depreciation charges associated with Trust Account operations at Williamstown Dockyard (\$11.2m), and recoveries from work performed by Garden Island Dockyard (\$18.3m).

DEFENCE SCIENCE AND TECHNOLOGY ESTABLISHMENTS (NET)

The Defence Science and Technology Organisation (DSTO) provides scientific and technical advice on matters relating to defence policy, supports the Services in the selection of defence materiel, assists in maintaining and developing the capability of the

Defence Force, develops selected prototype military equipment, assists in the transfer of technology to defence-related industries and develops its technology base to meet future needs. A program of technical co-operation is maintained with the United States, United Kingdom, Canada and New Zealand.

In 1984-85, expenditure on DSTO is to increase by \$10.5m to \$157.7m to cover salaries and other administrative and operational expenses, machinery, plant, stores, and works services of the establishments and laboratories of the organisation. Expenditure on new and replacement scientific and technical equipment and stores is estimated at \$22.9m, an increase of \$6.2m over 1983-84. Research and development work 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 Australia's interest in regional security and to promote contacts with governments and the defence forces of countries with which Australia shares strategic interests.

Total expenditure on the Defence Co-operation Program (DCP) is estimated to increase from \$45.6m in 1983-84 to \$48.2m in 1984-85. It provides for the continuation of present policies and programs with regional countries including initial expenditure on the Pacific patrol boat project to assist South-West Pacific Island States to develop a national surveillance and enforcement capability.

Papua New Guinea (PNG) continues to receive the highest priority in the DCP with expenditure on assistance estimated at \$17.8m in 1984-85. Assistance is provided in the form of loan personnel to the PNG Defence Force (PNGDF) and advisory assistance for national development tasks, equipment, and training and study visits to Australia by PNGDF personnel.

Indonesia is a major participant in the DCP involving a budget provision for assistance of \$9.8m in 1984-85. This will cover expenditure on joint projects in survey and mapping, communications and electronics, and maritime surveillance as well as advisory assistance and training.

In addition to maintaining an air presence at Butterworth, Malaysia, Australia has developed bilateral programs with Malaysia (\$5.5m) and Singapore (\$1.5m) which place emphasis on advisory assistance, training and study visits to Australia and on joint projects.

Continuing assistance totalling \$13.3m is also provided to countries in the South-West Pacific, the Philippines and Thailand for a range of bilateral activities and \$0.4m for training facilities and equipment for overseas students in Australia. It is expected that 1240 personnel from overseas forces will visit Australia for courses and study visits in 1984-85 compared with 1137 in 1983-84.

STORAGE AND TRANSPORT SERVICES

This item provides for shipping services provided on behalf of the Department of Defence by the Department of Administrative Services and for removals and storage of furniture for service and civilian personnel (and their families) on posting or transfer. The estimated increase in expenditure of \$2.2m to \$34.3m mainly reflects cost increases.

GENERAL ADMINISTRATION 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, medical and dental services, and computer services. The proposed increase of \$24.2m or 5.8% to \$440.7m mainly reflects increased costs and an increase in the payment to the University of New South Wales related to the cost of setting up the Australian Defence Force Academy.

NATURAL DISASTERS, CIVIL DEFENCE AND OTHER

The Natural Disasters Organisation co-ordinates Commonwealth assistance in response to bush fires, flooding and storm damage in the States and Territories and for support of emergency service and equipment programs and training activities.

Expenditure under this heading includes the operating costs of the Natural Disasters Organisation (\$3.1m), reimbursement to the State Governments for some salaries paid to their civil defence personnel and subsidies towards the cost of their office accommodation (\$2.4m), and Commonwealth assistance in the form of equipment and stores to State and Territory Emergency Services (\$1.2m). Maintenance of war graves (\$2.8m) is also covered under this heading.

RECOVERIES AND REPAYMENTS

The principal items provided for under this heading are rent payments by service personnel for houses under the Defence Group Rental Scheme (\$42.6m), charges for meals and accommodation provided at defence establishments (\$28.2m), proceeds from disposals of obsolete defence equipment and stores (\$34.6m), and defence-related recoveries from other governments (\$26.0m).

The increase in revenue of \$29.5m in 1984-85 includes the proposed sale of Skyhawk aircraft to New Zealand (\$15.0m), the disposal of Hercules aircraft (\$8.2m) and proposed increases under the Defence Force Group Rental Scheme (\$2.0m).

PROVISION FOR CONTINGENT MANPOWER COSTS

A bulk allowance of \$60m (\$50m less than in 1983-84) has been included in the budget estimates to meet contingent manpower costs. This allowance is not appropriated at budget time; instead additional appropriations as necessary will be sought by the Government during the course of the year.

2. EDUCATION

Total direct outlays on education are estimated to increase by 11.2% in 1984-85 to \$4543.7m, which is equivalent to 7.1% of 1984-85 Budget outlays. Assistance for education is also given through income tax rebates for certain expenditures on self-education and the 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 80% of the Commonwealth's direct expenditure on education is 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 1984-85*.

	1982-83 Actual	1983-84 Actual	1984-85 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Tertiary					
Universities					
Tertiary Education Commission Grants	1 090.9	1 162.9	1 236.7	+ 73.8	+ 6.3
Cost Supplementation of Grants(a)	—	—	30.9	+ 30.9	n.a.
Total	1 090.9	1 162.9	1 267.6	+ 104.7	+ 9.0
Advanced Education—					
Tertiary Education Commission Grants	677.5	751.1	787.9	+ 36.8	+ 4.9
Other Advanced Education	7.4	8.6	12.6	+ 4.0	+ 46.1
Cost Supplementation of Grants(a)	—	—	19.7	+ 19.7	n.a.
Total	684.9	759.8	820.3	+ 60.5	+ 8.0
Technical and Further Education—					
Tertiary Education Commission Grants	228.0	249.1	307.0	+ 57.9	+ 23.2
Further Education in the ACT	30.0	30.7	37.3	+ 6.6	+ 21.5
Other Technical and Further Education	0.3	1.3	11.9	+ 10.5	n.a.
Cost Supplementation of Grants(a)	—	—	7.7	+ 7.7	n.a.
Total	258.3	281.2	363.9	+ 82.7	+ 29.4
Tertiary Education Commission					
Overseas Students Charge	3.9	4.0	5.0	+ 1.0	+ 25.5
Contribution for Students from Developing Countries(b)	19.0Cr	25.5Cr	32.3Cr	+ 6.8	+ 26.6
Total Tertiary	1 935.9	2 090.3	2 328.8	+ 238.5	+ 11.4
Schools—					
Schools Commission Grants—					
Government	527.3	579.4	636.3	+ 57.0	+ 9.8
Non-Government	604.8	675.6	700.9	+ 25.3	+ 3.7
Joint Programs	43.8	42.1	40.8	- 1.3	- 3.1
Cost Supplementation of Grants	—	—	69.8	+ 69.8	n.a.
Total	1 175.8	1 297.1	1 447.8	+ 150.7	+ 11.6
Pre-schools in the States and Northern Territory	33.1	33.1	33.1	—	—
Schools and Pre-schools in the ACT—					
Government	113.4	126.7	137.7	+ 11.0	+ 8.7
Non-Government	24.3	27.7	28.6	+ 0.9	+ 3.2
School Transport	4.1	4.6	5.3	+ 0.6	+ 13.6
Total Schools and Pre-schools in the ACT	141.8	159.0	171.5	+ 12.5	+ 7.8

	1982-83 Actual	1983-84 Actual	1984-85 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Schools Commission	5.3	7.8	10.2	+ 2.5	+31.9
Contribution for Students from Developing Countries(b)	3.2Cr	2.8Cr	2.8Cr	+ ..	+ 1.5
Total Schools and Pre-schools	1 352.8	1 494.1	1 659.9	+165.8	+11.1
School to Work Transition	42.0	26.0	0.4	- 25.7	-98.6
Student Assistance Schemes	240.1	308.4	361.1	+ 52.7	+17.1
Special Groups—					
Aboriginals	48.1	59.5	70.7	+ 11.2	+18.8
Migrant Education	38.8	41.3	46.2	+ 4.9	+11.9
Veterans' Children	2.6	3.1	3.6	+ 0.5	+15.5
Isolated Children	22.2	22.9	24.3	+ 1.4	+ 6.1
Total Special Groups	111.7	126.9	144.8	+ 17.9	+14.1
General Administration and Other Recoveries nec	35.7	42.4	52.3	+ 9.9	+23.5
	2.5Cr	2.8Cr	3.5Cr	- 0.7	-26.0
TOTAL EDUCATION	3 715.7	4 085.3	4 543.7	+458.4	+11.2

(a) Distribution of cost supplementation allowance is notional.

(b) See corresponding expenditure item in Foreign Affairs and Overseas Aid and explanation below under 'Contribution towards the Education of Students from Developing Countries'.

TERTIARY EDUCATION

Total expenditure in 1984-85 for tertiary education is estimated at \$2328.8m, compared with \$2090.3m in 1983-84, an increase of 11.4%. The bulk of the estimates under this heading relates to the programs of the Commonwealth Tertiary Education Commission.

Commonwealth Tertiary Education Commission (CTEC) Programs

Through these programs the Commonwealth provides full financial support for higher education—Universities and Colleges of Advanced Education (CAEs)—and assists the State and Northern Territory systems of Technical and Further Education (TAFE). Commonwealth grants constitute about 26% of total expenditure on TAFE in the States and the Northern Territory.

The programs have a calendar rather than a financial year basis and decisions taken in the budget context on programs for future calendar years are announced in constant prices. Details of the Government's decisions on the programs for the 1985-87 Triennium are given below.

Budget estimates comprise components of the relevant calendar-year programs—the 1984-85 estimates include the July-December portion of 1984 grants and the January-June portion of 1985 grants. The Government has reinstated, from January 1984, retrospective cost supplementation arrangements under which approved grants are supplemented retrospectively for all cost increases up to the beginning of a program year and for further wage and salary increases during the program year. An amount of \$58.3m has been included in the 1984-85 Budget for the Commission's programs for estimated cost supplementation during the year and has been notionally distributed between the sectors.

Pending a report by the Commission, due in September 1984, recommending the distribution of 1985 grants, the 1984-85 estimates include assumptions about the distribution of higher education funds between universities and CAEs. In summary the estimates indicate the following increases in funding from 1983-84 to 1984-85:

- higher education—\$161.2m (8.4%); and
- TAFE—\$65.6m (26.3%) reflecting the full-year effect of the Participation and Equity Program and the weighting of capital payments for calendar 1984 towards the second half of that year.

As indicated above, the Government's decisions on the Commission's calendar year programs are announced in constant prices. Details of the 1985 program, as announced by the Minister for Education and Youth Affairs on 5 July 1984, are shown below in estimated December 1983 prices. The 1984 program is shown for comparison purposes at the same price levels. Because payments are not spread evenly throughout the year, the Commission's calendar-year programs cannot be related readily to the financial-year estimates.

	1984(a)	1985(a)	Real	Increase
	\$m	\$m	\$m	%
Universities and CAEs—				
Recurrent	1 802.2	1 843.0	40.8	2.3
Equipment	81.5	84.0	2.5	3.1
Capital	53.8	64.8	11.0	20.4
Total	1 937.5	1 991.8	54.3	2.8
TAFE—				
Recurrent—				
— General	80.1	82.0	1.9	2.4
— Designated Purpose	32.9	35.9	3.0	9.1
Participation and Equity Program	30.0	34.0	4.0	13.3
Equipment	12.2	14.2	2.0	16.4
Capital	132.9	132.9	—	—
Total	288.1	299.0	10.9	3.8
Total Tertiary (b)	2 226.0	2 291.2	65.2	2.9

(a) In estimated December 1983 prices

(b) Includes \$0.4m in both years for evaluative studies.

The features of the Government's decisions on the programs for 1985, and for the later years of the triennium, are outlined below (all financial amounts are expressed in estimated December 1983 prices and all increases are in real terms).

Higher Education and TAFE

Existing arrangements for triennial funding will be extended for 1985-87 to cover higher education equipment and capital, as well as recurrent programs, and, for the first time, TAFE programs subject to commitments by the States.

Final decisions on funding for 1986 and 1987 will be taken following a further report by the Commission which will address:

- alternative means of increasing enrolments and participation in tertiary education including the wider use of new technologies and more intensive use of resources;

- ways of progressively improving the overall output of higher education institutions in terms of skills related to employment opportunities, including those needed to underpin technological progress; and
- ways in which the higher education sector could increase its income from other sources including increased involvement of the private sector in funding research.

The Government has announced that CTEC will undertake a review of the Commonwealth's role in TAFE during the triennium with particular attention to the central role of TAFE in developing a skilled workforce, the changing character of the sector, the demands placed on it and the need to improve further its capacity to respond to change.

Higher Education

In 1985, an additional \$32.5m over 1984 funding levels will be provided for general recurrent grants for enrolment growth in higher education. Pending the further report by CTEC mentioned above, increases over 1984 funding levels for this purpose for 1986 and 1987 have been set at \$51.9m and \$66.8m respectively. These amounts will fund an additional 7300 enrolments in 1985, rising to 15 000 in 1987, involving the additional employment of some 1600 academic staff and 900 non-academic staff. Preliminary projections of student load are given in the table below.

In 1985, \$1m will be provided for a new program—Key Centres of Teaching and Research—which will increase co-ordination and concentration of teaching resources and research effort.

Other additional recurrent funds to be provided in 1985 are \$0.5m to enable the continued development of the Graduate School of Management at the University of Melbourne; \$0.8m to promote equity measures aimed at improving access to higher education by disadvantaged groups; and \$6m, rising to \$13m in 1987, to assist institutions to meet increases in the cost of superannuation.

The present recurrent subsidy for residential colleges will be phased out by the end of 1986 and replaced with a scheme which directs assistance primarily to needy young students required to live away from home.

For equipment and capital grants in 1985 an additional \$2.5m and \$11m respectively will be provided. For planning purposes, pending the Commission's further report, the minimum levels of funding for 1986 and 1987 grants will be the same in real terms as for 1985.

TAFE

Commonwealth funding for TAFE will increase by \$10.9m (3.8%) in 1985, comprising increases of \$1.9m for general fees reimbursement grants; \$3m for designated purpose recurrent grants; \$4m for the Participation and Equity Program; and \$2m for special equipment grants. The Commission estimates that an extra 15 000 full-time places in TAFE courses will be created by 1987.

In summary, the Government's decisions on the Commission's programs for the triennium 1985-87 provide funding for an increased number of tertiary places and address the need for improvement in equity of access to tertiary education and the requirement to stimulate and respond to technological change and economic development.

*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	%
1980	126.9	122.4	249.3	+0.2
1981	128.8	123.5	252.3	+1.2
1982	129.3	126.2	255.5	+1.3
1983	131.6	131.5	263.1	+3.0
1984 (b)	134.0	137.0	271.0	+3.0

(a) Expressed as "equivalent full-time students". Figures differ from earlier published figures because of a redefinition by the Commission of student load in universities and the inclusion in advanced education figures of students in advanced education courses in ACT TAFE Colleges.

(b) Estimated.
(Source: Commonwealth Tertiary Education Commission)

Estimates of student load by sector for the 1985-87 Triennium will be incorporated in the Commission's Volume 2 Report. Preliminary projections of student load in higher education are as follows: 278,300 for 1985; 282,600 for 1986; and 286,000 for 1987.

Other Tertiary Education 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 \$6.8m for the operational and capital expenses of the School in 1984-85, including a further \$0.4m for consultancy and site preparation costs associated with the School's permanent building to be built in the grounds of Macquarie University in Sydney (estimated total cost \$14.5m).

The National Institute of Dramatic Art (NIDA) aims to provide practical training in the professions of live theatre, television, film and radio with courses in acting, directing, stage management and design. In 1984-85 the Commonwealth will provide \$1.2m for the operating expenses of NIDA, \$3.2m for construction costs associated with the new administrative and training complex for NIDA (\$0.2m in 1983-84; estimated total cost \$4.5m) to be built on the western campus of the University of New South Wales, and \$1m towards the cost of fitting out the complex.

Also included within this category is \$0.2m 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*).

Further Education in the Australian Capital Territory

The Commonwealth fully funds further education in the Australian Capital Territory. There are five institutions in Canberra: the Canberra, Bruce and Woden TAFE Colleges, and the specialist Schools of Music and Art.

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

1983	26 673
1984 (estimated)	29 637
1985 (estimated)	31 490

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

The 1984-85 estimates provide \$37.3m in total for the institutions of which \$33.0m is for recurrent and \$4.3m for capital expenditure compared with \$28.6m and \$2.1m, respectively, in 1983-84. The increase in recurrent grants is largely due to salary and staff increases while the capital increase reflects increased expenditure in 1984-85 on the School of Metal Fabrication building, at the Fyshwick campus of the Canberra TAFE College.

Other TAFE

In 1984-85 an additional \$10.5m is being appropriated for TAFE building projects under the program of infrastructure support for the steel regions.

Commonwealth Tertiary Education Commission

Administrative expenditures of the Commonwealth Tertiary Education Commission are expected to rise by \$1.0m (25.5%) in 1984-85, chiefly due to a computer acquisition, wage and salary increases and increases in staff.

Overseas Students Charge

Australia is one of many countries which impose charges on overseas students to help defray costs which are met in the first instance by taxpayers. Accordingly, overseas students attending Australian universities, colleges of advanced education, and equivalent institutions, or undertaking certain other Commonwealth funded tertiary courses, are required to contribute to the costs of their tuition through the Overseas Students Charge. Following the annual review of charges and pending Government decisions on a recent review of overseas student policies (see below), the three levels of charges will increase by 15% for 1985. This will yield an additional \$5.1m in revenue in 1984-85. The new range will be from \$2,500 to \$3,350 p.a., depending on the course of study, and charges will recover about one third of annual average per student recurrent costs in higher education. The Government will continue to pay the charge for private students from Papua New Guinea and developing countries in the South Pacific region (about \$0.8m in 1984-85) and for students sponsored by the Australian Development Assistance Bureau (about \$2.7m in 1984-85). These funds will be appropriated through the Bureau and form part of Australia's overseas aid program. Further funds are to be appropriated through the Bureau for the first time in 1984-85 to make explicit the previously hidden contribution for students from developing countries reflecting the fact that overseas student charges paid by these students (or for them by the Bureau) do not cover full costs—see 'Contribution towards the Education of Students from Developing Countries' below.

Following a review of the number of places which should be made available for private overseas students in 1985 it has been decided that intakes will be 2000 for secondary study and 1500 for tertiary study. Along with existing students continuing their study, this will mean there will be about 4200 places for private overseas secondary students and 12 000 places for overseas tertiary students. Excluding students whose liability is met from Australia's aid program, the estimated number of students liable for the charge in 1984-85 will be 11 500 compared with 11 200 in 1983-84. Revenue from these students is estimated to be \$28.4m in 1984-85 compared with \$23.7m in 1983-84.

As mentioned earlier, the Government is currently giving consideration to Australia's overseas student program following the completion of the Review of Private Overseas Student Policy by an independent committee (the Goldring Committee). While the report advocates, among other things, changes in the administration of the overseas student program including control of student numbers by educational institutions in proportion to their enrolments, its recommendations on student charges would require only small changes to the existing levels. In its deliberations, the Government will also be considering the recommendations on this subject made in the Jackson report on Australia's overseas aid program. This latter report advocates a more market-based cost recovery program and abolition of Government control over numbers, and would require more extensive changes to current arrangements. It is expected that any changes which may be made to the existing program following consideration of these reports will not be introduced until 1986.

Contribution towards the Education of Students from Developing Countries

As mentioned above, the Overseas Students Charge paid by or on behalf of overseas students in Australian tertiary institutions covers only about one-third of the recurrent cost to the Australian taxpayer of providing places for those students. The balance of the total cost (and the whole of the cost for overseas students in schools who are not liable for the charge) has been borne up to now through the education budget.

As some 95% of overseas students are from developing countries and as these countries in general derive substantial economic and other benefits from education in Australia of their citizens, it has been decided to recognise more explicitly this contribution to students from developing countries by providing it through the Australian Development Assistance Bureau (ADAB). For 1984-85, ADAB will make payments to the Department of Education and Youth Affairs equal to the estimated costs of providing places in educational institutions for tertiary and secondary students from developing countries, after deducting from the gross costs of providing places the overseas students charges paid by or for the students concerned. The ADAB payments in 1984-85 are estimated at \$95.8m for tertiary students and \$2.8m for secondary students. The receipt of these payments by the Department of Education and Youth Affairs will provide an offset to outlays on tertiary education and schools, and the overall effect of the change in accounting practice will be to reduce outlays on education by \$98.6m and to increase outlays on overseas aid by the same amount. To allow comparisons, corresponding adjustments have been made to figures for 1982-83 and 1983-84.

SCHOOLS

Schools in the States and the Northern Territory

The Commonwealth, through the Commonwealth Schools Commission (CSC), 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.

The following table gives details of expenditure in outturn prices in 1983-84 and estimates of expenditure in 1984-85:

	1983-84 (actual)	1984-85 (estimated)	Change	
	\$'000	\$'000	\$'000	%
Government Schools—				
- recurrent	431 427	500 334	+68 907	+16.0
- capital	147 932	164 551	+16 619	+11.2
Non-Government Schools				
- recurrent	629 775	678 298	+48 523	+7.7
- capital (a)	45 501	61 500	+15 999	+35.2
Joint Programs	42 120	42 843	+ 723	+ 1.7
Total	1 296 756	1 447 526	+150 770	+11.6

(a) A carry-over of expenditure of \$6.7m from 1983-84 to 1984-85 distorts the increase for this program. Without the carry-over, the increase would be 5.1%.

Commonwealth grants represent about 11% of spending on government schools (the balance being met by State and Northern Territory Governments) and about 36% of spending on non-government schools (about 19% is met by other governments and the remaining 45% from private sources).

Like the Commonwealth's Tertiary Education programs, the Schools program is based on calendar years and is adjusted for cost increases. (Refer to commentary under the heading 'Tertiary Education' for further details.) The 1984-85 financial year estimate, therefore, consists of parts of the respective calendar year programs and includes an allowance of \$69.8m for estimated cost supplementation which has been notionally allocated over the program.

Pending the final report by the CSC, assumptions have been made about the distribution of funds between sectors and States for 1985 in order to arrive at financial year estimates.

Details of the 1985 calendar year programs administered by the CSC were announced by the Minister for Education and Youth Affairs on 14 August 1984. A summary of this program for 1985 compared with 1984, at estimated December 1983 prices, is as follows:

	1984(a) \$'000	1985(a) \$'000	Real increase	
			\$'000	%
Government				
- recurrent	462 103	485 614	23 511	5.1
- capital	159 099	159 099	—	—
Non-Government				
- recurrent	635 913	647 913	12 000	1.9
- capital	55 093	55 093	—	—
Joint Programs	39 583	39 583	—	—
Total	1 351 791	1 387 302	35 511	2.6

(a) Estimated December 1983 prices.

These figures, which include CSC program amounts for the Australian Capital Territory, show that 1985 grants will increase by 2.6% in real terms over 1984. They also show that growth is being directed to the recurrent programs for both government and non-government schools.

For government schools, the major increase will stem from the implementation of a per capita based general recurrent grants scheme in 1985. These grants, and those to non-government schools, will be tied to a Community Standard of resources with a special loading of 10% for government schools in recognition of the additional load government systems bear in providing a comprehensive service in all areas. It is proposed that the Commonwealth contribution will be raised to 8% of the Standard by 1992 subject to satisfactory agreements being negotiated with the States to apply from 1986. Funds for the first four years will be appropriated and reviewed at the end of this period. The cost of this initiative will be about \$9.5m in 1984-85 (\$18.2m in 1985 at estimated December 1983 prices).

Government school funding is also being increased as a result of the introduction of a new triennial program for 1985-87 for Basic Learning in Primary Schools. This program (\$2.7m in 1984-85) is designed to improve the level of elementary skills provided in the early years of schooling for those children who may be at risk of becoming disadvantaged in this respect.

For non-government schools, the Government has decided to replace the current four-tiered subsidy scheme with a 12 category scheme based on the new Community Standard. This scheme will be more finely tuned to need and will avoid the problems inherent in a scheme where small differences in resource levels can result in significantly different per capita assistance levels. Under the new scheme, all schools will continue to be eligible for assistance. Schools in the highest resource category (Category 1) will receive minimum grants of 12% primary and 13% secondary of the Community Standard. It is intended that schools in greatest need, i.e. those in Category 12, will receive increasing levels of subsidy in real terms until 1992 when Commonwealth assistance will equal 45% of the Community Standard.

In addition to these changes, the CSC will be implementing a new income formula which, in assessing needs, will take into account the total private income available to a school. Consideration will be given to appropriate allowance for boarding costs to a determined standard and for any other justifiable costs, including debt servicing for capital needs. Any schools which will be reclassified on this basis of need to a lower grant category will have their grants maintained each year at their existing 1984 level in money terms until they reach their appropriate real level of grant. These arrangements will ensure that no school will receive less money in 1985 and that most schools will receive more.

As is the case for government schools, these new arrangements will be the subject of Resource Agreements with non-government school authorities. Grants will also be on the basis of the maintenance in real terms of private cash recurrent expenditure.

The costs of these non-government school initiatives are estimated to be \$6.9m in 1984-85 for the general recurrent grants program and \$0.7m for the Basic Learning in Primary Schools Program.

Apart from these new initiatives, the Government will continue with its three-year Participation and Equity Program and Computer Education Program.

The following tables show recent trends in school enrolments and retention rates:

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

	Primary	Secondary	Total	Change on previous year
	'000	'000	'000	%
Government				
1981	1 485.6	813.8	2 299.4	-0.8
1982	1 454.9	828.1	2 283.0	-0.7
1983	1 410.8	870.2	2 281.0	-0.1
Non-Government				
1981	386.0	302.0	688.0	+3.2
1982	394.1	317.6	711.7	+3.4
1983	398.2	336.5	734.7	+3.2
All Schools				
1981	1 871.6	1 115.8	2 987.4	+0.1
1982	1 849.0	1 145.7	2 994.7	+0.2
1983	1 809.0	1 206.8	3 015.8	+0.7

Source: Australian Bureau of Statistics.

Student Retention Rates to Final Year of Secondary School 1981-1983

	Government	Non-Government	Total
	%	%	%
1981	28.5	56.9	34.8
1982	29.6	58.5	36.3
1983	33.7	62.5	40.6

Source: Department of Education and Youth Affairs.

Pre-schools in the States and the Northern Territory

Under the Childrens 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 1984-85 for this purpose—the same level of funds as in 1983-84.

Government Schools and Pre-schools in the Australian Capital Territory

Government schools and pre-schools in the Australian Capital Territory are funded by the Commonwealth through the ACT Schools Authority (responsible for the administration of schools and pre-schools, including the conduct of certain CSC programs), the National Capital Development Commission (responsible for capital works), the Department of Administrative Services (responsible for transport and cleaning) and the Department of Housing and Construction (responsible for building works and repairs and maintenance). Between these four authorities an estimated \$137.7m will be spent in 1984-85 compared with \$126.7m in 1983-84, an increase of 8.7%. This includes an increase of 7.6% in recurrent expenditure and 22.9% in capital expenditure. The capital expenditure increase reflects expenditure on construction of Chisholm High School and Fadden Primary School, both of which commenced in 1983-84, and the commencement of construction in 1984-85 on a new primary school at Chisholm (total cost \$2.7m).

Amounts provided for Australian Capital Territory government schools from the CSC programs referred to above, which include the Participation and Equity Program and the Computer Education Program (both having commenced in 1984), have been increased in total from \$0.4m to \$1.4m.

Enrolments in Australian Capital Territory Government Schools
(as at first week of July of respective year)

	Primary	Secondary	Total	Change on previous year
	'000	'000	'000	%
1981	24.5	14.7	39.2	-0.2
1982	23.8	15.2	39.0	-0.5
1983	23.4	16.4	39.8	+2.0
1984 (est)	22.8	17.1	39.9	+0.3

Source: Department of Education and Youth Affairs.

Non-Government Schools in the Australian Capital Territory

The Commonwealth provides for a number of non-government school programs in the Australian Capital Territory, the most significant of which are recurrent per capita grants. These grants are provided on the same basis as those paid through the CSC to schools in the States (estimated at \$16.9m in 1984-85, compared with \$15.6m in 1983-84), and those paid by State Governments to non-government schools in the States (estimated at \$7.6m in 1984-85, compared with \$7.7m in 1983-84; the 1984-85 amount will be supplemented during the year). Other recurrent programs under this heading are Interest Subsidy Grants, and Australian Capital Territory components of the Participation and Equity Program and the Computer Education Program.

Capital grants are provided to non-government schools in the Australian Capital Territory under arrangements similar to the CSC's program of capital assistance. The Commonwealth will provide a total capital program estimated at \$2.6m in 1984-85 compared with \$2.7m in 1983-84. This decrease is due entirely to the continuing reduction in the number of loans outstanding under the former Capital Aid Scheme. Under this scheme, which was terminated in 1974, 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 Australian Capital Territory.

Enrolments in Australian Capital Territory Non-Government Schools
(as at first week of July of respective year)

	Primary	Secondary	Total	Change on previous year
	'000	'000	'000	%
1981	9.8	7.3	17.1	+4.3
1982	10.1	7.7	17.8	+4.1
1983	10.3	8.1	18.4	+3.4
1984	10.3	8.8	19.1	+3.8

Source: Department of Education and Youth Affairs.

School Transport in the Australian Capital Territory

In the same way that State governments subsidise transport costs for school children, the Commonwealth subsidises bus services for children travelling to and from schools in the Australian Capital Territory. This subsidy is estimated to cost \$5.3m in 1984-85 compared with \$4.6m in 1983-84, an increase of \$0.6m (13.6%), reflecting increases in fuel, salary and other operating costs.

Commonwealth Schools Commission

The administrative estimates for the CSC for 1984-85 reflect among other things the Government's decision to reactivate the former Curriculum Development Centre within the administrative structure of the Commission. The Centre will provide schools and school systems with curriculum and educational material, information and expertise, and will operate in conjunction with a Curriculum Development Council which will itself work in close consultation with the CSC. The costs associated with this initiative are estimated to be \$1.5m in 1984-85 for curriculum projects and programs and \$1.0m for administrative and staff costs. Partly offsetting these costs will be revenue of about \$0.5m from the sale of curriculum materials.

STUDENT ASSISTANCE

The main schemes of community-wide student assistance are the Secondary Allowances Scheme (SAS), Adult Secondary Education Assistance Scheme (ASEAS), Tertiary Education Assistance Scheme (TEAS), 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, which are free of tax, are open to all subject to income tests and academic admission requirements.

From the beginning of 1985, allowance levels in all schemes will be increased as follows: SAS by 15%, TEAS by 10%, ASEAS by 16.7% (to equal TEAS rates), and PGA by 3.9%.

Under SAS, ASEAS and TEAS, the maximum allowance is reduced where family income (and, for ASEAS and TEAS, student income) exceeds certain levels in a year. The family income level for receipt of the maximum allowance will be increased by 10% for 1985.

Income test levels and maximum rates of living allowance applicable in both 1984 and 1985, and numbers of students expected to receive assistance in these two years, are as follows:

Scheme and Main Benefit	Maximum Entitlement		Number of Students	
	1984	1985	1984	1985
Tertiary education assistance—	\$ per year	\$ per year		
Living at home	2 110	2 321	100 000	109 500
Living away from home	3 255	3 581		
Independent students	3 255	3 581		
Adult secondary education assistance—				
Living at home	1 990	2 321	3 000	3 250
Living away from home	3 068	3 581		
Independent students	3 068	3 581		
Secondary allowances	1 046	1 202	60 000	64 000
Postgraduate awards	7 330	7 616	2 305	2 350
Marginal adjusted family income for use in income test:				
SAS, TEAS and ASEAS	12 983	14 281		

Other forms of assistance for students are available to certain special groups, namely Aboriginals, migrants, 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 \$448.2m in 1984-85, an increase of \$62.3m (16.1%) over 1983-84.

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

	1983-84	1984-85	Change	
	\$m	\$m	\$m	%
Student assistance schemes—				
Tertiary education assistance—				
Universities	90.2	104.3	+14.1	+15.6
Advanced education	97.2	112.4	+15.2	+15.6
Technical and further education	45.2	52.2	+7.0	+15.6
Total	232.5	268.9	+36.3	+15.6
Postgraduate awards—				
Universities	16.2	17.7	+1.5	+9.2
Advanced education	0.3	0.3	..	+11.6
Total	16.5	18.0	+1.5	+9.3
Other tertiary	2.4	2.7	+0.3	+11.3
Adult secondary education assistance	7.1	8.8	+1.7	+23.1
Secondary allowances	49.8	62.8	+12.9	+25.9
Total student assistance schemes	308.4	361.1	+52.7	+17.1
Assistance provided under programs for special groups—				
Aboriginals—				
Secondary	25.4	29.5	+4.1	+16.1
Study grants	19.7	25.1	+5.4	+27.5
Migrants	7.4	5.7	-1.7	-22.9
Veterans' children	3.1	3.6	+0.5	+15.5
Assistance for isolated children	22.0	23.3	+1.3	+5.9
Total special groups	77.5	87.1	+9.6	+12.4
Total assistance for students	385.9	448.2	+62.3	+16.1

SPECIAL GROUPS

The Budget estimates include \$144.8m towards the education of special groups in 1984-85, an increase of \$17.9m (14.1%) over 1983-84.

Aboriginals

The Aboriginal Secondary Grants (ABSEG) and the Aboriginal Study Grants (ABSTUDY) schemes provide living allowances and other forms of benefits, free of income test, to Aboriginal students 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 will be increased in 1985 by 3.9%. These schemes, together with the Aboriginal Overseas Study Scheme, constitute the bulk of the Commonwealth educational assistance available to Aboriginal students and account for \$54.6m of the total provision compared with \$45.0m in 1983-84. The increase of 21.2% reflects a greater number of Aboriginal students participating in the schemes and the new allowance levels.

In 1984, 100 special teacher training awards were offered under the ABSTUDY scheme and the same number of new awards will be offered in 1985. The awards are generally for students who are 25 years or older and provide a basic living allowance of \$155.85 a week plus other normal ABSTUDY entitlements. The ABSTUDY scheme also includes \$3.5m to assist with the provision of special courses for Aborigines.

This heading includes the cost (\$0.5m) of the National Aboriginal Education Committee, an advisory body for the educational needs of Aboriginal people. In addition \$15.6m, an increase of 11.3% on 1983-84 expenditure of \$14.0m, will be available as grants through the Department of Aboriginal Affairs for the implementation of programs that address the special educational disadvantages of Aboriginal people.

Migrant Education

This heading mainly relates to the Adult Migrant Education Program (AMEP), a wholly Commonwealth funded program with delivery being almost entirely through the State Adult Migrant Education Services (AMES). The program, which complements State-funded activities, provides initial settlement orientation and 'on-arrival' and other 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.

The provision for Adult Migrant Education in 1984-85 is \$43.7m compared with expenditure of \$39.0m in 1983-84. In 1983-84 the Government made funds available for an increase in the number of permanent teacher positions within the various State and Territory AMES. An amount of \$3.0m has been provided to cover the full-year effect of the increase in teacher permanency in 1983-84 and for further increases in teacher permanency in 1984-85.

Provision has also been made for improvements in the relevance, quality and flexibility of courses offered (\$0.3m) and for improved availability of child care (\$0.5m) to enable more adult migrants to benefit from AMEP.

Veterans' Children Education

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 secondary students under the scheme are to be increased by about 3.9% from January 1985. Allowances for tertiary students are also to be increased from January 1985 in line with the increases in the TEAS allowances. The number of beneficiaries is estimated to increase from 2675 at 30 June 1984 to 2800 at 30 June 1985.

Assistance for Isolated Children

This scheme assists families whose homes are remote from normal daily access to government schools. It provides a basic allowance free of income test of \$927 p.a. for eligible students who are boarding away from home, as well as allowances for children studying by correspondence or living in a second family home close to school facilities. An income-tested additional allowance is also provided for students 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 \$12 974 in 1985. This allowance is subject to actual costs incurred and a sibling concession applies. Additional boarding allowance levels will be increased by between 6.1% and 7.1% from the beginning of 1985 and will range from \$1221 to \$1745 per year.

It is estimated that the scheme will cost \$23.3m in 1984-85 (compared with \$22.0m in 1983-84). Assistance will be provided in respect of an estimated 21 800 children in 1985.

In addition, assistance will be continued under a renewed three-year (1985-87) 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 cost of the program in 1984-85 is \$1.1m.

GENERAL ADMINISTRATION AND OTHER EXPENDITURE

General administrative expenditure of the Department of Education and Youth Affairs is estimated to increase by \$7.8m or 19.0% in 1984-85. Within this increase is the cost of an additional 99 staff years, which have been provided to service client-generated demand, such as through student assistance programs.

Other major components under this heading include grants to the Australian Council for Educational Research (\$491 000) and for the educational use of the domestic satellite (\$60 000 for Commonwealth contribution) for which the States and the Northern Territory share the costs equally with the Commonwealth.

An amount of \$85 000 will be provided to develop improved training for youth workers, including both in-service and pre-service training and \$150 000 will be provided for a pilot training and advisory program for work co-operatives and alternative rural communities. The latter program will develop options for training in essential

skills in both co-operative business management and sustainable communities; options will include training in tertiary institutions and non-institutional based training.

The increase in recoveries in 1984-85 reflects estimated revenue from curriculum development activities of \$500 000. In previous years revenue from these activities was paid to a bank account under arrangements associated with the former Curriculum Development Centre which, as mentioned above, has now been re-activated under different arrangements within the Commonwealth Schools Commission.

Other programs administered by the Department of Education and Youth Affairs are described under the heading 'Youth, Sport and Recreation' under *Culture and Recreation*.

3. HEALTH

Commonwealth outlays recorded under this function are estimated at \$6183.6m in 1984-85, an increase of \$1772.1m or 40.2% on 1983-84.

An additional amount of \$1400.9m 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. (See the sub-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. 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.

Revenue forgone because of these measures is not included in the figures in this section. Some estimates of taxation expenditures can be found in Statement No. 4.

The main factor affecting the growth in outlays on health in 1984-85 is the full year effect of the introduction of Medicare. The estimated cost of Medicare in 1984-85 is about \$2050m or approximately \$1370m more than the part year cost of \$680m in 1983-84. The reasons for this increase are included in the explanations provided for the various facets of Medicare contained in subsequent paragraphs.

MEDICAL SERVICES AND BENEFITS

	1982-83	1983-84	1984-85	Change	
	Actual	Actual	Estimate	\$m	%
Medical Services and Benefits—					
Medical Benefits	916.8	1363.8	2249.6	+ 885.8	+ 64.9
Diagnostic Services	29.8	33.7	41.4	+ 7.7	+ 23.0
Veterans and Dependents	117.2	135.2	170.5	+ 35.2	+ 26.1
Total	1 063.8	1 532.7	2 461.5	+ 928.7	+ 60.6
Hospital Payments and Benefits—					
Hospital Payments	306.8	505.6	995.8	+ 490.1	+ 96.9
Health Benefits Reinsurance	99.8	20.2	20.0	- 0.2	- 0.9
Veterans and Dependents	274.4	313.3	337.8	+ 24.4	+ 7.8
Launceston General Hospital	1.4	0.2	0.3	+ 0.1	+ 54.4
Total	682.4	839.4	1 353.9	+ 514.5	+ 61.3
Health Program Grants	3.7	7.0	7.9	+ 0.8	+ 12.1
Pharmaceutical Services and Benefits—					
Pharmaceutical Benefits—					
General	146.5	132.1	163.6	+ 31.5	+ 23.8
Concessional	11.1	39.3	48.4	+ 9.1	+ 23.2
Pensioners	272.7	317.8	373.2	+ 55.4	+ 17.4
Administration	14.7	17.5	19.2	+ 1.7	+ 9.8
Veterans and Dependents	61.0	66.1	73.7	+ 7.6	+ 11.5
Total Pharmaceutical	506.0	572.8	678.1	+ 105.3	+ 18.4
Nursing Home and Domiciliary Care Services and Benefits—					
Nursing Home Benefits	511.9	597.4	707.5	+ 110.1	+ 18.4
Nursing Homes Assistance	222.1	248.1	293.4	+ 45.3	+ 18.3
Domiciliary Nursing Care Benefits	23.4	25.9	28.9	+ 3.0	+ 11.7
Nursing Care for Veterans and Dependents	58.1	66.2	75.2	+ 9.0	+ 13.6
Home Nursing Service	19.9	22.8	27.1	+ 4.3	+ 18.7
Total	835.4	960.3	1 132.0	+ 171.8	+ 17.9
Community Health Facilities and Services	9.1	10.7	11.9	+ 1.2	+ 11.0
Treatment of Tuberculosis	0.9	0.8	0.5	- 0.3	- 41.1
Health Services in the ACT, nec	86.7	98.9	120.4	+ 21.5	+ 21.8
Health Services for Aboriginals	26.3	31.2	36.2	+ 5.0	+ 16.2
Other Health Services—					
Medical Research Grants	29.6	36.6	44.2	+ 7.6	+ 20.7
Walter and Eliza Hall Institute	3.2	3.5	6.8	+ 3.3	+ 92.5
Health Insurance Commission—					
Repayment of Capital Advance	—	—	10.0Cr	- 10.0	n.a.
Commonwealth Serum Laboratories	6.3	6.6	7.0	+ 0.4	+ 5.8
Australian Institute of Health	4.7	5.4	5.4	- 0.1	- 1.3
Aids and Appliances	20.7	28.4	32.7	+ 4.3	+ 15.1
Blood Transfusion Services and Products	20.0	21.5	24.7	+ 3.2	+ 14.6
Isolated Patients Travel and Accommodation Assistance	9.2	11.8	15.0	+ 3.2	+ 27.2
Drug Education Campaign	1.7	1.9	2.0	+ 0.1	+ 5.5
Quarantine Services	34.3	39.0	37.4	- 1.6	- 4.1
National Health Promotion Program	—	0.3	0.7	+ 0.4	+ 121.9
National Diseases Control Program	0.2	0.5	0.6	+ 0.1	+ 14.8
International Health Program	—	0.1	0.1	—	—
Other	20.7	22.0	24.3	+ 2.3	+ 10.4
Total Other Health Services	150.6	177.8	190.9	+ 13.0	+ 7.3
General Administration Expenditure	67.4	186.8	197.3	+ 10.5	+ 5.6
Recoveries	6.8Cr	7.0Cr	7.0Cr	—	- 0.2
TOTAL HEALTH	3 425.4	4 411.5	6 183.6	+ 1 772.1	+ 40.2

Medical Benefits

Under Medicare, introduced on 1 February 1984, the basis of the provision of Commonwealth contributions towards the costs of medical and optometrical services has undergone substantial change:

- the Commonwealth contributes to the cost of medical services for all Australian residents on the basis of 85% of the schedule fee, subject to the gap between the benefit and schedule fee not exceeding \$10;
- the Commonwealth meets in full schedule fee gap payments in excess of \$150 per person per annum;
- bulk-billing by practitioners is available for all eligible persons where benefits are accepted in full payment;
- registered health insurance organisations are not 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);
- no charges are made for Commonwealth medical officer consultations or for the services provided by Commonwealth pathology laboratories; and
- the Health Insurance Commission, or its agents, administers Commonwealth medical and optometrical benefits in respect of all services rendered since 1 February 1984.

Outlays on Commonwealth medical benefits are estimated to increase by \$885.8m in 1984-85 to \$2249.6m. This increase, of which \$721m is assessed as directly attributable to the introduction of Medicare, comprises:

- \$65m for the balance of the increase in schedule fees from 1 March 1984 and \$163m for the full-year effects of the 15 June 1984 increase in schedule fees following the 1984 Enquiry on Medical Fees for medical benefit purposes;
- general growth in the utilisation of services primarily due to demographic and long-term demand trends (\$88m);
- the higher rate of benefit payments under Medicare (\$587m);
- an expected increase in schedule fees in late 1984-85 (\$12m);
- carry over expenditure commitments from pre-Medicare schemes (\$8m); and
- an adjustment for a cash carryover by the Health Insurance Commission from 1983-84 (-\$38m).

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 Standards Laboratory and the Australian Radiation Laboratory. An amount of \$14.4m has been provided in 1984-85 for the operation of the Commonwealth's pathology laboratories, which includes the costs (\$0.1m) in 1984-85 that will

be incurred in transferring staff from the Tasmanian public service to the Commonwealth as part of a rationalisation of government pathology services in Launceston.

Treatment and Allowances for Veterans and Dependents

The Commonwealth meets the costs for eligible veterans and their dependents of specialist, local medical officer, paramedical and dental services, the provision and maintenance of surgical aids and travelling and other expenses incurred in obtaining medical treatment. The estimated increase of \$35.2m reflects increased fees for professional services, increased travelling costs and increased demand arising largely from demographic factors.

HOSPITAL PAYMENTS AND BENEFITS

Hospital payments under this function are estimated to increase by \$490.1m to \$995.8m in 1984-85.

Total payments under the *Health Insurance Act 1973* in 1984-85 for hospitals, which include \$16.3m for the Australian Capital Territory shown under the sub-function 'Health Services in the Australian Capital Territory nec.' are estimated at \$1012.1m, an increase of \$502.2m on 1983-84. This amount comprises:

- payments to the States and Territories of Medicare grants—\$872.1m (see 'Public Hospitals' below); and
- payments to private hospitals in respect of bed day subsidy arrangements—\$140.0m (see 'Private Hospitals' below).

The additional costs associated with a full year of Medicare payments, as distinct from the part-year impact in 1983-84, have increased expenditure by some \$630m.

The comparison with 1983-84 is, however, affected by the fact that, as part of the Medicare arrangements that commenced on 1 February 1984, specific purpose payments to South Australia and Tasmania for health purposes (hospital cost sharing agreements) previously included within this function have been replaced by general purpose assistance similar to that which has been paid to the other States and the Northern Territory since 1 July 1981. Thus, some \$120.5m are included in the 1983-84 figures for these payments, but there are no equivalent amounts in the 1984-85 estimates shown here. Details of these arrangements are provided under the sub-function 'Payments to or for the States, the Northern Territory and Local Government Authorities nec.'

Public Hospitals

Under Medicare, all Australian residents are entitled to free shared ward accommodation and treatment and free outpatient treatment at public hospitals. Those seeking 'doctor of choice' or private ward accommodation in a public hospital must bear the additional cost or take out appropriate hospital insurance cover. Commonwealth assistance is, however, provided in order to reduce the fees charged for private accommodation in public hospitals and accommodation charges raised by private hospitals (see 'Private Hospitals' below).

All States, the Northern Territory and the Australian Capital Territory are compensated by Medicare grants (outside and in addition to the identified health grants and tax sharing arrangements) for:

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

Under the Medicare arrangements, and included in these Medicare grants estimates, Queensland will receive an additional special public hospital payment of \$35 million in 1984-85 in recognition of the special circumstances of that State.

The Medicare grants also include an additional community health component to restore the level of community health grants to 1975-76 levels in real terms (\$18m).

Medicare grants in total in 1984-85 are estimated to be some \$593m higher in 1984-85 than the 1983-84 part-year grants.

Private Hospitals

Under the *Health Insurance Act 1973* the Commonwealth until 31 January 1984 made payments 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 the average subsidy amounted to \$19.45 per day. From 1 February 1984, as part of the Medicare arrangements, the subsidy was increased up to a level of around \$30 a day on average and private hospitals have been classified and paid on the basis of the level of facilities and services they provide. In 1984-85 the effect of these changes is estimated at \$54m, an increase of \$39m over 1983-84. Overall expenditure on the subsidy increased from \$86.5m in 1982-83 to \$103.6m in 1983-84 and is expected to increase to \$140m in 1984-85.

Health 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 Economic Statement of May 1983, the Commonwealth's contribution to the Fund was reduced from \$100m in 1982-83 to \$20m in 1983-84 to help finance Medicare, and the provision will continue at this level for 1984-85.

Veterans and Dependents

Repatriation hospitals and clinics are maintained in each State for the treatment of eligible veterans and their dependents; members of the public may be admitted to a repatriation hospital but only if spare beds are available and the facilities are suitable for the required treatment. In certain circumstances the Department of Veterans' Affairs may approve admission of veterans and their dependents to private or State public hospitals. A total of \$337.8m is to be provided for this purpose in 1984-85—an increase of \$24.4m on the 1983-84 provision. This increase largely reflects higher wages and salaries and operational costs (\$16.2m) associated with the operation of repatriation hospitals, reduced receipts from community patients treated in repatriation hospitals

attributable to the provision of free hospital accommodation and treatment under Medicare (\$4.4m), increased repairs and maintenance of facilities (\$2.2m), the construction of replacement medical and surgical facilities (\$4.9m), offset, in part, by an estimated net reduction in payments by the Department of Veterans' Affairs for treatment of patients in non-departmental institutions (-\$5.5m). Included within the 1984-85 provision is an additional amount of \$1.1m for new initiatives directed toward the treatment and care of aged or disabled veterans, including an expansion of geriatric assessment programs (\$0.9m) and administration of a program of home help (\$0.2m).

Launceston General Hospital

The Commonwealth is meeting 50% of the approved cost of stage one of the redevelopment of the Launceston General Hospital at an estimated total Commonwealth contribution of \$22.4m. In addition, the Commonwealth is to fund 50% of the approved cost of construction of a centralised laundry facility at the hospital at an indicative total cost of \$4.6m at current prices. Payments in 1984-85 for these purposes are estimated at \$0.3m comprising \$0.25m as a final payment in respect of the Stage I redevelopment of the hospital, and \$0.05m as an initial contribution for the commencement of construction of the laundry.

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.

The estimate of \$7.9m for 1984-85 makes provision for the payment of moneys to state family planning associations and other organisations for estimated approved deficits in respect of clinical activities.

PHARMACEUTICAL SERVICES AND BENEFITS

Pharmaceutical Benefits—General, Concessional and Pensioners

The Commonwealth meets the cost of a wide range of drugs supplied on doctors' and dentists' prescriptions except for a patient contribution per prescription item, payable by persons other than Pensioner Health Benefits (PHB) and Health Benefits card holders and their dependants. These card holders (including persons in receipt of an unadmitted pension and sickness beneficiaries) 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, including the unemployed and low income families, 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 \$96m in 1984-85 to \$585.2m. The main components of the increase are as follows:

- an estimated increase (\$47m) due to an increase in the volume of prescriptions dispensed and variations in the mix of benefit items prescribed and price increases granted;
- \$35m for the full and part-year costs of increases in chemists' remuneration determined by the Pharmaceutical Benefits Remuneration Tribunal; and
- \$13m for the part year costs of an across-the-board increase in drug prices from 1 November 1984 of 2.5% plus 8 cents per prescription at price to chemist level and \$1m for increasing the maximum differential on generic drugs to 10 cents.

Pharmaceutical Benefits—Veterans and Dependants

The Commonwealth meets the full costs of drugs and medicinal preparations supplied on prescription for eligible veterans and their dependants. The increase of \$7.6m to \$73.7m in 1984-85 reflects an estimated increase in demand for pharmaceutical benefits due to demographic factors, the full-year effect of the increase in chemists' remuneration from 1 January 1984 and the estimated cost of the increase in chemists' remuneration from 1 July 1984, and of the increase in drug prices from 1 November 1984.

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 maximum benefit rates, which have applied since November 1983, are:

	Ordinary Care Patients \$ a day	Extensive Care Patients \$ a day
New South Wales and Australian Capital Territory	32.35	38.35
Victoria	45.15	51.15
Queensland	26.65	32.65
Western Australia	23.40	29.40
South Australia and Northern Territory	37.60	43.60
Tasmania	27.80	33.00

These maximum rates of benefit are reviewed annually and if necessary adjusted with effect from the first pension payday in November, so that in an aggregate sense, together with the statutory patient contribution (currently \$12.40 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.

The major reason for the differences in the levels of benefit between the States and the Territories is the differing care requirements imposed by them.

Expenditure on nursing home benefits is estimated at \$707.5m in 1984-85, an increase of \$110.1m or 18.4%, reflecting:

- the full and part-year effects of an increase in the numbers of approved nursing home beds (\$10.3m);

- the full-year effect of the November 1983 increase in benefits (\$61.0m);
- the part-year cost of an anticipated increase in benefits from the first pension payday in November 1984 including provision for the effects of the extension of the 38 hour week to nursing staff in some States (\$37.9m); and
- the part-year cost (\$0.9m) of making nursing home benefits available in respect of nursing home patients who temporarily vacate their beds. This initiative is being undertaken in the context of the Government's home and community care program referred to under the *Social Security and Welfare* function below (see 'Home Care Services').

Nursing Homes Assistance

Under the *Nursing Homes Assistance Act 1974*, the Commonwealth meets approved operating deficits of eligible 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 \$293.4m in 1984-85, an increase of \$45.3m or 18.3%, reflecting an allowance for cost increases, including provision for the effects of the extension of the 38 hour week to some nursing staff, and an 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 730 in 1983-84 and is expected to increase by about 1250 in 1984-85.

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 1984-85 is estimated to be \$28.9m, \$3.0m higher than in 1983-84, reflecting 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 nursing care services are also provided, as required, to these groups. The increase of \$9.0m to \$75.2m in 1984-85 reflects increased nursing home and domiciliary care charges and the increased requirement for such services.

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 \$27.1m in 1984-85.

The increase of \$4.3m reflects an expected increase in the number of eligible nurses on which subsidy payments are based (\$2.1m) and provision for an increase in the rates of subsidy from 1 July 1984 (\$2.2m).

COMMUNITY HEALTH FACILITIES AND SERVICES

In 1984-85 the Commonwealth will provide an estimated \$11.9m for 'national projects' which are fully funded by the Commonwealth, an increase of \$1.2m on 1983-84. The increase in the Commonwealth's contribution to 'national projects' largely results from the Government's decision in the Medicare context to increase funding on the community health program to 1975-76 levels in real terms.

A large part of the funds for national projects is for the Family Medicine Program—a vocational training program organised by the Royal Australian College of General Practitioners for medical graduates wishing to enter general practice. The balance of the \$11.9m 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.

The Commonwealth will also provide a further \$18.0m to the States and Northern Territory under the Medicare arrangements (see 'Hospital Payments and Benefits' above).

TREATMENT OF TUBERCULOSIS

The payment of allowances to persons suffering from tuberculosis is to be phased out after the last allowance payday in October 1984. From the first benefit payday in November 1984, persons not previously receiving allowances who suffer from tuberculosis will be granted sickness benefits if they meet the eligibility criteria for these benefits.

Persons in receipt of tuberculosis allowances at the end of October 1984 will continue to receive them, if eligible, until such time as the relevant sickness benefit rate exceeds the level of the allowances. At this point the allowees will receive sickness benefits instead. An amount of \$0.5m has been provided in 1984-85 for the payment of tuberculosis allowances.

HEALTH SERVICES IN THE AUSTRALIAN CAPITAL TERRITORY NEC

The Commonwealth through the Capital Territory Health Commission provides or subsidises health services in the Australian Capital Territory of the type provided elsewhere by State and local government authorities. These include three hospitals (expected to provide in 1984-85 a total of 860 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, 68 child health clinics, and 59 school dental clinics), 2 nursing homes (254 beds), 6 residential care hostels (152 beds) and 3 group homes for the mentally ill and the handicapped, a central health laboratory and a centralised health services supply centre.

Under this heading a provision of \$16.3m is also included for 1984-85 (\$12.1m increase over 1983-84) under the Medicare program for public hospital and community health services in the Australian Capital Territory (see 'Hospital Payments and Benefits' above).

Net expenditure by the Commonwealth under this heading in 1984-85 on recurrent and capital costs of health services in the Australian Capital Territory is estimated at \$120.4m, compared with \$98.9m in 1983-84. Within the 1984-85 provision an amount of \$2.3m has been earmarked for new initiatives, including staffing of a psychiatric intensive care unit at Woden Valley Hospital (\$0.3m), the establishment of a radiation control and inspection unit (\$27,000), expansion of direct care community health facilities (\$0.5m), expansion of community nursing services (\$0.1m), and purchase of a replacement computerised axial tomography scanner (\$1.3m).

After allowing for a decrease in revenue (\$10.7m) and cash on hand at the end of 1983-84 (\$3.3m), the effective increase in financial resources available in 1984-85 over 1983-84 is \$14.2m or 14.4%.

HEALTH SERVICES FOR ABORIGINALS

This heading covers special assistance provided for Aboriginal health through the Departments of Health and Aboriginal Affairs (DAA).

Programs of direct assistance to Aboriginal organisations and groups through DAA include Aboriginal Medical Services (\$14.4m in 1984-85) and payments to the States (\$16.4m in 1984-85). 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.

Funding is provided through the Department of Health for the National Trachoma and Eye Health Program (\$1m), clinical services provided by some Aboriginal Medical Services (\$4.1m) and other Aboriginal health initiatives (\$0.3m).

In addition to the amount under this heading, \$7m is being provided in 1984-85 for expenditure under the Aboriginal Public Health Improvement Program. This program, which appears under the function *Urban and Regional Development nec and the Environment*, encompasses the provision of water supplies, sewerage systems, and 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. Disbursement of moneys made available, both from the Commonwealth and from other sources such as gifts and bequests, is determined by the Minister for Health on the advice of the National Health and Medical Research Council and acting, where necessary, in accordance with any conditions imposed by private benefactors. 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 \$6.2m to \$44.2m in 1984-85.

Walter and Eliza Hall Institute of Medical Research

The Commonwealth agreed in 1981 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 1984-85 is \$6.8m.

Health Insurance Commission—Repayment of Capital Advance

It was originally envisaged that the Health Insurance Commission would repay to the Commonwealth in 1983-84 the \$10m advanced to the Commission in 1976 for the establishment of Medibank Private. This repayment will now occur in 1984-85.

Commonwealth Serum Laboratories Commission

The Commonwealth Serum Laboratories Commission produces and sells prescribed pharmaceutical products in accordance with the *Commonwealth Serum Laboratories Act 1961*. The Commonwealth meets the full cost of activities considered to be in the national interest which are undertaken by the Commission. The national interest activities which are determined by the Minister for Health include research, the maintenance of production facilities and the holding of stocks of pharmaceutical products. An amount of \$7m is provided for these activities in 1984-85. Included in this allocation is \$0.3m for research and clinical trials into the drug 'Interferon', \$0.6m for capital works and \$2.5m for research initiatives.

Australian Institute of Health

An Australian Institute of Health is being established to provide a national focus for health services research and planning. The Institute will conduct, or support, studies and research into the health status of the Australian population and the effective and efficient use of health services.

During 1984-85 arrangements will be made for the transfer from the Department of Health to the new Institute of administrative responsibility for the existing Commonwealth Institute of Health and the Health Services Planning, Research and Development Grants Program.

The Commonwealth Institute of Health will be renamed the School of Public Health and form the nucleus of the Institute's public health activities. It is intended that when the Institute is fully operational it will have expertise in public health and health services, economics, statistics and research and development.

The amount of \$5.4m to be provided to the Institute in 1984-85 includes \$4.9m to cover its recurrent and capital costs and \$0.5m to complete special epidemiological studies into the effects 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 mainten-

ance of hearing aids and the supply of hearing aid batteries for them. The laboratories also conduct a research and development program on hearing impairment, hearing aid technology and assistance to hearing impaired people, noise measurement and the effects of noise on people.

The cost of supplying hearing aids and batteries, excluding salaries and administrative costs, in 1984-85 (to an estimated 70 000 clients) is estimated to be \$13.8m, \$3.3m higher than in 1983-84.

The Commonwealth also meets the full costs of stoma appliances that are provided free of charge by stoma associations to persons who require them (estimated to be \$4.5m in 1984-85) and artificial limbs provided under the Free Limbs Scheme by the Department of Veterans' Affairs to eligible persons (estimated to be \$3.3m in 1984-85).

The Commonwealth is to provide \$11.1m in 1984-85 for the continuation of the Program of Aids for Disabled People (administered by the States and the Territories on behalf of the Commonwealth) 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. An amount of \$7.1m was initially provided for the program in 1983-84. This was, however, increased to \$10.9m in the latter months of the year to meet increased demand. It is estimated that the 1984-85 allocation will enable aids to be provided to about 35 000 disabled Australians.

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 \$3.2m in 1984-85 to \$24.7m, 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, Perth and Adelaide 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 \$30 per night per person in respect of each approved overnight stay in commercially operated prem-

ises is also payable. This benefit is restricted to a maximum of \$10 per night per person for other premises.

The cost of the scheme is expected to increase by \$3.2m in 1984-85 to \$15m, reflecting increased travel and accommodation costs and increased demand.

Drug Education Campaigns

An amount of \$2m will be provided in 1984-85 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 \$37.4m for quarantine services in 1984-85 is a decrease of \$1.6m on 1983-84. This decrease reflects savings resulting from a re-assessment of the extent of coastal surveillance operations necessary to provide adequate cover for quarantine purposes. These savings have been offset, in part, by an increase in payments to the States and the Northern Territory and medical practitioners for animal, plant and human quarantine activities.

National Health Promotion Program

In 1984-85 the Commonwealth will provide an estimated \$0.7m for health promotion. In this amount provision is made for:

- projects which are primarily directed towards supporting initiatives to help older Australians become more involved in community life and projects which focus on the special problems of unemployed youth; and
- the establishment of a National Commission on Health Promotion which in 1984-85 will be responsible for the development of a national strategy for health promotion.

National Diseases Control Program

In 1983-84, \$0.5m was provided for a new National Diseases Control Program. This amount included the provision of \$0.3m for encephalitis control and \$0.1m for the control of dengue fever on a \$ for \$ basis with the States, and \$0.1m for national projects including research. Expenditure on the program in 1984-85 is expected to total \$0.6m.

International Health Program

Provision was also made in 1983-84 to establish an International Health Program. \$139 100 is provided in 1984-85 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 (\$19 000) and WHO Regional Teacher Training Centre, University of NSW (\$75 100). The program also incorporates the contributions

Australia is making to WHO (\$4.4m) and the International Agency for Research on Cancer (\$0.6m) under the sub-function '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 is the subsidy to the Royal Flying Doctor Service (\$6.5m) and \$0.1m as the Commonwealth's contribution to the cost of the evaluation of the cardiac transplantation program being undertaken at St Vincent's Hospital, Sydney.

GENERAL ADMINISTRATION EXPENDITURE

Expenditure under this heading is estimated at about \$197.3m in 1984-85 and comprises the major portion of general administrative and capital expenses of the Department of Health, including the costs of administering nursing home benefits and nursing homes assistance and subsidies for private hospitals.

The amount above also includes a provision for the review of the medical benefits schedule (\$0.5m), funding of the Australian Medical Council (\$0.3m) and financing of the first stage of a trial to assess the efficacy of dry chemistry pathology testing techniques (\$0.3m).

Health Insurance Commission—Costs associated with the Medicare Benefits Payments Arrangements

An amount of \$114.4m in 1984-85 has been provided for the Health Insurance Commission to enable it to undertake operational activities associated with the Medicare benefits payments arrangements. Of this amount \$3.9m is for capital equipment whereas, in 1983-84, \$49.4m was provided in the establishment phase of Medicare. The balance of \$110.5m will provide for, inter alia, wage and salary costs of those employed in paying benefits. This ongoing requirement, an increase of \$64.7m over 1983-84, reflects the fact that 1984-85 is the first full financial year of Medicare's operation.

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 circumstances 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. Assistance is also 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.

Details about programs and entitlements are provided in relevant Annual Reports, particularly those of the Department of Social Security and the Repatriation Commission.

Total direct outlays on social security and welfare in 1984-85 are estimated to be \$18 047.0m which is equivalent to 28.2% of total budget outlays. The increase over 1983-84 is \$1608.9m or 9.8%.

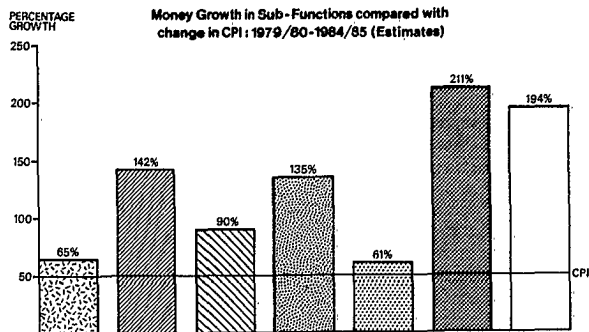
In addition to these outlays on social security and welfare, assistance is provided through the personal income tax system. For example, the pensioner rebate provides tax-relief for many pensioners, the dependent spouse and sole parent rebates assist single income families, tax concessions for occupational 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.

	1982-83	1983-84	1984-85	Change	
	Actual	Actual	Estimate	\$m	%
	\$m	\$m	\$m	\$m	%
Assistance to the Aged—					
Age Pensions and Allowances	4 867.6	5 313.7	5 748.0	+434.3	+ 8.2
Aged Persons' Homes and Hostels	58.4	52.6	61.0	+ 8.4	+ 15.9
Home Care Services	32.7	38.5	66.4	+ 27.8	+ 72.3
Hostel Care Subsidies	35.8	40.1	50.2	+ 10.1	+ 25.1
Other	0.2	0.2	0.2	..	+ 20.9
Total	4 994.8	5 445.1	5 925.8	+480.7	+ 8.8
Assistance to Veterans and their Dependents—					
Disability Pensions and Allowances	651.7	729.2	816.0	+ 86.9	+ 11.9
Service Pensions	1 057.9	1 294.3	1 505.0	+210.7	+ 16.3
Other	0.8	0.8	2.7	+ 1.9	+243.0
Total	1 710.5	2 024.2	2 323.7	+299.5	+ 14.8

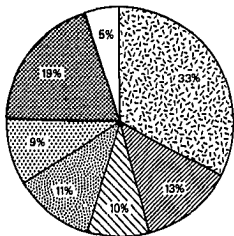
	1982-83	1983-84	1984-85	Change	
	Actual	Actual	Estimate	\$m	%
	\$m	\$m	\$m	\$m	%
Assistance to the Handicapped—					
Invalid Pensions and Allowances	1 068.4	1 252.7	1 466.0	+ 213.3	+ 17.0
Sheltered Employment Allowance	40.7	45.9	52.0	+ 6.1	+ 13.2
Mobility Allowance for Severely Disabled Persons	0.3	4.5	7.4	+ 2.9	+ 62.9
Rehabilitation Allowances	6.8	20.2	24.4	+ 4.2	+ 20.7
Handicapped Children's Benefits and Allowances	27.4	29.2	31.8	+ 2.6	+ 8.9
Handicapped Persons' Facilities	70.1	75.9	97.0	+ 21.1	+ 27.7
Rehabilitation Services	30.5	32.8	35.6	+ 2.8	+ 8.5
Other	1.0	0.7	1.0	+ 0.3	+ 47.7
Total	1 245.2	1 462.0	1 715.3	+253.2	+ 17.3
Assistance to Widows and Single Parents—					
Widows' Pensions and Allowances	758.1	829.5	908.0	+ 78.5	+ 9.5
Supporting Parents' Benefits and Allowances	727.7	889.6	1 083.0	+193.4	+ 21.7
Total	1 485.8	1 719.1	1 991.0	+271.9	+ 15.8
Assistance to Families—					
Family Allowances	1 373.7	1 506.3	1 512.0	+ 5.7	+ 0.4
Family Income Supplement	2.2	35.1	49.0	+ 12.9	+ 35.6
Children's Services (a)	65.1	80.2	124.7	+ 44.4	+ 55.4
Orphan's Pension	3.7	4.2	4.5	+ 0.3	+ 6.3
Other	5.9	6.7	10.4	+ 3.7	+ 55.5
Total	1 450.5	1 633.6	1 700.6	+ 67.0	+ 4.1
Assistance to the Unemployed and Sick—					
Unemployment Benefits	2 249.0	2 912.3	2 970.0	+ 57.7	+ 2.0
Sickness Benefits	270.8	335.9	372.0	+ 36.1	+ 10.8
Special Benefits	89.2	92.8	104.0	+ 11.2	+ 12.1
Unemployment Relief	19.6	24.5	30.0	+ 5.5	+ 22.3
Relocation Assistance Scheme	2.2	3.5	4.9	+ 1.4	+ 40.1
Other	0.7	0.4	0.5	+ 0.1	+ 17.1
Total	2 631.3	3 369.4	3 481.4	+112.0	+ 3.3
Other Welfare Programs—					
Funeral Benefits	1.5	1.4	1.5	+ 0.1	+ 4.9
Telephone Rental and Postal Concessions	31.5	38.2	43.0	+ 4.8	+ 12.6
Mortgage and Rent Relief	16.0	18.1	21.7	+ 3.6	+ 19.8
Supported Accommodation Assistance	5.3	12.7	22.9	+ 10.3	+ 81.3
Crisis Accommodation	4.0	4.0	12.8	+ 8.8	+220.0
Assistance for Migrants	7.9	9.3	12.0	+ 2.7	+ 29.2
Welfare Programs in the ACT	12.6	14.3	17.7	+ 3.4	+ 23.5
Other	8.6	12.6	14.3	+ 1.6	+ 12.8
Total	87.5	110.6	145.8	+ 35.2	+ 31.9
Aboriginal Advancement Programs nec	96.3	116.7	132.3	+ 15.6	+ 13.4
General Administrative and Other Expenditure	414.2	562.7	635.2	+ 72.5	+ 12.9
Recoveries and Repayments	3.6Cr	5.3Cr	3.9Cr	+ 1.4	+ 26.1
TOTAL SOCIAL SECURITY AND WELFARE	14 112.4	16 438.1	18 047.0	+1 608.9	+ 9.8

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

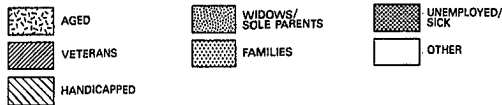
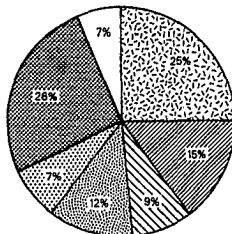
Social Security and Welfare Outlays : 1979/80-1984/85 (Estimates)



Components of Social Security Function : 1984/85 (Estimates)



Components of Growth in Outlays : 1979/80-1984/85 (Estimates)



In the five years to 1984-85, total outlays on social security and welfare are estimated to increase by \$9263m or 105%. The estimated increase in the Consumer Price Index (CPI) over the same period is 50%. The increase by sub-function, and the components of 1984-85 spending and of the growth over the last five years, are shown in the diagrams opposite.

Much of the increase in outlays is a result of maintaining the real value of certain pensions and benefits through the automatic indexation of these payments to the CPI. However, the growth in outlays over the five years by sub-function reveals some changes in the pattern of social security and welfare spending:

- assistance for the aged (excluding veterans) accounts for 33% of social security and welfare outlays but only 25% of the growth in the past five years. While there has been some real growth over the period, it has been relatively small. The effect of increasing numbers receiving age pensions has been partially offset by a rise in the proportion who are eligible for repatriation service pensions and by a tightening of pension means test arrangements;
- assistance to veterans and their dependants represents 13% of outlays for the function and 15% of the growth in the last five years. The increased spending is primarily the result of the ageing of the cohort of 1939-45 War veterans, an increasing proportion of whom has become eligible for service pensions. The increase also arises from the increasing proportion of pensioners receiving the higher rates of pension for severely disabled veterans and an increasing number of war and defence widows;
- assistance to the handicapped represents 10% of the total outlays and 9% of the growth over the last five years. The increase is primarily the result of increased invalid pension numbers, but also reflects an expansion in services for the handicapped and the introduction of new allowances;
- assistance to widows and sole parents now represents 11% of the total and 12% of the growth over the last five years. The growing proportion of welfare outlays in this area primarily results from the increased numbers of sole parent pensioners;
- assistance to families comprises 9% of the total and 7% of the growth. The relatively small real increase in outlays reflects the small increase in numbers of family allowance recipients. It also reflects an expansion of children's services;
- assistance to the unemployed and sick represents 19% of the total and 26% of the growth. The increased proportion of outlays on the unemployed arises from the substantial increase in numbers involved. The percentage increase in outlays on sickness benefits has also been greater than for the social security and welfare function as a whole; and
- the increase in the remaining components of the function (comprising 7% of the total growth over the five years) relates mostly to increased administrative costs for both the Departments of Social Security and Veterans' Affairs. The former is in part the result of increased unemployment beneficiaries and the effect of the Stratplan computer and network re-equipment program. The latter relates in part to increased service pensioners. These other components now comprise 5% of outlays on social security and welfare.

ASSISTANCE TO THE AGED

Age Pensions and Allowances

Eligibility for Age Pensions

Age pensions are payable to women aged 60 years and over, and to men aged 65 years and over.

Recipients must satisfy residency requirements and the pension is means-tested on income and, from 21 March 1985, on either income or assets. These tests are applicable to age, service, invalid, wife's, spouse carer's and widows' pensions, supporting parents' benefit and sheltered employment and rehabilitation allowances.

The income test for those aged under 70 reduces the pension 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. For those aged 70 years and over, however, with non-pension income up to \$200 a week (up to \$333 for a married couple) a minimum of \$51.45 a week (\$85.80 for a married pensioner couple) is payable. These special rates of pension are reduced by half of any non-pension income in excess of the above limits. No income test applies if the pensioner is permanently blind.

The key features of the assets test to be applied from 21 March 1985 will be:

- it will apply to all social security and repatriation pensions currently subject to the income test;
- the principal residence is excluded from the assets test;
- the first \$100 000 of other assets is exempt for pensioner couples who own their own homes;
- the first \$70 000 is exempt for single pensioners who own their own homes;
- these exemption levels are \$50 000 higher for non-home owners;
- above these amounts, the maximum rate of pension will be reduced at the rate of \$20 a week for each \$10 000;
- under the pension rates that will apply at 21 March 1985, no pension will be payable where assessable assets exceed \$116 000 or \$177 000 for single pensioners and married pensioner couples respectively living in their own homes. The limits for those whose assets do not include a home will be \$166 000 and \$227 000 respectively; and
- people with assets which diminish or preclude eligibility for the pension but which are held in a form difficult to convert into cash to cover ordinary living expenses may be paid income equivalent to the pension. Any amount paid in excess of normal entitlement under the assets test will be a loan to be recovered from their estate subject to the deceased's estate being valued at \$100 000 or more. Such loans will attract interest at a commercial rate.

The assets test and income test are to apply separately so that only one or the other operates. The actual rates of pension payable will be the lower of the rates produced by the income test or the assets test. Blind pensioners will not be affected.

Invalid pensions for those under age pension age, sheltered employment and rehabilitation allowances, repatriation service pensions for those below service pension age, wife's pension and spouse carer's allowance payable to spouses of pensioners below

age pension age are not subject to personal income tax. Additional payments for children, remote area allowance, and supplementary assistance or incentive allowance are also tax free. All other basic rates of pension are taxable.

Associated Payments

The following associated payments may also be made:

- *Wife's pension*, which is payable to the wife of an age, invalid or service pensioner who does not receive another pension in her own right;
- *Spouse carer's pension*, which was introduced from 1 December 1983, is payable to a man who does not receive another pension in his own right and who is providing constant care and attention at home for his age, service or invalid pensioner wife for an extended or indefinite period;
- *Additional pension for children*, which is available to pensioners with children under 16 or dependent full-time student children aged 16 to 24;
- *Mother's/guardian's allowance*, which is payable to a single pensioner with one or more children;
- *Supplementary assistance*, which may be paid to pensioners who pay rent, lodging or board and lodging to private landlords. The subsidy rate is 50 cents for each \$1 by which rent paid exceeds \$10 a week, subject to a maximum level of assistance, with the amount thus determined reduced by \$1 for each \$2 of non-pension income; and
- *Remote area allowance*, which is payable to pensioners living in Income Tax Zone A (including Special Zone A). The allowance, introduced in May 1984, is payable to permanent residents of the Tax Zone. It is not payable to pensioners aged 70 or over receiving the special rate of age or service pension, during absences overseas or in other cases of temporary absences in excess of 8 weeks. It is deductible from the maximum claimable value of any Income Tax Zone A rebate for which the recipient would otherwise be eligible.

Rates of Payment of Age Pensions and Allowances

The basic rates of pensions are increased automatically each six months in accordance with movements in the CPI. The rates are adjusted each November by the percentage increase in the CPI in the six months up to the preceding June quarter, and similarly, each May by the percentage increase in the CPI in the six months up to the preceding December quarter. Special rules apply should there be a negative movement in the CPI.

As a result of the fall in the CPI in the six months to the June quarter 1984 there will be no indexation adjustment in November 1984. In line with its policy of increasing real rates of pensions and benefits, however, the Government has decided that basic rates of pension will be increased from 1 November 1984 by \$2.50 a week for a single pensioner and \$2.10 a week for each married pensioner. The Government has also decided to increase, from November 1984, the rates of additional pension/benefit for children, mother's/ guardian's allowance and supplementary assistance.

The existing maximum rates of age pensions and additional payments and the rates to apply from November 1984 are set out below. These rates also apply to service, invalid and widows' pensions, supporting parents' benefits and sheltered employment and rehabilitation allowances.

Pension or additional payment	Existing	From 1 November 1984
	\$ a week	\$ a week
<i>Pensions</i>		
Standard (or single) rate of pension	89.40	91.90
Married rate of pension (each person)	74.55	76.65
Wife's pension	74.55	76.65
Spouse carer's pension	74.55	76.65
<i>Additional payments</i>		
Additional pension for each child (including students)	12.00	14.00
Mother's/guardian's allowance	8.00	10.00
Supplementary assistance	10.00	15.00
<i>Remote area allowance—</i>		
Single	7.00	7.00
Married (each person)	6.00	6.00
Additional allowance for each child	3.50	3.50

As a result of the higher rates of pension and additional payments the average rate of age pension is estimated to rise from about \$73.60 a week in 1983-84 to about \$78.90 a week in 1984-85, an increase of 7.2%.

Age Pensioner Numbers

The number of age pensioners is expected to rise from 1 382 700 at 30 June 1984 to 1 388 000 at 30 June 1985, an increase of 0.4%. This reflects the expected increase in the number of people reaching age pension age partially offset by the effect of the assets test and the proportion eligible for service pensions.

Outlays on Age Pensions and Allowances

Outlays on age pensions and allowances in 1984-85 are estimated to be \$5748m, an increase of \$434.3m or 8.2%. This incorporates estimated savings from the assets test of \$9m in 1984-85 for all social security pensions (the estimated savings in a full year for all social security pensions is \$30m). The following table summarises the estimated financial effects of the automatic indexation increase in May 1985 and the higher rates of payment announced in the Budget:

	1984-85	Full Year
	\$m	\$m
Basic rates of pension		
• Indexation in May 1985	24.0	124.7
• Increased rates \$2.50 a week (single) \$2.10 a week (each married)	106.3	153.0
Associated payments		
• Additional pension for children (\$2 a week)	0.7	1.1
• Mother's/guardian's allowance (\$2 a week)	0.2	0.3
• Supplementary assistance (\$5 a week)	17.5	25.3
TOTAL	148.7	304.4

Aged Persons' Homes and Hostels

Under the *Aged or Disabled Persons Homes Act 1954*, the Commonwealth assists organisations in the provision of suitable accommodation and related facilities for aged people, or disabled people aged 16 years or over. 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. 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 \$56m in 1984-85.

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 Act 1954*.) Subject to certain conditions, under this Act the Commonwealth meets 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. Grants in 1984-85 for projects under construction at 30 June 1984 or expected to commence in 1984-85 are estimated at \$5m.

Total expenditure in 1984-85 on the purchase or construction of aged persons' accommodation is expected to be \$61m, an increase of \$8.4m or 15.9%.

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

Home Care Services

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 \$ for \$ basis with the States the cost of approved housekeeping or other domestic assistance provided mainly for aged persons in their homes (home care). The Commonwealth also shares with the States, on a \$2 for \$1 basis, the approved capital cost of senior citizens' centres and, on a \$ for \$ basis, the cost of the salaries of welfare officers employed in conjunction with such centres. Grants on similar terms are also provided to the Northern Territory and the Australian Capital Territory for these purposes.

Grants towards the cost of approved home care services for aged or disabled persons in their homes are estimated to rise from \$24.9m in 1983-84 to \$33.7m in 1984-85 because of past and prospective cost increases and the expansion of approved services. Grants towards the cost of the salaries of welfare officers are estimated to rise from \$2.7m in 1983-84 to \$3m in 1984-85 because of the effect of salary increases and an increase in the number of approved positions.

The Government has decided to provide \$7m in 1984-85 for the construction of senior citizens' centres.

Grants towards the cost of home care services in the Northern Territory are expected to rise from \$82 776 in 1983-84 to \$268 000 in 1984-85 to provide for an expansion in home care services, an increase in the number of welfare officers and the construction of a senior citizens' centre in Darwin. \$407 000 has also been provided for home care services, salaries of welfare officers and the construction of a senior citizens' centre in the Australian Capital Territory. (Funding is included within the sub-function 'Welfare Programs in the Australian Capital Territory' below).

Under the *States Grants (Paramedical Services) Act 1969*, the Commonwealth shares on a \$ for \$ 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 1984-85 are estimated to be \$1.5m.

The *Delivered Meals Subsidy Act 1970* assists in the establishment, expansion, improvement or maintenance of approved 'meals on wheels' services. The basic rate of subsidy is 50 cents a meal.

In 1984-85, expenditure on delivered meals subsidies is estimated to be \$6.8m, including an additional \$750 000 in recognition of increased production and delivery costs being faced by some organisations. This increased assistance will be available from 1 January 1985 to those organisations which enter into arrangements with the Department of Social Security on terms and conditions.

The Government has decided to restructure its support for home and community care services. It will introduce a new Home and Community Care (HACC) program in the form of a three-year, cost-shared, rolling program subject to satisfactory negotiations with the States, the Northern Territory and the Australian Capital Territory. It is intended that, from 1 July 1985, new legislation will give effect to agreements reached between the Commonwealth and the States and Territories and that this legislation will then replace relevant existing legislation for a number of current community care programs including home nursing (*see Health* function). The new program, which is estimated to cost the Commonwealth in excess of \$300m over the first three years, will be directed towards aged and younger disabled people and families in need of home care services. In addition to funds provided in 1984-85 under existing legislation, the Commonwealth has allocated an additional \$10m for this program in 1984-85, which will be provided on an unmatched basis to the States and Territories if satisfactory agreements are reached with the Commonwealth concerning the new program. A condition of the agreements will be that States maintain their commitments under existing cost-shared programs. Funds have also been allocated for a high-level Commonwealth team to negotiate the introduction of the new program with the States and Northern Territory.

Total Commonwealth spending on home care services in 1984-85 under this function, including HACC, is estimated to be \$66.4m, an increase of \$27.8m or 72.3%.

Hostel Care Subsidies

Under the *Aged or Disabled Persons Homes Act 1954*, the Commonwealth currently pays a personal care subsidy and a hostel care subsidy to eligible organisations providing hostel type accommodation and services for aged or disabled people. The hostel care subsidy is paid in respect of residents of approved hostels. The rate is to increase from 1 January 1985 by \$1 a week to \$11 a week. The personal care subsidy is

paid in respect of hostel residents assessed as requiring, and receiving, assistance in the performance of daily living tasks. The subsidy is payable in addition to hostel care subsidy. The rate of subsidy in respect of those receiving both hostel and personal care services will be increased from \$50 to \$55 a week from 1 January 1985.

The Government has also decided to introduce a respite care bed subsidy to encourage the provision of respite care beds in hostels. This initiative will assist those families and individuals who care for elderly people in their homes but who require a facility to allow short breaks from the demands of care at home. A respite care bed subsidy of \$11 a week is to be paid in respect of an approved respite care bed where that bed is occupied for 14 days or less during a 28 day period or \$55 a week where the bed is occupied for at least 15 days during the 28 day period. These new arrangements are to take effect from 17 January 1985.

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 \$0.4m will be available for this purpose in 1984-85. The amount of each grant will be determined by the Minister for Social Security.

The revised arrangements outlined above are estimated to add \$2.9m to outlays in 1984-85 and \$6.0m in 1985-86.

Outlays in 1984-85 are estimated to total \$50.2m, comprising \$28.7m on the personal care subsidy, \$20.3m for the hostel care subsidy, \$0.8m for the new respite care subsidy arrangements and \$0.4m for grants for facilities providing for ambulant dementia sufferers. This represents an increase of \$10.1m or 25.1% over total outlays in 1983-84.

ASSISTANCE TO VETERANS AND THEIR DEPENDANTS

Disability Pensions and Allowances

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

Eligibility for Disability Pensions

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.

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

Pensions are paid to eligible veterans in three main categories:

- the Special Rate (including the Totally and Permanently Incapacitated or 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 or she 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 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.

Associated Payments

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

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

Rates of Pensions and Allowances

Disability pensions for veterans are linked to movements in the CPI and are normally adjusted each May and November. As a result of the fall in the CPI over the six months to the June quarter of 1984 these pension rates will not increase in November 1984 but will continue at their present levels. Adjustment of the rates in May 1985 will depend on the movement in the CPI to the December quarter 1984.

War and defence widows' pensions are payable at the same rate as the civilian widows' pension and the single rate of service pension; they are also subject to the same

indexation arrangements. There will be no automatic increase in the rates in November 1984. The Government, however, has decided to increase war and defence widows' pensions by \$2.50 a week from November 1984, in line with the increase in the civilian widow's pension and the single rate of service pension.

Supplementary pensions and allowances are not subject to automatic indexation but the Government has decided to increase the rates of various minor Repatriation benefits from November 1984 in line with the movement in the CPI for the year to 30 June 1984. The maximum rate of funeral benefit will also be increased by \$50 to \$550 in respect of deaths on or after 1 November 1984.

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

Benefit	From	
	Existing	November 1984
	\$ a week	\$ a week
Disability Pensions—		
Special Rate	171.30	171.30
Intermediate Rate	117.95	117.95
General Rate (100%)	64.60	64.60
War and Defence Widow	89.40	91.90
Wife	4.05	4.05
Each Child	1.38	1.38
War Orphans—		
Father dead—each child	18.45	19.20
Both parents dead—each child	36.90	38.40
Allowances payable under Schedule 5 to the Repatriation Act for certain amputations and/or loss of vision—		
Items 1-6	106.70	106.70
Items 7-15	5.30 to 34.55	5.50 to 35.90
Clothing Allowance—		
Highest rate	2.20	2.30
Middle rate	1.45	1.50
Lowest rate	1.05	1.10
Attendant's Allowance—		
Higher rate	51.80	53.80
Lower rate	25.90	26.90
Domestic Allowance	12.00	12.00
Recreation Transport Allowance (a month)—		
Higher rate	59.00	61.40
Lower rate	29.50	30.70
Gift Car Allowance (a year)	708.00	736.80
Funeral Benefit	500.00	550.00

Numbers of Disability Pensioners

At 30 June 1984, there were 407 277 veterans and their dependants in receipt of pensions for the veteran's disability or his service-related death. During 1984-85 the number is estimated to decrease by some 3000 to 404 300.

The following table shows actual numbers of recipients of disability pensions by category at 30 June 1984 and estimated numbers at 30 June 1985:

Numbers of Recipients of Disability Pensions

	At 30 June 1984	At 30 June 1985	% change over previous year
Incapacitated veterans--			
Special rate	20 125	21 800	+ 8.3
Intermediate rate	1 142	1 008	-11.7
General rate--			
100%	18 878	18 300	- 3.1
10%-95%	125 917	122 210	- 2.9
Dependants of incapacitated veterans--			
Wives	160 554	157 347	- 2.0
Children	22 031	21 498	- 2.4
Others	520	520	..
Dependants of deceased veterans--			
War and Defence widows	55 233	58 825	+ 6.5
Orphans	966	1 055	+ 9.2
Others	1 911	1 737	- 9.1
TOTAL	407 277	404 300	- 0.7

While the total number of disability pensioners is expected to decline, the numbers receiving the higher Special T & PI Rate and war and defence widows' pensions are expected to increase. This reflects in part the ageing of the veteran population. In addition, the rate of success of claims arising from court and Administrative Appeals Tribunal decisions has continued to be high, while the numbers of claims from veterans and their dependants wishing to test their eligibility, and of applications to re-open claims or for increased pension have also continued at a high level. It is expected that 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 1984 to 1987:

As at 30 June	Numbers of Ex-servicemen and Women
1984	580 800
1985 (estimate)	561 900
1986 (estimate)	542 100
1987 (estimate)	522 200

Source: Department of Veterans' Affairs.

Outlays on Disability Pensions and Allowances

The cost of the increase in war and defence widows' pensions in November 1984 is estimated to be \$4.9m in 1984-85 and \$8.2m in a full year, while the estimated cost of the expected automatic indexation increase in May 1985 of these pensions and veterans' disability pensions is \$2.4m in 1984-85 and \$15.6m in a full year. Increases to

minor benefits and allowances in November 1984 are estimated to cost \$0.4m in 1984-85 and \$0.7m in a full year.

Total outlays on disability pensions and allowances in 1984-85 are estimated to be \$816.0m, an increase of \$86.9m or 11.9%.

Service Pensions

Eligibility for 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 unemployable;
- 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 is accepted 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 '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. In addition, 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.

As noted earlier for age pensions, the Government has decided to introduce an additional test on assets for pension purposes. All service pensions except those paid to blind veterans will be subject to the new test.

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, are exempt from tax.

Rates of Payment

Service pensions are paid at the same rates as age pensions and service pensioners are eligible for the same range of additional payments as are age pensioners. As noted under age pensions, the Government has decided from November 1984 to increase the basic rates of pension by \$2.50 a week (single pensioner) and \$2.10 a week (each married pensioner) and to increase the additional pension for each child to \$14 a week, the maximum rate of mother's/guardian's allowance to \$10 a week and the maximum rate of supplementary assistance to \$15 a week.

Numbers of Service Pensioners

At 30 June 1984, there were 375 505 service pensioners (including wives) and by 30 June 1985 the number is estimated to increase by 30 500 to 406 000.

It is expected that the number of persons receiving service pensions will continue to increase in line with current trends until 1987 when the numbers should peak. The age profile of ex-servicemen is illustrated in the following table.

Age Profile of Ex-Servicemen at 30 June 1984

	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	1.8	0.3	653.1	0.3
30-34	11.5	2.2	627.8	1.8
35-39	16.5	3.1	595.0	2.8
40-44	32.2	1.7	469.7	2.0
45-49	7.0	1.3	401.0	1.7
50-54	28.8	5.4	375.0	7.7
55-59	94.8	17.8	378.2	25.0
60-64	138.5	25.9	391.2	41.8
65-69	110.5	20.7	248.1	44.5
70-74	64.4	12.1	197.0	32.7
75-79	29.1	5.5	121.1	24.0
80 and over	21.8	4.0	91.4	23.9
	533.9	100.0	4 488.6	11.8

Source: Department of Veterans' Affairs.

Outlays on Service Pensions and Allowances

The cost of the increases in the rates of service pensions, additional pensions for children, mother's/guardian's allowance and supplementary assistance in November 1984 and of the expected automatic increase in service pensions in May 1985 is estimated to be \$38m in 1984-85 and \$88m in a full year. Estimated reductions in service pension payments as a result of introduction of the assets test are \$9m in 1984-85 and \$30m in a full year.

Total outlays on service pensions in 1984-85 are estimated to be \$1505.0m, an increase of \$210.7m or 16.3%. This reflects the estimated increase in numbers during 1984-85, the full year effect of increased numbers and pension rates in 1983-84, the increases in pension and benefit rates in November 1984 and the expected increase in service pension rates in May 1985 in line with projected movements in the CPI.

Other

Provision of \$1.75m has been included in the Budget for the introduction of arrangements with the States or existing service organisations for the provision of a range of home help services for aged or disabled veterans. The services will be provided to help maintain aged veterans in their home environment (including housekeeping and other domestic assistance).

ASSISTANCE TO THE HANDICAPPED

Invalid Pensions and Allowances

Eligibility for Invalid Pensions and Allowances

Invalid pensions are payable to people aged 16 years or over who are assessed as being permanently incapacitated for work (to the extent of not less than 85%) or who are permanently blind. Invalid pensions are subject to the same means testing as age pensions but the income test (and the new assets test) is not applied if the pensioner is permanently blind. Residence qualification is also necessary unless the permanent incapacity or blindness occurred in Australia.

Rates of Payment

Invalid pensioners are eligible for the same associated payments as age pensioners. In addition, invalid pensioners undertaking training in approved activity therapy centres and adult training centres receive a means-test-free incentive allowance which is paid in lieu of and at the same rate as supplementary assistance.

The rates of payment for invalid pensions and additional payments are the same as for age pensions. They will be increased by the same amounts as for age pensions. Incentive allowances, like supplementary assistance, will also be increased by \$5 a week to \$15 a week from November 1984.

The average rate of invalid pension (including additions for children and supplementary assistance) is estimated to rise from about \$80.00 a week in 1983-84 to about \$86.20 a week in 1984-85, an increase of 7.8%. This rise results from the Government's decision to increase rates of pension and additional payments.

Number of Invalid Pensioners

At 30 June 1984 there were 307 800 invalid pensioners (including spouses of invalid pensioners in receipt of wife's pension or spouse carer's pension). During 1984-85 the number is estimated to increase by 17 200 to 325 000.

Outlays on Invalid Pensions and Allowances

Outlays on invalid pensions and allowances in 1984-85 are estimated to be \$1466m, an increase of \$213.3m or 17.0%. The following table summarises the estimated financial effects of the automatic indexation increase in May 1985 and the higher rates of payment announced in the Budget:

	1984-85	Full Year
Basic rate of pension	\$m	\$m
• Indexation in May 1985	6.1	31.5
• Increased rates \$2.50 a week (single) \$2.10 a week (each married)	26.1	37.7
Associated payments		
• Additional pension for children (\$2 a week)	5.0	7.2
• Mother's/guardian's allowance (\$2 a week)	0.4	0.5
• Supplementary assistance/incentive allowance (\$5 a week)	10.1	14.6
TOTAL	47.7	91.5

Sheltered Employment Allowance

Sheltered employment allowance is payable to disabled men under 65 years and women under 60 years 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 and associated allowances and the increases in 1984-85 are the same as for invalid pensions. The allowance is subject to the same income test (and assets test) as invalid pension. A non-taxable incentive allowance is paid rent-test-free and income-test-free to recipients of sheltered employment allowance. As previously noted, the incentive allowance will increase from \$10 a week to \$15 a week from 1 November 1984.

The estimated cost of the automatic increases in the rates of sheltered employment allowances is \$0.2m in 1984-85 and \$1.0m in a full year. The other increases in rates of assistance, including the higher rate of incentive allowance, will cost a further \$2.4m in 1984-85 and \$3.5m in a full year.

Total outlays on sheltered employment allowances in 1984-85 are estimated to be \$52m, an increase of \$6.1m or 13.2%.

Mobility Allowance for Severely Disabled Persons

Severely disabled persons aged at least 16 years who are gainfully employed or undertaking vocational training and who are unable to use public transport because of their disabilities may be eligible for a non-taxable mobility allowance of \$10 per week. Expenditure is estimated to be \$7.4m in 1984-85 compared to \$4.5m in 1983-84.

Rehabilitation Allowances

Since March 1983, all those undertaking a rehabilitation program with the Commonwealth Rehabilitation Service and otherwise eligible for a social security pension or benefit are eligible to receive a non-taxable rehabilitation allowance equivalent to the invalid pension. The allowance is subject to the same income test (and assets test) conditions as invalid pension and is paid during treatment or training and for up to six months thereafter. The cost of this allowance and training and living-away-from-home allowances in 1984-85 is estimated to be \$24.4m.

Handicapped Children's Benefits and Allowances

A non-taxable handicapped child's allowance of \$85 a month is payable 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. It is not payable if the student is in receipt of an invalid pension. It may also be payable, wholly or in part, in respect of handicapped children who need marginally less care and attention than severely handicapped children.

The number of recipients of handicapped child's allowance at 30 June 1984 was 28 500 and this number is estimated to increase to 29 200 by 30 June 1985. Expenditure is estimated to rise from \$27.7m in 1983-84 to \$30.0m in 1984-85.

The Commonwealth pays a handicapped children's benefit to non-profit organisations and local government bodies running approved homes which provide accommodation and care for disabled 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 weekend home visit. Expenditure is estimated to increase from \$1.6m in 1983-84 to \$1.8m in 1984-85.

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 (which may include local government bodies) for the purchase, construction, extension, alteration, rental and maintenance of premises that cater for people with disabilities.

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, including leasing and replacement of approved equipment. Assistance with operating costs is provided by means of staff salary subsidies generally paid on a \$ for \$ basis, although a higher proportion of salaries, up to 100%, may be paid during the first two years of operation of new services and a maximum salary subsidy of 80% may 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 an open employment incentive bonus of \$500 is also payable to each person who meets these conditions. The bonus is not treated as income for pension/allowance and benefit income test purposes and is exempt from tax.

In addition to outlays under the Act, \$0.8m will be made available in 1984-85 to support measures intended to upgrade the effectiveness and the quality of Commonwealth subsidised services for handicapped people, an increase of \$0.3m on 1983-84.

Total outlays on handicapped persons' facilities in 1984-85 are estimated to be \$97.0m, an increase of \$21.1m or 27.7%. This increase reflects the Government's decision earlier this year to provide \$9m for new capital projects in addition to the \$7m of capital projects approved in previous years. It also reflects the recurrent costs associated with these approvals and the full-year effect of the cost of services established in 1983-84.

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 if there is a reasonable prospect of the potential recipients 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;
- people being paid allowances under section 9 of the *Tuberculosis Act 1948* who would be likely to derive substantial benefit from that treatment and training;
- people aged 14 or 15 years who, without treatment and training, would be likely to become qualified to receive invalid pensions 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.

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

The number of people accepted for rehabilitation and training is expected to increase from 7000 in 1983-84 to around 8000 in 1984-85.

Provision has been made within the 1984-85 Budget for the Commonwealth's share of the costs of operating a rehabilitation centre in Hobart jointly with the Tasmanian Government (\$1.5m in 1984-85), for the operation of a permanent rehabilitation facility in Newcastle in conjunction with facilities operated by the NSW 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 prepare mildly intellectually handicapped young people for open employment. In full operation, the seven centres will train up to 500 people a year for suitable employment.

In the last few years the CRS has concentrated on decentralising its services to reach clients in their own environment, mainly by outposting casework teams in most major provincial cities and towns and by the use of mobile teams to service more remote areas. At present there are 33 outposted regional teams and seven mobile teams serving nearly half of CRS clients annually.

Total expenditure, including payments for joint facilities as mentioned above but excluding Rehabilitation Allowances, is estimated to rise from \$32.8m in 1983-84 to \$35.6m in 1984-85 as a result of the full-year effect of price and salary increases that occurred during 1983-84 and the increase in the number of clients able to be serviced by the more decentralised organisation.

Other

In 1983-84, \$0.4m was spent on financial assistance to organisations towards the production costs of braille and audio book equivalent material for people with print-handicaps; \$0.6m is provided for this scheme in 1984-85.

ASSISTANCE TO WIDOWS AND SINGLE PARENTS

Widows' Pensions and Allowances

Eligibility for Widows' Pension

Pensions are payable to widows, subject to the same income (and assets) test as age pensions. If widowhood occurred outside Australia, a residency qualification applies.

There are three classes of widows who receive pension:

- Class A widow—a widow with at least one qualifying child in her care;
- Class B widow—a widow without a qualifying child and 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 under 50 years of age without a qualifying child and 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 at least six months.

Rates of Payment

The pension is payable at the same rate as age pension and will be increased in line with age pension from 1 November 1984. Widow pensioners are also eligible for the same additional payments as are age pensioners which, as described above, are also to increase from November 1984.

The average rate of pension for Class A widow pensioners is estimated to rise from \$110.00 a week in 1983-84 to \$121.80 a week in 1984-85, an increase of 10.7%. The average rate for Class B and Class C widows' pensions is estimated to rise from \$84.30 a week in 1983-84 to \$90.70 a week in 1984-85, an increase of 7.6%. The increases arise primarily from the Government's decisions to increase standard pension rates and associated payments.

Numbers of Recipients of Widows' Pensions

At 30 June 1984 there were 81 200 Class A widows, 81 800 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 1200 to 80 000 during 1984-85 and the number of Class B

and Class C widow pensioners will increase by 1100 to 83 000. The decrease in the number of Class A widows would appear to arise mainly from the increased proportion of sole parent pensioners receiving supporting parents' benefit (see further below).

Outlays on Widows' Pensions

Total outlays on widows' pensions and allowances in 1984-85 are estimated to be \$908m, an increase of \$78.5m or 9.5%. The following table summarises the estimated financial effects of the automatic indexation increases in May 1985 and the higher rates of pension and allowances announced in the Budget:

	1984-85	Full Year
	\$m	\$m
Basic rate of pension		
• Indexation in May 1985	3.3	17.4
• Increased rate (\$2.50 a week)	14.7	21.2
Associated payments		
• Additional pension for children (\$2 a week)	10.6	15.3
• Mother's/guardian's allowance (\$2 a week)	5.8	8.4
• Supplementary assistance (\$5 a week)	4.5	6.5
TOTAL	38.9	68.8

Supporting Parents' Benefits and Allowances

Eligibility for Benefit

Supporting parents' benefits are paid to sole parents who care for at least one child under 16 years of age or a dependent full-time student aged 16 to 24 and who are not receiving another pension or benefit. The benefit may also be paid to a married person who is left with the responsibility of caring for a child or children because his or her spouse is unable to live at home indefinitely as a result of ill health. People who have adopted or maintain a child and have never married, are widowed, divorced, or separated may also be eligible for the benefit. The benefit is subject to the same income and assets tests as age pension. There is also a residence qualification if the claimant was not living in Australia at the time of becoming a supporting parent.

Rates of Payment

The benefit and associated allowances are payable at the same rates as age pensions and allowances and will be increased in line with these payments from November 1984.

The average rate of benefit (including additions for children and supplementary assistance) is estimated to rise from \$113.30 a week in 1983-84 to \$125.45 a week in 1984-85, an increase of 10.7%. The increase arises primarily from Government decisions to increase the basic benefit rate and the rates of additional pension for children, mother's/guardian's allowance and supplementary assistance.

Numbers of Supporting Parent Beneficiaries

At 30 June 1984, there were 153 600 supporting parent beneficiaries. It is estimated that the number will increase by 14 500 to 168 100 by 30 June 1985, an increase of 9.4%. The total number of supporting parent beneficiaries and Class A widow pensioners is estimated to increase by 5.7% by 30 June 1985.

Outlays on Supporting Parents' Benefits

Total outlays on supporting parents' benefits and allowances in 1984-85 are estimated to be \$1083m, an increase of \$193.4m or 21.7%. The following table summarises the estimated financial effects of the automatic indexation increase in May 1985 and the higher rates of payment announced in the Budget:

	1984-85	Full Year
	\$m	\$m
Basic rate of benefit		
• Indexation in May 1985	3.4	17.9
• Increased rate (\$2.50 a week)	14.5	20.9
Associated payments		
• Additional benefit for children (\$2 a week)	20.0	28.9
• Mother's/guardian's allowance (\$2 a week)	11.6	16.7
• Supplementary assistance (\$5 a week)	9.5	13.7
TOTAL	59.0	98.1

ASSISTANCE TO FAMILIES

Family Allowances

Family allowances are payable, free of income test, 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. The allowances, which are not subject to tax, are usually paid to the mother. 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 rates of family allowances are:

	\$ a month
First child	22.80
Second child (additional)	32.55
Third child (additional)	39.00
Fourth child (additional)	39.00
Fifth and later children (additional)	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 1984 together with the estimated number at 30 June 1985.

30 June	Children in families		Children in institutions including students(a)	Total		Change over previous year
	Under 16	Full-time students aged 16 to 24 years		Total	Number	
1984	'000	'000	'000	'000	'000	%
1985 (estimate)	3985	330	4315	11	4326	+0.5
	3990	340	4330	10	4340	+0.3

(a) At 30 June 1984 there were 800 such students.

Outlays are estimated to increase by 0.4% from \$1506.3m in 1983-84 to \$1512m in 1984-85 because of the small rise in the number of recipients.

Family Income Supplement

The family income supplement provides non-taxable assistance to low income families who are not in receipt of social security or similar pensions or benefits. A weekly supplement equivalent 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 education or similar allowances. The maximum rate of family income supplement will increase to \$14 a week per child from 1 November 1984 in line with additional benefit.

The maximum rate is payable where the parents' combined income does not exceed the income limit under the low income Health Care card arrangements for a married couple without children (\$215 a week at May 1984 and \$219 a week at November 1984). The maximum entitlement is reduced by \$1 for each \$2 of combined parental income above this limit. At 30 June 1984 there were 26 500 families (with 74 000 children) in receipt of family income supplement. The number of families is estimated to increase by 1000 to 27 500 (with 77 000 children) by 30 June 1985. Expenditure is estimated to be \$49m in 1984-85 compared to \$36.1m in 1983-84, the increase mainly reflecting the increased rate of payment from November 1984 and the full-year effect of the increased rate from November 1983.

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. Projects supported include refuges for adolescents under the Youth Services Scheme, support for families in crisis and special services for Aboriginal, migrant and disabled children.

Organisations providing day care for pre-school aged children are, as a condition of funding, required to implement an income test and fee scale. Fee rebates funded by the Commonwealth are provided to families that satisfy the income test.

The pilot Youth Services Scheme has been extended for another year to 30 June 1985 to maintain the operation of current services. From 1 January 1985 this program will be absorbed within the proposed new Supported Accommodation Assistance Program subject to satisfactory negotiations with the States and Northern Territory (see further below). The scheme supports emergency accommodation and counselling services for homeless young people and its costs are shared \$ for \$ by the Commonwealth and the States and the Northern Territory. The estimated total cost of the scheme in 1984-85 is \$1.6m.

The Family Support Services Scheme is to be extended to 30 September 1985 at an additional cost of \$2.4m in 1984-85. Funds have been allocated separately from the Children's Services Program at a level designed to maintain existing services. The scheme, which is funded by the Commonwealth and administered by the States and the Northern Territory, provides funds for services to assist families during periods of crisis.

State Governments are co-operating with the Commonwealth in the development of new day care services in high need areas. The States have indicated their willingness to provide contributions toward the establishment of these services including land, existing buildings, capital funds and capital works supervision. The Commonwealth has

undertaken to meet a share of the capital costs and recurrent subsidies under normal funding arrangements.

Expenditure on children's services in 1983-84 was \$80.2m. This excludes the block grants to the States and the Northern Territory to assist in meeting the costs of pre-school education which are recorded under the functional heading *Education*. Expenditure on existing approved services is expected to rise to an estimated \$99.3m in 1984-85 because of the flow-on effect of the \$10m provided for new services in the 1983-84 Budget and other cost increases. With an additional \$30m for new and expanded projects which include about \$10m for Commonwealth/State cooperative arrangements and new policy initiatives in 1984-85, including introduction of a new fee relief system, total outlays on children's services in 1984-85 are estimated to be \$124.7m, an increase of \$44.4m or 55.4%.

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 natural child both of whose parents are dead, or if the whereabouts of the sole surviving parent are unknown, or if the sole surviving parent is in prison for at least 10 years or in a mental hospital for an indefinite period. It may be paid in respect of adopted children whose adoptive parents are in similar circumstances and 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.

At 30 June 1984 there were 6400 recipients. The number is estimated to increase to 6800 by 30 June 1985. Expenditure is estimated to be \$4.5m in 1984-85 compared to \$4.2m in 1983-84, reflecting mainly the increase in numbers in receipt of orphans' pensions.

Other

The provision for the operations of the Institute of Family Studies in 1984-85 is \$2.2m, which includes funds for the conduct of research and the making of grants to encourage family studies. A further \$4.2m is also 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 1984-85. Grants to family planning associations for clinical services will increase by \$1.5m to \$5.5m in 1984-85, and are provided under Health Program Grants (see *Health function*).

ASSISTANCE TO THE UNEMPLOYED AND SICK

Unemployment, Sickness and Special Benefits

Eligibility for Benefits

Unemployment benefit is available, subject to an income test, to people who are unemployed, willing and able to undertake suitable work and making efforts to obtain work. Sickness benefit, also subject to an income test, is available to people temporarily

incapacitated for work. A discretionary special benefit may be paid to people ineligible for any other pension or 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). Unemployment and sickness benefits are income-tested so that the maximum rate of benefit is reduced by 50 cents a week for each \$ of non-benefit income in the range of \$20 to \$70 a week and on a \$ for \$ basis for non-benefit income over \$70 a week.

The basic rates of these benefits are subject to tax; the associated payments are not.

Associated payments

Unemployment, sickness and special beneficiaries may qualify for remote area allowance, additional benefit for children, and mother's/guardian's allowance.

After receiving benefit for six consecutive weeks, sickness beneficiaries may become eligible, subject to a special income test, to receive supplementary allowance if they pay private landlords for rent, lodging or board and lodging. Supplementary allowance is payable on the same basis as supplementary assistance for pensioners.

Rates of Benefits and Allowances

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 increases in the basic rates of pension (noted under age pensions) from November 1984 will therefore apply to benefits except for these two categories. The Government has also decided to increase the rate that applies to adult unemployment beneficiaries without dependants by the \$2.50 a week increase applicable to single pensioners and other single adult beneficiaries and by a further \$2 a week in May 1985 in addition to the indexation increase to apply from that time. The rate of unemployment and sickness benefits for single people under 18 years of age without dependants will increase by \$5 a week from 1 November 1984 for those in continuous receipt of benefit for six months or more. The rate for single people under 18 years who have dependants will increase to the higher standard rate of pension/benefit payable from November 1984. Existing rates of benefits and rates to apply from November 1984 are set out below:

	Existing	From November 1984	
		\$ a week	\$ a week
Basic Rates			
Single under 18 years without dependants	45.00	45.00	(a)
Single under 18 with dependants	45.00	91.90	
Unemployed 18 years and over without dependants	78.60	81.10	(b)
Other single 18 years and over	89.40	91.90	
Married (combined)	149.10	153.30	
Additional Payments			
Additional benefit for children	12.00	14.00	
Mother's/guardian's allowance	8.00	10.00	
Supplementary allowance	10.00	15.00	
Remote area allowance			
single	7.00	7.00	
married (combined)	12.00	12.00	
additional allowance for each child	3.50	3.50	

(a) 16 and 17 year old beneficiaries in receipt of benefits for a period of six months duration or longer will receive \$80 a week.
 (b) A further increase of \$2 a week on top of indexation will take effect from May 1985.

The Government is to introduce tax rebates for certain beneficiaries to ensure that those in receipt of benefits during the whole of the financial year are not liable to pay personal income tax (see Statement No. 4).

Numbers of Beneficiaries

The average numbers of unemployment, sickness and special beneficiaries in 1983-84 and estimated for 1984-85 are as follows:

	1983-84 (Actual)	1984-85 (Estimate)
Unemployment beneficiaries	619 600	570 000
Sickness beneficiaries	63 200	62 000
Special beneficiaries	19 100	18 500

Outlays on Unemployment, Sickness and Special Benefit

Total outlays on unemployment benefit in 1984-85 are estimated to be \$2970m, an increase of \$57.7m or 2.0% over the 1983-84 total. Sickness benefit outlays are estimated to be \$372m in 1984-85, an increase of \$36.1m or 10.8% over 1983-84 and expenditure on special benefits is estimated at \$104m, an increase of \$11.2m or 12.1% over 1983-84.

The following table summarises the estimated effect on outlays of the automatic indexation increases in May 1985 and the higher rates of payment announced in the Budget:

	1984-85	Full Year
	\$m	\$m
Basic rates of benefit		
• Indexation in May 1985	11.8	71.8
• Rate for unemployed over 18 without dependants (\$2.50 a week in November 1984 and \$2 a week in May 1985)	39.4	89.4
• Single adult rate for others (\$2.50 a week single; \$4.20 a week combined married rate)	29.3	44.5
• Rate for single 16-17 year olds without dependants (\$5 a week for those in receipt of benefit continuously for over 6 months)	2.3	3.5
• Rate for single 16-17 year olds with dependants (to \$91.90 in November 1984 and indexed thereafter)	0.5	0.7
Associated payments		
• Additional benefit for children (\$2 a week)	19.2	29.1
• Mother's/guardian's allowance (\$2 a week)	0.5	0.9
• Supplementary allowance (\$5 a week)	2.7	4.1
TOTAL	105.7	244.0

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, to develop activities and build up their self-reliance. Following a review in 1981-82, 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 (\$4 000, \$72 000

and \$100 000) are provided for twelve months for projects that meet the requirements for funding under the guidelines of January 1982. These grant levels, which apply from 1 July 1984, represent an average increase of 10.8% on 1983-84 grant levels.

In 1984-85, \$26.2m has been provided for CYSS projects. Expenditure in 1983-84 was \$21.3m and provided for 306 projects.

There are also 25 other community-based youth projects involving unemployed young people registered with the CES. In 12 projects, known as the Volunteer Youth Program, the young people undertake a variety of voluntary community service activities. The remainder fall under the Community Youth Special Projects program, and offer a range of employment-oriented training activities to the young people involved. In 1984-85, \$0.5m has been provided for the Volunteer Youth Program and \$3.2m for Community Youth Special Projects, compared with expenditure of \$0.4m and \$2.8m respectively in 1983-84.

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 in the local area 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 1983-84, 2790 persons were relocated under this scheme. An amount of \$4.9m is provided in 1984-85 on the assumption that about 3920 applicants will be assisted.

Other

Included under this heading is \$0.5m in 1984-85 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, rehabilitation or tuberculosis allowance. A funeral benefit of up to \$40 is payable to an eligible age, invalid, wife, spouse carer or widow pensioner, a supporting parent beneficiary, or a person in receipt of a sheltered employment, rehabilitation or tuberculosis allowance, who is liable for the funeral costs of a spouse, a child or another eligible pensioner. Expenditure is estimated at \$1.5m in 1984-85.

Telephone Rental and Postal Concessions

Pensioners, supporting parents' beneficiaries and recipients of some other benefits may be eligible for mail redirection concessions and a reduction of approximately one-third in the basic annual telephone rental.

Outlays on these concessions to social security and repatriation pensioners are estimated to increase from \$38.2m in 1983-84 to \$43.0m in 1984-85. This increase

reflects the full-year cost of last year's decision to index the income limits for Commonwealth fringe benefits, and the increase in telephone rental charges.

Mortgage and Rent Relief

In 1984-85, \$21.7m will be provided to the States and the Northern Territory for assistance under the Mortgage and Rent Relief Scheme. This program, which during 1984-85 is to be incorporated as a sub-program under the new 1984 Commonwealth State Housing Agreement (*see Housing function*), provides 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 or in gaining access to private rental accommodation. Commonwealth funds are provided to the States and Northern Territory on a \$ for \$ matching basis with similar new expenditures by the States. Comparable arrangements operate in the Australian Capital Territory (*see further below*). Expenditure in 1983-84 under this program totalled \$18.1m.

Supported Accommodation Assistance

The Government has decided to introduce, subject to agreement with the States and the Northern Territory, a new Supported Accommodation Assistance Program to operate from 1 January 1985 to 30 June 1989. The program is intended to replace the Homeless Persons' Assistance Program, the Women's Emergency Services Program, the Youth Services Scheme and related elements of both the Family Support Services Scheme and the Children's Services Program. This new program is to include three sub-programs:

- Youth Supported Accommodation Program;
- Women's Emergency Services Program; and
- General Supported Accommodation Program.

In addition to funds transferred from the above programs an amount of \$4.6m will be available from 1 January 1985 under this new program. Comparable arrangements are intended to operate in the Australian Capital Territory (*see further below*).

The *Homeless Persons Assistance Act 1974*, to be replaced from 1 January 1985 by the new Supported Accommodation Assistance legislation, provides for the payment of capital grants to voluntary agencies and to local authorities for approved projects (night shelters, day 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%, a 100% salary subsidy for one approved social worker in each centre, and up to 50% salary subsidy for any additional social workers. An accommodation and meals subsidy of \$1.50 a person per day is also payable for resident homeless people and a meals subsidy of 50 cents for each meal provided to a homeless person.

Accommodation vouchers, equivalent in value to the accommodation subsidy, are issued by approved centres and exchanged for accommodation at places nominated by organisations and approved by the Department of Social Security. The value of such vouchers (and like assistance) are excluded from the definition of income for pension and benefit income test purposes.

Total outlays in 1984-85 under the Homeless Persons' Assistance Program, including within the new Supported Accommodation Assistance Program, are estimated to be \$11.9m, compared with \$11.4m in 1983-84, reflecting the full-year effect of the cost of new centres opened in 1983-84 and past and prospective cost increases.

From 1 January 1985 the Women's Emergency Services Program will also be replaced by the proposed new Supported Accommodation Assistance Program. Until 1 January 1985, \$1.9m will be available under the existing program for assistance to women's refugees.

Crisis Accommodation

Associated with the proposed Supported Accommodation Assistance Program, \$12.6m in capital assistance will be provided to the States and the Northern Territory in 1984-85, subject to their agreement, for a new Crisis Accommodation Program. A further \$0.2m will be provided to Aboriginal Hostels Ltd under this program in 1984-85. This program is to be a sub-program under the new 1984 Commonwealth State Housing Agreement (see under *Housing* function). It will provide dwellings for short-term supported accommodation (such as refugees) and for short-term accommodation for others in emergency situations who do not require support services. Funds may also be used to purchase, construct or lease dwellings. Support services (eg salaries of refuge workers) will be funded under the new Supported Accommodation Assistance Program. These grants replace the Crisis Accommodation for Families in Distress Program (\$4.0m in 1983-84) and the capital payments under the Homeless Persons Assistance Program and payments for capital purposes under the Women's Emergency Services Program. (Total payments for these purposes were \$8.2m in 1983-84.) Comparable arrangements operate in the Australian Capital Territory (see further below).

Assistance for Migrants

As a result of new Government initiatives concerning migrant welfare, a further increase in funds has been provided in 1984-85.

Grants to enable agencies serving ethnic communities to employ social welfare workers will increase from \$4.4m in 1983-84 to \$5.7m in 1984-85. As a result, the level of funding for each of the 201 new and continuing grants expected to be operational by June 1985 will increase significantly. Activities covered by these grants include provision for the special needs of the aged; the support of ongoing welfare rights information services and the special problems faced by migrant women. In addition \$0.3m will be provided in 1984-85 to enable three-year grants to be made available to unions to employ development officers to address the needs of migrants in industry. Ethnic communities are again 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 increased from \$0.6m in 1983-84 to \$1.2m in 1984-85. The Telephone and Interpreter Service is to receive \$2.0m in 1984-85.

Funding for migrant resource centres has been increased from \$1.5m in 1983-84 to \$1.8m in 1984-85 following consideration of a report on the possible establishment of new centres and the relocation of some existing centres. Provision has also been made to enable the level of the funding for the centres to be maintained in real terms.

An allocation of \$0.6m 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.

The overall provision for services to migrants in 1984-85 is \$12.0m, compared with \$9.3m in 1983-84.

Welfare Programs in the Australian Capital Territory

The Commonwealth provides welfare benefits and subsidies to Australian Capital Territory residents on a similar basis to those provided by State governments (for example, rental rebates, bus subsidies and rates remissions for pensioners, mortgage and rent relief, care of foster children and grants to welfare organisations). Estimated expenditure in 1984-85 for these purposes is \$17.7m compared with \$14.3m in 1983-84. The increase results mainly from increases in estimated expenditure for rental rebates and rates remissions (\$1.3m) and mortgage and rent relief payments (\$0.6m). An increase in the level of payments to welfare organisations from the Australian Capital Territory Community Development Fund (\$0.3m) is also estimated. An amount of \$0.2m has been provided in 1984-85 under a new crisis accommodation program.

In 1984-85 \$0.4m will be provided for payment to the Community Development Fund towards home care services in the Territory. The Australian Capital Territory will also participate in the proposed new Supported Accommodation Assistance Program.

A review of welfare and corrective services in the Australian Capital Territory is currently being carried out under the chairmanship of Professor Vinson; \$0.3m has been provided for this purpose in 1984-85.

Other

Under the Commonwealth's Emergency Relief Program, grants-in-aid are made to non-government welfare agencies which regularly provide assistance to people in need in the form of cash and/or food vouchers. For 1983-84 \$4.9m was provided for grants-in-aid to community welfare agencies including a small amount for agencies in financial difficulty. The Government has decided to provide a total of \$6.0m in 1984-85 for the Emergency Relief Program, and that this allocation should continue in future years.

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 1984-85 the cost to the Commonwealth of these concessions is estimated at \$2.5m, the major component being for pensioner concessions.

The Australian Institute of Multicultural Affairs (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 \$3.1m has been provided for AIMA in 1984-85 including \$0.6m for completion of the renovation and construction of new accommodation in central Melbourne which commenced in 1982-83.

In 1984-85, \$0.8m has been allocated for the maintenance of approximately 363 unattached refugee children who are wards of the Minister for Immigration and Ethnic Affairs under the *Immigration (Guardianship of Children) Act 1946*.

In 1984-85, \$0.3m has been provided to enable Australia to undertake negotiations to rejoin the Intergovernmental Committee for Migration (ICM) as a full member. ICM, formerly known as the Intergovernmental Committee on European Migration, was originally established to facilitate the transport and resettlement of displaced persons in Europe to other countries. Since then the role of ICM has expanded to cover migration movement and associated activities around the world.

The Government has decided to participate in the United Nations International Year of Shelter for the Homeless in 1987 and \$0.1m has been allocated in 1984-85 for initial research and publicity.

ABORIGINAL ADVANCEMENT PROGRAMS NEC

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. Funding under this item is budgeted to increase by 13.4% from \$116.7m in 1983-84 to \$132.3m in 1984-85.

The ADC is to receive \$66.1m in 1984-85—an increase of 12.1% on the 1983-84 allocation of \$58.9m. 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 1984-85 is \$34.7m. Provision is also included in the ADC's 1984-85 allocation for direct grants to Aboriginal housing associations for the construction and purchase of homes for Aboriginal families. Expenditure of \$32.8m on this activity will permit the construction of 541 new housing units this financial year.

Expenditure by the NAC, whose 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, is estimated at \$6.0m in 1984-85.

An amount of \$44.5m is also provided in 1984-85 through the Department of Aboriginal Affairs for Aboriginal advancement 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 \$23.2m for Community Development Employment Projects (CDEPS)—an increase of 63% on 1983-84 expenditure of \$14.2m. CDEPS, which provide a work-based alternative to unemployment benefits, now cover some 32 remote Aboriginal communities. Also included is \$3.8m for special work 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 1984-85 an amount of \$15.7m 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 ADMINISTRATION AND OTHER EXPENDITURE

This expenditure comprises the general running and capital expenses of the Departments of Social Security (\$496.2m in 1984-85, including provision for the cost of introducing the pensions assets test), Veterans' Affairs (\$113.7m, including provision for introducing the assets test and for a new repatriation determination system, but excluding expenses relating to repatriation institutions which are recorded under the *Health* functions), Aboriginal Affairs (\$23.9m), and the Social Welfare Policy Secretariat (\$0.8m).

COSTS OF MAIN NEW POLICY INITIATIVES

The following table summarises the estimated 1984-85 and full-year cost of the main new policy initiatives included in the 1984-85 Budget shown under the various sub-functional headings above:

	1984-85	Full Year
	\$m.	\$m
Increases in basic rates of pensions and benefits—		
\$2.50 a week (single)		
\$2.10 a week (each married)	225.8	333.9
Increases in single adult rate of unemployment benefit—		
\$2.50 a week (November 1984)		
\$2.00 a week (May 1985)	39.4	89.4
Increase in supplementary assistance—		
\$5.00 a week	48.9	71.0
Increase in children's payments—		
\$2.00 a week in additional pension/benefit per child		
\$2.00 a week in mother's/guardian's allowance	79.9	117.3
Other increases in unemployment, sickness and special benefits—		
\$5.00 a week for single people under 18 in continuous receipt of benefit for over 6 months	2.3	3.5
To \$91.90 a week in November for single people under 18 with dependants, and indexed thereafter	0.5	0.7
Emergency relief	5.6	5.6
Aged care initiatives (including for veterans but not including costs under <i>Health</i>)	23.2	51.1
Supported Accommodation Assistance Program	4.6	10.0

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 21.1% in 1984-85 to \$1251.9m.

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 Australian Capital Territory 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); and
- outlays classified under other functions, e.g. supplementary (rental) assistance for pensioners and certain social security beneficiaries, assistance towards accommodation for the aged and disabled, crisis accommodation assistance, assistance to low income persons experiencing extreme difficulty in meeting mortgage and rental payments and direct grants to Aboriginal housing associations and housing loans for Aboriginals provided through the Aboriginal Development Commission (see the function *Social Security and Welfare*).

The following table identifies Commonwealth expenditure on and provisions for those outlays classified under the *Housing* function:

	1982-83 Actual	1983-84 Actual	1984-85 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Public Housing Assistance to the States and NT—					
Loan Assistance	291.9	373.1	275.0	- 98.1	- 26.3
Repayment of Principal	40.0Cr	43.0Cr	46.5Cr	- 3.5	- 8.1
Net Loans	251.9	330.1	228.5	- 101.6	- 30.8
Grants—					
Pensioner Housing	32.0	32.0	35.0	+ 3.0	+ 9.4
Aboriginal Housing	34.2	53.0	52.0	—	—
Local Community Housing	—	—	7.0	+ 7.0	na
Other Grants	120.7	270.0	495.0	+ 225.0	+ 83.3
Total Grants	186.9	354.0	589.0	+ 235.0	+ 66.4
Other Grants to States for Housing	5.5	5.5	5.5	—	—
Assistance to First Home Owners	150.5	241.9	280.2	+ 38.3	+ 15.8
Housing Loans to Savings Banks—Repayments	3.3Cr	1.1Cr	0.6Cr	+ 0.5	+ 41.4
Defence Service Homes—					
Interest Subsidy	54.6	64.3	73.0	+ 8.7	+ 13.6
Other Outlays (net)	87.4	33.2	55.9	+ 22.7	+ 68.4
Total Defence Service Homes	142.0	97.4	128.9	+ 31.4	+ 32.3

	1982-83 Actual	1983-84 Actual	1984-85 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Housing in the A.C.T.—					
Dwellings Built for Sale or Rental	13.7	17.7	24.7	+ 7.1	+ 39.9
Gross Advances	27.7	20.7	20.9	+ 0.2	+ 1.0
Community Housing Expansion Program	—	1.0	0.7	- 0.3	- 33.0
Repayment of Principal	27.2Cr	30.8Cr	31.9Cr	- 1.1	- 3.5
Sale of Rental Houses	4.5Cr	2.6Cr	1.5Cr	+ 1.1	+ 42.5
Rents from Government Dwellings	25.3Cr	26.7Cr	28.1Cr	- 1.4	- 5.1
Maintenance of Rental Dwellings	5.4	6.5	6.5	—	- 0.6
Net Outlays	10.3Cr	14.2Cr	8.7Cr	+ 5.6	+ 39.0
Accommodation for Migrants	0.3	0.6	0.6	—	+ 1.7
Accommodation for Aboriginals, nec	10.3	13.8	15.8	+ 2.0	+ 14.7
General Administration	6.5	6.9	13.8	+ 6.9	+ 104.4
Other Recoveries and Repayments	0.8Cr	0.8Cr	1.0Cr	- 0.2	- 25.6
TOTAL HOUSING	739.6	1 034.0	1 251.9	+ 217.9	+ 21.1

PUBLIC HOUSING ASSISTANCE TO THE STATES AND THE NORTHERN TERRITORY

Public housing assistance to the States and the Northern Territory is provided under the Commonwealth State Housing Agreement (CSHA) and also under Loan Council borrowing programs.

Loan Council Nominating Arrangements

Under arrangements agreed at the June 1982 Loan Council meeting, a State may nominate amounts from its Loan Council Program for public housing. For 1984-85, as in 1983-84, a State may nominate funds provided that it is able first to meet the matching requirements under the CSHA for expenditure in 1984-85 on public housing from its own resources. These nominated amounts are repayable by the State at the concessional interest rate of 4.5% per annum over 53 years. The States have not yet formally advised the amounts they intend to nominate under these arrangements in 1984-85. An indicative amount of \$275m has been included in this function for 1984-85—\$227.1m was nominated for 1983-84. (Any increase or decrease in this amount will be matched by a corresponding change in Loan Council funds classified under sub-function '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

During 1984, the 1981 CSHA was renegotiated with the States and a new Agreement (the 1984 Agreement) is expected to be signed later this year to operate from 1 July 1984. Total gross payments to the States and the Northern Territory for public housing purposes under the 1984 CSHA are estimated at \$623.3m in 1984-85 while repayments of advances are estimated at \$46.5m.

As a concession in 1984-85, all assistance to the States and the Northern Territory under the 1984 CSHA will be provided as grants. In 1983-84 loan assistance and grants were 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 1981 Agreement, which was to operate for the five years 1981-82 to

1985-86, applied for 1983-84 but will be amended under the new 1984 Agreement which will apply for 10 years from 1984-85.

Significant changes in the new Agreement include:

- rent levels for public housing will now be determined on the basis of costs of production and administration rather than market levels as for the 1981 Agreement;
- a minimum level funding of \$500m will be provided in 1985-86 and 1986-87;
- provision will be made for the inclusion of specific housing assistance programs, including the Mortgage and Rent Relief Scheme, a new Crisis Accommodation Program and a new Local Community Housing Program within the Agreement;
- new guidelines have been established for the provision of home purchase assistance under which low start loans will be provided, and repayments based on income; and
- rental purchase arrangements will be available to assist low income earners who cannot save a deposit.

The following table sets out the amount and nature of Commonwealth assistance to the States and Northern Territory for public housing under the CSHA for 1984-85 compared with 1983-84:

Funds Under the Commonwealth State Housing Agreement

	1983-84 Actual	1984-85 Estimate
	\$m	\$m
Loan Assistance	146.0	—
Grants (a) —		
Pensioner housing	32.0	35.0
Aboriginal housing	52.0	52.0
Local Community Housing	—	7.0
Other Grants	270.0	495.0
Total	500.0	589.0

(a) In 1984-85 additional grant assistance totalling \$34.3m will be provided within the framework of the CSHA under the Mortgage and Rent Relief Scheme and a new Crisis Accommodation Program. These programs are classified under the *Social Security and Welfare* function.

The main features of the Commonwealth's assistance under the CSHA for 1984-85 are:

- all funds will be provided as grants—in 1983-84 \$146m was provided as loans repayable over a 53 year period and carrying an interest rate of 4.5% per annum. The cost, in terms of interest forgone, of providing this amount by way of grants rather than concessional loans is some \$3.5m in 1984-85 and \$7m in a full year. (Under the Loan Council arrangements noted above, the States are able to nominate amounts for public housing from their Loan Council Programs to be provided on the above loan terms and conditions.);
- \$495m will be provided as untied grants, compared with untied grants of \$270m and untied loans of \$146m in 1983-84 (\$450m of this will be required to be matched on a \$ for \$ basis by the States and the Northern Territory—see below);
- \$35m will be provided as specific grants for pensioner housing, an increase of 9.4% on 1983-84;

- \$52m will be provided as specific grants for Aboriginals in need of rental housing assistance, the same amount as was provided in 1984-85; and
- \$7m will be provided to the States and the Northern Territory for a new Local Community Housing Program. This new program will assist local governments and community groups to provide and administer low cost rental accommodation.

In addition:

- \$21.7m will be provided to the States and the Northern Territory in 1984-85 for assistance under the Mortgage and Rent Relief Scheme (see the function *Social Security and Welfare*); and
- \$12.6m will be provided to the States and the Northern Territory for a new Crisis Accommodation Program (see the function *Social Security and Welfare*).

In 1984-85 the States and the Northern Territory will be required to match, on a \$ for \$ basis, \$450m from the \$495m of untied grants. In 1983-84 all loan assistance and untied grant assistance to the States and the Northern Territory under the CSHA was provided on a \$ for \$ 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 (apart from funds arising from the sale of land or dwellings provided under various housing arrangements with the States) are eligible for such matching.

The allocation of Commonwealth assistance between rental housing and home ownership assistance programs is determined by each State and the Northern Territory but under the 1984 CSHA they must ensure that, as far as practicable, waiting times for home purchase and rental assistance are equal. Funds allocated to rental assistance programs assist in providing concessional rental accommodation for low income earners, and may be applied to the construction or acquisition of housing for rental or sale. Such funds can also be applied to innovative purposes covered by the Agreement, such as the leasing of dwellings from the private sector and private/public housing joint ventures. Subject to guidelines on specific assistance programs (such as the Local Community Housing Program), the States and the Northern Territory have responsibility for the design and conduct of their programs and are free to determine eligibility criteria, provided that priority for assistance is given to those in need. Where income and family circumstances warrant it, tenants pay reduced rent. 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 sufficient mortgage finance in the private market. The Agreement does not impose specific means tests but does provide guidelines as to how assistance is to be provided. Under the 1984 Agreement repayments on loans provided under the home purchase assistance program will, for the first time, be directly related to the income of the borrower at least until such time as the borrower can afford the credit foncier repayment. Any shortfalls in repayments in the early years of the loan will be repaid over the remaining life of the loan or by an extension of the term of the loan. 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. Rental purchase arrangements will be available to assist low income earners who are unable to save a deposit.

Details of the State by State and Northern Territory allocation of Commonwealth assistance in 1984-85 are shown in Budget Paper No. 7, *Payments to or for the States, the Northern Territory and Local Government Authorities, 1984-85*.

Other Grants to States for Housing

The *States Grants (Housing) Act 1971* provides for housing assistance to the States by way of grants of \$2.8m 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 1984-85 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

First Home Owners Scheme

The First Home Owners Scheme (FHOS) was introduced on 1 October 1983 to encourage and to assist first home buyers of low to moderate income into home ownership, to stimulate construction of new dwellings and to create jobs.

The amount of benefit provided under the scheme is related to the applicant's income and the number of dependants. For homes purchased between 1 October 1983 and 21 August 1984, assistance of up to \$7000 was payable to applicants with two dependants, and with a taxable income of \$24 300 or less. Reduced benefits were available for people earning up to \$27 900.

The scheme attracted some 90 000 applications in 1983-84. Expenditure in 1983-84 was \$141m, assisting a total of 55 250 first home buyers.

Since the FHOS was introduced general economic as well as housing market conditions have improved, interest rates are lower and housing finance is more readily available. Accordingly, and in view of the improved circumstances and the Government's desire to concentrate assistance on those with the greatest need, eligibility conditions for the FHOS have been reviewed. For people buying their first home on or after 22 August 1984 new income limits will apply:

- sole applicants without dependants with income up to \$10 000 will be eligible for maximum assistance. For those with incomes between \$10 000 and \$13 950, reduced benefits will be payable; and
- for all other applicants maximum assistance will be payable on income up to \$20 000 with assistance phasing out altogether at \$27 900.

After taking into account these changes outlays on FHOS in 1984-85 are estimated to be \$265m, 87% higher than in 1983-84. In addition to the 55 250 first home buyers who received assistance in 1983-84 and who will continue to receive monthly repayment assistance, a further 80 000 new applicants will be assisted making a total of over 135 000 benefiting from FHOS in 1984-85.

Home Deposit Assistance Scheme

Although the Home Deposit Assistance Scheme (HDAS) was terminated on 30 September 1983, applications for assistance continue to be received from persons who purchased or constructed their home between 18 March 1982 and 30 September 1983.

During 1983-84, 38 865 first home buyers were assisted under this scheme at a cost of \$98.4m. In 1984-85 a further 6 000 are expected to be assisted at an estimated cost of \$15.0m.

Home Savings Grant Scheme

While applications have not been accepted since August 1982 under the Home Savings Grant Scheme, which was replaced by the HDAS on 2 June 1982, a number of outstanding applications remain to be processed. Expenditure on grants is estimated to be \$0.2m in 1984-85 compared to \$2.1m in 1983-84.

Housing Interest Income Tax Rebate Scheme

The March 1983 Housing Interest Income Tax Rebate Scheme provides rebates over 5 years to first home owners. Although the scheme has been terminated, those receiving benefits at 30 September 1983 will continue to receive assistance if they satisfy an income test. The income limits for eligibility are the same as those applying to FHOS at its commencement.

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 1984, all but two of the eleven participating banks had fully repaid these loans. The balance of \$0.6m 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 3.5%, 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 \$146m in 1984-85 compared to \$128.8m in 1983-84. The increase in estimated expenditure is the result of an increase in the number of expected loan settlements in 1984-85 compared to 1983-84. In 1983-84, 7038 applications were received for loans compared to 6353 in 1982-83. The expenditure in 1984-85 is expected to be financed as follows:

- (a) from non-budget sources—
 - \$88m 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 1918*; and
 - \$45m by way of capital appropriation from the budget.

In 1984-85, \$16.8m is being provided for the Defence Service Homes Corporation's salary and administrative expenses (excluding rent).

An interest subsidy estimated at \$73m will be appropriated to the Corporation in 1984-85 compared to \$64.3m in 1983-84. 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 \$143.5m in 1984-85 (\$129.5m in 1983-84) are recorded in the estimates of receipts (see Statement No. 4).

A capital repayment in 1984-85 of \$3.6m 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 1983-84 amounted to \$6.1m. The Corporation has surplus land holdings as a result of phasing out its estate development and construction activities.

Receipts in 1984-85 in respect of excess payments by borrowers are estimated at \$14.8m. In 1984-85, \$13.0m of these and previous years' excess payments are expected to be paid to the Defence Service Homes Trust Account to meet loan 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 1984-85 for administrative fees and recoveries are estimated at \$2.5m.

HOUSING IN THE AUSTRALIAN CAPITAL TERRITORY

Dwellings Built for Sale or Rental

Expenditure on the purchase, construction and upgrading of rented dwellings is estimated to be \$24.7m in 1984-85, an increase of \$7.1m on 1983-84, reflecting progress on construction of houses commenced in 1983-84. In 1984-85 a start will be made on the construction of 437 houses, 93 aged persons units and 120 flats (compared to 450 houses and 50 aged persons units in 1983-84) at a total cost of \$27.9m. There are no plans for expenditure in 1984-85 on "spot-purchases" of privately owned dwellings to add to rental stocks (79 accommodation units at a cost of \$4.2m were acquired in 1983-84).

Gross Advances

Expenditure under this heading includes loans under the Australian Capital Territory Commissioner for Housing Loans Scheme to eligible applicants as well as loans to public servants compulsorily transferred to the Australian Capital Territory and Queanbeyan (New South Wales). The Australian Capital Territory Commissioner for Housing Loans Scheme assists people with some capacity to service a housing loan but who are unable to obtain sufficient funds from the private market alone. Applicants must have a continuing household income not exceeding \$480 per week and must contribute at least 5% of the value of the home as a deposit.

Eligible applicants receive concessional interest rate loans payable over a minimum of thirty years. The interest rate during the first 10 years of the loan is set and maintained at a level requiring a repayment rate of 25% of income. After that period the rate is adjusted to the level of the Commonwealth Savings Bank housing loan rate. A total of \$20.9m is expected to be available for such loans in 1984-85 compared to \$20.7m in 1983-84. Of this proposed expenditure \$17.8m is for loans under the Australian Capital Territory Commissioner for Housing Loans Scheme (\$18.1m in 1983-84), comprising an \$8.5m budget appropriation and \$9.3m in funds recycled through the Australian Capital Territory Housing Trust Account. The balance of \$3.1m is for loans to public servants compulsorily transferred to Canberra (\$2.6m in 1983-84) and is provided from budget appropriations. An estimated 397 loans will be provided in 1984-85 under the Commissioner for Housing Loans Scheme (compared with 564 loans in 1983-84).

Community Housing Expansion Program

Expenditure in 1984-85 is estimated at \$0.7m (compared with \$1.0m in 1983-84). The program facilitates 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 Australian Capital Territory. The increase of \$1.1m in this item mainly reflects a small increase in the expected number of early discharges of mortgages.

Sale of Rental Houses

This item includes revenue from the sale of government houses to tenants in the Australian Capital Territory and is based on 23 expected sales in 1984-85. There were 56 houses sold in 1983-84.

Rents from Government Dwellings

This item comprises receipts from rental of government dwellings in the Australian Capital Territory. The increase of \$1.4m mainly reflects the rise in the stock of government dwellings.

Maintenance of Rental Dwellings

Outlays under this heading are for repairs and maintenance, servicing and caretaking of government owned houses and flats in the Australian Capital Territory.

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 flats providing short term accommodation for migrants.

ACCOMMODATION FOR ABORIGINALS, NEC

The only expenditure included under this heading is that in respect of Aboriginal Hostels Ltd which will receive \$15.8m in 1984-85, an increase of 14.7% on 1983-84 expenditure. The company now funds the operation of 149 hostels providing 3711 beds.

The Aboriginal Development Commission (ADC) administers programs which provide housing loans and grants to Aboriginals and Aboriginal housing associations. Payments to the ADC, which is expected to spend \$47.8m on these housing programs in 1984-85, appear under the functional heading *Social Security and Welfare—'Aboriginal Advancement Programs nec'*.

GENERAL ADMINISTRATION

Outlays of \$13.8m 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 Northern Territory 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 \$92.5m for activities under this function in 1984-85, a decrease of \$15.9m or 14.7% on 1983-84. The decrease in this function is mainly due to the agreement between New South Wales and the Commonwealth to settle in full, by a single payment in 1984-85, that State's debt in respect of loans provided in earlier years for assistance to the New South Wales Land Commission, and the completion in 1983-84 of payments to Western Australia in respect of the Cockburn Sound sewerage pipeline.

	1982-83	1983-84	1984-85	Change	
	Actual	Actual	Estimate	\$m	%
	\$m	\$m	\$m	\$m	%
Urban and Regional Development nec—					
Growth Centres (net)	33.5	37.3	33.7	- 3.6	- 9.6
Decentralisation Assistance (net)	0.1	3.4Cr	3.7Cr	- 0.3	- 9.5
Urban Rehabilitation (net)	3.5	0.6	0.5	- 0.1	- 17.3
Land Commissions/Urban Land Councils (net)	3.9Cr	0.8Cr	17.1Cr	- 16.3	n.a.
Urban Flood Mitigation	4.6	5.7	—	- 5.7	-100.0
Other Urban Development and Amenities(a)	7.0	11.0	15.2	+ 4.2	+ 38.1
Total Urban and Regional Development nec	44.8	50.4	28.5	- 21.8	- 43.3
Protection of the Environment	9.7	12.6	16.3	+ 3.6	+ 28.5
Sewerage and Garbage (net) —					
Special Payment to Western Australia	12.1	7.9	—	- 7.9	-100.0
Other Outlays	4.0	4.3	6.0	+ 1.7	+ 39.8
General Administration Expenditure (net)	27.9	33.2	41.7	+ 8.5	+ 25.5
TOTAL URBAN AND REGIONAL DEVELOPMENT NEC AND THE ENVIRONMENT	98.4	108.4	92.5	- 15.9	- 14.7

(a) As noted in the Appendix to Budget Paper No. 1, a number of revenue items previously classified as 'receipts' are now recorded as 'outlays' against this function.

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 Australian Capital Territory.

Growth Centres (net)

No new loans have been provided for growth centres since 1982-83. Consequently, assistance provided for growth centres consists of capitalised interest (estimated at \$34.8m) 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.

Repayments of \$86 000 in respect of loans previously provided to New South Wales and Victoria for municipal works at Albury-Wodonga are recorded against this item. In addition, repayments of \$458 000 in respect of loans previously provided to Victoria for Albury-Wodonga, and \$580 000 in respect of loans previously provided to New South

Wales for the Albury-Wodonga, Bathurst-Orange and Macarthur growth centres, are scheduled to commence in 1984-85.

In addition, a grant of \$0.4m—recorded as part of the 'General Administration Expenditure' item—is provided to meet the Commonwealth's one-third contribution towards the administrative expenses of the Albury-Wodonga Development Corporation in 1984-85.

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.

Repayments of, and interest receipts from, loans made under the program will continue for some years.

Repayments during 1984-85 are estimated at \$3.7m. (Interest receipts from the loans are estimated at about \$2m in 1984-85 and are recorded with 'Other Interest Receipts' in Statement No. 4.)

Urban Rehabilitation (net)

Estimated expenditure in 1984-85 on the Glebe Estate comprises \$1.1m for the continuation of rehabilitation work and \$1.1m for maintenance and administration costs. Income from rent is estimated at \$1.4m.

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 \$16.8m at the end of 1983-84, leaving a balance of \$0.2m, the payment of which is provided for in the 1984-85 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 \$3.2m by the end of 1983-84 and further recoveries of \$0.4m have been allowed for in 1984-85.

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 1984-85.

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. As a consequence, assistance for Land Commissions and Urban Land Councils in 1984-85 consists of capitalised interest (estimated at \$4.0m) on loans provided to Western Australia in 1977-78 and earlier years. (As described under 'Growth Centres' above, these capitalised interest provisions represent notional advances to the State and are matched by equivalent notional receipts shown in Statement No. 4.)

The South Australian and Victorian Governments have reached agreement with the Commonwealth to make lump sum repayments 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. In addition, New South Wales has reached agreement with the Commonwealth to settle in full, by a single payment in 1984-85, that State's debt in respect of loans provided previously for assistance to the New South Wales Land Commission. Payments totalling \$9.5m (including the final payment from South Australia) were received in 1983-84. Repayments in 1984-85 are estimated at \$21.0m, representing the final payment (\$4m) from Victoria and the lump-sum settlement of \$17.0m from New South Wales. Repayments in respect of 1974-75 loan agreements with Western Australia in respect of its Land Commission are scheduled to commence in 1984-85 and an amount of \$173 000 is included for this purpose.

Urban Flood Mitigation

The Commonwealth contributed \$5.7m in 1983-84 for urban floodplain management under the National Water Resources Program, including \$2.3m to New South Wales, \$1.1m to South Australia, \$1.0m to Victoria and \$1.0m to Queensland. Funds for urban flood mitigation in 1984-85 will continue to be provided under the new Federal Water Resources Assistance Program (which supersedes the National Water Resources Program), with the allocations to individual projects yet to be made. Pending these allocations, funds are classified under 'Irrigation and Other Pastoral Water Projects' in the sub-function 'Industry Assistance and Development'.

Other Urban Development and Amenities

This item includes \$7.0m allocated under the Aboriginal Public Health Improvement Program (APHIP). The APHIP, a program to improve Aboriginal environmental health, 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 1984-85 will be of the order of \$35.2m (\$31.9m in 1983-84), comprising payments to the States and the Northern Territory of \$8.1m and direct payments to Aboriginal communities of \$27.0m.

An amount of \$45.5m is provided in 1984-85 (\$23.7m 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 Australian Capital Territory. The increase of \$21.9m reflects the continuation of major land servicing by the National Capital Development Commission (NCDC) in the Australian Capital Territory including \$13.5m for major land servicing projects proposed for commencement in 1984-85 (the total cost of which is estimated at \$65.0m). Revenue from the sale of residential land and commercial leases in the Australian Capital Territory in 1984-85 is estimated at \$72.0m (\$46.4m in 1983-84). (Revenue from sales of serviced land was classified in previous years as a receipt but has been reclassified as an outlay. See the Appendix to this Paper). The increase is due to the larger number of residential leases expected to be sold in 1984-85. The revenue relates to land development costs incurred in previous years, particularly the cost of

headworks which were developed some years prior to the blocks being made available for leasing.

An amount of \$4.7m is provided in 1984-85 for the Local Government Development Program which will provide a range of support services for local government designed to strengthen its capacity to improve its efficiency and performance, strengthen local economies and infrastructure, and facilitate provision of community services. This program embraces and expands on several 1983-84 programs of local government assistance.

PROTECTION OF THE ENVIRONMENT

A total of \$16.3m is being provided in 1984-85 for the protection of the environment, an increase of \$3.6m or 28.5% over 1983-84 outlays.

Support for the operations of the Supervising Scientist and the Alligator Rivers Region Research Institute is being increased by \$0.6m in 1984-85 to \$5.2m to allow continuation of the development of environmental protection services in the region.

Other outlays under this heading are for the continuation of support for conservation organisations (\$0.8m), the National Tree Program (\$0.5m), coastal surveillance of the Great Barrier Reef Region (\$0.4m), environmental contaminants monitoring program (\$0.5m), and for the operations of the Baseline Air Pollution Monitoring Station in Tasmania (\$0.3m).

The rehabilitation of the former uranium mining site at Rum Jungle being undertaken by the Northern Territory Government, will continue in 1984-85 with \$7.6m being provided for that purpose following expenditure in 1983-84 of \$5.3m. The Commonwealth is also providing \$0.1m in 1984-85 for investigations related to possible rehabilitation of the former uranium mining sites at Rockhole and Moline in the Northern Territory.

Funding for the management of the former atomic test sites at Maralinga and Emu in South Australia and Monte Bello in Western Australia is being increased to \$0.4m in 1984-85 from expenditure of \$0.1m in 1983-84.

An amount of \$0.3m is to be provided in 1984-85 under the *Captains Flat (Abatement of Pollution) Agreement Act 1975* to rectify some deficiencies in the original works program for abatement of mine waste pollution of the Molonglo River.

SEWERAGE AND GARBAGE (NET)

Special Payment to Western Australia

The Commonwealth undertook to provide \$20m to Western Australia towards the cost of construction of a sewerage pipeline in the Cockburn Sound area from Woodman Point to the sea off Cape Peron. An amount of \$7.9m, representing the final payment for this purpose, was provided in 1983-84.

Other Outlays

A net amount of \$7.2m is included in 1984-85 for the provision of sewerage, garbage and drainage facilities and services in the Australian Capital Territory. The increase of \$1.8m on 1983-84 outlays is largely attributed to the extension of garbage services to the newer suburbs of Canberra, to contract, wage and fuel cost rises, and to the introduction of a 38-hour working week in the waste management areas.

Repayments of \$1.2m 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 ADMINISTRATION EXPENDITURE (NET)

The major components under this heading are the administrative expenditure of the NCDC (\$15.4m) and consultancy fees payable by the Commission for investigation, design and construction purposes (\$20m). 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 (\$3.6m) and the Commonwealth's contribution, mentioned earlier, to the running costs of the Albury-Wodonga Development Corporation (\$0.4m).

The increase (25.5%) in expenditure under this heading is largely attributable to an increase of \$6m in consultancy fees payable by the NCDC and reflects the growth in construction activity undertaken by the Commission.

7. CULTURE AND RECREATION

Provisions for the support of cultural and recreational activities are budgeted to increase by 20.1% from \$612.0m in 1983-84 to \$734.8m in 1984-85.

	1982-83	1983-84	1984-85	Change	
	Actual	Actual	Estimate	\$m	%
Broadcasting and Television—	\$m	\$m	\$m	\$m	%
Australian Broadcasting Corporation	274.2	301.3	340.0	+ 38.7	+ 12.8
Operation and Maintenance of ABC Transmitters	35.2	42.3	45.4	+ 3.1	+ 7.4
Special Broadcasting Service	28.9	34.4	38.7	+ 4.2	+ 12.3
Provision and Installation of Transmitters	9.6	12.3	14.5	+ 2.2	+ 17.5
Regulation of the Broadcasting Industry	3.9	4.6	5.1	+ 0.5	+ 9.8
Planning of Broadcasting and Other Related Expenditure	5.0	6.4	8.5	+ 2.2	+ 33.9
Repayments	2.7Cr	2.4Cr	2.4Cr	..	..
Total	354.1	399.0	449.8	+ 50.8	+ 12.7
Other Culture and Recreation—					
Libraries	20.1	24.7	31.8	+ 7.1	+ 28.8
Australian National Gallery	18.1	14.0	14.2	+ 0.3	+ 1.8
Film Industry Development	6.8	12.6	13.1	+ 0.5	+ 4.2
Assistance to the Arts	35.8	40.6	45.6	+ 5.0	+ 12.2
War Memorial	5.7	7.7	8.6	+ 0.8	+ 10.9
Museum of Australia	0.6	2.4	1.9	- 0.5	- 20.0
Archives	10.2	11.8	17.1	+ 5.3	+ 45.2
National Film and Sound Archive	1.0	1.3	2.3	+ 1.0	+ 80.6
Youth Sport and Recreation	28.1	41.2	65.5	+ 24.3	+ 59.1
America's Cup Defence	—	—	6.0	+ 6.0	n.a.
Australian Bicentenary Celebrations	2.5	4.4	20.1	+ 15.7	+ 352.2
Other Cultural Organisations	2.3	9.5	11.9	+ 2.4	+ 25.3
Wildlife and National Parks	11.9	14.5	17.1	+ 2.6	+ 17.6
National Estate	3.5	4.0	3.5	- 0.5	- 11.6
Australian Heritage Commission	0.8	1.2	1.4	+ 0.2	+ 16.6
Cultural and Recreational Activities in the ACT, nec	20.2	23.1	24.8	+ 1.7	+ 7.4
Total	167.4	213.0	285.0	+ 72.0	+ 33.8
TOTAL CULTURE AND RECREATION	521.6	612.0	734.8	+ 122.8	+ 20.1

BROADCASTING AND TELEVISION

Total outlays by the Commonwealth on broadcasting and television services are estimated at \$449.8m in 1984-85, an increase of \$50.8m, or 12.7%, over 1983-84.

Australian Broadcasting Corporation

The budget provides for a total of \$340m to be paid to the Australian Broadcasting Corporation (ABC) in 1984-85, comprising \$330.2m for domestic radio and television services and for its other general activities, including the maintenance of the ABC orchestras and various merchandising activities, and \$9.8m for Radio Australia.

Of the amount to be provided to the ABC for its domestic radio and television services \$298.9m is for operational purposes and \$31.3m for capital expenditure. Actual expenditures in 1983-84 for these purposes were \$274.4m and \$18.1m, respectively. The proposed increase of \$24.5m in operational expenditures by the ABC in 1984-85 should, after allowance for cost increases, permit some expansion in the

ABC's existing levels of activity. Provision has been made for payments to AUSSAT Pty Ltd by the ABC in 1984-85 of deposits on four 30 watt transponders to be used for the proposed Homestead and Community Broadcast Satellite Service (HACBSS) and related program distribution purposes (\$1.0m), on a 12 watt transponder to be used for a separate South Australian HACBSS (\$0.2m), and on another four and a half 12 watt transponders and associated uplink facilities to be used for the interchange of radio and television programs via satellite (\$1.1m). In addition, \$0.2m has been provided for preliminary work on the establishment of appropriate broadcasting facilities in the new Parliament House, at an estimated total capital cost of \$4.0m. The estimated increase of \$13.2m in capital expenditure by the ABC on its domestic activities in 1984-85 will enable increased purchases of technical equipment, including electronic news gathering equipment; the commencement of construction of earth stations at 38 regional studios (\$1.7m), at a total estimated capital cost of \$15.0m spread over 5 years; initial payments (\$0.3m) for the purchase of three mobile earth stations, at a total estimated cost of \$2.7m; the rehabilitation of existing ABC buildings (\$1.5m); the renovation and fitout of the Samuel Taylor property at Gore Hill in Sydney (\$1.0m), which has been purchased for the ABC by the Department of Administrative Services at a cost of \$6.5m (included under 'Administrative Services'); and \$0.3m for the commencement of construction of Stage 1 of a proposed new radio/administration complex for the ABC in Hobart, which is estimated to cost a total of \$7.7m.

Of the \$9.8m provided for Radio Australia in 1984-85, \$9.6m is for operational expenditure and \$0.2m for capital equipment. The corresponding amounts in 1983-84 were \$8.7m and \$0.2m, respectively.

Operation and Maintenance of ABC Transmitters

The Commonwealth provides new transmitters for the ABC with ownership transferred to the ABC once the transmitters are operational. The Commonwealth maintains responsibility for national transmitting stations and associated facilities. Operation and maintenance of transmitting stations used by the ABC and others, is carried out by Telecom under contract to the Commonwealth. An amount of \$47m has been provided in the budget for payment to Telecom for this purpose in 1984-85. The present contractual arrangements with Telecom are currently being reviewed. Revenue of \$1.6m in 1984-85 is expected from leasing charges for the shared use of technical facilities at certain national transmitting stations by commercial operators and other radiocommunications users, and from the sale of assets.

Special Broadcasting Service

The budget provides \$38.7m for the Special Broadcasting Service (SBS) in 1984-85, compared with \$34.4m in 1983-84. From this allocation, together with cash on hand and income from the sale of television programs, the SBS expects to spend approximately \$3.3m on corporate management, \$7.7m on ethnic radio and \$28m on multicultural television (the comparable figures in 1983-84 were \$2.4m, \$7.2m and \$25.1m, respectively). These amounts should, after allowance for cost increases, enable the existing ethnic radio stations, 2EA and 3EA, as well as the SBS's multicultural television services in Sydney, Melbourne and Canberra to be maintained at about the same levels of activity as in 1983-84. The estimates allow for multicultural television to be extended to Brisbane, Adelaide, Newcastle and Wollongong by June 1985, and include \$1.5m for the purchase of time-delay facilities and the payment of appropriate deposits

to AUSSAT Pty Ltd for the hire of two 12 watt transponders by SBS to enable Sydney-originated multicultural television programs to be distributed to Melbourne, Adelaide, Perth, Hobart and Darwin via satellite in due course. An amount of \$0.5m has been provided for the development and production of English language radio and television programs for migrants. The SBS expects to spend \$655 000 in 1984-85 on grants to eligible public broadcasting stations which transmit ethnic radio programs.

Provision and Installation of Transmitters

The budget provides \$14.5m for the installation of new transmitters for the ABC and the SBS in 1984-85. This represents an increase of \$2.2m (17.5%) on 1983-84 expenditures. An amount of \$8.8m is provided for the upgrading and extension of the ABC network in country areas, including \$2.8m to establish a high frequency radio service in the Northern Territory and \$2.6m to convert certain national transmitting stations to utilise the domestic communications satellite system for the distribution of ABC radio and television programs in due course (at a total estimated cost of \$4.5m). The budget also provides \$4.8m for transmitting facilities for the extension of multicultural television to Brisbane, Adelaide, Newcastle, Wollongong and the Gold Coast in 1984-85.

Regulation of the Broadcasting Industry

An amount of \$5.1m is provided for the Australian Broadcasting Tribunal to enable it to conduct public inquiries into the granting of supplementary radio and television licences and the granting and/or renewal of commercial and public broadcasting station licences, as well as 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

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 \$8.5m in 1984-85, compared with \$6.4m in 1983-84. An amount of \$0.6m has been provided to enable the Department to investigate the performance of various television scrambling and transmission systems so that the Minister for Communications can provide AUSSAT Pty Ltd with guidelines covering the encoding of television programs to be distributed via the domestic satellite system in due course, so as to prevent their unauthorised reception. The estimates also provide \$500 000 for payment to the Public Broadcasting Foundation, of which \$150 000 is to be used by the Foundation to fund increased Aboriginal programming and at least \$220,000 for on-going grants to the public broadcasting sector. Funds have also been provided for planning the proposed second ABC regional radio network, as well as station planning for the remote and under-served communities scheme.

Repayments

The Australian Broadcasting Corporation will make a final payment of \$2.4m in 1984-85, in connection with its purchase of technical equipment acquired for media coverage of the 1982 Commonwealth Games in Brisbane and which the Corporation wishes to retain and use for its on-going activities.

Libraries

An amount of \$23.5m is provided in 1984-85 for the operating expenses of the National Library of Australia—an increase of 10.5% on 1983-84. The provision includes \$13.8m for salaries and related costs, \$1.4m for fitout of the library extensions and \$3.1m for acquisition of library material, which includes a wide range of books and periodicals, films, pictorial material, maps, 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 (ABN) will continue in 1984-85. The Network operates in all States and Territories and enables on-line consultation of the Library's cataloguing information and the location of Library material by 59 fully participating libraries and more than 70 dial up customers throughout Australia. The computing capacity of the Library was upgraded in February 1984 to enable the Library to cope with the increasing demands of the ABN.

Expenditure by the National Capital Development Commission (NCDC) in 1984-85 on the Library extensions and the removal of asbestos is estimated at \$7.4m (\$2.6m in 1983-84), and constitutes a large component of the increase in expenditure under this heading in 1984-85.

Also included in this category is \$1.0m 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 sub-function 'Administrative Services'.

Australian National Gallery and Collection

The Gallery's allocation for 1984-85 is \$13.9m, including \$10.8m for salaries, administrative and operating expenses, and \$3.1m for acquisitions for the National Collection. In addition, the Gallery estimates that it will receive gross revenue of \$2.4m from its commercial activities, admission charges, membership fees and corporate support. Net proceeds from admission charges are applied to acquisitions for the National Collection. In addition, the budget provides \$0.3m for capital expenditure on the National Gallery in 1984-85.

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 prior to 1983-84 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. To redress that situation, the Government decided to reduce the generosity of taxation concessional arrangements in 1983-84 and at the same time to increase direct assistance by providing the first of two instalments of \$5m to the Commission for increased activity on loan and investment support for films of high quality with potential for commercial viability. The second, and final, payment of \$5m will be made in

1984-85. This additional amount is reflected in the provision of \$13.1m in 1984-85 for the purposes of the Commission (an increase of 4.2% on 1983-84). Cash balances and general revenues estimated at \$2.3m are also expected to be available for the purposes of the Commission in 1984-85.

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 Council's allocation in 1984-85 is \$43.6m (an increase of 14.0% on 1983-84). This allocation includes a provision of \$1.9m over and above real ongoing funding levels for arts support activities, in line with the Government's undertaking to restore arts funding to the 1975-76 real level. This is expected to increase further the Council's 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 \$1.8m in 1984-85. 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. It is proposed that legislation be enacted in 1984-85 to provide a statutory basis for the scheme.

Artbank, which acquires works of art from Australian artists for placement on hire in public places, is to be allocated \$0.5m in 1984-85, including \$0.4m for the acquisition of works of art. Revenue from the hire of these artworks is estimated at \$0.2m for 1984-85.

War Memorial

In 1984-85 an amount of \$7m (\$6.4m in 1983-84) is provided for the operating costs of the Australian War Memorial, including provisions for the continuing upgrading of exhibition areas, maintenance of collections, development of the Memorial's commercial activities, and \$0.3m for acquisitions.

In 1982-83 work was commenced on a three stage program of upgrading the War Memorial building. Expenditure of \$1.6m in 1984-85 (\$1.3m in 1983-84) is expected to complete stage 1 of this program.

Museum of Australia

An amount of \$1.8m (\$1.0m in 1983-84) is provided for the operating costs and continued development of the Museum of Australia in 1984-85, including \$0.2m for acquisitions.

Expenditure on capital works for the Museum is estimated at \$0.1m in 1984-85 compared with \$1.4m in 1983-84, reflecting the completion of a storage repository for the Museum collection at Mitchell, Australian Capital Territory, in 1983-84. In 1984-85 work will commence on an administration and exhibition centre on the site set aside for the Museum adjacent to Yarramundi Reach at the western end of Lake Burley Griffin (at a total cost of \$0.9m). The centre will provide office accommodation for

Museum staff and facilities for visitors to view the site and final building design proposals.

Archives

An amount of \$17.1m (\$11.8m in 1983-84) is provided in 1984-85 for the preservation and maintenance of archival material of national significance or public interest. This includes \$2.4m for the implementation of a computer acquisition program designed to computerise many of the Australian Archives' existing manual procedures, with significant long-term savings in terms of both storage space and staffing requirements. Also included in this item is \$1.3m for expenditure on buildings and works (\$0.1m in 1983-84), representing progress with construction on a number of works at various archives repositories throughout Australia.

National Film and Sound Archive

The National Film and Sound Archive (NFSA), which was previously part of the National Library of Australia, was established as an autonomous unit within the Department of Home Affairs and Environment on 11 May 1984. Of the expenditure of \$1.3m recorded against this heading for 1983-84, \$1.1m relates to expenditure by the National Library of Australia on NFSA activities during 1983-84. The Government recently announced that an NFSA Advisory Committee will be established, to report to the Government within 12 months with proposals for the future development of the NFSA.

An allocation of \$2.6m has been provided in 1984-85 for the operating expenses of the NFSA, including \$0.5m for acquisitions and preservation of the film and sound collections, and provision for increased staffing resources. Offsetting this allocation the NFSA is expected to generate revenue of some \$0.3m from charges for services during 1984-85. The NFSA will be relocated in the former Institute of Anatomy building in Canberra, pending Government consideration of the Advisory Committee's report.

Youth, Sport and Recreation

An amount of \$65.5m is provided under this heading in 1984-85 compared with \$41.2m in 1983-84; an increase of 59.1%. Significant areas of increase in 1984-85 include the following:

- \$3.5m (\$2.6m in 1983-84) for the continuing establishment and administrative costs of the sport and recreation component of the Department of Sport, Recreation and Tourism.
- \$10.8m (\$8m in 1983-84) to provide assistance on a matching basis to the States, Territories, Local Government and sporting bodies for the establishment and development of international standard sports facilities. This amount comprises \$5.8m to meet outstanding commitments from the previous multi-year program and an additional \$5.0m as part of a new \$27m three-year program.
- \$11.0m for an expanded sport and recreation program (\$8.5m in 1983-84) 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;
 - to life-saving bodies;

- for the conduct of the Australia Games;
- for national recreational organisations to encourage recreational activities and to contribute to the development of the Commonwealth's recreational and fitness policies; and
- for team preparation for the 1986 Commonwealth Games.
- \$8.9m for the expenses of the Australian Institute of Sport (AIS) (\$5.6m in 1983-84) which provides potential top class Australian sportsmen and sports-women with access to specialised coaching programs while allowing them to pursue their studies and careers. This includes:
 - \$0.6m for two new resident sports, as yet to be decided, one of which is to be decentralised. This will increase the number of Institute sports to 11;
 - \$6.9m (\$5.6m in 1983-84) for the operating expenses of the Institute. The increase of \$1.3m mainly reflects the full-year effect of additional staff and facilities associated with the continuing establishment of the Institute; and
 - \$1.4m for specialist equipment for training facilities and other equipment for new facilities which will come into operation over the coming year.
- \$20.8m for expenditure by the National Capital Development Commission on facilities at the National Sports Centre at Bruce, Australian Capital Territory (an increase of \$10.7m on 1983-84). Of this, \$20.4m is to be spent on projects including indoor sports training facilities (total cost \$9.8m), an administration building and residential accommodation (total cost \$9.5m), a sports science building (total cost \$4.9m) and upgrading of the National Athletics Stadium for the World Athletics Cup—Stage 1 (total cost \$6.4m). In addition, work will commence during 1984-85 on Stage 2 of work at the National Athletics Stadium for the World Athletics Cup (total cost \$1.7m) and construction of carparks and roadworks (total cost \$1.2m).
- \$4.2m for grants-in-aid to Aboriginal communities and groups for cultural, recreational and sporting activities (\$3.1m in 1983-84).

The Government will provide \$1.2m in 1984-85 to promote International Youth Year (IYY) (out of a total allocation over three budgets of \$2m) and \$0.3m to assist national and State organisations foster IYY activities in 1985. Other youth-oriented expenditures in 1984-85 include \$1.3m for assistance to youth organisations, youth studies, and international youth exchanges (\$1.1m in 1983-84).

America's Cup—1987 Defence

An amount of \$6m is provided in 1984-85, with an overall commitment of up to \$30m in the period to 1986-87, for projects that will both assist in the smooth running of the defence and be of lasting benefit to the people of Australia. An additional \$0.2m is also provided in 1984-85 for the establishment of the America's Cup Secretariat in Fremantle.

Australian Bicentenary Celebrations

Expenditure of \$20.1m under this item reflects an increased provision to the Australian Bicentennial Authority (ABA) for the commencement of program payments for the Australian Bicentennial celebrations in 1988, for which the Commonwealth has

earmarked \$166m (1982 prices) made up of a National Program (\$118m) and a \$ for \$ Commonwealth/State Commemorative Program (\$48m). The provision includes:

- \$6.9m for the operating expenses of the ABA (\$4.0m in 1983-84);
- \$10.0m for the first payment towards the Commonwealth/State Commemorative Program; and
- \$3.2m for the National Program (\$0.4m in 1983-84).

Other Cultural Organisations

Outlays under this heading in 1984-85 are estimated at \$11.9m, compared with \$9.5m in 1983-84. Provisions under this heading include:

- amounts of \$1.9m and \$0.5m as further part payments of total grants of \$5m and \$2m respectively towards preparations for sesquicentenary celebrations in Victoria and South Australia to be held in 1985 and 1986. Since 1982-83, when payments commenced, \$2.5m has been paid to Victoria and \$1.1m to South Australia;
- an amount of \$0.2m to the Southern Cross Museum Trust to enable the construction of the flying replica of that aircraft to be completed;
- \$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 and some States to encourage the development, production and broadcasting of quality television programs for children. The 1984-85 allocation brings the total Commonwealth contribution to the Foundation to \$1.8m;
- grants totalling \$0.5m for the National Trusts;
- \$0.6m for the observance of Australia Day; and
- \$0.2m for administration of the *Historic Shipwrecks Act 1976*, under which funds are provided for rewards as and when approved, for servicing the Australian/Netherlands Committee on Old Dutch Shipwrecks and for the protection of historic shipwrecks and relics.

Wildlife and National Parks

This heading covers the costs of the Commonwealth's involvement in wildlife conservation, and the development and management of national parks and nature reserves on land and sea. An amount of \$17.1m is provided in 1984-85 compared with outlays of \$14.5m in 1983-84. The 17.6% increase generally reflects greater Commonwealth contributions towards activity in three of Australia's World Heritage Areas.

Outlays for the Australian National Parks and Wildlife Service (ANPWS) are planned to increase by \$1.7m (16.6%) to \$10.6m in 1984-85 reflecting the further development of the Kakadu National Park in the Northern Territory. The Government has agreed to an accelerated program of development of visitor facilities and infrastructure in the Park. Increased funding also allows for the initiation of a program to protect rare and endangered species and the continuation of wildlife monitoring and other research and survey programs initiated during 1983-84. An amount of \$0.2m has been included to meet the costs of administering the *Wildlife Protection (Regulation of Exports and Imports) Act 1982*. It is estimated that \$50 000 will be recovered by way of fees which will partly offset these costs.

Some 98% of the Great Barrier Reef Region has now been incorporated in the Great Barrier Reef Marine Park. Expenditure by the Great Barrier Reef Marine Park Authority in 1984-85 is estimated to be \$4.4m, an increase of 5.8% over 1983-84, and will be directed to the development of further zoning plans in the Park as well as the management of the three sections already zoned (Capricornia, Cairns/Cormorant Pass and Far Northern). Day-to-day management of these sections is provided by the Queensland National Parks and Wildlife Service on a cost sharing basis with the Commonwealth.

In 1984-85 \$0.3m is to be provided on an interim basis to assist in the management of the South-West Tasmania World Heritage Area. Interim assistance was also provided in 1983-84, and details of expenditure in 1984-85, including long term cost sharing arrangements, have yet to be agreed with the Tasmanian Government.

National Estate

In 1984-85, an amount of \$2.9m (\$2.8m in 1983-84) is provided 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, \$0.6m is to be provided to the Tasmanian Government on a \$2 for \$1 matching basis for the sixth year of a seven-year program to restore and develop the Port Arthur region. The cost to the Commonwealth of this seven-year program is currently estimated to be of the order of \$6m, of which \$4.9m has been provided since 1979-80.

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 \$1.4m is provided for the operational costs of the Commission in 1984-85, an increase of 16.6% on the Commission's expenditure in 1983-84 (\$1.2m).

Cultural and Recreational Activities in the Australian Capital Territory, nec

An amount of \$24.8m is provided in 1984-85 under this heading (\$23.1m in 1983-84) to cover 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 Australian Capital Territory (including Jervis Bay). The increase is mainly due to an increase of \$0.8m in grants made to cultural, recreational and community organisations from the Australian Capital Territory Community Development Fund and a \$0.6m increase in operating expenses of the National Sports Centre, Canberra mainly reflecting the additional sporting facilities in use in 1984-85. These increases are partly offset by an increase of \$0.3m in revenue from sports hall hire and swimming pool charges.

8. ECONOMIC SERVICES

This category covers the several economic services and the numerous forms of economic assistance provided by the Commonwealth to industry and to the community generally. Besides outlays for the provision of economic infrastructure, there are outlays on the regulation of various private sector economic activities and for more direct forms of Commonwealth participation in economic activity. As shown by the table at the beginning of this Statement, the total outlays classified under this function were \$3761.5m in 1982-83 and \$4094.8m in 1983-84 and are estimated at \$4349.9m in 1984-85.

A. TRANSPORT AND COMMUNICATION

The following table shows that Commonwealth outlays for transport and communication purposes are expected to increase by \$128.0m or 7.4% in 1984-85. This largely reflects increased expenditures on development works at Brisbane, Darwin and Perth Airports; increased road grants to the States and the Northern Territory; payment of the balance of a grant to Tasmania to purchase a replacement vessel for the Bass Strait sea passenger service; and a special payment to Victoria for a transport improvement program. These increases are partly offset by reduced expenditures under the Aerodrome Local Ownership Plan, due to the completion or near-completion in 1983-84 of a number of large airport development projects.

Compared with the practice a few years ago, when Commonwealth statutory bodies which operate transport or communication services borrowed from or through the Commonwealth, most of these agencies now borrow directly from the capital market on their own behalf. Transactions between these bodies and the budget in recent years have been largely confined to the repayment or roll-over of earlier loans provided to them from the budget, together with interest and dividend payments to the Commonwealth. Details of such budget receipts 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 1983-84, which take account of the activities of these agencies, are shown in Table 11 of Statement No. 6. An analysis of trends in Commonwealth sector capital expenditure is appended to that Statement.

	1982-83	1983-84	1984-85	Change	
	Actual	Actual	Estimate	\$m	%
Communication—					
National Communications Satellite System	43.5	—	1.9	+ 1.9	n.a.
Radio Frequency Management	12.9	14.0	15.5	+ 1.5	+ 10.4
Administration and Other	5.9	7.1	7.4	+ 0.4	+ 5.0
Total	62.4	21.1	24.8	+ 3.7	+ 17.7
Australian Telecommunications Commission—					
Interest-bearing Advances	—	—	167.8	+ 167.8	n.a.
Repayment of Interest-bearing Advances	—	—	167.8Cr	- 167.8	n.a.
Total Communication	62.4	21.1	24.8	+ 3.7	+ 17.7
Air Transport—					
Provision of Civil Aviation Services—					
Operational and Administrative Expenditure	360.9	381.1	404.7	+ 23.6	+ 6.2
Plant and Equipment for Airways and Navigational Facilities	22.6	26.1	31.2	+ 5.2	+ 19.7
Buildings and Works	118.0	69.8	111.3	+ 41.5	+ 59.4
Recoveries—					
Air Navigation Charges	124.2Cr	123.2Cr	134.2Cr	- 11.0	- 9.0
Airport Rentals and Business Concessions	40.0Cr	43.2Cr	50.7Cr	- 7.5	- 17.3
Other	15.1Cr	15.7Cr	18.0Cr	- 2.2	- 14.2
Total Civil Aviation Services	322.2	294.8	344.3	+ 49.5	+ 16.8
Qantas Airways Limited—					
Capital Contribution	60.0	—	—	—	—
Repayment of Advances	9.1Cr	7.0Cr	6.3Cr	+ 0.7	+ 9.6
Australian National Airlines Commission (TAA)—					
Capital Contribution	115.0	—	—	—	—
Repayment of Advances	3.2Cr	2.4Cr	1.2Cr	+ 1.2	+ 49.4
Assistance to Operators and Aviation Bodies—					
Air Service Subsidies	6.2	6.9	7.2	+ 0.3	+ 4.5
Grants to Aviation Organisations	0.6	0.6	0.8	+ 0.1	+ 23.1
Aerodrome Local Ownership Plan	29.9	34.2	27.7	- 6.5	- 19.1
Total Air Transport	521.6	327.2	372.5	+ 45.2	+ 13.8
Road Transport—					
Road Grants to States and NT	850.9	1 203.7	1 245.2	+ 41.5	+ 3.4
Road and Related Works in the ACT	19.6	20.3	28.3	+ 8.0	+ 39.4
Public Transport and Equipment in the ACT	3.5	2.6	3.0	+ 0.4	+ 14.5
Special Payment to Tasmania for Tourist Roads	10.0	—	—	—	—
Special Grant for Second Hobart Bridge	16.7	4.9	4.0	- 0.9	- 18.3
Road Research and Investigations	2.0	3.0	2.5	- 0.5	- 17.6
Total Road Transport	902.8	1 234.4	1 282.9	+ 48.4	+ 3.9
Rail Transport—					
Australian National Railways Commission—					
Operating Loss	106.0	91.3	87.9	- 3.4	- 3.7
Capital Payments	3.0	3.0	5.3	+ 2.3	+ 76.7
Alice Springs-Darwin Railway Preliminary Planning	3.0	3.8	—	- 3.8	- 100.0
Adelaide-Crystal Brook Loan Repayment	—	0.7Cr	—	+ 0.7	+ 100.0
Assistance to States—					
Mainline Upgrading	28.0	4.2	0.1	- 4.1	- 98.3
Repayments of Advances	4.8Cr	7.3Cr	6.3Cr	+ 0.9	+ 12.7
Rail Research	0.5	0.4	0.5	+ 0.1	+ 14.3
Total Rail Transport	135.7	94.8	87.4	- 7.3	- 7.7

	1982-83	1983-84	1984-85	Change	
	Actual	Actual	Estimate	\$m	%
Sea Transport—					
Australian Shipping Commission (ANL)—					
Capital Contribution	90.0	—	—	—	—
Payment of Interest-bearing Advances	—	—	34.4	+ 34.4	n.a.
Repayment of Advances	73.8Cr	2.3Cr	52.0Cr	- 49.6	n.a.
Subsidies for Services	4.0	4.8	2.0	- 2.8	- 58.1
Other Payments	0.6	0.1	—	- 0.1	- 100.0
Assistance to Shipping Bodies and Shippers—					
Tasmanian Freight Equalisation Scheme	27.3	29.3	29.3	—	—
Australian Shippers' Council	0.2	0.2	0.2	—	+ 3.3
Payment to Tasmania—Replacement of Bass Strait Passenger Vessel	—	1.0	25.0	+ 24.1	n.a.
Provision of Services—					
Buildings and Works	1.5	0.7	5.8	+ 5.1	n.a.
Maritime Services	13.2	14.8	17.9	+ 3.1	+ 20.8
Payment to OTC for Maritime Communications	4.1	4.8	5.1	+ 0.3	+ 7.3
Repayments	0.2Cr	0.2Cr	0.6Cr	- 0.4	- 163.9
Total Sea Transport	66.8	53.0	67.1	+ 14.1	+ 26.5
Pipelines—					
Pipeline Authority	25.5	13.8	15.8	+ 2.0	+ 14.5
Repayments	18.6Cr	19.9Cr	20.6Cr	- 0.7	- 3.7
Total Pipelines	7.0	6.1Cr	4.8Cr	+ 1.3	+ 20.8
Special Payments to the States for Transport	65.0	—	19.0	+ 19.0	n.a.
Inter-State Commission	—	0.2	1.3	+ 1.0	n.a.
Bureau of Transport Economics	3.1	3.1	3.3	+ 0.2	+ 7.2
Department of Transport—Other Expenditure	35.6	44.0	50.7	+ 6.7	+ 15.1
Other Recoveries	33.0Cr	40.6Cr	45.0Cr	- 4.4	- 10.8
TOTAL TRANSPORT AND COMMUNICATION	1 766.9	1 731.2	1 859.2	+ 128.0	+ 7.4

COMMUNICATION

National Communications Satellite System

AUSSAT Pty Ltd, which has an issued share capital of \$75m, was established as a company wholly-owned by the Commonwealth to own and operate the domestic satellite communications system to be introduced in Australia in 1985-86. As at 30 June 1984 the total subscribed capital of AUSSAT was \$49.5m. In November 1983 the Government announced that it had decided not to proceed with the proposed sale of 49% of the Commonwealth's equity in AUSSAT to the private sector but instead would offer up to 25% of the equity in AUSSAT to Telecom. Revenue of \$14.9m is expected from this sale in 1984-85. A further call of 30 cents per share is to be made by AUSSAT in 1984-85. The budget provides \$16.9m to meet the Commonwealth's commitment in this regard.

Radio Frequency Management

A total of \$15.5m is provided in 1984-85 to enable the Department of Communications to regulate and monitor the use made of the radio frequency spectrum by a wide range of organisations and individuals for a variety of private, commercial or public radiocommunications purposes. Included in this total is \$1.2m for the purchase of

automated spectrum monitoring and surveillance equipment, including satellite monitoring equipment, to enable the Department to enhance the effectiveness of its future activities in the management of the radio frequency spectrum.

Administration and Other Expenditures

This item consists largely of the salary and administration expenditures of the Department of Communications which have not been attributed to other functions. Included in the total are amounts of \$0.3m to cover the costs of relocating Central Office staff from Sydney and Melbourne to Canberra, and \$0.5m for the purchase of a main-frame computer by the Department.

AUTHORITIES PROVIDING COMMUNICATIONS SERVICES

Communications services are provided by the Australian Telecommunications Commission, the Australian Postal Commission and the Overseas Telecommunications Commission, all of which operate outside the budget. Since 1978-79, transactions between these authorities and the budget have been confined to the payment of interest and dividends to the Commonwealth, as recorded in Statement No. 4. The receipts and outlays figures for the Commonwealth Government sector as a whole presented in Statement No. 6 take account of the activities of these authorities.

Australian Telecommunications Commission (Telecom)

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 finance at least half of its capital expenditures each year. The existing legislative provisions relating to Telecom's financial structure and statutory financial objectives are currently under review by the Government. Telecom's capital expenditures in 1984-85 are estimated to total \$1925m, compared with about \$1677m in 1983-84. This program will be partly financed by borrowings (\$600m) with the balance of the funds required continuing to come from internal sources (particularly depreciation provisions and retained profits). Telecom is expected to borrow significantly more from the capital markets in 1984-85 than it did in 1983-84 (\$310m) as a consequence of the new "global" approach to borrowings by Commonwealth and State semi-government authorities which the Loan Council has adopted, on a trial basis, this year. The corollary is that Telecom will not need to retain any of its estimated employer superannuation contributions to the Commonwealth in 1984-85, as has been the practice in recent years. Furthermore, Telecom will be able to pay to the Commonwealth in 1984-85 the interest that Telecom would otherwise have credited to its own internal superannuation account in respect of the accumulated balance of the retained portions of Telecom's employer superannuation contributions to the Commonwealth in each year from 1978-79 to 1983-84 (instead of just for 1983-84, as was the case last year).

During 1975-76 the Commonwealth made a number of loans totalling \$167.78m to Telecom from the budget. The rate of interest applicable to these loans (10%) was set at the rate of yield to maturity of the long-term loan last opened by the Commonwealth in Australia for public subscription prior to when the loans to Telecom were made. That particular Commonwealth loan matures on 15 February 1985. To enable the rate of interest charged on the relevant loans to Telecom to be adjusted to reflect prevailing economic conditions, it has been decided that Telecom should repay these loans to the

Commonwealth on 15 February 1985 and that a new loan for an equivalent total amount should be provided to Telecom from the budget on the same day. The terms and conditions of this new loan will be determined by the Minister for Finance at that time, pursuant to Section 72 (2) of the *Telecommunications Act 1975*.

Australian Postal Commission (Australia Post)

Australia Post is also required to operate on a commercial basis with the financial objective of raising, by way of charges, such amounts as will enable it to cover its operating costs and also finance 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 currently under review by the Government. Australia Post's capital investment program in 1984-85 is estimated at \$55m, compared with about \$50m in 1983-84. This program is to be totally funded from internal sources in 1984-85.

Overseas Telecommunications Commission (OTC)

OTC is responsible for providing telecommunications services between Australia and other countries, and is also required to operate on a commercial basis. In 1984-85, OTC is expected to pay a dividend of \$19.9m to the Commonwealth (see Statement No. 4). OTC will participate in a new Indian Ocean cable project (to replace the SEACOM cable, which is due to reach the end of its design life in 1986) linking Perth-Jakarta-Singapore and then on to Asia and Europe via connecting cables. The new cable is expected to be operational by late 1986. OTC will finance approximately 50% of the cost of the new cable, involving OTC in estimated expenditure of \$90m. This will be financed by OTC from borrowings and retained profits (after OTC meets 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 58 aerodromes and a network of air navigation facilities and air rescue and fire-fighting services, and has responsibility for the prescription and enforcement of air worthiness standards. 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 expenditures on air transport activities in 1984-85 are estimated to total \$404.7m, an increase of \$23.6m over 1983-84. Salaries, including overtime, for the Department of Aviation account for \$283.3m, up \$10.8m or 4.0% on 1983-84. This increase largely reflects the full-year effect of National Wage Case decisions during 1983-84, partly offset by a reduction in staffing levels. The non-salaries component of administrative and operational expenditures by the Department (\$121.4m) represents an 11.8% increase over 1983-84 expenditure. This reflects cost increases and provides for a special allocation to reduce the Department's maintenance backlog as well as increased funding for the engagement of consultants associated with the selection of a site for a second major airport at Sydney; the payment of a deposit to AUSSAT for the lease of four satellite transponders to provide for the Department's

use of the national communications satellite system when it becomes operational in 1985-86; the engagement of consultants associated with the introduction of separate airport and airway charges and the review of economic regulatory arrangements for domestic aviation; and various efficiency initiatives such as increased use of computer services.

The estimates provide \$0.4m for continued work towards the establishment of a National Airports Authority, and include \$0.6m for salaries and administrative expenses for the Independent Air Fares Committee, which, under the *Independent Air Fares Committee Act 1982*, is responsible for determining the domestic air fares charged by operators of regular public transport services.

Plant and Equipment for Airways and Navigational Facilities

An amount of \$31.2m is provided for purchases of navigational, communications and other plant and equipment in 1984-85, an increase of \$5.2m or 19.7% on 1983-84. Projects approved in previous budgets which are entering major expenditure phases mainly account for this increase. These projects (the estimated total cost of each project is shown in brackets) include the installation of earth stations to provide for the Department's use of the national communications satellite system (\$30.9m); equipment associated with the re-development of Brisbane Airport (\$9.3m); the acquisition of air traffic control simulators for training purposes (\$6m); and the replacement of fire-fighting vehicles (\$5.5m). New projects admitted to the program include the acquisition of a general computer network for the Department of Aviation (\$8.4m); the purchase of equipment associated with taxiway works at Sydney (Kingsford-Smith) Airport (\$1.3m); and the purchase of computer hardware and software associated with the introduction of separate charges for airport and airway facilities (\$0.4m). The Commonwealth's total commitment under this program over the next three years is \$103.2m.

Buildings and Works

Provision for outlays on buildings, works and related acquisitions totals \$111.3m in 1984-85, an increase of \$41.5m or 59.4% on 1983-84 outlays. This largely reflects increased expenditures on re-development of the Brisbane and Darwin Airports; and the construction of a new international terminal building at Perth Airport, all of which were approved in previous years. New major airport upgrading projects included in the program (the estimated total cost of each project is shown in brackets) are terminal area works at Townsville Airport (\$15.3m); taxiway augmentation at Sydney (Kingsford-Smith) Airport (\$16m); and terminal extensions at Canberra Airport (\$1.8m). Also included are works to upgrade Hobart Airport for use by international wide-bodied jet aircraft on a restricted basis (\$3m), which will be funded under the Interim Financial Agreement with Tasmania concerning the provision of financial assistance to that State following the cessation of the Gordon River Power Development, Stage II in South-West Tasmania. As there is no aviation justification for this upgrading at the present time, the costs involved will not be attributed to the aviation industry for cost recovery purposes.

Approval has also been given for design development to proceed in 1984-85 for the eventual establishment of training facilities at Canberra Airport for air traffic controllers and flight service officers (\$10.3m), and for consolidation of the Department of

Aviation's regional store, training school and workshop facilities in New South Wales in one location (\$6.5m).

Recoveries

Air Navigation Charges

Revenue in 1984-85 from this source is estimated to total \$134.2m, \$11.0m more than in 1983-84. The increase reflects a reduction in the penalty free period for late payment of air navigation charges, from 45 to 28 days after the charges become due and payable; initiatives to reduce general aviation bad debtors; and the impact of a projected modest increase in aviation activity.

Overall cost recovery in 1984-85 is estimated at about 59%, compared with 58% in 1983-84 and a peak of 66% in 1979-80. The recovery rate in 1984-85 is expected to be about 102% for international airlines, 103% for the domestic trunk sector, 34% for regional airlines, 8% for commuters and 17% for the general aviation sector. An independent committee established by the Government is currently inquiring into aviation cost recovery.

Revenue from excise on aviation gasoline and aviation turbine fuel (which is classified as a budget receipt and included in Statement No. 4) is also attributable for cost recovery purposes. The rate of excise is to be increased by 0.25 cents per litre from budget night, resulting in an estimated increase in revenue in 1984-85 of \$2.4m. In addition, the excise on aviation fuel is subject to six-monthly indexation, a measure introduced in the 1983-84 Budget. In total, revenue from aviation fuel excise in 1984-85 is estimated to increase by \$5.3m to \$78.1m.

Airport Rentals and Business Concessions

Revenue from airport rentals in 1984-85 is estimated to increase by \$1.4m to \$18.4m, mainly reflecting the introduction of revised terminal rental arrangements for airlines. Revenue from business concessions at airports in 1984-85 is estimated at \$32.3m, an increase of \$6.1m. This increase results, in part, from revised car rental concession arrangements introduced on 1 July 1984 and new business concessions.

Other Recoveries

Recoveries from other departments and organisations for services provided by the Department of Aviation are estimated at \$14.7m, up \$1.9m on 1983-84. Charges levied on a range of regulatory services provided by the Department are expected to total \$441 000 in 1984-85, up from \$339 000 in 1983-84, due to increases in charges for some of these services. Other recoveries, including rental from departmental residences, car parking fees, recoveries from Papua New Guinea for civil aviation services and other miscellaneous recoveries, are estimated at \$2.8m, an 11.1% increase on 1983-84.

Repayments of Advances by Qantas Airways Ltd and Australian National Airlines Commission (TAA)

Past advances to Qantas and TAA by the Commonwealth mainly comprised 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 \$7.5m in 1984-85) are in turn repaid to the

lenders. The forecast reduction (from \$9.4m in 1983-84) reflects the timing of repayments, partly offset by adverse exchange rate movements. The balance expected to remain outstanding in respect of these loans as at 30 June 1985 is about \$27m (based on the average exchange rate for the month of July 1984). This is due for repayment over the next two years. Qantas and TAA can now raise loans on their own behalf, in some cases under Commonwealth guarantee, or finance projects under lease finance arrangements; they have not borrowed from the budget since 1976-77.

Interest payments and, when they are made, dividend payments from TAA and Qantas to the Commonwealth are recorded in Statement No. 4. In 1984-85, Qantas is to pay a dividend in respect of its 1983-84 operations of \$6.9m. The financial 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

An amount of \$1.1m has been provided for payment by the Commonwealth of a subsidy to TAA, on a \$ for \$ basis with the Queensland Government, for the continuation for the ten months ending 30 April 1985 of airline services to communities in western Queensland. Each Government provided about the same amount for this purpose in 1983-84.

The Commonwealth will continue to provide assistance to reduce air fares charged by the airlines on routes between Melbourne and Tasmania below the fares applicable to comparable routes on the mainland. An amount of \$5.6m will be made available in 1984-85 for this purpose, compared to expenditure of \$5.2m in 1983-84. 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 service. An amount of \$456 000 will be made available in 1984-85 for this purpose, compared with expenditure of \$469 000 in 1983-84. The Government will be undertaking a review of air service subsidies during 1984-85.

Provision has been made in 1984-85 for contributions of \$525 000 to the International Civil Aviation Organisation and \$30 000 to the Commonwealth Air Transport Council. Grants will be provided to various domestic aviation bodies in 1984-85 as follows: \$70 000 to the Gliding Federation of Australia; \$31 500 to the Australian Parachute Federation; \$15 000 to the Sport Aircraft Association of Australia; \$15 000 to the General Aviation Association; \$30 000 to the Royal Federation of Aero Clubs of Australia; \$15 000 to the Australian Ballooning Federation; \$15 000 to the Hang Gliding Federation of Australia; \$15 000 to the Australian Ultralite Federation; and \$15 000 to the Australian Sport Rotor Craft Federation. In total, these grants represent an increase of 101.4% on 1983-84 grants, partly reflecting the fact that the Commonwealth has not previously contributed to the last four organisations.

Aerodrome Local Ownership Plan

The Aerodrome Local Ownership Plan was established to facilitate the transfer of Commonwealth-owned aerodromes servicing local needs to local ownership, with the objectives of encouraging the rational development of Australian aerodromes and their more efficient administration. Under the Plan, the Commonwealth provides grants

towards the cost of upgrading aerodromes at the time of transfer to local ownership, and towards the development and maintenance of locally-owned aerodromes.

An amount of \$27.7m has been provided in 1984-85 (compared with expenditure of \$34.2m in 1983-84) to meet the Commonwealth's share of the cost of approved aerodrome development and maintenance projects proposed by local government authorities and other aerodrome licensees under the Plan. The reduced provision in 1984-85 mainly reflects the completion or near-completion of a number of large development projects in 1983-84, such as at Cairns, Devonport and Port Hedland, partly offset by other projects reaching major expenditure phases.

The Commonwealth's commitment to provide development grants under the Plan over the next 3 years currently totals \$61.9m. Major projects already approved or underway include airport upgrading works at Coffs Harbour (\$9m), Tamworth (\$8.7m), Broken Hill (\$5.2m), Bundaberg (\$0.9m) and Kingscote (\$1.8m). Continued upgrading to F28 aircraft standard will take place at Armidale, Cooma, Tamworth and Casino at a total cost of \$9.7m. Provision also exists for development works at various other aerodromes subject to the relevant local authorities accepting transfer of the aerodromes under the Plan.

ROAD TRANSPORT

Roads Grants to States and Northern Territory

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. An amount of \$825m will be allocated in 1984-85. \$778m was provided in 1983-84.

In addition, an estimated \$2500m is to be provided 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 this program is to develop sections 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 Grants 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 is set at 2 cents per litre from 1 July 1983 and which will terminate on 31 December 1988. This levy (net of rebates) and interest earnings on unexpended amounts are paid into the ABRD Trust Fund and can be used only for this program. It is expected that \$410m will be collected from the excise surcharge during 1984-85.

An amount of \$417m will be provided for expenditure under the program in 1984-85, the same amount as was spent in 1983-84. The Trust Fund is expected to have a balance of \$60.0m as at 30 June 1985 for subsequent expenditure under the program.

Other Special Payments

An amount of \$0.5m has been allocated for expenditure on road projects in the steel regions in 1984-85. This continues the roads component of special support which was provided initially in 1983-84 within a package of assistance to the steel regions, included previously under the sub-function 'Labour and Employment'. Also included under this heading is a provision of \$2.7m for 1984-85 as special assistance to the Northern

Territory for accelerated upgrading of the Stuart Highway. Further funding for roads will be provided in 1984-85 under the Jobs on Local Roads program, included under the sub-function 'Labour and Employment'.

Road and Related Works in the Australian Capital Territory

This heading covers outlays on the construction, improvement and maintenance of urban, arterial and rural roads, highways and bridges in the Australian Capital Territory. In 1984-85 a further payment of \$1.4m is to be made to the New South Wales Government as a contribution to the construction of the Burbong Bridge (which, although located in New South Wales, will replace an older bridge on the Australian Capital Territory side of the border). Other outlays under this heading include \$16.5m for the construction of new roads and improvements to existing roads, \$8.4m for road maintenance and \$2.0m for the provision of street lighting.

The increase in outlays mainly reflects progress with the construction of roadworks directed towards developing appropriate access arrangements for the new Parliament House.

Public Transport and Equipment in the Australian Capital Territory

Expenditure under this heading includes the purchase of buses for Canberra's bus service (ACTION). Estimated expenditure in 1984-85 is \$3.0m, compared with \$2.6m in 1983-84.

Special Grant for Second Hobart Bridge

The Commonwealth is funding (by way of special grants) the full cost of providing a second bridge across the Derwent River in Hobart. The total cost of this new bridge (the Bowen Bridge), which was opened in February 1984, as well as its immediate approaches and associated works, is estimated to be about \$50.7m, of which \$46.7m has already been provided. The remaining \$4m will be made available in 1984-85. This will cover the dismantling of the related temporary Bailey Bridge, outstanding contractor claims and essential land reformation around the area.

Road Research and Investigations

The provision under this heading includes the Commonwealth's financial contribution of \$2m to the Australian Road Research Board, the same amount as was allocated in 1983-84. The Board, which is also funded by the States, undertakes research into road design and construction, traffic engineering and traffic management.

Funding also is recorded under this heading for two Inquiries which were initiated by the Government during 1983-84. The Independent Economic Inquiry into Transport Services to the Northern Territory was completed during 1983-84 (see below). The other Inquiry, into the National Road Freight Industry, is due to be completed early in 1984-85.

RAIL TRANSPORT

Australian National Railways Commission (ANRC)

Operating Loss

A provision of \$87.9m has been made as a contribution towards ANRC's anticipated operating loss in 1984-85. This compares with a subsidy payment of \$91.3m in 1983-84. The 1984-85 provision includes \$18.1m to subsidise operating losses of the Tasmanian railway system. For 1984-85, ANRC has a financial target which would

confine its operating loss to around the same level as the expected 1983-84 result. The Government is continuing to consult with ANRC to identify means of improving its financial performance.

Capital Payments

ANRC's capital works program of \$27.0m in 1984-85 will be financed by loans from the budget (\$3m), internally generated funds (\$21.7m), funds from the Commonwealth Rebate for Apprentice Full-time Training Scheme (\$0.3m) and through the carry over of funds raised on the domestic market in 1983-84 for expenditure on the Adelaide to Crystal Brook rail line (\$2.0m).

The budget loans 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 1984 totalled \$14.6m.

The internally generated funds include \$18.7m provided as a depreciation component of the operating loss subsidy and \$3.0m derived from the sale of assets.

ANRC will also seek to raise \$9.5m on the domestic capital market to refinance some previous domestic borrowings which fall due in 1984-85.

In addition to ANRC's capital program, the Government is providing \$2.3m to ANRC in 1984-85 for improving rail services to Alice Springs (see below).

Alice Springs—Darwin Railway Preliminary Planning

The Commonwealth provided \$3.8m to ANRC in 1983-84 for route identification and preliminary planning and design for the proposed Alice Springs to Darwin standard gauge railway. The total amount provided for this purpose up to 30 June 1984 was \$9.1m.

In light of the findings of the Independent Economic Inquiry into Transport Services to the Northern Territory, the Government has decided not to proceed with the construction of, or further planning for, an Alice Springs-Darwin railway but is to provide, in 1984-85, \$2.7m to the Northern Territory to accelerate the upgrading of the Stuart Highway, and \$2.3m to ANRC to enable the upgrading of rail services to Alice Springs.

Assistance to the States

Mainline Upgrading

Under the *Railway Agreement (Western Australia) Act 1961*, financial assistance is being provided to Western Australia for the construction of a standard gauge railway from Kwinana to Koolyanobbing, with an extension to Kalgoorlie, and for the purchase of rolling stock for the railway.

The Act imposes no fixed time limit for this project but imposes a project cost ceiling of \$106.25m. Of this, \$102.94m was advanced by the Commonwealth between 1962-63 and 1977-78. It is estimated that \$70 000 will be provided to Western Australia during 1984-85 under this Act.

Repayment of Advances

Repayments of past advances from the Commonwealth for State rail projects are estimated to total \$6.3m in 1984-85. The main components of these repayments relate to standardisation of the railway lines between Kalgoorlie and Kwinana, and for

mainline railway upgrading under the *National Railway Network (Financial Assistance) Act 1979*.

After allowing for the new loans totalling \$70 000 to be provided in 1984-85 under the *Railway Agreement (Western Australia) Act 1961*, the balance of loans owing to the Commonwealth as at 30 June 1985 is expected to be \$109.1m.

Rail Research

An amount of \$0.5m will be provided through the Department of Transport in 1984-85 as a Commonwealth contribution to the Australian Railways Research and Development Organisation (ARRDO). 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 additional equity capital of \$90m—as a result the capital of ANL now stands at \$125.9m. The additional funds (\$30m as a cash injection and \$60m by way of the conversion to equity of existing Commonwealth loans to ANL) were provided to place ANL on a firmer commercial basis to face 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 operational efficiency and the seagoing unions agreed to reduce manning levels and improve their productivity.

For 1984-85, ANL has a financial target which would represent a marginal improvement on the anticipated result for 1983-84. The Government is presently undertaking a further review of the measures required to ensure ANL's longer-term financial viability. As an interim measure, the Government has indicated that it will give sympathetic consideration to providing an interest-bearing budget advance to ANL in 1984-85 to assist in refinancing an overseas loan which matures in June 1985, if ANL requires such assistance at the time.

Payment of Interest-bearing Advances

An interest-bearing advance of \$34.4m is provided to enable ANL to repay its outstanding budget loans maturing in 1984-85. These loans are, in effect, being rolled over as they fall due (see below).

Repayment of Advances

Past advances to ANL comprise borrowings from the budget and the proceeds of loans raised by the Commonwealth on ANL's behalf, to assist in the financing of capital expenditures, mainly for ship purchases. Other major capital expenditures in recent years have been financed substantially by lease finance arrangements.

As part of the 1982-83 package of financial assistance to ANL, the Government also agreed to roll-over ANL's remaining budget loans, totalling \$50.5m, which were scheduled for repayment over the period to 1986-87. ANL's repayments for 1984-85 comprise \$34.4m in respect of the budget loans which are being rolled-over as well as a repayment equivalent to \$US14.7m in respect of a loan raised overseas on its behalf by the Commonwealth which matures in June 1985 (see above).

Subsidies for Services

The *Empress of Australia*, which currently provides the sea passenger service to Tasmania across Bass Strait, is to be replaced during 1984-85. The Government has decided to maintain its subsidy payment to ANL for the operation of this service until the replacement vessel, to be owned and operated by the Tasmanian Government, comes into service. An amount of \$2.0m has been provided for this purpose on the basis of the changeover occurring in March 1985. Commonwealth assistance towards the replacement service is shown below (under 'Payment to Tasmania—Replacement Bass Strait Passenger Vessel'). Subsidies provided as interim assistance for ANL's former Darwin-East Coast service terminated during 1983-84.

Assistance to Shipping Bodies and Shippers

Tasmanian Freight Equalisation Scheme

In anticipation of the recovery in Tasmanian shipping activity being maintained, \$29.3m is provided for the Tasmanian Freight Equalisation Scheme in 1984-85, approximately the same amount as in 1983-84. This Scheme is intended to compensate for the freight cost disadvantages associated with the inter-state movement of certain goods by sea to and from Tasmania. Around 94% of the cost of the Scheme is provided as assistance for goods shipped northbound from Tasmania. The Government has referred the Scheme to the Inter-State Commission for review.

Australian Shippers' Council

Commonwealth assistance to the Australian Shippers' Council has been set at a maximum of \$220 000 for each of the years 1983-84 to 1985-86, on the basis of a \$2 Commonwealth contribution for each \$1 contributed through members' subscriptions. Consistent with that arrangement, \$220 000 is provided in 1984-85. The Council is designated under the *Trade Practices Act 1974* to negotiate the terms and conditions for the carriage of Australia's outward trades: its membership consists of exporter associations and producer groups.

Payment to Tasmania—Replacement Bass Strait Passenger Vessel

The Commonwealth is providing assistance of up to \$26m to Tasmania for the purchase, modification and repositioning of the overseas vessel *Nils Holgersson* to replace the *Empress of Australia* on the Bass Strait passenger service, and for some upgrading of associated terminal facilities in Melbourne and Devonport. The Tasmanian Government will assume full responsibility for this service. An amount of \$1.0m was provided in 1983-84 for payment of a deposit on the selected replacement vessel. The balance will be paid in 1984-85 following ratification of an agreement between the Commonwealth and the State.

Provision of Services

Buildings and Works

In 1984-85, provision of \$5.8m is made for expenditure on the construction, replacement and improvement of marine navigational aid structures. Construction of marine navigational aids to mark a new shipping channel (*Hydrographers Passage*) through the Great Barrier Reef was commenced in 1983-84. Expenditure on this project in 1984-85 is estimated at \$3.3m. Costs of navigational aids works are fully recovered from the commercial shipping industry (see 'Other Recoveries' below).

Maritime Services

Of the total of \$17.9m provided under this heading, \$13.9m relates to the operational activities of the Department of Transport (compared with \$11.3m in 1983-84). From 1984-85, the Department will be managing a new vessel on behalf of the Bureau of Mineral Resources (BMR). The operating costs associated with that activity constitute the greater part of the \$2.6m increase in operational expenditure over 1983-84.

A further \$3.0m is being provided for the purchase of plant and equipment for marine navigational aids in 1984-85. Expenditure on equipment associated with the major *Hydrographers Passage* project on the Great Barrier Reef has contributed to the increase of \$0.6m over 1983-84 for the purchase of plant and equipment.

Also included is \$1.0m for expenditure in 1984-85 on oil pollution control equipment under the National Plan to Combat Oil Pollution, a reduction of \$0.2m on the 1983-84 level. Expenditure under the Plan is based on a program of plant and equipment purchases agreed with State maritime authorities.

Costs associated with vessels operated and managed by the Department of Transport on tasks for other Commonwealth agencies are recovered from the agencies concerned. Other components, including the capital cost of plant and equipment, are largely recoverable from the maritime industry through a number of levies and charges (eg Light Dues, Navigation Act charges and Oil Pollution Levy).

Payment to OTC for Maritime Communications

Provision has been made for payment of \$5.1m to OTC in 1984-85 to meet the operating costs incurred in providing maritime safety communications services for ships at sea in areas around Australia. The increase of \$0.3m over expenditure in 1983-84 is to cover a forecast increase in OTC's operating costs.

Repayments

Repayments of past advances from the Commonwealth for State shipping projects are estimated to total \$0.6m in 1984-85. The main component relates to the repayment by the Tasmanian Government of the \$0.5m outstanding on loans previously provided under the *King Island Shipping Service Agreement Act 1974*.

PIPELINES

Interest-bearing loans of \$15.8m to be made available to the Pipeline Authority in 1984-85 are to meet the estimated shortfall between the Authority's revenue (\$56.1m) and its expenditures. Revenues are derived primarily from the carriage of natural gas from Moomba in South Australia to Sydney, other cities in New South Wales and to Canberra. Expenditures include operational, maintenance and administrative costs (\$9.8m), interest payments and loan repayments on private sector borrowings (\$7.2m), and interest (\$34.3m) and loan repayments (\$20.6m) to the Commonwealth. The Authority's off-budget borrowing program of \$19.8m for 1984-85 includes \$18.7m for the refinancing of private sector borrowings made in 1980-81 which fall due in 1984-85, and \$1.1m for the replacement of the Authority's computer system (which monitors the safety and security of the Moomba-Sydney natural gas pipeline and its laterals, and provides data for billings).

SPECIAL PAYMENTS TO THE STATES FOR TRANSPORT

The Commonwealth is to make a special payment in 1984-85 of \$19m to Victoria for a transport improvement program.

INTER-STATE COMMISSION

In 1984-85, \$1.3m is being provided to meet the costs of the Inter-State Commission, which commenced operations in March 1984. Under the *Inter-State Commission Act 1975*, the Commission is empowered to investigate, at the direction of the Minister for Transport, any matter relating to inter-state transport. The Commission's first investigation—to review the operations of the Tasmanian Freight Equalisation Scheme—is now well advanced.

BUREAU OF TRANSPORT ECONOMICS

An amount of \$3.3m is being provided in 1984-85 for the Bureau of Transport Economics, which conducts research into the economics and operations of all modes of transport in Australia. This represents an increase of \$0.2m, or 7.2%, on expenditure in 1983-84.

DEPARTMENT OF TRANSPORT—OTHER EXPENDITURE

This item covers the general running expenses of the Department of Transport (excluding the Bureau of Transport Economics and the Inter-State Commission, which are mentioned above). The provision of \$50.7m for 1984-85 is \$6.7m (15.1%) greater than 1983-84 expenditure. This reflects higher salaries (up \$4.7m), mainly due to an estimated increase in average staffing in 1984-85, as well as the costs associated with moving to a new Central Office building and the first stage of the Department's program to acquire computer equipment. Wages and salaries will account for \$39.9m (78.7%) of total administrative expenditure in 1984-85. Also included is \$0.3m for the Department of Transport's proportion of the shared costs of the civil coastal surveillance program. This program was previously co-ordinated by the Department of Transport but, as from 1984-85, will be the responsibility of the newly created Coastal Protection Unit within the Australian Federal Police: details are included under the sub-function 'Law, Order and Public Safety'.

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 53 cents per net registered ton per quarter is expected to provide revenue of \$32.7m in 1984-85 (a slight increase over 1983-84 revenue of \$32.2m) and to recover fully the costs incurred by the Commonwealth in the provision of these navigational aids.

This item also incorporates revenue raised from the charter of Department of Transport vessels—including, from 1984-85, payments by the Bureau of Mineral Resources (BMR) for the management of a Bureau vessel by the Department. Such revenue is estimated at \$6.2m in 1984-85, compared with \$3.3m in 1983-84. The increase is largely due to the additional revenue expected from the management fee for

the BMR vessel, which is to be used for a geoscientific survey program. The major outside users of Departmental vessels are the Division of National Mapping in the Department of Resources and Energy and the Australian Development Assistance Bureau for marine survey projects.

Increased revenue is expected in 1984-85 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. Estimated revenue in 1984-85 is \$2.1m, compared with \$1.7m in 1983-84. The increase is primarily due to the full year effect of the new certification arrangements for ADR 38 which were introduced in late 1983.

The item also includes 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 present fees and charges are to be increased by 30% from 1 October 1984 as an interim measure towards restoring full cost recovery, pending a review by the Department of Transport of these fees and levies. The increase will be the first since 1981. Revenue in 1984-85 is estimated to total \$2.4m, compared with \$2.0m in 1983-84.

B. WATER SUPPLY, ELECTRICITY AND GAS

Outlays under this sub-function are currently estimated to total \$92.8m in 1984-85, a decrease of \$3.8m or 3.9% on outlays in 1983-84. Part of the provision for the Federal Water Resources Assistance 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'.

	1982-83	1983-84	1984-85	Change	
	Actual	Actual	Estimate	\$m	%
	\$m	\$m	\$m	\$m	%
Urban Water Supply—					
Special Payment to South Australia	10.0	—	7.0	+ 7.0	n.a.
Other Outlays	7.3	16.3	4.9(a)	- 11.4	- 70.0
Gladstone Power Station	8.0	—	—	—	—
Electricity Supply in the Northern Territory	60.2	67.6	84.0	+ 16.4	+ 24.2
Subsidy on Liquefied Petroleum Gas	27.8	25.1	8.2	- 16.9	- 67.3
Repayments	10.6Cr	12.4Cr	11.2Cr	+ 1.1	+ 9.1
TOTAL WATER SUPPLY, ELECTRICITY AND GAS	102.7	96.6	92.8	- 3.8	- 3.9

(a) The fall in 1984-85 largely reflects the unallocated portion of the 1984-85 Federal Water Resources Assistance Program.

Urban Water Supply

The Commonwealth will provide \$7m to South Australia in 1984-85 as a special payment for water treatment facilities.

As noted above, assistance for urban water supply projects in the States will mainly depend upon subsequent decisions on the allocation of the \$64.3m to be provided in 1984-85 under the Federal Water Resources Assistance Program. In 1983-84, \$5.4m was provided for water resources development purposes to assist with the construction of water treatment plants in the Adelaide metropolitan area, \$2.0m for the construction of Tanjil Dam to serve the Latrobe Valley, \$4.8m for the construction of the Harding River Dam to provide a supplementary water supply for the West Pilbara region, and \$2.3m for the construction of a water filtration plant on the Morgan-Whyalla pipeline. As part of its initiatives to assist the steel regions, the Government has allocated \$2.2m in 1984-85 to the Hunter District Water Board for water treatment works. In addition, up to \$15.5m will be provided in 1984-85 under the Community Employment Program for the improvement and upgrading of various country town water supplies, compared with expenditure of \$17.4m in 1983-84. Details are included under 'Labour and Employment—Community Employment Program'.

Included under this heading is an amount of \$2.7m for water storage and reticulation in the Australian Capital Territory, an increase of \$2.1m on 1983-84 outlays. The increase largely reflects the need for upgrading of, and additions to, existing systems.

Electricity Supply in the Northern Territory

In 1983-84 the Government endorsed new arrangements for Commonwealth financial assistance towards the operational costs of electricity in the Northern Territory. The arrangements will operate up to the end of 1986-87 and allow for the determination of a subsidy each year in accordance with an agreed formula relating to major cost factors. An amount of \$69.3m is provided in 1984-85, the increase of \$6.2m on the 1983-84 amount reflecting forecast general price and load growth increases.

The Commonwealth agreed in 1982 to provide total grant assistance to the Northern Territory of \$124.0m 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 being 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 \$14.6m is being provided in 1984-85, an increase of \$10.2m over 1983-84 amount reflecting the expected acceleration in construction work on the project.

Subsidy on Liquefied Petroleum Gas

The subsidy on liquefied petroleum gas (LPG) for certain users, which was to terminate in March 1984, has been extended to March 1987 with the objective of reducing large fluctuations in LPG prices. The subsidy, at a reduced rate of \$20.31 per tonne, is payable under the same eligibility criteria which previously applied.

The rate of subsidy payable will be adjusted on 1 October and 1 April each year on the basis of a formula which takes account of movements in export prices for LPG and the fuel and light component of the CPI.

Expenditure in 1984-85 is estimated at \$8.2m, compared with \$25.1m in 1983-84. The decrease reflects the lower rate of subsidy applying from March 1984.

Repayments

Estimated repayments in 1984-85 include \$6.2m from the Snowy Mountains Hydro-electric Authority (SMHEA) in respect of advances provided by the Commonwealth and interest accumulated thereon 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 \$2.2m in 1983-84; a further borrowing program of \$2.8m will be undertaken in 1984-85. These funds are to be used primarily for the renovation and construction of accommodation and the purchase of protection equipment.

Repayments are also being received from Queensland in respect of assistance provided for the Gladstone Power Station (\$3.0m) and from the Northern Territory in respect of electricity assets transferred to the Northern Territory Electricity Commission on 1 July 1978 (\$1.8m).

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; a degree of selective preference for local industry in Commonwealth-sector purchasing policy; the customs tariff; and import quota restrictions.

Direct financial assistance from the budget is provided in several forms: 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 includes outlays of some departments and instrumentalities which service industry (eg the Departments of Industry and Commerce and of Primary Industry; and the Australian Tourist Commission). Such 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 (eg those for the investment allowance) are of wide application; others affect only particular industries (eg 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 (eg the accelerated or immediate write-offs available to primary producers for certain capital expenditure). For 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.

Further information concerning such "tax expenditures" is provided in Appendix 1 of Budget Statement No. 4.

After deducting amounts collected by way of industry levies and charges such as the wool tax and livestock slaughter levies, net direct industry assistance from the 1984-85 Budget is estimated at \$1052.7m, a net increase of \$38.1m or 3.8% on 1983-84. The numerous factors leading to that increase are explained in the text which follows. The following table summarises outlays on direct assistance to major industry categories.

SUMMARY OF INDUSTRY ASSISTANCE AND DEVELOPMENT

	1982-83	1983-84	1984-85	Change	
	Actual	Actual	Estimate	\$m	%
Forestry and Fishing Industries	\$m 14.5	\$m 2.0	\$m 7.3	+ 5.3	+266.1
Agricultural and Pastoral Industries					
Specific Industries	163.7	74.5	131.6	+57.2	+ 76.8
General Assistance not allocated to Specific Industries	208.8	196.9	185.2	-11.7	- 5.9
Total Agricultural and Pastoral	372.5	271.3	316.8	+45.5	+ 16.8
Mining and Manufacturing Industries	269.4	230.1	305.6	+75.5	+ 32.8
Tourist Industry	11.2	21.5	27.3	+ 5.7	+ 26.7
Assistance to Export Industries	332.3	301.9	233.8	-68.1	- 22.6
Other Assistance to Industry	108.7	187.7	162.0	-25.7	- 13.7
Total Industry Assistance and Development	1108.7	1014.6	1052.7	+38.1	+ 3.8

Detailed information on each of these industry categories is set out below.

FORESTRY AND FISHING INDUSTRIES

	1982-83	1983-84	1984-85	Change	
	Actual	Actual	Estimate	\$m	%
Softwood Forestry Development (net)	\$m 0.1	\$m 1.1Cr	\$m 1.3Cr	-0.2	- 18.0
Other Forestry (net)	11.1	0.1Cr	0.2	+0.3	n.a.
Fisheries Research, Promotion, Management and Development	6.3	7.5	12.2	+4.7	+ 62.4
Fisheries Charges	3.0Cr	4.3Cr	3.9Cr	+0.4	+ 10.1
Total Forestry and Fishing Industries	14.5	2.0	7.3	+5.3	+266.1

Softwood Forestry Development (net)

This item reflects the repayment of loans made to the States under the *Softwood Forestry Agreements Act 1978* towards the maintenance of the softwood forestry plantations established under the *Softwood Forestry Agreements Acts of 1967, 1972 and 1976*. Repayments are estimated at \$1.3m in 1984-85.

Other Forestry (net)

Net payments of \$0.2m under this item in 1984-85 reflect the purchase of plant and equipment for the Australian Capital Territory forestry operation and include the transactions of the Australian Capital Territory Forestry Trust Account. Forestry operations in the Australian Capital Territory are broadly on a self-financing basis.

Fisheries Research, Promotion, Management and Development

The longer-term economic prospects in a number of Australia's major commercial fisheries have been adversely affected by the level of exploitation of fishing stocks and changed economic circumstances. It has therefore become necessary to revise or introduce management plans for some fisheries to ensure conservation and optimum utilisation of available resources. This item includes an amount of \$1.8m for this purpose in 1984-85.

The estimates also provide \$3m in 1984-85 towards the improvement of fishing port facilities at Nelson Bay as assistance to steel regions in New South Wales.

A further \$4.0m is to be provided to reimburse the States and the Northern Territory for fisheries administration, monitoring and enforcement activities carried out on behalf of the Commonwealth. The balance includes \$2.5m for fisheries research grants, \$0.6m for fisheries surveys and development and \$0.3m for coastal surveillance.

Fisheries Charges

The 1984-85 estimate of \$3.9m consists of local licence fees of \$0.3m and payments of \$3.6m 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 \$316.8m in 1984-85, an increase of \$45.5m over 1983-84. These outlays are the net result of direct Commonwealth financial assistance, industry contributions collected by the Commonwealth on the industry's behalf and interest earned on industry contributions held in trust funds. The reasons for the increase in outlays are explained in the text which follows.

	1982-83	1983-84	1984-85	Change	
	Actual	Actual	Estimate	\$m	%
Specific Industries—					
Wool Industry—					
Wool Marketing Assistance	88.2	93.7	114.7	+20.9	+ 22.3
Wool Tax	88.9Cr	100.4Cr	106.9Cr	- 6.6	- 6.5
Total Wool Marketing Assistance	0.7Cr	6.6Cr	7.7	+14.4	n.a.
Research, Promotion and Other Expenditures	81.2	85.5	102.4	+16.9	+ 19.7
Wool Tax	53.2Cr	60.2Cr	64.2Cr	- 3.9	- 6.5
Total	27.3	18.6	46.0	+27.3	+146.4
Wheat Industry—					
Wheat Finance Fund	60.6	29.8	64.1	+34.3	+115.2
Wheat Board Interest Subsidy	20.9	—	—	—	—
Research and Other Expenditures	6.7	7.1	12.0	+ 4.9	+ 69.2
Charges and Repayments	40.8Cr	26.1Cr	56.8Cr	-30.7	-117.4
Total	47.3	10.8	19.4	+ 8.6	+ 79.7
Sugar Industry—					
On-lending to Queensland	40.0	33.3Cr	3.2	+36.5	n.a.
Total	40.0	33.3Cr	3.2	+36.5	n.a.
Dairy Industry—					
Dairy Industry Stabilisation	93.0	134.9	161.1	+26.2	+ 19.4
Price Support for Dairy Products	0.4	—	12.5	+12.5	n.a.
Research, Promotion and Other Expenditures	9.9	12.8	15.0	+ 2.2	+ 17.3
Charges and Repayments	105.7Cr	148.6Cr	177.6Cr	-29.1	- 19.6
Total	2.4Cr	0.9Cr	11.0	+11.8	n.a.
Fruit Industry—					
Stabilisation, Research, Promotion and other Expenditure	15.5	27.9	26.6	- 1.3	- 4.5
Charges and Repayments	13.2Cr	21.0Cr	24.6Cr	- 3.5	- 16.9
Total	2.2	6.9	2.1	- 4.8	- 69.9

WOOL INDUSTRY

	1982-83	1983-84	1984-85	Change	
	Actual	Actual	Estimate		
	\$m	\$m	\$m	\$m	%
Poultry Industry					
Stabilisation and Research	20.0	20.1	20.3	+ 0.2	+ 1.0
Charges and Repayments	20.4Cr	19.7Cr	19.8Cr	- 0.1	- 0.5
Total	0.4Cr	0.4	0.6	+ 0.1	+ 23.5
Cattle, Sheep and Pig Industries					
Eradication of Cattle Diseases and Compensation (net)	0.3	10.5	17.1	+ 6.6	+ 62.5
Inspection Services (net)	37.7	49.2	16.0	- 33.2	- 67.6
Beef Industry Assistance	1.9	0.5	0.3	- 0.3	- 52.0
Animal Health Services	1.9	2.0	6.2	+ 4.2	+ 203.5
Research, Promotion and Other Expenditures	25.9	27.8	29.2	+ 1.4	+ 5.0
Charges and Repayments	19.8Cr	19.5Cr	21.7Cr	- 2.2	- 11.2
Total	47.8	70.6	47.0	- 23.6	- 33.4
Other Agricultural and Pastoral Industries					
Charges and Repayments nec	4.7	5.5	6.8	+ 1.4	+ 25.3
	2.9Cr	4.2Cr	4.3Cr	- 0.1	- 3.3
Total Specific Agricultural and Pastoral Industries	163.7	74.5	131.6	+ 57.2	+ 76.8
General Assistance Not Allocated to Specific Agricultural and Pastoral Industries					
Rural Adjustment	17.9	44.4	25.8	- 18.7	- 42.0
Drought Relief	107.6	43.6	14.4	- 29.2	- 66.9
Fertilizer Subsidies	47.4	49.1	55.3	+ 6.2	+ 12.5
Inspection Services nec (net)	6.8	5.9	6.0	+ 0.1	+ 1.9
Other	2.0	2.6	3.1	+ 0.5	+ 19.9
Recoveries and Repayments	29.0Cr	13.6Cr	14.4Cr	- 0.8	- 5.6
Total	152.7	132.0	90.2	- 41.8	- 31.7
Irrigation and Other Pastoral Water Projects					
Irrigation	11.5	20.7			
Investigation and Other Water Projects	11.6	8.0	62.0(a)	+ 26.7	+ 75.4
Salinity Mitigation and Drainage	7.3	6.2			
Flood Mitigation	0.3	0.6			
Recoveries and Repayments	3.1Cr	3.2Cr	3.2Cr	+ ..	+ 0.6
Total	27.7	32.1	58.8	+ 26.7	+ 83.1
Land Development Projects					
Soil Conservation	-	1.0	4.0	+ 3.0	+ 303.7
War Service Land Settlement	1.5	1.7	1.6	- 0.1	- 6.4
Other	0.5	0.6	0.6	+ ..	+ 0.3
Repayments	3.1Cr	3.4Cr	3.6Cr	- 0.2	- 5.0
Total	1.1Cr	..	2.7	+ 2.8	n.a.
General Administration and Other Expenditures					
Recoveries	31.7	35.2	37.2	+ 2.0	+ 5.6
	2.1Cr	2.5Cr	3.7Cr	- 1.3	- 51.9
TOTAL AGRICULTURAL AND PASTORAL INDUSTRIES	372.5	271.3	316.8	+ 45.5	+ 16.8

(a) Part of the 1984-85 provision may be allocated to urban water projects, past expenditures on which are recorded under 'Urban and Regional Development nec and the Environment' and 'Water Supply, Electricity and Gas'.

Wool Marketing Assistance

The Government has authorised the Australian Wool Corporation to maintain a floor price for wool at auctions in 1984-85 at the 1983-84 level of 470 cents per kg clean, Market Indicator basis. This is an average price for the whole wool clip with different floor prices being established for different grades of wool. The Corporation operates the floor 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 \$171.1m in 1984-85. 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 floor price scheme. It is estimated that the special levy will provide \$106.9m in 1984-85. A further \$7.7m collected in 1983-84 will also be paid to the Market Support Fund in 1984-85. The remaining 3% of the Wool Tax is used to finance wool research and promotion.

Research, Promotion and Other Expenditure

The 1984-85 estimates for wool research provide for a Commonwealth contribution of \$11.7m. Commencing in 1984-85, the Commonwealth has decided to provide the Australian Wool Corporation, over a five-year period, with funds for wool promotion equivalent to 1.2% of the gross value of proceeds from shorn wool. The Commonwealth contribution towards wool promotion in 1984-85 is estimated at \$26m, compared with \$20m annually in the previous four years. These contributions are supplemented by industry contributions, provided through the Wool Tax, estimated at \$54.0m for promotion and \$10.8m for research.

The following table summarises Commonwealth budget assistance to the wool industry:

	1982-83	1983-84	1984-85	Change	
	Actual	Actual	Estimate		
	\$m	\$m	\$m	\$m	%
Outlays on the Industry (Net of charges and repayments)	27.3	18.6	46.0	+ 27.3	+ 146.4
Financed by:					
Commonwealth Contributions from CRF	27.7	19.2	46.1	+ 26.9	+ 140.1
Interest on investments:					
- Commonwealth securities (a)	0.3	0.3	0.8	+ 0.5	+ 166.7
- Other (b)	3.5	2.6	2.8	+ 0.2	+ 7.7
Change in relevant trust fund balances	4.1Cr	3.5Cr	3.7Cr	- 0.2	- 5.7

(a) This interest is offset against outlays under the function '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. Under the 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. Since 1981-82 these advances have been fully funded by commercial borrowings by the AWB.

Under the recently announced Wheat Marketing Plan for the five years commencing 1 October 1984, the Commonwealth will guarantee a minimum return for Australian Standard White (ASW) wheat equal to 95% of the average of estimated net returns for the current season and the lowest two of the preceding three seasons. Underwritten costs are to be limited to those of the current season. Differential commitments will apply for other grades of wheat based on expected market returns for those grades relative to ASW. Growers will receive an interim first advance payment on delivery with a final first advance payment following determination of the guaranteed minimum price.

The Wheat Finance Fund was established under the current Wheat Marketing Plan to refinance outstanding borrowings from the Rural Credits Department of the Reserve Bank. These borrowings, which were made to fund the advance payments to growers have, as indicated above, been replaced by commercial borrowings. The Fund is financed by an industry levy of \$2.50 per tonne on deliveries to the AWB and is being maintained at the statutory maximum balance of \$100m. Excess levy receipts and interest earnings are refunded to growers on a first-in, first-out basis. Total Fund receipts in 1984-85 are estimated at \$52.1m from the levy on the 1983-84 pool and \$12.0m in interest earnings, all of which will be refunded to growers. The Fund is no longer required and will be repaid to growers on 1 July 1985.

In addition to the levy, wheat growers pay a Wheat Tax of 30 cents per tonne on wheat delivered to the AWB to fund research on behalf of the industry. In 1984-85 Wheat Tax receipts are estimated at \$4.7m and will be supplemented by a Commonwealth contribution to wheat research of \$5.5m.

The estimates also provide \$1.9m in 1984-85 towards the construction of a grain terminal at Port Kembla as assistance to steel regions in New South Wales.

The following table summarises Commonwealth budget assistance to the wheat industry:

	1982-83	1983-84	1984-85	Change	
	Actual	Actual	Estimate	\$m	%
Outlays on the Industry (Net of charges and repayments)	47.3	10.8	19.4	+8.6	+ 79.7
Financed by:					
Commonwealth Contributions from CRF	24.5	2.3	7.4	+5.1	+221.7
Interest on investments:					
- Commonwealth securities (a)	0.1	0.1	..	-0.1	n.a.
- Other (b)	22.3	10.6	12.7	+2.1	+ 19.8
Change in relevant trust fund balances	0.5	2.1Cr	0.7Cr	+1.4	+ 66.6

(a) This interest is offset against outlays under the function 'Public Debt Interest'.

(b) These receipts are recorded under 'Interest, Rent and Dividends' in Statement No. 4.

SUGAR INDUSTRY

On-lending to Queensland

The *International Sugar Agreement Act 1978* approves Australia's ratification of the *International Sugar Agreement 1977*. The Agreement, due to expire on 31 December 1984, seeks to stabilise international trade in raw sugar through the management of special reserve stocks and the imposition of export quotas.

Under the arrangements of the 1977 Agreement, Australia has set aside 380 908 tonnes of special reserve stocks of raw sugar. To help defray the costs of holding these special stocks, Australia obtained drawings of \$36.7m from the Buffer Stock Financing Facility of the International Monetary Fund (IMF) in 1982-83. Upon receipt, these funds were on-lent to Queensland on the same terms and conditions under which they were obtained.

In late 1983, the IMF invoked its right to recall the loan in view of Australia's improved balance of payments position. The Commonwealth repaid the drawing by 30 November 1983. Due to exchange rate movements, the amount repaid to the IMF, and subsequently recovered from Queensland, was \$37.2m.

In addition, an interest-free loan of \$3.9m was received in 1983-84 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. Australia is eligible for further loans of around \$3.2m from the Stock Financing Fund in 1984-85.

DAIRY INDUSTRY

Dairy Industry Stabilisation

The existing marketing arrangements for dairy products were introduced by the Government on 1 July 1977. They provide for a stabilisation 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 \$161.1m in 1984-85 and reflect an increase in the differential between the estimated domestic bulk wholesale price and assessed export price returns.

The Government is currently reviewing the marketing arrangements for the dairy industry in the light of the report on the industry by the Industries Assistance Commission. There have been extensive consultations on the matter with State and Northern Territory governments and the industry. A decision on future marketing arrangements is expected to be made during 1984-85.

Price Support for Dairy Products

During 1984-85, the Commonwealth will continue to underwrite the equalised domestic and export returns for prescribed dairy products (butter, skim milk powder, casein, whole-milk powder and certain cheeses). Under this arrangement the Commonwealth guarantees a gross pool return equal to 95% of a three year moving average of gross equalised pool returns. The three years taken into account are the year for which underwriting is being determined (in this case 1984-85) and the previous two years. Each year's return receives equal weight in the assessment.

A Commonwealth payout of \$12.5m is expected in 1984-85, as pool returns for the 1983-84 season for butter and skim-milk powder are expected to be lower than the Commonwealth guaranteed return. On current estimates, further Commonwealth underwriting payments are likely to be required in 1985-86 in respect of 1984-85 season returns.

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 whole-milk and butterfat produced in Australia. The revenue from the levy is estimated at \$14.4m in 1984-85. The research component will be supplemented by a matching Commonwealth contribution of \$0.6m for expenditure on approved research programs.

FRUIT INDUSTRY

Stabilisation, Research, Promotion and Other Expenditure

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. These arrangements supplement stabilisation arrangements for apples which are being phased out. No underwriting assistance is anticipated in 1984-85 but stabilisation assistance is estimated at \$0.6m. 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 \$ for \$ basis with participating States, with a view to facilitating structural adjustment within the apple and pear industry. Expenditure in 1984-85 is estimated at \$0.4m.

Under marketing arrangements for the dried vine fruits industry, \$21.5m will be paid to the Australian Dried Fruits Corporation in 1984-85 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'. Commonwealth support is also provided by way of an underwriting scheme for sultanas which guarantees minimum returns equal to 90% of the average net returns for the preceding two seasons and an estimated return for the season in question. A Commonwealth payout of \$1.3m was made in 1983-84 under these arrangements. No payments are anticipated at this stage in 1984-85. The dried vine fruits industry's marketing and financing arrangements are currently the subject of an Industries Assistance Commission inquiry.

An amount of \$1.8m, raised largely through industry levies, is provided to finance the operations of various fruit marketing authorities, promotional activities and research.

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 1984-85 is \$0.2m.

The Commonwealth is to extend its program of grants to the States to provide adjustment assistance to growers of canning fruit. It is anticipated that South Australia will participate in the program in 1984-85 and up to \$0.6m will be provided by the Commonwealth for this purpose. Assistance is provided by way of grants for the removal of fruit trees.

The reduction in outlays under this heading is mainly due to the provision of a non-recurring interest-free loan of \$4.1m to Letona Co-op Ltd in 1983-84.

POULTRY INDUSTRY

Outlays on stabilisation (estimated at \$19.4m in 1984-85) 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 Stabilisation Scheme. The Government has announced the phasing out of Commonwealth involvement in egg marketing arrangements with the abolition of the Australian Egg Board from 31 December 1984 and the cessation of the Commonwealth hen levy by 1 July 1987. 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. The current statutory ceiling of \$0.15m on the Commonwealth contribution to poultry research is to be lifted in 1984-85.

CATTLE, SHEEP AND PIG INDUSTRIES

Eradication of Cattle Diseases and Compensation (Net)

Net payments for cattle disease eradication and compensation are estimated at \$17.1m in 1984-85, compared with \$10.5m in 1983-84. The increase in outlays is primarily due to increased compensation payments by the Commonwealth under the bovine brucellosis and tuberculosis eradication campaign.

An estimated \$41.7m is payable to the States and the Northern Territory in 1984-85 for the bovine brucellosis and tuberculosis eradication campaign. This includes \$28.9m for eradication operations, of which \$3.8m is to be provided on a \$ for \$ basis with the States and the Northern Territory for a range of assistance measures introduced in 1983-84 (expenditure \$2.5m) designed to accelerate the eradication of bovine brucellosis and tuberculosis in central and northern Australia. It also includes \$12.7m (\$8.4m in 1983-84) for grants to compensate owners for cattle slaughtered under the eradication program.

Recoveries from the disease eradication component of the Livestock Slaughter Levy and the Livestock Export Charge are estimated at \$25.2m in 1984-85, the same as in 1983-84, and are offset against total Commonwealth outlays on disease eradication operations.

The Government has agreed to extend for a further 2 years the tax deduction, for expenditure incurred on fencing as part of the bovine brucellosis and tuberculosis eradication campaign, available under Section 75C of the *Income Tax Assessment Act*.

Also included under this heading is an amount of \$0.4m for the maintenance of a facility in Papua New Guinea having the capability of producing large numbers of sterile screw-worm flies to counter any outbreak of screw-worm fly in Australia which would particularly affect the beef industry in northern Australia.

The Commonwealth is to provide \$0.4m in 1984-85 for an exotic disease preparedness program, of which \$0.2m is for participation by Australia in the establishment of a foot-and-mouth disease vaccine bank, \$0.1m for feral animal control and \$0.1m for an education program on awareness and eradication of exotic diseases.

Inspection Services (net)

Direct expenditure on meat and livestock export inspection services undertaken by the Department of Primary Industry is estimated at \$77.7m in 1984-85, an increase of \$7.4m over 1983-84. This increase reflects, in part, revised accounting arrangements

whereby costs associated with regional staff employed on meat inspection activities have been allocated to this function in 1984-85 rather than to the function 'General Administrative and Other Expenditure'. Offset against this expenditure is estimated revenue of \$61.7m, of which around \$21m is in respect of charges remaining unpaid from 1983-84. Action is being taken to recover these charges during 1984-85.

While the Government has decided that the 50% cost-recovery level should be maintained for meat export inspection in 1984-85, substantial changes have been made to the method of calculating inspection costs for cost-recovery purposes. The cost base now excludes costs related to surplus staff, improved security arrangements following the meat substitution scandal, research and development and Government activity over and above normal operational activities. It is estimated that revenue from charges will be reduced by \$5.0m in 1984-85 as a result of the revised cost base.

Beef Industry Assistance

The Commonwealth is committed to provide up to \$4.9m towards the cost of implementing a beef cattle carcass classification system. \$0.3m is provided in 1984-85 for this purpose (assistance up to 30 June 1984 totalled \$3.9m).

Animal Health Services

In 1984-85, the Commonwealth will provide \$2.3m 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.

The Government has decided that the operating and capital equipment costs of the Australian National Animal Health Laboratory (ANAHL) will be shared equally by the Department of Primary Industry and the Commonwealth Scientific and Industrial Research Organization (CSIRO). The 1984-85 estimate reflects the payment to CSIRO of the Department of Primary Industry's contribution of \$3.6m for operating costs and \$0.3m for capital equipment costs of ANAHL in 1984-85. The CSIRO contribution appears under the function 'General and Scientific Research nec'.

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, to the Pork Promotion Committee (PPC) and to the Australian Meat and Livestock Corporation (AMLC) for its administrative and operational expenses, including promotion. Estimated outlays in 1984-85, including those funded from industry contributions, are \$11.6m for meat and pig industry research, \$3.3m for the PPC and \$13.9m for the AMLC.

The Government is to contribute \$0.5m in 1984-85 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 \$ for \$ basis by the Commonwealth and the meat industry.

Charges and Repayments

Included under this heading for 1984-85 is \$21.6m for industry levies in respect of the AMLC, the PPC, and for meat and pig research and repayments of advances (\$0.1m) in 1984-85 under an earlier beef industry assistance scheme.

In 1984-85, the research component of the Pig Slaughter Levy is to be increased from 10 to 15 cents per head. It is also proposed to increase the research components of the Livestock Slaughter Levy and the Livestock Export Charge. These increases will require higher matching Commonwealth contributions to rural research in these industries.

The following table summarises Commonwealth budget assistance to the cattle, sheep and pig industries:

	1982-83 Actual	1983-84 Actual	1984-85 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Outlays of the Industry (Net of charges and repayments)	47.8	70.6	47.0	-23.6	-33.4
Financed from:					
Commonwealth contributions from CRF	54.4	68.2	45.6	-22.6	-33.1
Interest on investments:					
- Commonwealth securities (a)	0.2	0.1	0.1		
- Other (b)	1.6	2.5	2.6	+0.1	+4.0
Change in relevant trust fund balances	8.4Cr	8.2Cr	1.3Cr	-1.1	n.a.

(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'. The increase in outlays mainly reflects increased research expenditures in 1984-85.

GENERAL ASSISTANCE NOT ALLOCATED TO SPECIFIC AGRICULTURAL AND PASTORAL INDUSTRIES

Rural Adjustment

The Rural Adjustment Scheme established by the *States and Northern Territory Grants (Rural Adjustment) Act 1976* provides for 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 totally funded by the Commonwealth, 85% by way of 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 interest thereon from producers. The Commonwealth funds all household support and receives any principal repayment and interest subsequently recouped, in respect of this expenditure, by the States and the Northern Territory.

The Commonwealth meets half of the administrative costs incurred by the States and the Northern 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 1984-85 are estimated at \$25.8m, compared with \$44.4m in 1983-84. (An amount up to \$10m will also be required in 1985-86 to fund approvals

expected to be made but not financed in 1984-85.) The reduced outlays reflect the significant increase in 1983-84 expenditure to alleviate the effect of the then widespread drought and the conclusion of the program of carry-on finance to the sugar industry in 1983-84 (\$10.5m expended).

Following consideration of the recent Industries Assistance Commission report on the Scheme, the Commonwealth has decided that the Rural Adjustment Scheme should be maintained as a continuing and generally available Scheme. The Commonwealth is, however, currently negotiating with the States on a range of amendments to the scheme to take effect from 1 July 1985.

Drought Relief

The Drought Relief Fodder Subsidy Scheme, established by the *Drought Assistance (Primary Producers) Act 1982*, provided 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. Similar assistance was also provided to the Australian Capital Territory. The Scheme ceased on 30 June 1983 and will involve no Commonwealth expenditure in 1984-85. Payments under the Scheme and in the Australian Capital Territory totalled \$122.3m, including \$18.4m in 1983-84.

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.

The Interest Subsidy Scheme ceased on 31 December 1983 but primary producers were allowed up to twelve months to submit claims from the date they ceased to be drought declared or from the date of termination of the Scheme, whichever occurred earlier. Outlays under the Scheme are estimated at \$14.4m in 1984-85, compared with \$25.2m in 1983-84.

Outlays under this heading do not incorporate the considerable assistance provided to primary producers by way of drought and other disaster 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 1984-85 includes \$49m for the phosphate fertilizer subsidy of \$12 per tonne, and \$6.3m 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 (net)

In addition to meat inspection services, the Commonwealth provides export inspection services in respect of wool, grains, fruits, dairy products, fish and other exports requiring quality certification. Direct expenditure on these services is estimated

at \$12.5m in 1984-85, which is offset partly by revenue of \$6.5m from export inspection charges. The Commonwealth's policy is to recover 50% of the cost of inspection services provided by the Department of Primary Industry.

Other

The increase in outlays under this heading reflects mainly the inclusion of an amount of \$0.4m in 1984-85 for upgrading of storage facilities to assist State plant genetic resource programs.

This heading covers also the provision of agricultural services in the Australian Capital Territory (\$2.0m), research projects sponsored by the Australian Agricultural Council (\$0.2m) and other minor agricultural research (\$0.5m) funded through the Commonwealth Special Research Grant (CSRG). The CSRG is to be replaced by an Australian Special Rural Research Fund to be operated and funded on a statutory basis similar to other rural industry research funds.

Recoveries and Repayments

This item includes repayments by the Commonwealth Development Bank of Commonwealth advances. The Bank provides finance for the purposes of primary production and the establishment or development of all types of business undertakings, particularly small businesses. A repayment of \$2m is provided for in 1984-85, the same as in 1983-84.

The balance of the estimate (\$12.4m) comprises repayments by the States and the Northern Territory of past advances for rural reconstruction/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 rural flood mitigation. The Commonwealth will provide funds for water related purposes in 1984-85 under the recently established Federal Water Resources Assistance Program (FWRAP), which supersedes the National Water Resources Program. FWRAP brings together all previous Commonwealth programs of assistance and draws upon the recommendations of the report "Perspective on Australia's Water Resources to the Year 2000". Details of assistance to the States and the Northern Territory under the new FWRAP remain to be finalised. A total of \$64.3m has been allocated for the program in 1984-85, an increase of \$7.5m on 1983-84 expenditure.

Of the 1984-85 provision for FWRAP, \$36.8m has not yet been allocated to specific projects, and (pending allocation) is included under the item 'Investigation and Other Water Projects'. Further details on FWRAP are contained in Budget Paper No. 7, *Payments to or for the States, the Northern Territory and Local Government Authorities, 1984-85*.

Irrigation

Expenditure in 1983-84 on this item amounted to \$20.7m.

Allocations for all irrigation projects under FWRAP in 1984-85 have yet to be finalised but will include \$4m for the Bundaberg Irrigation Project (the same as in 1983-84) and \$19m for construction of the Burdekin Dam, an increase of \$6m on 1983-84 expenditure.

Investigation and other Water Projects

The Commonwealth will provide \$1.3m for its contribution under the River Murray Waters Agreement towards the costs of the River Murray Commission (\$1.1m for works and \$0.2m for administrative expenses).

The Commonwealth will also provide \$0.5m for water research in 1984-85 (\$0.3m in 1983-84). The States and the Northern Territory will receive funds for water resources assessment purposes but allocations are still to be determined (an amount of \$6.5m was provided to the States and the Northern Territory for water resources assessment in 1983-84). In a new development under FWRAP, the Commonwealth has allocated \$0.4m to the Bureau of Meteorology and the Bureau of Mineral Resources for the evaluation of water resources assessment data collated by the States and the Northern Territory with funds provided by the Commonwealth since the collaborative assessment program was initiated in 1965. The Commonwealth is awaiting the report of the Interim Council which was established in 1983-84 to advise on the need for an Institute of Freshwater Studies.

Salinity Mitigation and Drainage

In 1983-84, the Commonwealth provided \$4.2m as further assistance for a co-ordinated 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 1984-85 under this heading will depend on allocations to the States under FWRAP.

Flood Mitigation

Assistance to the States and the Northern Territory for flood mitigation (excluding urban flood mitigation) totalled \$0.6m in 1983-84, including \$0.2m for New South Wales floodplain management works and studies and \$0.3m for Victorian flood mitigation. The level of assistance under FWRAP for flood mitigation projects in 1984-85 is still to be determined.

Recoveries and Repayments

Repayments are estimated at \$3.2m in 1984-85 and include \$1.8m 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 \$4m for the National Soil Conservation Program in 1984-85, an increase of \$3m over 1983-84. The Program, which commenced in 1983-84, provides financial assistance primarily to the States and Northern Territory for the purposes of soil conservation and related research and extension activities.

War Service Land Settlement

In 1984-85, \$1 563 000 has been provided for the operation and maintenance of the Loxton irrigation project in South Australia, and \$70 000 to enable South Australia to provide credit facilities to eligible settlers.

Repayments

Of the \$3.6m repayments estimated for 1984-85, \$2.4m relates to War Service Land Settlement and \$0.7m to repayments under the Queensland Brigalow Lands Agreement.

GENERAL ADMINISTRATION AND OTHER EXPENDITURE

This item includes the salaries, administrative and capital costs of the Department of Primary Industry (\$25.6m), the Bureau of Agricultural Economics (BAE) (\$10.0m), and the Commonwealth's contribution to the Australian Plague Locust Commission (\$1.6m). The estimates include provision of \$2.8m for the upgrading of computer equipment in the Department and the BAE.

RECOVERIES

This item includes miscellaneous recoveries by the Department of Primary Industry, recoveries of certain research expenditures by the BAE and State contributions to the Australian Plague Locust Commission. The increase mainly reflects the recovery of costs associated with the administration of rural trust accounts.

MINING AND MANUFACTURING INDUSTRIES

	1982-83	1983-84	1984-85	Change	
	Actual	Actual	Estimate	\$m	%
	\$m	\$m	\$m	\$m	%
Mining Industry—					
Uranium—					
Exploration and Development	2.0	5.7Cr	—	+ 5.7	+ 100.0
Commonwealth Uranium Stockpile (net)	46.7	—	—	—	—
Transfer of Cooper Basin Interests (net)	—	2.5Cr	2.9	+ 5.4	n.a.
Proceeds from the Winding up of the British Phosphate Commission and of the Christmas Island Phosphate Commission	—	15.9Cr	23.3Cr	— 7.4	— 46.8
Bureau of Mineral Resources (net)	20.8	21.6	30.9	+ 9.3	+ 43.1
Other Mining (net)	2.2	4.3	8.3	+ 4.0	+ 93.4
Total	71.7	1.8	18.8	+16.9	+ 92.2
Manufacturing Industry—					
Shipbuilding Assistance	25.6	26.7	29.0	+ 2.3	+ 8.6
Automotive Industry Authority	—	—	0.5	+ 0.5	n.a.
Industrial Research and Development	52.8	65.9	67.5	+ 1.5	+ 2.3
Agricultural Tractors Bounty and Tractor Cabs Bounty	3.2	3.9	3.5	— 0.4	— 9.4
Computer Industry Bounties	0.7	0.3	8.0	+ 7.7	n.a.
Machine Tools Bounty	14.1	10.4	12.0	+ 1.6	+ 15.4
Book Bounty	18.7	17.6	18.0	+ 0.4	+ 2.2
Heavy Commercial Vehicles Bounty	3.7	4.2	3.5	— 0.7	— 15.7
Textile Industry Bounties	67.7	75.1	78.1	+ 3.0	+ 4.0
Steel Industry Bounties	1.0	10.9	52.0	+41.1	+ 375.0
Other Bounty Payments	4.1	5.2	5.5	+ 0.3	+ 6.5
Development of Microwave Landing System Advisory Service on Computer-Aided Manufacture	—	—	2.0	+ 2.0	n.a.
Other Assistance	3.9	5.7	7.3	+ 1.6	+ 28.6
Total	197.8	228.3	286.8	+58.5	+ 25.6
TOTAL MINING AND MANUFACTURING INDUSTRIES	269.4	230.1	305.6	+75.5	+ 32.8

MINING INDUSTRY

Uranium—Exploration and Development

The Commonwealth will make payments in 1984-85 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 \$16 000 in 1984-85) of the Ranger Assessor, who estimates periodically the cost of rehabilitation of the Ranger Project area. Both of these expenditures are recouped from Energy Resources of Australia Ltd, which acquired the Commonwealth's interest in the Ranger Uranium Joint Venture in 1980-81.

Bureau of Mineral Resources

An amount of \$30.9m (net of revenue) is provided in 1984-85 for the activities of the Bureau of Mineral Resources, Geology and Geophysics (BMR), 43% more than net expenditure in 1983-84 of \$21.6m. This provision allows for the full-year effect of the offshore continental margins program, which commenced in 1983-84; for the establishment of a capacity to undertake seismic monitoring of nuclear explosions; and for upgrading BMR, in accordance with the recommendations of the 1979 Report of the Australian Science and Technology Council (ASTEC).

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) which is now owned by CSR Limited. The purchase price included a deferred payment to be made in instalments over seven years, the first of which fell due in 1983-84.

In 1977, the Commonwealth sold its interests to the South Australian Oil and Gas Corporation (SAOG), 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 provided for a net outlay of \$0.5m in 1983-84. As a result of the suspension of payments to CSR, pending the resolution of litigation between SAOG and Delhi, the 1983-84 outcome under this heading was a net receipt of \$2.5m. It is anticipated that payments to CSR will be recommenced in 1984-85, together with payment of arrears, resulting in an expected net outlay of \$2.9m.

Proceeds from the Winding up of the British Phosphate Commission etc

Following agreement between the joint owners Australia, Britain and New Zealand to the winding up of the British Phosphate Commission, it is expected that disposal of the net assets of the Commission will be completed in 1984, yielding an estimated revenue of \$18.3m to the Commonwealth during 1984-85.

In 1983-84, the Commonwealth received \$15.9m from the proceeds of winding up the Christmas Island Phosphate Commission (CIPC). As part of the agreement governing the termination of the CIPC, ownership in stocks of phosphate rock located in Australia was transferred to the Commonwealth. The Government intends to sell a small proportion of the Commonwealth-owned stockpile in 1984-85.

Other Mining (net)

A provision of \$5.2m has been included as a cash contribution to the buffer stock of the Sixth International Tin Agreement (ITA). The Sixth ITA came into force on a provisional basis on 1 July 1982. At the time, Australia met its obligations by committing part of the stocks accumulated under the previous agreement. The Government has decided that 50% of these stocks will now be transferred back to the accounts of the Fifth ITA and Australia will make a cash contribution in lieu of these stocks to increase the cash resources of the Sixth Buffer Stock account. This will assist the International Tin Council's market support operations in maintaining the buffer stock floor price.

A provision of \$1.0m is included to meet Australia's contributions in 1984-85 to the administrative costs of several international mineral commodity organisations; expenditure in 1983-84 on this program was also \$1.0m. An amount of \$0.1m is provided as the Commonwealth's contribution towards the cost of the Government diamond valuer for the Argyle project in Western Australia.

\$1.8m 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 1984-85 in respect of fees and other charges.

Under the Bass Strait Freight Adjustment Scheme, introduced in April 1984, a levy of 20 cents per barrel is imposed on all crude oil produced from Bass Strait. An amount equal to the revenue raised by the levy is paid into a trust fund. Payments are made to refiners from the trust fund to partially equalise the freight costs between different refineries. It is estimated that levy proceeds of \$31.1m will be available for distribution during 1984-85.

In addition, \$0.2m is provided in 1984-85 as a Commonwealth contribution to the cost of relocating the pilot plant operated by the Australian Mineral Development Laboratories, a South Australian statutory authority.

MANUFACTURING INDUSTRY

Ship Building Assistance

Under the *Bounty (Ships) Act 1980*, bounty is assessed as a percentage of the cost of construction of vessels in Australia. The current bounty rate (25%) applies until 30 June 1985, when it is to be reduced to 22.5% for one year. The long-term rate to apply from 1 July 1986 is 20%. Outlays in 1984-85 are estimated at \$29m and represent subsidies towards the cost of 84 ships (\$26.6m in 1983-84).

During 1983-84, \$42 194 was paid under the *Ship Construction Bounty Act 1975* in respect of vessels for which tenders closed before 1 July 1981. An amount of \$60 000 is expected to be paid in 1984-85 under this Act.

Automotive Industry Assistance

The Government has announced a new policy for the motor vehicle industry comprising a number of measures, including the gradual lowering of restrictions against imports, amendments to the export facilitation plan, and the provision of up to \$150m

over five years for Australian design and research. The policy also provides for the establishment of an Automotive Industry Authority (AIA), which will oversight the anticipated restructuring of the industry and promote the Government's goals for the industry.

An amount of \$0.5m is to be provided for the AIA in 1984-85 for its establishment and operational costs. In addition, the Australian Industrial Research and Development Incentives Board, in consultation with the AIA, will be authorised to enter into commitments in 1984-85 up to a total of \$20m as part of the Government's assistance to the automotive industry for design and research.

Industrial Research and Development

A further five-year program of grants under the *Industrial Research and Development Incentives Act 1976* 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 which 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 \$67.5m in 1984-85, compared with \$65.9m in 1983-84, reflecting the Government's policy of maintaining a high level of support for industrial research and development. The 1984-85 provision (1983-84 outlays in brackets) includes \$17.8m for commencement grants (\$14.6m), \$38.3m for project grants (\$43.2m) and \$11.4m for public interest projects (\$8.1m).

In addition to the above direct incentives for research and development, the Government has introduced tax incentives for equity subscriptions in licensed Management and Investment Companies (MIC), which will invest in approved high technology/growth activities. The equity subscriptions in MIC attract a 100% income tax deduction in the year the subscriptions are made. Moreover, accelerated write-off provisions for income tax purposes continue to be available for expenditure on plant, equipment and buildings by a taxpayer in connection with 'scientific research' relating to his business.

Agricultural Wheeled Tractors

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 local content provision of 55%. The bounty rates are indexed quarterly to reflect import price movements. In 1983, following consideration of the Temporary Assistance Authority

report on 'Agricultural Wheeled Tractors', the Government decided 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 in the same period. The *Bounty (Tractor Cabs) Act 1983* provides for the latter assistance. The Government has announced that the temporary assistance for both agricultural tractors and tractor cabs is to be extended to 31 December 1984 or until a decision on the Industries Assistance Commission report on long-term assistance for the industry is announced. Expenditure in 1984-85 is estimated to be \$3.5m, compared with actual payments of \$3.9m in 1983-84.

Machine Tools Bounty

The Government has extended until 30 June 1985 the period for which bounty assistance is available under the *Bounty (Metal-working Machine Tools) Act 1978* to Australian manufacturers of non-portable, power-operated metal-working machine tools for use in Australia. Under the Act, assistance is provided at a rate of 33% of factory cost, less the cost of imported materials or components, subject to a minimum of 55% local content. In addition, a bounty is payable at the rate of 25% of certain eligible design costs incurred by Australian manufacturers. The Government is currently considering an Industries Assistance Commission report on assistance to this industry. Bounty payments in 1984-85 are estimated to be \$12m (\$10.4m in 1983-84).

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 and, from 1 January 1984, is payable at the rate of 25% of eligible costs of production of a book. Payments in 1984-85 are estimated to amount to \$18m (\$17.6m in 1983-84).

Heavy Commercial Vehicles Bounty

The *Bounty (Commercial Motor Vehicles) Act 1978* provides for bounty payments on the assembly of certain general purpose vehicles, including buses, which incorporate prescribed locally-sourced components. The bounty is payable until 31 December 1984 at a rate of 20% of the into-store value of eligible locally-sourced components. The Government is currently considering a report on long-term assistance to the industry. Estimated expenditure in 1984-85 is \$3.5m (\$4.2m in 1983-84). This allows for termination of the bounty on 31 December 1984.

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 estimated to be \$76m in 1984-85, compared with \$73.5m in 1983-84.

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 1984-85, compared with \$0.9m in 1983-84 and reflect an expected rise in demand and production.

The *Bounty (Bed Sheeting) Act 1977* provides bounty assistance at a rate of 20 cents per square metre up to a maximum payment of \$0.6m per bounty period, on the production of bed sheeting made up into bed linen. As the bounty period runs from 1 November to 31 October, payments during a particular financial year can be greater than \$0.6m without exceeding the ceiling for the relevant bounty period. Payments during 1983-84 were \$0.7m and are estimated at \$0.6m for 1984-85.

Steel Industry Plan Bounties

Under the Steel Industry Plan, assistance is provided for the industry by means of sliding scale bounties available for five years from 1 January 1984 on the following products produced and sold in the domestic market:

- high alloy bar products and stainless steel flat products;
- quenched and tempered steel plate;
- cold-rolled steel sheet; and
- welded steel pipe and tube.

Bounty payments for eligible steel products are made under the *Bounty (Steel Mill Products) Act 1983* (subject to an annual limit of \$62.6m) and the *Bounty (High Alloy Steel Products) Act 1983* (subject to an annual limit of \$9m).

Prior to 1 January 1984, assistance was provided under the *Bounty (Steel Products) Act 1983* for certain steel products. In 1983-84, bounty payments for various steel products under these Acts totalled \$10.9m, of which \$2m was paid under the *Bounty (Steel Products) Act 1983*.

Bounty payments under the plan for steel products in 1984-85 are estimated to be \$52m reflecting the first full-year of operation of the plan and estimates of production of bountiable products in 1984-85.

Computer Industry Bounties

Following the Industries Assistance Commission report on long-term assistance for the local computer industry, the Government announced bounty assistance for local manufacture of computer hardware, systems software and electronic micro-circuits for a period of six years. The proposed bounty, at the rate of 25% of value-added in production for both domestic and export sales, will also cover design and development costs. Expenditure in 1984-85 is estimated to be \$7m.

Assistance for manufacture of certain eligible electronic data processing equipment was previously provided under the *Automatic Data Processing Equipment Bounty Act 1977*, which terminated on 5 July 1984. Assistance will now be provided under the proposed bounty for computers and electronic micro-circuits. An amount of \$1m is to be provided in 1984-85 to meet outstanding claims for payments under the terminated Act. Payments totalled \$0.3m in 1983-84.

Other Bounty Payments

Following a report by the Temporary Assistance Authority, the period of assistance under the *Bounty (Room Air Conditioners) Act 1983* was extended until 30 June 1984 and the limit on bounty payments was increased from \$0.5m to \$2m. Payments under this Act were \$2m during 1983-84. Accordingly, no further payments will be made under the Act.

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 1984-85 are estimated to be \$2m (\$1.6m in 1983-84).

Following an interim report from the Industries Assistance Commission on temporary assistance requirements for the production of certain electric motors, the Government decided to provide temporary assistance on such motors at the rate of \$14 per motor unit, subject to an annual limit on bounty payments to any firm of \$0.3m. Expenditure in 1984-85 is estimated to be \$0.4m.

The *Bounty (Injection Moulding Equipment) Act 1979* provides for the payment of bounty at the rate of 5% of the value added by Australian manufacturers of eligible equipment. Following a report by the Temporary Assistance Authority, the Government decided in May 1983 to provide additional assistance by way of a bounty of 20% of the value added for injection moulding machines and parts completed after 23 May 1983 until the Government's decision is announced on the Industries Assistance Commission report on long-term assistance for the industry. Payments in 1984-85 are estimated at \$0.6m, compared with \$0.7m in 1983-84.

Under the *Bounty (Two-stroke Engines) Act 1984*, assistance is provided for the production of certain two-stroke internal combustion engines manufactured between 12 January 1984 and 11 January 1986 at the rate of \$6 per engine, subject to a limit of \$1.2m per bounty year (which commences on 12 January). Provision has been made in the 1984-85 Budget for payments of up to \$1.5m, part of which is to meet eligible claims in respect of the period 12 January 1984 to 30 June 1984.

Under the *Bounty (Penicillin) Act 1980*, assistance is provided to local manufacturers of penicillin for use in the further manufacture of antibiotics in Australia. Total bounty payments for any given bounty period are subject to a ceiling amount. This ceiling and the rate of bounty can be reviewed under the provisions of the Act. On the basis of expected production schedules, an amount of \$1m is to be provided in 1984-85. Payments totalled \$0.8m in 1983-84.

Development of Microwave Landing System

The Commonwealth provided \$2.5m in 1983-84 as a final contribution towards the development of the Microwave Landing System. This brings to \$15.7m the total Commonwealth contribution to this project since 1977-78.

Advisory Service on Computer-Aided Manufacture

The Government has accepted, in principle, the recommendations of the Cashman Committee and \$2.0m is to be provided in 1984-85 for the establishment of a nationwide manufacturing advisory service on computer-aided manufacture (MASCAM). This service will facilitate the introduction of appropriate computer technology to

manufacturing industry in Australia. In addition, \$0.15m. will be provided in 1984-85 for a consultancy to examine the need for a comprehensive extension service for manufacturing industry under 'General Administration' in 'Other Assistance to Industry'.

Other Assistance

The following assistance is also to be provided in 1984-85 (1983-84 figures in brackets): \$1.5m to the Productivity Promotion Council of Australia (\$1.7m); \$2.6m for Technology and Innovation Programs of the Department of Science and Technology (\$2.0m); \$1.3m to support the operations of the new Manufacturing Industry Councils' Secretariat; \$0.1m for assistance to inventors (\$0.1m); \$1.0m to the Technology Transfer Council (\$1.0m); and \$0.2m to the Industrial Design Council of Australia (\$0.2m).

Assistance is also provided to Australian industry, in particular manufacturing industry, through the Government's preference towards local industry in public purchasing policy and through the Offsets/Australian Industry Participation Policy, which is currently under review. It is not possible to quantify precisely the cost of these assistance measures to the 1984-85 Budget.

TOURIST INDUSTRY

	1982-83 Actual	1983-84 Actual	1984-85 Estimate	Change	
	\$m	\$m	\$m	\$m.	%
Australian Tourist Commission and Expenditure under the Tourist Commission Act	10.0	19.5	22.8	+3.3	+16.8
Great Barrier Reef Island Tourist Resorts					
- Diesel Fuel Subsidy	—	0.3	0.5	+0.2	+58.5
Assistance to the Steel Regions					
- Tourism	—	..	2.0	+2.0	n.a.
Other Assistance to the Tourist Industry	1.2	1.7	2.0	+0.3	+20.6
TOTAL TOURIST INDUSTRY	11.2	21.5	27.3	+5.7	+26.7

The 1984-85 Budget provision of \$22.8m (an increase of 16.8% over 1983-84) will allow for a further substantial expansion of the promotional activities of the Australian Tourist Commission (ATC). Expenditure by the ATC in 1983-84 was \$19.5m, which represented a 95% increase over 1982-83.

An amount of \$0.5m is to be provided for a grant to the Queensland Government in 1984-85 (\$0.3m in 1983-84) to subsidise the cost of diesel fuel used to generate electricity in Great Barrier Reef island tourist resorts.

The Budget also provides \$2.0m for tourism projects in the Steel Regions as part of a program to provide infrastructure support in these regions.

The 1984-85 Budget provision of \$2.0m (\$1.7m in 1983-84) for other assistance to the tourist industry includes general operational expenses of the Australian Capital Territory Tourist Bureau, administrative expenditure related to the tourism functions of the Department of Sport, Recreation and Tourism, and Australia's contribution to the World Tourism Organisation.

ASSISTANCE TO EXPORT INDUSTRIES

	1982-83 Actual	1983-84 Actual	1984-85 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Export Expansion Grants Scheme	155.0	98.0	15.0	-83.0	-84.7
Export Market Development Grants Scheme	105.0	115.0	125.0	+10.0	+ 8.7
Export and Trade Promotion	31.4	35.1	37.8	+ 2.7	+ 7.6
Compensation Payments	0.2	..	0.1Cr	- 0.1	n.a.
EFIC—					
Interest Subsidy for Concessional Finance Facility	15.3	26.4	25.7	- 0.7	- 2.7
Premiums and Repayments	3.7Cr	6.1Cr	4.5Cr	+ 1.6	+25.9
General Administration	29.1	33.4	34.9	+ 1.5	+ 4.4
TOTAL ASSISTANCE TO EXPORT INDUSTRIES	332.3	301.9	233.8	-68.1	-22.6

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 Industries Assistance Commission report on Export Incentives, the former Government decided not to extend the Scheme's enabling legislation beyond its expiry date of 30 June 1983.

The 1984-85 Budget provision of \$15m is estimated to meet all outstanding claims submitted under the Scheme.

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. The Scheme provides taxable cash grants based on a grant rate of 70% of eligible export promotional expenditure. In any one grant year, claimants are eligible to receive payments totalling no more than \$0.2m. It also provides for the payment of travelling expenses of \$50 per day up to a maximum of 10 days for each overseas visit.

Although the 1984-85 allocation of \$125m is \$10m above 1983-84 outlays for this purpose, the carryover of outstanding claims is expected to increase to \$95m at 30 June 1985, compared with \$57m at 30 June 1984. It is estimated that claims to be lodged in 1984-85 applicable to the 1983-84 grant year and earlier years will total \$163m, an increase of \$23m over claims lodged in 1983-84.

Export and Trade Promotion

Direct expenditure on export and trade promotion is estimated at \$39.8m in 1984-85. Offset against this is estimated revenue of \$2.0m from charges to be levied by the Trade Commissioner Service. Outlays on the Service are estimated at \$24.2m in 1984-85. Trade promotional activities are estimated to account for \$12.9m in 1984-85, an increase of \$3.4m over 1983-84. Reflecting a more closely targeted approach to trade promotion, the projects to be funded include the Commonwealth/State trade promotion program, high technology export market development, China action plan, New Zealand market development, Japan market strategy, North American special exercise, promotion of Australian consultancy services in developing countries and the Technical Support Facility which meets the cost of Australian experts advising on, and formulating development projects for, countries in the Middle East.

For 1984-85 the Government has decided to provide an additional \$0.8m as a capital subscription for the Australian Overseas Projects Corporation.

Export Finance and Insurance Corporation (EFIC)

EFIC provides export credit insurance and guarantee facilities, insurance cover for direct investments overseas against non-commercial risks and, where necessary, export finance on concessional terms for medium and long-term credit sales of capital goods.

At 30 June 1984, the Corporation had entered into loan agreements in support of capital goods exports amounting to \$571.1m, of which \$42.7m was entered into in 1983-84.

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 \$23.2m in 1983-84 and is estimated to increase to \$28.9m in 1984-85. The rise in estimated payments in 1984-85 reflects increased lending for the Ok Tedi Project in Papua New Guinea (in respect of which the interest subsidy is expected to increase by \$3.9m to \$17.2m in 1984-85) and increased lending for general business (in respect of which the interest subsidy is expected to increase by \$1.8m to \$11.7m). Outlays under this heading are partially offset by the anticipated recovery in 1984-85 of \$3.2m paid in 1983-84 under the "national interest" provisions of the *Export Finance and Insurance Corporation Act 1974* following a repayment default by Argentina.

Premiums and Repayments

The Commonwealth's share of insurance premiums arising under the national interest provisions of the EFIC Act (which is expected to total \$4.3m in 1984-85, compared with \$4.9m in 1983-84) is included under this heading.

Also included is a repayment of \$0.2m 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 (\$32.2m) and the Export Development Grants Board (\$2.6m).

OTHER ASSISTANCE TO INDUSTRY

	1982-83 Actual	1983-84 Actual	1984-85 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Petroleum Products Freight Subsidy	123.8	116.2	123.3	+ 7.1	+ 6.1
Energy Research and Conservation	18.0	17.7	20.8	+ 3.1	+ 17.6
Australian Industry Development Corporation	45.5	25.0	—	-25.0	-100.0
Biotechnology Research Grants Scheme	—	0.7	2.2	+ 1.4	+190.0
Capital Payment to Commonwealth Bank	—	15.0	—	-15.0	-100.0
General Administration	12.5	13.0	15.7	+ 2.7	+ 20.4
TOTAL OTHER ASSISTANCE TO INDUSTRY	108.7	187.7	162.0	-25.7	-13.7

Petroleum Products Freight Subsidy Scheme

The Scheme, which has been in operation since 1 July 1978, provides for the payment of a subsidy on freight costs in excess of a maximum freight differential (1.1 cents per litre prior to 1 July 1984) of distributing motor spirit, distillate, aviation gasoline and aviation turbine fuel in country areas. The maximum freight differential is indexed in line with increases in the CPI and from 1 July 1984 is 1.2 cents per litre. An amount of \$123.3m is being provided for the Scheme in 1984-85, compared with expenditure of \$116.2m in 1983-84.

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 ERTA on energy research and development projects in 1983-84 was \$16.4m, including \$0.1m in the form of co-operative overseas energy research. The Government has agreed that new energy research projects costing up to \$13.2m over four years may be approved in 1984-85. Expenditure on new and existing projects in 1984-85 is estimated at \$16m.

In addition to this provision for energy research, coal research is also funded through the Coal Research Trust Account from the proceeds of an excise, set at 5 cents per tonne of black coal produced from non-State Government operated coal mines. The excise proceeds are supplemented by contributions from the States in respect of State Government operated brown and black coal mines. Trust Account receipts are expected to total \$5.9m in 1984-85, while expenditure from the Trust Account is estimated at \$5m, compared with \$2.1m in 1983-84.

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.

Expenditure in 1984-85 on the National Energy Conservation Program (NECP) is estimated at \$0.7m compared with expenditure of \$0.4m in 1983-84. This program funds information and education activities promoting the conservation of petroleum fuels, electricity and gas in transport, industry and commercial and residential applications, and promotes efficient energy usage in buildings and by local government.

An amount of \$267 000 is provided for the National Industrial Energy Management Scheme in 1984-85 (expenditure in 1983-84 was \$208 000). This Scheme funds seminars and workshops, publications and films, awards, selected industry-wide energy audits and reimbursement of consultancy costs to encourage and assist industry to use energy more efficiently.

The Government is providing \$70 000 in 1984-85 for the education and training of Commonwealth personnel as part of a new program of Energy Conservation in Government Buildings. In addition, as part of this program, \$1.1m is provided to make energy saving modifications to selected Commonwealth buildings (Classified under "Common Services—Commonwealth Offices" in the sub-function 'Administrative Services').

Commonwealth Bank

A capital injection of \$15m was provided by the Government to the Commonwealth Bank (formerly the Commonwealth Trading Bank) in 1983-84. No similar provision has been made for 1984-85.

Australian Industry Development Corporation

The Australian Industry Development Corporation provides finance to facilitate and encourage the establishment, development and advancement of Australian industries. The Corporation gives priority to industries concerned with the manufacture, assembly, construction, processing, treatment, transportation and distribution of goods, the provision of services which are exposed to competition from overseas industries (including tourism) and the development, marketing and use of new or improved technology. The Corporation's paid up capital of \$87.5m has been fully provided by the Commonwealth. No capital instalments are to be made by the Commonwealth in 1984-85. In 1982-83, the Corporation repaid to the Commonwealth \$45.5m of an overseas loan which had been on-lent to the Corporation—this amount, in turn, was repaid by the Commonwealth to the overseas lenders.

Biotechnology Research Grants Scheme

The Scheme, introduced in the 1983-84 Budget, promotes the commercial development of biotechnology-related research by Australian industry. Expenditure under this Scheme is estimated at \$2.2m in 1984-85 (\$0.7m in 1983-84). The increased expenditure in 1984-85 reflects a higher rate of expenditure on projects commenced in 1983-84, and allows an estimated \$0.6m for new projects to be commenced in 1984-85.

General Administration

This heading includes administrative costs of the Canberra Development Board (\$0.4m) and those of the Department of Industry and Commerce (\$15.3m) excluding its customs responsibilities (which are included under the sub-function 'Administrative Services').

D. LABOUR AND EMPLOYMENT

The Commonwealth supports a range of activities aimed at maintaining and extending the supply of skilled labour in demand in the Australian labour market, particularly through training and job creation programs and immigration activities, and the co-ordination and oversight of industrial relations matters. Details of funds provided for these activities are set out below.

	1982-83 Actual	1983-84 Actual	1984-85 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Industrial Relations—					
Conciliation and Arbitration	11.2	13.6	14.4	+ 0.8	+ 6.0
Industrial Relations Bureau	6.3	—	—	—	—
Payment to Stevedoring Industry	17.3	20.2	19.0	- 1.2	- 5.8
Coal Mining Industry Long Service Leave	14.2	18.3	19.0	+ 0.7	+ 4.0
Trade Union Training	5.2	5.8	6.7	+ 0.9	+ 14.9
Occupational Health and Safety	—	—	6.4	+ 6.4	n.a.
Administration	10.4	10.3	12.5	+ 2.2	+ 21.4
Recoveries	0.3Cr	0.3Cr	0.3Cr	—	- 5.8
Total	64.2	67.9	77.8	+ 9.9	+ 14.5
Employment—					
Special Employment Programs	—	286.6	411.7	+125.2	+ 43.7
- Community Employment Program	—	147.5	—	-147.5	-100.0
- Wages Pause	152.4	147.5	—	-147.5	-100.0
Wage Subsidy Schemes	64.0	143.4	149.8	+ 6.4	+ 4.5
Trade Training	95.4	106.7	122.2	+ 15.6	+ 14.6
Skills Training	14.8	25.8	36.0	+ 10.2	+ 39.5
Youth Training	14.3	18.9	23.7	+ 4.9	+ 25.8
Special Training	31.7	52.8	63.7	+ 10.9	+ 23.7
Employment Services	100.2	123.3	139.4	+ 16.1	+ 13.1
Assistance to the Steel Regions	—	—	1.3	+ 1.3	n.a.
Administration	61.8	86.0	100.7	+ 14.7	+ 17.1
Recoveries	0.7Cr	0.9Cr	0.8Cr	+ 0.1	+ 14.7
Total	533.8	989.9	1 047.8	+ 57.8	+ 5.8
Immigration—					
Assisted Migration	29.2	23.9	24.8	+ 0.9	+ 3.7
Administration	63.1	69.1	80.1	+ 11.0	+ 15.9
Recoveries	5.6Cr	6.0Cr	6.0Cr	—	- 41.9
Total	86.7	87.0	96.4	+ 9.4	+ 10.7
TOTAL LABOUR AND EMPLOYMENT	684.7	1 144.9	1 221.9	+ 77.0	+ 6.7

INDUSTRIAL RELATIONS

Conciliation and Arbitration

The bodies funded within this function are involved in the settlement of industrial disputes and the determination of wage and salary claims. The remaining expenditure under the function is for the provision of certain legal and other costs in special circumstances. In 1984-85, \$10.5m is provided for the operations of the Conciliation and Arbitration Commission and the Public Service Arbitrator, and \$0.5m for the Remuneration Tribunal. From 1 June 1984 the Public Service Arbitrator's role and function was subsumed into the Conciliation and Arbitration Commission. This step formalises the relationship of those two offices.

Payment to Stevedoring Industry

Under the *Stevedoring Industry Levy Act 1977* payments are made to the Stevedoring Industry Finance Committee (SIFC) from a levy imposed on stevedoring employers. These payments are used primarily to fund the balance of the industry deficit on long service leave liabilities taken over from the Australian Stevedoring Industry Authority on 5 December 1977. Payments to the SIFC are also used to meet employer contributions to the Stevedoring Employees' Retirement Funds, for payment 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. The 1984-85 estimate is \$19.0m compared to expenditure of \$20.2m in 1983-84. A matching receipt item records the stevedoring industry collections—details can be found in Statement No. 4.

Coal Mining Industry Long Service Leave

In 1949 a Trust Account was established to finance long service leave payments for miners engaged in black coal production. The Trust Account's income is derived from payments made by the Commonwealth (estimated at \$19.0m in 1984-85) equivalent to a four-fifths share of its receipts from a 25 cents per tonne levy imposed on 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.

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 \$6.7m in 1984-85 allows for a significant expansion of training resources. Approximately 43 000 student training days will be funded in 1984-85 compared with 38 770 training days in 1983-84. The increase of \$0.9m on 1983-84 expenditure reflects the full-year cost of the implementation of Stage 2 of the Authority's expansion, and the expected commencement of Stage 3 during 1984-85.

Occupational Health and Safety

This item provides \$6.4m for the operations of the interim National Occupational Health and Safety Commission, which is to develop and co-ordinate the implementation of a national strategy for occupational health and safety. It is expected that legislation establishing the permanent Commission will be introduced during 1984-85.

Administration

This item records the administrative expenditure for the industrial relations functions of the Department of Employment and Industrial Relations, which is estimated to increase in 1984-85 by \$2.2m to \$12.5m. This increase reflects mainly the re-establishment of the Commonwealth Arbitration Inspectorate within the Department and the provision of \$1.1m for grants to encourage and assist Australian organisations to introduce participative work practices for employees and industrial democracy in the private sector.

Community Employment Program

The Community Employment Program (CEP) was established with the introduction of the *Community Employment Act 1983*. CEP provides employment opportunities of three to twelve months for those most disadvantaged in the labour market on labour intensive projects of social and economic benefit to the community. Under the Act no further commitments are to be entered into after 30 June 1986. Projects can be sponsored by State and local governments, community organisations and other interested groups and by Commonwealth Government departments and statutory authorities. State Governments are required to contribute at least 30% of the cost, and local government and community groups at least 20%, though a community group's contribution can be waived or reduced in special circumstances.

CEP is particularly directed at providing job opportunities for the long-term unemployed, women, Aborigines, disabled persons and immigrants with language difficulties. All participants are paid award rates of wages. The total cost of CEP in 1983-84 was \$286.6m. 48 200 jobs were approved and 28 400 placements had been made by 30 June 1984. 1984-85 is the first full year of operation of CEP. CEP has several separate components and details are provided in the following table.

	1983-84 Actual	1984-85 Estimate
	\$m	\$m
General job creation projects through the States and Territories	180.6	(a)
Town water supply projects	17.3	(a)
Jobs on local roads		
- allocated on Roads Grants Act criteria	19.5	(a)
- allocated on the basis of population	30.0	(a)
Administration	2.5	(a)
Commonwealth Government projects(b)	35.5	50.0
	285.4(c)	410.0(c)

(a) The final break-up of the \$360.0m provided for State/Territory CEP is subject to further consideration.

(b) Full cost of projects are met by the Commonwealth.

(c) Excludes the separate allocation for the Australian Capital Territory under the Department of Territories and Local Government (\$1.1m in 1983-84, and an estimated \$1.7m in 1984-85).

Wages Pause Program

Following a special Premiers' Conference held on 7 December 1982, the Commonwealth implemented a wages 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 during 1983. This amount was allocated between two components of the Wages Pause Program.

The first, the public housing component, was for \$100m. These funds, which were allocated among 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 \$46.5m was paid in 1983-84.

The rest of the Wages-Pause Program (\$200m) was allocated to the general employment component. Total funds under this program have now been advanced. 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 Aborigines. Equal employment opportunities were to be afforded to unemployed females. A total of \$101.1m, representing final allocation under this component of the program, was provided for these purposes in 1983-84.

Wage Subsidy Schemes

The Commonwealth funds two wage subsidy schemes designed to provide employment opportunities for unemployed persons. Proposed expenditures on these schemes in 1984-85 are summarised in the following table.

	1981-82 Actual	1982-83 Actual	1983-84 Actual	1984-85 Estimate	Change	
	\$m	\$m	\$m	\$m	\$m	%
Assistance for work experience—						
• Standard	27.1	31.0	50.9	40.6	-10.3	-20.2
• Extended	16.9	19.9	51.8	52.0	+0.2	+0.4
• State and Commonwealth	9.7	12.7	17.5	16.3	-1.2	-6.7
Total	53.7	63.6	120.2	108.9	-11.3	-9.4
Adult Wage Subsidy Scheme—						
• Standard	—	0.3	18.5	27.9	+9.4	+50.8
• Extended	—	0.1	4.7	13.0	+8.3	+176.6
Total	—	0.4	23.2	40.9	+17.7	+76.3
Total Wage Subsidy Schemes	53.7	64.0	143.4	149.8	+6.4	+4.5

(NOTE: Assistance for work experience was previously functionally classified under the heading *Youth Training and Adult Wage Subsidy Scheme under Assistance to Long Term Unemployed*.)

The Special Youth Employment Training Program (SYETP) provides wages subsidies to employers to encourage them to provide work experience opportunities for young persons. Assistance under SYETP takes two main forms:

- Standard SYETP which applies for 17 weeks for 15 to 24 year olds registered with the Commonwealth Employment Service (CES) who have been unemployed and away from full-time education for at least 4 of the previous 12 months. 50 718 placements were provided under Standard SYETP in 1983-84 at a cost of \$50.9m and it is estimated that 51 085 placements will be made in 1984-85 at an estimated cost of \$40.6m. The lower estimate in 1984-85 reflects recent changes to the wage subsidy scheme which will result in cost savings.
- Extended SYETP is available for 34 weeks for 18 to 24 year olds who have been unemployed and away from education for at least 8 of the previous 12 months. In 1984-85 it is estimated that 31 537 placements will be made at a cost of \$52.0m compared with 31 434 placements at a cost of \$51.8m in 1983-84.

Under both Standard and Extended SYETP employers must pay award wages. The Commonwealth also provides work experience placements in Commonwealth Departments for young persons under Standard and Extended SYETP.

In response to the Interim Report of the Inquiry into Labour Market Programs changes to the wage subsidy schemes were announced on 30 July 1984. For SYETP the new guidelines will:

- restructure the subsidies available under SYETP to a standard percentage of about 40% of the average weekly earnings of the age group concerned; and
- limit the number of trainees each employer could have at any one time.

Rates of payments under SYETP changed from 30 July 1984 to:

Age of Trainee	Standard SYETP	Extended SYETP
15-17	\$50 per week	Not Applicable
18-19	\$75 per week	\$75 per week for 17 weeks followed by a further 17 weeks at \$50 per week.
20-24	\$100 per week	\$100 per week for 17 weeks followed by a further 17 weeks at \$75 per week.

The Adult Wage Subsidy Scheme (AWSS) provides wage subsidies to employers who engage eligible job seekers (aged 25 years or more) and provide them with a full time job for at least 17 weeks, and up to 34 weeks. The subsidy in its standard form is provided at \$100 per week for 17 weeks followed by \$75 per week for the remaining 17 weeks.

Extended AWSS provides a wage subsidy of \$125 per week for up to 52 weeks to employers who provide employment opportunities for job seekers who are at least 45 years of age.

In 1983-84, \$23.2m was expended on AWSS with 13 074 placements under Standard AWSS and 2279 under Extended AWSS. In 1984-85 it is proposed to continue the scheme at the level of placements achieved late in 1983-84 and it is estimated that 21 129 placements will be made at a cost of \$40.9m.

For both SYETP and AWSS, employees are required from 30 July 1984 to remain one in every three subsidised workers for at least two months after the subsidy period ends.

Trade Training

The Commonwealth supports a number of trade training schemes aimed at ensuring adequate supplies of skilled labour to meet the demands, both short and long-term, of the labour market.

The following table summarises proposed expenditure on the main trade training schemes for 1984-85.

	1981-82 Actual	1982-83 Actual	1983-84 Actual	1984-85 Estimate	Change	
	\$m	\$m	\$m	\$m	\$m	%
Commonwealth Rebate for Apprentice Full-time Training (CRAFT)—						
Employer Rebate						
• Technical Education	52.6	65.0	69.7	73.6	+ 3.9	+ 5.6
• Off-the-job Training	11.6	13.9	12.0	14.7	+ 2.7	+ 22.5
• \$1000 Cash Rebate	9.9	1.3	0.1	—	- 0.1	-100.0
Trainee Living Away From Home Allowance	4.6	4.7	4.8	5.7	+ 0.9	+ 18.7
Vocational Graduate Employment Rebate	—	—	—	1.8	+ 1.8	n.a.
Special Additional Employment Incentive	—	—	—	7.0	+ 7.0	n.a.
Total CRAFT	78.7	84.9	86.6	102.9	+16.3	+ 18.8
Group One-Year Training Scheme	1.7	1.8	1.6	1.9	+ 0.3	+ 18.8
Special Apprenticeship Assistance	0.8	3.3	8.2	4.6	- 3.6	- 43.9
Special Commonwealth/State Trade Training Schemes	0.7	1.2	0.2	0.1	- 0.1	- 43.0
Additional Apprentices in State Establishments	—	3.7	9.6	12.1	+ 2.5	+ 26.0
Support of Group Apprentice Schemes	0.2	0.5	0.6	0.7	+ 0.1	+ 16.7
Total Trade Training	82.1	95.4	106.7	122.2	+15.6	+ 14.6

NOTE: n.a.—not applicable

Through the Commonwealth Rebate for Apprentice Full-time Training (CRAFT) scheme, which was introduced in 1977, the Government meets a significant part of the cost of training apprentices by reimbursing costs incurred by employers in releasing apprentices to undertake technical education and approved off-the-job training. The objectives of CRAFT are to:

- maintain/increase the numbers of apprentices in training;
- maintain/improve the quality of apprentice training;
- reduce wastage through apprenticeship;
- improve productivity through training early in apprenticeship;
- facilitate the transition from school to work by encouraging employers to indenture apprentices who have completed pre-apprenticeship and pre-vocational training courses; and
- assist the apprenticeship employment of those who are required to live away from home.

This is achieved through a variety of employer rebates and incentives, as well as by providing assistance to individual apprentices. Rebates include:

- a Technical Education Rebate for attendance at prescribed basic trade courses in technical and further education institutions; and

- an Off-the-Job Rebate where apprentices are released to attend approved courses involving practical skill training for up to 130 days in the employer's own training establishment or at an approved establishment elsewhere.

Employers can act as a host trainer and provide approved training for other employers' apprentices or firms can form a training co-operative to conduct approved training.

Rebates are set according to the trade concerned, year of apprenticeship and stage of technical education, and range between \$21.90 and \$42.80 per day.

Employers are encouraged by the provision of a \$750 tax exempt rebate known as the Vocational Graduate Employment Rebate to indenture apprentices who are graduates of a trade based pre-employment course provided that:

- apprentices hired after 1 January 1984 are graduates of a trade based pre-employment course;
- the apprentice is subsequently indentured for at least 6 months less than the normal period for that occupation; and
- the apprentice receives credit for at least one stage of the prescribed trade course.

CRAFT also provides payment of living-away-from-home allowances to young people, particularly those in country areas, to pursue trade occupations when adequate training facilities are not available in the vicinity of their homes. Weekly living-away-from-home allowances of \$33 for first year apprentices and \$14 for apprentices in the second year of their apprenticeship are provided. These allowances are taxable.

Special additional employment incentives were introduced in March 1984 to encourage an increase in the numbers of apprentices in 1984. These subsidies, which are tax exempt, include:

- a \$1500 tax exempt payment for every extra apprentice on the employer's payroll at 30 June 1984 over and above the number at 30 June 1983. This applies to all trades and includes apprentices indentured, or employed and subsequently indentured.
- an additional \$750 tax exempt payment (i.e. \$2250 in total) for every extra female apprentice on the payroll at 30 June 1984 over and above the number at 30 June 1983. This applies to all trades except hairdressing and includes apprentices indentured or employed and subsequently indentured. Employers who qualify for this incentive are also eligible for up to another \$1000 if they have to adapt facilities to accommodate female apprentices.

In 1983-84 82 000 rebates were provided with a marked increase in the number of apprenticeships entered into late in 1983-84. It is estimated that assistance will be provided for 87 000 apprentices in 1984-85; allowance is being made for 2 520 000 days of technical education and 561 000 apprentice days-off-the-job-training.

Number of Apprentice-days ('000) funded under CRAFT

	1980-81	1981-82	1982-83	1983-84	1984-85 (est.)
Technical Education	2 493	2 834	3 021	2 442	2 520
Off-the-job Training	997	716	514	489	561
Total	3 490	3 550	3 535	2 931	3 081

A number of other schemes provide for more specific training needs of apprentices. The Group One-Year Apprenticeship Training Scheme provides additional apprenticeship opportunities by using surplus apprentice training capacity in public sector agencies to provide training for first year apprentices indentured to private employers. The costs (including wages) are met in full by the Commonwealth. At the end of the first year, apprentices commence work with their employer. The average cost per apprentice is currently about \$8900. The number of apprentices in training during 1984 is 210, compared to 187 in 1983.

The Special Assistance Program is designed to prevent retrenchment or threatened retrenchment of apprentices due to an employer's changed economic circumstances. A wage subsidy of \$63.70 per week for a junior and \$86.90 for an adult apprentice is payable for up to 17 weeks to the existing employer of an apprentice under threat of retrenchment. Where an employer takes on an out-of-trade apprentice, a subsidy of \$63.70 per week for a junior or \$86.90 per week for an adult apprentice, is paid for 26 weeks. Employers in receipt of assistance under this program are also eligible for CRAFT benefits. Apprentices who are out-of-trade can receive a training allowance for up to 12 months to complete or undertake theoretical or practical training in a technical college and approved off-the-job training centre—apprentices undertaking training may also qualify for a living-away-from-home allowance of \$57.90 per week.

The Special Trade Training Program aims to develop and support new and innovative approaches to trade training and is composed of two elements:

- The mature age apprentices component (over 21 years of age) provides for an acceleration of training in advance of expected skill shortages arising from major resource developments. 69 placements will be made in 1984-85 at a cost of \$0.1m.
- Additional trade based pre-employment course places. Funds are provided to encourage additional trade based pre-employment courses. In 1985, 2600 additional places will be funded over and above those that the States and Territories provide. In 1984, a similar initiative provided for 2500 additional places.

Besides the assistance available under CRAFT, employers may also obtain additional support for group apprenticeship arrangements (i.e. where the indenture is to an industry body rather than a single employer). This scheme is jointly administered with the Commonwealth and States on a \$ for \$ cost sharing basis. It is expected that grants totalling \$0.7m will be paid to employer groups in 1984-85 to underwrite administrative support facilities for 42 group apprenticeship projects—in 1983-84, 35 projects were funded.

Skills Training

The Commonwealth provides assistance for a range of programs outside the trade skills area to help overcome specific skills shortages, to encourage greater flexibility in the labour force, to train and re-train unemployed persons in occupations that are in demand and to encourage industry to identify its requirements and to develop a variety of approaches to changes in the labour market. In 1984-85 the Government will allocate \$36.0m to skill training and this increase of 39.5% over 1983-84 expenditure recognises the need to provide the long term unemployed, people being retrenched, Aborigines, immigrants, women and disabled persons with appropriate training opportunities.

Estimated expenditures on these schemes are set out in the following table:

	1981-82 Actual	1982-83 Actual	1983-84: Actual	1984-85 Estimate	Change	
	\$m	\$m	\$m	\$m	\$m	%
General Training Assistance for Individuals						
• On-the-job	6.5	2.7	1.8	2.2	+ 0.4	+22.2
• In Educational Institutions	2.8	3.3	3.7	5.2	+ 1.5	+40.5
Labour Adjustment Training		1.6	11.2	16.1	+ 4.9	+43.8
'Skills in Demand' Projects	2.5	2.0	2.1	3.0	+ 0.9	+42.9
Industry Training Services	4.5	5.2	6.9	9.5	+ 2.6	+36.8
Total Skills Training	16.3	14.8	25.8	36.0	+10.2	+39.5

General Training Assistance (GTA) is designed to assist industry to meet its requirements for skilled labour, and to assist individuals registered with the Commonwealth Employment Service (CES) who, without training or re-training, would have difficulty in obtaining stable and rewarding employment. GTA aims to provide assistance to individuals with previous labour market experience who have difficulty in obtaining suitable employment because of a lack of appropriate qualifications and/or skills.

GTA for formal courses is available to individuals to provide income support while undertaking formal training away from employment. The allowance is only available for training in occupations where the Department of Employment and Industrial Relations assessment indicates there will be reasonable chance of employment.

Trainees receive an income-tested living allowance which comprises a basic component, equivalent to the rate of unemployment benefit applicable to the persons concerned, and a training component. The training component for adults is \$46.35 per week and for trainees under 18, \$23.20 per week.

Compulsory fees are paid by the Commonwealth and trainees may receive a book and equipment allowance of up to \$375 per year. Trainees may also be eligible for a living-away-from-home/moving allowance or other benefits depending on their circumstances.

GTA on-the-job subsidies are available when a CES office is unable to locate and refer an experienced/qualified job-seeker to a vacancy. The employer may be paid a subsidy to provide training for an eligible person referred by the CES.

The adult rate of subsidy is currently \$89.90 per week and the junior rate is \$63.70 per week. The time period for payment of the subsidy is based on a schedule of maximum training periods for each occupation.

In 1984-85 \$7.4m will be provided for GTA and it is estimated that this will place 4345 persons.

The Labour Adjustment Training Arrangements (LATA) program provides training assistance to workers made redundant in designated instances of large-scale retrenchment. The program is delivered through regional offices of the CES.

Eligibility for assistance is restricted to persons made redundant from industries/firms or in locations designated by the Minister or his delegate, who have either accepted an offer of voluntary resignation, or been retrenched, and who have not obtained full-time permanent employment since that event.

An allowance is paid to these persons while undertaking approved vocational training. The development and provision of training also involves contributions from industry, unions and State governments as well as the Commonwealth.

The training allowance is paid at the level of the individual's unemployment benefit entitlement plus a training component equivalent to that payable under GTA. Books and equipment allowances may also be paid. Assistance under the Living-Away-From-Home Allowance or the Relocation Assistance Scheme may also apply.

The funds for LATA (\$16.1m) are expected to allow for 3800 approvals in 1984-85 compared with \$11.2m and 3701 approvals in 1983-84.

The Skills in Demand program will be maintained at the same level as 1983-84. This program aims to assist industry to overcome skill shortages and/or establish new or improved training arrangements while at the same time providing unemployed people with the training required to obtain stable employment.

Commonwealth assistance may be provided towards course development and running costs and in the form of allowances and subsidies, where trainees are selected from suitable unemployed persons. The extent of this assistance will depend on the nature of the contribution from industry and other government departments.

Expenditure for Industry Training Services in 1984-85 is estimated at \$9.5m compared to \$6.9m in 1983-84. Industry Training Services provide the means for the development of training programs through all sectors of industry and commerce, including small business. Forms of assistance available include grants for the employment of manpower development executives and industrial training officers by industry associations and industry training committees, grants 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 National Training Council and industry training committees. The Council is a tripartite body which advises the Commonwealth Government on the development, operation and promotion of labour force training policies, priorities and programs. In addition, the Council fosters research into labour force training and advises on measures to promote the value of training and the dissemination of information to industry on improved and effective training techniques.

It is estimated that some 110 industry training committees in 20 industry sectors will receive support in 1984-85.

Youth Training

The Transition Allowance is part of a range of policies designed to assist disadvantaged young people (a group characterised by poor standards of education and high levels of unemployment) to undertake full-time vocationally oriented courses which are conducted mainly in Colleges of Technical and Further Education (TAFE). The allowance is equivalent to unemployment benefit plus \$6 a week and payable to eligible participants in approved Transition Allowance eligible courses. The allowance overcomes the previous impediment of loss of unemployment benefit when undertaking full-time education or training. These courses are mainly conducted in TAFE and the majority are funded under the Participation and Equity Program (PEP) which subsumed the former School-to-Work Transition Program. PEP aims to encourage young people over the school leaving age to participate in useful and fulfilling education and training activities in schools and TAFE. The Schools Commission and the TAFE Council of the Tertiary Education Commission administer funds for the program, with the

Department of Education and Youth Affairs exercising a strong co-ordinating role. Close consultation with the Department of Employment and Industrial Relations is maintained at local, regional and federal levels. However the Department's role is primarily confined to post-school activities (mainly TAFE).

PEP funds enable courses to be developed which enrich and expand the range of options available to youth particularly for the less academically inclined, and those currently unemployed. Similar State-funded courses may also be approved as eligible courses.

In order to be approved, courses must be post-secondary and:

- be vocationally oriented and targeted towards the needs of the young unemployed;
- allow the CES a major role in the recruitment and selection of participants; and
- give priority for entry to the longer-term unemployed.

Courses which attract the Transition Allowance currently include:

- pre-apprenticeship courses, which are generally confined to specific trades and result in shortened periods of indenture in those trades;
- pre-vocational (trade-based) courses which are relevant to broad occupational groupings and provide the trainee with skills and allow greater flexibility in seeking employment;
- pre-employment courses which provide skills over a broad range of employment-related activities to enhance employability, flexibility and mobility; and
- the Education Program for Unemployed Youth (EPUY) courses which improve basic literacy, numeracy and social skills and motivation of the young unemployed, particularly those with low or inadequate educational qualifications.

Courses may vary in length from a minimum of 12 to a maximum of 52 weeks.

Participants also receive a books and equipment allowance and may also be entitled to receive moving or living-away-from-home allowances. The CES arranges payment of the allowances and helps with the placement of trainees when the course is completed.

To encourage students to undertake training leading to an apprenticeship, a pre-apprenticeship allowance of \$20 per week is payable to students attending trade-based pre-employment courses at TAFE institutions where a higher allowance from another source is not available.

Details of expenditures for these services are set out in the following table:

	1981-82 Actual	1982-83 Actual	1983-84 Actual	1984-85 Estimate	Change	
	\$m	\$m	\$m	\$m	\$m	%
School to work transition—						
• Education Program for Unemployed Youth, 'Transition' Allowance and TAFE Courses . . .	8.4	11.1	14.1	16.2	+2.1	+14.9
• Books and Equipment Allowance . . .	..	0.3	0.4	0.5	+0.1	+25.0
• Experimental Training Projects . . .	..	0.9	1.0	1.9	+0.9	+90.0
Pre-apprenticeship Allowance . . .	1.2	1.9	3.3	5.0	+1.7	+52.4
Total Youth Training . . .	9.6	14.3	18.9	23.7	+4.9	+25.8

NOTE: Standard and Extended SYETP were previously included in this table but now can be found in the section entitled Wage Subsidy Schemes.

The numbers of young people in receipt of transition allowances in recent years are as follows:

	Transition allowance (including EPUV)	Pre-Apprenticeship allowance	Total
1981-82	12 800	2 900	15 700
1982-83	17 200	5 100	22 300
1983-84	15 600	6 100	21 700
1984-85 (est)	16 800	7 500	24 300

Special Training

A number of services are funded by the Commonwealth to assist job seekers disadvantaged because of mental or physical disability, different social culture or language backgrounds or through being unemployed for lengthy periods.

The following table provides details of funds provided to services to assist in special training:

	1982-83 Actual	1983-84 Actual	1984-85 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Training Programs for--					
Aboriginals	24.6	41.0	50.9	+ 9.9	+24.1
Disabled	6.3	9.8	10.1	+ 0.3	+ 3.4
Special clients	0.8	1.9	2.6	+ 0.7	+35.3
Total	31.7	52.8	63.7	+10.9	+20.7

The Aboriginal Training Program has shown a rapid increase in activity and in the level of funds provided in 1983-84 and proposed for 1984-85. The Program provides for the training and placement of Aboriginals in jobs, so that their work skills will be increased. A number of different kinds of assistance are provided under this program:

- Public sector training provides on-the-job experience for up to twelve months in clerical, semi-skilled and technical areas of Commonwealth and State Government employment. In 1983-84, 3485 placements were made and it is estimated that 3943 placements will be made in 1984-85 at a cost of \$26.7m.
- Training allowances and employee subsidies are also available to encourage employment of unemployed Aboriginal CES registrants. An amount of \$3.6m will be provided in 1984-85 for formal training allowances for an estimated 934 trainees, and wage subsidies to assist 4850 trainees are expected to cost \$17.0m. Special projects are developed where no other forms of training are appropriate. About 700 trainees are expected to be assisted in 1984-85 at a cost of \$2.9m.

Training allowances, employer subsidies and a special work preparation program are available to assist disabled persons whose social, physical or mental handicaps have limited their access to employment. \$10.1m is to be provided in 1984-85, which represents an increase of \$0.3m over funds provided in 1983-84. 4756 placements are expected to be made under this program in 1984-85.

Assistance is also provided for those considered to have special disabilities which place them at a disadvantage when competing in the labour market, such as ex-prisoners, non-English speaking migrants or wards of the State. In 1984-85, 2338 special needs trainees are expected to be assisted at a cost of \$2.6m, an increase of \$0.7m over 1983-84.

Employment Services

Outlays under this heading relate mainly to identifiable administrative expenditure of the CES, which provides a nation-wide job placement, career reference and advisory service through 248 local offices, 60 branches, 10 seasonal offices, and 146 agencies. Work Information Centres have continued to be introduced. In 1983-84, 45 were established and 75 are expected to be established in 1984-85. The CES also provides the administrative support for the Commonwealth's employment and training programs, including the selection of trainees from among CES registrants. During 1983-84 there was increased placement activity by the CES as a result of the expansion of programs. The CES processed 1 978 314 registrants and assisted in 588 791 placements, and 241 436 participants were approved for employment and training programs. Expenditure on the CES in 1983-84 was \$123.3m and it is expected to increase to \$139.4m in 1984-85. This increase includes provision for computerisation of a number of areas which will provide better services for clients.

Assistance to the Steel Regions

A number of projects were approved and some commenced in 1983-84 to widen the range of options available for future industrial developments in the Illawarra, Hunter and Whyalla regions. In 1983-84 a total of \$9.8m was expended and in 1984-85 it is expected that \$22.8m will be spent to assist in the development of infrastructure to provide new employment opportunities in steel regions. An amount of \$1.3m is provided under this function for projects to assist the Whyalla region. (The remaining \$21.5m being provided for this purpose is classified under other functions and sub-functions including Education, 'Transport and Communication', 'Water Supply, Electricity and Gas', and 'Industry Assistance and Development'.)

Administration

The administrative costs of the employment and youth functions of the Department of Employment and Industrial Relations are estimated at \$100.7m for 1984-85. The increase of \$14.7m over 1983-84 reflects the growth in program activities and the continuation in the growth of activities of the Bureau of Labour Market Research. Identifiable administrative costs relating to the Department's industrial relations responsibilities and CES administrative costs are included in the 'Industrial Relations' and 'Employment Services' sections set out earlier.

IMMIGRATION

Migration Program

The migration program for 1984-85 will be held to a ceiling of 74 000 visaed migrants with the need for an increase in the ceiling to be reviewed in the light of economic circumstances. Significant elements of the program are the expected arrival of 14 000 persons in the refugee and special humanitarian categories, 42 000 in the family reunion category and 15 500 in the skilled labour and business categories. (Because of high unemployment levels less reliance is now being placed on the migration program as a source of skilled workers.) These estimates exclude New Zealand citizens, who are not subject to migrant selection processes.

Provision is made for a target of 12 000 assisted passages for refugees at a cost of \$8.7m in 1984-85. This includes the cost of transporting refugees from the port of arrival in Australia to migrant centres and private accommodation. The estimate reflects significantly higher average travel costs associated with the change in the country of source composition of refugee immigration. There is to be a greater diversity of refugee sources with an increased emphasis on refugees from Central and South America and the Middle East. Contributions to the net operating costs of migrant centres managed by the Commonwealth Accommodation and Catering Services Ltd in 1984-85 are estimated to be \$15.2m—a decrease of \$1.0m. The decline in the number of migrants seeking centre accommodation and the trend towards shorter stays in the centres has resulted in some savings, but these savings have been partially offset by increased costs, including wages and income maintenance/redundancy payments.

Administration

Outlays under this heading relate to the administrative expenditures of the Department of Immigration and Ethnic Affairs. The increase of \$11.0m in 1984-85 results from increased salary costs (\$5.4m), new computer and telephone equipment (\$3.0m) and other minor administrative cost increases.

Recoveries

Following the termination of the Assisted Passage Scheme in 1981, no further recoveries from contributions by assisted migrants are expected. The major components of the increase of \$2.5m in 1984-85 are the full year effect of the decision in 1983-84 to introduce a new administrative charge in relation to work permits for temporary residents (\$2.3m in 1984-85) and increases in other fees and charges (\$0.5m) for services provided by the Department.

E. OTHER ECONOMIC SERVICES

This grouping covers outlays on economic services provided by the Commonwealth which are not readily classified to 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, as well as administrative expenses, not directly identifiable with specific industries or groups of industries.

	1982-83 Actual	1983-84 Actual	1984-85 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Economic and Trade Regulation—					
Patent, Trade Marks and Designs Office (net)	1.1Cr	1.9Cr	3.4Cr	- 1.5	-79.2
Industries Assistance Commission (net)	9.0	9.2	11.3	+ 2.1	+22.9
Trade Practices (net)	5.4	6.5	7.5	+ 1.0	+15.4
Prices Surveillance	0.8	0.8	1.3	+ 0.5	+68.0
Consumer Protection	0.1	0.8	1.0	+ 0.2	+30.6
National Companies and Securities Commission	1.7	2.2	2.4	+ 0.3	+11.6
Other (net)	1.0	1.0	1.1	+ 0.1	+14.7
Total	16.9	18.5	21.3	+ 2.8	+15.0
Specialised Activities—					
Meteorological Services (net)	47.9	48.6	56.4	+ 7.8	+16.0
National Mapping (net)	13.4	13.2	14.8	+ 1.6	+12.0
Snowy Mountains Engineering Corporation	—	4.0	2.0	- 2.0	-50.0
Total	61.3	65.8	73.2	+ 7.4	+11.2
General Administration and Other Expenditure (net) (a)	20.3	23.3	28.7	+ 5.4	+23.4
TOTAL OTHER ECONOMIC SERVICES	98.5	107.6	123.2	+15.6	+14.5

ECONOMIC AND TRADE REGULATION

Outlays for the regulatory bodies listed under this heading mainly comprise salaries and administrative expenditure.

Patent, Trade Marks and Designs Office

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.

Direct expenditure of \$18.1m by the Office in 1984-85 (an increase of \$3.7m on 1983-84) will be more than offset by recoveries of \$21.5m, following the Government's decision to institute full cost recovery (including costs not charged to the Office for office accommodation and accruing employer superannuation liabilities).

Estimated expenditure in 1984-85 is mainly for salaries (\$13.0m), with the balance comprising administrative expenses (\$4.4m), plant and equipment (\$0.4m) and membership of international organisations (\$0.4m). Apart from salary and general cost

increases, the increase in expenditure in 1984-85 reflects the development costs (\$2.3m in 1984-85) of new computer based systems designed to improve efficiency and management in the Office.

Industries Assistance Commission (net)

The Industries Assistance Commission (IAC) inquires into and reports on assistance to industries and related matters which are referred to it by the Government in accordance with the *Industries Assistance Commission Act 1973*.

Following its consideration of a review of the IAC by Mr J. Uhrig, the Government announced on 7 June 1984 certain changes to its role and methods of operation. Enabling legislation is expected to be introduced into the Parliament in the Budget Session. The provision for 1984-85 is \$2.1m above expenditure in 1983-84, reflecting an upgrading of the IAC's computing facilities and the full-year effects of the National Wage Case decisions in October 1983 and April 1984.

Trade Practices (net)

This item includes the activities of the Trade Practices Commission and the Trade Practices Tribunal. The Commission administers the *Trade Practices Act 1974*, which proscribes certain restrictive trade practices and provides for consumer protection. The Tribunal considers appeals against determinations by the Commission relating to the authorisation of restrictive trade practices or the revocation of such an authorisation. The increase of \$1.0m in planned expenditure in 1984-85 reflects the full-year effects of National Wage Case decisions and a small increase in staff numbers for the Commission.

Prices Surveillance

Outlays under this item in 1984-85 relate to the salaries and administrative expenses of the Prices Surveillance Authority (PSA), which commenced operations on 19 March 1984. The Authority monitors and reports to the Government on price levels in key areas of the economy. Expenditure in earlier years consisted of the operational costs of the Petroleum Products Pricing Authority, whose functions were subsumed by the PSA. The \$0.5m increase in outlays in 1984-85 reflects the full-year cost of the newly established Authority.

Consumer Protection (net)

The 1984-85 estimate for this category includes the salaries and administrative expenditures of the Department of Home Affairs and Environment on consumer affairs matters. It also makes provision for a grant-in-aid of \$0.2m to the Australian Federation of Consumer Organisations for the co-ordination of consumer affairs bodies in Australia. The small increase in outlays in 1984-85 is due mainly to increased salaries and associated payments for the Consumer Affairs Division of the Department of Home Affairs and Environment.

National Companies and Securities Commission

The Commission administers a uniform scheme for the regulation of companies and securities matters, including the Commonwealth's Companies legislation and counterpart State laws. The Commonwealth contributes half the funds required by the Commission and the States provide the balance in proportion to their populations. The increase in the Commonwealth's contribution in 1984-85 is due to price and wage

increases, and the full-year costs of the newly established Companies and Securities Law Review Committee and the Accounting Standards Review Board.

Other (net)

The major item included in this category is administrative and operational expenditures by the National Standards Commission (\$1.0m).

SPECIALISED ACTIVITIES

Meteorological Services (net)

Included in this category are the activities of the Commonwealth Bureau of Meteorology (\$74.3m) and the Ionospheric Prediction Service (\$1.6m), less amounts recovered for Bureau services (\$19.4m).

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 1984-85 is mainly for salaries (\$46.9m), administrative expenses (\$12.8m) and operational expenses (\$8.6m). The provision for plant and equipment in 1984-85 (\$3.5m) is \$1.0m more than expenditure in 1983-84 due to the high priority accorded to new equipment acquisitions.

The Ionospheric Prediction Service (IPS) provides predictions on the state of the ionosphere for users of radio communications systems, including the Defence Services, Telecom Australia and the Overseas Telecommunications Commission. Estimated expenditure by the IPS of \$1.5m in 1984-85 is mainly for salaries and administrative expenses.

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 1984-85 are estimated at \$56.4m, compared with \$48.6m in 1983-84 (up 16.0%).

National Mapping (net)

An amount of \$14.8m (net of revenue) has been provided for the Division of National Mapping of the Department of Resources and Energy. This includes \$1.7m (net) for the operation of the Australian LANDSAT Station, including \$0.1m to examine a proposal to upgrade this facility. The administration of LANDSAT was transferred to the Division from the Department of Science and Technology on 1 March 1984.

Snowy Mountains Engineering Corporation

The 1984-85 estimates include \$2m to provide the Corporation with increased capital to assist in the restructuring necessary to overcome its recent financial difficulties.

GENERAL ADMINISTRATION AND OTHER EXPENDITURE (NET)

The estimates for 1984-85 relate to the operating and capital costs (other than those allocated to specific regulatory functions) of the Department of Resources and Energy (\$18.7m) and the productivity development functions of the Department of Science and Technology (\$9.8m). The expected increase in expenditure in 1984-85 is due largely to increases in the salary and administrative costs of these two Departments.

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 Australian Capital Territory House of Assembly and the Australian Electoral Commission. Commonwealth outlays on legislative activities for 1984-85 are estimated at \$306.9m, an increase of \$106.7m or 53.3% on 1983-84.

	1982-83 Actual	1983-84 Actual	1984-85 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Governor-General's Office and Other Official Establishments	3.9	4.1	4.9	+ 0.7	+ 17.7
Parliamentary Expenditure—					
Salaries and Allowances of Senators and Members	26.4	20.8	20.3	- 0.5	- 2.4
Other (net)	71.7	79.6	98.6	+ 18.9	+ 23.8
Parliament House Construction Authority	55.4	62.5	111.8	+ 49.3	+ 78.8
ACT House of Assembly	0.5	0.8	1.0	+ 0.2	+ 27.1
Australian Electoral Commission	40.5	32.4	70.4	+ 38.0	+117.5
TOTAL LEGISLATIVE SERVICES	198.4	200.2	306.9	+106.7	+ 53.3

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 \$1.5m in the estimate of benefits payable under the *Parliamentary Contributory Superannuation Act 1948* which is partly offset by an increase in Parliamentary salaries and allowances as a result of Remuneration Tribunal Determinations.

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 \$18.9m in 1984-85. Higher salary and allowance payments which account for \$9.8m of this increase mainly reflect the Government's decision that Senators and Members be provided with an additional Electorate Assistant from 1 July 1984, and increased staffing levels in the Parliamentary departments, together with the full-year impact of National Wage Case decisions. Administrative expenses under this item increased by \$9.2m reflecting the increase in staff numbers and cost increases. Provision is also made for the Government's decision to allow Ministers to engage consultants under the *Members of Parliament (Staff) Act 1984*.

Parliament House Construction Authority (PHCA)

Outlays under this item include an amount of \$2.8m for the administrative costs of the PHCA, \$14m for architectural and professional fees and \$82m for construction of the new Parliament House. In addition, an amount of \$10m will be provided in 1984-85

for non-building items and \$3m will be provided for general services associated with the project. The increase in outlays over 1983-84 reflects progress on the project as construction gathers momentum and the commencement in 1984-85 of extensions to the building (estimated total cost \$41.7m) to provide accommodation for additional Members and Senators following passage of the *Representation Act 1983* and the *Commonwealth Electoral Legislation Amendment Act 1983*.

Australian Electoral Commission (AEC)

Provision is made under this heading for outlays of the AEC for the administration of the *Commonwealth Electoral Act 1918*, the conduct of Commonwealth elections and referendums and industrial elections. The increase of \$38.0m mainly reflects provision being made for a possible Federal Election in 1984-85 (\$29.3m) together with a full habitation review for electoral roll maintenance purposes (\$2.8m) and, for the first time, the public funding of election expenses (\$8.0m). The increase also allows for costs associated with the setting up and operation of twenty-three new AEC divisional offices following the increase in the size of the Parliament.

B. LAW, ORDER AND PUBLIC SAFETY

Commonwealth outlays on law, order and public safety functions for 1984-85 are estimated at \$432.3m, an increase of \$56.3m or 15.0% on 1983-84.

	1982-83	1983-84	1984-85	Change	
	Actual	Actual	Estimate	\$m	%
Courts and Legal Services—					
High Court	4.3	4.7	5.3	+ 0.6	+11.9
Federal Court	5.9	7.0	9.0	+ 2.0	+28.8
Family Law	19.2	21.4	26.9	+ 5.4	+25.4
Courts of the ACT	2.5	2.9	3.3	+ 0.3	+12.0
Bankruptcy Administration	5.8	6.7	8.7	+ 2.0	+29.8
Australian Government Solicitor	13.1	15.4	18.7	+ 3.3	+21.3
Australian Law Reform Commission	1.4	1.8	2.5	+ 0.7	+37.4
Legal Aid	57.8	65.5	76.2	+10.7	+16.4
Protection of Human Rights	1.8	2.5	4.5	+ 2.0	+82.5
Total	111.8	128.0	155.0	+27.1	+21.2
Police, Security and Criminology—					
Security and Intelligence Organisations	39.9	54.0	57.8	+ 3.8	+ 7.0
Police and Prison Services	109.8	119.2	134.4	+15.2	+12.8
Other	10.5	24.8	29.1	+ 4.3	+17.3
Total	160.3	198.0	221.3	+23.3	+11.8
Attorney-General's Department—					
General Administration and Other Expenditure	30.9	34.3	38.4	+ 4.2	+12.1
Reporting Service	7.9	8.6	10.2	+ 1.5	+17.9
Total	38.8	42.9	48.6	+ 5.7	+13.3
Public Safety and Protection—					
Road Safety	1.6	2.3	2.9	+ 0.5	+23.1
Other	8.2	9.8	10.5	+ 0.7	+ 7.4
Total	9.7	12.1	13.4	+ 1.3	+10.4
Building, Works and Equipment, nec.	7.3	6.1	2.3	- 3.8	-62.8
Recoveries	7.6Cr	11.0Cr	8.2Cr	+ 2.7	+25.0
TOTAL LAW, ORDER AND PUBLIC SAFETY	320.4	376.0	432.3	+56.3	+15.0

COURTS AND LEGAL SERVICES

High Court

Under the *High Court of Australia Act 1979* the High Court is the ultimate court of appeal in Australia. An amount of \$5.3m is provided in 1984-85 for the operations of the Court in Canberra and the States and includes an amount of \$0.8m for salaries and allowances of Justices and \$2.3m for salaries and allowances of administrative staff. The increase of \$0.6m or 11.9% over 1983-84 outlays reflects increases in salaries and allowances and additional administrative costs.

Federal Court

The Federal Court of Australia established by the *Federal Court of Australia Act 1976* is a superior court of record and a court of law and equity with both an original and an appellate jurisdiction. An amount of \$9.0m is provided in 1984-85 for the operations of the Court, of which \$2.6m relates to salaries and allowances for Judges and

\$4.7m for salaries and allowances of administrative staff. The increase of \$2.0m or 28.8% over 1983-84 outlays includes provision for increased salaries and allowances for Judges and administrative staff and additional administrative costs.

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 \$26.9m in 1984-85 includes an amount of \$3.6m which relates to salaries and allowances for Judges and \$12.1m for salaries and allowances for administrative staff. In addition an amount of \$3.4m is provided for reimbursement to Western Australia of the costs of running the State Court and \$4.0m for reimbursement to other States for the cost of performing certain family law services on behalf of the Commonwealth.

The increase of \$5.4m or 25.4% over 1983-84 outlays reflects increases in salary and wages costs and general increases in other administrative costs and provision for increased staffing and security arrangements for the Family Courts and for the establishment of a pilot scheme for Family Law Centres.

Courts of the Australian Capital Territory

An amount of \$3.3m, an increase of \$0.3m or 12.0% on 1983-84 outlays, is provided in 1984-85 for the operations of the Australian Capital Territory 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 \$8.7m is included in 1984-85 for the administration of bankruptcies. The increase of \$2.0m or 29.8% on 1983-84 outlays includes provision for increased salary and wages costs and additional administrative costs.

Australian Government Solicitor

An amount of \$18.7m, an increase of \$3.3m or 21.3% over 1983-84 outlays, is being provided in 1984-85 to the Australian Government Solicitor's Regional Office for legal work for the Commonwealth Government and statutory authorities. This provision includes \$16.0m for salaries and allowances and \$2.7m for administrative costs.

Australian Law Reform Commission

An amount of \$2.5m, an increase of \$0.7m or 37.4% over 1983-84 outlays, is being provided in 1984-85 for the operations of the Australian Law Reform Commission. The increase arises mainly from salary and wages costs and additional administrative costs.

Legal Aid

The provision for legal aid in 1984-85 is \$76.2m, \$10.7m or 16.4% higher than 1983-84 expenditure. This provision includes \$12.3m for Aboriginal legal aid and \$1.1m 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 76 000 people received legal aid in 1983-84, 15 500 through the services of salaried lawyers and 60 500 through referrals to private practitioners. It is expected that some 83 600 people will receive legal aid in 1984-85.

The provision of \$12.3m in 1984-85 for the Aboriginal legal aid program represents a 12.5% increase on 1983-84 and is to support 18 Aboriginal Legal Services providing advice, representation and related services for an estimated 85 000 cases. The Services employ 218 Aboriginals and 96 non-Aboriginals.

The increase of \$10.7m in 1984-85 for legal aid mainly reflects the expected increase in the number of cases, in wages and salaries and in fees of private legal practitioners and includes \$8.3m for the New South Wales Legal Aid Commission to take over the operations of the Australian Legal Aid Office in New South Wales during 1984-85.

Protection of Human Rights

The estimate of \$4.5m in 1984-85 provides for the operations of the Human Rights Commission which was established under the *Human Rights Commission Act 1981*. The increase of \$2.0m or 82.5% over 1983-84 expenditure arises mainly from increases in salary and wages costs and increases in staffing levels. In addition increased funding has been provided to facilitate the implementation of the *Sex Discrimination Act 1984* on 1 August 1984.

POLICE, SECURITY AND CRIMINOLOGY

Security and Intelligence Organisations

This provision, which represents an increase of 7.0% on 1983-84 outlays, includes expenditure for the Australian Security Intelligence Organisation (ASIO) (\$40.5m), the Australian Secret Intelligence Service (ASIS) (\$14.5m), and the Office of National Assessments (\$2.8m).

The expenditure for ASIO includes \$7.8m by the National Capital Development Commission for new offices for ASIO, and within ASIO's one-line appropriation of \$32.7m, costs related to the provision of equipment for the Organisation's new building in Canberra, staff movement to Canberra and the continued development of an office automation system.

The provision for ASIS, a reduction of \$2.6m on 1983-84 expenditures, includes funds for the residual costs of the move of ASIS headquarters during 1983-84.

Police and Prison Services

This item includes \$130.9m for the operations of the Australian Federal Police (AFP), \$1.3m for anti-terrorist equipment and training for Australian police forces and \$1.6m for the care of Australian Capital Territory prisoners in New South Wales institutions under the *Removal of Prisoners (Australian Capital Territory) Act 1968*. The

increase of \$15.2m under this heading mainly reflects an increase in the number of police officers and support staff to be employed by the AFP, partly to allow the provision of added police protection for Judges of the Family Court of Australia.

Also included in this increase is an additional \$3.5m for civil coastal surveillance which is the AFP's share of the costs of the program. The amount will facilitate the upgrading of the civil coastal surveillance program and provide for the establishment within the AFP of a new Coastal Protection Unit to co-ordinate Australia's civil coastal surveillance activities. Responsibility for co-ordination had previously been with the Department of Transport.

The civil coastal surveillance program 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. These figures include Defence consumables (fuel, lubricants and stores—\$7.8m in 1984-85) and civil contractor services (\$7.6m in 1984-85) but exclude the cost of Defence Force personnel and equipment which provide much of the surveillance effort under the program.

Other

In recognition of the Government's policy to eliminate the tax avoidance industry and minimise tax evasion an amount of \$8.7m has been provided in 1984-85 for the Director of Public Prosecutions, which will take on all the functions of the previous Office of the Special Prosecutor during 1984-85. An amount of \$1.6m has been provided in 1984-85 for the Office of the Special Prosecutor to enable it to finalise outstanding investigations.

Also included are the Institute of Criminology (\$2.0m) and various Royal Commissions and Inquiries and 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. This item also includes an additional provision of \$7.3m for salary and administrative costs associated with the new National Crime Authority (NCA). The NCA, established on 1 July 1984, is to investigate matters which require powers normally beyond those available to the police and as such will lead and co-ordinate operations on a national basis against organised crime.

In general, the servicing of Royal Commissions, Commissions of Inquiry and the like is undertaken by the Department of the Special Minister of State. Total identifiable costs are set out below:

	Expenditure to 30 June 1984	Estimate 1984-85	Total
	\$	\$	\$
Royal Commission on the Activities of the Federated Ship Painters and Dockers Union	12 432 000	1 468 000	13 900 000
Royal Commission of Inquiry into Drug Trafficking/Activities of the Nugan Hand Group	7 104 000	1 591 000	8 695 000
Review of the National Capital Development Commission	417 000	—	417 000
Independent Inquiry into Government Laboratory Services and Facilities	833 000	—	833 000
Review of Customs Administration and Procedures	218 000	—	218 000
Review of the proposed legislation on Income and Assets Test	65 000	41 000	106 000
Royal Commission on Australia's Security and Intelligence Agencies	1 790 000	620 000	2 410 000
Royal Commission on the Use and Effects of Chemical Agents on Australian Personnel in Vietnam	1 867 000	1 649 000	3 516 000
Independent Inquiry into Aviation Cost Recovery	211 000	286 000	497 000
Independent Review of the operation of the Local Government (Personal Income Tax Sharing) Act 1976	—	926 000	926 000
Committee of Review of the Australian Institute of Multicultural Affairs	259 000	—	259 000
National Road Freight Industry Inquiry	900 000	205 000	1 105 000
Independent Inquiry into Transport Services in the Northern Territory	177 000	—	177 000
Commission of Inquiry to determine appropriate compensation to be paid to former defendants in the Social Security Conspiracy Case	147 000	499 000	646 000
Review of Allegations Against Telecom	121 000	90 000	211 000
Committee of Review on Offsets	—	331 000	331 000
Royal Commission into British Nuclear Tests in Australia	—	1 416 000	1 416 000
Joint Task Force on Security of Wharves and Containers	11 000	5 000	16 000
Task Force to review Defence Force and Australian Public Service housing programs	—	100 000	100 000
Inquiry into circumstances surrounding the making of a customs declaration	—	68 000	68 000
	26 552 000	9 295 000	35 847 000

Costs of 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

An amount of \$38.4m, an increase of \$4.2m or 12.1% on 1983-84 outlays, is provided in 1984-85 for administration costs of the Attorney-General's Department. The increase reflects the full-year effect of increases in salary and wages costs and general increases in administrative costs. Included in this amount is \$2.0m for acquisition of a site at Parramatta, New South Wales, for construction of a law courts building.

Reporting Service

The Commonwealth Reporting Service is responsible for reporting proceedings of federal courts and tribunals and government inquiries. The expected outlays of \$10.2m in 1984-85 (up \$1.5m or 17.9% on 1983-84 outlays) are comprised primarily of salaries and allowances (\$8.8m).

PUBLIC SAFETY AND PROTECTION

Road Safety

The provision for 1984-85 of \$2.9m, an increase of \$0.5m over 1983-84 outlays, is to fund a number of new Commonwealth initiatives in road safety promotion and research. The estimates also provide \$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 Australian Capital Territory Fire Brigade (\$7.0m), fire protection services for Commonwealth property (\$2.7m) and amounts for bush fire prevention and control in the Australian Capital Territory (\$0.6m).

BUILDING, WORKS AND EQUIPMENT, NEC

Expenditure under this heading relates mainly to the construction and refurbishing of Commonwealth Law Courts in the States and police facilities in the Australian Capital Territory. The net reduction of \$3.8m over 1983-84 relates to the completion of the Hobart Law Courts building. The Government has agreed to design development proceeding in 1984-85 on the Parramatta, New South Wales and Perth, Western Australia Law Courts complexes that are expected to cost \$14.5m and \$28.5m respectively.

RECOVERIES

Included under this heading are court fees of the High Court, Federal Court and Family Court (\$4.8m); revenues of the Australian Government Solicitors' Offices, comprising mainly fees charged to Commonwealth statutory authorities and commercial undertakings for services rendered and debt recovery (\$1.2m); payments by statutory authorities for fire protection services (\$0.8m); and fees charged for the provision of computer services (\$0.8m).

C. FOREIGN AFFAIRS, OVERSEAS AID AND EXTERNAL TERRITORIES

Total outlays on foreign affairs, overseas aid and external territories (referred to elsewhere in the budget documentation as 'Foreign Affairs and Overseas Aid') are estimated to increase by 8.7% to \$1261.6m in 1984-85. Expenditures in this area are mainly directed towards policies designed to promote relations with overseas countries and to assist in the economic and social development of developing countries; expenditure on external territories is relatively small. Official Development Assistance (ODA) accounts for the greater share (77%) 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 1984-85*.

	1982-83 Actual	1983-84 Actual	1984-85 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Aid Payments—					
Bilateral Aid—					
Papua New Guinea	275.9	302.1	314.1	+12.0	+ 4.0
Projects, Technical Co-operation and Related Activities	154.5	183.3	198.5	+15.2	+ 8.3
Training	26.8	29.9	34.2	+ 4.3	+14.6
Contribution for Students from Developing Countries (a)	86.3	95.0	98.6	+ 3.6	+ 3.8
Food Aid	69.6	70.1	58.5	-11.6	-16.6
Other	29.2	33.1	48.5	+15.4	+46.5
Total Bilateral Aid	642.3	713.5	752.5	+38.9	+ 5.5
Multilateral Aid—					
International Development Finance Institutions	67.1	102.7	99.3	- 3.4	- 3.3
UN Programs, Regional and Other International Organisations	93.0	81.6	108.8	+27.1	+33.2
Total Multilateral Aid	160.1	184.3	208.1	+23.7	+12.9
Aid Administration	10.9	11.3	13.1	+ 1.8	+16.2
Total Aid	813.3	909.2	973.7	+64.5	+ 7.1
Membership of International Organisations and Other Non-Aid Expenditure	40.8	39.6	43.6	+ 4.0	+10.1
External Territories	5.2	6.7	12.4	+ 5.7	+84.5
General Administration Expenditure	193.2	212.2	235.5	+23.3	+11.0
Recoveries and Repayments	8.0Cr	7.4Cr	3.6Cr	+ 3.9	+52.1
TOTAL FOREIGN AFFAIRS, OVERSEAS AID AND EXTERNAL TERRITORIES (b) (c)	1 044.6	1 160.2	1 261.6	+101.3	+ 8.7

(a) The net cost to the Commonwealth of educating students from developing countries within Australia is identified for the first time in this year's budget. To assist in comparisons, the figures for 1982-83 and 1983-84 have also been adjusted to incorporate this item.

(b) Referred to elsewhere in Budget documentation as 'Foreign Affairs and Overseas Aid'.

(c) 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 \$973.7m is provided for expenditure on overseas aid and aid administration in 1984-85. Total aid is estimated to increase by 7.1% on 1983-84 expenditure similarly adjusted for the inclusion of the Contribution towards the Education of Students from Developing Countries. Taking into account certain other aid-related expenditures which are detailed below in 'Assistance Additional to Aid Payments', total assistance to developing countries in 1984-85 is estimated to be \$994.0m.

This figure excludes some additional indirect assistance, such as through the Export Finance and Insurance Corporation which provides financing, in certain circumstances, of exports of capital goods on concessional terms.

BILATERAL AID

Papua New Guinea

An amount of \$314.1m is provided for expenditure on aid to or on behalf of the Papua New Guinea Government. This is an increase of \$12.0m or 4.0% on the assistance provided in 1983-84.

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. Using this revised base level, the rates at which budget support grants would decline in real terms in the following three years were 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 \$299.0m in 1984-85, an increase of \$10.9m over 1983-84. Budget support under the five-year aid agreement is now expected to total \$1394.4m. The new agreement also provides for a reduction in the level of assistance in certain circumstances.

Expenditure on the provision of education and technical assistance under the Papua New Guinea—Australia Technical Co-operation Program is estimated at \$3.0m in 1984-85, an increase of \$0.6m over 1983-84. 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 1984-85 is \$12.1m, an increase of \$0.5m on 1983-84 expenditure.

Projects, Technical Co-operation and Related Activities

Expenditure under this heading is estimated at \$198.5m in 1984-85, an increase of \$15.2m on 1983-84 expenditure. The major component consists of 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 \$153.2m is to be provided in 1984-85 for bilateral projects and technical assistance, compared with \$142.0m in 1983-84.

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 \$8.7m compared with \$9.3m in 1983-84. An amount of \$7.7m, an increase of \$1.3m on 1983-84, has been provided for the Australian Staffing Assistance Scheme, under which Australia subsidises the salaries of Australians employed by the governments of developing countries.

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 \$0.2m on 1983-84. Funding for the co-financing of projects in association with the World Bank is expected to increase from \$9.9m in 1983-84 to \$14m in 1984-85. An amount of \$1.3m has been allocated in 1984-85, mainly for the installation and maintenance 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.

Assistance of \$0.5m will be provided to a new program, the Women in Development Fund. This program will be used to stimulate projects that are specifically designed to meet the needs of women in developing countries.

Training

Expenditure in 1984-85 on training programs (excluding expenditure in respect of Papua New Guinea and under the 'Contribution towards the Education of Students from Developing Countries' heading) is estimated at \$34.2m, an increase of \$4.3m on 1983-84.

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 \$7.2m 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 \$0.8m is provided for the payment of visa-related charges of private South Pacific students.

Contribution towards the Education of Students from Developing Countries

The net cost to the Commonwealth of educating students from developing countries in Australia is identified in the budget for the first time this year. This is in line with the relevant recommendations of both the Goldring and Jackson Committees' Reports that the assistance provided to such students be identified as overseas development assistance.

An amount of \$98.6m has been provided for this purpose for 1984-85. It reflects an estimated gross cost of \$129.3m less \$30.7m collected in student charges paid by or for students from developing countries. It includes \$95.8m (net) for tertiary students and \$2.8m for secondary students.

Corresponding estimates have been made for 1982-83 and 1983-84. It is estimated that this net contribution by the Commonwealth will increase in 1984-85 by \$3.6m.

The amounts thus appropriated are to be paid by the Australian Development Assistance Bureau to the Department of Education and Youth Affairs, and they appear elsewhere in this Statement as offsets to Education outlays.

Food Aid

Expenditure on bilateral food aid, including food security measures, in 1984-85 is estimated at \$58.5m, a decrease of \$11.6m on 1983-84.

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 1984-85. Of this, 200 000 tonnes or 50% will be given bilaterally and the remaining 50% will be contributed to the World Food Programme (WFP) (see heading 'United Nations Programs, Regional and Other International Organisations'). In 1983-84, 60% of the FAC commitment was delivered under the bilateral program.

The cost in 1984-85 of food grain provided bilaterally under the FAC, including a small component for monitoring, is estimated at \$33.2m. A provision of \$4.1m has also been made for certain handling and freight costs. This compares with \$43.7m for grain and \$6.1m for freight in 1983-84.

In addition to the 400 000 tonne commitment, a minimum of 50 000 tonnes of food grain aid, valued at \$14.2m including freight, will be given on a bilateral basis to the International Emergency Food Reserve (IEFR) in 1984-85. The IEFR is an international facility administered by the WFP and the United Nations Food and Agriculture Organisation (FAO) providing food for emergency situations. Other bilateral food aid consists of \$5.5m for non-grain food aid items, such as milk powder and high protein biscuits.

Expenditure on food security in 1984-85 will amount to \$1.5m, down \$0.5m on 1983-84 expenditure. These funds will be used to support projects in developing countries aimed at increasing food production and improving storage, handling and marketing of food stocks.

Other Bilateral Aid

An estimated \$8.7m is to be provided for emergency humanitarian relief in 1984-85, 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. In 1983-84, \$17.4m was spent on this item including assistance to Africa and Lebanon.

The Australian Centre for International Agricultural Research Trust Account will receive an estimated \$10.5m in 1984-85 compared with \$7.0m in 1983-84. Expenditures from the trust account are expected to increase to \$13.9m in 1984-85 from \$5.9m in 1983-84. 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.

An amount of \$16m has been allocated to the Development Import Finance Facility to enable 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. The amount represents an estimated increase of \$15.1m on 1983-84 expenditure. This increase reflects an expected rise in the number and size of successful tenders by Australian exporters.

Support for voluntary aid organisations is estimated at \$8.8m in 1984-85, principally to Australian voluntary organisations. This compares with expenditure of \$8.3m in 1983-84.

Also included under this heading is Australia's contribution of \$0.7m over two years to help defray the costs incurred by the Government of Tuvalu in holding the 1984 South Pacific Forum. Some \$0.4m of this amount was provided in 1983-84 and the remainder, \$0.3m, is to be provided this year.

An amount of \$0.6m has been allocated to a new program of Development Studies and Research. This program was endorsed by the Jackson Committee and will support research projects in fields relevant to development.

MULTILATERAL AID

The Commonwealth helps to support a number of international organisations, including development finance institutions, United Nations agencies and various regional organisations. Payments in 1984-85 are estimated at \$208.1m, an increase of \$23.7m or 12.9% over 1983-84.

International Development Finance Institutions

Australia provides significant support for the lending activities of international finance institutions both as capital contributions and contributions for concessional funding activities organised through these institutions. Financial support in such cases 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 1984-85 is estimated at \$99.3m, compared with \$102.7m in 1983-84. This expenditure is mainly due to drawdowns against promissory notes lodged with the International Development Association (IDA) of \$60m in 1984-85 compared with \$70.1m in 1983-84. Those with the Asian Development Fund (ADF) are expected to be \$15.5m in 1984-85 compared with \$12.8m in 1983-84. Other estimated payments are capital contributions to the International Bank for Reconstruction and Development (IBRD) of \$11.7m, \$9.6m to the Asian Development Bank (ADB), including \$2.4m for the ADB's Third General Capital Increase, and contributions to the International Fund for Agricultural Development (IFAD) of \$2.5m.

After allowing for payment of the 1984-85 provisions, total outstanding obligations in future years to these organisations will be \$506.3m. The amounts, which will be drawn down over a number of years, comprise \$323.9m for the ADB (including \$291.8m for the ADF, its concessional lending affiliate), \$173.4m for the IBRD (including \$161.6m for IDA, its concessional lending affiliate), and \$9.0m for IFAD.

United Nations Programs, Regional and Other International Organisations

Total payments under this heading are estimated at \$108.8m, an increase of \$27.1m on 1983-84.

Multilateral food aid contributions under the World Food Programme (WFP) are to rise substantially, from \$32.8m in 1983-84 to \$53.5m in 1984-85, due to three factors. First, there will be an increase in the volume of food grain provided from 160 000 tonnes in 1983-84 to 200 000 tonnes in 1984-85 or from 40% to 50% of the Food Aid

Convention (FAC) commitment. The cost of the grain in 1984-85 is estimated at \$31.4m. Second, the amount provided as cash to the WFP for freight and related costs will increase from \$4.5m in 1983-84 to \$15.7m in 1984-85 due to adoption of a new formula for calculating these costs in conformity with WFP requirements. Third, expenditure of \$6.4m deferred from 1983-84 will complete Australia's commitment to the WFP under the 1983 and 1984 biennial cash and commodities pledge. Annual contributions of non-grain commodities worth \$8m pledged by Australia in March 1984 for 1985 and 1986 will commence in 1985-86.

Provision is also made under this heading for contributions of \$27.7m in 1984-85 to several United Nations organisations, an increase of \$0.3m over 1983-84 expenditure. These include \$16m for the 1984 contribution to the United Nations Development Program, and \$4.1m, \$2.2m and \$1.1m for the 1985 contributions to the United Nations High Commissioner for Refugees, the United Nations Children's Fund and the United Nations Fund for Population Activities respectively.

Assistance to regional and other international programs is estimated at \$27.6m in 1984-85, an increase of \$6.2m over 1983-84 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 given to a number of international and regional research and training centres.

AID ADMINISTRATION

The administration costs of the Australian Development Assistance Bureau are estimated to increase from \$11.3m in 1983-84 to \$13.1m in 1984-85. Part of the increased expenditure proposed is to be used for improving the quality of aid administration, in line with the recommendations of the Jackson Report. Measures include a small increase in full-time staff numbers, engagement of management consultants, and purchase of computing equipment.

ASSISTANCE ADDITIONAL TO AID PAYMENTS

Certain other budget provisions totalling \$20.3m are recognised as Official Development Assistance (ODA) for international reporting purposes.

Some \$6.5m of expenditure on Australia's Defence Co-operation Program will be spent on projects, such as topographic surveying and mapping in Indonesia, Vanuatu and Kiribati, which are recognised as ODA. Details of the Program, which is primarily undertaken as an extension of Australia's own defence effort, are described in the section '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, Commonwealth Secretariat 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 contributions to these organisations in 1984-85 is estimated at \$6.5m. Aid and aid-related expenditure elsewhere in the budget amounts to an estimated \$7.3m.

MEMBERSHIP OF INTERNATIONAL ORGANISATIONS AND OTHER NON-AID EXPENDITURE

These payments 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 1984-85 is estimated at \$43.6m including \$12.4m for the United Nations regular budget, \$4.4m for the World Health Organisation, \$4.6m for the United Nations Food and Agriculture Organisation (FAO), \$2.4m for the United Nations Educational, Scientific and Cultural Organisation (UNESCO), \$2.4m for the International Labour Organisation (ILO), \$2.1m for the Organisation for Economic Co-operation and Development (OECD), \$2.7m for the United Nations Interim Force in Lebanon and \$1.8m for the International Atomic Energy Agency.

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.

EXTERNAL 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 expenditure in respect of each of the three territories is shown below.

	1982-83 Actual	1983-84 Actual	1984-85 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Cocos (Keeling) Islands	5.4	5.9	7.2	+1.3	+ 21.6
Christmas Island	0.8	0.3	3.5	+3.3	n.a.
Norfolk Island	0.5	0.6	1.6	+1.1	+ 193.4
TOTAL	5.2	6.7	12.4	+5.7	+ 84.5

The \$1.3m increase in estimated net expenditure on the Cocos (Keeling) Islands in 1984-85 is mainly due to certain obligations given by the Commonwealth which relate to the Cocos Malay community's decision to integrate with the Australian mainland.

The net cost of administering Christmas Island in 1984-85 is estimated at \$3.5m, an increase of \$3.3m over 1983-84. This is attributed to a decision to bring the institutional and governmental framework for Christmas Island into line with that of the mainland.

Estimated net expenditure on Norfolk Island (\$1.6m) includes \$1m of a \$2m Commonwealth grant to the Norfolk Island Government towards the cost of upgrading the Island's water and sewerage system. The remaining \$1m of the grant is to be paid in 1985-86. The grant is to be matched by \$1m loans to be obtained by the Norfolk Island Government in each financial year.

GENERAL ADMINISTRATION EXPENDITURE

Administration costs of the Department of Foreign Affairs (other than those of the Australian Development Assistance Bureau which are included under the 'Aid Administration' heading) and the Overseas Property Office of the Department of Administrative Services are estimated to increase by \$23.3m in 1984-85 to \$235.5m. The increase in expenditure on overseas property services of \$7.4m reflects increased costs of leased accommodation, the commencement of construction of the Riyadh (Saudi Arabia) Chancery and Head of Mission residence, and design costs involved in the Beijing Chancery and Residential Complex.

An increase of \$9.5m in the recurrent costs within Australia of the Department of Foreign Affairs largely reflects increases in salaries and higher administration costs particularly in respect of the cost of implementation of revised passport procedures flowing from the recommendations of the Royal Commission of Inquiry into Drug Trafficking. The Department of Foreign Affairs' overseas recurrent expenditure has increased by \$4.3m largely because of increased salaries and allowances and higher administration costs.

RECOVERIES AND REPAYMENTS

Recoveries and repayments are estimated at \$3.6m in 1984-85. These include repayments in respect of loans provided to the Fiji and Papua New Guinea 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 be readily classified under other functional categories. Activities under this heading include general support for research and development provided by Commonwealth departments and instrumentalities, all of which involve several functions and disciplines. The heading excludes substantial elements of Commonwealth support for scientific, industrial and general research directed to specific fields such as defence technology, medicine, education and industry, all of which are accounted for elsewhere in this Statement.

Net total outlays in 1984-85 for the items included in this category are estimated at \$454.8m, an increase of \$1.5m over 1983-84. The change reflects increased requirements for a number of activities, particularly research grants and fellowships and Antarctic research, and general cost increases offset by non recurring expenditures in 1983-84.

GENERAL AND SCIENTIFIC RESEARCH NEC

	1982-83 Actual	1983-84 Actual	1984-85 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Australian Atomic Energy Commission	36.4	38.8	41.9	+3.1	+ 8.0
Commonwealth Scientific and Industrial Research Organization (CSIRO) (a)	328.2	331.6	322.5	-9.1	- 2.8
Antarctic Division	32.1	35.4	36.9	+1.5	+ 4.2
Research Grants	22.1	24.9	30.2	+5.3	+21.5
Australian Institute of Marine Science	6.4	6.9	7.4	+0.4	+ 6.5
Anglo-Australian Telescope Board	1.9	1.8	1.8	- . .	- 2.2
Australian Institute of Aboriginal Studies	2.9	3.3	3.3	+ . .	+ 0.1
Other Research and Science nec (net)	6.7	10.6	10.8	+0.3	+ 2.6
TOTAL GENERAL AND SCIENTIFIC RESEARCH NEC	436.6	453.3	454.8	+1.5	+ 0.3

(a) Excludes amounts for CSIRO classified under other functions.

Australian Atomic Energy Commission

The Commission's primary function is the operation of its nuclear research establishment at Lucas Heights, Sydney. Its activities include scientific and technical research and investigations into matters associated with uranium and atomic energy (including the operation of the HIFAR reactor), technical advice on nuclear science and technology matters, training in relevant fields, and the production and sale of radioisotopes.

An amount of \$41.9m is provided towards the cost of the Commission's activities in 1984-85 compared with expenditure in 1983-84 of \$38.8m. The 1984-85 provision has been determined having regard to the Commission's receipts from other sources, including receipts from the sale of radioisotopes, and the contribution by CSIRO towards the cost of shared facilities at Lucas Heights. It also allows for a rundown of cash in hand of \$1.6m for specific purpose funding which was unspent in 1983-84 and carried forward to 1984-85.

The provision of \$41.9m allows for increased costs of salaries and related payments and, including funds carried forward from 1983-84, a 41% increase in other gross administrative expenditure and capital works and services compared with similar

expenditures in 1983-84. It includes \$1.6m towards the cost of building an inactive pilot plant to test the large scale fabrication processes associated with the SYNROC concept of radioactive waste disposal, \$1.2m for the safety upgrading program for the HIFAR reactor, and about \$3.0m for other buildings and equipment.

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 include 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. It is in the process of establishing a company—SIROTECH—to assist in the commercial development of products and processes developed by CSIRO.

Appropriations to CSIRO under this function in 1984-85 total \$322.5m. The provision under this function allows \$283.5m for operations, \$3.6m for capital items, \$8.1m for repairs and maintenance to the Organisation's plant and equipment and buildings, and \$18.3m for major capital works projects. In addition \$5.6m is being provided in 1984-85 to allow construction to proceed on the new Australia Telescope (which is expected to cost \$31.5m over a seven year period to 1988-89) and \$3.4m to complete the construction of the oceanographic research vessel. The estimate for major capital works projects includes provision of \$5.3m for the continued construction of a laboratory for the Division of Materials Science at Clayton, Victoria, and \$2.0m for the commencement of new laboratory facilities for the Division of Applied Organic Chemistry also at Clayton.

The reduction of \$9.1m on 1983-84 expenditure results from the completion of buildings and works projects and payment of associated charges (\$20.7m) in that year and a change in the funding arrangements of the Australian National Animal Health Laboratory (AN AHL) whereby half the operating costs (\$3.9m) are to be appropriated through the Department of Primary Industry—this amount appears under 'Industry Assistance and Development'. These decreases are offset by salary and related cost increases (\$10.7m) and increases associated with the construction of the Australia Telescope (\$4.8m).

After taking into account expected 1984-85 revenues (\$16.9m) and cash on hand at 1 July 1984 (\$4.6m), it is estimated that CSIRO will have total funds of \$343.9m available in 1984-85 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 1983-84	Estimate 1984-85	Change	
	\$m	\$m	\$m	%
Research Programs				
Animal and Food Sciences	45.9	47.3	+ 1.4	+ 3.2
ANAHL	6.3	7.2	+ 0.9	+13.6.
Biological Resources	68.7	69.1	+ 0.4	+ 0.6
Energy and Earth Resources	39.0	41.2	+ 2.2	+ 5.7
Industrial Technology	34.7	35.0	+ 0.2	+ 0.6
Physical Sciences	60.0	64.6	+ 4.6	+ 7.7
Scientific Services	9.5	9.7	+ 0.2	+ 2.3
SIROTECH	1.2	1.8	+ 0.6	+50.0
Miscellaneous	8.7	9.7	+ 1.0	+11.5
Head Office	17.5	18.8	+ 1.3	+ 7.8
Capital Works and Services				
Construction of Research Vessel	6.3	3.4	- 2.9	-46.7
Construction of Australia Telescope	0.9	3.6	+ 4.8	n.a.
Construction of ANAHL	14.4	3.0	-11.4	-79.2
Plant and Equipment	5.3	4.0	- 1.3	-25.3
Other Buildings, Works and Acquisitions	18.9	15.4	- 3.5	-18.5
Repairs and Maintenance	5.3	8.1	+ 2.8	+52.1
Total	342.6	343.9	+ 1.3	+ 0.4

In addition, the Organization also expects to receive \$36.0m in 1984-85 (\$35.0m in 1983-84) as industry contributions and other forms of private and government support for several specific projects to bring its total estimated expenditure in 1984-85 to \$380.0m (up \$2.3m).

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 expeditions) 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, geology and geophysics.

Expenditure in 1984-85 is estimated at \$36.9m, an increase of \$1.5m on 1983-84. The increase reflects higher wage, salary and other operating costs including an additional \$2.6m for ship charter costs. In addition, \$0.3m is being provided in 1984-85 for a review of the Antarctic building redevelopment program and \$1.0m to meet the costs of increased scientific activity particularly in the fields of marine geoscience, inland field surveys, and environmental and marine research. These increases are partly offset by reductions due to non-recurring expenditure in 1983-84 on studies on the development of Antarctic transport systems and the rephasing of certain elements of the rebuilding program.

Research Grants

Total assistance for research grant schemes and fellowships is estimated to be \$30.2m in 1984-85 (\$24.9m in 1983-84). This includes provision for the Australian Research Grants Scheme and Queen Elizabeth II Fellowships (\$26.0m in 1984-85 compared to \$22.4m in 1983-84) 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 of \$0.6m has been included to provide for 50 new National Research Fellowships to be awarded in 1985 (an initial 50 fellowships were awarded in 1984 for a 3 year period). A provision of \$4.1m in 1984-85 for marine science research (allocated through the Queen's Fellowships and Marine Allocations Advisory Committee) reflects changed funding arrangements, introduced in 1983-84, which provide for grants to be awarded on a calendar year basis. Outlays are estimated to be \$3.8m in 1985 compared to \$3.6m in 1984.

Australian Institute of Marine Science

The Australian Institute of Marine Science was established to carry out research in marine science. The Institute is located near Townsville and research is directed 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 on the Institute in 1984-85 are estimated at \$7.4m compared to \$6.9m in 1983-84. The increase is mainly due to wage, salary, and other operational cost increases. The total allocation provides funds to meet the salary and administrative costs of 113 staff including \$1.3m for the hire and operation of research vessels. An amount of \$0.5m has also been included for the acquisition of new computing facilities.

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 at Epping near Sydney. The total cost of operations in 1984-85 (to be shared equally with the UK Government) is estimated at \$3.6m.

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 1984-85 is \$3.3m.

Other Research and Science Nec (Net)

The estimated outlays in 1984-85 of \$10.8m under this heading cover several activities associated with the support of scientific research and development in Australia. Adjusting for transactions in the trust account associated with the funding of the NASA space tracking stations, expenditure in 1984-85 is estimated to increase by \$2.1m (23.9%). The increase reflects salary and general cost increases.

The largest single item is the grant to the Standards Association of Australia (\$2.8m). Other grants are being made to Learned Academies (\$0.6m), industrial research associations (\$1.9m) and the National Association of Testing Authorities (\$0.9m). In addition, \$0.8m is being provided for scientific and technical co-operation with several overseas countries (an increase of 66%) and \$1.2m for the Australian Biological Resources Study.

The remaining substantial component is for salary and administration expenditure (\$1.3m) by the Australian Science and Technology Council (ASTEC) which advises the Government on matters involving science and technology policy.

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 \$348.2m or 21.4% in 1984-85 to \$1978.8m.

	1982-83	1983-84	1984-85	Change	
	Actual	Actual	Estimate	\$m	%
	\$m	\$m	\$m	\$m	%
Financial Affairs and Fiscal Administration—					
Customs and Excise Administration	143.1	158.9	169.4	+ 10.5	+ 6.6
Taxation Administration	301.9	351.1	408.3	+ 57.2	+16.3
Other	102.0	128.6	151.8	+ 23.1	+18.0
Total	547.0	638.6	729.4	+ 90.8	+14.2
Statistical Services	98.5	99.4	115.4	+ 16.0	+16.1
General Administration of the ACT and external territories	52.9	55.4	63.7	+ 8.3	+14.9
Other Administrative Services, nec	107.2	114.1	125.7	+ 11.6	+10.2
Common Services—					
Construction Services (net)	158.5	165.6	195.4	+ 29.8	+18.0
Commonwealth Offices	43.0	40.6	58.0	+ 17.5	+43.0
Printing and Publishing	5.7	7.0	7.9	+ 0.9	+13.1
Property Management and Services	73.4	99.9	122.1	+ 22.2	+22.2
Government Purchasing	5.2	5.8	6.7	+ 0.8	+13.9
Rent	100.1	138.2	217.9	+ 79.7	+57.6
Publicity Services	11.7	12.8	13.9	+ 1.1	+ 8.6
Storage and Transport Services	27.2	23.6	25.7	+ 2.0	+ 8.6
Other	8.6	7.6	8.1	+ 0.5	+ 6.4
Total Common Services	433.4	501.2	655.7	+154.5	+30.8
Net Superannuation Payments, nec	270.6	326.6	407.9	+ 81.3	+24.9
Recoveries, nec	100.8Cr	104.8Cr	119.1Cr	- 14.3	-13.6
TOTAL ADMINISTRATIVE SERVICES	1 408.8	1 630.5	1 978.8	+348.2	+21.4

FINANCIAL AFFAIRS AND FISCAL ADMINISTRATION

Customs and Excise Administration

The estimated increase in outlays for 1984-85 of \$10.5m reflects mainly the full-year costs of wage and staff resources increases granted last year and the provision of additional Assistant Customs Officers. Other major increases in 1984-85 include increases in administrative and capital expenditure for the final phase of a computer redevelopment program and the provision of improved facilities and equipment for Customs surveillance activities.

Taxation Administration

Estimated outlays of the Australian Taxation Office in 1984-85 are \$408.3m, \$57.2m or 16.3% greater than in 1983-84. 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 the Treasury, the Auditor-General's Office, the Commonwealth Grants Commission and the Economic Planning Advisory Council (EPAC). The increase of \$23.1m in 1984-85 includes an increase of \$8.4m in the provision for loan flotation and management expenses, mainly because of higher expected overseas loan raisings during 1984-85, partially offset by a reduction in domestic loan flotation expenses. The balance of the increase under the heading is attributable to the increase in operating costs (\$1.7m) for the first full year of operation of EPAC, increases in salaries (\$5.0m), increased computer equipment purchases for the Department of Finance (\$5.3m) and cost increases for a range of administrative expenditures. In addition, \$2.3m is provided for capital expenditure associated with the refitment program of the Royal Australian Mint, expected to be completed by early 1986.

STATISTICAL SERVICES

This provision is for outlays of the Australian Bureau of Statistics. The estimated overall increase of \$16.0m reflects the increase in plant and equipment purchases (up \$8.1m) under the Bureau's computer re-equipment program and increased salary and general administrative expenses.

GENERAL ADMINISTRATION OF THE AUSTRALIAN CAPITAL TERRITORY AND EXTERNAL TERRITORIES

Outlays under this heading are for works and services of a general nature in the Australian Capital Territory and the external territories 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 1984-85 includes salaries, allowances and overtime (\$43.8m), administration expenses (\$7.8m), plant and equipment (\$2.3m), repairs and maintenance (\$2.9m) and expenditure on works (\$0.2m). Expenditure in 1984-85 by the Commission under this function is \$5.5m, \$2.5m more than 1983-84 reflecting progress to date on the continued construction of visitor information facilities at the National Botanic Gardens, Australian Capital Territory (total cost \$1.5m) and extensions to the provisional Parliament House to accommodate additional Members and Senators (total cost \$1.5m) following passage of the *Representation Act 1983* and the *Commonwealth Electoral Legislation Amendment Act 1983*.

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 estimated increase of \$11.6m reflects mainly increases in salaries and allowances of a range of departments due to National Wage Case decisions (\$4.0m) and an increase of \$1.9m for the Administrative Appeals Tribunal (AAT) attributable to increased appointments to the AAT and increased salary and allowances and administrative costs. An amount of \$1.6m has been provided for the Public Service Board due to aspects of the reforms flowing from the review of the Australian Public Service announced in December 1983 and \$1.5m to the Department of the Special Minister of State to publicise Government initiatives which cut across the responsibilities of several departments. The balance of the increase under this heading reflects net increases in administrative costs.

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 (\$132.3m), administration expenses (\$22.5m), plant and equipment (\$8.6m) and consultants' fees (\$30.3m). Consultancy costs relating to Defence works projects appear under the *Defence* function.

The main components of the \$29.8m increase in expenditure on this function are \$11.2m for salaries and allowances, \$2.0m for consultants' fees, and \$5.4m in plant and equipment. In addition, there is a reduction of \$8.7m in revenue received from transactions of the Construction Services Trust Account in 1983-84.

Commonwealth Offices

The major components of the 1984-85 estimate of \$58.0m are \$30.3m for the construction and \$17.5m for the maintenance of Commonwealth Offices. Also provided is \$6.5m for the purchase of the Samuel Taylor site, which is adjacent to the ABC's Gore Hill studios, for use by the ABC and possibly other Commonwealth agencies. Construction of a Commonwealth Centre in Adelaide (total cost \$38m) and Offices at Sydney (Kingsford Smith) Airport (total cost \$6.9m) and extensions to Lismore, New South Wales Offices (total cost \$6.5m) are planned for commencement in 1984-85.

In addition, contracts will be entered into with developers in 1984-85 for the provision of office buildings at Mackay and Rockhampton (total capital cost \$9.3m) under instalment purchase arrangements. Approval has also been given for design development to proceed in 1984-85 on major refurbishment of the Commonwealth Centre in Melbourne (total cost of upgrading \$16.0m) and Taxation Building Brisbane (total cost of work \$5.6m).

Provision has also been made in 1984-85 for modifications to selected Commonwealth buildings to achieve energy savings (\$1.1m) and the removal of asbestos from Commonwealth assets (\$1.5m).

Printing and Publishing

This heading covers the salaries, administration and plant and equipment expenses of the Commonwealth's printing and publishing activities. The increase of \$0.9m reflects increased costs in the distribution of publications, an increase in plant and equipment purchases in 1984-85 and other minor cost increases.

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 1984-85 estimate of \$122.1m are salaries, allowances and overtime (\$27.2m), office services including electricity, fuel oil and gas and security services (\$27.1m), fitting-out work in leased office premises (\$44.3m), and contract cleaning (\$10.3m). The increase of \$2.8m in the office services component largely reflects increases in electricity charges. The increase of \$12.7m in expenditure on fitting-out work in leased premises is attributable to the provision of additional or replacement accommodation for departments. There is also an amount of \$1.3m provided for the establishment costs of the Australian Protective Service within the Department of Administrative Services because of the transfer of the guarding function performed by the Australian Federal Police.

Government Purchasing

This heading covers the salaries and administration expenses of the Purchasing Division of the Department of Administrative Services. The increase of \$0.8m mainly reflects an increase in the number of staff to be employed in the Division because of increased ADP purchasing activity.

Rent

This item provides for rental costs for office and other accommodation leased for civil departments. The increase of \$79.7m (or 57.6%) on 1983-84 reflects the full year cost of new leases taken up in 1983-84 (\$42.0m), increased rentals on existing leases (\$20.0m) and proposed expenditure on new leases in 1984-85 (\$17.1m) which will have a full-year cost of \$44.5m.

The proposed expenditure on new leases includes provision for additional and replacement office space for departments.

Publicity Services

The 1984-85 estimate for these outlays includes provision for the publicity programs undertaken by the Australian Information Service (AIS) (\$7.4m) and support for Film Australia (\$6.6m). The increase for Film Australia, together with decreasing 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 \$11.2m in 1984-85. The increase in AIS expenditure (\$0.7m) is due to a small increase in the overseas publicity program and administration expenditure arising in 1984-85.

Storage and Transport Services

This item provides for the capital and some administrative costs associated with the Department of Administrative Services' vehicles fleet and for removal and storage costs associated with the transfer of non-Defence employees.

The increase of \$2.0m represents costs associated with various civil works and maintenance projects, including construction of a storehouse at Cannon Hill, Queensland, (total cost \$0.6m), increased salary and administrative costs and an anticipated decrease in revenue from the sale of surplus vehicles.

Other

Included here are expenditures for the construction, upgrading and purchase of staff housing for Commonwealth public servants in remote localities, the subsidy towards food services provided to Commonwealth establishments by the Commonwealth Accommodation and Catering Services Ltd (\$4.3m), and the costs of printing Australian Government Gazettes (\$3.0m).

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 cost of superannuation benefits for their employees or as reimbursement of the employer share of benefits paid to former employees or their dependants.

The estimated increase of \$81.3m in net superannuation payments for 1984-85 is due mainly to the cost, under the Commonwealth Superannuation Scheme, of pension increases payable from July 1984 to existing pensioners, an expected net increase in the number of pensioners and the adjustment of benefits to recognise a change in treatment of shift allowance as salary for superannuation purposes arising from a Federal Court decision. Payments to South Australia and Tasmania for former railway employees are estimated to increase by \$1.8m in 1984-85.

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 (\$29.0m), rent from Commonwealth property (\$7.5m), legal costs and fines recovered as a result of court action by the Australian Taxation Office (\$11.4m), charges for the hire of computers (\$7.7m), disposal of surplus civil government stores by the Department of Administrative Services (\$1.4m), sale of surplus Commonwealth land and buildings (\$28.5m), audit fees (\$6.1m), 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 wage and salary rate increases of Commonwealth Government non-defence employees whose salaries are met from the budget. The bulk allowance includes a provision for prospective wage rate increases for employees of statutory bodies which are budget-dependent and are outside the public account. A separate bulk allowance for Defence Service personnel and employees paid from votes in the *Defence* function is included under that 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 61.9% of total estimated Commonwealth budget funds to be made available to the States in 1984-85 and 76.3% of those to be made available to the Northern Territory. Most specific purpose payments to the States and Northern Territory are not included under this heading, being classified elsewhere in this statement under the relevant functional headings. A summary of total payments to the States and Northern Territory is 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 1984-85*.

	1982-83 Actual	1983-84 Actual	1984-85 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Payments to or for the States nec—					
General Revenue Assistance—					
Tax Sharing Grants	7 772.5	8 538.0	9 054.0	+ 516.0	+ 6.0
Identified Health Grants	1 017.3	1 168.9	1 373.7	+ 204.8	+ 17.5
Sub-total	8 789.8	9 706.9	10 427.7	+ 720.8	+ 7.4
Temporary Revenue Assistance Grants	30.0	183.5	31.0	- 152.5	- 83.1
Special Grants	19.6Cr	—	—	—	—
Total General Revenue Assistance	8 800.1	9 890.4	10 458.7	+ 568.3	+ 5.7
State Government Loan Council Programs—					
Capital Grants	457.7	489.7	521.5	+ 31.8	+ 6.5
Advances (a)	769.4	752.2	768.0	+ 15.8	+ 2.1
Sinking Fund Receipts	223.8Cr	232.7Cr	241.2Cr	- 8.5	- 3.6
Total Loan Council Programs	1 003.3	1 009.1	1 048.3	+ 39.1	+ 3.9
Assistance Related to State Debt	58.9	60.7	62.3	+ 1.5	+ 2.5
Assistance to Local Government—					
Tax Sharing Grants	424.5	459.3	486.5	+ 27.2	+ 5.9
Total Payments to or for the States nec	10 286.8	11 419.6	12 055.7	+ 636.1	+ 5.6

	1982-83 Actual	1983-84 Actual	1984-85 Estimate	Change	
	\$m	\$m	\$m	\$m	%
Payments to NT nec—					
General Revenue Assistance—					
Tax Sharing Grant	378.9	424.7	475.0	+ 50.3	+ 11.9
Identified Health Grants	23.5	25.3	27.2	+ 1.9	+ 7.5
Additional Assistance	15.0	—	5.0	+ 5.0	n.a.
Special Grant	—	16.9	—	- 16.9	- 100.0
Grant in lieu of Uranium Royalties	3.7	4.4	4.0	- 0.4	- 8.4
Payments for Furlough and Recreation Leave	0.5	0.5	0.5	..	+ 3.1
General Capital Assistance—					
Grant	40.2	43.0	45.8	+ 2.8	+ 6.5
Advance	80.4	86.0	91.6	+ 5.6	+ 6.5
Repayments	2.7Cr	3.7Cr	4.8Cr	- 1.1	- 28.8
Total General Purpose Assistance	539.6	597.1	644.4	+ 47.3	+ 7.9
Debt Charges Assistance	31.1	48.8	65.3	+ 16.5	+ 33.8
Assistance to Local Government—					
Tax Sharing Grants	2.0	2.2	2.3	+ 0.1	+ 5.9
Total Payments to NT nec	572.8	648.1	712.0	+ 63.9	+ 9.9
Assistance Related to South-West Tasmania	—	62.9	51.0	- 11.9	- 18.9
Natural Disaster Relief—					
Payments for Natural Disaster Relief	146.3	138.8	37.0	- 101.8	- 73.3
Repayments	14.5Cr	16.3Cr	26.5Cr	- 10.2	- 62.7
Total Payments for Natural Disaster Relief	131.8	122.5	10.5	- 112.0	- 91.5
TOTAL PAYMENTS TO THE STATES, THE NORTHERN TERRITORY AND LOCAL GOVERNMENT AUTHORITIES NEC	10 991.4	12 253.1	12 829.2	+ 576.1	+ 4.7

(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 total Loan Council Program (gross of sinking fund receipts and including public housing nominations) in 1984-85 is \$1 564.5m, compared with \$1 469.0m in 1983-84.

STATES' GENERAL REVENUE FUNDS

The Commonwealth provides general revenue funds to the States (comprising in 1984-85 tax sharing grants and identified health grants, as well as special budgetary assistance grants to Victoria). A total of \$10 458.7m, representing an increase of \$568.3m or 5.7% compared with 1983-84, is expected to be provided in this form to the States in 1984-85.

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 the Medicare levy) 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. Should the supplementary pool not be adequate to fund the guarantee payments, the Commonwealth is required to make up the shortfall.

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 1983-84 tax collections (the base for 1984-85 tax sharing grants), all States except Queensland are expected to have their grants determined by the real terms guarantee in 1984-85. The cost of this guarantee is estimated to exceed the size of the 1984-85 'supplementary' tax sharing pool by \$66m.

In total, tax sharing grants in 1984-85 are estimated at \$9054m or 6.0% higher than in 1983-84. This amount is equivalent to 20.87% of 1983-84 total net Commonwealth tax collections, compared with the share of 20.72% payable in the absence of guarantee arrangements.

Identified Health Grants

Since 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.

As part of the hospital funding aspects of Medicare (see the function *Health* above), South Australia and Tasmania agreed to terminate their hospital cost sharing

agreements with the Commonwealth from 1 February 1984 and to receive instead payments under the identified health grant provisions of the *States (Tax Sharing and Health Grants) Act 1981*.

Calculation of Identified Health Grants—1984-85

The total amount of identified health grants payable to the States and the Northern Territory in 1984-85 is calculated by increasing the amount of similar assistance (including payments made to South Australia and Tasmania under the hospital cost sharing agreements) in respect of 1983-84 in line with the increase in total Commonwealth tax collections (as defined in the *States (Tax Sharing and Health Grants) Act 1981*) in 1983-84, and subtracting from that figure an amount which represents an adjustment in respect of the operations of Commonwealth pathology laboratories not taken over by certain States (see Budget Paper No. 7 for details).

Largely as a result of the full-year effect of the revised health funding arrangements for South Australia and Tasmania, the total amount of identified health grants for the States in 1984-85 is estimated to increase by \$204.8m or 17.5% to \$1373.7m and the grant payable to the Northern Territory is estimated to increase by \$1.9m or 7.5% to \$27.2m.

Distribution of Health Grants—1984-85

The distribution of the 1984-85 identified health grants among the States and the Northern Territory is based on the distribution of the payments that each received (including hospital cost sharing payments to South Australia and Tasmania) in respect of 1983-84 less the amount defined in the Act for each State (except Western Australia) in respect of the operations of Commonwealth pathology laboratories not taken over by the States concerned.

Special Budgetary Assistance Grants

The Commonwealth has agreed to provide two special budgetary assistance grants to Victoria in 1984-85.

Following the decision by the High Court of Australia in August 1983 to invalidate a pipeline licence fee imposed by the Victorian government, the Commonwealth agreed to pay Victoria an amount equivalent to the additional company tax the Commonwealth expects to receive as a result of the pipeline tax repayments. The amount is estimated at \$35m, \$28m of which was paid in 1983-84 and \$7m will be paid in 1984-85.

In the context of an agreement reached on the taxation arrangements to apply to the petroleum sector in 1984-85 and subsequent years (see Statement No. 4 of Budget Paper No. 1) the Commonwealth has also agreed to provide a special once-only budgetary assistance grant of \$24m to Victoria in 1984-85.

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 1984-85 new money borrowing programs for State Governments and the 'global' borrowing limits for State and local authorities and government-owned companies agreed by Loan Council at its 21 June, 1984 meeting:

State and Local Sector: New Money Borrowings	1983-84	1984-85	Change	
	Actual	Estimate	\$m	%
Loan Council Approved Programs				
State Governments—				
Public Housing (a)	227.1	275.0(b)	+ 47.9	+21.1
Other	1 241.9	1 289.5	+ 47.6	+ 3.0
Total	1 469.0	1 564.5	+ 95.5	+ 6.5
Borrowings by State Semi-government and Local Authorities and Government-owned Companies (c)	6 754.8	6 772.4	+ 17.6	+ 0.3
Total State and Local Borrowings	8 223.8	8 336.9	+113.1	+ 1.4

(a) Classified to the function *Housing* with other public housing expenditure.

(b) The States have not yet advised the amounts they intend nominating for public housing from the total of \$1 564.5m available under the State Government Loan Council Program in 1984-85. An amount of \$275m has been assumed in the budget figuring for this purpose.

(c) Includes borrowings by way of 'conventional' loan raisings, domestic deferred payment arrangements, overseas trade credits, financial leases, sale and lease-back and similar arrangements, security deposits and other repayable capital contributions and any other means of financing capital expenditure.

States' 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 21 June, 1984 meeting, Loan Council approved a State Government Loan Council Program of \$1564.5m, an increase of \$95.5m or 6.5% on the 1983-84 Program.

States can nominate, from the advances part of this program, funds for public housing to be provided under the concessional terms and conditions of the Commonwealth-State Housing Agreement (CSHA). Most States have not yet advised the amounts they intend nominating for public housing under these arrangements in 1984-85. An estimated amount of \$275m has been identified separately 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.

Borrowings by State Semi-Government Authorities and Government-Owned Companies

At its 21 June 1984 meeting, Loan Council agreed to the introduction of a system of 'global' limits on borrowings by semi-government and local authorities and government-owned companies. Over recent years, the semi-government borrowing programs approved by Loan Council have represented a decreasing proportion of total borrowings in all forms by authorities. The new 'global' approach, agreed to on a trial basis in 1984-85, broadens the scope of the Loan Council's oversight of authorities' borrowings, while increasing authorities' flexibility to borrow in ways best suited to their requirements, including overseas.

The States agreed to limit, on a voluntary basis, new money 'global' borrowings by their authorities and government-owned companies (from all sources) to \$6772.4m in 1984-85, an increase of \$17.6m or 0.3% over 1983-84. The agreed 'global' limits exclude borrowings by government-owned financial institutions (except where on-lent to non-exempt authorities) and borrowings by statutory marketing authorities to finance advance payments to growers and the holding of buffer stocks.

The distribution of the 'global' borrowing limit between the States for 1984-85 is set out in the following table:

Borrowings by State Semi-Government and Local Authorities and Government-Owned Companies (a)

	1983-84	1984-85	Change	
	\$m	\$m	\$m	%
New South Wales	1 884.2	2 006.0	+ 6.5	
Victoria	1 625.2	1 731.0	+ 6.5	
Queensland	1 632.0	1 532.0	- 6.1	
Western Australia	894.7	830.7	- 7.2	
South Australia	510.6	419.7	-17.8	
Tasmania	188.1	233.0	+23.9	
TOTAL	6 754.8	6 772.4	+ 0.3	

(a) Includes 'conventional' loan raisings, domestic deferred payments, overseas trade credits, financial leases, sale and lease-back and similar arrangements, security deposits and other repayable capital contributions and any other means of financing capital expenditure.

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 \$47.1m in 1984-85.

ASSISTANCE FOR LOCAL GOVERNMENT

Under 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 \$27.2m to \$486.5m in 1984-85. The Commonwealth has instituted an inquiry to review the operation of the *Local Government (Personal Income Tax Sharing) Act 1976*, which is expected to be completed in 1985.

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 1984-85*. 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 1984-85 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 1984-85 is estimated at \$475m, an increase of \$50.3m or 11.9% on the 1983-84 amount. This compares with an estimated increase in States' tax sharing grants of 6.0% in 1984-85.

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. As the Commission does not expect to make a decision on the Territory's application for a special grant in respect of 1982-83 before March 1985, provision has been made for the additional assistance grant of \$5m which represents the minimum amount payable to the Territory in 1984-85 in respect of an additional assistance/special grant.

Payment in Lieu of Uranium Royalties

The Commonwealth makes a payment to the Northern Territory Government in lieu of uranium royalties. This payment in 1984-85 is estimated at \$4.0m, compared with \$4.4m in 1983-84.

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 \$0.5m for 1984-85. These payments are made on an emerging cost basis and the 1984-85 provision relates to entitlements of officers who retired or resigned in 1982-83.

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 the State Government Loan Council Program, 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 6.5% increase approved for the State Government Loan Council Program, the Territory's capital program will increase from \$129.1m to \$137.5m in 1984-85. In line with the arrangements for the States, one third 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 1984-85 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 1983-84.

Debt Charges Assistance

Debt charges payable to the Commonwealth by the Northern Territory are currently funded by the Commonwealth by annual specific payments to the Territory. The Budget provision of \$65.3m is equal to the debt charges estimated to be incurred by the Territory in 1984-85 and is an increase of \$16.5m on the 1983-84 payments.

Assistance for Local Government

A specific purpose payment of \$2.3m will be provided to the Northern Territory for distribution as general purpose assistance among local government authorities in the Territory in 1984-85. This payment represents an increase of \$0.1m on 1983-84 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

Work on the Gordon River Power Development, Stage II in South-West Tasmania ceased following a decision of the High Court on 1 July 1983. The Commonwealth gave a number of undertakings to Tasmania in respect of financial assistance to offset the employment and other effects of termination of the project. The Commonwealth and Tasmania have now reached agreement on assistance arrangements under which the following assistance will be provided:

- \$45.3m in 1983-84 and subsequent years for employment-generation projects under the Interim Financial Agreement between the Commonwealth and the State (expenditure for these purposes in 1983-84 amounted to \$16.9m);
- assistance to contractors formerly engaged on the Gordon River Power Development, Stage II (assistance totalling \$169 000 was paid in 1983-84);

- \$200m (valued in January 1984 dollars) in equal annual instalments over 10 years as a subsidy to reduce the cost of providing 112MW of electricity to the level of the cost of electricity that would have been produced by the Gordon River Power Development, Stage II (an initial instalment of \$20.3m was paid in 1983-84); and
- an ex-gratia payment of \$25m for expenditure incurred by the State on the Gordon River Power Development, Stage II, in order to avoid the need for any increase in electricity prices as a result of that expenditure (this amount was paid in 1983-84).

Arrangements for the joint management of the World Heritage Area in South-West Tasmania are currently being discussed separately with the State. As an interim measure, the Commonwealth provided \$530 000 in 1983-84 for the employment of rangers and the provision of ancillary equipment and, pending finalisation of longer-term arrangements, has agreed to provide \$312 000 in 1984-85 (this provision is recorded under the item 'Wildlife and National Parks' in the *Culture and Recreation* function).

Total financial assistance provided by the Commonwealth in 1983-84 under the above arrangements amounted to \$62.9m. Assistance in 1984-85 for employment generation, for assistance to contractors, and for a further instalment of the electricity subsidy is estimated at \$51m.

In addition, work is being undertaken to upgrade Hobart Airport as part of these assistance arrangements. A project for strengthening the runway was completed in 1983-84, and \$3m has been provided for upgrading to limited international operations standard in 1984-85. (These expenditures are recorded under the sub-function 'Transport and Communication'.)

The Commonwealth has also undertaken to provide a subsidy to reduce the cost of a further 68MW of electricity to the level of the cost of electricity that would have been produced by the Gordon River Power Development, Stage II, if and when the need for that electricity is demonstrated.

NATURAL DISASTER RELIEF

Commonwealth assistance under the long-standing natural disaster relief arrangements is designed to help the States and the Northern Territory meet the unpredictable and sometimes large costs of providing natural disaster relief. The arrangements recognise the States' primary responsibility for the administration, provision and funding of relief measures, in line with their constitutional responsibilities in this area. The Commonwealth's role is confined to providing financial support when a State's expenditure on approved relief measures in a financial year exceeds its assessed financial capacity. Natural disasters covered by the arrangements are of a weather-related kind—cyclones, floods, storms, bushfires and droughts.

Under the arrangements, the Commonwealth has provided assistance on a \$3 Commonwealth for \$1 State basis for expenditure by each State on approved relief and restoration measures in cases of 'major' disasters where such expenditures exceed a State's assessed financial capacity as represented by an annual base amount of expenditure. A major disaster is, for this purpose, defined as a disaster in respect of

which a State's expenditure on approved measures exceeds one-tenth of that State's annual base amount. The following base amounts have applied since 1978-79:

	\$m
New South Wales	10.0
Victoria	7.0
Queensland	4.0
Western Australia	3.0
South Australia	3.0
Tasmania	1.2
Northern Territory	0.25

Due to the impact of inflation, and despite the increased financial capacity of the States and the Northern Territory (partly due to more generous tax sharing arrangements) the cost of disaster relief expenditures has increasingly fallen more heavily on the Commonwealth. The Government has decided, therefore, that with effect from 1 July 1984 the base amounts should be restored to (and maintained at) the broad 1978-79 relativities in terms of State/Northern Territory budget sector receipts. This is to be achieved by setting the base amounts for a particular year at a percentage (0.24%) of budget sector receipts two years earlier—the latest firm figures available from the Australian Bureau of Statistics for this purpose. Applying this formula, the base amounts for 1984-85 are:

	\$m
New South Wales	18.49
Victoria	14.56
Queensland	9.10
Western Australia	5.81
South Australia	5.36
Tasmania	2.13
Northern Territory	1.54

The Commonwealth has indicated that it would be prepared to consider the provision of additional assistance to the States or the Northern Territory, in 1984-85 only, if it can be shown that the application of the new base amounts has caused undue financial hardship for the States or the Northern Territory.

The Commonwealth has also decided that, as from 1 July 1985, the cost-sharing of expenditure above the (new) base amounts should be \$ for \$ up to 75% above the base amount and \$3 Commonwealth for \$1 States and Northern Territory thereafter. Other changes will come into effect from that date, including the removal of the distinction between major and minor disasters (ie minor disasters will become eligible for assistance under the arrangements) and the transfer to the States and the Northern Territory of the responsibility for determining, within agreed guidelines, specific measures to be eligible for assistance.

An amount of \$37m has been provided for disaster relief in 1984-85, compared with \$138.8m in 1983-84. The estimate has been based on past experience—actual outlays will depend on the incidence and severity of disasters in 1984-85. The reduction in the provision reflects the severity of disasters impacting on 1983-84 expenditures and the effect of the new base amounts.

Repayments

Some Commonwealth assistance to the States and the Northern Territory in respect of eligible expenditures on natural disaster relief is provided as interest-free advances. 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 and the Northern Territory 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. Repayments by the States of advances made in previous years are estimated at \$26.5m in 1984-85.

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, 1984-85*. Estimated total Commonwealth payments to the States and the Northern Territory in 1984-85 are summarised below.

	1983-84			1984-85		
	1982-83	Actual	Change on 1982-83	Estimate	Change on 1983-84	
	Actual				\$m	%
Payments to or for the States and Local Authorities—	\$m	\$m	%	\$m	\$m	%
General Purpose Revenue Funds	8 800.1	9 890.4	+12.4	10 458.7	+ 568.3	+ 5.7
General Purpose Capital Funds	1 373.0	1 469.0	+ 7.0	1 564.5	+ 95.5	+ 6.5
Total General Purpose	10 173.1	11 359.4	+11.7	12 023.2	+ 663.8	+ 5.8
Specific Purpose Assistance—						
Assistance related to State Debt	58.9	60.7	+ 3.1	62.3	+ 1.5	+ 2.5
Education Commissions	2 996.0	3 274.3	+ 9.3	3 512.7	+ 238.5	+ 7.3
Housing—Advances	138.7	138.7	—	—	—	—
Grants for Housing	179.5	338.1	+88.4	564.1	+ 225.9	+ 66.8
Roads	820.0	1 162.4	+41.8	1 203.5	+ 41.1	+ 3.5
Local Government Tax-sharing	424.5	459.3	+ 8.2	486.5	+ 27.2	+ 5.9
Communally Employment Program	—	243.8	n.a.	351.2	+ 107.4	+ 44.0
Hospital Cost-sharing	220.3	127.3	-42.2	—	-127.3	-100.0
Medicare	—	272.4	n.a.	845.5	+ 573.1	+210.4
Other	966.6	812.4	-15.9	725.2	- 87.3	- 10.7
Total Specific Purpose	5 804.5	6 889.5	+18.7	7 751.0	+ 861.5	+ 12.5
Total Payments to or for the States	15 977.6	18 248.9	+14.2	19 774.1	+1 525.2	+ 8.4
Payments direct to Local Authorities	43.9	53.1	+20.8	80.5	+ 27.4	+ 51.7
Gross Payments from the Budget to the States	16 021.6	18 302.0	+14.2	19 854.6	+1 552.7	+ 8.5
Repayments	320.1Cr	376.6Cr	-17.7	373.2Cr	+ 3.4	+ 0.9
Net Payments to the States and Local Authorities	15 701.5	17 925.3	+14.2	19 481.4	+1 556.1	+ 8.7
Payments to the Northern Territory—						
General Purpose Revenue Funds	421.7	471.7	+11.9	511.7	+ 40.0	+ 8.5
General Purpose Capital Funds	120.6	129.1	+ 7.0	137.5	+ 8.4	+ 6.5
Specific Purpose Funds	180.6	234.2	+29.7	291.2	+ 57.0	+ 24.3
Gross Payments from the Budget to the Northern Territory	722.9	835.0	+15.5	940.4	+ 105.4	+ 12.6
Repayments	5.2Cr	6.4Cr	-23.9	7.9Cr	- 1.4	- 22.5
Net Payments from the Budget to the Northern Territory	717.8	828.6	+15.4	932.5	+ 103.9	+ 12.5
TOTAL NET PAYMENTS TO THE STATES, THE NORTHERN TERRITORY AND LOCAL AUTHORITIES	16 419.2	18 753.9	+14.2	20 413.9	+1 660.0	+ 8.9

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. Net public debt interest in 1984-85 is estimated at \$5600.9m, an increase of 29.4% on the outcome in 1983-84. As a proportion of total outlays, public debt interest in 1984-85 is estimated at 8.8% compared with 7.7% in 1983-84.

	1982-83	1983-84	1984-85	Change	
	Actual	Actual	Estimate	\$m	%
Interest on account of the Commonwealth—	\$m	\$m	\$m	\$m	%
Paid under the Commonwealth Inscribed Stock Act and the Loans Securities Act	1 864.7	2 708.2	3 770.0	+1 061.8	+ 39.2
Paid on advances to Commonwealth authorities under specific legislation	14.3	8.1	7.3	- 0.8	- 9.6
Paid under the Loans (Interest Equalisation Deposits) Act	15.9	12.7	22.0	+ 9.3	+72.6
Other (a)	1.7	1.5	1.7	+ 0.2	+13.2
Total	1 896.7	2 730.5	3 801.0	+1 070.5	+39.2
Interest on account of the States—					
Paid under Commonwealth Inscribed Stock Act and the Loans Securities Act	1 543.0	1 636.0	1 810.0	+ 174.0	+10.6
Paid under Savings Bank Agreements	46.4	50.2	60.0	+ 9.8	+19.5
Other (b)	1.1	1.0	0.8	- 0.2	-17.3
Total	1 590.5	1 687.2	1 870.8	+ 183.6	+10.9
Gross Interest Payments	3 487.2	4 417.8	5 671.8	+1 254.1	+28.4
Interest Received on Government Securities and Cash Balances held by the Commonwealth Government on its own behalf—					
Loan Consolidation and Investment Reserve	100.5Cr	71.2Cr	60.0Cr	+ 11.2	+15.7
Other	9.0Cr	16.8Cr	11.0Cr	+ 5.8	+34.6
TOTAL PUBLIC DEBT INTEREST	3 377.7	4 329.8	5 600.9	+1 271.1	+29.4

(a) Mainly interest payments by the Commonwealth on trustee monies lodged with it at call and interest payments on borrowings from private lenders by the Australian Capital Territory Commissioner for Housing.

(b) Interest payments on advances to the States in respect of the Mount Isa Railway and War Service Land Settlement.

Gross Interest Payments

Interest paid on the Commonwealth's own behalf is paid predominantly under the *Commonwealth Inscribed Stock Act 1911* in respect of outstanding Treasury Bonds, Australian Savings Bonds and Treasury Notes issued largely to the non-official sector and the Reserve Bank of Australia. (A small amount of interest is also paid on Treasury Bills and other Securities issued to Commonwealth Trust Accounts.) Other interest shown on account of the Commonwealth relates mainly to securities issued on behalf of certain Commonwealth authorities and in respect of Income Equalisation 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 1984-85 amounts to \$1 254.1m (28.4%) compared with an increase of \$930.6m (26.7%) recorded in 1983-84.

The rise in public debt interest payments in 1983-84 was due largely to the increased budget deficit and the associated increased issue of debt by the Commonwealth during 1982-83 and 1983-84. Debt issue in the first half of 1983-84 was also boosted in response to significant capital inflow prior to the float of the Australian dollar. The further large increase in estimated interest payments in 1984-85 mainly reflects the full-year impact of interest payable on the large bond sales in 1983-84 and the within year impact of estimated further large bond and Treasury Note sales in 1984-85.

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 1984-85 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. (A small amount of interest is also received in respect of internal Treasury Bills.) 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 1984-85 reflects a reduction in the LCIR portfolio holding of Treasury Bonds.

Interest is also received by other Commonwealth Trust Accounts 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 1984-85 mainly reflects a decrease in the level of funds held for investment by the Australian Bicentennial Road Development Trust Account.

C. ALLOWANCES FOR PROSPECTIVE WAGE AND SALARY INCREASES (NON-DEFENCE)

The individual appropriations for wages and salaries and the salaries component of most one line appropriations for budget-financed Commonwealth Statutory authorities are calculated using the latest available wage and salary rates at the time the budget is prepared, ie wage and salary rates ruling at the beginning of the financial year 1984-85. The expected costs of prospective increases in wage and salary rates during 1984-85 are taken into account by inclusion in the budget estimates of a bulk allowance.

The unappropriated provision of \$60m included under this heading relates to all individual wage and salary appropriations and most one-line appropriations of Commonwealth Statutory authorities outside the Defence function. Separate provision is made in the Defence function.

APPENDIX TO STATEMENT NO. 3

COMPARISON OF FORWARD ESTIMATES AND BUDGET ESTIMATES OF 1984-85 OUTLAYS

FOREWORD

A comparison of budget outlays with forward estimates was first published in Budget Paper No. 1, 1983-84. Table 1 compares the 1984-85 forward and budget estimates and is based on the same concepts, and subject to the same qualifications, as described in last year's Budget Papers.

In the 1983-84 Budget, a number of expenditure measures were introduced which had significantly larger (full-year) effects on the 1984-85 Budget. Examples of such measures are Medicare (full-year cost of \$2050m), the First Home Owners Scheme (\$265m) and the Community Employment Program (\$412m).

Set against the 1983-84 outlays on these and other measures were the savings to general revenue obtained in 1983-84 by reductions in program-related tax expenditures and increases in program-related revenues. (See the 1983-84 Appendix to Statement No. 3.) As noted in the Economic Statement of May 1983, the consequences of these savings were estimated to be significantly larger in 1984-85 than in 1983-84.

Based on the current estimates of the Medicare levy and the relevant estimates in the Economic Statement of May 1983 (the latest available data), the savings available to general revenue in 1984-85 from these tax expenditure/program-related revenue measures is estimated at about \$2250 million. The increased revenue is concentrated in the functions of *Health* (\$1747m) and *Housing* (\$330m). Formally, these savings are exhibited in increased receipts (included in Statement No. 4). They may, however, be taken into account as reductions in the call on general revenue in an analysis of the growth of outlays in the 1984-85 Budget estimates.

TABLE 1

FUNCTION:	Accounted for by—				Policy Effects on Forward Estimates		1984-85 Effect of Policy Decisions	
	1983-84 Actuals	1984-85 Estimates (a)	1984-85 Estimates (b)	Difference Budget - Forward	Increase		Decrease	
					\$m	\$m	\$m	\$m
1. Education	5 353	4 509	5 320	- 81	91	- 22	95	
2. Health	4 083	4 475	4 544	- 69	10	- 82	13	
3. Housing	4 411	4 066	6 184	- 138	28	- 21	23	
4. Industry and Welfare	1 034	1 231	1 252	- 21	54	- 33	34	
5. Housing	1 034	1 231	1 252	- 21	54	- 33	34	
6. Urban and Regional Development inc	108	79	93	13	7	21	6	
7. Culture and Recreation	612	731	735	4	16	39	2	
8. Transport and Communication	1 731	1 922	1 859	63	52	77	83	
9. Water Supply, Electricity and Gas	97	74	93	19	3	16	11	
10. Development - Administrative and	1 015	1 093	1 093	- 40	72	- 80	32	
11. Development - Other	1 015	1 093	1 093	- 40	72	- 80	32	
12. Other Government	108	120	123	- 13	3	- 3	4	
13. Other Government	108	120	123	- 13	3	- 3	4	
Total Economic Services	4 693	4 571	4 530	- 201	225	- 291	344	
14. General Public Services	306	317	307	10	7	8	25	
15. Law, Order and Public Safety	176	419	432	- 13	6	17	10	
16. Law, Order and Public Safety	176	419	432	- 13	6	17	10	
17. General Land Scientific Research inc	1 431	1 491	1 455	- 36	3	- 34	3	
18. Administrative Services	1 631	1 594	1 979	- 45	30	91	15	
19. Administrative Services	1 631	1 594	1 979	- 45	30	91	15	
Total General Public Services	3 820	4 414	4 434	71	- 26	135	- 89	
20. Payments to or for the States, N.T. inc	12 253	13 007	12 829	- 178	- 232	67	- 13	
21. Payments to or for the States, N.T. inc	4 330	5 475	5 601	- 128	128	-	-	
22. Allowance for Progressive Wage and Salary Increases (Non-Defence)	-	65	60	5	- 5	-	-	
TOTAL OUTLAYS	56 570	64 125	63 948	- 177	- 799	- 556	1 729	

(a) The 1984-85 forward estimates have been adjusted to reflect classification changes made subsequently which affect both functional totals and total outlays. The classification change which decreases total outlays effects an equivalent decrease in receipts estimates (see also Statement No. 5 and the Appendix to this Report).

(b) 1983-84 Actuals include the 1983-84 Budget receipts estimate and include the full year effects of tax expenditure and program-related revenue decisions made since March 1983. See text for details.

(c) See text for a partial analysis of parameter variations affecting 1984-85 Budget estimates.

EXPLANATIONS OF CHANGES IN ESTIMATES

The budget estimates, at \$63 948m, are \$177m below the forward estimates. The decrease is made up of:

- parameter and estimates variations—reduction of \$759m;
- savings decided in the budget process—reduction of \$556m; and
- policy initiatives—increase of \$1138m.

The real growth in the ongoing component of the estimates, including the full-year effects of last year's initiatives, is 5.2% which increases to 6.1% after the net effects of the 1984-85 Budget initiatives are included.

The definition of the forward estimates includes only those programs and activities which have approval to continue in the budget year. It does not assume continuation of expiring programs or replacement of completed construction works. (This so-called 'conservative bias' is discussed more fully in the Forward Estimates Report.) Consequently, the new policy figure includes essential capital works and revalidation of programs approved initially for one year.

The parameter and estimate effects include changes in economic and program-specific parameters, as well as updated costings of ongoing programs. Economic parameter changes contribute \$638m and the other effects make up \$121m of the reduction in the estimates. A breakdown of the non-policy effects by function is at Attachment A to this Appendix.

The significant policy-induced changes are summarised below.

- The major contribution to new policy comes in the *Social Security and Welfare* function from the package which increases pensions and benefits and associated allowances. Together with initiatives in assistance for the aged, the package is estimated to add \$429m in 1984-85 and \$681m in a full year.
- The \$88m net new policy in the *Education* function reflects the allocation of a higher level of funds to tertiary and schools programs, adding \$51m in 1984-85 and \$143m in 1985-86, along with increases in benefits under student assistance schemes through increased rates of allowance and the easing of income limits (adding \$34m in 1984-85 and \$69m in 1985-86).
- In the 'Industry Assistance and Development' sub-function, net new policy of \$48m has been added largely through the introduction of the Federal Water Resources Assistance Program, adding about \$38m in 1984-85 and 1985-86, which replaced the water program which expired at the end of 1983-84 (and for which no allowance was made in the forward estimates) and the new arrangement for government funding of wool promotion, adding about \$26m in 1984-85 and 1985-86, offset in part by the rephasing of expenditure under the Export Market Development Grants Scheme (EMDG).
- The net contribution made to the change in estimates under the 'Administrative Services' sub-function reflects the allocation of additional funds necessary to meet the ongoing requirements of Government operations and accommodation costs associated with expansions of activities across a range of functions.
- Compensation payments to Tasmania totalling \$38m in 1984-85 arising out of the termination of work on the Gordon River Power Development, Stage II, in south-west Tasmania is largely responsible for the net contribution of policy-related decisions made under the 'Payments to the States' sub-function.

- The net contributions of the functions referred to above were partially offset by the net effect of decisions taken in the 'Labour and Employment' and *Housing* areas. The policy effect on expenditure on employment derives from limiting growth in expenditure on the Community Employment Program to \$412m in light of the improvement in labour market conditions evident over the past year. The net reduction in the estimates in the housing area largely reflects a reduction of \$43m for expenditure under the First Home Owners Scheme resulting from a review of the scheme's eligibility conditions aimed at concentrating assistance on those with greatest need. The full-year savings from this change are estimated to be \$100m.
- The policy induced reduction of \$52m in Defence expenditure allows for an underlying real growth rate of about 3.3% in Defence outlays.

EFFECTS ON BUDGET ESTIMATES OF CHANGES IN CERTAIN FORWARD ESTIMATES ASSUMPTIONS

Introduction

In the Forward Estimates Report published in March 1984, 1984-85 outlays (on an existing policy basis) were estimated to grow in real terms by 3.4% on the then expected outcome for 1983-84. The equivalent figure for real growth in the ongoing policy component of the budget estimates is 5.2%.

The increase in the real growth rate since the Forward Estimates Report is the result of a number of changes which have occurred since that time. The main changes are:

- the expected growth in the non-farm GDP price deflator (NPD) for 1984-85 compared with the previous year has been revised down from the figure of 9% used in the Forward Estimates Report to an estimated 6.5%;
- the average number of unemployment beneficiaries expected for 1984-85 has been revised downwards;
- the outcome for 1983-84 Budget outlays was \$56 570m, \$256m lower than estimated in the Forward Estimates Report (adjusted for classification changes).

The following notes provide an explanation of the increase in the real growth in budget outlays compared to the forward estimates, despite the reduction in nominal terms. They also summarise the estimated effects on 1984-85 outlays of the lower 1983-84 base and the lower estimate of inflation used for the 1984-85 Budget figuring.

Effects of Lower Base

There is a valid expectation that a lower outcome for expenditure than budgeted for under a program in one year will lead, in general, to a reduction in estimated outlays for the following year.

For a variety of reasons, however, not all 'underspends' will be reflected in commensurate reductions in the estimates for the following year. (Just as, conversely, not all 'overspends' in one year lead to an equivalent increase in the following year's estimates.)

The main areas where this is so are those program areas where future commitments exist. Thus, where the Government has approved a specified program, under-expenditure in one year can lead—as a matter of arithmetic—to an increase in the year-to-year percentage growth in the estimates for the following year as the program approaches the approved, full level of output.

Similarly, shifting can occur with capital projects which are subject to contractual arrangements, eg. as to completion dates. An unintended underspending in one year may lead to higher nominal outlays in the following year as the contractor attempts to complete the project on the original timetable. In this regard, a significant portion of the \$90m underspending in 1983-84 on capital projects has been shifted into 1984-85 with a consequent rise in the year-on-year growth rate.

Reliable estimates of such shifting cannot readily be made as a myriad of events—eg. the non-arrival of suppliers' accounts—is involved.

Effects of Lower Expected Inflation

Budget estimates represent the best estimate available at budget time of the level of actual outlays which will occur aside from supplementation provided in the additional estimates for contingencies, post-budget initiatives or, to a small extent, unabsorbable cost increases. It is thus reasonable to expect that if anticipated cost increases are revised downwards in the period leading up to the budget, this will lead directly to lower budget estimates.

The nature of the price adjustment of outlay estimates, however, is complex and the link between the estimates and measures of general price increases is much less direct than might be assumed. The effects on the estimates of changes in inflation rates are also lagged in time. A number of reasons for this lack of correlation are described below. The table at Attachment B to this Appendix lists categories of outlays according to their price-dependence and gives further quantitative detail on the points made below.

(i) *Choice of deflator*: Real growth, as published, is calculated from the outlay estimates using the NPD. The 'real' value so derived is a measure of the value of the resources appropriated through the budget in terms of the goods and services produced by the economy generally—it does not necessarily measure changes in that activity in the public sector, since the change in the average cost of such activity could move quite differently from the NPD. Indeed the NPD is not used directly as a price parameter in the formulation of any estimates. By and large, estimates which are tied directly to price indices depend on the consumer price index (CPI) or, to a lesser extent, on the level of average weekly earnings (AWE).

(ii) *Non-indexed outlays*: A significant component of the estimates of budget outlays is not sensitive to the expected rate of inflation; for example:

- expenditure set in outturn prices but independently of specific price indices (eg. overseas aid, estimated at \$961m);
- payments at a fixed rate of benefit (eg. family allowances, \$1512m);
- programs involving significant payments in foreign currency which are sensitive to movements in the exchange rate (eg. overseas outlays on defence, overseas aid); or
- public debt interest, which is not dependent on inflation directly but is sensitive to short-term and long-term nominal interest rates (\$5601m).

Non-indexed outlays, in 1984-85, make up some 36% of the total and, as noted, their 1984-85 estimates have not changed directly in response to changes in expected inflation.

(iii) *Indexed outlays*: Most of the remaining components of outlays, comprising about 60% of the total, are tied to price-wage indexation formulae of one type or another.

FUNCTIONAL DESCRIPTION OF NON-POLICY CHANGES TO THE FORWARD ESTIMATES

However, the various indexation provisions relate to price or wage movements in previous periods. Because of the lagged nature of these relationships, the forecast inflation rate is, in the main, relevant only in determining indexed quantities (such as pension and benefit rates, or wages and salaries) from May 1985 onwards—the rates applicable before May being determined by last year's inflation. The forecast inflation rate therefore has relatively little effect on the 1984-85 outlay estimates.

As an illustration, while the forecast increase in the NPDI was reduced by 2½ percentage points between March and June, the estimates of pension and benefit payments declined by only \$149m or about 1% (the lower than expected 1984 June quarter CPI result reduced the estimates by a further \$40m).

Examples of outlays which are related directly or indirectly to price movements in the budget year are:

- pensions and benefits (\$15 057m);
- wages and salaries which, by the inclusion of an unallocated bulk allowance for wage and salary increases within the budget year, are effectively indexed according to national wage-setting guidelines (\$5372m);
- tax sharing payments to the States are normally related to the previous year's taxation revenue, but in 1984-85 the real terms guarantee will operate for payments to five of the six States so that the bulk of the relevant estimates are determined by the expected increase in the CPI for the year to the March quarter of 1985 (\$7164m);
- payments such as medical, hospital and pharmaceutical benefits which are informally indexed or cost related (totalling \$3149m).

Conclusion

The estimates of budget outlays are affected considerably less than proportionately by changes in the expected level of price inflation in the budget year. This insensitivity in the short-term means that real growth of estimated budget outlays, as measured against movements in the NPDI, is increased in years of falling inflation and vice versa. In 1983-84, the real growth of 5.6% published in the Forward Estimates Report fell to about 4½% (on the same ongoing policy basis) by budget time, despite the considerable increase of \$838m in those estimates due to economic and other parameter effects.

In similar fashion, the base for the 1984-85 estimates has been raised because of price and wage rises during 1983-84 while the effects of lower inflation now forecast for 1984-85 will be felt largely next year.

This Attachment outlines, by function, the major changes in estimates of outlays due to revised parameter forecasts and other non-policy variations to the estimates since the forward estimates were formulated.

Defence—up \$13m

The recent marked decline in the value of the Australian dollar relative to the \$US exerted the major non-policy influence on Defence outlays, adding \$54m to prospective expenditure since forward estimates time. Offsetting this to a significant extent is a downward revision of \$50m to expected payments for equipment purchased under US Foreign Military Sales arrangements on account of the higher than expected payments made in 1983-84. In addition, the contingent provision for manpower costs has risen by \$10m.

Education—down \$19m

The decrease in the Education function is due principally to lower estimates for schools and tertiary education programs, mainly on account of changed cost parameters (down \$18m).

Health—up \$117m

The rise in the estimates for health outlays since the forward estimates results from:

- higher payments (\$74m) to the States and the Northern Territory under the Medicare arrangements, reflecting a larger than anticipated shift from private to public patients in public hospitals;
- greater demand for pharmaceutical benefits and higher chemists' remuneration (\$33m);
- higher outlays (\$25m) on nursing home and domiciliary care due principally to the extension of the 38 hour week to nurses in some States; and
- greater provision for private hospitals (\$4m).

These and other increases have been offset, in part, by a reduction (\$14m) in the estimated requirements of the Capital Territory Health Commission and lower (\$10m) than previously anticipated outlays on medical benefits due principally to a cash carryover by the Health Insurance Commission from 1983-84.

Social Security and Welfare—down \$645m

The reductions in this function are the result of substantial parameter changes since the forward estimates were compiled offset by higher costs in some ongoing programs. These comprise:

- the net effect (—\$383m) of reduced estimates of pensioner/beneficiary numbers on which the forward estimates were based. The main reductions were in estimated numbers of unemployment beneficiaries (—\$205m), sickness beneficiaries (—\$66m), service pensioners (—\$48m), war and defence widow pensioners (—\$24m), recipients of special benefits (—\$20m), age pensioners (—\$15m), and widow pensioners (—\$10m). These were partially offset by higher estimates of supporting parent beneficiary numbers (\$14m);

- reductions (—\$196m) to reflect the actual CPI figures for March and June quarters of 1984, which will result in no indexation increases in indexed pensions and benefits in November 1984, and downward revisions to the CPI forecast which reduces the cost of automatic indexation provision of pensions and benefits in May 1985. Total provision in 1984-85 for the costs of automatic indexation of pensions and benefits is approximately \$703m, mainly comprising the full-year effects of the indexation increases in November 1983 and May 1984;
- the net effect (—\$94m) of changes to the 1983-84 cost base from which pension and benefit estimates are derived; and
- offsetting increases in on-going programs, including grants for children's services (\$10m), handicapped services (\$8m) and home care services (\$6m).

Housing—up \$54m

The increase in ongoing policy estimates largely reflects upward revisions to outlays under the First Home Owners Scheme (\$68m) due to increases in estimated numbers of beneficiaries. The budget estimate for the level of State loan funds nominated for public housing is also larger than that assumed in the forward estimates by \$29m. These movements were offset in part by a downward revision of \$18m on funding under the Commonwealth State Housing Agreement, a reduction of \$16m in interest subsidy and capital payments to the Defence Service Homes Corporation, a reduction of \$4m in general administrative expenses of the Department of Housing and Construction and a reduction of \$2m in the estimates for housing in the Australian Capital Territory.

Urban and Regional Development nec and the Environment—up \$7m

Assumptions made at forward estimates time concerning the outcome of negotiations on a new financial agreement with New South Wales and Victoria, with respect to the Albury-Wodonga project, and with Western Australia concerning loans to the WA Lands Commission, involved a net reduction of \$23.2m in the estimates. The agreements have not been finalised and the budget estimates have reverted to the status quo, thus adding \$23.2m to the forward estimates. That and other smaller additions to the estimates have been offset to a large degree by an increase of \$24m in estimated revenue from sale of land leases in the Australian Capital Territory, due to higher than anticipated land prices.

Culture and Recreation—down \$16m

The decrease results from the effect of changes in parameters and a reassessment of funds to be provided in a number of areas, including the salary, operational and capital costs of the Special Broadcasting Service (\$5.5m), the ABC (\$1.4m), the national collecting institutions (\$7.6m), Wildlife and National Parks (\$3.9m), and cultural and recreational activities in the Australian Capital Territory (\$3m). These reductions were offset in part by increased provisions in other areas, including the Australian Bicentennial Authority (\$5m) and the National Film and Sound Archive (\$1.3m).

Transport and Communication—down \$52m

The principal elements causing this decrease are a change in the timing, from 1983-84 to 1984-85, of the proposed sale to Telecom of 25% of the Commonwealth's equity in AUSSAT Pty Ltd (—\$14.9m), a revised estimate of the operating loss subsidy to be paid to the Australian National Railways Commission (—\$12.8m), revised estimates of requirements by the Pipeline Authority (—\$8.4m) largely reflecting the

latest estimates of revenues from the haulage of gas, and revised estimates for Australian Capital Territory public transport and equipment (—\$5.1m).

Water Supply, Electricity and Gas—up \$3m

This increase mainly relates to revised estimates of assistance to New South Wales for water treatment facilities and to the Northern Territory for construction of a coal-fired power station in Darwin, reflecting the latest advice on the rate of construction for those projects.

Industry Assistance and Development—down \$72m

Estimated payments under certain rural industry programs have increased by a net \$15m, reflecting an unanticipated increase in the uptake of assistance under the drought relief interest subsidy scheme (\$7.2m); an increase in Commonwealth underwriting payments for certain dairy products (\$10.2m) resulting from a decline in estimated pool returns; and an unforeseen delay between the receipt of wool tax proceeds in June 1984 and the on-payment to the Australian Wool Corporation in 1984-85 (\$8.5m); these increases were partially offset by an increase in unpaid meat export inspection charges which are due to be recovered in 1984-85 (—\$12.4m). This net increase has been more than offset by reductions in estimated payments under other industry programs. An increase in forecast production of steel has resulted in a reduction in estimated payment of bounties under the Steel Industry Plan (—\$20m) and changes in estimated bountyable production has resulted in a net reduction in other bounty payments (—\$5m). There has also been a net reduction in the estimated cost of projects expected to be funded under the Industrial Research and Development Incentives Scheme (—\$10m). Estimated payments in 1984-85 under the Export Expansion Grants Scheme and for national interest premiums of the Export Finance and Insurance Corporation (EFIC) have been reduced by \$35m and \$3m, respectively, reflecting an unanticipated reduction in the number of claims under those schemes. In addition, a delay in recovering an EFIC national interest payment has resulted in the carryover of a credit of \$3m to 1984-85. Expenditure on employment initiatives in the steel regions within this function will be \$5.9m higher than estimated in the forward estimates. Proceeds from the sale of the British Phosphate Commission (\$18m) which were expected to be received in 1983-84 will now be received in 1984-85.

Labour and Employment—down \$17m

Funds for projects specifically designed to broaden the employment base in the Steel Regions (\$20m was allocated for this purpose to this function in the Forward Estimates) have now been classified to those functions where funds are provided for similar projects (eg roads projects are funded under 'Transport and Communication'). This change resulted in a \$19m reduction under the 'Employment' sub-function, which has been partially offset by an increase of about \$12m in the cost of administration and labour force programs. The increase in administration costs reflects staffing increases, and a greater level of activity than in 1983-84, has been provided for under the labour force programs.

Within the 'Immigration' sub-function, the major components of the decrease are lower staffing levels than estimated (—\$7m), a lower number of assisted passage migrants than originally estimated (—\$3m) and reduced occupancy levels at Migrant Centres (—\$1.4m).

Other Economic Services—up \$3m

The marginal increase is mainly attributable to variations in underlying parameters which have resulted in estimated salary and administrative cost increases for the Departments of Science and Technology and Resources and Energy and an estimated fall in receipts from the provision of meteorological services. This is expected to be partially offset by a small increase in estimated recoveries from the Patent Trademarks and Designs Office.

Legislative Services—up \$7m

The increase is due principally to higher expenditures on staff and services for the Parliament and its members (\$4m) and increased activity associated with the construction of the new Parliament House (\$5m) offset by reductions in the levels of expenditure estimated for the Australian Electoral Commission due to changes in plans for the conduct of the announced referendum.

Law, Order and Public Safety—up \$6m

The main increases in this function resulted from improved security arrangements for Family Court judges (\$2.8m) and additional costs associated with the increased demand on the operations of the Australian Government Solicitor's Regional Office (\$3.0m).

Foreign Affairs and Overseas Aid—down \$3m

The small net decrease in this function reflects a reduction of \$7.3m in the estimates for repairs and maintenance and administrative expenses at overseas posts, and reductions in overseas property acquisitions. This has been partly offset by an increase of \$3.3m attributable to the depreciation of the Australian dollar affecting contributions to international non-aid organisations.

General and Scientific Research nec—down \$5m

The most significant contribution to the decrease results from a change in funding arrangements whereby half the operating costs of the Australian National Animal Health Laboratory (ANAHL) are to be appropriated through the Department of Primary Industry. These costs were previously funded in full by the CSIRO and appropriations to CSIRO are therefore reduced by \$3.9m.

Administrative Services—down \$30m

The reduction reflects significant variations to estimated staffing levels and administrative expenses (-\$44.0m) and deferrals and cancellations of equipment purchases (-\$24.3m). Revenues offsetting outlays included in this function will be higher than previously forecast by \$12.0m. Offsetting these reductions in outlays are increases in a range of items. The significant examples are: the adjustment of superannuation benefits to recognise a change in treatment of shift allowances as salary for superannuation purposes arising from a Federal Court decision (\$33.0m) and an increase in estimated loan flotation expenses reflecting changes in assumptions about levels of borrowing both in Australia and overseas and exchange rate variations (\$18.5m)

Payments to or for the States, the Northern Territory and Local Government Authorities nec—down \$232m

The decrease is attributable mainly to revised estimates of tax-sharing grants due to a downward revision to the projected increase in the CPI, averaged for the year to the March quarter 1985, compared with the previous year. This more than offsets the effect of a slight increase in the estimate on account of net Commonwealth tax collections in 1983-84.

Public Debt Interest—up \$128m

The increase is mainly due to the full-year effect of interest payable on higher than estimated sales of Treasury bonds in the second half of 1983-84, higher than previously estimated average interest rates in 1984-85, and the within year impact of higher than previously estimated Treasury Bond sales in 1984-85.

ATTACHMENT B

PRICE DEPENDENCE OF ESTIMATES OF BUDGET OUTLAYS

Categories of Outlays	1984-85 Estimates	
	\$m	% of Outlays
(a) <i>Non-indexed estimates</i> —		
Administrative expenses ⁽¹⁾	1 419	
General government capital	832	
Defence (excluding manpower and administrative expenses)	2 668	
Public debt interest	5 601	
Overseas aid	961	
Community Employment Program	412	
Commonwealth State Housing Agreement	623	
Road funding (Road Grants Act and ABRD)	1 245	
Loan Council States borrowing program (including nominated welfare housing funds)	1 048	
Identified health grants to the States	1 374	
Queensland tax sharing payment	1 890	
Local Government tax sharing payment	487	
NT— Tax sharing, identified health grants and general purpose grants and advances	644	
Budget dependent statutory authorities ⁽²⁾	1 000	
Sub-total	20 204	31.6
(b) <i>Payments at fixed rates of benefit</i> —		
Family allowances	1 512	
Labour and training	395	
Education allowances	361	
First Home Owners Scheme	265	
Sub-total	2 533	4.0
(c) <i>Formally linked to price/wage indices</i> —		
Pensions and Benefits ⁽³⁾	15 057	
Nursing home benefits	708	
Education commission programs	3 890	
Superannuation and DFRDB	758	
Wages and salaries (including bulk allowances)	5 372	
States tax sharing payments (excl. Qld) (indexed in 1984-85 via real terms guarantee)	7 164	
Medicare grants	996	
Sub-total	33 943	53.1
(d) <i>Informally or indirectly linked to price/wage indices</i> —		
Medical and hospital benefits	2 490	
Pharmaceutical benefits	659	
Nursing home subsidies	293	
Bounties	181	
Petroleum freight subsidy	123	
Sub-total	3 747	5.9
TOTAL IDENTIFIED	60 427	94.5

- (1) Includes a small element representing partial supplementation for future cost increases.
 (2) Approximate figure for larger authorities with single-line appropriations. A small provision for future wage rate increases for these authorities is included in wages and salaries in category (c).
 (3) Includes costs of some benefits and allowances which are not formally indexed to the CPI. These amount to about 7% of the figure shown.

STATEMENT NO. 4—ESTIMATES OF RECEIPTS 1984-85

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STATEMENT NO. 4—ESTIMATES OF RECEIPTS 1984-85

Total Budget receipts in 1984-85 are estimated at \$57 203m, an increase of \$8594m or 17.7 per cent over 1983-84 collections. The measures announced in the Budget are estimated to have a net cost of \$1293m in 1984-85. In the absence of those measures, receipts would have increased by 20.3 per cent to \$58 496m.

RECEIPTS MEASURES

The table below shows the estimated revenue effects in 1984-85 and in a full year of measures announced during the past year, and the measures announced in this Budget.

Measure	Estimated change in receipts	
	1984-85	Full year
	\$m	\$m(a)
(1) Announced prior to the Budget (b)		
Personal Income Tax		
Extension of short-term life insurance taxable period	•	•
Half tax exemption for certain Reserve Defence Force personnel	- 5	- 10
Business Income		
Deduction for subscriptions to Licensed Management and Investment Companies	-26	-20
Write-off of capital contributions to government-owned mineral transport systems	•	•
Taxation of the Commonwealth Banking Corporation	•	•
Exemption from interest withholding tax of interest on widely-held debentures issued overseas in registered form	n.a.	n.a.
Offshore petroleum 'greenfields' resource rent tax	-	-
Changed treatment of non-leveraged leases involving governments and tax-exempt authorities	•	100(c)
Substitution of semi-government securities	•	•
Taxation of foreign beneficiaries of Australian business trusts		(d)
Customs and Excise Duties		
Abolition of excise on fortifying spirit	- 5	- 5
Reduction of excise on fuel oil, kerosene, etc.	-88	-88
Excise on 'new' oil	317	317
Exemption from coal export duty of certain blended coal	-10	-10
Increase in excise on manufactured tobacco	4	5
Measures to Counter Tax Avoidance and Evasion		
Avoidance and evasion of State taxes and charges	•	•
Increased tax rate on bearer debenture interest	•	•
Restriction of sales tax exemption on exported and re-imported goods	•	•
(2) Announced in the Budget		
Personal Income Tax		
Changes to personal income tax rate scale	-1 297	-2 125
Extension of dependent spouse rebate to de facto married taxpayers	-2	-7(e)
Increase in basic rates of zone rebates	-5	-11
Rebates for unemployment, sickness and special beneficiaries	•	-2
Changes to Medicare levy arrangements	-8	-12
Decrease in provisional tax uplift factor from 11 per cent to 10 per cent	-20	n.a.
Change to pensioner rebate shade-out threshold	-2	-6
Changes in gift provisions	•	-2
Business Income		
Extension of investment allowance cut-off date	-	-(f)
Mineral exploration deductible from income from any source	-	-10(g)
Increased depreciation allowance on buildings	-	-5(h)
Group taxation of companies	-	-200(i)
Changes to Bank Account Debts tax	-(j)	-(j)
Increased valuation of natural increases in livestock	-	4(k)
Extension of section 75c for 2 years	•	-1(l)
Measures to Counter Tax Avoidance and Evasion		
Increases in tax penalty provisions	•	•
Sales tax measures	•	•
Intensified enforcement activity	*(m)	*(m)

Measure	Estimated change in receipts	
	1984-85	Full year
	\$m	\$m(a)
Sales Tax—		
Wine and cider	49(n)	62(n)
Very low-alcohol beer	5	6
Film master originals, etc.	•	•
Customs and Excise Duties—		
Reduction in excise on low-alcohol beer	-10	-12
Indexation of diesel fuel rebate	-2	-11
Increase in excise on aviation fuels	3	3
Change in excise indexation arrangements in respect of CPI decreases	-4	•
Substitution of discriminatory sales taxes by customs duties on imports—		
Very low-alcohol beer	•	•
Grape wine and cider	3(o)	4(o)
Return of collections from excise on fortifying spirit	-5	-
Other measures—		
Increase in radio-communications licence fees	2	2

n.a., not available.

• less than \$0.5m.

* The nature of the provision is such that a reliable estimate cannot be provided.

- (a) Unless otherwise indicated full-year figures are estimates of the ultimate changes in receipts that would have occurred if the measure had applied in respect of the whole of 1984-85; they are not necessarily the same as the estimated change in receipts in 1985-86.
- (b) Although not listed in the table, the failure of the Parliament to pass the changes to the Income Equalization Deposits arrangements announced on 16 June and 30 August 1983, as discussed in the text, may affect 1984-85 revenues.
- (c) This is an estimate of the 1985-86 revenue savings from averting both revenue deferral and outright revenue losses. The revenue savings could be larger in subsequent years.
- (d) The amendments are intended to maintain existing tax arrangements in this area.
- (e) \$8m in 1985-86. This is higher than in a full year, given that most eligible taxpayers will get the benefit of the change from 1 July to 1 November 1984 on assessment¹ rather than through the PAYE system.
- (f) The total cost of the extension is estimated at around \$70m to \$100m. It is further estimated that about 40 per cent of this cost will be met in 1987-88.
- (g) Estimate is for full-year effect in 1986-87; revenue reduction in 1985-86 is estimated at \$8m.
- (h) Estimated effect in 1985-86; the amount will grow year by year over a number of decades.
- (i) Estimated effect in 1985-86; the amount will reduce year by year to an eventual full-year estimate of around \$50m.
- (j) The effect of extending the range of exemptions is expected to be offset by the increase in the top rate of tax on debts above \$10 000.
- (k) \$4m in 1985-86 but estimated to rise to \$9m after a number of years.
- (l) \$0.5m in each of 1985-86 and 1986-87.
- (m) The intensified enforcement programs could increase revenue collections in the order of \$60m in 1984-85.
- (n) Allows for lower estimated sales tax collections as a result of the replacement of the discriminatory sales tax on imported grape wine and cider by a customs duty and the effect of higher beer excise collections due to substitution.
- (o) This revenue gain is offset by the reduction in sales tax revenue on imported grape wine and cider mentioned in footnote (n).

(1) MEASURES ANNOUNCED PRIOR TO THE 1984-85 BUDGET

PERSONAL INCOME TAX

Short-Term Life Insurance Policies

The time period within which certain bonuses and other proceeds paid under short-term life insurance policies (to the extent that they exceed paid premiums) are subject to tax was extended from 4 years to 10 years from the commencement of a life insurance policy taken out after 7 December 1983.

Tax Exemption for Part-Time Reserve Defence Force Personnel

The 1983-84 Budget provided for one half of the pay and allowances of certain members of the Reserve Defence Forces to be exempt from tax from 1 December 1983 and for the exemption to be completely removed from 1 December 1984. The Government subsequently decided not to proceed with the second stage of the removal of the exemption.

Income Equalization Deposits (IEDs)

New arrangements for the operation of the IED scheme were announced on 16 June 1983 and on 30 August 1983. IEDs made on or after 1 September 1983 were no longer to qualify for a tax deduction when made nor were they to be included in assessable income when withdrawn. Instead, the interest rate on eligible IEDs made on or after 1 September 1983 was set at the favourable rate of two percentage points above the short-term bond rate.

Legislation introduced in the Autumn 1984 sittings of Parliament to give effect to the proposed changes to the tax treatment and some other provisions relating to IEDs was not passed by the Senate. The Government has announced its intention to reintroduce the legislation during the current Budget sittings. The effect of the rejection of the legislation by the Senate was that IEDs from 1 September 1983 attract the increased interest rate, as well as income tax deductibility. As an interim measure, the interest rate on deposits made after 29 June 1984 was reduced to 7.5 per cent, the rate that would have been applicable under the previous scheme. If the legislation is passed, companion legislation will ensure that the benefits of the new scheme as originally announced will apply to deposits made on or after 1 September 1983.

BUSINESS INCOME

Subscriptions to Licensed Management and Investment Companies (MICs)

On 14 September 1983, the Government announced its decision to encourage the development of a venture capital market in Australia, through a 100 per cent income tax deduction for equity investments made after 13 September 1983 in licensed MICs. The deductions are subject to tapered 'clawback' provisions that withdraw all or part of the deduction where shares are disposed of, or an MIC's licence is revoked, within four years of the share subscription.

Capital Contributions to Government-Owned Mineral Transport Systems

The income tax law has been amended to allow deductions to companies for contributions towards the cost of railway rolling stock where ownership remains with a government or tax-exempt public authority. Capital contributions incurred after 9 March 1984—the date on which this change was foreshadowed—are now deductible over 10 years or, at the taxpayer's option, 20 years.

Taxation of the Commonwealth Banking Corporation

As part of a package of measures designed to allow Commonwealth Banking Corporation banks to compete on a fully comparable basis with the major private banking and non-banking institutions, the Treasurer announced on 2 April 1984 that the Government had decided to make the Commonwealth Development Bank, the Commonwealth Savings Bank and the Commonwealth Banking Corporation itself subject to company income tax with effect for the year of income that commenced on 1 July 1984 and subsequent years.

Interest Withholding Tax Exemption

The Government extended the exemption from interest withholding tax for interest on overseas public or widely-spread issues of debentures in bearer form to include interest on all overseas public and widely-spread debenture issues, whether in bearer or registered form. The extension of the exemption applies to interest paid on debentures issued after 23 November 1983.

Offshore Petroleum 'Greenfields' Resource Rent Tax (RRT)

In a joint statement of 27 June 1984, the Treasurer and the Minister for Resources and Energy outlined the principal elements of the RRT arrangements to apply to offshore 'greenfields' petroleum projects with effect from 1 July 1984. Broadly, the RRT is to be levied on a project basis prior to company tax at a rate of 40 per cent on all petroleum income, defined to allow both current and capital expenditures (including eligible exploration expenditure within the original exploration permit area from which the project's production licences are drawn) to be written off in the year in which they are paid and to exclude payments and receipts relating to the provision of debt and equity capital. Any excess of deductible expenditures over petroleum receipts will be compounded forward at a 'threshold' rate set at the long term bond rate plus 15 percentage points (except in respect of exploration expenditure made more than 5 years before the granting of the first production licence, which is to attract compounding at a rate equal to the GDP deflator). RRT payments will be deductible for company tax purposes. It is intended that neither excise nor royalties apply in respect of RRT-paying projects.

Leasing by Governments and Tax-Exempt Government Authorities

The Treasurer announced on 15 May 1984 that the income tax treatment would be changed for lessors entering from that date into non-leveraged finance leases (and similar arrangements) of property to governments and tax-exempt government authorities. For the purposes of calculating the taxable income of the lessors, such leases are to be treated as though they were loans by the lessor to enable the government or government authority to acquire the leased property.

Substitution of Semi-Government Securities

On 7 August 1984, the Treasurer announced that the income tax law would be amended so that the substitution of new securities of a State central borrowing authority issued on matched terms for existing semi-government securities would not be treated as a realization and, therefore, would have no tax consequences.

Foreign Beneficiaries of Australian Business Trusts

The Treasurer announced on 19 August 1984 that the income tax law would be amended to make it clear that Australia has the right to tax distributions by Australian business trusts to beneficiaries (or unit holders in the case of unit trusts) resident in countries with which Australia has concluded double taxation agreements.

CUSTOMS AND EXCISE DUTIES

Excise on Fortifying Spirit

Reintroduction of excise on grape spirit for fortifying wine at a rate of \$2.61 per litre was announced in the 1983-84 Budget. The announced rate was subsequently

reduced to \$1.50 per litre backdated to Budget night. It was announced on 22 June 1984 that the excise would be abolished with effect from that date.

Excise on Fuel Oil, Heating Oil and Power and Lighting Kerosene

The 1983-84 Budget announced an excise duty on fuel oil, heating oil and power and lighting kerosene at a rate of 9.027 cents per litre, with heating oil being subject to a 7.155 cents per litre rebate for eligible off-road uses. On 26 August 1983 it was announced that the rate of excise duty on fuel oil, heating oil and power and lighting kerosene was to be reduced to 1.872 cents per litre, backdated to Budget night. As this rate was equal to that which would have applied to heating oil subject to rebate, the rebate arrangements for heating oil for eligible off-road use were no longer necessary.

Excise on 'New' Oil

Details of the excise arrangements applicable to 'new' oil from 1 July 1984 are outlined in Appendix II to this Statement.

Exemption from Coal Export Duty

On 28 May 1984, the Government announced that coal exports involving a blending of substantial quantities of underground coal with open-cut coal would no longer attract the coal export duty.

Excise on Manufactured Tobacco

As foreshadowed in the 1983-84 Budget, the rate of excise on manufactured tobacco—presently \$20.92 per kilogram—will be raised in this Budget by \$5 per kilogram to \$25.92 per kilogram of tobacco. The increase represents a further step towards elimination of the difference between the rate applying to manufactured tobacco and that applying to cigarettes and cigars.

MEASURES TO COUNTER TAX AVOIDANCE AND EVASION

Avoidance and Evasion of State Taxes and Charges

The Treasurer announced on 20 December 1983 that steps were to be taken, in co-operation with State and Territory jurisdictions, to counter that element of tax avoidance and evasion of State and Territory taxes and charges dependent on schemes operating through another State or Territory. Consistent with this decision, the Minister for Territories and Local Government announced on 27 July 1984 certain measures to counter avoidance and evasion of State and Territory charges by merchants operating in the Australian Capital Territory.

Rate of Tax Payable on Interest on Bearer Debentures

The *Income Tax (Bearer Debentures) Act 1971* was amended to increase to 60 per cent, with effect from 23 November 1983, the rate of tax payable by a company in accordance with section 126 of the *Income Tax Assessment Act 1936* on interest paid on bearer debentures whose owners are not identified. The provision operates as an anti-evasion measure.

Sales Tax on Exported and Re-Imported Goods

The Treasurer announced on 7 May 1984 the Government's decision to amend the sales tax law to overcome an avoidance practice involving the export and re-import of certain goods. The amendment will restrict the exemption from tax, on importation, of goods which were originally produced or manufactured in Australia but which have been exported without having gone into use or consumption in Australia. The amendment will also restrict the exemption available where taxable goods produced or manufactured overseas are imported into Australia but, before going into use or consumption, are exported and subsequently re-imported into this country.

(2) MEASURES ANNOUNCED IN THE BUDGET

PERSONAL INCOME TAX

Rate Scale

The following changes are to be made to the personal income tax rate scale with effect from 1 November 1984:

- (a) a rate of 25 per cent is to be introduced in the income range \$4596 to \$12 500;
- (b) a rate of 48 per cent is to be introduced in the range \$28 001 to \$35 000; and
- (c) the maximum marginal rate of 60 per cent will commence from \$35 001 rather than the present level of \$35 789.

The personal income tax rate scale to apply from 1 November 1984 is, therefore, as follows:

Total taxable income		
Not less than	Not more than	Tax on total taxable income
\$ 0	\$ 4 595	Nil
4 596	12 500	Nil + 25c for each \$1 in excess of \$4 595
12 501	19 500	\$1 976.25 + 30c for each \$1 in excess of \$12 500
19 501	28 000	\$4 076.25 + 40c for each \$1 in excess of \$19 500
28 001	35 000	\$7 986.25 + 48c for each \$1 in excess of \$28 000
35 001	and over	\$11 346.25 + 60c for each \$1 in excess of \$35 000

For the purposes of calculating rebates for qualifying home loan interest payments, concessional expenditure in excess of \$2000 and taxable life insurance policy bonuses, and for calculating tax payable on some portions of payments on termination of employment and the like, the 'standard' tax rate of 30 per cent has applied; this rate will continue to apply in 1984-85.

The changes in the personal income tax rate scale are to be reflected fully in PAYE instalments from 1 November 1984.

For assessment purposes, the rate scale for 1984-85 will be an average of the 1983-84 rate scale and the scale to apply from 1 November 1984. This will consist of 4/12 of the 1983-84 scale and 8/12 of the scale to apply from 1 November 1984.

This average scale will be:

Total taxable income		Tax on total taxable income.
Not less than	Not more than	
\$ 0	\$ 4 595	Nil
4 596	12 500	Nil + 26.67c for each \$1 in excess of \$4 595
12 501	19 500	\$2 108.2635 + 30c for each \$1 in excess of \$12 500
19 501	28 000	\$4 208.2635 + 46c for each \$1 in excess of \$19 500
28 001	35 000	\$8 118.2635 + 47.33c for each \$1 in excess of \$28 000
35 001	35 788	\$11 431.3635 + 55.33c for each \$1 in excess of \$35 000
35 789	and over	\$35 000 \$11 867.3639 + 60c for each \$1 in excess of \$35 788

Rebate for Dependent Spouse

From 1 July 1984 a taxpayer contributing to the maintenance of a de facto spouse will be entitled to claim the dependent spouse rebate in respect of his/her de facto spouse. Entitlement to this rebate will be determined on the same basis as if the taxpayer and his/her spouse were legally married and will be subject to the separate net income test. A housekeeper rebate will generally no longer be available in respect of a de facto spouse as from 1 July 1984.

Zone Rebates

The basic zone rebates available to taxpayers who are residents of specified remote areas of Australia will be increased by 25 per cent with effect from 1 November 1984 (that is, by \$54 to \$270 for Zone A, by \$9 to \$45 for Zone B and by \$188 to \$938 for the special zone areas). These increases will apply proportionately for the 1984-85 income year.

In addition, the boundaries of the special zone areas will be changed in line with 1981 Census data where this will advantage taxpayers. This means that taxpayers who were living within 250 kilometres of a population centre of 2500 or more persons determined on the basis of 1976 Census data will now be included in the appropriate special zone areas where the 1981 Census data show that the population of that centre has fallen below 2500 persons. This change will apply from 1 July 1984.

Social Security Beneficiary Rebates

Rebates are to be introduced for taxpayers in receipt of Australian social security unemployment, sickness or special benefits during 1984-85 and subsequent years to ensure that persons wholly or mainly dependent on a taxable benefit do not bear income tax. The maximum rebate in 1984-85 will be \$50 for single beneficiaries and \$75 for (legal or de facto) married beneficiaries. The rebate will be reduced by 12.5 cents for each \$1 of taxable income in excess of \$4783 for single beneficiaries and \$7989 for married beneficiaries. The rebate will completely shade out at a taxable income of \$5183 for a single beneficiary and \$8589 for a married beneficiary.

Medicare Levy

The Medicare levy was introduced on 1 February 1984 at an annual rate of one per cent of taxable income (0.416 per cent for 1983-84). The levy applies to all residents—subject to certain exemptions—with taxable incomes above certain low income

thresholds. A common levy ceiling also applies to single persons and (legal or de facto) married couples.

In 1983-84, the low income thresholds were: \$6698 for single persons and \$11 141 for married couples and sole parents, with an \$1100 addition to the threshold for each dependent child or student. These will be increased to \$7110, \$11 803 and \$1330 respectively in 1984-85.

The levy ceiling of \$700 per annum which applied from 1 February 1984 is to be increased to \$750 per annum from 1 November 1984 (and will apply proportionately for the 1984-85 income year).

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 percentage to obtain notional current-year incomes on which to base the calculation of provisional tax liabilities. The percentage applied in 1983-84 was 11 per cent; for 1984-85 the percentage to be applied is 10 per cent, reflecting the expected slower growth in incomes to which provisional tax applies.

The 1984-85 rate scale will be applied to incomes calculated in this way. Provisional taxpayers retain the option of self-assessment—that is, of providing an estimate of their income for the current year for calculating their provisional tax liabilities.

Pensioner Rebate

A rebate is allowable for taxpayers in receipt of an Australian social security or repatriation pension that is subject to Australian income tax. The maximum rebate for 1984-85 will remain at \$250. In order to allow eligible pensioners to take full advantage of the \$250 rebate, the income level above which the maximum rebate begins to shade out is to be increased from \$5429 to \$5533 in 1984-85. The rebate will reduce by 12.5 cents for each dollar of taxable income in excess of \$5533 until fully extinguished at \$7533.

Gift Provisions

The income tax gift provisions are to be amended:

- to allow deductions for:
 - gifts made after 20 March 1984 to the Work Skill Australia Foundation;
 - gifts made after 21 August 1984 to the Academy of Social Sciences;
 - gifts of real property, irrespective of when or how the property was acquired, that is of national heritage significance made after 21 August 1984 to National Trust of Australia bodies; and
- to treat trading stock gifted after 21 August 1984 to an authorised fund, authority or institution as an allowable deduction to the extent of the value brought to account as assessable income under section 36 of the *Income Tax Assessment Act 1936*. This amendment will avert the situation whereby farmers and others seeking to assist victims of natural disasters may be subject to tax on the value of their gifts of livestock, etc., yet not be able to obtain a deduction in respect of the value of the gift.

BUSINESS INCOME

Investment Allowance

Under current law, the 18 per cent investment allowance would last apply to expenditure on eligible plant incurred under a contract entered into (or where construction commenced) before 1 July 1985 provided the plant is first used or installed ready for use by 30 June 1986. The latter cut-off date relating to plant ordered before 1 July 1985 is to be extended from 30 June 1986 to 30 June 1987.

Mineral Exploration Expenditure

Expenditure incurred after 21 August 1984 on general mineral exploration and prospecting in Australia is to be deductible against income derived from any source, instead of only against income from general mining operations as is currently the case. Petroleum exploration expenditure has been deductible against income from any source since 1976.

Depreciation Allowances for Non-Residential Income-Producing Buildings

Depreciation allowances in respect of new non-residential income-producing buildings and short-term traveller accommodation buildings are to be increased from the current rate of 2½ per cent per annum to 4 per cent per annum. The increased rate is to be available in respect of the construction cost of eligible buildings, including extensions and alterations, construction of which commences after 21 August 1984.

Group Taxation of Companies

For losses incurred in 1984-85 and later years, groups of Australian companies with 100 per cent common ownership are to be allowed to offset a loss of one resident company within the group against the taxable income of other resident companies in the group. The loss transferable in respect of any company will be calculated on the same basis as losses eligible for carry forward under the present income tax provisions.

Bank Account Debits Tax

It is proposed to extend the present range of exemptions to include:

- Parents and Citizens Associations and other support groups for existing exempt institutions;
- 'non-business' local councils and government bodies except where they conduct substantial business activities; and
- debits of less than one dollar.

To offset the cost of these changes, it is proposed to increase the rate of tax on debits of \$10 000 or more from \$1 to \$1.50. The changes will first apply to debits made in the month after the month in which legislation to effect the changes is enacted.

Valuation of Natural Increase in Livestock

Prescribed minimum values are used to provide an accounting cost for income tax purposes for natural increases in livestock when the primary producer is valuing livestock at cost price rather than market selling price. The current prescribed values of \$0.40 per head of sheep, \$2 per head of cattle and horses and \$0.50 per head of pigs have remained unchanged since 1936. These prescribed values are to be increased to

more appropriate levels of \$1 per head of sheep, \$5 per head of cattle and horses and \$4 per head of pigs, to apply to the valuation of natural increase in 1984-85 and subsequent years.

Fencing Tax Concession for the Brucellosis and Tuberculosis Eradication Campaign

Section 75C of the *Income Tax Assessment Act 1936* provides immediate deductibility for expenditure incurred before 1 July 1984 on sub-divisional and stockyard fencing certified as necessary to control or eradicate bovine brucellosis and tuberculosis in livestock. The scheduled termination date in section 75C is to be extended to 30 June 1986.

MEASURES TO COUNTER TAX AVOIDANCE AND EVASION

Penalty Provisions

Following a comprehensive review of the penalty and collection provisions of the taxation laws, legislation is to be introduced to upgrade the levels of penalties for breaches of the income tax and other taxation laws and to improve the tax collection mechanism.

Sales Tax

The machinery and liability provisions of the sales tax legislation are to be simplified and improved. This legislation will also include some measures to counter tax avoidance practices.

Intensified Enforcement Activity

The Government has provided additional staff for the Australian Taxation Office in 1984-85 to increase activity to combat tax evasion.

SALES TAX

Wine and Cider

Sales tax at a rate of 10 per cent is to be applied to Australian and imported alcoholic grape wines, alcoholic non-grape wines and alcoholic ciders with effect from 8.00 p.m. 21 August 1984. Australian non-alcoholic grape wine and non-alcoholic cider will remain exempt from sales tax, while Australian and imported non-alcoholic non-grape wine (previously subject to 20 per cent sales tax) will become exempt from sales tax with effect from 8.00 p.m. 21 August 1984. Imported non-alcoholic grape wine and imported non-alcoholic cider will remain subject to 20 per cent sales tax. Wine (grape and non-grape) and cider with an alcoholic content of not more than 1.15 per cent by volume will be defined as 'non-alcoholic' for sales tax and customs duty purposes.

The pre-existing discriminatory 20 per cent sales tax on imported alcoholic grape wine will be replaced by additional ad valorem customs duties, equivalent to a discriminatory tax of 10 per cent. This action is seen as being fully consistent with Australia's obligations under the General Agreement on Tariffs and Trade (GATT) whereby Australia, upon accession in 1947, entered into commitments not to increase the customs duty applied to imported grape wines above certain specified bound levels.

In addition, the pre-existing discriminatory 20 per cent sales tax on imported alcoholic cider will be replaced by an additional equivalent ad valorem customs duty. Cider is not subject to a GATT binding on the level of customs duty.

As a further measure associated with the imposition of a sales tax on imported and local wine, arrangements will be made to refund excise duty payable on grape spirit used to fortify wine between Budget night 1983 and 22 June 1984. Not to do so could have had the effect of sales tax falling on wine that contained spirit on which excise duty had already been paid. Details of the refund arrangements are to be announced separately.

Very Low-Alcohol Beer

All Australian and imported beers—including those produced as brewed soft drinks—with an alcoholic strength of not more than 1.15 per cent by volume are to be subject to the general 20 per cent rate of sales tax, the rate applied to most other carbonated soft drinks. The change applies to beer with an alcoholic strength of not more than 1.15 per cent by volume that passes the taxing point after 8.00 p.m. 21 August 1984. In order to maintain the existing level of protection, the *Customs Tariff Act 1982* is to be amended to impose on imported beer with an alcoholic strength of not more than 1.15 per cent by volume an additional ad valorem customs duty which is equivalent to the pre-existing discriminatory 20 per cent sales tax on imports. Previously all Australian-brewed beer was exempt from sales tax but only beer with an alcoholic strength of more than 1.15 per cent by volume was subject to excise.

Film Masters

The sales tax law is to be amended so as to provide exemption, as an aid to manufacture for unexposed or exposed cinematograph film used in the production of commercial motion picture films, effective after 21 August 1984.

CUSTOMS AND EXCISE DUTIES

Excise rates applying to certain products are to be changed from 8.00 p.m. 21 August 1984 as follows:

- the rate of excise on beer with an alcoholic strength of not more than 3.8 per cent by volume, but more than 1.15 per cent by volume, is to be reduced from 66 cents per litre to 58 cents per litre;
- the rebate, currently at a rate of 7.155 cents per litre, 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 become subject to six-monthly indexation. The first indexation adjustment to the rebate will occur in February 1985; and
- as a cost recovery measure, the excises on aviation gasoline and aviation turbine fuel will rise by 0.25 cents per litre to 7.910 and 7.514 cents per litre respectively.

For each of these excise rate changes, a commensurate change in the relevant rate of customs duty is to be made.

Under the existing arrangements for six-monthly indexation of all excise rates (except for crude oil and LPG), indexation adjustments occur only where the movement in the CPI over the preceding two quarters is an increase; CPI decreases over previous six-monthly periods are ignored. These arrangements are to be modified, with effect for the indexation adjustments due on 1 February 1985, so that CPI decreases are taken into account in a similar manner to the treatment of pensions and benefits under

the Social Security Act, i.e. in the event of a decrease in the CPI over the preceding two quarters, indexation is suspended until the CPI, observed at six monthly intervals, exceeds its previous highest level; excise duties (and the rebate of excise on diesel fuel, now that it is to be part of the indexation framework) would then be increased in line with the increase in the CPI over the full period since the previous adjustment.

As outlined above, additional customs duties will be imposed on imported alcoholic grape wine at a rate equivalent to a 10 per cent discriminatory sales tax on imports, and the existing 20 per cent discriminatory sales taxes on imported alcoholic cider and imported beer with an alcoholic strength of not more than 1.15 per cent by volume will be replaced by equivalent additional ad valorem customs duties.

OTHER MEASURES

Radio-Communications Licence Fees

The licence fee rates payable by users of the radio frequency spectrum are to be increased by an average 7.5 per cent with effect from 1 September 1984.

RECEIPTS ESTIMATES

The following table compares estimated receipts in 1984-85 with collections in 1983-84. The budget outcome for 1983-84 compared with the budget estimates for that year is discussed in Statement No. 5. Data on collections for the years since 1974-75 are provided in Table 9 of Statement No. 6.

	1983-84		1984-85		Proportion of total receipts	
	Actual	Change on 1982-83	Estimate	Change on 1983-84		
	\$m	per cent	\$m	\$m		per cent
Taxation Revenue—						
Income Tax—						
Individuals—						
Gross PAYE	22 024(a)	5.8	24 375	2 351	10.7	42.6
Refunds	2 403	21.9	2 000	-403	-16.8	3.5
Net PAYE	19 620	4.1	22 375	2 755	14.0	39.1
Other	4 474(a)	8.4	6 472	1 998	44.7	11.3
Medicare Levy	365(b)	n.a.	1 191	826	226.3	2.1
Prescribed Payments System	25f	n.a.	350	99	39.4	0.6
Total Individuals	24 710(c)	7.6	30 388	5 678	23.0	53.1
Companies	4 383	-8.1	5 360	997	22.7	9.4
Withholding Tax	305	17.8	371	66	21.6	0.6
Special Tax to Recover Evaded Company and Division 7 Tax	252(d)	215.0	200	-52	-20.6	0.3
Total Income Tax	29 649	5.6	36 339	6 690	22.6	63.5
Sales Tax	4 165	19.3	4 704	539	12.9	8.2
Excise Duty—						
Crude Oil and LPG	3 651	4.7	3 695	44	1.2	6.5
All Other	4 083	23.0	4 352	269	6.6	7.6
Customs Duty—						
Imports	2 329	14.4	2 720	391	16.8	4.8
Coal Exports	66	..	60	-6	-9.1	0.1
Bank Account Debits Tax	183	510.0	190	7	3.8	0.3
ACT Taxes and Charges	102	12.1	116	13	13.1	0.2
Other Taxes, Fees and Fines (net)	269	12.1	285	16	5.8	0.5
Total Taxation Revenue	44 497	9.0	52 460	7 963	17.9	91.7
Non-Tax Revenue—						
Interest, Rent and Dividends	3 318	13.3	3 680	362	10.9	6.4
Net Receipts from Government Enterprise Transactions	794	13.4	1 063	269	33.8	1.9
Total Non-Tax Revenue	4 112	13.3	4 743	631	15.3	8.3
TOTAL RECEIPTS	48 610	9.3	57 203	8 594	17.7	100.0

(a) The figures exclude an estimated amount of Medicare levy, listed separately.
 (b) This figure is an estimate of the amount collected; Medicare levy is not separately identified at the point of collection.
 (c) Includes an estimated \$20m collected from companies under the Prescribed Payments System.
 (d) Includes collections of \$69m as Recoupment Tax, \$181m collected as company tax and \$2m collected on assessment from 'Other' individuals.

The accounting conventions underlying the presentation of receipts in the above table differ in one important respect from those in previous years. Sales of existing assets that were previously classified as receipts items have—in accordance with standard international accounting conventions—now been reclassified as offsets to outlays (see Statement No. 3 for further details). The reclassification of asset sales has been carried through for all years shown in the Budget Papers; it does not significantly affect the projected growth in total receipts in 1984-85 nor the growth in earlier years. The effect of this reclassification is to reduce the 1984-85 receipts estimate by about \$137m, with an equal reduction in estimated outlays. The corresponding adjustment for 1983-84 is about \$88m.

TAXATION REVENUE

After taking account of budget measures, total taxation revenue in 1984-85 is estimated to increase by 17.9 per cent to \$52 460m, following increases of 9.0 per cent in 1983-84 and 8.1 per cent in 1982-83. The principal components of this estimate are discussed below.

INCOME TAX—INDIVIDUALS

Collections of income tax from individuals are estimated to increase by 23.0 per cent in 1984-85, compared with increases of 7.6 per cent in 1983-84 and 8.2 per cent in 1982-83. Apart from gross PAYE collections, this item also includes PAYE refunds, collections from non-PAYE individuals and the first full year of collections from the Medicare levy and the Prescribed Payments System.

PAYE Instalment Deductions

Gross PAYE receipts (net of Medicare levy) are estimated to increase by 10.7 per cent in 1984-85, compared with increases—also net of Medicare levy—of 5.8 per cent in 1983-84 and 10.5 per cent in 1982-83.

The estimate is based on assumed annual average increases of about 7 per cent in average earnings on a national accounts basis and of just over 3 per cent in average wage and salary earner employment. This item includes an estimate of \$50m for collections under the new taxation arrangements applying to payments on termination of employment.

In the absence of the measures announced in the Budget, estimated collections would have increased by 15.8 per cent in 1984-85.

PAYE Refunds

Refunds in 1984-85—in respect of tax assessed in 1984-85 on 1983-84 incomes—are estimated at \$2000m; this is \$403m or 16.8 per cent lower than 1983-84 refunds. The lower estimate essentially reflects measures announced in the Economic Statement of May 1983, including abolition of rebates for health insurance premiums and dividend income up to \$1000; termination of certain housing loan interest rebate schemes introduced in the 1982-83 Budget and phasing out of the scheme announced in March 1982; and the increase in the block concessional rebate threshold to \$2000.

Other Individuals

Receipts from personal income tax (net of Medicare levy) not collected by PAYE deductions—based on 1983-84 taxable incomes uplifted by 10 per cent—are estimated to increase by \$1998m or 44.7 per cent in 1984-85, compared with increases of 8.4 per cent in both 1983-84 and 1982-83. The substantial growth in 1984-85 collections largely reflects the very strong growth in the 1983-84 incomes of primary producers from the drought-affected levels of 1982-83 as well as strong growth in other business and property income in 1983-84. Recoveries of taxes outstanding in respect of 'trust stripping' and from individuals who have made themselves known to the Taxation Office through the operation of the Prescribed Payments System are also expected to contribute significantly to collections in 1984-85. This item also includes an estimate of \$10m for collections under the new arrangements applying to payments received on termination of employment.

In the absence of measures announced in the Budget Speech, estimated collections would have risen by 49.1 per cent in 1984-85.

Medicare Levy

Reflecting the first full year of operation, the Medicare levy of 1 per cent on taxable incomes exceeding certain thresholds is expected to yield \$1191m in 1984-85, an increase of \$826m on 1983-84 collections. In 1984-85, collections of the Medicare levy through PAYE deductions and in other ways are estimated at \$1037m and \$154m respectively.

Prescribed Payments System

Direct collections under the Prescribed Payments System (PPS) in 1984-85 (including amounts collected from companies) are estimated at \$350m. This is \$99m higher than collections in 1983-84, largely reflecting the System's first full year of operation. Since provisional tax bills will, from 1984-85, be reduced automatically by an amount related to deductions in respect of prescribed payments made in the previous year, it is not expected that there will be any significant reduction in provisional tax collections in 1984-85 as a result of recourse to self assessment arising from payments under the PPS.

INCOME TAX—COMPANIES

Company tax collections are estimated at \$5380m, an increase of \$997m or 22.7 per cent on 1983-84. This growth compares with decreases of 8.1 per cent in 1983-84 and 5.6 per cent in 1982-83.

An estimated \$100m of the revenue expected to be collected under the recoupment tax legislation will be received as company tax in 1984-85. This amount, however, has been included in the separately recorded \$200m for collections under recoupment legislation.

WITHHOLDING TAX

Withholding tax is estimated at \$371m in 1984-85, an increase of \$66m or 21.6 per cent following increases of 17.8 per cent in 1983-84 and 26.3 per cent in 1982-83. The estimate reflects in part the full year effects of the removal of exemptions from interest withholding tax for interest on borrowings by the AIDC and for borrowers that pass the 'Australian entity' test announced in the Economic Statement of May 1983.

RECOUPMENT TAX

Receipts under the Taxation (Unpaid Company Tax) legislation—including amounts expected to be received as company tax and \$5m expected to be collected on assessment from other individuals—are estimated at \$200m in 1984-85. This represents the bulk of amounts outstanding that are expected to be recouped under the existing legislation that came into effect in December 1982. Collections attributable to this legislation amounted to \$252m in 1983-84 and \$80m in 1982-83.

SALES TAX

Sales tax is estimated to yield \$4704m in 1984-85, an increase of 12.9 per cent on collections in 1983-84. This follows increases of 19.3 per cent in 1983-84 and 22.3 per cent in 1982-83. The underlying forecast of nominal private consumption expenditure is for firm growth but with variations among taxable categories. The estimate also reflects the measures announced in this Budget and the full-year effects of measures announced in the 1983-84 Budget.

Estimated collections of sales tax on goods falling within the specified rate classes for 1983-84 and 1984-85 are provided in the following table:

	1983-84 Actual	Change on 1982-83	1984-85 Estimate	Change on 1983-84
	\$m	per cent	\$m	per cent
71 per cent	381	48.8	414	8.7
10 per cent	—	n.a.	45	n.a.
20 per cent	2 947	17.0	3 302	12.0
32½ per cent	647	15.9	713	10.2
Not allocated by rate (a)	190	20.3	230	21.1
TOTAL SALES TAX	4 165	19.3	4 704	12.9

(a) Covers amounts collected on imports at entry as well as an amount for recoveries in respect of avoidance and evasion practices. The amounts cannot easily be allocated to particular rate categories.

EXCISE DUTY

Total collections of excise duty are estimated at \$8047m, an increase of \$313m or 4.0 per cent on collections in 1983-84 compared with increases of 13.6 per cent in both 1983-84 and 1982-83. The main components of the estimate are as follows:

	1983-84 Actual	Change on 1982-83	1984-85 Estimate	Change on 1983-84
	\$m	per cent	\$m	\$m
Crude Oil	3 559	3.8	3 623	64
LPG	93	63.2	72	-21
Total	3 651	4.7	3 695	44
Beer	1 159	3.2	1 212	53
Potable Spirits	118	3.5	113(a)	-5
Tobacco Products	864	8.1	906	42
Petroleum Products	1 973	52.6	2 151	178
Other (incl. credits)	-31	n.a.	-30	1
Total	4 083	23.0	4 352	269
TOTAL EXCISE DUTY	7 734	13.6	8 047	313

(a) Net of an amount of about \$5m collected from the excise on fortifying spirit in 1983-84 that is to be refunded in 1984-85.

Crude Oil and LPG Duties

Total net receipts from these sources are estimated to increase by \$44m or 1.2 per cent in 1984-85 compared with increases of 4.7 per cent in 1983-84 and 10.2 per cent in 1982-83.

The 1984-85 crude oil estimate is based on arrangements effective from 1 July 1984 for the pricing of indigenous crude oil and the associated excises on 'old' and 'new' oil. Details on these pricing and excise arrangements are set out at Appendix II to this Statement.

The forecast increase in net crude oil excise receipts in 1984-85 of \$64m or 1.8 per cent reflects a projected decline in excise receipts from 'old' oil of \$253m which is more than offset by projected receipts of \$317m from the 'new' oil excise effective from 1 July 1984.

The estimate for crude oil excise receipts is based on the Government-determined import parity price (IPP) applicable from 1 July 1984 of \$35.36 per barrel for Bass Strait crude, on which excise payable on production from each field is calculated. The estimate also reflects certain assumptions about the extent to which production could be affected by industrial and other disruptions.

The crude oil excise estimates are net of certain rebates and refunds of excise amounting to \$12.5m in 1983-84 and \$10m in 1984-85 (see Appendix II for details).

Receipts from the excise on naturally-occurring LPG for 1984-85 are estimated to decline by \$21m or 22.6 per cent. This reduction reflects the decrease on 1 July 1984 in the LPG excise rate from \$49.23 per kilolitre to \$36.96 per kilolitre, in the wake of significant falls over the past twelve months in international LPG prices. Details of changes to LPG pricing and excise arrangements are presented at Appendix II to this Statement.

Other Excise Duties

Total receipts from the 'traditional' excisable items of beer, potable spirits, tobacco products and petroleum products are estimated to increase by 6.6 per cent in 1984-85 compared with increases of 23.0 per cent in 1983-84 and 17.3 per cent in 1982-83. A large part of the 1984-85 increase arises from the system of half-yearly indexation of excise rates announced in the 1983-84 Budget as well as from the full-year effect of the discretionary rate adjustments announced at that time. Clearances of the major items of beer, potable spirits and tobacco products are forecast to remain stable or to decline in 1984-85, while growth rates of about one per cent and three per cent have been assumed for motor spirit and distillate respectively.

The rates of duty that have applied to the main excisable commodities since 23 August (Budget night) 1983 together with details of discretionary changes and rates applying from Budget night 1984 are shown in the following table. In line with the system of indexation, the rates applying from Budget night 1984 will be further indexed on 1 February 1985.

	Rates applying from:		Discretionary changes announced in this Budget	Rates applying from 21 August 1984
	23 August 1983	2 February 1984(a)		
	\$	\$	\$	\$
Beer (per litre)—				
Between 1.15 and 3.8% alcohol by volume	0.63	0.66	-0.08	0.58000
Greater than 3.8% alcohol by volume	0.63	0.66		0.66000
Potable Spirits (per litre of alcohol)—				
Brandy	16.69	17.37		17.37
General Rate for Other Spirits	19.56	20.36		20.36
Spirits nei and Liqueurs nei	20.08	20.90		20.90
Fortifying Spirit	1.50(b)	1.56(c)		Nil
Tobacco Products (per kg of tobacco)—				
Cigarettes	30.98	32.25		32.25
Cigars	30.98	32.25		32.25
Manufactured Tobacco	20.10	20.92	5.00	25.92
Petroleum Products (per litre)—				
Motor Spirit	0.09027	0.09397		0.09397
Diesel—Gross	0.09027	0.09397		0.09397
—Rebate	0.07155	0.07155	(d)	0.07155
Aviation Gasoline	0.07358	0.07660	0.0025	0.07910
Aviation Turbine Fuel	0.06978	0.07264	0.0025	0.07514
Fuel Oil	0.01872(e)	0.01949		0.01949
Heating Oil	0.01872(e)	0.01949		0.01949
Kerosene	0.01872(e)	0.01949		0.01949

- (a) These rates were not changed on 1 August 1984 (the scheduled date for an indexation adjustment) as the CPI total increase for the half-year ended 30 June 1984 was negative and under the *Excise Tariff Amendment Act (No. 2) 1983* no provision is made for an indexation decrease in the excise rates.
- (b) Rate set on 21 September 1983 retrospective to Budget night 1983.
- (c) The excise was subsequently removed on 22 June 1984.
- (d) The rebate on diesel fuel is to be indexed from 1 February 1985.
- (e) Rate set on 26 August 1983 retrospective to Budget night 1983.

CUSTOMS DUTY

Imports

Collections of customs duty on imports are estimated at \$2720m, an increase of \$391m or 16.8 per cent on collections in 1983-84 based on forecast growth in imports of the same order.

Coal Exports

Receipts from the coal export duty are estimated at \$60m in 1984-85, a decrease of \$6m on 1983-84. The decrease reflects the Government's decision in May 1984 to grant exemption from the duty for those producers who blend substantial quantities of coal from underground mines with other coals in their export operations, partially offset by an estimated increase in exports by duty-paying producers in 1984-85.

BANK ACCOUNT DEBITS TAX

Receipts from this item are estimated to increase by \$7m or 3.8 per cent on collections in 1984-85. There has been minimal growth in average monthly collections from this tax since its introduction in April 1983.

ACT TAXES AND CHARGES

The components of ACT taxes and charges are as follows:

	1983-84	1984-85	Change	
	Actual	Estimate	\$m	per cent
Payroll tax	\$m 23.8	\$m 25.7	\$m 1.9	7.9
Stamp duty	24.6	30.0	5.4	22.1
Other	54.0	60.1	6.1	11.3
TOTAL ACT TAXES AND CHARGES	102.4	115.8	13.4	13.1

Included in 'Other' revenues are general rates (estimated at \$27.7m in 1984-85, up 13.2 per cent), motor vehicle registration and drivers' licence fees (\$14.4m, up 10.0 per cent), imposts on gambling (\$7.0m, up 13.3 per cent) and liquor licence fees (\$4.5m, up 5.1 per cent). The estimated increase mainly reflects increases in the level of ACT general rates in line with increases in the costs of providing services to ratepayers and an expected increase in the level of motor vehicle registrations.

OTHER TAXES, FEES AND FINES

The components of other taxes, fees and fines are shown in the following table:

	1983-84	1984-85	Change	
	Actual	Estimate	\$m	per cent
Broadcasting and TV Station Licence Fees	\$m 48.4	\$m 57.7	\$m 9.3	19.2
Radio-Communications Licence Fees	22.4	25.8	3.4	15.1
Unfunded Employees Retirement Contributions	94.6	99.4	4.9	5.2
Stevedoring Industry Collections	19.3	19.0	-0.3	-1.3
Departure Tax	43.2	43.2	..	..
Passport Fees	16.8	16.8	..	0.1
Quarantine Charges	4.8	6.5	1.6	33.7
Other (net)	19.9	16.5	-3.4	-17.0
TOTAL OTHER TAXES, FEES AND FINES	269.3	284.9	15.6	5.8

Licence fees are levied by the Commonwealth on the annual gross earnings of radio and television stations. Total revenue from this source is expected to increase by \$9.3m to \$57.7m in 1984-85. This increase reflects the full-year effects of the new formula introduced on 1 September 1983 for calculating radio and television station licence fees as well as the higher gross earnings that most radio and television stations achieved in 1983-84, on which the fees payable in 1984-85 are based.

The radio frequency spectrum is used by numerous corporations and individuals for a wide variety of private, commercial and public radio-communications purposes. The radio-communications licence fees payable by users of the spectrum include a 'royalty' component reflecting the benefit derived from use of the radio frequency spectrum—a scarce resource lying within the public domain. The licence fee rates are to be increased by an average of 7.5 per cent with effect from 1 September 1984. Revenue from these fees is expected to increase by 15.1 per cent to \$25.8m in 1984-85, reflecting the full-year effects of the increase in fees last year, an expected growth in the number of licensees and the proposed increase in fees.

The estimate of unfunded employees retirement contributions includes contributions to be paid during the year by parliamentarians (\$1.0m) and Defence Force personnel (\$84m) to their superannuation schemes. The remainder of this item comprises net amounts paid into Consolidated Revenue 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, which are raised from a levy imposed on employers of waterside workers on the basis of the volume of cargo handled, are estimated at \$19m in 1984-85, representing about the same level of activity as in 1983-84. The levy covers payments to the Stevedoring Industry Finance Committee, for the reasons explained under the functional heading 'Labour and Employment' in Statement No. 3.

With a few exceptions (such as Defence Force personnel on official duty), a departure tax of \$20 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 to remain at \$43.2m; this estimate provides for a minor increase in the number of departures, offset by the full-year effect of exemptions granted to transit and multiple departures announced in the 1983-84 Budget. Revenue from passport fees (\$30 per person) is estimated to remain at \$16.8m in 1984-85.

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. In accordance with the Government's cost recovery objectives, charges are adjusted periodically to reflect movements in direct operating costs. The estimated increase in revenue of 33.7 per cent in 1984-85 reflects increases both in charges and in the volume of quarantine activities.

The 1984-85 estimate for the category 'Other' includes revenues from the following:

- debt recovery work (\$1.3m) performed by the Australian Government Solicitor's Office on behalf of certain statutory bodies;
- bankruptcy charges (\$3.7m), comprising interest receipts of \$1.5m from investments by the official trustee of assets from the estates of bankrupt and deceased debtors to the Commonwealth, and \$2.2m representing fees and charges for the administration of the bankruptcy legislation;
- the Australian Capital Territory Corporate Affairs Office (\$3.5m), representing fees for the registration of companies in the Territory;
- bond store licence fees (\$2.2m) levied on imports of bonded 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 (\$1.1m) to recover costs incurred under the National Plan to Combat Pollution of the Sea by Oil.

NON-TAX REVENUE

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.

	1983-84	1984-85	Change	
	Actual	Estimate	\$m	per cent
Interest received—				
From the States—				
On Advances for State Loan Council Programs	1 690.9	1 870.0	179.1	10.6
On Specific Purpose and Special Advances—				
Housing Agreements	210.3	220.0	9.7	4.6
Other	123.9	124.2	0.3	0.2
Total	2 025.1	2 214.2	189.1	9.3
Other interest receipts—				
From the Territories—				
Housing	35.1	33.6	-1.5	-4.3
Other	52.9	68.2	15.3	28.9
Defence Service Homes	129.5	143.5	14.0	10.8
Australian National Railways Commission	4.2	6.4	2.2	51.4
Snowy Mountains Hydro-Electric Authority	57.2	60.7	3.4	6.0
Pipeline Authority	34.7	34.3	-0.4	-1.1
Australian Shipping Commission	10.7	8.9	-1.7	-16.4
Postal Commission	5.4	5.4	0.0	0.2
Telecommunications Commission	604.7	717.8	113.1	18.7
Qantas Airways Limited	2.5	2.2	-0.3	-12.0
Australian National Airlines Commission	0.6	0.5	-0.1	-13.3
Other	79.5	88.2	8.7	11.0
Total	1 017.1	1 169.7	152.6	15.0
Total Interest Receipts	3 042.1	3 383.8	341.7	11.2
Rent, dividends, etc.—				
Land Leases—ACT	3.8	4.1	0.3	7.8
Qantas Airways Limited—Dividend	—	6.9	6.9	n.a.
Overseas Telecommunications Commission—				
Dividend	30.9	19.9	-11.0	-35.7
Offshore Petroleum Royalties (net)	85.2	92.0	6.8	7.9
Uranium Royalties—Northern Territory	18.1	15.6	-1.5	-8.8
Royal Australian Mint	129.8	150.7	20.9	16.1
Other	8.3	6.4	-2.0	-23.7
Total	276.3	296.5	20.2	7.3
TOTAL INTEREST, RENT AND DIVIDENDS	3 318.4	3 680.4	361.9	10.9

Interest Receipts

The estimated increase in 1984-85 in interest received on advances for State Loan Council Programs mainly 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 estimate also includes an amount of \$50m relating to interest payable on 1983-84 liabilities which was not received in 1983-84. Interest received on specific

purpose and special advances is estimated to increase by 3 per cent, mainly reflecting growth in the level of advances outstanding.

Other interest receipts are estimated to increase by 15.0 per cent to \$1169.7m in 1984-85. The main contributing factors are as follows:

- a rise of 28.9 per cent is expected in 1984-85 in 'Other' interest receipts from the Territories, mainly reflecting 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 nec'););
- the estimated increase of 10.8 per cent in 1984-85 interest receipts from the Defence Service Homes Corporation is attributable to interest charges on new capital advances of \$45m which the Corporation is expected to receive from the Commonwealth in 1984-85 and to the continuation of the progressive conversion of the Corporation's existing debt to reflect more closely current rates of interest;
- the estimated increase of 51.4 per cent in 1984-85 interest receipts from the Australian National Railways Commission is attributable to interest payments commencing in 1984-85 on loans made for the purpose of Tasmanian railway rehabilitation;
- the estimated decrease of 16.4 per cent in 1984-85 interest receipts from the Australian Shipping Commission reflects the final payment of interest, made in 1983-84, associated with the June 1983 conversion of loans totalling \$60m to equity capital;
- estimated interest payments to the Commonwealth in 1984-85 by the Australian Telecommunications Commission are \$717.8m. The estimated increase of \$113.1m (18.7 per cent) results, in the main, from the new 'global' approach to borrowings by Commonwealth and State semi-government authorities which the Loan Council has adopted on a trial basis in 1984-85. As a consequence, Telecom will now be able to pay to the Commonwealth the interest accruing on the total accumulated balance of those amounts of its employer superannuation contributions which Telecom has retained each year since 1978-79. This differs from the situation in 1983-84, when Telecom paid interest to the Commonwealth only on the amount retained in that year, the interest accruing on the funds retained by Telecom in previous years being credited by Telecom to its own internal superannuation account. In 1984-85 the whole of Telecom's employer superannuation contributions will be paid to the Commonwealth. In accordance with existing practice, the interest rate payable on one-tenth of the outstanding balances of the initial interest-bearing capital vested in both Telecom and Australia Post by the Commonwealth on their inception in 1975, was converted on 1 July 1984 from 13.21 per cent to 13.54 per cent (reflecting the rate of interest which it is estimated that these authorities would have had to pay if they had borrowed from the capital market on 1 January 1984); and
- included in the estimate of 'Other' receipts for 1984-85 are interest receipts of \$20m 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 \$0.5m (2.2 per cent) lower than in 1983-84. 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 (\$19.0m, up 14.5 per cent). (Outlays from these trust accounts are made for purposes such as research, disease eradication 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 Equalization Deposits Scheme (\$4.9m). Deposits to date have totalled \$101m (\$30m in 1978-79, \$45m in 1979-80 and \$26m in 1980-81), of which \$58.7m remain 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. Receipts in 1984-85 (\$5.2m, compared with \$6.0m in 1983-84) represent interest payments in respect of these assets;
- investments of the TAA Reserve Trust Fund, established to meet the employer liability in respect of TAA employees who were members of the Commonwealth Superannuation Scheme, which is being liquidated as a result of a Government decision to allow all TAA employees to become members of a separate superannuation scheme. As part of the liquidation, the Commonwealth will take over loans to the value of \$56.6m made from the Reserve Trust Fund to TAA. Receipts in 1984-85 (\$7.3m) represent interest payments in respect of these assets; and
- other bank balances of the Commonwealth (\$25m, up 7.9 per cent).

Rent, Dividends, etc

Total receipts from rent, dividends, etc are expected to increase by 7.3 per cent to \$296.5m in 1984-85, largely for the reasons detailed below.

Provision is made for a dividend of \$6.9m from Qantas in respect of 1983-84 operations; Qantas last paid a dividend in 1978-79.

The dividend expected to be paid to the Commonwealth by the Overseas Telecommunications Commission (OTC) in 1984-85 is \$19.9m, reflecting the dividend target of 10 per cent of total shareholder funds as at the beginning of each year which the Government has set for OTC. This is \$11.0m less than the total dividends paid to the Commonwealth by OTC in 1983-84 because of the effect of changing the timing of such payments last year. In previous years, OTC had paid an interim and a final dividend to the Commonwealth out of its annual operating profit—approximately 3 and 9 months, respectively, after the end (on 31 March) of the OTC income year to which the dividends related. OTC now pays a single final dividend to the Commonwealth within 3 months of the end of its income year.

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. After deducting the Commonwealth's share of royalties (around one-third) relating to Bass Strait and North West Shelf production, the balance is

passed on to the relevant State. The figures in the table above are net of amounts to be paid to the State. The estimated net increase of 7.9 per cent in 1984-85 is based on a forecast increase in Bass Strait production, assumed higher import parity prices and the commencement of production from the North West Shelf gas development, offset by the reduced royalty per unit of 'new' oil as a result of the introduction from 1 July 1984 of a levy on 'new' oil ('new' oil is defined as oil discovered on, or after, 18 September 1975).

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 in 1984-85 by 8.8 per cent to \$16.6m. These royalties cover Commonwealth payments to the Aboriginals Benefit Trust Account in relation to mining on Aboriginal land (see *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 (see 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 receipts from the Royal Australian Mint relate to seigniorage and numismatic profits. The estimated increase in receipts of 16.1 per cent in 1984-85 reflects a sharp increase in demand for smaller denomination coins. This increase is expected to be partly offset by slightly lower sales of \$1 coins and increased production costs associated with the higher level of smaller denomination coin production.

The estimate of \$6.4m for other rent and dividends, etc includes dividends expected to be received by the Commonwealth from Mary Kathleen Uranium Ltd (\$4.6m, compared with \$6.2m in 1983-84).

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:

	1983-84 Actual	1984-85 Estimate	Change	
	\$m	\$m	\$m	per cent
ACT—Water Supply and Sewerage	10.8	10.1	-0.7	-6.8
Reserve Bank	745.9	1 013.7	267.8	35.9
Commonwealth Banking Corporation	45.7	39.0	-6.7	-14.6
Canberra Bus Service—Loss on Operations	14.4Dr	15.1Dr	-0.7	5.2
Other	5.9	14.9	9.0	152.3
TOTAL GOVERNMENT ENTERPRISE TRANSACTIONS	793.9	1 062.6	268.7	33.8

Gross receipts from water and sewerage rates in the Australian Capital Territory are estimated to increase by 1.3 per cent in 1984-85. Operational costs (estimated at \$17.2m in 1984-85, compared with \$16.1m in 1983-84) are offset against these receipts to give the net figures shown in the table above.

Receipts by the Commonwealth from the Reserve Bank in 1983-84 totalled \$745.9m, comprising final payments from the 1982-83 profits of its Central Banking Business (CBB), \$204.6m, and of its Note Issue Department (NID), \$11.3m, together

with an interim payment of \$530m from 1983-84 NID profits. The estimated receipts from the Reserve Bank in 1984-85 comprise final payments of \$16.5m from NID profits and \$462.2m from CBB profits in respect of 1983-84, and an interim payment of \$535m from NID profits in 1984-85.

Estimated receipts of \$39m from the Commonwealth Banking Corporation in 1984-85 represent the Commonwealth's share of the net profits in 1983-84 of the Commonwealth Savings Bank and of the net profits (after tax) in 1983-84 of the Commonwealth Bank (formerly the Commonwealth Trading Bank). The decrease in expected receipts (14.6 per cent) in 1984-85 results from the Commonwealth's acceptance of a significantly lower than normal share of these profits from the Corporation banks as a means of supplementing their capital position.

The loss on operations of ACTION (the Canberra Bus Service) for 1984-85 is estimated to increase to \$15.1m (or by 5.2 per cent), largely reflecting the cost of implementing the 38 hour week decision, partly offset by additional revenue from a forecast increase in patronage.

The estimate for 'Other' in 1984-85 relates in the main to the operations of the ACT Transport trust account, the Government Printer and Publications trust accounts, together with the payment of \$7m to the Commonwealth by the Australian Industry Development Corporation. This payment constitutes one half of the Corporation's net profit in 1983-84 as provided for under the *AIDC Act 1970* (as amended).

APPENDIX I TO STATEMENT NO.4

TAXATION EXPENDITURES

Individuals and businesses derive financial benefits from taxation concessions of various kinds. The concessions reduce, or delay, collections of taxation revenue. The benefits provided by the concessions could conceivably be provided by direct expenditures paid to the beneficiaries. They are therefore often referred to as 'taxation expenditures'.

This Appendix provides information on some major items of taxation expenditure.

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.

The main conceptual points covered in the submission can be summarised as follows:

- Taxation expenditures are designed to achieve various goals. The quantification of these expenditures is not an attempt at evaluating or questioning the desirability of particular goals or the effectiveness of the taxation provisions in achieving them. Their measurement is to provide information on the quantity of community resources transferred to the private sector by the particular measures.
- There has to be some form of distinction between tax expenditures and other taxation provisions which, while also reducing revenue, are basic components of the taxation structure. In other words, deviations from a benchmark or 'normal' taxation structure could be classed as taxation expenditures.
- Nevertheless, the aim of identifying taxation expenditures should be to include in the budget-making process and documentation the cost of special taxation provisions which can, in most cases, be considered as alternatives to direct expenditure programs, rather than to attempt to define some ideal taxation system in order to identify deviations from it.

The discussion of taxation expenditures in this Appendix proceeds along the foregoing lines.

Although there is no attempt to define an ideal tax system, underlying the tax expenditures listed is, implicitly, a very broad, basic taxation structure including provisions which could not be generally regarded as tax expenditures, even though they reduce tax revenue. These provisions include, for example, section 51 of the *Income Tax Assessment Act 1936* which allows for the deductibility against assessable income of expenses incurred by either businesses or individuals in earning that income. Such provisions have been referred to in the Taxation Expenditures Appendix to Statement No. 4 of Budget Paper No. 1 in recent years as 'general provisions of the law', and are basic to any concept of income or profit.

This is not to suggest that generally available provisions, which provide no preferential treatment to a particular taxpayer or group of taxpayers, should not be considered taxation expenditures. Measures such as investment allowances and accelerated depreciation provisions, while being available to taxpayers generally, are regarded as

being outside the general provisions of the law and can therefore be considered to be taxation expenditures.

Not all the tax expenditures mentioned below are costed. Lack of data or estimating difficulties means that many items cannot be costed accurately on a regular basis. In many cases, basic statistics on individual items cannot be compiled when tax returns are being assessed without a disproportionate amount of effort being devoted to this work.

In the estimation of individual taxation expenditures, it is generally assumed—often unrealistically—that other things do not change with either the introduction, removal or reduction of a concession. In particular, it is usually assumed that behaviour in relation to the activity attracting the concession does not change. Taking account of the response effect of, for example, removing a concession relating to investment in a particular activity would involve the difficult task of estimating the extent to which investors maintained their level of investment in that activity, or switched expenditure from that activity to consumption generally, or to other investment activities.

ASSISTANCE TO INDIVIDUALS

Concessional income tax rebates, deductions and other forms of relief provide assistance to particular groups of individuals.

Rebates

The principal rebates are those for maintenance of dependants, for sole parents 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 rebates for the years 1980-81 to 1984-85 are shown below:

Dependant	Maximum Rebate				
	1980-81	1981-82	1982-83	1983-84	1984-85
	\$	\$	\$	\$	\$
Spouse, housekeeper, daughter-housekeeper— where there is a dependent, or student, child	800	830	963	1 030	1 030(a)
where there is no dependent, or student, child	800	800	830	830	830(a)
Parent or parent-in-law	722	722	749	749	749
Invalid relative	362	376	376	376	376
Sole parent	559	580	713	780	780
Children(b)					
Student	362	376	376	376	376
Non-student under 16—					
one such child	362	376	376	376	376
each other such child	272	282	282	282	282
Social security or repatriation pensioner	..	..	167	250	250
Social security, unemployment, sickness or special beneficiaries—					
single	..	..	..	..	50
married	..	..	..	..	75

(a) Applies also to de facto spouses.

(b) Rebates in respect of children now 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 \$252 for 1984-85 (\$270 full year) plus 50 per cent of any entitlement to rebates in respect of dependants (including notional rebates in respect of dependent children), sole parents and housekeepers; eligible residents of Zone

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B receive a rebate of \$42 for 1984-85 (\$45 full year) 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 \$875 for 1984-85 (\$938 full year) in lieu of the ordinary basic amount of \$252 or \$42.

A rebate at the 'standard' tax rate (30 per cent) is allowed on the excess of a taxpayer's aggregate expenditure on certain concessional items above a prescribed figure (\$2000 for 1984-85). 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 expenses 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 1982-83, about 10 per cent of taxpayers had concessional expenditures in excess of \$1590 (the prescribed figure in that year) and so qualified for the rebate. The percentage of taxpayers qualifying for the rebate in 1984-85 is expected to be in the order of 7 per cent.

Contributions made between 1 July 1981 and 30 June 1982 to a registered health fund for basic hospital and/or medical insurance were rebatable at the 'standard' 30 per cent rate. This rebate was outside the concessional rebate block and was therefore allowed regardless of the level of a taxpayer's other rebatable expenditures.

Rebates outside the concessional rebate block also apply to certain interest payments made on or 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 have not been admitted to it after 30 September 1983.

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.

A rebate is allowable for taxpayers in receipt of a social security or repatriation pension. For 1984-85 the maximum rebate allowable is \$250 on taxable incomes up to \$553. Rebates are also to be introduced for social security, unemployment, sickness and special beneficiaries. For 1984-85 the maximum rebates allowable will be \$75 for married beneficiaries and \$50 for single beneficiaries.

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 1936* are deductible from assessable income.

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 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, on or after 1 October 1980 and before 24 August 1983.

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Details of tax revenue forgone under the aforementioned taxation provisions in respect of income years 1979-80 to 1982-83 are shown in the table below.

Provision	Estimated Revenue Cost for Income Years							
	1979-80		1980-81		1981-82		1982-83	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Dependent, etc. rebates:								
Spouse, housekeeper, daughter-housekeeper	642		880		889		978(a)	
Sole parent	36		53		58		73	
Other dependants	4		6		6		5	
Total	682		939		953		1 056	
Zone rebates					42		80	86
Health insurance rebate							479	575
Other concessional rebates (b)		78		93		110		130
Pensioner rebate								40
Dividend rebate								56
Housing loan interest rebates								290
Unused leave rebate				18		31		49
Deductions:								
Gift provisions								
School building funds	14		16		19		22	
Other gifts	24		33		46		64	
Cost of insulating a first home			2		4		5	
Superannuation contributions, self employed, etc.					30		70	
Total		38		81		126		161
TOTAL		836		1 173		1 779		2 443

(a) Includes \$680m for cases where there are dependent children and \$298m for cases where there are no dependent children.

(b) Excludes the cost of the general concessional rebate which was absorbed into the zero rate step of the rate schedule with the introduction of the standard rate system in 1977-78.

Miscellaneous

A wide 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 representing 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 and sickness beneficiaries became 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 have been either tax-free or taxed on a concessional basis. Major changes to the taxation treatment of lump sum superannuation and kindred benefits were made with effect from 1 July 1983; details are provided in Appendix III to this Statement. The Attachment to this Appendix examines the conceptual basis and the magnitude of the tax expenditures related to taxation treatment of contributions to funds, earnings of funds and superannuation benefits.

INDUSTRY ASSISTANCE

Various taxation concessions provide assistance to business. These concessions may be generally available measures applying to a wide spectrum of industry. The main concessions of this type applicable in recent years have been investment allowances, accelerated depreciation and trading stock valuation adjustments; other such measures have included allowances for the replacement or conversion of oil-fired plant with non-oil-fired plant, accelerated write-off of capital expenditure on petroleum storage facilities and on scientific research related to a business, and exemption of amounts paid to employers taking on young people under the CRAFT scheme. Alternatively, business taxation concessions may be targeted to particular activities, such as the primary production, mining, film and tourism industries.

A measure of the benefits to individual businesses of many of the business tax concessions cannot be obtained directly from the year-by-year cost to revenue of those concessions. Most notable in this regard are the concessions providing accelerated write-off of capital expenditure which are discussed in some detail below. The net benefits obtained by individual businesses from tax concessions also depend importantly on whether the concessions are generally available or whether they are industry-specific. Industry-specific concessions benefit the recipients directly and tend to attract resources into those industries. The net benefits to the recipients of across-the-board concessions, on the other hand, have to be assessed more in the context of changes in the economic environment brought about by the general availability of the concessions. It is possible, for example, that the introduction of a substantial across-the-board concession will result in increases in some other taxes and/or in the deficit (with consequences for interest rates) which may impact differently on different activities. This point should be borne in mind when considering the estimated revenue costs of the various concessions.

Most of the business concessions in the income tax field may be grouped in three broad categories, namely:

- A — those allowing the deduction of amounts or allowing rebates of tax 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 provided below. Other provisions are not quantified, in some cases because of lack of data on revenue forgone or doubts about the extent to which they may properly be regarded as entirely 'Industry Assistance'.

Category A

The present investment allowance applies to a wide range of new plant and equipment, including leased plant. It provided 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. A deduction at a rate of 20 per cent was to be allowed for 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. On 29 July 1982 it was announced 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 \$510m in

1982-83 and \$475m in 1983-84. As announced in the Budget, the cut-off date relating to the time of first use of plant is to be extended to 30 June 1987.

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 these provisions is \$23m in 1982-83 and \$35m in 1983-84. Primary producers are allowed to write off capital expenditure on telephone lines over 10 years. A deduction is also allowed for the cost of connecting business properties to electricity mains.

The Income Equalization Deposits (IED) scheme permitted deposits by a primary producer, within specified limits, to be deducted against assessable income in the year the deposits are made, and withdrawals of deposits to be included in assessable income in the year they are withdrawn. The estimated net revenue effect of the IED scheme is a cost of \$10m in 1982-83 and a gain of \$8m in 1983-84. The scheme is to be significantly changed in respect to deposits made on or after 1 September 1983 and details of the latest developments with these arrangements are outlined in the Measures Section of Statement No. 4.

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 rate corresponding to average income.) 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 income 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.

The revenue forgone as a result of the averaging provisions is estimated at \$135m for 1982-83 and \$64m for 1983-84. However, only a proportion of that amount can be rightly viewed as 'concessional assistance'. The figure of revenue forgone could not be broken into a concessional 'trend' component and a non-concessional 'fluctuation' component without having cross-classifications of primary producers by current income level and trend rate in their incomes. Such data are not available.¹

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 in 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 is \$28m in 1982-83 and \$49m in 1983-84.

¹ It is possible, however, to illustrate by means of examples the operation of the trend effect. Thus, a taxpayer with a taxable income of \$15 000 in 1983-84 would bear tax of \$3121.50 if he were not eligible for averaging. A primary producer on the same current income would have an average income of \$13 638 if his income had been increasing by 5 per cent per annum over the preceding four years. His average rate of tax would be 19.892 per cent and his tax would be \$2983.83, i.e., despite the lack of fluctuation in his income, the averaging system would save him \$137.67 of tax. If the upward trend rate in his income were 7.5 per cent per annum the tax saving would be \$206.11 and if the trend rate were 10 per cent per annum the tax saving would be \$274.38.

Venture capital investment is assisted by accelerated write-off provisions applicable to certain expenditure by taxpayers on scientific research relating to their businesses. In addition, the Government announced on 14 September 1983 its decision to encourage the development of a venture capital market by allowing equity subscriptions to licensed Management and Investment Companies (MICs) a 100 per cent income tax deduction in the year the subscriptions are made. The role of the MICs is to provide management advice and support and equity and loan funding to certified newer, smaller businesses which are export oriented, use innovative technology and have potential for rapid growth. The deduction is subject to 'claw back' provisions operating on a sliding scale if the shares are disposed of, or if the MIC's licence is revoked, within four years of the subscription being made. The maximum annual cost to revenue in respect of equity subscriptions made in a year is set at \$20m. On this basis \$50m of share capital of licensed MICs was approved in 1983-84. Lags between the approval of, and the making of, subscriptions and lags in taxation procedures will affect the actual revenue cost in any particular year.

One third of the amount of calls paid on shares in a company whose principal business is forestry in Australia attracts the following:

- a resident individual is entitled to count the call towards a concessional expenditure rebate of tax at the rate of 30 per cent in respect of this amount (to the extent that the total of that individual's concessional expenditure exceeds \$2000); and
- for a company taxpayer, the amount is an allowable deduction in the year of the call (but cannot be carried forward as a section 80 loss).

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 accelerated write-off of capital expenditure, the cost of the concession may be small in the first one or two years after its introduction yet may grow substantially in later years.

A change to more accelerated depreciation involves outright losses of budget revenue, even though to a taxpayer there may be less tax on income from the investment in the early years and more in the later years. Although the total of the depreciation allowances over the life of the plant will be the same with or without accelerated depreciation (generally equal to the difference between the purchase price and sale or scrap value on disposal), by the time the tax deferred on one investment begins to be recouped to the revenue there are further deferrals on later investments by either the same or other taxpayers. The year-by-year revenue forgone depends mainly on the profile of aggregate investment in plant and machinery and on the rates of depreciation before and after the acceleration. Illustrations of these effects were given in Appendix II to Statement No. 4 in the 1982-83 Budget Paper No. 1.

A range of accelerated depreciation arrangements applies to plant and equipment. The arrangements include:

- new or second-hand plant ordered after 19 July 1982; subject to certain exclusions, is eligible for accelerated depreciation over either 3 or 5 years. The cost to revenue of this measure is estimated at \$100m in 1984-85, rising to approach \$2 billion by the end of the 1980s; and
- the period of depreciation of certain new primary production plant is:
 - 5 years if contracted for after 30 September 1980 and before 20 July 1982;
 - 3 years if contracted for after 19 July 1982 and before 20 May 1983; and
 - 5 years if contracted for after 19 May 1983.

The cost to revenue of these accelerated depreciation arrangements is estimated at \$175m in 1984-85.

Provisions also exist for write-off of capital expenditure by a taxpayer in connection with scientific research relating to his business, comprising the deduction over three years of expenditure on buildings, and depreciation at the rate of 33 $\frac{1}{3}$ per cent prime cost (50 per cent reducing balance) on plant used solely for the scientific research purposes. Immediate deduction is allowed for other capital expenditure on scientific research relating to the business (except expenditure in the acquisition of rights concerning scientific research).

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 $\frac{1}{2}$ per cent per annum of the construction cost of the building. All 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 $\frac{1}{2}$ per cent. For eligible buildings commenced after 21 August 1984, the depreciation rate is to be increased to 4 per cent per annum.

In respect of capital development expenditure in the mining industry, companies can deduct allowable capital expenditure on the development of a mine property or an oil field 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. Immediately prior to that date, a diminishing value basis was used. Under the straight line basis, deductions are allowed in equal annual instalments over the given reference period, which provides for total write-off of expenditure over a shorter period for any given rate of write-off than the diminishing value basis would have provided. For example, the move to the 10 per cent straight line basis means that all expenditure can now be written off over 10 years, as compared to the 65 per cent previously written off in that period. 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.

An 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 to 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 is \$20m in 1982-83 and \$35m in 1983-84.

As mentioned under Category A, in addition to the capital investment in an eligible film attracting 133 per cent deduction, net receipts from the film of up to 33 per cent of the taxpayer's capital investment attract an exemption from income tax.

Attachment

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 shares or debentures or equity in a dwelling) does not usually attract an exemption or rebate—it would normally be financed out of after-tax income;
- investment income on normal savings (interest, dividends, etc.) is taxed as it is earned; and
- dissaving 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* to employees 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 at the date of accrual to the employee. Direct payments to employees at or after retirement or termination, 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 assessable; other lump sums in lieu of long service leave and unused recreation leave are taxed at no more than the 'standard rate' (30 per cent); 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 approved superannuation funds is exempt from tax in the funds' hands.

- (d) *Dissaving* in the form of lump sums and pensions paid out of money saved in superannuation funds is taxed in the hands of the recipient 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 the period of service prior to 30 June 1983 and the other relating to the periods of service after that date. The former amount is to continue to be taxed, or to 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; the remainder will generally be taxed at special rates. More detail of the new rules is provided in Appendix III to Statement No. 4.

The following table shows estimates for 1984-85 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 a number of assumptions about the future composition and growth of funds, including the not altogether realistic assumption that the level of savings through the superannuation mechanism would not be affected by these savings being taxed in the same way as other savings.

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.

Projected Revenue Forgone Through Retirement and Other Employment Termination Tax Concessions 1984-85

	\$m
Tax-free treatment of employer contributions	1500
Deduction of self-employed/unsupported employees' contributions	80
Rebate on other contributions	25(a)
Under-taxation of fund earnings	1350
Under-taxation of 'unfunded' benefits	45
Sub-total	3000(b)
<i>Less:</i>	
Tax on funded pensions	280
Tax on funded lump sums related to periods of service before 1 July 1983	60
Tax on funded lump sums related to periods of service after 30 June 1983	50
Total Offsets	390
Net Revenue Forgone	2610

- (a) Calculated on 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

CRUDE OIL AND LIQUEFIED PETROLEUM GAS: PRICING AND LEVY ARRANGEMENTS

This Appendix summarises changes since the last Budget in the pricing and excise levy arrangements for locally produced crude oil and LPG.

CRUDE OIL

(a) Import Parity Pricing

Determination of import parity prices (IPP) for domestic production is based on the official price of the 'marker' crude oil (Arabian Light) adjusted to reflect quality differentials, freight to the refinery port nearest each production area, insurance and evaporation loss, and converted to Australian dollars, with further adjustments to allow for wharfrage costs and, in the case of Bass Strait crude, for coastal freight costs. Australian refiners pay the resultant import parity prices to producers who in turn pay excise to the Commonwealth.

In accordance with the current practice of half yearly adjustments to import parity prices, the Minister for Resources and Energy announced on 19 December 1983 the import parity prices to apply from 1 January 1984. The Bass Strait price was reduced from \$36.53 to \$34.68, reflecting movements in the \$US/\$A exchange rate and changes in some other components of the import parity price.

On 27 June 1984 the Minister for Resources and Energy announced new import parity prices to apply from 1 July 1984. The Bass Strait IPP was set at \$35.36 per barrel, the increase mainly reflecting the decline in the value of the \$A relative to the \$US since December 1983.

Official prices of Arabian Light crude and the 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. Westernport)(a)
1 July 1981	32.00	30.79
1 January 1982	34.00(b)	32.25
1 July 1982	34.00	35.46(c)
1 January 1983	34.00	38.69(c)
1 April 1983	29.00(d)	36.90
1 July 1983	29.00	36.53(e)
1 January 1984	29.00	34.68(f)
1 July 1984	29.00	35.36(e)

- (a) Prices (and excise rates) are set in dollars per kilolitre but, for purposes of comparison, are converted to dollars per barrel equivalents.
- (b) Increased to \$US34.00 per barrel on 29 October 1981, with effect from 1 October 1981.
- (c) These increases in the import parity price were attributable largely to changes in the \$US/\$A exchange rate.
- (d) Reduced to \$US29.00 per barrel on 14 March 1983. The price was reduced in two stages; to \$US30.00 per barrel with effect from 1 February 1983 and to \$US29.00 per barrel with effect from 1 March 1983.
- (e) This decrease was attributable to the removal of the compensation for credit allowance previously included in the import parity price determination.
- (f) This decrease reflected movements in the \$US/\$A exchange rate and changes in some other components of the IPP since March 1983.

Since 1 July 1983 the Government-determined import parity price has been calculated on the basis that the crude oil producers allow the refiners 15 days credit. The option remains, however, for refiners to receive 35 days credit by paying an additional amount.

From 1 January 1984 refiners have been required to pay a 20 cents per barrel 'Coastal Freight Surcharge' on their liftings of Bass Strait crude oil. Proceeds from this surcharge are redistributed to the refiners in proportion to their costs of transporting that crude oil. The new arrangements are intended to offset in part the transportation cost differential faced by refiners relatively remote from Westernport compared with Victorian refiners.

(b) Crude Oil Excise

With effect from 1 July 1983 the crude oil excise arrangements applying to production of 'old' oil (i.e., from fields discovered prior to 18 September 1975) were simplified to correct a number of anomalies. The excise scale was restructured so that increased production from each prescribed production area (defined in the Excise By-laws) attracted progressively higher rates of excise (see below). The excise payments for all prescribed production areas are determined by applying the excise scale to the ruling Government-determined import parity price for Bass Strait crude oil.

The Commonwealth Government's excise 'take' from crude oil in 1983-84 was equivalent to about 71 per cent of the average price of \$35.66 per barrel of domestically produced excisable crude oil (i.e., 'old' oil only in that year). The excise 'take' in 1983-84 as a proportion of the average price of all crude (i.e., 'old' and 'new' oil) amounted to 61 per cent. (In addition to the excise proceeds—and company tax receipts—the Commonwealth retains a share of the royalties paid by the producers in respect of their offshore petroleum production. In 1983-84 that share amounted to \$85.2 million and is recorded in the 'Interest, Rent and Dividends' category of the receipts table shown in the body of Statement No. 4.)

On 18 April 1984 the Treasurer and the Minister for Resources and Energy jointly announced that new taxation arrangements would apply to the petroleum sector from 1 July 1984. These arrangements can be summarised as follows:

- (i) the present excise arrangements would continue to apply in respect of 'old' oil produced onshore and from existing offshore projects;
- (ii) a separate but very much lower excise scale would apply to 'new' oil produced onshore and from existing projects offshore; and
- (iii) offshore petroleum projects which have not yet reached the development stage (i.e., 'greenfields' projects) would be subject to a resource rent tax but no excise or royalty will apply.

The excise scale to apply to 'new' oil production as from 1 July 1984 is set out below, together with the existing scale applicable to 'old' oil:

Annual Production Range		Excise Rates			
		(As per cent of Bass Strait Import Parity Price)		'New' Oil (b)	
		'Old' Oil (a)	'New' Oil (b)	'Old' Oil (a)	'New' Oil (b)
Megalitres	'000 bbl	Marginal Excise Rate	Average Excise Rate (c)	Marginal Excise Rate	Average Excise Rate (c)
		per cent	per cent	per cent	per cent
0-50	0-315	0	0	0	0
50-100	315-629	5	2.50	0	0
100-200	629-1 259	15	8.75	0	0
200-300	1 259-1 888	20	12.50	0	0
300-400	1 888-2 517	40	19.38	0	0
400-500	2 517-3 146	70	29.50	0	0
500-600	3 146-3 776	80	37.92	10	1.67
600-700	3 776-4 405	87	44.93	20	4.29
700-800	4 405-5 034	87	50.19	30	7.50
800+	5 034+	87	n.a.	35	n.a.
953	6 000 (d)	87	56.10	35	11.92
3 973	25 000 (d)	87	79.59	35	29.46

- (a) 'Old' oil is oil discovered before 18 September 1975. 'Old' oil prescribed production areas are identified in Excise By-law 97.
 (b) 'New' oil is oil produced from naturally occurring discrete accumulations discovered on or after 18 September 1975. 'New' oil prescribed production areas are identified in Excise By-law 99.
 (c) Average excise rates at the top of each production range.
 (d) 6 million barrels and 25 million barrels have been selected arbitrarily for illustrative purposes.

As the table shows, the scale applicable to 'new' oil is very concessional relative to that for 'old' oil. 'New' oil areas producing less than 500 megalitres a year will continue to be exempt from excise altogether. For other areas, the marginal (and average) rates of excise are substantially lower than those applicable to 'old' oil. For example, for areas producing 6 million barrels of oil per annum, the average 'take' under the 'old' oil excise scale would be 56 per cent as compared with 12 per cent under the 'new' oil scale. For an area producing 25 million barrels per annum, the equivalent percentages are approximately 80 per cent and 30 per cent.

The lower rates applicable to 'new' oil reflect the Government's view that, while producers of 'new' oil could not realistically expect to remain exempt from some form of secondary taxation, it was important, in the interests of maintaining exploration activity, that such taxation be set at relatively modest rates.

(c) Review of the Crude Oil Allocation Scheme

The Crude Oil Allocation Scheme, which has operated since 1970 with minor changes over the intervening period, allocates Australian crude oil to Australian refiners in proportion to their share of the petroleum products market. The Scheme was last reviewed in 1980 when the previous Government decided on its continuation until 31 December 1984. On 28 February 1984 the Minister for Resources and Energy announced that the Government had commenced a major review of the Scheme and the associated import parity pricing policy to determine the arrangements to apply after 31 December 1984.

(d) Crude Oil Absorption and Exports

Announcements were made in August 1983 of the Government's decision to permit the export, for 'spot' sale in 1983-84, of 'new' oil produced from the Fortescue reservoir (in Bass Strait) which was in excess of 18 million barrels, together with Bass Strait 'old'

oil surplus to domestic refiners' requirements above 385,000 barrels a day (385 kbd). Specific Government approval was required for each export proposal.

In support of its absorption targets, the Government, in 1983-84, introduced legislation which provides authority for the imposition of a duty on imports of certain crude oils, should the imposition of the duty prove necessary to discourage importing which is occurring at the expense of liftings of indigenous crude oil.

On 20 June 1984 the Minister for Resources and Energy announced that for the period 1 July 1984 to 31 December 1984, refiners/marketers would continue to be required to absorb crude oil from Bass Strait at a minimum rate of 385 kbd, together with all other indigenous crude oil production. It was announced also that Bass Strait producers would continue to be permitted to export crude oil which is surplus to domestic requirements, and that revised arrangements would be introduced to facilitate the forward planning of export sales and the prospects of achieving improved export returns.

The Bass Strait producers have been given 'in-principle' forward approval to export a proportion of the estimated surplus of production from 1 July 1984. Forward approvals are granted, in principle, on a rolling three month basis. The rate of surplus production subject to these approvals has been set at 25 kbd. Approvals for export of any surplus of Bass Strait crude oil above that rate remain on a cargo-by-cargo basis. Prior Ministerial approval for all exports continues to be required.

One modification that the Government has introduced as a condition of continued endorsement of exports is that, as a first priority, 'old' oil from Bass Strait must be directed to the domestic market where it is subject to import parity pricing and contributes fully to Government revenue. 'New' oil will be directed to exports as a result of this.

Notwithstanding the improved export marketing arrangements, the current outlook is such that export returns are likely to remain below domestic prices and, with 'new' oil now excisable, the Government has agreed to continue to allow rebates of levy when export returns are below the import parity price. As all approved exports of crude oil after 1 July will be regarded, for the purpose of calculating the rebate, as 'new' oil, the rebate on exports from 1 July will be calculated at 35 per cent (the marginal rate of levy on 'new' oil) of the difference between the ruling import parity price and the effective f.o.b price realised by each exporter.

LIQUEFIED PETROLEUM GAS (LPG)

On 24 March 1984 the Minister for Resources and Energy announced changes to the LPG pricing and subsidy arrangements which had been in force since 1980.

Under the new arrangements the basic wholesale price for ex-refinery and naturally occurring LPG has been set at the export parity price for Bass Strait propane ruling on 1 March 1984 (\$244.75 a tonne). Thereafter, the price of LPG will be adjusted, on 1 October and 1 April each year, on the basis of the average of the monthly export parity prices from 1 April 1984 to the month preceding the new price determination date. Future increases in the wholesale price of LPG, however, will not be permitted to exceed increases in the fuel and light component of the CPI for the latest six month period prior to the adjustment date.

Prices determined in accordance with these arrangements will apply to traditional domestic, industrial and commercial users, as well as to automotive consumers. Prices for petrochemical and other users will continue to be determined on the basis of commercial negotiations with the producers.

Since 1980, traditional users of LPG had benefited from a subsidy of \$80 a tonne. From 28 March 1984 the rate of subsidy has been \$20.31 a tonne; this was calculated by subtracting from the then determined wholesale price of \$244.75 a tonne the existing subsidised price of \$224.44 a tonne. In subsequent periods, the subsidy will be calculated by deducting from the wholesale LPG price determined at the time, the former subsidised price of \$224.44 a tonne escalated in accordance with increases in the fuel and light component of the CPI for the latest available six month period prior to the adjustment date. The subsidy continues to be payable under the same eligibility and other conditions as previously.

The new pricing and subsidy determinations are to operate for a period of three years when they will be subject to further review.

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 produced from fields brought into production on or after 17 August 1977 are free of excise. On 27 June 1984 the Minister for Resources and Energy announced that from 1 July 1984 the LPG excise rate would be reduced by \$12.27 per kilolitre to \$36.96 per kilolitre (that is, by \$22.77 per tonne to \$68.61 per tonne). Future adjustments to the LPG excise rate will be made on 1 April and 1 October each year along with adjustments to the LPG price and subsidy.

The domestic wholesale prices, excise rates and returns to producers from domestic sales of naturally occurring LPG from 1 July 1983 to 30 September 1984 are shown below.

	Wholesale Price(a)	Excise(b)	Return to Producers(c)
	per tonne	per tonne	per tonne
	\$	\$	\$
From 1.773 to 31.12.83	304.44	90.46	213.98
From 1.1.84 to 27.3.84	304.44	91.38	213.06
From 28.3.84 to 30.6.84	244.75	91.38	153.37
From 1.7.84 to 30.9.84	244.75	68.61	176.14

- (a) Wholesale prices for Bass Strait propane at Long Island Point. The prices charged to households, non-profit residential institutions, schools and commercial consumers in areas where natural gas is not readily available are reduced by the subsidy payable by the Commonwealth under the formula outlined above.
- (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.

TAXATION OF LUMP SUM SUPERANNUATION AND KINDRED BENEFITS

This Appendix sets out the main features of the new arrangements for the taxation of lump sum superannuation and kindred payments contained in the *Income Tax Assessment Amendment Act (No. 3) 1984*, which was passed by Parliament in the Autumn sittings.

Prior to these changes, an inequity existed between taxpayers who received remuneration in the form of normal income (e.g. wages, salary or pension) and those who received it in the form of a lump sum payment (e.g. severance pay or superannuation lump sum). Normal income was (and is) fully subject to tax, while most classes of lump sum payments were largely exempt from tax.

Only 5 per cent of the amount of a lump sum payment was generally assessable for tax purposes. This meant that at a maximum—where someone was being taxed at the top marginal rate of 60 cents in the dollar—the amount of tax paid on a lump sum would equal only three per cent of the total payment (i.e. of a lump sum of \$100 000, \$5000 of it would be taxable at a rate of 60 cents in the dollar, so the tax would be \$3000). This treatment encouraged tax avoidance arrangements whereby part of an employee's pay was deferred so as to be taken in a largely tax-free lump sum at the end of his or her employment in a particular job.

This differential tax treatment was recognised as unfair and anomalous by a succession of Committees of Inquiry—the Asprey Taxation Review Committee (1975), the Hancock Superannuation Committee (1977) and the Campbell Committee of Inquiry into the Australian Financial System (1981). A line of thought common to all of them was that, while taxpayers should retain the option of taking a lump sum on retirement, the taxation system should not provide an incentive for taking retirement benefits in lump sum form rather than as a pension. In other words, the tax system should neither encourage nor discourage people to choose a lump sum ahead of a pension. The new arrangements recognise this principle.

The tax treatment of pensions is, of course, the same as the treatment of other forms of income, such as wages and salaries. It is the treatment of lump sum payments that had been concessional. Superannuation benefits received by employees are a form of remuneration which is available only to some members of the work force. The changes to the taxation treatment of lump sum payments are designed to tax that form of remuneration on a basis reasonably consistent with other forms of remuneration. A general principle that has guided the formulation of the new arrangements is that income should be taxed once and only once.

DESCRIPTION OF SCHEME

I TYPES OF LUMP SUM SUBJECT TO NEW ARRANGEMENTS

Subject to the exceptions noted below, the new tax rules apply to:

- those lump sum retirement and kindred payments which were assessable as to only 5 per cent of the amount paid. This category includes lump sum payments from superannuation funds on retirement through age or invalidity or on earlier cessation of employment; 'golden handshakes' and other severance payments; contractual termination payments; payments in lieu of unused sick leave; and amounts paid as compensation for loss of office or employment;
- certain other lump sums, which have their origin in untaxed remuneration or other income, but which under the previous law were not taxed at all. This category includes amounts received in full or partial commutation of a pension and most classes of annuity; payment of the residual capital value of pensions or such annuities; distributions from a superannuation fund during an employee's service that are made in accordance with fund rules; and termination payments made by two or more instalments; and
- payments from approved deposit funds. (These funds can be set up as part of the new taxation arrangements.)

The changes do *not* apply to capital sums paid under covenants in restraint of trade or as compensation for loss of income through personal injury, which remain exempt from tax. Amounts received on retirement or termination of employment in lieu of annual leave or long service leave remain subject to the existing law, which already taxes them at the 'standard' rate (currently 30 per cent).

Special rules apply to:

- *bona fide* redundancy payments and payments under approved early retirement schemes;
- certain classes of death benefit; and
- disability benefits.

(i) *Bona Fide Redundancy Payments and Payments under Approved Early Retirement Schemes*

A principal requirement in determining whether a payment is a *bona fide redundancy payment* is that the lump sum is paid to a person whose employment has been prematurely brought to an end because the requirements of the employer to have employees carry out work of a particular kind or in a particular place have ceased or diminished or are expected to cease or diminish and that there is no arrangement for the re-employment of the person.

Approved early retirement schemes cover other situations where employees may retire early. These schemes must generally be approved by the Commissioner of Taxation before any payments are made under the scheme.

The law requires an approved scheme to offer to all employees, or to all employees of a particular age group, general trade classification or skill, the opportunity to accept a termination of employment which is earlier than the normal retirement age for the employees to which the scheme relates in the industry of the employer. An approved scheme must be introduced with a view to the rationalisation or reorganisation of the

employer's business operations, such as a change in the location of the business or the nature of the workforce of the employer.

A lump sum qualifies for concessional treatment as a *bona fide* redundancy payment or a payment under an approved early retirement scheme to the extent that it exceeds the amount that the person would have received if he or she had resigned on the date of termination of employment. These amounts in excess of resignation benefits remain subject to the old law under which 5 per cent of the amount is included in assessable income.

The foregoing treatment does not apply where, because of the nature of the work involved, a person merely retires at a retirement age which is normal for a particular occupation but which is earlier than that for the work force generally. For example, where an occupation provides for normal or compulsory retirement at, say, age 35 or 45, the concession does not apply. Nor does the concession apply where the redundancy or early retirement occurs after the age at which the person could have retired on account of having reached retirement age.

Some employers provide lump sum payments in lieu of *accumulated unused sick leave* only in redundancy or early retirement situations. Other employers also provide benefits of this kind upon resignation or normal retirement. In these latter cases such lump sums taken on resignation or normal retirement are taxable under the new arrangements. However, in situations of *bona fide* redundancy or approved early retirement the new tax rules do not apply to the excess of the actual payment for accumulated sick leave over that payable on resignation.

(ii) *Death Benefits*

Certain lump sum payments made upon the death of a person are exempt from the new taxation arrangements. The death-benefit exemption applies to the following cases of lump sum payments to the spouse, children or other dependants of the deceased person: lump sum payments from a superannuation fund; lump sum gratuities paid by employers; and withdrawals of deposits in approved deposit funds. Payments of these kinds to the estate of the deceased person that benefit the spouse, children or other dependants of the deceased person are also within the exemption. The exemption does not extend to the commutation of superannuation pensions and annuities or to the residual capital values of superannuation pensions and annuities. The basis for this distinction is a desire not to encourage through the tax system the conversion of retirement income streams into capital amounts. The rationale for the death-benefit exemption is a concern to alleviate the possibility of financial hardship for those persons dependent upon the deceased person.

(iii) *Disability Benefits*

The new arrangements apply to lump sum disability benefits paid by a superannuation fund and in certain other circumstances. However, a special provision operates which excludes from them that part of a lump sum disability payment which relates to the individual's notional or unreserved period of service between the date of his invalidity retirement and the date of his normal retirement age.

For example, consider an individual who has been in his or her employer's service for 5 years as at 30 June 1983, and is 'invalided out' 5 years after that date, having 20 years to serve until normal retirement at that time. Without a special provision, 5/10 of

the lump sum would, under the before/after formula (see below), be taxed under the old arrangements (i.e., subject to tax on 5 per cent of the amount). Under the special provision,

$$\frac{5 + 20}{10 + 20}$$

or 25/30 of the lump sum is taxed under the old provisions and only 5/30 is subject to the new provisions.

Under this arrangement the amount of tax paid is related to the number of years that at the time of his or her disability an employee has to serve until normal retirement age. People who on disability grounds retire a number of years earlier than normal (and who would be more likely to have heavy family and other financial responsibilities) will pay considerably less tax than those in receipt of the same lump sum amount but close to normal retirement.

II. TRANSITIONAL ARRANGEMENTS

There is no element of retrospectivity in the new measures. In particular, there is no diminution by virtue of the new tax arrangements of any benefit relating to employment before 1 July 1983. Under the transitional arrangements, lump sums or parts thereof in respect of service before 30 June 1983 remain taxable under the old rules (principally the 5 per cent basis) and only the component in respect of service after 30 June 1983 is subject to the new rules.

Before/After Formula

The basic rule for apportionment of a lump sum into its 'before 30 June 1983' and 'after 30 June 1983' components is to divide it pro rata according to the period of before and after 30 June 1983 employment to which the lump sum relates. For instance, consider an individual who had been an employee for 20 years as at 30 June 1983, and who retired 10 years after that date with a lump sum of \$30 000. Then, two-thirds, or \$20 000, is taxed under the previous system (i.e., only 5 per cent, or \$1000, would be included in assessable income). The remaining one-third or \$10 000 would be subject to tax under the new system. (In many cases, not all of this \$10 000 would, in fact, be taxed because of the exemption for employee contributions—see below.)

The period of total employment may also include a period of membership of a non-employer supported fund where there has been a transfer of accruing benefits between superannuation funds of different kinds. The period of post-30 June 1983 service includes any period during which moneys are 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 are both aggregated when applying the before/after formula. Where none of the lump sum has been preserved, there is no aggregation of either the amount of that lump sum or the period to which it relates. Where only a portion of the benefit is transferred to a new superannuation fund or an approved deposit fund, for the purposes of the before/after formula there is a pro rata adjustment to the period of any pre-30 June 1983 service or membership according to the proportion of the 'before 30 June 1983' component of the lump sum rolled over.

III. RATES OF TAX

Exemption for Employee Contributions

In many circumstances, only part of a post-30 June 1983 lump sum relating to a period of service after that date will be subject to tax. This is because the portion of a lump sum representing the return of superannuation contributions made after 30 June 1983 by an employee is exempt from tax. For instance, if, in the previous example, \$2500 of the amount of \$10 000 which related to a period of service after 30 June 1983 represented the return of contributions, only \$7500 of this amount would be subject to tax under the new arrangements.

The reason for providing these exemptions is to prevent double taxation. Under current arrangements most employees do not receive an effective taxation deduction or rebate for their contributions to their employer's superannuation fund, so that such contributions effectively have borne tax before being paid into the fund. It would not therefore be equitable to tax these contributions again when they are received as part of an individual's lump sum benefit. There is no such exemption, however, for the first \$1200 of superannuation contributions made by self-employed persons and employees covered by a non-employer sponsored scheme. These contributions are allowed as a taxation deduction under a special measure introduced in 1980-81 so that they do not bear tax before being paid into a superannuation fund. It is appropriate, therefore, that they bear tax when paid out as part of a lump sum benefit.

Tax Rates

In determining the tax rates to be applied to amounts subject to the new rules, any lump sum to which the new arrangements apply is divided into four parts:

- the part relating to service before 30 June 1983 is taxed under the old 5 per cent rules;
- the amount of employee contributions after 30 June 1983 which has not attracted a tax deduction is tax exempt;
- any 'special' components of the lump sum (i.e. the amount of any bona fide redundancy payment, payment under an approved early retirement scheme or disability benefit) are taxed at the old 5 per cent rules; and
- the remainder of the 'after 30 June 1983' component is fully taxable under the new rates. This category comprises:
 - amounts received prior to age 55, which are taxed at a flat rate of 30 per cent;
 - amounts received at age 55 or later, of which the first \$50 000 is taxed at 15 per cent, and any excess above \$50 000 at a rate of 30 per cent. The amount subject to tax at the lower rate will be subject to periodic review.

Thus, if the fully assessable amount of a lump sum was the \$7500 amount as in the previous example, then 30 per cent of it or \$2250 is taken in tax if the lump sum is received before age 55; if received at or after age 55, then 15 per cent or \$1125 is taken in tax.

IV ROLL-OVER ARRANGEMENTS FOR LUMP SUM PAYMENTS

In order to encourage the use of lump sum benefits to secure an income in retirement, such benefits are exempt from tax entirely if, within a short period of time after their receipt, they are:

- converted into an income stream in the form of an annuity; or
- rolled over into another superannuation fund or an approved deposit fund (these being forms of saving designed especially for the provision of retirement income).

Individuals have a maximum of 90 days after receiving their lump sum to decide whether to roll over part or all of it in an approved manner. Under transitional arrangements, however, any payment received between 1 July 1983 and 25 June 1984 (the date of Royal Assent) can be rolled over up to 23 September 1984.

Annuities

An annuity is an asset which provides a series of income payments and which can be purchased with a lump sum. All classes of annuity are eligible for the roll over of an otherwise fully taxable lump sum, provided only that the annuity is for the benefit of the taxpayer. This includes annuities which provide reversionary benefits to a spouse or dependants in the event of the taxpayer's death. Individuals therefore have great flexibility in the types of annuity into which lump sums can be converted. The double taxation of income that has applied to the income provided by most annuities has been removed, where annuities are used for retirement income purposes. In particular, the investment income associated with the issue of current annuities, deferred superannuation annuities and deferred annuities purchased with a rolled over lump sum is tax free. This ensures that such income is taxed only once.

Annuities currently may be issued by life companies registered under the *Life Insurance Act* and by State Government Insurance Offices. Annuities also may be issued by trade unions, friendly societies and associations of employees registered under the *Conciliation and Arbitration Act* (although their issue of annuities is restricted to their members or members' dependants). With a view to ameliorating possible impediments to the supply of annuities, the Government has initiated a review, to be completed by 30 September 1984, of the scope for wider participation in the issue of annuities.

The annuity payments which an individual receives after converting his lump sum is a mixture of two elements—part represents the return of the lump sum to the individual, while the balance represents investment income earned on the lump sum by the institution providing the annuity. The latter part of the payment of an annuity is assessable for income tax purposes. The former part is assessable only to the extent that the lump sum concerned would have been subject to tax in full, had it not been rolled over into a pension or annuity. For instance, in the main example used previously, the individual received a lump sum of \$30 000, only \$7500 of which was fully assessable because of the transitional provisions which operate and because of the tax exemption provided for the return of non-deductible employee contributions. If that individual decided to convert his full lump sum of \$30 000 into an annuity, then \$22 500 would not be subject to tax (i.e., only \$7500 of the total return-of-capital component of \$30 000 would be taxed).

In order to encourage individuals to save for retirement, an individual is not taxed on a lump sum payment that he or she receives on termination of employment, if

(within the same time frame as for annuity and pension conversions) he or she transfers these monies into another superannuation fund or an approved deposit fund.

Approved Deposit Funds

The new legislation provides for the establishment of approved deposit funds (ADFs) to provide choice to the recipient of a lump sum who is less than 65 years of age (especially where no new employer-sponsored superannuation fund is available) for the purpose of freeing part or all of the lump sum from tax at the time of receipt. ADFs can receive lump sum payments covered by the new arrangements for this purpose and therefore represent a major institutional innovation towards the portability of occupational superannuation benefits.

The investment income of ADFs, like that of approved classes of superannuation fund, is tax free. This tax exemption is not conditional on compliance with a 30/20 requirement. Withdrawals may be made by the depositor at any time. Withdrawals, however, must be completed by the time a depositor attains age 65.

To enhance competition in the provision of ADF facilities, a wide range of institutions is eligible to establish ADFs. These include banks, life insurance companies, trade unions, employee associations, building societies, credit unions, friendly or benefit societies, finance companies, money market corporations and trustee companies. The arrangements provide a framework for prescription by regulation of other institutions or classes of institution and these will be considered by the Government on a case-by-case basis.

V CHANGES TO THE TAXATION TREATMENT OF SUPERANNUATION FUNDS

The investment income of most classes of superannuation fund (including the traditional employer sponsored funds provided for the benefit of employees) has been exempt from taxation. The exceptions were section 79 funds (which may be established by employees, self-employed persons or employers for the benefit of employees) and section 121DA (non-approved) funds. The increased taxation of end-benefits in the hands of recipients could have meant that the total tax burden borne by members of taxed funds would have become unduly high. For this reason, the penalty tax rate on the income of those funds formerly taxable under section 121DA that satisfy conditions set out in the new section 121DAB is reduced from 60 per cent to 46 per cent. Similarly, the investment income of section 79 funds (now section 23FB funds) has been exempted from taxation.

Section 79 required that benefits generally not be paid before the fund member's 60th birthday. The same requirement has been adopted by the Commissioner of Taxation in administrative rulings in relation to benefits paid by certain other funds. The earliest age at which benefits may be paid has been reduced in section 23FB from age 60 to age 55, consistent with contemporary community standards as to the earliest age for retirement and as reflected in the Government's decision that the earliest qualifying age for the concessional 15 per cent taxation rate under the new lump sum measures is 55.

MEDICARE LEVY

The Medicare levy is imposed on total taxable income as the levy is designed to fund the Medicare arrangements on the basis of capacity to pay. Under the old tax arrangements for lump sum payments, the proportion of the payment which was assessable (5 per cent) was always included in taxable income, along with other payments of a non-recurrent nature such as taxable profits on the sale of property and lump sum payments in lieu of long service leave accrued after 15 August 1978. Lump sum payments taxed under the new arrangements will similarly be included in taxable income and therefore subject to the levy.

STATEMENT NO. 5—BUDGET OUTCOME, 1983-84

This Statement compares the 1983-84 Budget outcome with that of 1982-83 and with the 1983-84 Budget estimates, and discusses the major variations between the latter and the outcome for 1983-84. It also provides details on the financing of the 1983-84 Budget deficit.

SUMMARY

The aggregate budget details are summarised in the following table:

	1982-83		1983-84		Change in 1983-84 Actual	
	Actual	Budget Estimate	Actual	Over 1982-83 Actual	Over 1983-84 Budget Estimate	
	\$m	\$m	\$m	%	\$m	%
Outlays	48 935	56 590	56 570	+15.6	- 20	..
Receipts	44 462	48 229	48 610	+ 9.3	+381	+0.8
Deficit			4 473		8 361	-401

NOTE:—The budget results for 1982-83 and the estimates for 1983-84 differ from those shown in the 1983-84 Budget documents because of classification changes introduced in the 1984-85 Budget. Details of the changes are provided in the Appendix to Budget Paper No. 1. The most significant change is that the revenue from sale of existing assets has been transferred from receipts to the relevant functions in outlays to accord with current international classification guidelines and Australian Bureau of Statistics practice. The revised outcome for 1983-84 also differs from that advised in the Government's Statement of Commonwealth Financial Transactions for 1983-84 issued on 15 July 1984 for the same reason. (The explanation above also applies to the other tables contained within this Statement.)

The main features of the 1983-84 Budget outcome were as follows:

- the deficit of \$7961m was \$401m lower than that forecast at budget time, an outcome which mainly resulted from higher receipts; outlays were only slightly below the budget estimate;
- total outlays were \$56 570m, representing an increase over 1982-83 of 15.6% or about 7.7% in real terms, and an increase as a proportion of GDP from an estimated 29.9% in 1982-83 to an estimated 30.5% in 1983-84;
- the 1983-84 outlays outcome was below (by \$20m) the budget estimate, for the first time since 1976-77 (see Appendix 1 to this Statement for a comparison of estimates and outcomes for the past ten years);
- the small under-expenditure for 1983-84 was the net outcome of large variations from budget estimates in a number of functions and programs. In particular, the substantial underspending on unemployment benefits following the strong improvement in labour market conditions, was more than offset by increased outlays on housing, defence, health and public debt interest;
- total receipts exceeded the budget estimate by \$381m, or 0.8%, and were 9.3% higher than in 1982-83;
- the higher receipts outcome than estimated at budget time reflected a number of partly offsetting factors. Stronger than anticipated growth in economic activity during the year contributed to higher than expected receipts from sales tax and customs duty on imports (\$186m and \$206m respectively). However, lower than expected growth in average wage and salary incomes, achieved in the context of

the Accord, more than offset the effect of higher employment growth on gross pay-as-you-earn (PAYE) collections;

- company and provisional tax collections were significantly higher than expected (\$238m and \$323m respectively) partly reflecting higher growth in 1982-83 taxable incomes than estimated at budget time; and
- a number of more specific factors contributed to higher than expected receipts from the crude oil and liquefied petroleum gas (LPG) levies (\$179m), and lower than expected receipts from the new Prescribed Payments System (-\$249m) and from the traditional excises (-\$291m).

BUDGET OUTLAYS BY FUNCTION

The table below provides comparisons of the outlays data shown above by function. Then follows comments on significant differences between the budget estimates and actual outlays for 1983-84.

	1982-83		1983-84		Change in 1983-84 Actual	
	Actual	Budget Estimate	Actual	Over 1982-83 Actual	Over 1983-84 Budget Estimate	%
	\$m	\$m	\$m	%	\$m	%
1. Defence	4 782	5 280	5 383	+12.6	+103	+ 1.9
2. Education	3 716	4 117	4 085	+ 9.9	- 31	- 0.8
3. Health	3 425	4 295	4 411	+28.8	+116	+ 2.7
4. Social Security and Welfare	14 112	16 845	16 438	+16.5	-407	- 2.4
5. Housing	740	910	1 034	+39.8	+124	+ 13.6
6. Urban and Regional Development nec and the Environment	98	121	108	+10.1	- 12	- 10.1
7. Culture and Recreation	522	597	612	+17.3	+ 15	+ 2.5
8. Economic Services—						
A. Transport and Communication	1 767	1 689	1 731	- 2.0	+ 42	+ 2.5
B. Water Supply, Electricity and Gas	103	89	97	- 6.0	+ 7	+ 8.0
C. Industry Assistance and Development	1 109	1 077	1 015	- 8.5	- 62	- 5.8
D. Labour and Employment	685	1 114	1 145	+67.2	+ 31	+ 2.8
E. Other Economic Services	98	101	108	+ 9.2	+ 7	+ 6.7
Total Economic Services	3 762	4 070	4 095	+ 8.9	+ 25	+ 0.6
9. General Public Services—						
A. Legislative Services	198	223	200	+ 0.9	- 23	- 10.3
B. Law, Order and Public Safety	320	376	376	+17.4	..	0.1
C. Foreign Affairs and Overseas Aid	1 045	1 180	1 160	+11.1	- 20	- 1.7
D. General and Scientific Research nec	437	437	453	+ 3.8	+ 16	+ 3.8
E. Administrative Services	1 409	1 641	1 631	+15.7	- 10	- 0.6
Total General Public Services	3 409	3 838	3 820	+12.1	- 37	- 1.0
10. Not Allocated to Function—						
A. Payments to or for the States, the NT and Local Government Authorities	10 991	12 203	12 253	+11.5	+ 50	+ 0.4
B. Public Debt Interest	3 378	4 133	4 330	+28.2	+196	+ 4.8
C. Allowances for Prospective Staff, Wage and Salary Increases (non-Defence)	(a)	163	(a)	—	-163	-100.0
Total Not Allocated to Function	14 369	16 499	16 583	+15.4	+ 84	+ 0.5
TOTAL OUTLAYS	48 935	56 590	56 570	+15.6	- 20	..

(a) Actual requirements have been allocated to the relevant functions.

Defence—up \$103m or 1.9%

The increase in this function was primarily the result of non-budgeted payments (\$118m) for defence equipment and stores mainly as a result of higher than expected payments in 1983-84 for aircraft (\$76m) and naval construction (\$34m) being purchased under US Foreign Military Sales arrangements. In addition, the costs of the Defence Forces Retirements and Death Benefits schemes were up \$8m due mainly to higher than expected commutation payments and pensions resulting from greater than anticipated numbers of separations from the forces. These increases were partly offset by lower than estimated service and civilian manpower costs. When the \$110m budgeted allowance for prospective wage and salary increases is taken into account, defence manpower costs were \$32m less than forecast, due in part, to National Wage Case increases being awarded later than expected.

Education—down \$31m or 0.8%

Under-expenditures occurred in each of the two main programs within this function. Expenditure under the Tertiary Education Commission's programs was down \$29m on budget estimates due to technical and further education capital program payments being less than anticipated (-\$17m) because of lower than expected claims from the States; in addition, recurrent expenditure was less than estimated (-\$10m) principally because of the later than anticipated National Wage Case decisions and lower outlays on supplementary assistance for superannuation. An under-expenditure of \$26m also occurred in the Schools Commission's programs due to shortfalls under capital programs (-\$9m) and the schools' portion of the Participation and Equity Program (-\$8m), and an over-estimation of the amount necessary to supplement for cost increases (-\$9m). Offsetting these reductions were increases of \$11m for schools in the Australian Capital Territory (primarily as a result of salary increases, growth in staff numbers and more rapid progress than anticipated in the construction of school facilities), and \$9m for student assistance and Aboriginal education, principally due to higher than forecast numbers of beneficiaries and average benefits per student.

Health—up \$116m or 2.7%

The major reason for the higher than estimated expenditure for this function was an overrun of \$84m on payments in respect of hospital services. This was due to a greater than estimated shift in the number of patients electing to be treated as public rather than private patients in public hospitals under Medicare (\$73m); higher than estimated payments to South Australia and Tasmania under their respective hospital cost-sharing agreements, which were terminated on 31 January 1984 and replaced by identified health grants (paid under 'Payments to or for the States' sub-function) on a similar basis to those paid to other States since 1981 (\$8m); and higher than expected private hospital bed day subsidies (\$4m). Outlays on pharmaceutical services and benefits exceeded budget estimates by \$21m, due principally to a higher than expected increase in pensioners' use of the scheme and increases in chemists' remuneration. Expenditure on hospital services and benefits for veterans and their dependants was \$11m over budget estimates due mainly to the effect of an increase in the wage and salary costs of the repatriation hospital system. In addition, the planned repayment by the Health Insurance Commission of a \$10m capital advance was deferred to 1984-85. Partly offsetting the effects of these variations was an under-expenditure of \$17m on nursing home benefits reflecting mainly the effect of lower than expected fee increases during the period November 1983 to June 1984.

Social Security and Welfare—down \$407m or 2.4%

The lower than estimated expenditure for this function principally reflected a reduction in payments for unemployment benefits which were \$349m below the budget estimate. This resulted from the strong improvement in labour market conditions in 1983-84 and a consequent reduction in the average number of unemployment beneficiaries from that estimated at budget time. Outlays on special benefits were also down by \$15m, largely for similar reasons. Shortfalls occurred in repatriation disability pensions (-\$19m), widows' pensions (-\$15m) and age pensions (-\$11m), arising mainly from lower than expected average payments due to variations in the characteristics of pensioners and beneficiaries, and variations in numbers from those projected at budget time. Expenditures for aged persons' homes and hostels were also \$16m less than expected at budget time, largely reflecting slower progress on building projects under the program. There were a number of other smaller under-expenditures in this function including shortfalls of \$8m for handicapped persons facilities mainly due to slower than expected appointment of staff under the program, \$8m on family allowances payments largely because the family composition of recipients differed from that forecast at budget time and \$6m under the children's services program, mainly as a result of lags in bringing new services on stream. Offsetting these under-expenditures were higher than estimated payments on invalid pensions and allowances, which exceeded the budget estimate by \$38m principally as a result of a significantly larger than expected increase in the number of invalid pensioners.

Housing—up \$124m or 13.6%

Associated with the very strong recovery experienced in the housing industry in 1983-84, outlays under assistance to first home owners were almost double the budget estimate (\$242m compared with \$122m). The increase reflected a significantly higher than expected number of eligible first home buyers and far greater numbers than forecast electing to take the lump sum payment option under the First Home Owners Scheme. In addition, there was a larger than expected number of applicants under the now terminated Home Deposit Assistance Scheme following removal of the savings requirement in the last two months of that scheme. Another factor underlying the increase in this function was the decision by the States, after the 1983-84 Budget was brought down, to nominate \$227m of their Loan Council Program advances for public housing, which was \$27m more than estimated. (As the State Government Loan Council Program is included under 'Payments to or for the States', the effect of this was to reduce expenditures under that sub-function by \$27m and increase outlays under Housing by the same amount.) Offsetting these increases were lower than expected expenditures on the Defence Service Homes Corporation (-\$21m), due mainly to greater than estimated repayments of loans which reduced the requirement for capital advances.

Urban and Regional Development nec and the Environment—down \$12m or 10.1%

The shortfall was largely the result of greater than anticipated revenues offsetting outlays (net decrease in outlays of \$19m) from the sale of leases in the ACT as a result of the sale of more blocks and higher sale prices than anticipated at budget time. Partly offsetting this was an increase of \$6m which reflected the amount provided to the States and the Northern Territory for the purpose of urban flood mitigation from the funds provided under the National Water Resources Program. Funds for this program were unable to be allocated to specific functions at budget time and therefore were included in total under the 'Industries Assistance and Development' sub-function.

Culture and Recreation—up \$15m or 2.5%

Increased payments (\$12m) to the ABC were the major cause of this overrun and were mainly attributable to wage and salary increases (\$10m) resulting from the National Wage Case decisions and, to a lesser extent, the reorganisation of production operations staff and a general staff increase.

Transport and Communication—up \$42m or 2.5%

The major overrun for this sub-function occurred in the Australian Bicentennial Road Development Program (ABRD), which was \$32m over the budget estimate reflecting that claims received from the States were greater than expected. A revenue shortfall (i.e. a net increase in outlays) of \$24m resulted from the Government's decision not to proceed with the proposed sale of 49% of the Commonwealth's equity in AUSSAT to the private sector, but rather to sell 25% of the equity in AUSSAT to Telecom instead. The proceeds from this sale are included in the estimates for 1984-85. These increases were partly offset by a number of under-expenditures. There was a shortfall of \$11m on the Aerodrome Local Ownership Plan, primarily due to airport development and upgrading works being undertaken at a slower rate than expected and some delays in negotiations with prospective participants in the scheme. Expenditure on plant and equipment for airways and navigation facilities was \$9m less than estimated due to exchange rate fluctuations and the longer than expected lead times in ordering and delivering equipment.

Water Supply, Electricity and Gas—up \$7m or 8.0%

The small overrun in this item was the net result of a number of influences. The largest of these was a \$15m increase over budget estimates as a result of the allocation to this function of expenditure under the National Water Resources Program—in this case for urban water supply. This was partly offset by a shortfall of \$4m under financial assistance for electricity supply in the Northern Territory, due to delays in construction of the coal-fired power station for Darwin and reductions in the forecast economic indices determining the grant towards operational costs. There was also a shortfall of \$3m under the LPG subsidy scheme, reflecting slower than anticipated payment of claims by the States and delays in the passage of legislation relating to the extension of the scheme.

Industry Assistance and Development—down \$62m or 5.8%

There were a number of major variations from budget estimates under this heading, including the unforeseen repayment in 1983-84 by Queensland of the International Monetary Fund moneys on-lent to it under the International Sugar Agreement in 1982-83 (-\$37m); lower than estimated expenditure on irrigation and other pastoral water projects (-\$24m), partly reflecting the previously mentioned allocation of actual expenditure under the National Water Resources Program to other functional categories and partly because of under-expenditure on certain projects by State Governments; reduced payments under Steel Development Plan bounties (-\$21m), reflecting the recovery in the steel industry during 1983-84 and a consequent decline in bounty payments; lower than expected net outlays for wool industry assistance (-\$12m) mainly due to a delay between the collection of the Wool Tax and its subsequent payment to the Australian Wool Corporation at the end of the year; and greater than anticipated proceeds from the winding-up of the Christmas Island Phosphate Commission (net reduction in outlays of \$9m). These decreases were partly

offset by an increase of \$21m in net outlays on meat and livestock inspection services, due to the non-payment by many meat companies of livestock slaughter export inspection charges following the introduction of 50% cost recovery from October 1983; greater than estimated outlays under the Petroleum Products Freight Subsidy Scheme (\$16m) due to the upturn in the economy; the delay in the sale of the British Phosphate Commission from 1983-84 to 1984-85 (net increase in outlays of \$16m); and the earlier than expected payment of a capital instalment to the Australian Industry Development Corporation (\$12m).

Labour and Employment—up \$31m or 2.8%

The increase in this sub-function was mainly attributable to a net overrun in outlays on employment training programs which in total exceeded budget estimates by \$32m. The major components of this increase were employment generating programs (\$37m), primarily due to greater than forecast numbers of approvals under the Special Youth Employment Training Program and the Adult Wage Subsidy Scheme, offset by the non-introduction of the proposed Private Sector Assistance Program; special training (\$20m), due mainly to greater than anticipated increases in numbers in training programs for Aboriginals and the disabled; partly offset by underspending on trade training (-\$11m), which mainly reflected a slower than expected take-up of the Commonwealth Rebate for Apprentice Full-Time Training, and on the Community Employment Program (-\$15m) because of the slower than expected initial take-up rate for the now fully operational program. In addition, the recurrent costs of the Department of Employment and Industrial Relations exceeded the budget estimate by \$12m reflecting increased salary costs, mainly due to the effect of the National Wage Case decisions and greater levels of program activity. Expenditure on infrastructure support for the steel regions was down \$9m, as a result of delays in approvals and commencement of some projects. Outlays on the migrant assisted passage scheme were down \$9m, which reflected lower than forecast refugee intakes from new source countries in Central and South America and consequent lower than estimated occupancy rates in migrant hostels, and, to a lesser extent, lower fares negotiated with Qantas.

Other Economic Services—up \$7m or 6.7%

The small overrun on budget estimates for this sub-function was mainly due to an unforeseen payment of \$4m to the Snowy Mountains Engineering Corporation (SMEC) for redundancy payments under a plan to improve the operations of SMEC in response to its recent financial difficulties.

Legislative Services—down \$23m or 10.3%

This shortfall resulted from under-expenditure of \$28m by the Parliament House Construction Authority arising from bad weather delaying construction in the first half of the year and a 14-week industrial dispute in the second half of the year.

Foreign Affairs and Overseas Aid—down \$20m or 1.7%

This result was produced by a range of small under-expenditures, the largest of which were in the recurrent costs of the overseas operations of the Department of Foreign Affairs (-\$5m), principally because of reduced overseas salaries due to timing factors and exchange rate fluctuations, and for the Overseas Property Office (-\$5m), due in the main to favourable exchange rate movements. In addition, total expenditure in 1983-84 on the Overseas Aid Program was \$909m, \$8m lower than estimated at budget time due to small under-expenditures on a number of aid items.

General and Scientific Research nec—up \$16m or 3.8%

The major cause of the overrun was increased funding for the Commonwealth Scientific and Industrial Research Organisation (\$15m) due primarily to the effect of the National Wage Case decisions on wages and salaries and the introduction of charges paid to the Department of Housing and Construction for buildings and works (the revenues for which reduced 'Administrative Services' expenditure commensurately).

Administrative Services—down \$10m or 0.6%

Under this heading there were shortfalls associated with delays in the availability and delivery of computers under the Taxation Office's ADP strategic plan (-\$18m) and the recurrent costs of property management and services (-\$7m) due mainly to slower than expected progress on some projects. Partly offsetting these shortfalls were increases in wage and salary costs due to the effect of National Wage Case decisions and increases in the administrative votes of the many departments included under this function.

Payments to or for the States, the Northern Territory and Local Government Authorities nec—up \$50m or 0.4%

A number of factors combined to produce the net overrun for this sub-function. The largest was an increase of \$36m over the budget estimate for payments to Tasmania for assistance related to the cessation of the Gordon River Power Development, Stage II in South-West Tasmania. The increase resulted from Government decisions taken since the 1983-84 Budget to provide an ex gratia payment of \$25m and to pay an initial instalment (\$20m) in 1983-84 of the subsidy to be provided by the Commonwealth in respect of future electricity requirements in Tasmania, offset in part by lower than expected payments under the Interim Financial Agreement (-\$9m). Natural disaster relief payments exceeded budget estimates by \$28m due to under-estimation by the States of the continuing financial effects of past disasters (\$14m) and the effects of new disasters in 1983-84 for which no provision had been made in the estimates (\$14m). There was also an unforeseen payment of \$28m to assist Victoria following its loss of revenue associated with the High Court's decision in August 1983 to invalidate pipeline licence fees, and a \$9m overrun in identified health grants to the States principally due to increases in the agreed hospital cost-sharing budgets for South Australia and Tasmania. These increases were offset by a \$20m reduction in tax sharing grants to the States as a result of differences between actual and assumed movements in the Consumer Price Index and between final determinations and projections of State populations. There was also a \$27m reduction in advances under the State Government Loan Council Program because of the previously mentioned post-budget nomination by the States of a greater amount of these funds for welfare housing than had been estimated. These expenditures have been recorded against the *Housing* function.

Public Debt Interest—up \$196m or 4.8%

The increase in public debt interest reflected the considerably higher than expected issue of debt during the first half of 1983-84 as a counterpart to the stronger than expected liquidity growth during that period. See also *Financing Transactions* later in this Statement.

BUDGET OUTLAYS BY ECONOMIC TYPE

The following table compares the 1983-84 Budget outcome with that for 1982-83 and with the 1983-84 Budget estimates classified by broad economic type of expenditure.

	1982-83		1983-84		Change in 1983-84 Actual	
	Actual	Budget Estimate	Actual	Over 1982-83 Actual	Over 1983-84 Budget Estimate	
					\$m	%	$m	%
Net Expenditure on Goods and Services—						
Defence(a)	4 432	4 891	4 989	+12.6	+ 99	+ 2.0
Other Current Expenditure	5 359	6 406	6 345	+18.4	- 61	- 1.0
Capital Expenditure(b)	598	670	580	- 3.1	- 90	-13.5
Total	10 389	11 967	11 914	+14.7	- 53	- 0.4
Transfer Payments, Grants and Net Advances—						
To the States, the NT and Local Government Authorities	16 419	18 709	18 754	+14.2	+ 45	+ 0.2
Personal Benefit Payments(c)	16 232	19 395	19 033	+17.2	-362	- 1.9
Interest Paid	3 378	4 133	4 334	+28.3	+201	+ 4.8
Transfers Overseas	735	797	790	+ 7.5	- 7	- 0.9
Net Advances (other than to States and NT)(d)	608	455	439	-27.8	- 16	- 3.6
Other(e)	1 173	1 135	1 306	+11.4	+172	+15.1
Total	38 546	44 624	44 656	+15.9	+ 33	+ 0.1
TOTAL OUTLAYS	48 935	56 590	56 570	+15.6	- 20	..

(a) Excludes Defence Forces Retirement and Death Benefits (DFRDB), payments to the States for Defence purposes and acquisitions of land and buildings.

(b) Includes changes in stocks.

(c) Includes unfunded employee retirement benefits and DFRDB payments.

(d) Includes net advances to Commonwealth authorities, the public and overseas.

(e) Consists of subsidies, grants for private capital purposes and net purchases of existing assets.

The main areas of variation between 1983-84 Budget estimates and outcome have been explained in the relevant functions earlier. Following is a summary by broad economic type.

Net Expenditure on Goods and Services—

- **Defence—up \$99m or 2.0%**
The over-expenditure in this category resulted mainly from the net effect of an overrun on defence equipment and stores (\$118m) partly offset by an under-expenditure on defence wage and salary costs (-\$32m).
- **Other Current Expenditure—down \$61m or 1.0%**
The main cause of the under-expenditure in this category was lower than anticipated wage and salary costs (-\$82m) for the general non-defence public service sector (excluding statutory authorities, government factories and the like), mainly because the implementation of the National Wage Case increases occurred later than was expected. Offsetting this were small overruns in administrative expenses (\$9m) and other current expenditure (\$12m).
- **Capital Expenditure—down \$90m or 13.5%**
There were several substantial underspends in this category which resulted in total Government expenditure on capital equipment and facilities in 1983-84 being slightly below the 1982-83 level. The largest under-expenditure was a short-

fall of \$28m on the construction of the new Parliament House. Under-expenditures also occurred on plant and equipment for the Taxation Office (-\$18m) and for the Departments of Social Security (-\$7m) and Aviation (-\$9m), and on buildings and works for Government offices and the Departments of Veterans' Affairs and Aviation (-\$6m, -\$4m and -\$3m respectively).

Transfer Payments, Grants and Net Advances—

- **To the States, the Northern Territory and Local Government Authorities—up \$45m or 0.2%**
The increase was mainly due to the greater than expected payments to the States for hospital services under Medicare (\$73m) and post-budget decisions on additional payments to Tasmania for assistance related to cessation of the Gordon River Power Development, Stage II in South-West Tasmania (\$36m) and to assist Victoria (\$28m) following the loss of pipeline royalties. Disaster relief payments were also up \$28m. Offsetting these increases were the unforeseen repayment by Queensland of IMF funds on-lent to it under the International Sugar Agreement (-\$37m), under-expenditures on both the Tertiary Education Commission programs (-\$29m) and the Schools Commission programs (-\$26m), and a reduction of \$20m in tax sharing grants to the States.
- **Personal Benefit Payments—down \$362m or 1.9%**
The single most important factor which produced the large under-expenditure in this category was the \$349m reduction in estimated payments for unemployment benefits. There was also a net shortfall in a number of other pensions and benefits.
- **Interest Paid—up \$201m or 4.9%**
This increase reflected considerably higher issue of debt during the first half of 1983-84 than was anticipated at budget time. See also *Financing Transactions* later.
- **Other—up \$172m or 15.1%**
The increase was mainly due to increased payments under the First Home Owners and Home Deposit Assistance schemes (\$120m), employment creating schemes (\$37m) and the Petroleum Products Freight Subsidy Scheme (\$16m), partly offset by lower than anticipated payments (-\$21m) under the Steel Development Plan bounties.

BUDGET RECEIPTS

Details of 1983-84 Budget receipts relative to the budget estimates and to collections in 1982-83 are provided in the table below.

	1982-83		1983-84		Change in 1983-84 Actual	
	Actual	Budget Estimate	Actual	Over 1982-83 Actual	Over 1983-84 Budget Estimate	
	\$m	\$m	\$m	%	\$m	%
Taxation Revenue—						
Income Tax—						
Individuals—						
Gross PAYE(a)	20 812	22 207	22 024	+ 5.8	-183	- 0.8
Refunds	1 971	2 475	2 403	Dr + 21.9	- 72	- 2.9
Net PAYE	18 840	19 732	19 620	+ 4.1	-112	- 0.6
Other(a)	4 126	4 151	4 474	+ 8.4	+323	+ 7.8
Medicare Levy(b)	—	390	365	n.a.	- 25	- 6.4
Prescribed Payments System	—	500	251	n.a.	-249	-49.8
Total Individuals(c)	22 967	24 773	24 710	+ 7.6	- 63	- 0.3
Companies	4 768	4 145	4 383	- 8.1	+238	+ 5.7
Withholding Tax	259	296	305	+ 17.8	+ 9	+ 3.0
Amounts Recovered under Recoupment Tax Legislation(d)	80	386	252	+215.0	- 134	-34.7
Total Income Tax	28 074	29 600	29 649	+ 5.6	+ 49	+ 0.2
Sales Tax	3 490	3 979	4 165	+ 19.3	+186	+ 4.7
Excise Duty—						
Crude Oil and LPG	3 486	3 472	3 651	+ 4.7	+179	+ 5.2
All Other	3 320	4 374	4 083	+ 23.0	-291	- 6.7
Customs Duty—						
Imports	2 036	2 123	2 329	+ 14.4	+206	+ 9.7
Coal Exports	66	58	66	o	+ 8	+13.8
Bank Account Debits Tax	30	200	183	+510.0	- 17	- 8.5
A.C.T. Taxes and Charges	91	99	102	+ 12.1	+ 3	+ 3.0
Other Taxes, Fees and Fines (net)	240	276	269	+ 12.1	- 7	- 2.5
Total Taxation Revenue	40 834	44 181	44 497	+ 9.0	+316	+ 0.7
Non-Tax Revenue—						
Interest, Rent and Dividends	2 928	3 347	3 318	+ 13.3	- 29	- 0.9
Net Receipts from Government Enterprise Transactions	700	701	794	+ 13.4	+ 93	+13.3
Total Non-Tax Revenue	3 628	4 048	4 112	+ 13.3	+ 64	+ 1.6
TOTAL RECEIPTS	44 462	48 229	48 610	+ 9.3	+381	+ 0.8

- (a) The 1983-84 figures exclude an estimated amount of Medicare levy, listed separately.
 (b) This figure is an estimate of the amount collected; Medicare levy is not separately identified at the point of collection.
 (c) The 1983-84 outcome includes an estimated \$20m collected from companies under the Prescribed Payments System.
 (d) The 1983-84 outcome includes collections of \$69m as Recoupment Tax, \$181m collected as company tax and \$2m collected on assessment from other individuals.

Income Tax—PAYE

Gross PAYE collections in 1983-84 were \$22 024m, 5.8% higher than in 1982-83 and \$183m or 0.8% below the budget estimate. The shortfall in 1983-84 collections resulted from lower growth in average earnings than assumed at budget time that more than offset gains from higher than estimated growth in employment. Average earnings increased by 5.2% in 1983-84 (on a National Accounts basis) compared with the budget estimate of 7%, while employment increased by 0.9% compared with the budget assumption of no change (on average).

Partly offsetting the shortfall in gross collections was a lower than expected level of refunds in respect of tax paid in 1982-83 (\$72m below the budget estimate) mainly as a result of the lower than expected cost of the housing loan interest rebate schemes that operated until 30 June 1983.

Income Tax—Other Individuals

Non-PAYE individuals income tax collections in 1983-84 that are based on 1982-83 taxable income uplifted by 11% were 8.4% higher than in 1982-83 and \$323m or 7.8% above the budget estimate. The outcome for 1983-84 reflects, in part, higher taxable income growth in 1982-83 than was estimated at budget time. Beyond this, 1983-84 provisional tax collections were affected less than expected by the Prescribed Payments System (PPS) introduced on 1 September 1983. The budget estimate of other individuals collections was \$200m lower than would otherwise have been the case because of an expected higher recourse to self assessment among provisional taxpayers becoming liable under the PPS to tax deductions. In the event, such recourse to self assessment was much lower than expected and this contributed about \$170m to the higher level of provisional tax receipts in 1983-84.

Income Tax—Medicare Levy

Total Medicare levy receipts in 1983-84 were \$365m or \$25m lower than estimated at budget time. The shortfall resulted partly from changes in the specification of the levy (in terms of ceilings, exemptions etc.) made subsequent to the 1983-84 Budget and lower growth in incomes during the year than originally estimated.

Income Tax—Prescribed Payments System

PPS receipts—that is, taxes deducted at source from payments for prescribed labour and services—amounted to \$251m in 1983-84, including an estimated \$20m collected from companies, compared with the budget estimate of \$500m. As mentioned in respect of other individuals income tax receipts, \$200m of the PPS budget estimate was expected to be offset by lower provisional tax receipts such that, in net terms, the PPS was expected to contribute \$300m to overall receipts in 1983-84. Given that the recourse to self assessment only reduced provisional tax receipts by about \$30m, net PPS collections in 1983-84 were, in fact about \$220m, or \$80m below the budget net estimate.

The significant shortfall in gross PPS collections resulted principally from more taxpayers than expected gaining partial or full exemption from deductions under the system. Nevertheless, it is apparent that the PPS has increased the compliance rate in reporting income among affected taxpayers and this—together with the system bringing to light significant numbers of payees previously unregistered for tax purposes or who have not lodged income tax returns for some years—should add significantly to receipts in future years.

Company Tax

Company tax collections were \$4383m in 1983-84, \$238m or 5.7% higher than the budget estimate but 8.1% lower than collections in 1982-83. The stronger than expected outcome for 1983-84 mainly reflected actual taxable income in 1982-83—the base for 1983-84 collections—being higher than estimated.

Amounts Recovered under Recoupment Tax Legislation

Collections attributable to the Taxation (Unpaid Company Tax) Legislation totalled \$252m in 1983-84 (including amounts of \$181m collected as company tax and \$2m collected on assessment from other individuals), a shortfall of \$134m on the budget estimate. The lower than expected result is, in part, attributable to the Parliamentary defeat of amendments to the recoupment tax legislation proposed in the 1983-84 Budget.

Sales Tax

Sales tax collections at \$4165m were \$186m or 4.7% above the budget estimate. The overrun in 1983-84 principally resulted from stronger than expected growth in private consumption expenditure, particularly on motor vehicles and other household durables.

Excise Duty

The following table compares 1983-84 outcomes for the major excisable commodity groups with the 1982-83 outcome and the 1983-84 Budget estimates.

	1982-83		1983-84		Change in 1983-84 Actual			
	Actual	Budget Estimate	Actual	Budget Estimate	Over 1982-83 Actual		Over 1983-84 Budget Estimate	
					\$m	%	\$m	%
Crude Oil	3 430	3 378	3 559	3 559	+ 3.8	+ 181	+ 5.4	
LPG	37	94	93	93	+63.2	- 1	- 1.1	
Total	3 466	3 472	3 651	3 651	+ 4.7	+179	+5.2	
Beer	1 123	1 221	1 159	1 159	+ 3.2	- 62	- 5.1	
Potable Spirits(a)	114	130	118	118	+ 3.5	- 12	- 9.2	
Tobacco Products	799	883	864	864	+ 8.1	- 19	- 2.2	
Petroleum Products(b)	1 293	2 145	1 973	1 973	+52.6	-172	- 8.0	
Other (including credits)	- 9	- 7	- 31	- 31	n.a.	- 24	n.a.	
Total—'Traditional Excises'	3 320	4 374	4 083	4 083	+23.0	-291	- 6.7	
TOTAL EXCISE DUTY	6 807	7 846	7 734	7 734	+13.6	-112	-1.4	

(a) Includes fortifying spirits.

(b) Includes fuel oil, heating oil and kerosene.

Crude Oil and LPG Levies

Receipts from the crude oil levy were 3.8% higher than in 1982-83 and \$181m or 5.4% higher than the budget estimate. The budget estimate was based on the conventional assumption of no change in the import parity price applicable on 1 July 1983 and a projected decline in excisable ('old') oil production of around 3%. In the event, the import parity price for Bass Strait crude was reduced by \$1.85 per barrel on 1 January 1984 with commensurate declines for other crude as a result of movements in the \$US/\$A exchange rate and changes in some other components of the import parity

pricing system. However, the decline in revenue on this account was more than offset by a substantial unexpected increase in production of 'old' oil, principally for export.

Receipts from the levy on naturally occurring LPG (which is a co-product with crude oil and natural gas) of \$93m were 63.2% higher than in 1982-83 and just below the budget estimate.

Traditional Excises

Revenue from the traditional excisable commodities (beer, potable spirits, tobacco and petroleum products) was 23.0% higher than in 1982-83 but \$291m or 6.7% below the budget estimate.

The substantial increase on 1982-83 receipts principally resulted from measures announced prior to and in the 1983-84 Budget, including:

- the increase from 1 cent to 2 cents in the surcharge applying to motor spirit and distillate to finance the Australian Bicentennial Road Development Program, and the increase of 2 cents per litre in the duties applying to aviation fuels—both measures took effect from 1 July 1983;
- the increase of 1.5 cents per litre in excises on motor spirit and distillate and a further increase of 0.5 cents per litre in excises on aviation fuels announced in the 1983-84 Budget;
- the introduction of excise on fuel oil, heating oil and kerosene—initially set at 9.027 cents per litre from budget night but subsequently reduced to 1.872 cents per litre on 26 August 1983;
- the reintroduction of excise on grape spirit used in fortifying wine—initially set at \$2.61 per litre from budget night but subsequently reduced to \$1.50 per litre on 21 September 1983 and then removed on 22 June 1984;
- the rationalisation of the structure of excises on tobacco products resulting in an increase from budget night of \$5 per kilogram for manufactured tobacco and \$4.36 per kilogram for cigars; and
- the introduction in the 1983-84 Budget of a system of six-monthly indexation of excise rates based on movements in the CPI with the first indexation adjustment (4.3%) applying from budget night and subsequent adjustments to be made each 1 February and 1 August. Accordingly, traditional excise rates were increased by 4.1% in February 1984.

The lower than expected 1983-84 outcome relative to the budget estimate resulted partly from the Government's decision to reduce the excise rates applying to the newly excisable commodities of fuel oil, heating oil and kerosene and partly from the generally lower than forecast clearance levels for most items, especially beer, cigarettes and distillate. Refunds of excise paid in 1983-84 were also significantly higher than expected at budget time largely as a result of higher refunds to tax-exempt authorities of duty paid on petroleum products, including the ABRD levy on motor spirit and distillate.

Customs Duty

Receipts from customs duty on imports were 14.4% higher than in 1982-83 and \$206m or 9.7% above the budget estimate. The higher level of collections in 1983-84 resulted from a stronger than expected rise in the value of imports, largely reflecting the growth in private consumption during the year.

Receipts from the coal export duty were the same as in 1982-83 and \$8m above the budget estimate, largely as a result of higher than expected demand in the European and Japanese markets.

Bank Account Debits Tax

Receipts from this tax, at \$183m, were \$17m lower than estimated at budget time. The tax was introduced on 1 April 1983 and hence the budget estimate was based on only a few months' collections experience. Beyond this, the virtual absence of growth in average monthly collections over the year perhaps indicates some rearrangement of transactions in order to minimise liability for this tax.

Interest, Rent and Dividends

Receipts of \$3318m were 13.3% higher than in 1982-83, though little different from the budget estimate. The increase over 1982-83 resulted mainly from increased interest receipts from the States on advances under the State Government Loan Council Program reflecting both increased advances and higher interest charges; it also reflected an increase in the rate of interest payable by Telecom on its interest-bearing capital from the Commonwealth. Receipts from the Royal Australian Mint were lower than estimated at budget time, mainly as a result of lower than expected sales to the Reserve Bank of smaller denomination coins.

Net Receipts from Government Enterprise Transactions

Revenue was 13.4% higher than the budget estimate that was virtually unchanged from the 1982-83 level. The major factor behind this rise was the remittance of profits from the Reserve Bank of Australia of \$746m, \$96m above the budget estimate. This increase was the result of a larger interim payment from the Bank's Note Issue Department, which reflected increased earnings on a higher level of investment funds and the distribution of a somewhat larger than expected proportion of those earnings to the Government.

FINANCING TRANSACTIONS

The Commonwealth has a number of instruments available to finance the budget deficit. These include Treasury Bonds, Australian Savings Bonds (ASBs), Treasury Notes, Treasury Bills (issued to the Reserve Bank), the Commonwealth's cash balances with the Reserve Bank and Commonwealth securities issued overseas. The manner in which the Commonwealth made use of these instruments to finance the 1983-84 Budget deficit is discussed below. An analysis of longer term trends in the Commonwealth's financing transactions is provided in Statement No. 6.

Significance of Financing Transactions

Decisions regarding the financing of the budget deficit have important implications for monetary and financial developments. Those implications have been significantly modified by the Government's decision to float the Australian dollar from 12 December 1983.

Prior to the float, private sector foreign exchange transactions had the capacity to add to (or subtract from) domestic liquidity. This was especially evident during the first half of 1983-84 and, more particularly, immediately prior to the float when there was a strong inflow of speculative capital from abroad. In such circumstances, the control of liquidity required sales of Commonwealth securities in excess of the budget deficit which led to a build up in Commonwealth cash balances with the Reserve Bank. Under the floating exchange rate arrangements, domestic liquidity can no longer be affected in overall terms by external transactions; unless the monetary authorities intervene in the foreign exchange market. In the absence of such intervention, changes to the liquidity base are essentially determined by the Commonwealth's budget deficit, net sales of Commonwealth Government securities (CGS) to the non-official sector and transactions of the Reserve Bank with the non-official sector.

A distinction can be made (as in the past) between transactions involving expenditure in Australian dollars and those requiring expenditure in foreign currencies. Expenditure in Australia by the Government will clearly add to domestic liquidity in the first instance whereas the impact of overseas expenditure on domestic liquidity will depend upon the way in which the necessary foreign currency is acquired. If the necessary foreign exchange is purchased in the domestic market, the immediate liquidity effect is similar to that of expenditures within Australia—there will be an addition to domestic liquidity which will need to be taken into account in determining sales of CGS to the public if the Government's monetary objectives are to be achieved. However, it is possible in certain circumstances for the Government to keep the transactions off the domestic foreign exchange and securities markets by either running down international reserves (which requires use of cash balances or sales of CGS to the Reserve Bank) or by borrowing the necessary funds on international capital markets—though there are of course limits to both. Given the relatively high level of Australia's international reserves at the end of 1983, the Government decided to finance most of the Commonwealth's overseas transactions during the second half of 1983-84 by drawing on those reserves (which also depleted Commonwealth cash balances).

Financing Transactions in 1983-84

The following table sets out financing transactions for the 1983-84 Budget deficit, by sector and instrument. The transactions shown in the table are discussed below.

Commonwealth Financing Transactions 1983-84 (a) (\$m)

	Treasury Bonds(b)	ASBs	Treasury Notes	Treasury Bills	Use of cash balances	Other	Total
Reserve Bank	- 149	-	- 513	-	-274	-	- 936
Non-official Sector	7 897	1 943	-1 050	-	-	46	8 836
of which:							
Trading Banks	877	-	- 317	-	-	-	560
Savings Banks	1 382	-	- 408	-	-	115	1 089
Authorised Dealers	227	-	- 193	-	-	-	34
Life Offices	954	-	- 24	-	-	-	930
Other Non-bank	4 457	1 943	- 108	-	-	-69(c)	6 223
Domestic Financing	7 748	1 943	-1 563	-	-274	46	7 900
Overseas Financing	-	-	-	-	-	-	358
Less Discount on Treasury Bonds(b)	-	-	-	-	-	-	(-) 297
Budget Deficit							7 961

- (a) All amounts are net and transactions in domestic financing instruments are recorded at face value.
 (b) The cash raised by Treasury Bonds issued during the course of the year contributes to the financing of Commonwealth transactions. The cash raisings can differ from the face value of the Treasury Bonds to the extent that they have been issued at a discount or at a premium. The available data on sectoral holdings of Treasury Bonds are limited to holdings recorded at face value, which is not consistent with the cash basis on which most Commonwealth financing transactions are recorded. Consequently the discount on Treasury Bonds has been separately subtracted at the foot of this table to reconcile these different accounting bases.
 (c) Includes Income Equalisation Deposits and other financing transactions nec.

Domestic Financing

Domestic financing encompasses the change in the indebtedness of the Commonwealth Government from all domestic transactions—including the Reserve Bank and other government entities—arising from the use of any of the financing instruments available to the authorities.

The large budget deficit in 1983-84 entailed a correspondingly large financing requirement which was met primarily from domestic sources. Domestic financing in 1983-84 was \$7900m; holdings of domestically-issued CGS rose \$8174m including net issues of Treasury Bonds of \$7748m, net issues of \$1943m in ASBs and a net \$1563m rundown in Treasury Note holdings. Accordingly, the Commonwealth increased its cash balances with the Reserve Bank by \$274m. Little use was made of Treasury Bill financing in 1983-84, with only one temporary issue very early in the financial year.

The net increase of \$7748m in Treasury Bond holdings comprised net sales to the non-official sector of \$7897m offset by a small run off in Reserve Bank holdings. Sales to the non-official sector consisted of primary issues amounting to \$9650m through the nine tenders held during 1983-84 and other net sales from the Reserve Bank portfolio of \$1427m partly offset by maturities and Reserve Bank purchases of \$3180m.

Gross proceeds from Treasury Note tenders taken up by the non-official sector amounted to \$7726m which were augmented by further sales from the Reserve Bank's portfolio of \$5153m. Maturities amounted to \$13 928m resulting in a net rundown during the year of \$1050m in such holdings by the non-official sector (a net rundown in Reserve Bank holdings accounted for the rest of the \$1563m referred to above). Gross subscriptions to ASBs were \$3564m while redemptions (including redemptions of Special Bonds) were \$1621m resulting in net subscriptions for the year of \$1943m.

As the table below illustrates, the budget deficit financing requirement was more than fully met in 1983-84 by sales of CGS to the domestic non-official sector which amounted to \$8836m. As a result, the Commonwealth's net indebtedness to the Reserve Bank was reduced in 1983-84 (as it was in 1982-83) by a run off in the Reserve Bank's holdings of Treasury Notes of \$513m, a reduction of \$149m in the Reserve Bank's holdings of Treasury Bonds and a \$274m increase in the Commonwealth's cash balances held with the Reserve Bank.

Domestic Financing Transactions

	1982-83	1983-84
Domestic Financing (net)	4 055	7 900
from:		
Reserve Bank	-1 621	-936
Non-official Sector	5 676	8 836
of which:		
Commercial Banks	1 451	1 649
Non-bank Sector	4 225	7 187

As noted above, net sales of Treasury Bonds to the non-official sector accounted for the bulk of the financing task in 1983-84. Whereas in 1982-83 net sales of securities to the domestic non-official sector were split roughly 60/40 between Treasury Bonds and ASBs with a modest rundown in Treasury Note holdings, ASBs played a much smaller relative role in 1983-84 in the overall financing of the year's deficit.

In contrast to 1982-83, when savings banks absorbed more than half of the net increase in Treasury Bond holdings (and their deposit base expanded rapidly), the increased holdings of Treasury Bonds in non-official hands in 1983-84 (which amounted to \$7897m) was concentrated in non-bank portfolios (\$5638m). Nevertheless, savings banks (\$1382m) and, to a lesser extent, trading banks (\$877m), also increased their holdings largely in line with the overall growth in their respective portfolios. A feature of the movements in CGS holdings in 1983-84 was the marked rundown in the more liquid CGS in the second half of the year. This reflected a much greater reliance by the private sector on redemptions of CGS to obtain cash when budget domestic transactions were in surplus during the heavy tax collection period. Prior to the float of the Australian dollar the private sector drew on funds from overseas during this period as well as running off holdings of CGS. Treasury Note holdings in non-official hands, after having increased by \$979m in the first half of the year, fell \$2028m in the second half of the year. Net redemptions of ASBs in the second half of 1983-84, amounting to \$591m, provided a further source of liquidity at that time.

Overseas Financing

Gross overseas borrowings amounted to \$1174m in 1983-84 and total repayments amounted to \$817m, giving net overseas raisings of \$358m compared with \$586m in 1982-83.

In July 1983, the Commonwealth raised a total of \$452m through a \$US400m public issue in the United States consisting of two tranches, one of \$US150m and the other of \$US250m. In October 1983, the Commonwealth completed a \$US500m public issue in Europe consisting of two tranches of \$US100m each and a third tranche of \$US300m, raising the equivalent of \$544m. Also in October 1983, the Commonwealth raised \$148m by way of a £100m public issue in the United Kingdom. In March 1984,

the Commonwealth undertook a 60m Swiss franc refinancing operation by way of a public issue for the equivalent of \$30m.

Repayments abroad during the year of previous drawings on behalf of Qantas, TAA and the Australian Shipping Commission amounted to \$7m, \$2m and \$2m respectively. Other securities to the value of \$799m were redeemed in the United States, the United Kingdom, the Federal Republic of Germany, the Netherlands, Switzerland and Japan. In addition, repayments of \$7m were made on borrowings from the International Bank for Reconstruction and Development.

Overview

There was an unprecedented large financing task in 1983-84. It was accomplished primarily by the issue of Treasury Bonds and to a lesser extent by the issue of ASBs, at generally lower nominal yield levels than in recent years. The average maturity of bonds sold at tender was lengthened substantially. This contributed to monetary policy in 1983-84 by placing a large volume of Commonwealth debt with the non-financial sector and reducing the liquidity of private sector holdings of CGS.

In the first half of the year, Commonwealth cash balances with the Reserve Bank increased because domestic sales of CGS greatly exceeded the budget deficit to absorb large capital inflows. In the second half of the year, cash balances decreased with the budget in approximate balance and net domestic redemptions of CGS (ASBs and Treasury Notes), the latter reflecting both negative foreign exchange transactions and some reduction in the Reserve Bank's CGS holdings.

ASBs again made a significant contribution to the financing task and to the Government's monetary objectives in 1983-84, although smaller in relative terms than in 1982-83. The volatility of the ASB was again demonstrated by the heavy sales late in 1983 and the large net redemptions in the first half of 1984. In response to those developments, and consistent with recommendations of the Martin Group, changes were announced late in the financial year to the terms of ASBs designed substantially to reduce their liquidity.

The timing of debt issue broadly mirrored the large swings in liquidity formation during the year. The bulk of bond sales was effected during the first three quarters when the budget was in substantial deficit. As in earlier years, the financing of the seasonal liquidity drain saw redemptions and/or non-official sector sales of CGS to the Reserve Bank exceed new issues during the June quarter.

APPENDIX TO STATEMENT NO. 5

COMPARISON OF BUDGET ESTIMATES AND OUTCOMES FROM 1974-75 TO 1983-84

The table below compares budget estimates and outcomes for both outlays and receipts for the past ten years.

	Budget Estimate		Actual		Change in Actual over Budget Estimate	
	\$m	\$m	\$m	\$m	\$m	%
OUTLAYS						
1974-75	16 112	17 831	+ 1 719	+ 10.7		
1975-76	21 915	21 859	- 56	- 0.3		
1976-77	24 321	24 124	- 197	- 0.8		
1977-78	26 656	26 802	+ 146	+ 0.5		
1978-79	28 870	29 045	+ 175	+ 0.6		
1979-80	31 692	31 694	+ 2	..		
1980-81	36 029	36 274	+ 244	+ 0.7		
1981-82	40 877	41 539	+ 663	+ 1.1		
1982-83	47 067	48 982	+ 1 915	+ 4.1		
1983-84	56 590	56 570	- 20	..		
RECEIPTS						
1974-75	15 542	15 264	- 277	- 1.8		
1975-76	19 177	18 275	- 842	- 4.4		
1976-77	21 713	21 384	- 329	- 1.5		
1977-78	24 439	23 469	- 970	- 4.0		
1978-79	26 057	25 567	- 490	- 1.9		
1979-80	29 499	29 661	+ 162	+ 0.6		
1980-81	34 464	35 146	+ 683	+ 2.0		
1981-82	40 780	40 790	+ 10	..		
1982-83	45 393	44 509	- 884	- 1.9		
1983-84	48 229	48 610	+ 381	+ 0.8		

NOTE:— The budget estimate and outcome figures for each year are those which appeared in Budget Statement No. 5 of the succeeding year thereby ensuring outcomes and estimates are compared on the same classification basis. The outcomes therefore differ slightly from the data appearing in Statement No. 6 which reflect definitions and classifications now in effect.

**STATEMENT NO. 6—BUDGET AND OTHER PUBLIC SECTOR
TRANSACTIONS SINCE 1974-75**

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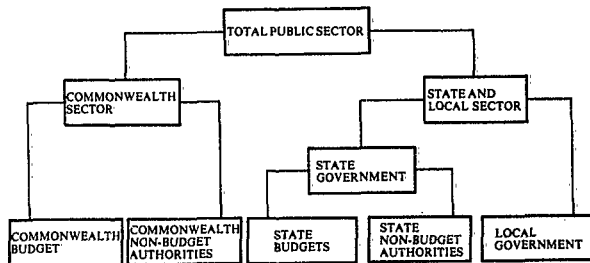
STATEMENT NO. 6—BUDGET AND OTHER PUBLIC SECTOR
TRANSACTIONS SINCE 1974-75

INTRODUCTION

While the focus in the preceding Budget Statements is primarily on the 1984-85 Budget, this Statement provides a broader historical perspective of developments in the budget and in the rest of the public sector.

The Appendix to this Statement considers trends in Commonwealth sector capital expenditure and budget payments for capital purposes over the past decade.

The composition of the total public sector is shown in the following diagram.



The data contained in this Statement and accompanying tables have been derived from two sources. Sections of the Statement and tables concerned with Commonwealth budget outlays, receipts and deficit have been prepared from, and are consistent with, current estimates and historical series of the Commonwealth budget. The remaining sections and tables deal with the Commonwealth non-budget and State and local government sectors, and are based on data derived from Budget Paper No. 10, *National Income and Expenditure* prepared by the Australian Bureau of Statistics. While the two data sources are for the most part consistent, they are not entirely comparable due to differences in the treatment of some items, for example, primary industry charges.

BUDGET OUTLAYS

Introduction and Summary

Information on Commonwealth budget outlays in this Statement is presented for each year since 1974-75 in both the national accounts and functional classifications.

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 facilitate comparison between the budget, other parts of the public sector and the rest of the economy. The national accounting conventions are also used by the Australian Bureau of Statistics in producing data for the Commonwealth and other sectors in the economy although, as noted above, there are some minor differences in the treatment of data between the Budget Statements and publications of the Australian Bureau of Statistics.

The *functional classification*, which categorises budget outlays according to their primary objective or purpose, is based on the classification of purpose 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. The functional 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.

The table below shows changes, in both nominal and real terms, in total Commonwealth budget outlays in each year since 1974-75 and the proportions of gross domestic product (GDP) represented by such outlays.

	Budget Outlays	Increase on Previous Year		Budget Outlays as a Proportion of GDP
		Nominal	Real(a)	
	\$m	%	%	%
1974-75	17 820	46.0	19.6	28.8
1975-76	21 831	22.5	5.2	29.9
1976-77	24 093	10.4	-0.8	28.9
1977-78	26 717	10.9	2.5	29.5
1978-79	28 991	8.5	1.6	28.2
1979-80	31 637	9.1	-0.5	27.3
1980-81	36 098	14.1	3.4	27.3
1981-82	41 305	14.4	2.6	27.7
1982-83	48 935	18.5	6.5	29.9
1983-84	56 570	15.6	7.7	30.5
1984-85(e)	63 948	13.0	6.1	31.1

(a) Increase in outlays deflated by increase in the implicit price deflator for non-farm GDP.

(e) Budget estimate.

Outlays are budgeted to rise by 13.0% in 1984-85, an increase which is lower than the outcome for any year since 1979-80 and follows an increase of 15.6% in 1983-84. This largely reflects the lower underlying inflation rate in 1983-84 and anticipated for 1984-85. (The effect of inflation on outlays estimates is discussed in the Appendix to Statement No. 3 in this Paper.) In real terms the estimated outlays growth is 6.1% compared with 7.7% in 1983-84 and 6.5% in 1982-83, and the average of 4.6% for the

ten years to 1983-84. A significant proportion of outlays growth in 1984-85 reflects the full-year costs associated with 1983-84 outlays initiatives as well as the cost of new policies introduced in the 1984-85 Budget.

In the decade to 1983-84, the level of outlays as a proportion of GDP has been relatively stable, averaging slightly below 29% and moving within a range of about 3 percentage points. The substantial rise (5 percentage points) in that proportion recorded in 1974-75 and the smaller rise in the following year have, broadly speaking, been consolidated. Growth in outlays for the six years to 1981-82 was contained to a rate within or near to GDP growth, resulting in a fall in the proportion of outlays to GDP. Since then, growth in outlays has exceeded that for GDP. In 1983-84 the proportion of outlays to GDP exceeded the previous peak recorded in 1975-76. Although relatively strong economic growth is expected in 1984-85, outlays are estimated to rise as a proportion of GDP from 30.5% in 1983-84 to 31.1%.

Budget outlays expressed as a proportion of GDP are a reasonable summary measure of the scale of budget sector activity and of the community's resources appropriated by the budget. Year-to-year shifts in that proportion will reflect the relative growth rates of GDP as well as outlays and hence the proportion is sensitive to cyclical influences.

Furthermore, governments can redirect resources to meet their particular distributive, economic or other objectives through either side of the budget—by way of outlays or through the taxation system. A significant portion of the resources which the Government reallocated within the budget in 1983-84 came from a reduction in taxation expenditure which, while not reducing total outlays and, hence, the proportion of outlays to GDP (as would expenditure savings), had the same effect of releasing resources for reallocation within the budget.

Outlays by Function

Budget outlays on a functional basis for the period 1974-75 to 1983-84, together with estimates for 1984-85, are shown in Tables 1 to 6 at the end of this Statement.

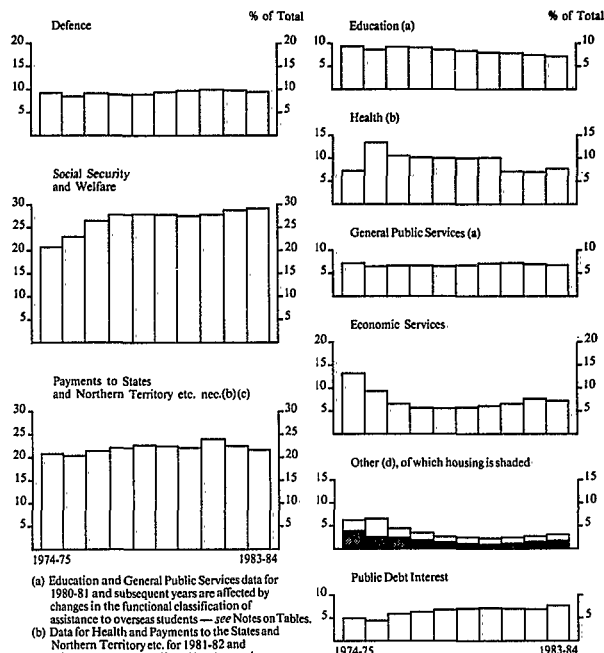
Table 1 presents outlays data for the major functions in current prices and Table 2 percentage changes in the same categories from year to year. Table 3 shows these data in constant 1979-80 prices, derived by deflating nominal outlays by the implicit price deflator for non-farm GDP. This approach, which concentrates on the appropriation 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 4 shows the percentage changes from year to year for the outlays data in Table 3. Table 5 shows the proportion of total outlays represented by each major function over the period. Table 6 presents outlays data from Table 1 in greater detail.

The following table shows, for each of the major functional categories (which form the functional blocks), nominal outlays for 1974-75 and 1983-84, the rate of increase over the period and the proportion of the total increase for which it accounts. The accompanying charts show year-by-year movements in the relative sizes of the major functional blocks of outlays.

	1974-75		1983-84		Average Annual Compound Rate of Increase	
	\$m	\$m	%	%	Proportion of Total Increase	Average Annual Compound Rate of Increase
Defence	1 635	5 383	9.7	14.2		
Education (a)	1 663	4 085	6.3	10.5		
Health	1 283	4 411	8.1	14.7		
Social Security and Welfare	3 712	16 438	32.8	18.0		
Housing	702	1 034	0.9	4.4		
Urban and Regional Development nec and the Environment	364	108	-0.7	-12.6		
Culture and Recreation	237	612	1.0	11.1		
Economic Services—						
Transport and Communication	1 291	1 731	1.1	3.3		
Water Supply, Electricity and Gas	56	97	0.1	6.2		
Industry Assistance and Development	791	1 015	0.6	2.8		
Labour and Employment	167	1 145	2.5	23.9		
Other Economic Services	49	108	0.2	9.2		
Total Economic Services	2 354	4 095	4.5	6.3		
General Public Services—						
Legislative Services	42	200	0.4	19.0		
Law, Order and Public Safety	84	376	0.8	18.1		
Foreign Affairs and Overseas Aid (a)	435	1 160	1.9	11.5		
General and Scientific Research nec	143	453	0.8	13.7		
Administrative Services	581	1 631	2.7	12.1		
Total General Public Services	1 285	3 820	6.5	12.9		
Not Allocated to Function—						
Payments to or for the States, the Northern Territory and Local Government Authorities nec	3 700	12 253	22.1	14.2		
Public Debt Interest	887	4 330	8.9	19.3		
Total Not Allocated to Function	4 587	16 583	31.0	15.3		
TOTAL OUTLAYS	17 820	56 570	100.0	13.7		

(a) Data for the two years are not entirely comparable. The contribution towards the cost of educating students from developing countries has been estimated and reclassified for 1983-84 but not 1974-75 (see the Appendix to this Budget Paper). Abstracting from these classification changes, the average annual growth rates for Education and Foreign Affairs and Overseas Aid are 10.8% and 10.5% respectively.

**Major Functional Blocks as Proportion of Total Budget Outlays—
1974-75 to 1983-84**



(a) Education and General Public Services data for 1980-81 and subsequent years are affected by changes in the functional classification of assistance to overseas students — see Notes on Tables.
 (b) Data for Health and Payments to the States and Northern Territory etc. for 1981-82 and subsequent years are affected by changes in funding arrangements — see Notes on Tables.
 (c) Includes outlays for Natural Disaster Relief. See also (a) and Notes on Tables.

(d) Outlays on Housing, Urban and Regional Development nec and the Environment, and Culture and Recreation. See also Notes on Tables.

Caution should be exercised in comparing movements in budget outlays aggregates. While the distribution of total outlays between the broad functional categories and changes in that distribution from year to year provide an indication of the importance attached to particular expenditure programs and of the changing objectives and priorities of public expenditure, movements in different blocks of expenditure are also affected by changes in institutional and funding arrangements. Examples are the transfer of the South Australian and Tasmanian railways to the Commonwealth in 1975-76 and the granting of self-government to the Northern Territory in 1978-79. (Further examples are mentioned in 'Notes on Tables' at the end of this Statement.) Differential rates of price increase (to the extent that these are accommodated by increases in funding) also affect the relative rates of growth in different categories of expenditure.

Similarly, average annual rates of growth over a period of years can mask significant changes within that period, and can be affected by non-recurring factors influencing outlays at one or other end of the period.

The table shows that between 1974-75 and 1983-84 total budget outlays grew at an average annual rate of 13.7%. *Social Security and Welfare* accounted for over 30% of the total increase, growing at a rate (18.0%) well above the average. While the introduction of a scheme of family allowances in lieu of taxation rebates in 1976-77 accounted for some of the increase, most 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 most of the benefits has been maintained through regular adjustments in line with price increases. As the chart shows, the proportion of total outlays devoted to *Social Security and Welfare* has increased by about 8 percentage points over the ten-year period.

Under arrangements introduced in 1981-82, a large proportion of outlays on *Health* is paid to the States and the Northern Territory as part of general purpose revenue funds. Notwithstanding this change, outlays under the Health function grew faster than average over the period. The proportion of outlays devoted to *Health* increased sharply in 1975-76 and fell off again in 1976-77 (although not to the same extent) due to the introduction of, and subsequent changes in funding arrangements for, the Medibank program. Growth in health expenditure accelerated again in 1983-84 with the introduction of Medicare, and should accelerate further in 1984-85 when the full-year cost of the scheme is reflected in the budget. Outlays on *Social Security and Welfare* and *Health* (including in the latter, general revenue health grants the payment of which followed the change in funding arrangements in 1981-82) together accounted for 44% of the total increase over the ten-year period.

More than 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'. These payments are not allocated to specific functions and consist mainly of tax sharing grants (financial assistance grants in earlier years) and general purpose capital funds. Expenditures under this functional category accounted for 21.7% of total outlays in 1983-84 compared with 20.8% in 1974-75. Year-on-year growth in this category can be significantly affected by changes in funding arrangements and payments made under the Natural Disaster Relief Arrangements (which occurred, for example, in 1982-83).

The State and local government sector also receives specific purpose payments classified to the relevant functions. In 1983-84 these specific purpose payments represented about 11.5% of total outlays compared with 15.2% in 1974-75.

Growth in 'Labour and Employment', the fastest rising of the functional categories shown in the table above, was most rapid in 1982-83 and 1983-84, reflecting increased expenditures under special employment programs created in response to the sharp rise in unemployment in 1982 and 1983. The average annual growth rate for this expenditure category was 23.9% for the ten-year period to 1983-84. The rate for the eight-year period to 1981-82 (ie before the rapid growth in 1982-83 and 1983-84 described above) was 15.6%, still above the average for those years.

The second-fastest growing functional category over the period was 'Public Debt Interest'. As shown in the chart, these outlays increased from about 5% to 7% of total outlays during the late 1970s, levelled off for several years and commenced rising again in 1983-84. A further rise, to 8.8% of total outlays, is expected in 1984-85. The rise of recent years principally reflects the interest cost of increased Commonwealth borrowings necessary to finance the higher budget deficits and, to a lesser extent, the depreciation of the Australian dollar over the period.

Categories within *General Public Services* which increased at a high rate were 'Law, Order and Public Safety' and 'Legislative Services'. The increase in the latter category largely reflects additional funds for the Parliament House Construction Authority. For the former, the recent rapid growth is attributable to the reimbursement by the Commonwealth of States' expenditure on legal aid and a build-up in Commonwealth police and security services. Outlays under these two categories remain a relatively small proportion of the total and account for little of the overall increase.

The reduction in the relative importance of budget outlays on *Economic Services* reflects many factors, including repayments of earlier advances to the Australian Industry Development Corporation and the Australian Wool Corporation. While over the ten-year period the proportion of outlays devoted to this function has declined, the relatively low growth rate masks significant changes in funding levels within the period. In the area of 'Industry Assistance and Development', particularly in assistance to primary industry, outlays can fluctuate markedly according to seasonal and international trading conditions. For example, in 1982-83 and 1983-84 general assistance for drought relief of \$108m and \$44m was provided whereas no payments are expected to be made in 1984-85. Similarly, the slower growth rate in outlays on 'Transport and Communication' is largely due to the off-budget funding since the mid-1970s of authorities such as the Australian Telecommunications and Postal Commissions, Qantas Airways Ltd and the Australian National Airlines Commission (TAA). However, not reflected in the growth figure (because they fall within, rather than at either end of the period) are substantial capital contributions from the budget to a number of commercial authorities in 1982-83. Details of these contributions are provided in Statement No. 3 of the 1983-84 Budget Paper No. 1.

As the chart shows, the relative share of outlays on *Education* declined slightly in most of the ten years to 1983-84. This share is expected to remain broadly at the same level in 1984-85. The slower than average growth in these outlays followed the very large increases (of over 90%) in 1973-74 and 1974-75 caused by the assumption by the Commonwealth of financial responsibility for universities and colleges of advanced

education in that period. In real terms, outlays on *Education* have been maintained since 1974-75 and are expected to increase by about 4.4% in 1984-85. The data are affected by reclassification of expenditure on assistance to overseas students (see footnote (a) to the above table).

The share of outlays on *Housing* also declined over the period, reflecting in particular repayments of advances provided in 1974-75 to banks for housing purposes and, in the years up to and including 1981-82, a reduction in grants and net advances provided to the States for such purposes. This decline in housing payments to the States should, however, be seen in the perspective of a substantial shift over the period within these payments from advances to grants and the consequential increase in the effective assistance to the States. (Grants constituted 6.4% of the total in 1974-75 and 52.1% in 1983-84.) Since 1981-82 outlays under this functional category have increased substantially in real terms reflecting, in the main, increases in payments to the States and expenditure on home purchase assistance schemes. This trend is budgeted to continue into 1984-85.

Outlays on *Defence* grew slightly faster than average over the period, with the most rapid growth recorded in the years 1979-80 and 1980-81.

Outlays by Economic Type

Table 7 at the end of this Statement shows, for the past 10 years, budget outlays classified by economic type. Year-by-year movements in these categories, presented as a proportion of total outlays, are shown in the charts below.

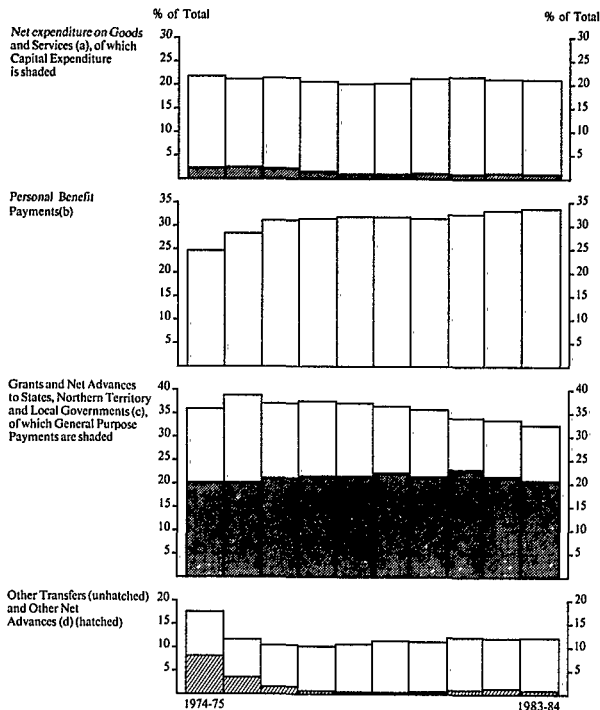
These movements must be viewed against the various changes in the structure of Commonwealth budget outlays (particularly with respect to transfer payments) and in the relationship between budget and non-budget sectors described earlier.

The following table shows outlays for the main economic type categories for the years 1974-75 and 1983-84.

	1974-75		1983-84		1974-75 to 1983-84	
	Proportion of Total Outlays		Proportion of Total Outlays	Proportion of Total Increase	Compound Rate of Increase	
Net Expenditure on Goods and Services—	\$m	%	\$m	%	%	%
Current—						
Defence	1 448	8.1	4 989	8.8	9.1	14.7
Non-Defence	2 035	11.4	6 345	11.2	11.1	13.5
Total	3 483	19.6	11 334	20.0	20.3	14.0
Capital	404	2.3	580	1.0	0.5	4.1
Transfer Payments—						
Personal Benefit Payments (a)	4 399	24.7	19 033	33.7	37.8	17.7
Grants to States, the Northern Territory and Local Government	5 178	29.0	17 755	31.4	32.5	14.7
Other	1 688	9.5	6 431	11.4	12.2	16.0
Net Advances—						
to States and the Northern Territory	1 225	6.9	999	1.8	-0.6	-2.2
to Commonwealth Authorities	1 165	6.5	324	0.6	-2.2	-13.3
to Other Sectors (b)	278	1.6	115	0.2	-0.4	-9.4
TOTAL OUTLAYS	17 820	100.0	56 570	100.0	100.0	13.7

(a) Includes unfunded employee retirement benefits.
 (b) Comprises net advances to public financial enterprises, the private sector and overseas.

**Budget Outlays by Economic Type as Proportion of Total Budget Outlays—
1974-75 to 1983-84**



- (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.

Direct expenditure on goods and services (both current and capital) grew at a combined average annual rate of 13.3% and accounted for around one-fifth of the total increase over the period. The corresponding growth in nominal GDP was 13.0% indicating that, in relative terms, the budget's direct claim on resources increased slightly. Within this category, capital expenditure grew at an average rate of 4.1%, thereby declining significantly in real terms and as a proportion of total outlays.

Transfer payments grew faster than both total outlays and the other major economic type categories. This was due principally to personal benefit payments which in 1983-84 constituted about 44% of total transfers. There was a substantial increase (from 24.7% in 1974-75 to 33.7% in 1983-84) in the proportion of total outlays represented by personal benefit payments and this accounted for over one-third of the total increase in outlays over the period. Most of the increase in the proportion took place in the years 1975-76 and 1976-77. In the first of those years this reflected increases in real pension rates, the removal of the means test for the pension for those 70 years and older and increased numbers of unemployment beneficiaries. The rise in 1976-77 principally stemmed from the introduction of family allowances (see 'Notes on Tables') against a background of a real decline in total outlays. The growth in personal benefit payments for the period as a whole largely parallels the increase referred to above in the proportion of outlays devoted to *Social Security and Welfare*.

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 represent outlays which need to be financed.

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 essentially a form of income supplementation in the hands of those who receive them and can be spent as they wish. Transfer payments (grants) to the States, the Northern Territory and local government are also a large proportion of Commonwealth outlays. Some of these payments are made for specific purposes, as allowed for under s. 96 of the Constitution, and the Commonwealth exercises a high degree of influence over their use. 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 (both grants and advances) declined over the period from 36% of total outlays in 1974-75 to 33% in 1983-84; in real terms they increased by 22%. There has however, been a substantial shift in payments to the State and local government sector away from advances and towards grants, thereby increasing the effective Commonwealth assistance to that sector. This becomes apparent only in subsequent years as interest receipts from the States decline; repayments from past advances also decline resulting in higher net payments from the budget. The proportion of total payments to the State and local government sector represented by grants increased from 81% in 1974-75 to 95% in 1983-84.

BUDGET RECEIPTS

Details of the composition of Commonwealth budget receipts for the period 1974-75 to 1983-84 and estimates for 1984-85 are shown in Table 9 at the conclusion of this Statement; aggregate receipts for those years are provided in the table below.

	Budget Receipts	Increase on Previous Year	Real Increase (a)	Proportion of GDP
	\$m	%	%	%
1974-75	15 274	28.4	5.2	24.7
1975-76	18 264	19.6	2.7	25.0
1976-77	21 374	17.0	5.2	25.6
1977-78	23 405	9.5	1.2	25.9
1978-79	25 534	9.1	2.2	24.9
1979-80	29 603	15.9	5.7	25.6
1980-81	34 988	18.2	7.2	26.5
1981-82	40 758	16.5	4.5	27.3
1982-83	44 462	9.1	-1.9	27.2
1983-84	48 610	9.3	1.9	26.2
1984-85 (e)	57 203	17.7	10.5	27.9

(a) Increase in receipts divided by the increase in the implicit price deflator for non-farm GDP.

(e) Budget estimate.

Total budget receipts increased from 24.7 per cent of GDP in 1974-75 to 26.2 per cent in 1983-84. The ratio declined in 1978-79 and in 1983-84 largely as a result of lower growth in personal income tax collections. However, apart from those years, the ratio to GDP has increased fairly steadily over the ten year period. In 1984-85, the ratio is expected to increase to 27.9 per cent—the highest ratio in the post-World War II period.

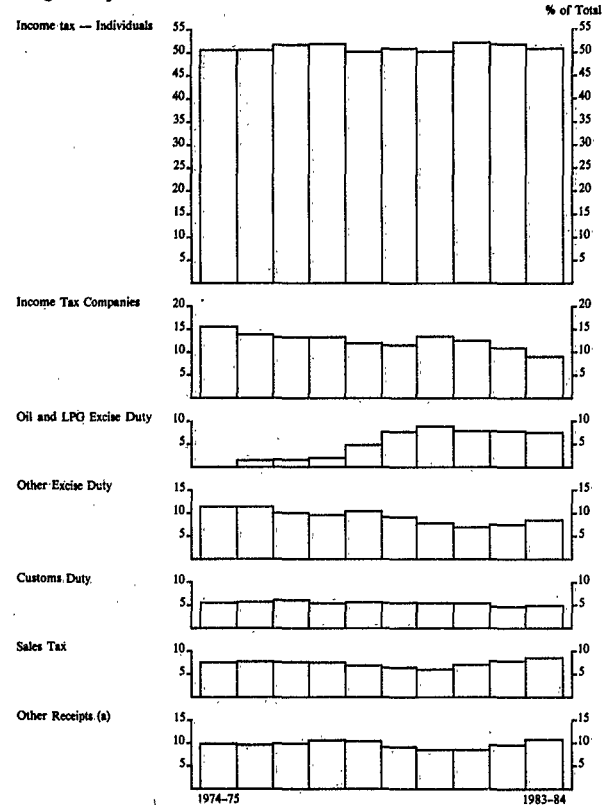
The following table illustrates the changing significance of receipts categories over the decade to 1983-84; the estimates for 1984-85 are also shown.

Major Categories of Budget Receipts as Proportion of Total Budget Receipts

	Income Tax		Oil and LPG Excise Duty	Other Excise Duty	Customs Duty	Sales Tax	Other Receipts
	Individuals	Companies					
1974-75	50.5	15.4	—	11.3	5.5	7.6	9.7
1975-76	50.5	13.8	1.4	11.3	5.7	7.7	9.5
1977-78	51.7	13.2	1.6	10.0	6.0	7.7	9.8
1978-79	51.8	13.2	2.0	9.6	5.3	7.5	10.5
1979-80	50.1	11.9	4.8	10.3	5.7	6.9	10.3
1980-81	50.8	11.5	7.7	9.1	5.5	6.3	9.1
1981-82	50.1	13.4	8.9	7.8	5.4	6.0	8.4
1982-83	52.1	12.4	7.8	6.9	5.3	7.0	8.5
1983-84	51.7	10.7	7.8	7.5	4.7	7.8	9.7
1984-85 (e)	50.8	9.0	7.5	8.4	4.9	8.6	10.7
	53.1	9.4	6.5	7.6	4.9	8.2	10.3

(e) Budget estimate.

Major Categories of Budget Receipts as Proportion of Total Budget Receipts — 1974-75 to 1983-84



(a) Other General Taxation (Payroll Tax, Departure Tax, Estate Duty, Gift Duty, Stamp Duty and Other Taxes, Fees and Fines); Interest, Rent and Dividends; and Net Receipts from Government Enterprise Transactions. For 1982-83 and 1983-84 this category also includes proceeds from the special tax to recoup Company and Division 7 tax (the T(LUCT) Assessment Act) and the Bank Account Debit tax.

The receipts components have shifted in relative importance over these years. Discretionary changes to the rates or the nature of the receipt item have been significant in determining relative shares but underlying economic factors have been of greater importance.

In the short term, fluctuations in economic activity and imbalances in income shares have affected receipts items in varying ways. Some items are more sensitive to movements in underlying economic parameters. For example, changes in employment have been reflected more directly in gross PAYE collections; variations in consumption levels directly influence sales tax, excise and customs duty collections; and fluctuations in profitability are mirrored in company and unincorporated business tax collections but only with lags that depend on the levels of carried-forward losses.

Beyond these normal cyclical factors, rapid wages growth in 1974 and 1982 was particularly important in influencing the distribution of taxation receipts. On both occasions, wage acceleration caused personal income tax to rise sharply both as a proportion of total budget receipts and relative to GDP.

On the other hand, this wage acceleration also had more pervasive effects on the economy and tended to reduce employment in the immediately ensuing years. This latter effect offset the very short-term increase in personal income tax collections as well as having a dampening effect on consumption and on indirect tax collections. Company tax declined (with a lag) relative to total tax receipts and to GDP because of the concomitant decline in the profit share.

As for longer term trends in the pattern of Commonwealth receipts:

- the crude oil levy has been the only item with significant growth in its relative contribution to total receipts over the period. However, current indications are that the share of crude oil levy receipts will decline further over the years ahead; receipts could also decline in absolute terms, with losses consequent upon expected reductions in production of 'old' oil exceeding increases in receipts from production of 'new' oil (which is subject to much lower excise rates). The resource rent tax is not expected to be a significant source of revenue in the short to medium term;
- personal income tax has remained the dominant source of revenue throughout the period. Notwithstanding the impact of tax cuts from 1 November 1984, personal income taxes are expected to rise to an historically high level (relative to GDP) in 1984-85; in the main, this reflects the full year effect of the Medicare levy and the strong growth in primary producer incomes in 1983-84;
- company tax has tended to decline as a proportion of total receipts, in part reflecting the depressed level of the profit share for much of the period;
- traditional excises have tended to decline in importance despite discretionary increases from time to time. Indexation of these excise rates—announced in the 1983-84 Budget—will help to prevent erosion by inflation. However, there is unlikely to be any significant strengthening of the contribution of traditional excises to receipts as the consumption of several items (in particular, cigarettes and beer) appears to have been subject to secular decline; and
- the wholesale sales tax has increased as a share of total receipts largely through discretionary increases in rates but with only minimal broadening of the base.

The relative contribution of crude oil receipts peaked in the early 1980s and, as noted above, can be expected to decline further in the years ahead. With that development, total receipts growth will continue to be heavily dependent on movements in personal income tax collections.

Australia already relies comparatively heavily on personal income tax. Relative to other OECD countries, Australia ranked third in 1982 in terms of direct personal income tax as a proportion of total tax receipts and sixth in terms of personal income tax as a proportion of GDP. Australia ranks lower when account is taken of social security contributions which do not apply in Australia but which are significant in most other OECD countries.

The decline in the contribution of company tax to total receipts has not been arrested by recourse to adjustments of the company tax rate or by modifications of certain investment incentive measures. The growing cost of the 5/3 accelerated depreciation arrangements introduced in 1982 will exert downward pressure on this share over the years ahead which will more than offset the effects of the scheduled phasing out of the investment allowance.

Wholesale sales tax is levied on about 25 per cent of private final consumption expenditure and, even when consumer items covered by the traditional excises are included, Australia's indirect consumption taxes cover about 40 per cent of private final consumption expenditure. The sales tax rates on many of these items are already quite high; the major part of the taxable base bears a rate of 20 per cent. The principal exclusions from the indirect tax base are food, clothing, dwellings and services.

THE BUDGET DEFICIT

General

The following table shows the Commonwealth budget deficit relative to GDP since 1974-75 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	%	
1974-75	-1 927	4.1	- 618	1.8	+2 546	4.1	
1975-76	-2 855	4.9	- 712	2.0	-3 567	4.9	
1976-77	-1 844	3.3	- 875	2.5	-2 719	3.3	
1977-78	-2 339	3.7	- 972	2.8	-3 311	3.7	
1978-79	-2 237	3.4	-1 220	3.5	-3 457	3.4	
1979-80	- 567	1.8	-1 467	4.2	-2 034	1.8	
1980-81	+ 447	0.8	-1 556	4.5	-1 109	0.8	
1981-82	+ 920	0.4	-1 468	4.2	- 548	0.4	
1982-83	-2 482	2.7	-1 991	5.7	-4 473	2.7	
1983-84	-5 471	4.3	-2 490	7.2	-7 961	4.3	
1984-85 (e)	-3 877	3.3	-2 868	8.1	-6 745	3.3	

(e) Budget estimate.

By definition, the budget deficit is the difference between the outlays and revenues of the Commonwealth budget sector. It is a measure of the overall impact of that sector's claim on financial resources that must be met through a combination of borrowing

and use of cash balances. To that extent, it is a useful summary indicator for assessing the budget sector's direct impact on financial markets.

The deficit is also frequently used as a summary measure of the net impact of budget transactions on the economy. Its use in that regard is subject to important qualifications in view of the variety of effects the budget has on the economy, notably — but not exclusively — on income/expenditure flows, on liquidity and on expectations and confidence. Clearly, 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 that the budget deficit is only part—although a major part—of the total deficit of the Commonwealth and of the overall Public Sector Borrowing Requirement discussed below.

A distinction has traditionally been drawn between domestic and overseas budget transactions in assessing the overall effects on incomes and expenditures of the budget. Domestic transactions will generally have a direct impact on domestic incomes and expenditures whereas government payments made overseas do not add directly to domestic incomes or to the demand for locally produced goods and services. In the table above, overseas transactions have been netted out to arrive at estimates of the domestic and overseas deficits/surpluses.

Table 8 at the end of this Statement presents information on the domestic and overseas components of budget outlays for the years 1974-75 to 1983-84 using the national accounts classification. Estimates for 1984-85 are also provided. The major components of overseas outlays are defence and aid expenditure, interest paid on overseas debt and social welfare payments to former residents of Australia. Of these, overseas defence expenditure has been somewhat more variable than the others. Overseas receipts have been negligible.

From a monetary perspective budget transactions affect the supply of liquidity in the economy by adding to or subtracting from the supply of financial assets denominated in Australian dollars that are held by the non-official sector (the official sector comprises the Reserve Bank and the authorities within the Commonwealth Government budget sector). Consequently, the budget's contribution to liquidity in the economy is measured by the net outcome of budget transactions that are denominated in domestic currency. While budget transactions denominated in foreign exchange do not directly impact on domestic liquidity, the financing decision in relation to acquiring the necessary foreign exchange may affect liquidity. Statement No. 5 contains an account of the implications of different methods of financing the budget's foreign exchange requirement.

In that regard, it should be recognised that the overseas budget deficit does not give rise to an equivalent requirement for foreign exchange. A difference arises because some outlays included in the overseas budget deficit are paid in Australian currency and therefore ultimately add to domestic liquidity when the funds are spent on Australian goods or services. For example, a significant portion of foreign aid payments is made in Australian dollars, including assistance to Papua New Guinea.

Table A provides a summary of Commonwealth financing transactions over the past decade, divided into domestic and overseas components. Domestic financing has been disaggregated by sector, while overseas financing has been disaggregated to show currency of issue. Table B provides a disaggregation of domestic financing according to type of security.

Table A: Summary of Commonwealth Government Budget Financing Transactions 1974-75 to 1983-84 (\$ million)

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
DOMESTIC FINANCING (NET)										
Bank	2,544	3,441	2,362	1,699	2,108	1,849	1,234	247	4,055	7,900
Reserve Bank (a)	1,900	1,829	1,281	243	1,224	655	799	524	1,421	1,170
Trading Banks	1,426	1,499	1,057	730	439	259	600	279	382	936
State Banks	19	149	105	30	49	29	79	112	501	560
Non-Bank	-179	644	-141	1,681	884	901	435	-277	750	1,697
Authorised Money Market Dealers	382	68	111	289	100	23	22	469	339	34
Other Non-Bank (b)	16	16	16	16	16	16	16	16	16	16
Other Non-Bank (c)	186	1,352	738	244	629	680	199	-198	3,221	6,233
OVERSEAS BORROWINGS (NET)										
Overseas	2	126	357	1,612	1,349	137	-98	368	586	318
U.S. Dollar	272	171	459	951	1,760	471	173	919	418	1,150
Pound Sterling	129	24	466	129	207	55	55	196	176	148
Deutschmark	36	44	183	359	264	78	78	135	233	34
Yen	..	..	..	117	252	..	..	..	154	..
Guilder	..	30	..	..	..	..	..	..	..	..
Representments	271	153	101	147	208	285	271	531	..	564
Less: Discount on Treasury Bonds	..	..	..	..	..	..	..	..	..	..
Less: Discount on Treasury Notes	..	..	..	..	..	..	..	..	..	..
TOTAL FINANCING TRANSACTIONS	2,546	3,567	2,719	3,311	3,457	2,034	1,136	787	4,641	8,977

(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 Income Equalisation Deposits and other financing transactions, not elsewhere identified.
 (c) Includes Income Equalisation Deposits and other financing transactions, not elsewhere identified.

Table B: Domestic Financing Classified by Instrument (\$ million—face value)

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Treasury Bonds	69	1,637	1,358	704	673	55	59	1,236	1,971	1,844
Treasury Notes	..	1,586	1,386	418	371	155	398	1,272	2,321	1,853
Treasury Bills	1,689	-87	-87	-71	1,047	205	1,912	155	-44	-1,553
Commonwealth Government Bonds	..	850	459	200	500	500	600	500	-500	-1,400
Commonwealth Government Notes	..	66	66	66	66	66	66	66	66	66
Other Financing (a)	..	..	..	11	231	159	170	-71	-11	-37
DOMESTIC FINANCING (NET)	2,544	3,441	2,362	1,699	2,108	1,849	1,234	247	4,055	7,900

(a) Negative sign denotes increase in cash balances.

(b) Includes Income Equalisation Deposits and other financing transactions, not elsewhere identified.

Domestic Financing

Since 1974-75 domestic financing has been effected mainly through the issue of Commonwealth Government securities (CGS) to the non-official sector. In 1980-81, 1982-83 and 1983-84, sales of CGS to the non-official sector contributed to a reduction in the Commonwealth's indebtedness to the Reserve Bank. During the remaining years covered by the tables the Commonwealth was a net borrower from the Reserve Bank.

The non-official sector has purchased over 90 per cent of the increase in the Commonwealth's domestic debt since 1974-75. While much of this increase has been taken up by the main 'captive' holders of CGS—the trading and savings banks, authorised money market dealers and life offices—the 'other' non-bank sector, including households, has made an increasingly important contribution to financing the large deficits over the past two years. This recent trend has been reflected in a substantial take-up of Australian Savings Bonds (ASBs) by the household sector in 1982-83 and, to a slightly lesser extent, in 1983-84.

Treasury Bonds have fulfilled most of the domestic financing task over the past decade (see Table B), although that contribution has been irregular, particularly when, as under the tap system for selling bonds, yields were on occasions set below levels considered appropriate by the market. The introduction in August 1982 of the tender system for selling Treasury Bonds, whereby the authorities determine amounts offered and the market determines yields, has been of major assistance in financing budget transactions since 1982-83.

Sales of other securities have also made important contributions to domestic financing over the past ten years. Substantial sales of ASBs followed their introduction in February 1976 at an attractive interest rate and, in 1975-76, ASBs raised over \$1000m. However, after more modest (but still positive) contributions from ASBs in the following four financial years, there were net redemptions totalling over \$1000m in the period 1980-81 to 1981-82. Against the background of declining interest rates and some stickiness in the interest rate on ASBs during 1982-83, the ASB again became attractive with net sales of \$2391m being realised. Somewhat lower net sales of \$1943m were recorded in 1983-84, with large net subscriptions in the first half-year followed by heavy net redemptions in the last four months. Further details regarding 1983-84 are provided in Statement No. 5.

Treasury Notes are a seasonal financing instrument issued to assist the non-official sector to meet the seasonal variations in liquidity arising from budget transactions. Treasury Notes have usually accomplished the task of transferring funds from surplus to deficit periods by providing a stock of maturing CGS at the time of concentrated tax collections; they have also on occasions contributed significantly to the full year domestic financing requirement, notably in each of 1974-75, 1978-79 and 1980-81. The increase in Treasury Notes in 1980-81 was largely unwound in 1982-83 and, in particular, 1983-84 with net rundowns of \$44m and \$1563m respectively being recorded in the stock of Treasury Notes outstanding.

Overseas Financing

Overseas borrowing by the Commonwealth has been undertaken for external economic policy considerations; borrowing from the overseas sector has supplemented official reserves and assisted economic management. Some of the funds raised by Commonwealth borrowing overseas are used to meet the Commonwealth's demand for foreign exchange for external transactions.

The Commonwealth has been a modest net overseas borrower in most years over the past decade; substantial borrowings have generally been undertaken only when external reserves were depleted, notably in 1977-78 and 1978-79. Following the borrowing build-up in this period, there was some increase in debt repayments. In 1983-84 net overseas borrowings of \$358m were undertaken.

As is evident from Table A, overseas loan raisings have been mainly undertaken in US dollars, Deutschemarks, Swiss francs, yen, sterling and Dutch guilders.

THE BUDGET AND THE PUBLIC SECTOR AS A WHOLE

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 conclusion of this Statement summarise transactions of the Commonwealth non-budget sector and of the total Commonwealth sector for the period since 1974-75 in national accounts form.

The total Commonwealth sector comprises the Commonwealth budget and non-budget sectors. Non-budget authorities include, *inter alia*, the Australian Postal Commission, the Australian Telecommunications Commission, the Australian Shipping Commission, the Australian Wool Corporation, Qantas and TAA. Further information on the coverage of the Commonwealth budget and non-budget sectors is provided in the Appendix to the Budget Statements. The data in Table 10 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 1983-84.

Consolidation of Commonwealth Budget and Non-Budget Sectors—1983-84 (\$m)

	Budget sector	Non-Budget sector	Transfers between sectors	Consolidated
Outlays—				
Net expenditure on goods and services	11 914	1 748	—	13 662
Transfer payments—				
Interest and dividends etc. paid—				
to budget sector	—	1 020	1 020	—
to other sectors	4 334	313	—	4 647
Income tax paid to budget sector	—	27	27	—
Other transfer payments	38 884	131	—	39 015
Net advances—				
to non-budget sector	324	—	324	—
to other sectors	1 114	129	—	1 242
Total Outlays	56 570	3 368	1 372	58 566
Receipts—				
Taxation—				
Income tax from non-budget sector	27	—	27	—
Other taxation	44 470	2	—	44 472
Interest, rent and dividends				
from non-budget sector	1 020	—	1 020	—
from other sectors	2 298	142	—	2 441
Gross income of public enterprises	794	2 049	—	2 843
Total Receipts	48 610	2 194	1 047	49 756
Deficit financed by—				
Net advances from budget sector	—	324	324	—
Other	7 961	850	—	8 810
Total Deficit	7 961	1 174	324	8 810

While the budget accounts for the bulk of Commonwealth sector outlays and receipts, non-budget sector transactions make important contributions in certain areas. In particular, Commonwealth non-budget sector authorities now undertake about three-quarters of total Commonwealth direct capital expenditure. 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. Year-to-year changes in the non-budget sector deficit are also influenced by movements in stocks held by Commonwealth statutory marketing authorities (e.g. the Australian Wheat Board and the Australian Wool Corporation).

Aside from 1974-75 and 1978-79, which were influenced by large movements in stocks held by marketing authorities, the deficit of the non-budget sector remained fairly steady in money terms over the period to 1980-81. The marked increases in the deficit of the non-budget sector in 1981-82 and 1982-83 were associated with strong growth in capital expenditures. The decrease in the deficit in 1983-84 partly reflects strong growth in the incomes of these authorities.

Total Commonwealth Sector Deficit (a)

	Total Commonwealth Sector		Total Commonwealth Sector as Proportion of GDP	
	Budget	Non-Budget	\$m	%
	\$m	\$m	\$m	%
1974-75	2 546	1 038	2 497	4.0
1975-76	3 567	609	3 515	4.8
1976-77	2 719	595	3 011	3.6
1977-78	3 311	616	3 826	4.2
1978-79	3 457	232	3 622	3.5
1979-80	2 034	539	2 463	2.1
1980-81	1 109	539	1 470	1.1
1981-82	548	867	1 070	0.7
1982-83	4 473	1 358	5 220	3.2
1983-84	7 961	1 174	8 810	4.8

(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 financial resources.

(a) 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 sectors.

Public Sector Outlays as a Proportion of GDP (a)(b)(c)

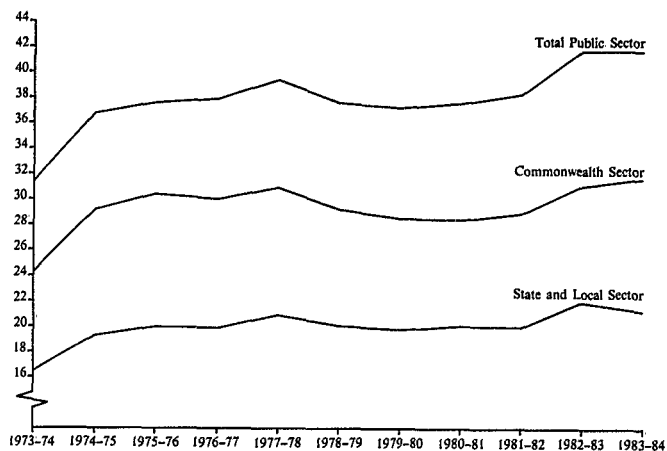
	Commonwealth Sector		State and Local Sector		Total Public Sector	
	%	%	%	%	%	%
1974-75	29.2	19.3	36.8			
1975-76	30.4	20.0	37.6			
1976-77	30.0	19.9	37.9			
1977-78	30.9	20.9	39.4			
1978-79	29.2	20.1	37.6			
1979-80	28.5	19.8	37.2			
1980-81	28.4	20.1	37.6			
1981-82	28.9	20.0	38.3			
1982-83	31.1	22.0	41.8			
1983-84	31.7	21.3	41.8			

(a) Outlays of the public sector as a whole are less than the sum of the two component sectors because, on consolidation, grants and advances from the Commonwealth to the State and local government sector, and payments of interest between the sectors, are netted out.

(b) Throughout this Statement, 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 leaseback transactions with the private sector, the estimates for 1981-82, 1982-83 and 1983-84, the years principally affected, are increased by the following amounts: for the Commonwealth sector by approximately 0.2, 0.1 and less than 0.1 percentage points respectively; for the State and local sector by approximately 0.7, 0.5 and 0.6 percentage points respectively.

Public Sector Outlays as a Proportion of GDP



Total public sector outlays in the chart 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. Features of the chart above are the significant increases in outlays as a proportion of GDP which occurred in both the Commonwealth and State and local sectors in 1974-75 and again in 1982-83.

Expenditures on goods and services represent direct claims on the real resources of the economy. Transfers and advances to 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 borrowings. In terms of their impact on governments' funding requirements, transfer payments and advances by governments are no different from direct expenditure.

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. These claims 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 (e.g. 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 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.

The public sector's direct expenditure on goods and services, expressed as a proportion of GDP, is shown in the following table.

	Commonwealth Sector	State and Local Sector	Total Public Sector
	%	%	%
1974-75	8.3	16.1	24.4
1975-76	7.6	17.0	24.6
1976-77	7.5	16.9	24.4
1977-78	7.5	17.8	25.2
1978-79	6.6	17.2	23.8
1979-80	6.6	17.0	23.7
1980-81	6.9	17.3	24.2
1981-82	7.2	17.0	24.2
1982-83	7.5	18.5	26.1
1983-84	7.4	18.0	25.4

(a) See footnote (b) to previous table.

A breakdown of public sector outlays by main economic type is provided in the table below.

	Net Expenditure on Goods and Services		Transfers			Net Advances to Other Sectors	Total
	Consumption	Capital (a)	Personal Benefit Payments	Interest	Other (b)		
	%	%	%	%	%	%	%
1974-75	14.9	9.5	7.4	2.1	2.0	0.9	36.8
1975-76	15.8	8.8	8.8	2.1	1.6	0.6	37.6
1976-77	16.2	8.2	9.3	2.5	1.3	0.5	37.9
1977-78	16.8	8.4	9.6	2.8	1.4	0.4	39.4
1978-79	16.3	7.5	9.3	3.0	1.4	0.2	37.6
1979-80	16.3	7.3	8.9	3.0	1.4	0.1	37.2
1980-81	16.7	7.5	8.8	3.2	1.2	0.2	37.6
1981-82	17.0	7.2	9.1	3.4	1.4	0.1	38.3
1982-83	17.9	8.2	10.1	3.8	1.5	0.3	41.8
1983-84	17.6	7.8	10.5	4.1	1.5	0.3	41.8

(a) Comprises expenditure on new fixed assets and increase in stocks.

(b) Includes subsidies, transfers overseas, purchases of existing assets and grants for private capital purposes.

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 1983-84, but such expenditure made up 85 per cent of outlays of the State and local government sector. More than 70 per cent of direct public sector demand for goods and services derives from the State and local government sector, while about 95 per cent of total transfer payments from the public to the private sector is provided by the Commonwealth.

The difference in composition of outlays by sectors reflects the differing Constitutional and traditional responsibilities of the various levels of government. Over time, the Commonwealth has also made increased specific purpose payments to the States for certain functions which are primarily a State responsibility and which were once funded largely from the States' own resources.

(b) Receipts

The Commonwealth raises around 80 per cent of total public sector receipts (other than loan raisings), 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	Total	Total	
	%	%	%	%	%	%	%
1974-75	12.5	25.1	8.4	7.5	15.9	31.3	
1975-76	12.6	25.6	9.7	7.8	17.5	32.2	
1976-77	13.3	26.4	9.2	8.0	17.2	33.1	
1977-78	13.4	26.6	9.7	8.1	17.7	33.4	
1978-79	12.5	25.7	9.4	7.8	17.2	32.2	
1979-80	13.0	26.4	9.2	7.9	17.1	33.1	
1980-81	13.3	27.3	9.1	7.9	17.0	34.0	
1981-82	14.2	28.1	8.8	8.1	17.0	35.1	
1982-83	14.0	27.9	9.4	8.7	18.1	35.4	
1983-84	13.3	27.1	9.6	8.6	18.1	34.5	

(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 significantly over the past decade; although less than in the two preceding years, the proportion of receipts to GDP in 1983-84 was still higher than at the beginning of the period. The increase in total public sector receipts reflects increases in both the Commonwealth and State and local government sectors.

THE PUBLIC SECTOR BORROWING REQUIREMENT (PSBR)

The PSBR measures the net financing requirement of the public sector that must be met either by borrowing or by running down financial assets of the public sector. The PSBR therefore provides an indication of the net impact of public sector transactions on financial markets and is useful in analysing the influence of such transactions on financial conditions.

In recent years, some public authorities in Australia have resorted increasingly to various forms of 'non-conventional' financing arrangements that have increased their total demands on capital markets by considerably more than suggested by the growth in their conventional borrowings. One of the main forms of these arrangements involves the sale of existing public assets to the private sector and their subsequent leaseback. Since sale and leaseback transactions are excluded from national accounts estimates of public capital expenditure, the PSBR based on such data understates the full impact of public sector transactions on financial markets. The table below provides estimates of

the PSBR after adjustment for the known sales of public sector assets to the private sector under leaseback arrangements. Henceforth this concept is referred to as the total PSBR¹.

In the following text and table, the deficits of the State and local government and the Commonwealth non-budget sectors have been defined as net of advances from the Commonwealth.

Public Sector Borrowing Requirement (Public Sector Deficit) (a) (b) (c)

	Levels (\$m)			Proportions of GDP (per cent)				
	Commonwealth		State and Local	Commonwealth		State and Local	Total	
	Budget Non-Budget	Total		Budget Non-Budget	Total			
	\$m	\$m	\$m	\$m	%	%	%	%
1974-75	2546	-30	929	3445	4.1	-0.1	1.5	5.6
1975-76	3567	-40	448	3975	4.9	-0.1	0.6	5.4
1976-77	2719	310	1013	4042	3.3	0.4	1.2	4.9
1977-78	3311	539	1591	5441	3.7	0.6	1.8	6.0
1978-79	3457	249	1899	5605	3.4	0.2	1.8	5.5
1979-80	2034	455	2249	4738	1.8	0.4	1.9	4.1
1980-81	1109	517	3202	4828	0.8	0.4	2.4	3.7
1981-82	548	770	4688	6006	0.4	0.5	3.1	4.0
1982-83	4473	871	6100	11444	2.7	0.5	3.7	7.0
1983-84	7961	676	6170	14807	4.3	0.4	3.3	8.0

(a) Any errors or omissions in the individual revenue and outlays estimates for each of the main sub-sectors of the public sector will be reflected in the PSBR estimate. For this and other reasons, differences can arise between the PSBR and direct estimates of public sector borrowing compiled for Loan Council purposes. (See Budget Paper No. 7.)

(b) Because the deficits of the Commonwealth non-budget sector and the State and local government 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.

(c) Approximate estimates of the magnitude of sale and leaseback transactions as a percentage of GDP for 1980-81, 1981-82, 1982-83 and 1983-84 are: for the Commonwealth non-budget sector 0.1, 0.2, 0.1 and less than 0.1 percentage points respectively; for the State and local government sector less than 0.1, 0.7, 0.5 and 0.6 percentage points respectively; and for the total public sector 0.1, 0.9, 0.6 and 0.7 percentage points respectively.

The ratio of the Commonwealth sector borrowing requirement to GDP fell from a peak of 4.8 per cent in 1975-76 to 0.9 per cent in 1981-82. Reflecting the onset of the recession and specific measures taken in the 1982-83 Budget, the borrowing requirement rose sharply both in absolute terms and relative to GDP in that year; it rose further in 1983-84 to close to its previous peak relative to GDP.

Notwithstanding an expected increase in borrowings by Commonwealth authorities², some reduction is expected in the Commonwealth sector's deficit in 1984-85.

The borrowing requirement of the State and local government sector rose relative to GDP after the mid-1970s, reaching a peak in 1982-83 before receding slightly in 1983-84. The initial impetus towards increased reliance on borrowing could be

1. Alternative measures of the PSBR and related concepts were discussed in the Appendix to Statement No. 6 in the 1983-84 Budget Paper No. 1.

2. At its meeting on 21 June 1984, Loan Council agreed to a global limit of \$1205m on total borrowings by Commonwealth authorities, other than Commonwealth financial intermediaries, in 1984-85, an increase of just over 50 per cent compared with 1983-84. Excluding Ausstat and Qantas, both of which are in the midst of major equipment purchases, global borrowings by Commonwealth authorities will be slightly lower than in 1983-84.

attributed, at least in part, to some restraint in Commonwealth assistance following the strong growth in such assistance in the early 1970s. However, the sharp increase in borrowing which took place in the period 1980-81 to 1982-83 was mainly attributable to a substantial expansion of capital expenditures by State and local authorities.

Much of this increase in the State and local government sector's borrowing requirement in the period 1980-81 to 1982-83 was financed outside programs approved by the Loan Council. There was substantial growth in 'off-program' borrowings both in the form of deferred payments and trade credits which were subject to separate Loan Council guidelines but not included in the approved Loan Council programs, and in new financing techniques such as sale and leaseback, leveraged financial leasing and so on which, as well as falling outside approved Loan Council programs, also lessened the cost of such borrowings to the authorities concerned. The decision in June 1982 to free longer term conventional borrowings by major electricity authorities from Loan Council constraint also significantly reduced the coverage and effectiveness of the approved 'larger' authorities borrowing program.

As a consequence of the growth in 'off-program' borrowings and the freeing of electricity authorities, the proportion of State and local authority borrowings subject to Loan Council approval fell from about 95 per cent in 1979-80 to around 25 per cent by 1983-84.

It was against this background that the Loan Council, at its meeting on 21 June 1984, adopted a Commonwealth proposal for the introduction of a system of 'global' limits on Commonwealth and State authority borrowings. The new 'global' approach is designed to broaden the scope of the Loan Council's oversight of authority borrowings, at the same time increasing the flexibility of the authorities to borrow in ways best suited to their requirements, including (within specified limits) overseas. (Details of the new approach are provided in Budget Paper No. 7.)

The States agreed to limit, on a voluntary basis, total new money borrowings from all sources by authorities and government-owned companies in 1984-85 to about the same money level as in 1983-84. After taking account of the prospective fall in the Commonwealth sector's borrowing requirement, the total public sector borrowing requirement should decline both absolutely and relative to GDP in 1984-85.

APPENDIX TO STATEMENT NO. 6

COMMONWEALTH SECTOR CAPITAL EXPENDITURE AND BUDGET PAYMENTS FOR CAPITAL PURPOSES

This Appendix brings together, for the first time in the budget documentation, data of Commonwealth sector capital expenditure and budget payments for capital purposes. Trends in these aggregates are considered, together with their implications for public sector capital expenditure.

The table in this Appendix shows movements in Commonwealth sector capital expenditure and budget payments for capital purposes, and in components of those aggregates, over the past decade. The graph presents some of the data from the table in real terms over an extended period. (Data expressed in real terms in this Appendix have been adjusted by movements in the non-farm product deflator.)

The data used to produce the table and graph are for the most part budget outlays categorised by economic type. Expenditure under the Civil Works Program (detailed in Budget Paper No. 6) is subsumed within budget sector capital expenditure (Item 1 of the table). Defence works are not included because under the national accounting classification they are categorised as recurrent expenditure. Commonwealth sector capital expenditure (Item 4) has been taken from the Australian Bureau of Statistics' publication *Australian National Accounts*. While comparable, the two sets of data are conceptually distinct. The budget data are on a payments basis and only a small proportion is final expenditure in the national accounting sense, the remainder comprising grants and advances either within the Commonwealth sector or to other sectors.

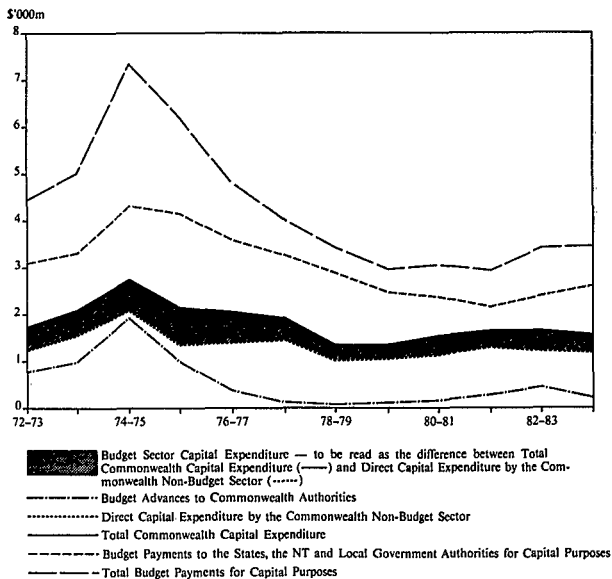
Where budget payments do not constitute direct expenditure (i.e. they are transferred to a body outside the Public Account for final disbursement) they do not always add to (and hence are not recorded by the Statistician as) demand for goods and services in the same period as the budget payment is made. Timing differences of this type are most common for payments to other sectors but there are also instances within the budget sector where payments are made to general government authorities which operate their own bank accounts.

For budget payments other than expenditure on goods and services, 'purpose' cannot be assigned with complete confidence. The Commonwealth does not, in most cases, exercise direct control over the use of payments designated for capital purposes and it is unlikely that all are put to that use. Conversely, funds intended for recurrent purposes (which are not included in the table or graph) may be used to finance investment.

Finally, where budget payments are used for the purpose designated, (e.g. capital expenditure) this does not necessarily imply that final (in this case capital) expenditure would increase. For example, it is open to recipients to substitute budget for other funds (e.g. borrowings) to finance a project that was to proceed regardless of the availability of budgetary assistance.

Difficulties of the type described above are inherent in assigning purpose to budget transactions. The approach adopted here has been to abide by conventions of budgetary classification. (See footnotes to the table for an explanation of the various categories.) These conventions tend to obscure classification problems of the type mentioned above and this should be borne in mind when analysing the data.

Total Commonwealth Capital Expenditure and Payments for Capital Purposes, 1972-73 to 1983-84 (1979-80 Prices) (a)(b)



(a) Adjusted for movements in the non-farm product deflator.
 (b) Except for Budget Sector Capital Expenditure, values should be read from the bottom of the vertical axis.

Payments to the State and local government sector comprise the majority of budget payments for capital purposes. In real terms they peaked in 1974-75 and thereafter declined steadily until 1981-82. That real decline over the seven years to 1981-82 accounted for approximately half the reduction in total budget payments for capital purposes over the same period.

Despite the reductions in Commonwealth payments for capital purposes from the mid-1970s, State and local government sector capital expenditure was broadly maintained in real terms for the six years following 1974-75, and it has since increased significantly. Over the decade there was a shift in the composition of State and local government investment, with general government accounting for a smaller and public trading enterprises a larger portion of the whole.

The ability of the State and local government sector to maintain its total capital spending in the late 1970s can be attributed in part to the real growth in Commonwealth payments to that sector for recurrent purposes, including general purpose revenue funds. These funds may be spent according to each State's own priorities, including for capital purposes. In addition, as is explained in the body of this Statement, there has been a substantial increase in commercial borrowings by State and local authorities in recent years, much of which was raised outside programs approved by Loan Council.

As noted in the outlays section of the Statement, the shift over the decade from advances to grants within total Commonwealth assistance to the State and local government sector has increased the effective assistance to that sector. As well as accounting for a smaller proportion of total payments to the State and local government sector, advances also now comprise a smaller proportion of Commonwealth payments to that sector for capital purposes than they did ten years ago. In 1974-75 advances comprised 47% of such payments compared with 21% in 1984-85.

The component of budget payments for capital purposes which has declined most over the past decade, and which principally accounts for the steep decline shown on the graph in total real payments for capital purposes in 1975-76 and 1976-77, is advances to Commonwealth authorities. This category reached a low point, in real and money terms, in 1978-79 but has increased in real terms in more recent years. The decline in this category of payments in the four years to 1978-79 reflected, in the main, the shift off budget of financing for the capital programs of the major commercial authorities which commenced substantial borrowings on their own account. Telecom, by far the largest Commonwealth authority, also increased its reliance on internally-generated funds. The decline should be seen in the perspective of the significant increase in budget advances to these authorities in the years immediately preceding 1975-76. The peak in 1974-75 also reflects advances made in that year to the Australian Wool Corporation to finance stock accumulation.

Capital expenditure by the non-budget sector (which accounts for the major part of total Commonwealth sector capital expenditure) has been the most stable of the major categories shown on the graph. This reflects the commercial orientation of most public trading enterprises and the incentive they have to maintain capital expenditure levels in the face of fluctuating levels of budgetary finance. Their ability to do so depends on access to extra-budgetary sources of revenue and finance.

Movements in real off-budget capital expenditure over the period followed, nonetheless, a broadly similar pattern to the other categories—a significant rise in the first two years shown on the graph, followed by a substantial decline in real expenditure up to 1978-79. To a large extent this reflected stock movements. There was a substantial accumulation of stocks (notably wool stocks) in 1974-75 and a fall in each of the subsequent five years.

Since 1978-79 real capital expenditure by this sub-sector has increased in most years and for the five years as a whole reflecting, in particular, growth in Telecom's capital program.

Budget sector capital expenditure did not grow in the early 1970s as rapidly as the other categories shown on the graph and it declined substantially in the second half of that decade, particularly in 1977-78 and 1978-79 when expenditure fell in real terms by 31% and 28% respectively. The low level of real expenditure in the late 1970s reflected

the completion of major Commonwealth construction projects with few commencements; a curtailment of general capital spending including in the ACT; and the progressive transfer of Commonwealth functions to the Northern Territory which was granted self-government in 1978-79. This area of expenditure has grown in real terms in more recent years. The substantial rise in expenditure estimated for 1984-85 reflects a pick-up in activity of the Parliament House Construction Authority and increased expenditures on airport works, ACT land servicing and housing and plant and equipment.

Budget payments to the private sector (Item 6 in the table) almost doubled in 1983-84, reflecting in particular the strong growth in expenditure on housing assistance under the First Home Owners and Home Deposit Assistance Schemes.

Total budget payments for capital purposes (Item 7 in the table) comprise payments to Commonwealth authorities, the State and local government sector and the private sector and budget sector capital expenditure (the summation of Items 1, 2, 5 and 6). The graph shows total payments in real terms growing rapidly in the early 1970s, peaking in 1974-75, and falling sharply over the next few years before stabilizing over the period 1979-80 to 1981-82 at less than half the peak level. Real growth has since resumed and the budget estimates imply that it will continue in 1984-85.

Conclusion

The past decade has witnessed a pronounced shift in the composition of budget outlays. In 1974-75, total budget payments for capital purposes comprised one-quarter of total outlays. That proportion had declined to less than 9% in 1981-82, a level around which it has since remained. Outlays for non-capital purposes increased in real terms by some 40% over the same seven years.

The main conclusion that might be drawn from the data presented in this Appendix is that the Commonwealth budget now plays a much smaller role in capital formation than it did ten years ago. The effect of this development on capital expenditure by the public sector as a whole is less clear. While real budget sector capital expenditure certainly declined over the decade, capital expenditure by the public sector as a whole has remained relatively stable (although falling as a proportion of GDP in the late 1970s and recovering somewhat since then). A major factor behind these expenditure trends would appear to have been the alternative sources of funds available to the Commonwealth non-budget and State and local government sectors.

Commonwealth Sector Capital Expenditure (a) and Budget Payments for Capital Purposes (b), \$m (current prices)

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85 (estimate)
1. Budget Sector Capital Expenditure											
- direct to Commonwealth government authorities (a)	404	564	520	388	298	290	438	295	368	548	488
- direct to Commonwealth government authorities (b)								135	220	231	352
Total	404	564	520	388	298	290	438	430	598	580	840
2. Budget Advances to Commonwealth Authorities for Capital Purposes (a)	1165	709	303	101	66	110	179	344	611	324	374
3. Capital Expenditure by Commonwealth Non-Budget Sector (a) (U)	1266	950	1102	1243	919	1046	1236	1389	1661	1722	na
4. Total Commonwealth Sector Capital Expenditure (a)	1570	1514	1623	1631	1217	1336	1674	2019	2259	2301	na
- as a proportion of GDP (per cent)	2.7	2.1	1.9	1.8	1.2	1.2	1.3	1.4	1.4	1.4	na
- as a proportion of GDP (per cent) (b)	31.2	-22.1	-3.7	-12.2	-30.1	6.1	13.6	8.2	6.6	-3.1	na
5. Budget Advances to Commonwealth Authorities for Capital Purposes (b)											
- grants	1404	1570	1549	1516	1492	1570	1675	1778	2230	2815	3211
- advances (net)	1225	1372	1278	1261	1127	896	598	862	1058	999	845
Total	2629	2942	2827	2777	2619	2466	2611	2640	3288	3814	4054
6. Budget Payments to the Private Sector for Capital Purposes											
- grants	121	173	101	124	116	165	137	204	244	332	382
- advances (net) (f)	150	14	43	51	14	-62	-13	-21	-63	24	-16
Total	271	187	144	155	130	103	122	177	179	306	366
7. Total Budget Payments for Capital Purposes (f)	4470	4402	3795	3421	3112	2968	3350	3592	4676	5074	5634
- as a proportion of GDP (per cent)	7.6	6.1	5.2	4.7	4.3	4.1	4.6	5.1	6.0	6.0	6.1
- and growth (per cent) (h)	46.6	-15.4	-22.5	-16.7	-14.8	-13.0	2.3	-3.9	17.1	1.1	5.8

na Not available

(a) Gross fixed capital expenditure of public trading enterprises and general government plus increase in stocks in the Commonwealth sector.
 (b) All advances from the budget (with the exception indicated in footnote (f) below) and certain grants have been identified for capital purposes. The Commonwealth does not, in most cases, exercise direct control over these payments and, consequently, not all may be used for capital purposes. Certain recurrent grants not included here (e.g. to the States) may be used for capital purposes.
 (c) Budget-dependent authorities which operate outside the Public Account.
 (d) Budget-dependent authorities which operate within the Public Account.
 (e) Budget-dependent authorities which operate outside the Public Account, but whose trading enterprises' equity injections to these authorities have been included, but in some cases these have been used primarily to strengthen balance sheets, rather than directed to finance capital expenditure.
 (f) Derived as a residual between Items 1 and 4. Because these two items are respectively on a cash and accruals basis, the residual will to some (minor) extent be distorted by this conceptual difference.
 (g) If adjustment is made for asset and liability transactions with the private sector, the figure for the four years up to and including 1983-84, are increased by 13%, 14%, 8% and 5% respectively.
 (h) Annual percentage change in total budget payments for capital purposes, Income and Expenditure and for earlier years from The Australian National Accounts, adjusted for conceptual differences. The data are also affected by adjustments for movements in the non-farm product deflator.
 (i) Annual percentage change in total budget payments for capital purposes, Income and Expenditure and for earlier years from The Australian National Accounts, adjusted for conceptual differences. The data are also affected by adjustments for movements in the non-farm product deflator.
 (j) Summation of Items 1, 2, 5 and 6.

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 presented here provide less detail than do those in Statements Nos. 3 and 4). To the extent practicable, 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.

Revised treatment of areas of expenditure under 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 and economic type classifications 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* in 1974-75, which was the first full financial year of the new tertiary education arrangements, is very much overstated. (Conversely, the rate of increase shown, for the same year, for the category 'Payments to or for the States, the Northern Territory and Local Government Authorities nec' is somewhat understated.) This discontinuity only affects Tables 2 and 4 which present year-to-year percentage changes.

The implementation from 1 July 1976 of the new Commonwealth Superannuation Scheme is reflected directly in two items in the functional classification: outlays under the heading 'Net Superannuation Payments' and the receipts item 'Unfunded Employee Retirement Benefits Contributions'. (For further details, see the Appendix to the 1976-77 Budget Statements.)

The scheme of family allowances introduced in 1976-77 involved the abolition of tax rebates for dependent children and students, offset by increases in family allowances in place of child endowment. The effect of this measure was to increase significantly the level of outlays on *Social Security and Welfare* 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 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 'Payments to or for the States, the Northern Territory and Local Government Authorities nec'. Before 1977-78, outlays in respect of the Northern Territory were undertaken as direct Commonwealth budget outlays, rather than payments to the Territory, and were classified under appropriate functional headings. Since 1979-80 Commonwealth financial arrangements with the Northern Territory have been 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 '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 were 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 *Housing*.

Outlays for the years from 1981-82 to 1983-84 and the estimates of outlays for 1984-85 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 *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'.

In 1975-76 the Tasmanian railway system and the non-metropolitan railway system in South Australia were transferred to the Commonwealth. The transfer resulted in an increase in outlays on 'Transport and Communications' (reflecting an increased subsidy to the Australian National Railways Commission to cover operating losses) and a decrease in the levels of general purpose funds provided to the States.

Major changes to administrative arrangements, the latest being on 11 March 1983, have introduced certain discontinuities into the series. (See the 'Notes on Tables' in last year's Statement No. 6 for further details.)

The identification in the 1984-85 estimates of the net cost to the Commonwealth of educating students from developing countries in Australian schools and tertiary institutions has introduced a further discontinuity into the tables. Estimates for this cost have been made only for the years 1980-81 to 1984-85 and consequently data for these years are not fully comparable with the earlier years. The discontinuity will be removed when adjusted data become available for the earlier years.

Table 1—Commonwealth Government Budget Outlays and Receipts 1974-75 to 1983-84 and 1984-85 (estimated) (\$m) (a) (b)

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85 (estimate)
Outlays—											
1. Defence	1 635	1 862	2 190	2 386	2 616	3 018	3 550	4 134	4 782	5 383	5 820
2. Education	1 663	1 894	2 210	2 402	2 529	2 611	2 871(c)	3 268	3 716	4 085	4 544
3. Health	1 283	2 953	2 543	2 698	2 901	3 189	3 645	2 912	3 425	4 411	6 184
4. Social Security and Welfare	3 712	5 031	6 367	7 425	8 095	8 784	9 920	11 501	14 112	16 438	18 047
5. Housing	702	562	549	505	382	343	341	458	740	1 034	1 252
6. Urban and Regional Development nec and the Environment	364	385	245	160	107	103	78	51	98	108	92
7. Culture and Recreation	237	253	257	261	281	321	402	482	522	612	735
8. Economic Services—											
Transport and Communication	1 291	1 329	988	854	723	807	989	1 184	1 767	1 731	1 859
Water Supply, Electricity and Gas	56	71	72	45	6	25	54	67	103	97	93
Industry Assistance and Development	791	364	222	279	492	613	698	942	1 109	1 015	1 053
Labour and Employment	167	218	242	284	331	302	386	460	685	1 145	1 222
Other Economic Services	49	55	59	65	67	81	85	92	98	106	123
Total	2 354	2 037	1 583	1 528	1 619	1 828	2 213	2 745	3 762	4 095	4 350
9. General Public Services—											
Legislative Services	42	53	63	75	70	79	112	132	198	200	307
Law, Order and Public Safety	84	108	126	135	173	200	222	258	320	376	432
Foreign Affairs and Overseas Aid	435	469	516	565	608	664	807(c)	933	1 045	1 160	1 262
General and Scientific Research nec	143	167	185	198	227	269	313	394	437	453	455
Administrative Services	581	653	724	813	838	927	1 092	1 248	1 409	1 631	1 979
Total	1 285	1 451	1 614	1 786	1 916	2 138	2 546	2 965	3 409	3 820	4 434
10. Not Allocated to Function—											
Payments to or for the States, the Northern Territory and Local Government Authorities nec	3 700	4 436	5 123	5 915	6 573	7 100	7 971	9 900	10 991	12 253	12 829
Public Debt Interest	887	967	1 412	1 649	1 971	2 223	2 561	2 881	3 378	4 330	5 601
Allowance for Staff, Wage and Salary Increases (Non-Defence)	—	—	—	—	—	—	—	—	—	—	60
TOTAL OUTLAYS	17 820	21 831	24 093	26 717	28 991	31 637	36 098	41 305	48 935	56 570	63 948
Receipts—											
1. Taxation Revenue	14 085	16 843	19 642	21 346	23 288	27 305	32 467	37 784	40 834	44 497	52 460
2. Interest, Rent and Dividends	1 194	1 424	1 647	1 834	1 946	2 033	2 280	2 589	2 928	3 318	3 680
3. Net Receipts from Government Enterprise Transactions	-6	-4	85	225	300	265	240	385	700	794	1 063
TOTAL RECEIPTS	15 274	18 264	21 374	23 405	25 534	29 603	34 988	40 758	44 462	48 610	57 203
DEFICIT	2 546	3 567	2 719	3 311	3 457	2 034	1 109	548	4 473	7 961	6 745

(a) See Appendix for details of changes made to functional classification.

(b) See 'Notes on Tables'.

(c) A change in the treatment of the costs of educating students from developing countries affects the comparability of this function from 1980-81 onwards. (See Appendix to this Budget Paper for details.)

Table 2—Commonwealth Government Budget Outlays and Receipts 1974–75 to 1983–84 and 1984–85 (estimated) (Percentage Changes from Year to Year)

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85 (estimate)
Outlays—											
1. Defence	22.8	13.9	17.6	8.9	9.6	15.4	17.6	16.5	15.7	12.6	8.1
2. Education	93.8	13.9	16.7	8.7	5.3	3.2	10.0(e)	13.8	13.7	9.9	11.2
3. Health	35.6	130.1	-13.9	6.1	7.5	9.2	15.0	-20.1(h)	17.6	28.8	40.2
4. Social Security and Welfare	49.3	35.5	26.6	16.6	9.0	8.5	12.9	15.9	22.7	16.5	9.8
5. Housing	108.5	-19.9	-2.4	-7.9	-24.4	-10.4	-0.4	34.4	61.4	39.8	21.1
6. Urban and Regional Development nec and the Environment	179.7	5.9	-36.3	-34.6	-33.0	-4.0	-23.9	-34.9	92.9	10.1	-14.7
7. Culture and Recreation	49.1	6.9	1.7	1.5	7.5	14.1	25.4	19.9	8.2	17.3	20.1
8. Economic Services—											
Transport and Communication	48.8	2.9	-25.7	-13.6	-15.3	11.6	22.5	19.6	49.3	-2.0	7.4
Water Supply, Electricity and Gas	23.2	26.3	1.9	-37.2	-87.8	346.9	119.3	23.0	54.2	-6.0	-3.9
Industry Assistance and Development	83.9	-53.9	-39.1	25.8	76.1	24.8	13.8	34.9	17.7	-8.5	3.8
Labour and Employment	48.4	30.6	11.0	17.5	15.6	-8.9	28.0	19.1	48.9	67.2	6.7
Other Economic Services	35.6	12.4	7.5	11.5	2.2	20.6	5.3	8.6	6.8	9.2	14.5
Total	57.8	-13.5	-22.3	-3.4	5.9	12.9	21.1	24.0	37.1	8.9	6.2
9. General Public Services—											
Legislative Services	7.7	27.2	19.2	18.4	-6.4	12.1	42.3	18.1	50.0	0.9	53.3
Law, Order and Public Safety	54.3	29.1	16.2	7.7	27.6	15.6	11.0	16.2	24.3	17.4	15.0
Foreign Affairs and Overseas Aid	20.2	7.7	10.1	9.4	7.5	9.2	21.6	15.7(g)	11.9	11.1	8.7
General and Scientific Research nec	28.4	16.8	10.6	7.1	14.9	18.1	16.4	25.8	10.9	3.8	0.3
Administrative Services	35.8	12.4	10.9	12.2	3.1	10.7	17.7	14.3	12.9	15.7	21.4
Total	29.2	12.9	11.3	10.6	7.3	11.6	19.0	16.5	15.0	12.1	16.1
10. Not Allocated to Function—											
Payments to or for the States, the Northern Territory and Local Government Authorities nec	33.9	19.9	15.5	15.4	11.1	8.0	12.3	24.3(b)	10.9	11.5	4.7
Public Debt Interest	24.6	9.0	45.9	16.8	19.5	12.8	15.2	12.5	17.2	28.2	29.4
TOTAL OUTLAYS	46.0	22.5	10.4	10.9	8.5	9.1	14.1	14.4	18.5	15.6	(c) 13.0
Receipts—											
Taxation Revenue	30.0	19.6	16.6	8.7	9.1	17.2	18.9	16.4	8.1	9.0	17.9
Other Receipts	12.7	19.5	22.0	18.9	9.1	2.3	9.7	18.0	22.0	13.5	15.4
TOTAL RECEIPTS	28.4	19.6	17.0	9.5	9.1	15.9	18.2	16.5	9.1	9.3	17.7

(e) See footnote (c) to Table 1.
 (f) Changed arrangements for health funding affect comparability of the functional classification between 1980-81 and subsequent years.
 (g) Includes Allowance for Wage and Salary Increases (Non-Defence).
 (h) Includes Allowance for Wage and Salary Increases (Non-Defence).

Table 3—Commonwealth Government Budget Outlays 1974–75 to 1983–84 and 1984–85 (estimated) (Constant 1979–80 prices) (\$m) (a)

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85 (estimate)
Outlays—											
1. Defence	2 684	2 627	2 776	2 794	2 868	3 018	3 218	3 361	3 496	3 667	3 723
2. Education	2 731	2 671	2 801	2 813	2 773	2 611	2 602(b)	2 657	2 716	2 783	2 906
3. Health	2 108	4 165	3 223	3 160	3 181	3 169	3 305	2 368	2 504	3 025	3 955
4. Social Security and Welfare	6 095	7 096	8 070	8 695	8 876	8 784	8 994	9 351	10 316	11 198	11 543
5. Housing	1 152	793	696	592	419	343	309	373	541	704	801
6. Urban and Regional Development nec and the Environment	597	543	311	188	118	103	71	41	72	74	59
7. Culture and Recreation	389	357	326	306	308	321	365	392	381	417	470
8. Economic Services—											
Transport and Communication	2 120	1 874	1 252	1 000	793	807	897	962	1 292	1 179	1 189
Water Supply, Electricity and Gas	92	100	91	53	6	25	49	54	75	66	59
Industry Assistance and Development	1 299	514	281	327	539	613	633	766	810	691	673
Labour and Employment	274	307	307	333	363	302	350	374	501	780	782
Other Economic Services	80	77	74	77	73	81	77	75	72	73	79
Total	3 865	2 873	2 006	1 789	1 775	1 828	2 006	2 231	2 750	2 789	2 782
9. General Public Services—											
Legislative Services	69	75	80	88	77	79	102	108	145	136	196
Law, Order and Public Safety	138	153	159	159	190	200	201	209	234	256	277
Foreign Affairs and Overseas Aid	715	662	654	662	666	664	732(c)	759	764	790	807
General and Scientific Research nec	235	236	234	232	249	269	284	320	319	309	291
Administrative Services	954	921	918	952	919	927	990	1 015	1 030	1 111	1 266
Total	2 111	2 046	2 046	2 092	2 101	2 138	2 308	2 411	2 492	2 602	2 836
10. Not Allocated to Function—											
Payments to or for the States, the Northern Territory and Local Government Authorities nec	6 075	6 257	6 493	6 926	7 208	7 100	7 226	8 055	8 035	8 347	8 206
Public Debt Interest	1 457	1 364	1 789	1 931	2 161	2 223	2 322	2 342	2 469	2 949	3 582
Allowance for Staff, Wage and Salary Increases (Non-Defence)	—	—	—	—	—	—	—	—	—	—	38
TOTAL OUTLAYS	29 261	30 792	30 536	31 285	31 789	31 637	32 728	33 582	35 771	38 535	40 903

(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 constant value basis and so permits comparisons over the period of trends in the proportion of resources available for production of goods and services which the Government has appropriated for its own use.
 (b) See footnote (c) to Table 1.

Table 4—Commonwealth Government Budget Outlays 1974-75 to 1983-84 and 1984-85 (estimated) (Constant 1979-80 prices)
(Percentage changes from year to year) (a)

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85 (estimate)
Outlays—											
1. Defence	0.6	-2.1	5.7	0.6	2.7	5.2	6.6	4.4	4.0	4.9	1.5
2. Education	58.8	-2.2	4.9	0.4	-1.4	-5.9	-0.3(b)	2.1	2.2	2.5	4.4
3. Health	11.1	97.6	-22.6	-1.9	0.7	-0.4	4.3	-24.4	5.8	20.0	21.6
4. Social Security and Welfare	22.3	16.4	13.7	7.7	2.1	-1.0	2.4	4.0	10.3	8.5	3.3
5. Housing	70.8	-31.2	-12.3	-14.9	-29.2	-18.3	-9.7	20.5	45.0	30.3	13.7
6. Urban and Regional Development nec and the Environment											
7. Culture and Recreation	129.2	9.1	-42.8	-39.6	-37.3	-12.5	-31.0	-41.7	73.4	2.6	-19.9
	22.2	-8.2	-8.6	-6.2	0.7	4.1	13.7	7.5	-2.7	9.3	12.7
8. Economic Services—											
Transport and Communication	21.9	-11.6	-33.2	-20.1	-20.7	1.8	11.1	7.3	34.2	-8.7	0.8
Water Supply, Electricity and Gas	0.9	8.5	-3.4	-42.0	-38.6	307.5	98.9	10.3	38.7	-12.4	-8.7
Industry Assistance and Development	50.7	-60.4	-45.3	16.2	64.9	13.8	3.2	21.0	5.8	-14.7	-2.6
Labour and Employment	21.6	12.2	-0.3	8.5	9.2	-17.0	16.0	6.8	33.8	55.8	0.2
Other Economic Services	11.1	-3.5	-3.4	3.0	-4.3	10.0	-4.6	-2.6	-4.0	1.8	7.5
Total	29.3	-25.7	-30.2	-10.8	-0.8	3.0	9.8	11.2	23.2	1.4	-0.3
9. General Public Services—											
Legislative Services	-11.8	9.3	7.1	9.4	-12.4	2.2	29.0	5.9	34.9	-6.0	43.9
Law, Order and Public Safety	26.4	10.9	4.4	-0.5	19.5	5.4	0.6	4.2	11.2	9.4	7.9
Foreign Affairs and Overseas Aid	-1.5	-7.5	-1.1	1.1	0.7	-0.4	10.2(b)	3.7	-0.6	3.5	2.1
General and Scientific Research nec	5.2	0.3	0.6	-1.1	7.6	7.7	5.6	12.8	-0.3	-3.2	-5.8
Administrative Services	11.3	-3.5	-0.4	3.7	-3.5	0.9	6.8	2.5	1.5	7.9	14.9
Total	5.9	-3.1	0.0	2.2	0.4	1.8	7.9	4.5	3.4	4.4	9.0
10. Not Allocated to Function—											
Payments to or for the States, the Northern Territory and Local Government Authorities nec	9.7	3.0	3.8	6.7	4.1	-1.5	1.8	11.5	-0.3	3.9	-1.7
Public Debt Interest	2.1	-6.3	31.1	7.9	11.9	2.9	4.5	0.9	5.4	19.5	21.5
TOTAL OUTLAYS	19.6	5.2	-0.8	2.5	1.6	-0.5	3.5	2.6	6.5	7.7	6.1

(a) See footnote (a) to Table 3.
(b) See footnote (c) to Table 1.

Table 5—Commonwealth Government Budget Outlays by Function as Proportions of Total Budget Outlays 1974-75 to 1983-84 and 1984-85 (estimated) (Per cent) (a)

Function	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85 (estimate)
1. Defence	3.1	8.5	9.1	8.9	9.0	9.5	9.8	10.0	9.8	9.5	9.1
2. Education	9.1	8.7	9.2	9.0	8.7	8.3	8.0(b)	7.9	7.6	7.2	7.1
3. Health	7.2	13.5	10.6	10.1	10.0	10.0	10.1	7.1(c)	7.0	7.8	9.7
4. Social Security and Welfare	20.8	23.0	26.4	27.8	27.9	27.8	27.5	27.8	28.8	29.1	28.2
5. Housing	3.9	2.6	2.3	1.9	1.3	1.1	0.9	1.1	1.5	1.8	2.0
6. Urban and Regional Development nec and the Environment	2.0	1.8	1.0	0.6	0.4	0.3	0.2	0.1	0.2	0.2	0.1
7. Culture and Recreation	1.3	1.2	1.1	1.0	1.0	1.0	1.1	1.2	1.1	1.1	1.1
8. Economic Services—											
Transport and Communication	7.2	6.1	4.1	3.2	2.5	2.6	2.7	2.9	3.6	3.1	2.9
Water Supply, Electricity and Gas	0.3	0.3	0.3	0.2	...	0.1	0.2	0.2	0.2	0.2	0.1
Industry Assistance and Development—											
Primary Industry	2.6	0.8	0.2	0.7	0.9	0.6	0.5	0.5	0.8	0.5	0.5
Other	1.8	0.9	0.7	0.3	0.8	1.3	1.4	1.8	1.5	1.3	1.1
Labour and Employment	0.9	1.0	1.0	1.1	1.1	1.0	1.1	1.1	1.4	2.0	1.9
Other Economic Services	0.3	0.3	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2
Total	13.2	9.3	6.6	5.7	5.6	5.8	6.1	6.6	7.7	7.2	6.8
9. General Public Services—											
Legislative Services	0.2	0.2	0.3	0.3	0.2	0.2	0.3	0.3	0.4	0.4	0.5
Law, Order and Public Safety	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.7	0.7	0.7
Foreign Affairs and Overseas Aid	2.4	2.1	2.1	2.1	2.1	2.1	2.2(b)	2.3	2.1	2.1	2.0
General and Scientific Research nec	0.8	0.8	0.8	0.7	0.8	0.8	0.9	1.0	0.9	0.8	0.7
Administrative Services	3.3	3.0	3.0	3.0	2.9	2.9	3.0	3.0	2.9	2.9	3.1
Total	7.2	6.6	6.7	6.7	6.6	6.8	7.1	7.2	7.0	6.8	6.9
10. Not Allocated to Function—											
Payments to or for the States, the Northern Territory and Local Government Authorities nec	20.8	20.3	21.3	22.1	22.7	22.4	22.1	24.0(c)	22.5	21.7	20.1
Public Debt Interest	5.0	4.4	5.9	6.2	6.8	7.0	7.1	7.0	6.9	7.7	8.8
Allowances for Staff, Wage and Salary Increases (Non-Defence)	—	—	—	—	—	—	—	—	—	—	0.1
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) See footnote (c) to Table 1.
(c) Data for Health and Payments to the States and Northern Territory, etc., for 1981-82 and subsequent years are affected by changes in funding arrangements—See Notes on Tables.

Table 6—Commonwealth Government Budget Outlays 1974-75 to 1983-84 and 1984-85 (estimated) (\$m)

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85 (estimate)
1. DEFENCE—											
Manpower Costs—											
Civilian Forces	185	184	204	221	228	243	278	330	365	382	395
Defence Equipment Stores and Facilities (a)	748	832	915	1 004	1 076	1 206	1 380	1 309	1 910	1 990	2 100
Defence Industrial Capacity (a)	434	534	713	780	919	1 140	1 334	1 329	1 734	2 143	2 388
Defence Science and Technology	94	109	126	134	129	128	170	252	304	359	356
Defence Aid and Co-operation	79	74	78	85	87	96	109	126	139	147	158
Storage and Transport	89	39	25	27	25	30	38	40	44	46	48
Other Outlays	12	11	13	15	15	19	23	31	32	32	34
Less Recoveries and Repayments	130	143	177	201	217	253	304	336	395	425	450
Allowance for Prospective Wage and Salary Increases	136	64	62	87	87	96	97	119	140	140	169
—	—	—	—	—	—	—	—	—	—	—	60
TOTAL DEFENCE	1 635	1 862	2 190	2 386	2 616	3 018	3 550	4 134	4 782	5 383	5 820
2. EDUCATION—											
Universities	504	541	642	711	790	794	873	1 007	1 091	1 163	1 268
Advanced Education	365	393	470	475	508	530	585	616	685	760	820
Technical and Further Education	55	81	100	118	146	168	198	224	258	281	364
Schools—											
Schools in the States and N.T.	513	585	681	752	776	736	836	1 016	1 209	1 330	1 481
Schools and Pre-schools in the A.C.T.	57	80	84	89	93	94	106	117	142	159	172
Other Outlays	3	4	5	5	5	6	5	4	5	8	10
School to Work Transition (b)	—	—	1	1	3	8	28	34	42	26	—
Student Assistance Schemes	100	133	162	174	183	182	190	200	240	308	368
Special Groups	49	55	46	56	65	72	88	102	112	127	145
Other Outlays (net)	17	21	20	20	21	22	—	—	—	—	—
TOTAL EDUCATION	1 663	1 894	2 210	2 402	2 529	2 611	2 871(c)	3 268	3 716	4 085	4 544
3. HEALTH—											
Medical Services and Benefits	287	774	602	430	605	713	792	902	1 064	1 533	2 461
Hospital Services and Benefits	275	1 290	1 015	1 315	1 352	1 479	1 717	593	682	839	1 354
Health Program Grants	—	7	6	4	4	4	5	6	4	7	8
Pharmaceutical Services and Benefits	289	317	271	295	316	323	365	459	506	573	678
Nursing Homes and Domiciliary Care Services and Benefits	195	236	280	303	319	369	452	657	835	960	1 132
Community Health Facilities and Services	36	55	71	74	54	55	68	8	9	11	12
Treatment and Prevention of Tuberculosis	15	13	8	3	1	1	1	1	1	1	—
Health Services in the Territories (d)	76	85	107	101	76	47	51	84	87	99	120
Other Outlays (net)	111	176	183	173	173	178	194	203	238	389	417
TOTAL HEALTH	1 283	2 953	2 543	2 698	2 901	3 169	3 645	2 912	3 425	4 411	6 184

- (a) See Appendix to this Paper for changes in the functional classification.
 (b) 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 was absorbed in the School to Work Transition Scheme.
 (c) See footnote (c) to Table 1.
 (d) Outlays under this heading from mid 1978-79 onwards relate only to the A.C.T.

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Table 6—Commonwealth Government Budget Outlays 1974-75 to 1983-84 and 1984-85 (estimated) (\$m)—continued

	1974-75 \$m	1975-76 \$m	1976-77 \$m	1977-78 \$m	1978-79 \$m	1979-80 \$m	1980-81 \$m	1981-82 \$m	1982-83 \$m	1983-84 \$m	1984-85 (estimate) \$m
4. SOCIAL SECURITY AND WELFARE—											
Assistance to the Aged (a)	1 675	2 236	2 562	3 025	3 311	3 593	4 023	4 610	4 995	5 445	5 926
Assistance to Veterans and their Dependents	475	565	659	795	855	960	1 187	1 323	1 710	2 024	2 334
Assistance to the Handicapped	337	469	581	687	793	901	1 006	1 125	1 245	1 462	1 715
Assistance to Widows and Single Parents	324	462	542	652	752	846	1 069	1 223	1 486	1 719	1 991
Assistance to Families (b)	244	294	1 057	1 075	1 037	1 054	1 000	1 097	1 451	1 634	1 701
Assistance to the Unemployed and Sick	477	776	748	951	1 076	1 121	1 256	1 541	2 631	3 369	3 481
Other Outlays (net)	179	229	218	238	271	310	380	482	594	785	909
TOTAL SOCIAL SECURITY AND WELFARE	3 712	5 031	6 367	7 425	8 095	8 784	9 920	11 501	14 112	16 438	18 047
5. HOUSING—											
Grants and Net Advances to the States	391	363	369	378	316	259	267	232	(c)444	(c)690	(c)823
Home Deposits Assistance	13	7	8	35	20	72	45	115	150	242	280
Housing Loans by Banks (net)	120	—	—	—	—	—	—	—	—	—	—
Defence Service Homes (net)	105	71	52	42	39	36	34	121	142	97	129
Housing in the Territories (net) (d)	35	112	107	39	—	—	—	—	—	—	—
Housing for Migrants	1	1	1	—	—	—	—	—	—	—	—
Accommodation for Aboriginals (net)	26	30	28	25	29	33	30	9	10	14	16
Other Outlays	16	4	3	3	3	5	5	6	7	7	14
Less Other Recoveries and Repayments	3	3	8	6	—	—	—	—	—	—	—
TOTAL HOUSING	702	562	549	505	382	343	341	458	740	1 034	1 252
6. URBAN AND REGIONAL DEVELOPMENT NEC AND THE ENVIRONMENT—											
Urban and Regional Development Expenditure nec	191	194	122	104	68	69	43	17	45	50	29
Sewerage and Garbage	139	146	83	19	9	6	3	4	16	12	6
Other Outlays (net)	33	45	40	38	30	28	32	30	38	46	58
TOTAL URBAN AND REGIONAL DEVELOPMENT NEC AND THE ENVIRONMENT	364	385	245	160	107	103	78	51	98	108	92
7. CULTURE AND RECREATION—											
Broadcasting and Television Services	152	169	169	171	180	201	257	324	354	399	450
Other Outlays (net)	85	84	88	90	100	120	145	158	167	213	285
TOTAL CULTURE AND RECREATION	237	253	257	261	281	321	402	482	522	612	735

- (a) See 'Notes on Tables' regarding changed arrangements for grants to the States for pensioner accommodation.
 (b) Excludes block grants paid to the States and the Northern Territory for pre-school education. These amounts are recorded under Education.
 (c) Includes an amount of \$146m in 1982-83, \$227m in 1983-84 and an indicative amount of \$275m in 1984-85 for welfare housing nominated 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.

Table 6—Commonwealth Government Budget Outlays 1974-75 to 1983-84 and 1984-85 (estimated) (\$m)—continued

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85 (estimate)
B. ECONOMIC SERVICES											
A. TRANSPORT AND COMMUNICATION—											
Communications											
Air Transport—	522	403	208	45	-22	-2	14	23	62	21	25
Net Advances and Contributions to the Airlines	34	25	-16	-23	-92	-96	-31	12	163	-9	-8
Aviation Services	170	179	177	188	198	226	291	367	508	484	554
Other Expenditure	2	2	2	2	4	4	5	7	30	33	28
Less Air Navigation Charges	45	54	62	73	76	84	96	102	124	123	134
Less Other Recoveries	16	23	24	26	26	47	46	52	55	59	69
Total	146	130	77	68	4	4	122	233	522	327	372
Road Transport—											
Road Grants	363	434	434	478	508	565	628	685	851	1 204	1 245
Other Expenditure	41	61	53	65	41	33	29	37	52	31	38
Total	404	495	487	543	549	598	657	722	903	1 234	1 283
Rail Transport—											
Australian National Railways	24	94	75	93	109	96	76	77	112	97	93
Other Rail Projects (net) (a)	12	1	-3	-4	-3	..	11	23	34	-3	-6
Total	36	95	71	89	105	97	88	101	136	95	87
Sea Transport (net)	65	92	30	19	8	34	28	44	67	53	67
Special Payment to the Sea for Transport	45	34	58	51	42	42	44	35	63	..	19
Urban Public Transport Improvement	63	65	37	15	12	12	10	7	7	7	1
Pipelines (net)	26	31	37	47	48	49	56	48	39	47	54
Less Other Recoveries	17	15	19	22	23	27	29	30	33	41	45
TOTAL TRANSPORT AND COMMUNICATION	1 291	1 329	988	854	723	807	989	1 184	1 767	1 731	1 859
B. WATER SUPPLY, ELECTRICITY AND GAS—											
Urban Water Supply	10	20	36	28	15	6	4	6	-7	16	5
Special Payment to the Sea for Transport	2	-2	-5	-4	-5	-5	-7	-9	-6	-6	-6
Special Payment to the Sea for Transport	32	39	26	..	..	-1	-2	2	8	-3	-3
Liquefied Petroleum Gas Subsidy	..	..	..	..	..	..	..	..	..	..	..
Other Outlays	-12	17	18	25	..	30	43	46	70	68	91
Less Repayments	..	3	3	3	4	4	5	5	2	4	2
TOTAL WATER SUPPLY, ELECTRICITY AND GAS	56	71	72	45	6	25	54	67	103	97	93

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(a) See Appendix to this Paper for changes in the functional classification.

Table 6—Commonwealth Government Budget Outlays 1974-75 to 1983-84 and 1984-85 (estimated) (\$m)—continued

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85 (estimate)
C. INDUSTRY ASSISTANCE AND DEVELOPMENT—											
Forestry and Fishing Industries											
10	11	11	4	10	5	5	5	14	2	7	
Agricultural and Pastoral Industries—											
Petroleum Search Subsidy	305	-14	-119	-79	18	8	31	30	27	19	46
Wheat Industry	-38	1	-17	5	7	13	19	38	47	11	19
Sugar Industry	-2	-2	-2	-3	-3	25	-27	..	40	-33	3
Dairy Industry	19	20	5	4	11	13	2	-1	-2	-1	11
Fruit Industry	6	7	6	1	1	2	-2	7	2	7	2
Cattle, Sheep and Pig Meat Industry	11	24	37	122	79	21	27	41	48	71	47
Rural Reconstruction	29	30	30	43	47	16	17	16	18	44	26
Fertiliser Bonuses	43	33	54	55	57	59	51	49	47	49	55
Irrigation and Other Pastoral Water Projects (net)	29	29	26	18	11	18	20	21	28	32	59
Other Outlays (net)	47	37	27	26	24	19	23	12	117	73	48
Total	448	164	46	196	251	193	162	215	373	271	317
Mining, Manufacturing and Other Industries—											
Petroleum Search Subsidy	6	..	..	..	..	..	..	..	..	..	..
Other Mining Assistance (a)	65	-18	24	-46	-3	-19	-66	62	72	2	19
Scaffolding Assistance	31	43	29	15	12	14	19	27	26	27	29
Industrial Research and Development Scheme	18	19	15	14	24	34	51	24	53	66	67
Other Outlays (net)	22	17	17	22	33	56	56	89	119	136	190
Total	143	61	85	4	66	86	59	202	269	230	306
Tourist Industry	7	7	4	3	4	8	9	9	11	22	27
Assistance to Export Industries—											
Export Expansion Grants Scheme	..	..	..	..	20	170	200	197	155	98	15
Export Market Development Grants Scheme	..	17	24	30	38	45	60	84	105	115	125
Export and Trade Promotion	15	15	16	17	21	23	26	28	31	35	38
Compensation Payments	2	3	..	..	..	..	..	3	..	..	..
ERIC (net)	-1	-1	..	-1	..	..	..	2	4	12	21
Other Outlays	109	87	23	25	28	31	36	27	29	33	35
Total	125	121	63	71	107	269	330	344	332	302	234
Other Assistance to Industry—											
Petroleum Products Subsidy	2	..	..	..	48	71	120	148	124	116	123
Energy Research	..	..	..	..	6	11	13	16	18	21	21
Australian Industry Development Corporation	56	..	13	..	..	-30	..	..	-46	25	..
Other Outlays (net)	..	..	..	..	-1	..	..	5	12	29	18
Total	59	..	13	..	54	51	133	168	109	188	162
TOTAL INDUSTRY ASSISTANCE AND DEVELOPMENT	791	364	222	279	492	613	698	942	1 109	1 015	1 053

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(a) Includes repayments from the former Petroleum and Minerals Authority and divestment of petroleum and minerals investments. Also includes amounts relating to return of uranium concentrate to the Commonwealth stockpile.

Table 6—Commonwealth Government Budget Outlays 1974-75 to 1983-84 and 1984-85 (estimated) (\$m)—continued

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85 (estimate)
D. LABOUR AND EMPLOYMENT—											
Conciliation and Arbitration	4	5	6	6	6	7	8	10	11	14	14
Payment to Stevedoring Industry	22	37	52	34	20	20	19	17	17	20	19
Employment Training Schemes nec	49	78	76	118	155	99	147	187	373	782	807
Assisted Migration (net)	22	14	12	13	15	18	27	33	29	24	25
Other Outlays (net)	69	83	96	113	135	157	185	213	255	306	357
TOTAL LABOUR AND EMPLOYMENT	167	218	242	284	331	302	386	460	685	1 145	1 222
E. OTHER ECONOMIC SERVICES—											
Economic and Trade Regulation (net)	13	16	17	16	15	15	16	17	17	19	21
Specialized Activities—											
Meteorological Services	34	37	38	41	42	43	49	56	67	68	76
National Mapping	7	7	7	7	7	8	10	11	11	12	13
Leas Recoveries	11	13	13	14	15	11	14	16	19	19	19
Other Outlays (net) (a)	7	8	9	15	17	26	24	24	22	29	32
TOTAL OTHER ECONOMIC SERVICES	49	55	59	65	67	81	85	92	98	108	123
TOTAL ECONOMIC SERVICES	2 354	2 037	1 583	1 528	1 619	1 828	2 213	2 745	3 762	4 095	4 350
9. GENERAL PUBLIC SERVICES—											
A. LEGISLATIVE SERVICES—											
Parliamentary Expenditure	32	36	42	51	53	59	78	107	153	163	231
Australian Electoral Office	9	15	19	22	15	17	31	21	41	32	70
Other Outlays	1	2	2	2	2	3	3	4	4	5	6
TOTAL LEGISLATIVE SERVICES	42	53	63	75	70	79	112	132	198	200	307
B. LAW, ORDER AND PUBLIC SAFETY—											
Courts and Legal Services	20	37	48	58	70	80	75	87	112	128	155
Police, Security and Criminology	43	50	53	57	77	89	114	136	160	196	221
Other Outlays (net)	21	22	23	21	26	32	33	35	48	50	56
TOTAL LAW, ORDER AND PUBLIC SAFETY	84	108	126	135	173	200	222	258	320	376	432

(a) See Appendix to this Paper for changes to functional classification.

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Table 6—Commonwealth Government Budget Outlays 1974-75 to 1983-84 and 1984-85 (estimated) (\$m)—continued

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85 (estimate)
C. FOREIGN AFFAIRS AND OVERSEAS AID—											
Aid Payments	171	214	228	222	235	238	245	254	276	302	314
Papua New Guinea	116	95	97	120	154	182	272	330	366	411	438
Multilateral Aid	43	41	56	77	67	79	95	130	160	184	208
Other Outlays (net)	105	120	136	145	151	165	193(a)	220	242	262	301
TOTAL FOREIGN AFFAIRS AND OVERSEAS AID	435	469	516	565	608	664	807	933	1 045	1 160	1 262
D. GENERAL AND SCIENTIFIC RESEARCH NEC—											
Australian Atomic Energy Commission	18	20	21	23	24	26	29	38	36	39	42
Commonwealth Scientific and Industrial Research Organization	105	124	133	147	169	195	228	293	328	332	322
Antarctic Division	5	6	7	9	12	21	23	22	32	35	37
Research Grants	8	7	12	11	13	14	18	20	22	25	30
Other Research and Science nec	6	11	12	9	9	13	13	20	18	23	23
TOTAL GENERAL AND SCIENTIFIC RESEARCH NEC	143	167	185	198	227	269	313	394	437	455	455
E. ADMINISTRATIVE SERVICES—											
Financial Affairs and Fiscal Administration	208	233	263	302	313	332	371	467	547	639	729
Statistical Services	41	47	58	58	57	64	88	115	98	99	115
General Administration of the Territories (nec)	44	57	54	63	28	30	34	45	53	55	64
Other Administrative Services nec	36	50	60	63	75	87	102	116	107	114	126
Common Services—											
Construction Services (net)	93	96	97	104	93	100	120	145	158	166	195
Commonwealth Government Offices	42	30	25	21	18	16	23	20	43	41	58
Property Management and Services	39	45	40	44	46	51	56	67	73	100	122
Rent	37	44	48	51	55	62	69	78	100	138	218
Other	32	29	30	30	39	45	51	43	58	57	62
Net Superannuation Payments nec	42	59	91	128	162	197	237	218	271	327	408
Leas Recoveries	32	36	47	51	48	56	58	67	101	105	119
TOTAL ADMINISTRATIVE SERVICES	581	653	724	813	838	927	1 092	1 248	1 409	1 631	1 979
TOTAL GENERAL PUBLIC SERVICES	1 285	1 451	1 614	1 786	1 916	2 138	2 546	2 965	3 409	3 820	4 434

(a) See footnote (c) to Table 1.

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Table 6—Commonwealth Government Budget Outlays 1974–75 to 1983–84 and 1984–85 (estimated) (\$m)—continued

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85 (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(e)	2 374	3 073	3 696	4 317	4 779	5 416	6 011	6 690	7 772	8 538	9 054
Grants to States in Lieu of Health Payments(f)	—	—	—	—	—	—	—	1 137	1 017	1 169	1 374
Other General Revenue Assistance (net)	115	39	17	15	12	10	7	59	10	184	31
State Government Loan Council Programs (net)	938	1 139	1 197	1 263	1 349	1 050	1 104	1 094	1 063	1 009	1 048
Assistance Related to State Debts	104	47	47	49	51	53	55	57	59	61	62
Local Government Tax Sharing Entitlements etc.	56	80	149	165	179	222	301	351	424	459	487
Total Payments to or for the States and Local Government Authorities nec	3 586	4 378	5 096	5 808	6 269	6 751	7 478	9 387	10 287	11 420	12 056
Payments to the Northern Territory	—	—	—	53	280	339	423	500	573	648	712
Payments to Tasmania—Gordon below Franklin	—	—	—	—	—	—	—	—	—	63	51
Natural Disaster Relief (net)	113	58	27	53	24	10	70	21	132(b)	122	10
TOTAL PAYMENTS TO OR FOR THE STATES, THE NORTHERN TERRITORY, AND LOCAL GOVERNMENT AUTHORITIES NEC	3 700	4 436	5 123	5 915	6 573	7 100	7 971	9 908	10 991	12 253	12 829
B. PUBLIC DEBT INTEREST—											
Gross Interest Paid	997	1 095	1 525	1 754	2 078	2 359	2 722	3 014	3 487	4 418	5 672
Less Interest on Government Securities and cash balances held by the Commonwealth Government on its own behalf	110	128	114	105	108	136	161	133	109	88	71
TOTAL PUBLIC DEBT INTEREST	887	967	1 412	1 649	1 971	2 223	2 561	2 881	3 378	4 330	5 601
C. ALLOWANCE FOR STAFF, WAGE AND SALARY INCREASES (NON-DEFENCE)											
	—	—	—	—	—	—	—	—	—	—	60
TOTAL NOT ALLOCATED TO FUNCTION	4 587	5 403	6 535	7 564	8 544	9 322	10 532	12 789	14 369	16 583	18 490
TOTAL OUTLAYS	17 820	21 831	24 093	26 717	28 991	31 637	36 098	41 305	48 935	56 570	63 948

(a) See 'Notes on Tables'.

(b) Includes \$138m for bushfire and drought relief payments—See relevant text in Statement 5 of the 1983-84 Budget Paper No. 1.

Table 7—Commonwealth Government Budget Outlays 1974–75 to 1983–84 and 1984–85 (estimated) in National Accounts Format (\$m)

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85 (estimate)
Net Expenditure on Goods and Services											
Current Expenditure											
Defence	1 448	1 683	2 002	2 187	2 404	2 787	3 304	3 831	4 432	4 989	5 384
All Other	2 035	2 386	2 626	2 952	3 150	3 345	3 958	4 696	5 359	6 345	7 403
Capital Expenditure(a)	3 483	4 069	4 638	5 139	5 562	6 132	7 262	8 528	9 791	11 334	12 786
	404	564	520	388	298	290	438	430	598	580	840
Total	3 886	4 634	5 158	5 527	5 859	6 421	7 700	8 958	10 389	11 914	13 627
Transfer Payments											
Personal Benefits Payments	4 311	6 079	7 379	8 268	9 095	9 895	11 213	13 067	15 941	18 703	21 315
Unfunded Employee Retirement Benefits	88	106	121	139	162	181	207	252	292	330	355
Grants to or for the States and Local Government Authorities	4 999	6 185	7 499	8 407	9 257	10 076	11 420	13 320	16 233	19 033	21 649
For Current Purposes	3 775	5 521	6 112	7 222	7 858	8 900	9 919	10 953	12 597	14 314	15 657
For Capital Purposes	1 404	1 570	1 549	1 516	1 492	1 502	1 595	1 688	1 219	2 700	3 066
Grants to the Northern Territory(b)	5 178	7 091	7 661	8 738	9 349	10 302	11 514	12 642	14 726	17 014	18 723
Interest Paid	887	968	1 412	1 649	1 971	2 223	2 561	2 881	3 378	4 334	5 601
Transfers Overseas	349	370	388	417	477	575	667	735	790	863	963
Subsidies	228	254	227	372	445	600	760	869	938	1 021	1 034
Grants for Private Capital Purposes	121	173	101	124	116	165	137	204	244	332	382
Net Purchases of Existing Assets(c)	1 688	-1 760	-14	-8	-3	-3	-178	-11	-10	-46	-87
Total	11 265	15 036	17 274	19 752	21 902	24 242	27 258	31 111	36 880	43 218	49 033
Net Advances											
To States											
Works Purposes	592	709	745	785	771	635	668	658	546	519	527
Housing	366	343	350	362	285	126	131	101	245	323	229
Other	267	321	183	114	73	55	55	26	184	69	3
Total	1 225	1 372	1 278	1 261	1 129	817	854	785	975	911	759
To Commonwealth Government Authorities											
Postal Commission	518	3	-3	-28	-23	-14	—	—	—	—	—
Telecommunications Commission	392	215	65	—	—	—	—	—	—	—	—
SMHEA	2	-2	-5	-4	-5	-7	-7	-9	-6	-6	-6
Airlines	34	25	-16	-23	-22	-96	-31	12	162	—	-8
Pipeline Authority	65	67	39	17	14	14	10	7	7	—	-5
Defence Service Homes(d)	78	48	45	30	26	23	18	104	125	80	110
Other	468	176	28	45	101	147	189	179	344	611	265
Total	1 165	709	303	76	66	110	110	28	322	324	374
To Other Sectors	278	81	79	76	37	-32	22	28	-3	115	70
Total	2 669	2 162	1 660	1 438	1 230	974	1 139	1 237	1 666	1 438	1 288
TOTAL OUTLAYS	17 820	21 831	24 093	26 717	28 991	31 637	36 098	41 305	48 935	56 570	63 948

(a) Consists of fixed capital expenditure on new assets plus increase in stocks less sales of previously rented houses.

(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) See Footnote (c) to Table 1.

(d) 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—1974-75 to 1983-84 and 1984-85 (estimated) (\$m)

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85 (estimate)
Domestic Outlays											
Net Expenditure on Goods and Services—											
Defence	1 341	1 509	1 691	1 859	1 987	2 269	2 733	3 398	3 664	3 931	4 208
Other Current Expenditure	1 929	2 278	2 518	2 800	3 015	3 174	3 756	4 463	5 118	6 073	7 093
Capital Expenditure	383	340	492	353	272	274	426	418	583	560	820
Total	3 652	4 327	4 701	5 012	5 273	5 716	6 914	8 280	9 365	10 554	12 121
Transfer Payments and Net Advances—											
To or for the States, Northern Territory and Local Government Authorities	6 403	8 463	8 939	10 053	10 766	11 559	12 920	14 046	16 419	18 754	20 414
Personal Benefit Payments (a)	4 388	6 167	7 475	8 373	9 216	10 031	11 368	13 256	16 161	18 948	21 585
Interest Paid	822	835	1 302	1 500	1 674	1 849	2 200	2 539	2 915	3 304	4 966
Transfers Overseas	158	180	145	156	156	206	247	382	310	367	353
Net Advances (Other than to States)	1 314	670	318	130	83	44	157	313	553	344	345
Other (b)	452	422	314	488	558	760	719	1 062	1 172	1 306	1 330
Total	13 537	16 797	18 493	20 699	22 464	24 448	27 611	31 499	37 531	43 523	48 992
TOTAL DOMESTIC OUTLAYS	17 189	21 124	23 194	25 711	27 737	30 164	34 526	39 777	46 896	54 078	61 113
Overseas Outlays											
Net Expenditure on Goods and Services—											
Defence	107	174	311	328	417	517	571	433	768	1 068	1 175
Other Current Expenditure	106	106	118	152	143	171	202	233	241	272	309
Capital Expenditure	21	24	28	35	26	16	12	12	15	20	21
Total	234	307	457	515	586	705	786	678	1 024	1 360	1 506
Transfer Payments and Net Advances—											
Personal Benefit Payments (a)	11	18	25	34	41	45	52	64	72	85	84
Interest Paid	66	83	110	149	207	374	361	342	463	530	635
Transfers Overseas	191	180	243	261	311	314	328	385	425	423	510
Net Advances (Other than to States)	129	120	64	47	19	34	44	59	55	95	100
Total	397	400	442	491	668	768	786	849	1 015	1 133	1 329
TOTAL OVERSEAS OUTLAYS	631	707	899	1 006	1 254	1 473	1 572	1 528	2 039	2 492	2 835

(a) Includes unfunded employee retirement benefits.
 (b) Consists of subsidies, grants for private capital purposes and purchases of existing assets.

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Table 9—Commonwealth Government Budget Receipts 1974-75 to 1983-84 and 1984-85 (estimated) (\$m)

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85 (estimate)
General Taxation Revenue—											
Income Tax—											
Individuals—											
PAYE	6 919	8 362	9 811	10 378	11 438	13 287	15 291	18 836	20 812	22 024	24 375
Less Refunds	848	1 343	1 282	940	1 040	1 127	1 170	1 418	1 971	2 403	2 000
Net PAYE	6 071	7 020	8 529	9 439	10 398	12 160	14 121	17 417	18 840	19 620	22 375
Other	1 643	2 200	2 525	2 490	2 406	2 880	3 423	3 807	4 126	4 474	6 472
Medicare Levy	—	—	—	—	—	—	—	—	—	—	365
Special Tax on Labour and Services	—	—	—	—	—	—	—	—	—	—	251
Total Income Tax—Individuals	7 714	9 219	11 054	12 129	12 804	15 040	17 543	21 224	22 967	24 710	30 388
Companies	2 359	2 523	2 824	3 095	3 037	3 406	4 605	5 053	4 768	4 383	5 380
Withholding Taxes	88	95	96	118	114	141	161	205	259	305	371
Recoupment Tax	—	—	—	—	—	—	—	—	80	252	200
Total Income Tax	10 161	11 837	13 974	15 342	15 954	18 588	22 399	26 482	28 074	29 649	36 339
Sales Tax	1 154	1 408	1 650	1 758	1 770	1 865	2 102	2 854	3 490	4 165	4 704
Excise Duty—											
Oil and LPG	—	264	344	476	1 227	2 270	3 108	3 163	3 486	3 651	3 695
Other	1 729	2 068	2 141	2 258	2 618	2 695	2 725	2 830	3 320	4 083	4 532
Customs Duty—											
Imports	841	932	1 152	1 132	1 363	1 538	1 800	2 060	2 036	2 329	2 720
Coal Exports	—	112	121	100	94	91	85	97	66	66	60
Bank Accounts Debit Tax	—	—	—	—	—	—	—	—	30	183	190
Total	3 724	4 784	5 410	5 724	7 072	8 459	9 820	11 004	12 428	14 476	15 721
ACT Taxes and Charges (a)—											
Payroll Tax	16	20	21	22	16	16	17	19	21	24	26
Stamp Duty	4	4	5	5	6	7	8	13	18	25	30
Other	18	21	23	24	29	30	35	40	52	54	60
Total ACT Taxes and Charges	37	45	49	52	50	53	61	72	91	102	116
Other Taxes, Fees and Fines—											
Departure Tax	—	—	—	—	12	18	19	36	42	43	43
Unfunded Retirement Benefit Contributions	35	40	52	61	63	67	73	86	90	95	99
Broadcasting and Television Licences etc.	25	7	11	21	23	31	33	47	59	71	83
Other	110	138	154	154	122	91	64	58	51	61	59
Total Other Taxes, Fees and Fines	169	185	217	236	220	208	189	227	242	269	285
Less Remissions	7	8	8	8	8	7	7	7	7	7	7
Total Taxation Revenue	14 085	16 843	19 642	21 346	23 288	27 305	32 467	37 784	40 834	44 497	52 460

(a) Includes some receipts from the Northern Territory prior to 1978-79.

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Table 9—Commonwealth Government Budget Receipts 1974-75 to 1983-84 and 1984-85 (estimated) (\$m)—continued

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85 (estimate)
Interest, Rent and Dividends—											
Interest Received—											
From the States—											
States Works and Housing	663	695	832	948	1 018	1 089	1 258	1 421	1 590	1 691	1 870
Other	121	160	200	227	248	274	288	289	307	334	344
Other Interest Receipts—											
Defence Service Homes	38	66	68	69	74	77	83	93	115	130	144
Snowy Mountains	45	48	47	47	47	47	49	55	57	57	61
Australian Shipping Commission	3	13	17	20	19	18	16	17	15	11	9
Royal Commission		7	6	6	4	3	2	3	4	5	5
Telecommunications Commission	210	268	290	321	323	325	328	394	480	605	718
Qantas Airways Limited	7	10	14	14	15	8	5	3	3	2	2
Australian National Airlines Commission	3	4	5	5	6	4	1	1	1	1	1
Wool Corporation	8	34	24	9	1	—	—	—	—	—	—
Pipeline Authority	8	15	21	24	25	27	29	31	33	35	34
Other	40	58	66	74	87	85	91	136	162	172	196
Total	1 148	1 378	1 590	1 764	1 868	1 957	2 151	2 444	2 768	3 042	3 384
Rent, Dividends, etc.—											
Qantas Airways Ltd	6	3	—	—	6	—	—	—	—	—	7
Australian National Airlines Commission	—	1	3	2	2	6	2	2	—	—	—
Overseas Telecommunications Commission	5	5	12	12	12	20	25	20	12	31	20
Offshore Petroleum Royalties	12	13	14	23	28	43	55	52	68	85	92
Royal Australian Mint	20	19	21	22	24	—	35	53	52	130	151
Other	3	5	7	11	5	6	14	17	28	30	27
Total	46	46	57	70	78	75	130	145	160	276	296
Total Interest, Rent and Dividends	1 194	1 424	1 647	1 834	1 946	2 033	2 280	2 589	2 928	3 318	3 680
Net Receipts of Government Enterprises—											
Reserve Bank	—	—	80	216	263	226	198	345	663	746	1 014
Commonwealth Bank	5	5	12	15	28	36	42	39	34	46	39
Other	-11	-9	-7	-7	9	3	—	1	3	2	10
Total Net Receipts of Government Enterprises	-6	-4	85	225	300	265	240	385	700	794	1 063
TOTAL RECEIPTS	15 274	18 264	21 374	23 405	25 534	29 603	34 988	40 758	44 462	48 610	57 203

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Table 10—Receipts and Outlays of Commonwealth Non-Budget Sector 1974-75 to 1983-84 (\$m) (a)

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84 (p)
Outlays—										
Net Expenditure on Goods and Services—										
Current Expenditure	-16	-6	-12	-26	-16	13	-4	49	98	26
Capital Expenditure (b)	1 266	950	1 102	1 243	919	1 046	1 236	1 589	1 638	1 722
Total	1 250	944	1 090	1 217	903	1 059	1 232	1 638	1 736	1 748
Transfer Payments—										
Personal Benefit Payments	4	3	1	1	-3	-7	—	-3	7	5
Interest and Dividends, etc. Paid	330	464	569	647	668	683	774	935	1 123	1 332
Subsidies	4	5	-5	-6	-4	-12	-2	-8	-23	1
Grants for Private Capital Purposes	1	6	9	6	5	5	1	23	30	39
Income Tax Paid	14	16	9	14	18	15	26	22	17	27
Net Purchases of Existing Assets (c)	21	12	19	-7	-5	6	690	-87	-90	21
Total	374	506	602	655	679	690	712	879	1 175	1 491
Net Advances—										
By Defence Service Homes (d)	—	8	12	16	-4	-14	-4	73	70	35
Other	-19	42	18	-50	-3	52	20	24	84	104
Total	-19	50	30	-34	-7	38	16	49	154	129
TOTAL OUTLAYS	1 605	1 500	1 722	1 838	1 577	1 787	1 960	2 566	3 088	3 368
Receipts—										
Indirect Taxes	-2	-3	-3	-5	-3	-4	-7	-2	-2	2
Interest, Rent and Dividends, etc.	2	7	81	105	82	125	163	178	155	142
Gross Income of Public Enterprises	567	837	1 049	1 122	1 266	1 127	1 265	1 523	1 577	2 049
TOTAL RECEIPTS	567	891	1 127	1 222	1 345	1 248	1 421	1 699	1 730	2 194
Deficit Financed By—										
Net Advances from Budget	1 087	661	303	101	66	110	179	344	611	324
Domestic Borrowings	22	19	344	106	222	359	—	—	—	—
Overseas Borrowings	—	—	100	224	-27	83	—	—	—	—
Decrease in Cash Balances	-72	-4	-200	174	-125	-288	360	523	747	850
Decrease in Security Holdings	-3	-5	-11	-7	-22	-20	—	—	—	—
Other Funds Available	4	-62	59	18	118	295	—	—	—	—
DEFICIT	1 038	609	595	616	232	539	539	867	1 358	1 174

(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 11.

(d) See Footnote (c) to Table 7.

(p) Preliminary.

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Table 11—Receipts and Outlays of Total Commonwealth Government Sector 1974-75 to 1983-84 (\$m) (c)

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Outlays										
Expenditure on Goods and Services—										
Current Expenditure	3 467	4 063	4 626	5 113	5 545	6 145	7 538	8 577	9 889	11 361
Capital Expenditure	1 566	1 584	1 670	1 713	1 706	1 402	1 998	1 839	2 005	2 123
Total Capital Expenditure (d)	314	720	741	1 122	287	70	180	180	254	272
Total	5 347	6 367	6 967	7 948	8 538	9 923	10 936	12 148	13 662	15 756
Transfers—										
Prepaid Benefit Payments	4 314	6 082	7 360	8 269	9 062	9 888	11 213	13 063	15 948	18 706
Unfunded Employee Retirement Benefits	88	106	121	139	162	181	207	232	292	334
Grants to Local Government Authorities	5 178	7 091	7 661	8 335	9 240	10 022	11 514	13 042	14 726	17 014
Grants to the Northern Territory	897	979	1 446	1 738	2 074	2 363	2 753	3 136	3 717	4 647
Interest Paid	249	270	328	417	477	520	575	667	735	790
Transfer to State	122	179	110	100	121	176	138	227	215	160
Grants for Private Capital Purposes	124	7	5	-15	-8	1	-366	-201	12	40
Net Purchase of Existing Assets (e)										
Total	11 905	16 073	17 332	19 835	21 998	24 374	27 962	31 287	37 254	43 662
Net Advances—										
To States	1 235	1 372	1 278	1 261	1 129	817	854	785	975	911
To Northern Territory	—	—	—	—	-2	79	83	80	83	88
To Public Service Homes (f)	—	—	—	—	—	-4	-4	71	70	35
Other	259	123	97	26	34	-30	-42	4	81	219
Total	1 562	1 581	1 387	1 303	1 197	962	975	942	1 209	1 242
TOTAL OUTLAYS	18 004	22 201	24 968	27 882	29 918	32 756	37 770	43 825	50 611	58 566
Receipts—										
Taxation—										
Indirect Taxes	3 789	4 872	5 516	5 828	7 174	8 278	9 950	11 187	12 635	14 728
Direct Taxes	10 279	11 952	14 111	15 699	16 094	18 731	22 484	25 374	28 198	29 143
Total Taxation	14 068	16 824	19 629	21 327	23 268	27 283	32 434	37 760	40 815	44 472
Other Receipts—										
Interest, Rent and Dividends, etc. (g)	876	978	1 193	1 381	1 463	1 615	1 850	2 083	2 299	2 443
Gross Income of Public Enterprises	582	883	1 114	1 347	1 566	1 992	1 912	1 912	2 277	2 843
Total	1 438	1 861	2 327	2 728	3 029	3 607	3 365	3 995	4 576	5 284
TOTAL RECEIPTS	15 497	18 686	21 957	24 055	26 296	30 293	33 800	41 755	45 391	49 756
DEFICIT	2 907	3 515	3 011	3 826	3 622	2 463	1 470	1 070	5 220	8 810

These financial statements are published by the Australian Bureau of Statistics in the *Financial Statistics Year Book*, Paper No. 10, adjusted for some conceptual differences.

(a) Includes sales of previously retained houses. See Footnote (b).

(b) Excludes sales of previously retained houses. See Footnote (b).

(c) See Footnote (c) to Table 7.

(d) Includes transfers to the Northern Territory. 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) 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 budget 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 comprises those transactions which are recorded in the Minister for Finance's statements prepared pursuant to section 50 of the *Audit Act 1901*. With the few exceptions noted below, 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 and those authorities which do not operate their own bank accounts are recorded in the Public Account and are accordingly part of the budget sector. Many general government Commonwealth authorities, such as the Australian Broadcasting Corporation and the CSIRO operate their own bank accounts and hence their day-to-day transactions are outside the Public Account. However, because these authorities are dependent on appropriations from the Commonwealth budget, most of their transactions are ultimately sourced from the Public Account. To the extent that this is so, they form part of the budget sector. Those

- (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.



of their transactions which are not sourced from the Public Account (e.g. independent income and expenditure financed from that income) are recorded in the non-budget sector.

By far the larger part of the non-budget sector, however, consists of the transactions of the various Commonwealth commercial authorities; these include 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, and repayments of advances and payments of interest, dividends and, in some cases, company tax by an authority to the budget sector) which are 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. There are some differences between the treatment of data in the Budget Statements and the treatment in Australian Bureau of Statistics' publications. For example, outlays on primary industry assistance are shown in the Budget Statements net of the relevant primary industry levies and charges, whereas the ABS publications show these outlays on a gross basis.²⁰ However, the basic principles underlying the methodologies 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 consistency of 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 receipts, dividends and gross operating surpluses

of budget sector business enterprises. 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 outlays 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. 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 in outlays and receipts presentations. 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 receipt 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

²⁰ 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.

No. 5, *Estimates of Receipts and Summary of Estimated Expenditure*, and in Table 1 of the post-budget document, *Program Presentation of Appropriations and Outlays—Departmental Estimates*. The latter document also includes an explanation of this reconciliation.

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*.

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:

- Sales of Existing Assets have been reclassified from a receipt item to an offset to outlays. This treatment more accurately reflects the nature of asset acquisition (and, analogously, their disposal when surplus) as a cost of providing public goods and services. In addition, it is more consistent with current National Accounting guidelines. The previous treatment tended to categorise these sales as revenue raising measures. The major effect will be on Purchase of Existing Assets and there will be a small effect on Current Expenditure.
- Some items have been reclassified from Capital Expenditure to Current Expenditure and this will have 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. Detailed information on outlays under each function, including departmental administrative outlays classified to that function, is provided in Statement No. 3.

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 to 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 budget 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 the function which is considered to be its primary purpose. 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 focus on every outlay characteristic that may be of interest to 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. The document, which is 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* 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.

This section provides details of changes which have been made this year. Changes effected in earlier years are discussed in this section of the relevant year's Budget Paper No. 1. Except for the reclassification of assistance to overseas students which involves a break in the series in 1980-81, all data (including data for the past 10 years) presented on a functional basis contained in this and other Budget papers have been adjusted to reflect classification changes discussed in this section.

As a result of the transfer of responsibility for the Australian Landsat Station (ALS) from the Department of Science and Technology to the Department of Resources and Energy, expenditures under this functional heading have been reclassified from 'Other Research and Science nec', within *General Public Services*, to 'Other Economic Services' in *Economic Services* reflecting the fact that activities of the ALS have now passed from a developmental to an operational stage.

The net cost to the Commonwealth of educating students from developing countries in Australian schools and tertiary institutions (which until now has been included implicitly under outlays on *Education*) has been identified in the budget for the first time this year. Because these expenditures assist developing nations they have been reclassified as outlays by the Australian Development Assistance Bureau, to be paid through the Department of Education and Youth Affairs. This change has the effect of reducing *Education* outlays by the net cost of providing places in educational institutions for these students, i.e. the total cost less income from overseas student charges, which are either paid for or by these students. There is a corresponding increase in outlays on 'Bilateral Aid', *General Public Services* by the same amount (estimated to be \$99m in 1984-85). Adjustments to the relevant data have been made for the years 1980-81 to 1984-85 but are subject to revision.

As discussed under *Changes in the Economic Type Classification*, Sales of Existing Assets have been reclassified from a receipt item to an offset to outlays. Individual components of this item have been allocated to relevant functions.

Transactions in respect of the Laser Ranging System Development Trust Account have been transferred from *Economic Services*; since these receipts and expenditures do not involve Australian monies, they have been reclassified as financing transactions.

Similarly, expenditures and receipts relating to the Papua New Guinea-Australia Technical Co-operation Program have been transferred from 'Foreign Affairs and Overseas Aid' to financing transactions.

Responsibility for defence-related industry assistance under the Australian Industry Assistance program has been transferred from the Department of Defence to the Department of Defence Support. The expenditures have consequently been reclassified from 'Defence Equipment and Stores' to 'Defence Industrial Capacity'.

Because of the introduction of a trust account operation for Williamstown dockyard, together with the implementation of full cost recovery for services provided by the dockyard to the Department of Defence, certain monies have been transferred from 'Defence Industrial Capacity' into 'Defence Equipment and Stores'.

Expenditure by the Centre for Regional Economic Analysis has been reclassified from 'Financial Affairs and Fiscal Administration' to 'Other Research and Science nec', within *General Public Services*.

It was considered appropriate to reclassify expenditure by the Department of Science and Technology on sites and buildings for the Bureau of Meteorology from 'Other Administrative Services nec' under *General Public Services* to 'Meteorological Services' under *Economic Services*.

Expenditure on assistance to inventors has been transferred from 'General and Scientific Research' in *General Public Services* to 'Industry Assistance and Development' in *Economic Services*.

Since 1979-80 Victoria, Queensland and Western Australia have been capitalising interest on loans made under the *National Railways Network (Financial Assistance) Act 1979*. The amounts capitalised have now been separately identified, and appear under 'Rail Transport', as outlays to the States, and the corresponding credits appear in receipts under 'Interest Received from the States'.

Some administrative expenditures which relate to functions performed by the former Department of Business and Consumer Affairs, but which were subsequently transferred to the Department of Administrative Services, have been reclassified from 'Other Economic Services' in *Economic Services* to 'Administrative Services' in *General Public Services*.

Historical data for the period 1974-75 to 1983-84 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 Aborigines, 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 those 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 outlays concerned with regulation and support of private sector activity, 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 promotional activities (eg 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, including the net cost of educating students from developing countries in Australian schools and tertiary institutions, 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.