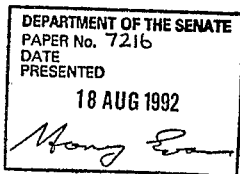


1992-93 BUDGET PAPER No. 1



BUDGET STATEMENTS

1992-93

CIRCULATED BY
THE HONOURABLE JOHN DAWKINS, M.P.,
TREASURER OF THE COMMONWEALTH OF AUSTRALIA, AND
THE HONOURABLE RALPH WILLIS, M.P.,
MINISTER FOR FINANCE
FOR THE INFORMATION OF HONOURABLE MEMBERS
ON THE OCCASION OF THE BUDGET 1992-93



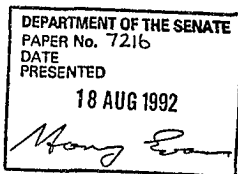
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1992-93 BUDGET PAPERS

Budget Speech

- No. 1 Budget Statements 1992-93
Contains detailed information on the Budget figuring and measures, an historical perspective and explanatory material on the broader economic context.
- No. 2 The Commonwealth Public Account 1992-93
Contains information relating to the Consolidated Revenue Fund (including the Appropriation Bills Nos 1 and 2 and Appropriation (Parliamentary Departments) Bill), the Loan Fund and the Trust Fund.
- No. 3 Portfolio Program Estimates 1992-93
Presents an analysis of appropriations, outlays and staffing for each portfolio in program format.
- No. 4 Commonwealth Financial Relations with other levels of Government 1992-93
Provides information on Commonwealth financial relations with the States, Territories and local government, and on budget developments in the State/local sector.

1992-93 BUDGET RELATED PAPERS

- No. 1 Government Securities on Issue at 30 June 1992
Provides data on Commonwealth Government securities on issue on behalf of the Commonwealth, the States and the Territories.
- No. 2 National Income and Expenditure 1991-92
Gives estimates of gross domestic product, gross national expenditure and national income for the last five years.
- No. 3 Income Tax Statistics 1990-91 Income Year
Contains a summary of certain income tax data for individuals, companies and superannuation funds for the income year 1990-91.
- No. 4 Australia's Overseas Aid Program 1992-93
Details Australia's overseas aid programs.
- No. 5 Women's Budget Statement 1992-93
An assessment of the impact on women of the 1992-93 Budget.
- No. 6 Science and Technology Statement 1992-93
Provides a major policy statement, *Developing Australian Ideas*, and a statement outlining Commonwealth's support for science and technology with a particular focus on major Commonwealth research agencies and programs supporting research-related activities.
- No. 7 Social Justice for Indigenous Australians 1992-93
Outlines Commonwealth programs and services for Aboriginal and Torres Strait Islander people.
- No. 8 Health Care for all Australians: 1992-93 Reforms
Describes Medicare and health-related 1992-93 reforms across hospitals, primary health and aged care intended to build an integrated health system based on access, efficiency and quality.
- No. 9 Program Performance Statements
20 Volumes—Presents details of 1991-92 expenditure and estimates for 1992-93 on a program basis and relates these figures to program performance. (These documents are available from individual departments after the budget.)
- Report of the Auditor-General
A report on the Financial Statements prepared by the Minister for Finance for the year ended 30 June 1992.
(This document is to be released in November 1992.)

BUDGET STATEMENTS

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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 revenue, the sign in front of the 'change' reflects the impact of the change on the aggregate concerned, except where otherwise stated. For Statement 3, however, see the style convention notes on page 3.3.
- (c) For the budget balance, a negative sign indicates a deficit while no sign indicates a surplus. For Statement 7, however, the ABS sign convention is used where a negative sign indicates a surplus.
- (d) The following notations are used:

NEC/nec	not elsewhere classified
-	nil
..	not zero, but rounded to zero
na	not applicable (unless otherwise specified)
\$m	\$ million
\$b	\$ billion

Budget Statements 1992-93 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 1 — SUMMARY OF THE 1992-93 BUDGET AGGREGATES

The budget deficit for 1992-93 is estimated at \$13389m compared with \$9339m in 1991-92.

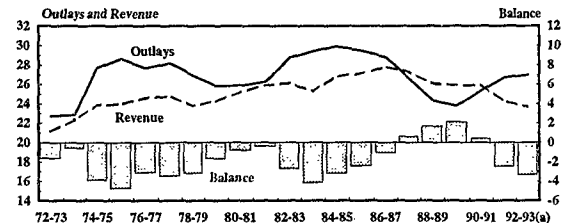
The increase in the deficit in 1992-93 reflects: the effects of the recession on revenue; the slow recovery in employment that is contributing to growth in a number of outlays including unemployment benefits; and increased spending in priority areas, particularly on employment-related programs. The major budget aggregates for 1992-93, together with comparable figures for 1991-92, are shown below.

Table 1: Summary of the 1992-93 Budget Aggregates

	1991-92			1992-93		
	Actual \$m	Change on 1990-91 \$m	%	Estimate \$m	Change on 1991-92 \$m	%
Outlays	102638	6607	6.9	109894	7256	7.1
Revenue						
Tax	87776	-5309	-5.7	90443	2666	3.0
Non Tax	5522	670	13.8	6062	540	9.8
Total	93298	-4639	-4.7	96505	3207	3.4
Balance	-9339	-11246		-13389	-4050	

The deficit for 1992-93 is estimated to be 3.3 per cent of GDP. This compares with a peak budget deficit of 4.1 per cent of GDP in 1983-84 when the economy was also emerging from recession. As the recovery gathers strength, the budget deficit is expected to move slowly back towards balance. Chart 1 shows trends in budget outlays, revenue and the budget balance since the early 1970s.

CHART 1. BUDGET AGGREGATES
Percentage of GDP



(a) Budget estimate

OUTLAYS

In 1992-93, total outlays are estimated to increase by 4.1 per cent in real terms. As a percentage of GDP, outlays will rise to 27.0 per cent in 1992-93 from 26.7 per cent in 1991-92 — still significantly below the levels of the mid-1980s.

As indicated in Table 4 of Statement 3, policy decisions taken since the 1991-92 Budget — both before and in this Budget — have increased outlays in 1992-93 by a net \$3554m. The stimulus in 1992-93 from these decisions has largely been directed towards expanding public sector infrastructure and assisting the unemployed through expanded labour market and training programs. These measures should contribute to higher productivity and increase the capacity of the economy to achieve high and sustainable economic growth rates in the years ahead.

Overall, the cost in 1992-93 of measures announced in the two major economic statements in 1991-92, the youth initiatives announced by the Prime Minister on 27 July 1992 and measures included in the employment package in this Budget amounts to \$2678m. This accounts for 2.5 percentage points of the real growth in outlays in 1992-93.

The major outlays initiatives in this year's Budget are:

Employment Package — Funding of \$1.2 billion will be provided over the next two years to expand infrastructure spending, particularly in depressed regions, and to assist the unemployed to improve workforce skills and employment flexibility through expansion of labour market and training programs.

- A new program of public works will be undertaken in partnership with local government, with \$352m to be spent over two years to provide local infrastructure and employment in regions and local government areas with higher than average unemployment.
- Building on the initiatives announced in *One Nation*, there will be additional spending of \$60m on the Road Safety Black Spot program and a further \$184m in capital funding over the next two years for government and non-government schools, universities and science infrastructure.
- Planned expenditures of \$88m in 1994-95 and 1995-96 under the Building Better Cities program and \$100m under the Commonwealth-State Housing Agreement will now take place over the next two years.
- There will also be a bring forward of planned expenditure of \$94m in the Defence portfolio over the next two years, including \$28m in additional borrowing for Defence housing.

- Funding of \$166m will be provided for additional work experience and training places under the JOBSKILLS program and \$73m under the Skillshare program over the next two years.

Assistance to Exporters — A number of measures will assist exporters to compete in overseas markets.

- Eligibility under the Export Market Development Grants Scheme has been extended so that firms which have already received support up to the current eight years limit will be entitled to assistance for a further three years where they are seeking to enter new export markets. Funding of \$75m will be provided for three years commencing in 1993-94.
- The Government will also provide a \$100m preshipment finance guarantee facility to Australian exporters of capital goods and services under the National Interest provisions of the Export Finance and Insurance Corporation Act.

Education — Tertiary AUSTUDY students will be offered the option of converting part of their normal grant to a loan of twice the value up to a maximum loan of \$4000, thus providing students with greater flexibility in arranging their financial affairs.

- Income contingent loans of up to \$2000 will also be available to tertiary students who are currently ineligible for AUSTUDY but whose parental income is less than \$50000.

Assistance to Pensioners — The base pension rate will be increased by \$6 per fortnight (\$10 per fortnight for a pensioner couple) from late January 1993 comprising a bring forward of the March 1993 indexation increase plus an above-indexation increase. These increases will apply to all pensioners, older long-term allowees and other allowees with dependents who are paid at the pension rate, with a further flow-on to Family Allowance Supplement child payment benchmarks.

In addition, Commonwealth concessions (including hearing aids and telephone allowances) will be extended to all pensioners and older long-term allowees from late March 1993.

Health — Major reforms of the health care system will be pursued through a new Medicare agreement with the States and Territories, to commence in 1993-94, aimed at improving public patient access to hospital services and improving the efficiency of the hospital system.

- Funding of \$50m will be provided in 1992-93 to reduce hospital waiting lists and an additional \$14m will provide for efficiency measures.

- Additional funding of \$1.53 billion will be made available *under the new agreement* over the five years from 1993-94 to provide much greater incentives for the provision of public patient access and to enable significant improvements in the efficiency of the hospital system.

Housing — The Government is announcing a new long-term housing strategy.

- The Community Housing program will receive additional funding of \$24m in 1992-93, rising to \$40m in 1995-96.
- Assistance for shared home ownership totalling \$48m will be provided over three years, commencing in 1993-94.
- Increased rent assistance will be available from March 1993 for low income earners renting privately, at a cost of \$71m in 1993-94. Higher maximum rates of assistance will apply for some recipients, with amendments to eligibility criteria to target better the program to those with the highest need.

Environment — An additional \$107m will be provided over the next four years to foster ecologically sustainable development and address climate change issues. The Government will seek to integrate more fully economic and environmental decision-making in cooperation with the States and Territories and in consultation with industry, conservation groups and unions.

Compliance Measures — Measures designed to reduce fraud and abuse of the social security system will be reinforced through more extensive use of data matching and other improvements in review arrangements. Savings from these measures are approximately \$75m in 1992-93 rising to over \$290m in 1995-96.

Details of the 1992-93 outlays estimates, forward estimates for 1993-94 to 1995-96, the 1991-92 outcome and an historical overview are in Statement 3.

REVENUE

In 1992-93, total budget revenue is estimated to increase by 3.4 per cent, an increase of 0.5 per cent in real terms.

Revenue collections have been particularly affected by the recession — both in terms of lagged effects from subdued income growth and from continued relatively slow economic recovery. The lagged effects are especially evident in company tax collections. There is also the effect on excises of continuing reductions in the consumption of tobacco and alcohol, as well as the trend to more fuel efficient motor vehicles. As a percentage of GDP, revenue in 1992-93 is estimated to amount to 23.7 per cent compared with 24.2 per cent in 1991-92 — the lowest ratio since 1973-74.

The major revenue measures in this year's Budget are:

Medicare Levy — An increase in the rate of the Medicare levy by 0.15 percentage points to 1.4 per cent from 1 July 1993 will provide an estimated increase in revenue of \$300m in 1993-94.

Tobacco Excise — An increase in excise on tobacco products of \$5 per kilo is estimated to provide additional revenue of \$80m in 1992-93.

Fringe Benefits Tax (FBT) — Exemptions of car parking benefits from FBT will be removed as from 1 April 1993 and will provide an increase in revenue of \$120m in 1993-94.

Research and Development (R&D) Tax Concession — The rate of concessional write-off for eligible R&D will be maintained at 150 per cent, instead of reducing it to 125 per cent from the 1993-94 income year as previously announced. A number of other changes to R&D tax concessions have also been announced.

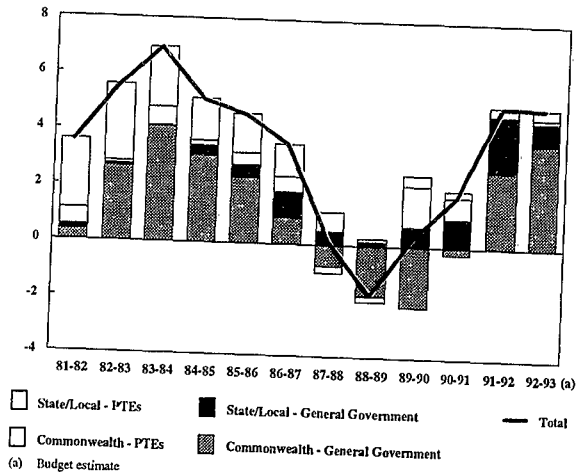
Details of the 1992-93 revenue estimates, the 1991-92 outcome and an historical overview are in Statement 4.

FINANCING REQUIREMENT

The Commonwealth budget deficit of \$13.4 billion implies a gross financing requirement (allowing for maturing debt and net payments associated with Government Business Enterprise superannuation) of \$18.5 billion in 1992-93. The ratio of the Commonwealth budget sector's total debt outstanding to GDP is expected to be about 18 per cent at end-June 1993, well below the recent peak of 26.3 per cent at end-June 1986. Details are in Statement 5.

As shown in Chart 2, the public sector overall is expected to be a substantial net borrower in 1992-93. The call on savings by the public sector remains virtually unchanged, reflecting a larger Commonwealth deficit offset by lower borrowings by the States. Net public sector borrowings can be expected to decline as the recovery gathers strength. Further details on the public sector as a whole are in Statement 6 and on the Commonwealth sector in Statement 7. Classification principles underlying the presentation of the Budget are detailed in Statement 8.

CHART 2. PUBLIC SECTOR BORROWING
Percentage of GDP



STATEMENT 2 — ECONOMIC CONDITIONS, POLICY AND PROSPECTS

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BUDGET STATEMENT 2

PART I: RECENT DEVELOPMENTS

OVERVIEW

A recovery in the Australian economy commenced during 1991-92 but it was moderate and uneven (Chart 1).

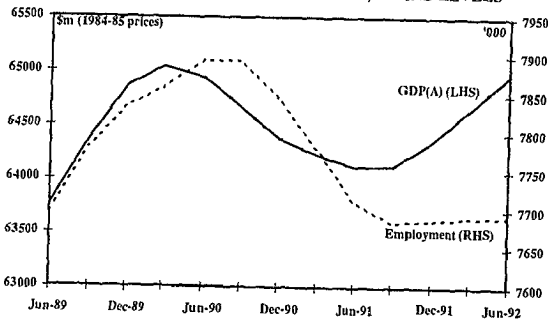
- GDP(A)¹ increased by 1.6 per cent through the year. Because activity was falling through the previous year, year average growth in 1991-92 reached only 0.4 per cent.
- The labour market was slow to respond to the recovery in output. The level of employment stabilised as economic growth resumed but the unemployment rate continued to rise to around 11 per cent by the end of the year.
- CPI inflation through 1991-92 fell to 1.2 per cent — the lowest rate recorded since 1964. Inflation expectations also fell to record lows. Together these factors allowed interest rates to fall to their lowest levels since the early 1970s.
- The current account deficit (CAD) declined sharply to 3.1 per cent of GDP. With the balance of trade on goods and services moving into surplus for the first time since 1979-80, the cost of servicing external liabilities accounted for all of the CAD.

The recovery was weaker than expected at budget time. This reflected the drought, a more subdued international economic environment and continued fragile business confidence.

As expected, domestic factors underpinned the recovery. During 1991-92, private consumption strengthened and there were contributions to growth from the stock cycle, public final demand and the recovery in housing. However, business investment continued to decline, with non-residential construction particularly weak.

Performance by industry sectors was mixed. Output in most sectors, including manufacturing, began to recover in the second half of 1991-92. However, a few areas such as construction and finance, property and business services continued to contract. In addition, there were very substantial regional differences in activity and employment outcomes.

CHART 1: GDP(A) AND EMPLOYMENT, TREND LEVELS



Employment in trend terms was flat through much of 1991-92. The unemployment situation at the end of the year is made more difficult to assess by the sharp and surprising increase in the participation rate and employment in the June and July 1992 labour force data.

Policy responded during the year to the weakness of the recovery. Additional expenditures of over \$300m were announced in November 1991. The February 1992 *One Nation Statement* announced a much larger package of measures to boost the recovery process together with structural reforms in a number of key areas. Official short-term interest rates were also lowered significantly during the year, consistent with the marked improvement in the inflation outlook.

The recovery is expected to gather pace over 1992-93. In particular, business investment will start to recover and no longer act as a significant drag on growth. However, growth will still be moderate compared with past recoveries, reflecting the subdued world economic outlook.

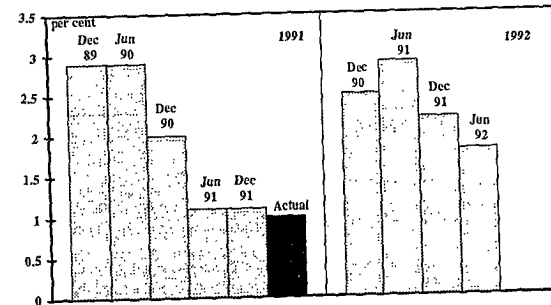
Favourable developments for sustained economic expansion include low inflation and interest rates, better underlying profitability, improved international competitiveness and a renewed focus on productivity improvements. These will also help in addressing the high levels of external debt. The pace of economic recovery will depend importantly on world economic developments and the rate at which business confidence improves as the effects of the asset price cycle unwind.

INTERNATIONAL ECONOMIC CONDITIONS

The rate of growth of Australia's major trading partners in 1991-92 was more subdued than expected. During the year, growth projections by the IMF, OECD and virtually all major nations were progressively reduced and the expected strengthening in activity was delayed (Chart 2).

The general weakness in the world economy in 1991-92 reflected subdued confidence arising from continued uncertainty on a number of fronts and the consequences of asset price deflation in several industrial countries.

CHART 2: REVISIONS TO OECD COUNTRIES GROWTH FORECASTS FOR 1991 AND 1992

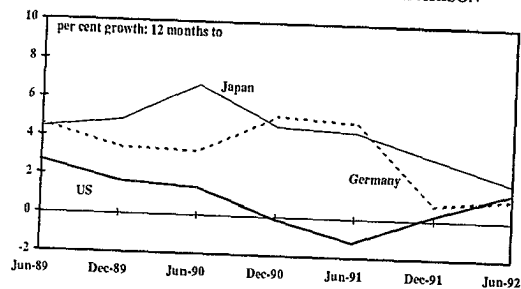


Among the larger countries, growth in Japan and Germany eased in 1991-92 and there was only modest growth in the United States (Chart 3).

- The pick-up in United States' growth from around the middle of 1991 failed to consolidate and there were fears that the United States would enter a 'double dip' recession. Throughout the first half of 1992, the signals remained mixed.
- The Japanese economy slowed sharply in response to the effects of past tightening in monetary policy aimed at addressing a speculative 'bubble' in land and asset prices.
- The boost to demand in western Germany from unification waned in 1991 and domestic demand pressures were curtailed by tax increases introduced to help meet the cost of unification. Monetary policy also was progressively tightened in an effort to curtail inflation pressures.

Economic growth in Asia (excluding Japan) slowed marginally in 1991-92 but was still around 5 percentage points higher than the average for the OECD countries. Taiwan, Hong Kong and China grew more rapidly than in the previous year, mainly as a result of the development of southern China.

CHART 3: INTERNATIONAL GROWTH COMPARISON



The unemployment rate in the OECD area as a whole rose from 6 per cent in the first half of 1990 to an estimated 7½ per cent in the first half of 1992 — the highest rate since 1986. The unemployment rate in OECD Europe is now above 9 per cent.

World trade recovered in the second half of 1991, despite continuing weakness in OECD activity. Non-OECD import demand grew strongly in 1991 reflecting post-war reconstruction in the Persian Gulf as well as strong growth and restructuring in the Asian economies.

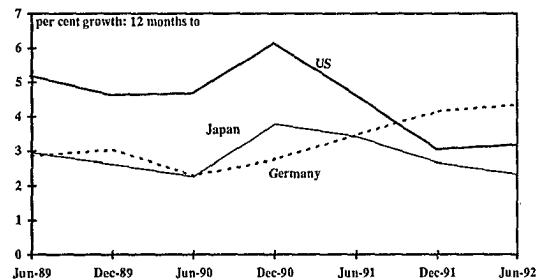
Importantly for Australia, commodity prices remained weak in the face of subdued activity and high stock levels.

The varying economic circumstances in the larger countries resulted in some difference in policy priorities. The United States gave more weight to stimulating activity, while in Germany (which was experiencing an uncharacteristic acceleration in inflation) the main priority was lowering inflation.

Inflation eased in nearly all OECD countries during 1991-92 reflecting the weakness in activity and moderation in wage costs and in oil and commodity prices. The notable exception was Germany where consumer prices rose in response to higher wages and indirect tax increases (Chart 4). Inflation increased in most of the Asian economies as capacity constraints emerged after prolonged periods of rapid growth.

In broad terms, the monetary authorities in the OECD countries remained committed to consolidating the gains made in lowering inflation. At the same time, some countries (where activity had been subdued for some time) were taking monetary policy action to support the early signs of recovery.

CHART 4: INTERNATIONAL CPI COMPARISON



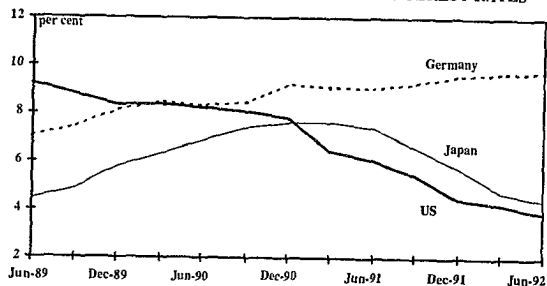
Declines in inflation and inflation expectations allowed for a general cautious easing in short-term interest rates in a number of OECD countries during 1991-92 (Chart 5). Official interest rates were reduced progressively in the United States in response to concern about the pace of recovery. Consumers and businesses appeared to have responded very slowly to lower interest rates, particularly in economies with high debt levels.

Longer-term interest rates also generally fell during 1991-92. Some of the biggest declines were in Canada, New Zealand and the United Kingdom which (like Australia) appeared to be making progress in reducing inflation from previously high levels. As in most other countries, however, long-term rates generally fell by less than short-term rates.

- In the United States, interest rate cuts appear to have only slowly and moderately affected activity as consumers and businesses reduced their debts and financial institutions adjusted their balance sheets. Confidence remained subdued.
- The Bank of Japan eased monetary policy during the year. The Bank's actions were constrained, however, by slow progress in lowering inflation, concerns over a depreciation of the yen and fears of renewed asset price pressures.

- The outlook for Germany and for the other countries of the European Monetary System was clouded by the consequences of increases in interest rates in Germany as it struggled to adjust to unification and the related increase in inflation pressures.

CHART 5: INTERNATIONAL SHORT-TERM INTEREST RATES



Budget deficits as a share of GDP increased in nearly all OECD countries reflecting in part the downturn in economic activity. In Germany, the public sector deficit is estimated to rise to around 6 per cent of GNP in 1992, reflecting the additional budgetary pressures of unification.

Japan and, to a lesser extent, the United States moved to ease fiscal policies in order to boost growth against the background of concerns that monetary policy might not have done enough to stimulate recovery. Few countries were in a position to provide a fiscal stimulus as large as in Australia because of deteriorations in their budget positions in the late 1980s.

- Japan was generally considered to be the only large OECD economy with the scope to take significant budgetary action because of its sound underlying fiscal position. The Japanese Government is expected to implement further stimulatory measures later in 1992, within the budgetary constraints imposed by the demands of a rapidly ageing population.
- The United States' federal budget deficit is expected to be some 6 per cent of GDP in fiscal year 1992 compared with under 3 per cent in the early 1980s.

DOMESTIC DEVELOPMENTS

1991-92 Budget Forecasts and Preliminary Outcomes

Forecasts over recent periods have underestimated both the strength of activity in the upswing of the cycle in the late 1980s and the severity of the subsequent downturn. As discussed in last year's Budget Statement 2, a key factor in explaining this result is the much greater than expected influence of the recent severe asset price cycle on the real economy.

Experience with official forecasts was similar to that of other Australian forecasters and also forecasts for the international economy (Box 1 — Domestic and International Forecasting Experience).

The 1991-92 recovery in domestic activity was also more subdued than expected.

The 1991-92 Budget papers forecast a moderate recovery during 1991-92 but not sufficient to prevent the unemployment rate from rising (Table 1). Little change was expected in domestic final demand — with rises in consumption, dwelling investment and public demand being almost totally offset by falls in business investment. A significant contribution to growth was expected from net exports and a lesser contribution from the stock cycle. Further progress was expected in reducing inflation and the CAD.

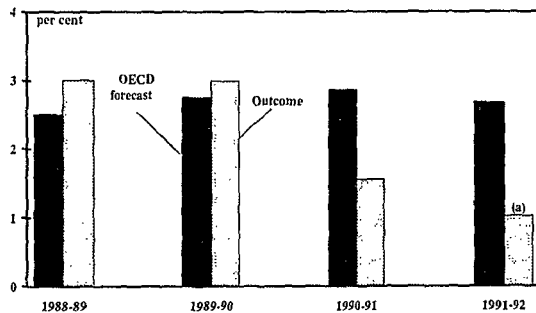
While the composition of growth was broadly as expected, overall growth was weaker. A number of developments emerged during the year to constrain growth.

- The severity of the drought became far more apparent in the first half of 1991-92. The drought directly detracted 0.4 percentage points from GDP growth and somewhat more when the indirect effects are taken into account.
- As noted above, the international economy was weaker than had been expected by key international institutions.
- Partly related to the more subdued international outlook, business confidence remained weak.

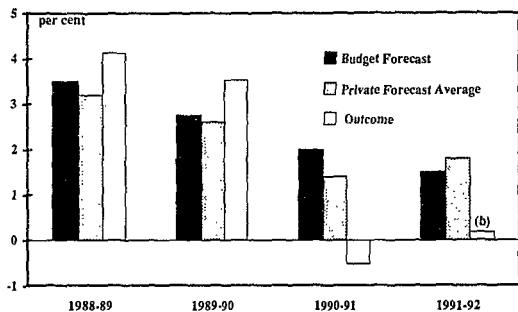
These developments delayed and weakened the pace of recovery.

BOX 1 — DOMESTIC AND INTERNATIONAL FORECASTING EXPERIENCE

Panel A: OECD Forecasts of Growth in OECD Countries



Panel B: Australian Growth Forecasts



(a) Expected outcome
 (b) Based on GDR(I), which grew by 0.2 per cent in 1991-92. GDP(A) grew by 0.4 per cent.

The Treasurer released revised forecasts for 1991-92 in January 1992. These forecasts were updated in *One Nation*.

Table 1: 1991-92 Forecasts and Outcomes

	Budget Forecast	One Nation Forecast	Outcome
(per cent change on 1990-91)			
Private Final Demand:			
Consumption	1 ¼	2	2.4
Investment	-6	-6 ½	-11.8
Public Final Demand	1 ¾	1 ¾	2.9
Domestic Final Demand	¾	¾	0.2
Increase in Stocks (a)	¾	- ½	-0.1
GNE	¾	-1	-0.8
Imports	-1 ¼	1 ¼	4.4
Exports	5 ¼	6	9.3
Net Exports (a)	1 ¼	1	1
GDP(I) (b)	1 ½	0 (¾)	0.2 (0.4)
Current Account Balance (c)	-3 ½	-3 ¾	-3.1
Employment	-1 ¾	-1 ¾	-1.6
Unemployment Rate (per cent)	10 ½	10 ½	10.4
Inflation (d)	3	2 ¾	1.9

(a) Contribution to growth.
 (b) GDP(A) figure in brackets. There was no forecast of GDP(A) at budget time.
 (c) As a percentage of GDP.
 (d) As measured by the Consumer Price Index.

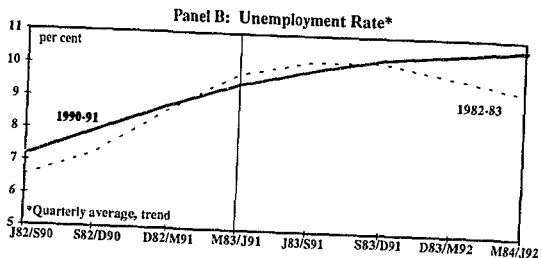
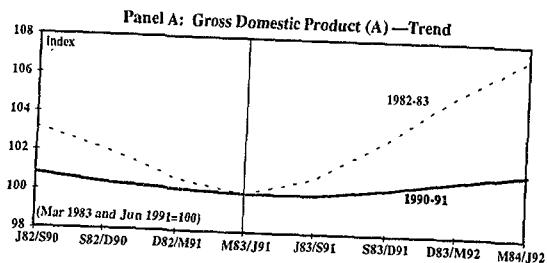
Recovery in Demand

After bottoming at the end of 1990-91, the economy grew in each quarter of 1991-92 but the pace was subdued relative to past cycles (Box 2 — Paths of Recovery from the 1982-83 and 1990-91 Recessions).

The recovery was also uneven. While most expenditure aggregates contributed to growth, business investment continued to decline and net exports weakened (Chart 6).

- Private consumption proved surprisingly resilient to the weak labour market and increased steadily through the year.
- Despite restrained nominal wage increases and some decline in employment, real household disposable incomes increased, supported by higher cash benefits, lower inflation and lower provisional tax payments. The household saving ratio increased.
- Public sector spending rose in 1991-92.
- Most of the growth occurred in public consumption.

BOX 2 — PATHS OF RECOVERY FROM THE 1982-83 AND 1990-91 RECESSIONS



• The 1991-92 recovery was much slower than experienced after the 1982-83 recession (Panel A). In part, this reflects the quite different international economy and the fortunes of the farm sector.

— OECD economies grew by 4.4 per cent in 1983-84 compared with an estimated 1.0 per cent in 1991-92.

— The farm sector contributed 1.5 percentage points to growth in the four quarters after the 1982-83 recession. Over 1991-92, the farm sector detracted 0.4 percentage points from growth.

• The unemployment rate followed a broadly similar pattern in both recessions in the six months after the trough in activity (Panel B). After that time, trends in the unemployment rates diverged.

(continued over)

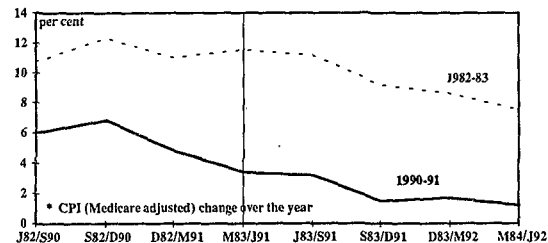
• Inflation fell during the 1990-91 recession before stepping down again through the early stages of recovery. While inflation also fell early in the recovery from the 1982-83 recession, it remained at much higher rates than now (Panel C).

• As a proportion of GDP, the CAD was not greatly different during 1991-92 than in the period following the 1982-83 recession (Panel D). However, the composition of the CAD changed dramatically.

— In 1982-83, the deficit on goods and services and the cost of servicing external liabilities each accounted for around one-half of the CAD. In 1991-92, the balance on goods and services was in surplus and the cost of servicing external liabilities accounted for the entire CAD.

— Net external debt as a proportion of GDP was 13.6 per cent in 1982-83 compared with 38.6 per cent in 1991-92.

Panel C: Inflation*



Panel D: CAD as a Proportion of GDP

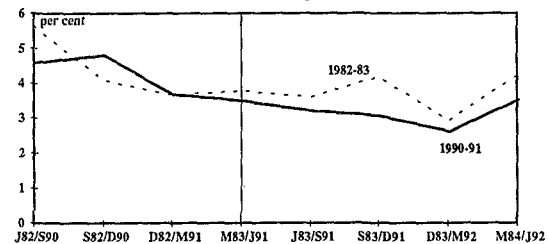
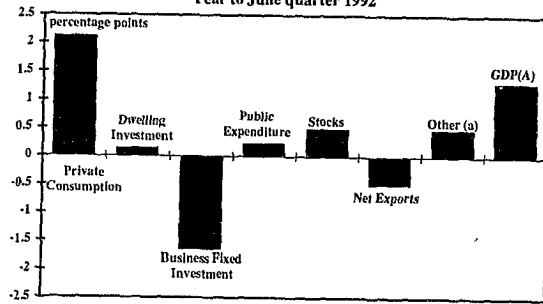


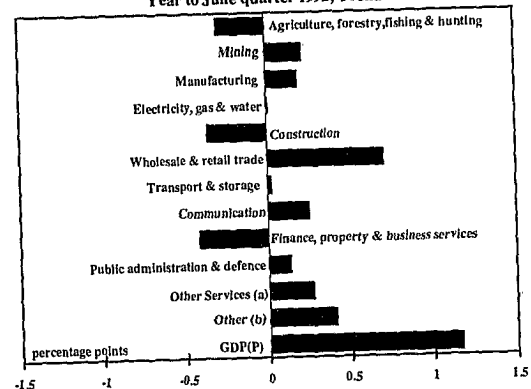
CHART 6: CONTRIBUTIONS TO GROWTH IN GDP(A) TREND
Year to June quarter 1992



(a) Real estate transfer expenses and the discrepancy between GDP(E) & GDP(A).

- The dwelling sector began to recover.
 - Housing affordability reached its highest level since 1985 as mortgage interest rates fell.
- Stocks added to growth.
 - However, the contribution to growth from stocks has been less than in previous recoveries. The ratio of stocks to sales has fallen over the past decade reflecting more cost effective stock holding methods.
- Business investment continued to decline, detracting significantly from growth.
 - The decline in plant and equipment investment moderated towards the end of the year.
 - The decline in non-dwelling construction was particularly marked reflecting the large oversupply of office accommodation.
- Net exports detracted from growth through 1991-92.
 - Imports rose more quickly than exports through 1991-92 as imports responded to the increase in domestic demand and as export growth slowed from the rapid pace of late 1990-91. Import growth in particular was higher than expected. In year average terms exports increased more than imports.

CHART 7: CONTRIBUTIONS TO GROWTH BY INDUSTRY SECTORS
Year to June quarter 1992, Trend



(a) Community Services and Recreation, personal and other services.

(b) Ownership of Dwellings and Import duties less Imputed bank service charge.

A feature of the economy in 1991-92 was the marked differences in performance by industry sectors as reflected in contributions to overall growth (Chart 7) and by State (Box 3 — State Indicators of Activity).

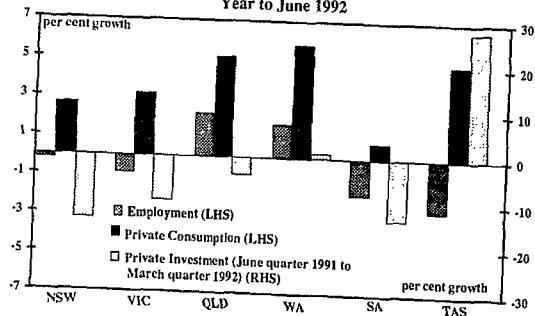
- Agricultural output contracted sharply as a result of the drought.
- Finance, property and business services continued to contract as employment levels were further rationalised following rapid expansion in the 1980s.
- Construction continued to decline with further falls in non-dwelling construction outweighing the impact of the housing recovery.
- Wholesale and retail trade and some other service industries recorded strong growth.
- Manufacturing began to recover in the second half of 1991-92.
 - The textile and transport equipment industries contributed to the improvement in manufacturing.
- There were marked regional disparities — with QLD and WA experiencing the strongest economic recoveries.

BOX 3 — STATE INDICATORS OF ACTIVITY

The pace of activity varied considerably across the States during 1991-92.

- Employment growth resumed in QLD and WA but employment in VIC, SA and TAS fell quite sharply (see Chart below).
 - By end 1991-92, WA and QLD employment had recovered to roughly their earlier peaks of mid-1990.
 - Employment in the other States remained well below July 1990 levels: VIC by 6½ per cent; TAS by 5 per cent; SA by 4 per cent; and NSW by 1¼ per cent.
- Private consumption recovered in all States, although SA remained very weak.
 - Private investment in the nine months to March 1992 fell heavily in NSW, SA and VIC.
 - Private investment jumped sharply in Tasmania.
 - Housing sector activity picked up in all States.

State Economic Indicators
Year to June 1992



The Balance of Payments

The CAD improved significantly in 1991-92 (Chart 8).

- For the first time since 1979-80, the balance on goods and services was in surplus.
- The current account remained in deficit, however, owing to the cost of servicing the high level of external liabilities built up during the 1980s. As a result, net external liabilities continued to rise, both in dollar terms and as a proportion of GDP.

CHART 8: CURRENT ACCOUNT AND COMPONENTS
(As a per cent of GDP)

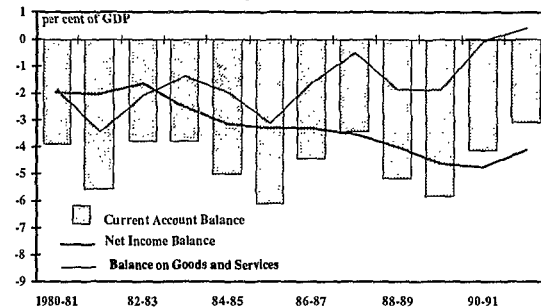
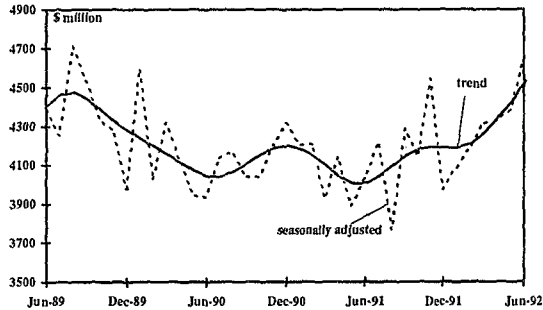


Table 2: Components of the Current Account

	1990-91 \$b	Percentage Change	1991-92 \$b	Percentage Change
(Current Prices)				
Exports	52.2	7.4	54.9	5.2
Imports	-49.3	-3.4	-51.0	3.5
Net Services	-3.0	-31.4	-2.3	-25.2
Balance on Goods and Services	-0.1	1.6	1.6	
Net Income	-18.0	5.3	-15.8	-12.2
Net Unrequited Transfers	2.5	6.0	2.3	-8.0
Current Account Balance	-15.6	-27.6	-11.9	-24.1
Current Account Balance/GDP	-4.1%		-3.1%	
As at end June:				
Net External Debt	137.2	6.2	148.5	8.2
Net External Debt/GDP	36.3%		38.6%	

BOX 4 — MERCHANDISE TRADE

Panel A: Merchandise Imports
Current Prices



Panel B: Merchandise Exports
Current Prices

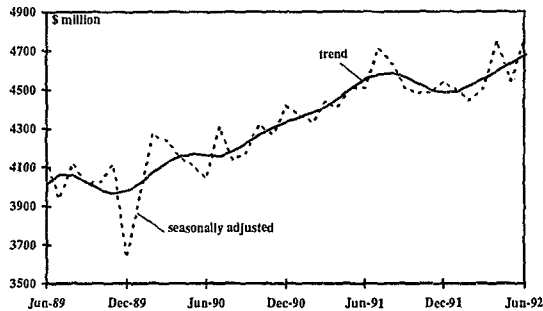


Table 2 shows the main components of the CAD in 1990-91 and 1991-92.

- Despite the drought, rural export volumes improved principally because of a sharp increase in wool exports. Growth in non-rural export volumes slowed following a strong pick-up in 1990-91. The volume of manufactured exports continued to grow strongly.
- The volume of imports of goods and services grew more quickly than domestic demand but more slowly than exports.
 - In particular, the trend growth in the value of merchandise imports increased in the second half of 1991-92 (Box 4 — Merchandise Trade).
- Australia's terms of trade declined a little further in 1991-92 mainly because of falling prices for bulk commodity exports as world economic growth slowed.
- Lower interest and dividend remittance payments on Australia's external liabilities contributed to the lower CAD.
- The stock of external liabilities, including external debt, continued to increase mainly owing to capital transactions associated with the financing of the (smaller) CAD.
 - The composition of net capital inflow shifted in 1991-92 with debt once again exceeding equity investment. The rise in debt financing reflected increased overseas borrowing by the public sector.

Labour Market Conditions

The labour market was very weak throughout 1991-92. Although employment levels were relatively stable, unemployment continued to increase.

- In trend terms, employment remained about 2½ per cent below the peak recorded in mid-1990 (Chart 1).
 - Only two States recorded increases in employment (Box 3 — State Indicators of Activity).
 - The employment ratio (employment as a proportion of the population aged 15 and over) declined noticeably after peaking in mid-1990. However, the employment ratio remained at a higher level than in 1982-83 (Box 5 — Labour Market, Panel A).

- Participation rates fell again in 1991-92 in response to the employment situation but remain well above the levels of the early 1980s (Box 5 — Labour Market, Panel B).

- The unemployment rate rose through 1991-92, reaching 11.1 per cent in seasonally adjusted terms in June 1992 and 10.8 per cent in trend terms.

- After earlier sharp falls, job vacancies were relatively flat throughout the year.

The most important influences on employment are usually changes in output and labour costs.

- As would be expected, the decline in output during the recession had the greatest single impact on employment.

- Wage inflation fell later than price inflation, leading to some increase in real wages, but this would have had a much smaller effect on employment than the 1982-83 recession which followed a sharp increase in real unit labour costs.

Structural change in the economy can also affect the labour market. Structural change is a very broad concept and encompasses changes in industry composition (for example, in response to changing consumer tastes or trade patterns), efficiency improvements initiated by firms and structural reforms stemming from changes in government policy.

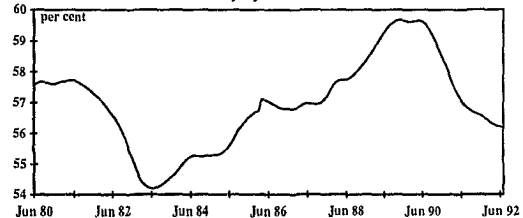
- Given the increased competitive pressures of recent years and in prospect, many firms are re-organising their operations to increase efficiency. While this often can involve some initial dislocation, longer term viability is enhanced — including the ability to grow faster and support employment growth.

- There is considerable uncertainty about the extent to which structural change has affected employment during the recent downturn — especially compared with previous downturns — but many firms report that this has been a significant factor in changing employment.

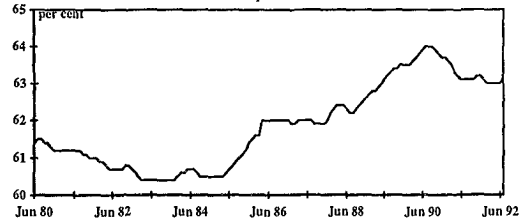
What is clear, however, is that businesses will continue to give emphasis to improving efficiency in an increasingly competitive world environment. This may result in a slow initial employment response during the current recovery.

BOX 5 — LABOUR MARKET

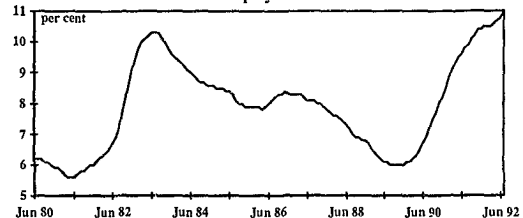
Panel A: Employment Ratio —Trend



Panel B: Participation Rate —Trend



Panel C: Unemployment Rate —Trend



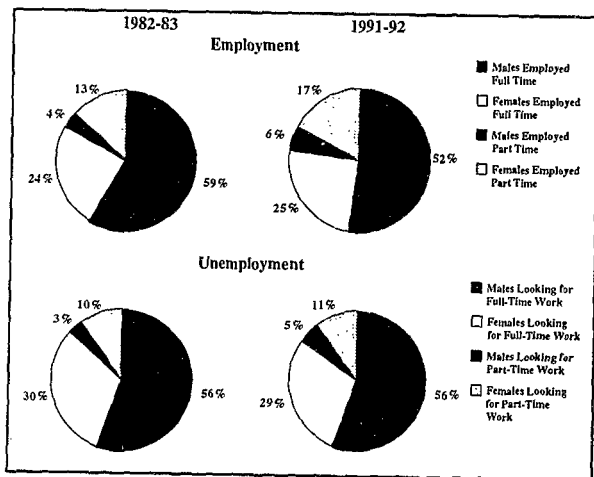
The weakening in the labour market since mid-1990 has impacted unevenly.

- Since the peak in employment in mid-1990, total employment has fallen by around 2½ per cent.
- Full-time employment has fallen by about 6 per cent.
- But part-time employment has risen by around 10 per cent.

This continuing trend towards part-time employment has not been reflected in the job search activity of the unemployed.

- The proportion of the male unemployed seeking full-time work has remained unchanged since 1982-83, while the proportion of male full-time jobs has fallen significantly (Chart 9).

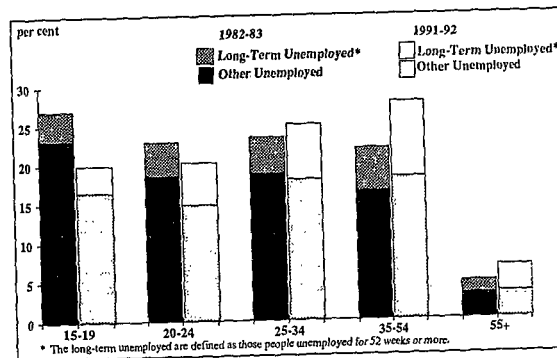
**CHART 9: COMPOSITION OF EMPLOYMENT AND UNEMPLOYMENT
1982-83 AND 1991-92**



There are some important differences in the structure of unemployment compared with the 1982-83 recession (Chart 10).

- A higher proportion of the unemployed is now concentrated in the middle-aged groups, with teenagers, conversely, accounting for a significantly smaller proportion.
- The average duration of unemployment is also much longer for these middle-aged groups particularly when compared with that of younger, unemployed persons.

**CHART 10: UNEMPLOYMENT BY AGE GROUP
Per cent of Total Unemployment**

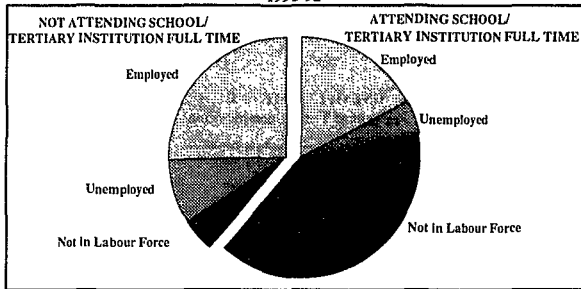


The rate of unemployment is highest among teenagers but the special characteristics of the teenage labour market need to be borne in mind (Chart 11):

- around two-thirds of all teenagers are at school or university full time;
- one-third of the teenage unemployed are at school or university full time
- three-quarters of these are seeking part-time work;
- eight per cent of teenagers are seeking full-time work and are not at school or university full time; and

- teenagers have the shortest average duration of unemployment
- average duration of unemployment rises with age.

**CHART 11: TEENAGE LABOUR MARKET
1991-92**



Prices and Incomes

Inflation

Inflation fell in 1991-92 to its lowest rate since the early 1960s. This reflected a range of factors including pressures on profit margins in response to weak sales, ongoing wage restraint, very modest import price growth and reductions in mortgage interest rates.

- CPI inflation in the year to June 1992 was 1.2 per cent (Chart 12). This is the lowest inflation rate since March 1964 and compares with average inflation rates of 8-10 per cent in the 1970s and 1980s.
- The underlying rate of inflation derived by Treasury, which abstracts from a number of special factors, fell to 2.7 per cent, which is the lowest rate since the series was first constructed in 1971 (Chart 13).
- Inflation is also low by international standards (Chart 12).
- Importantly, inflation expectations have reached low levels in contrast to the experience following the 1982-83 recession (Chart 13).

**CHART 12: INFLATION RATES FOR AUSTRALIA AND
MAJOR TRADING PARTNERS**

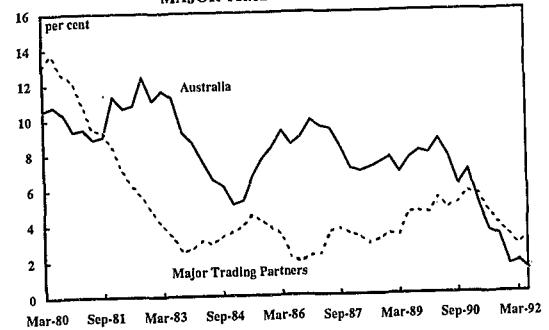
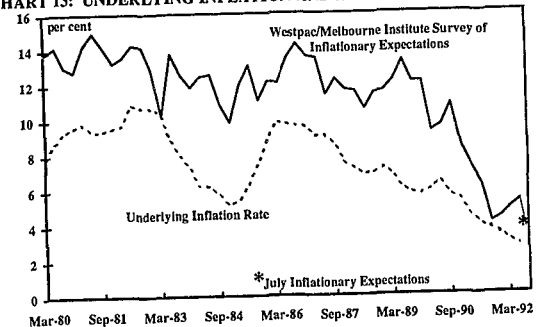


CHART 13: UNDERLYING INFLATION AND INFLATION EXPECTATIONS



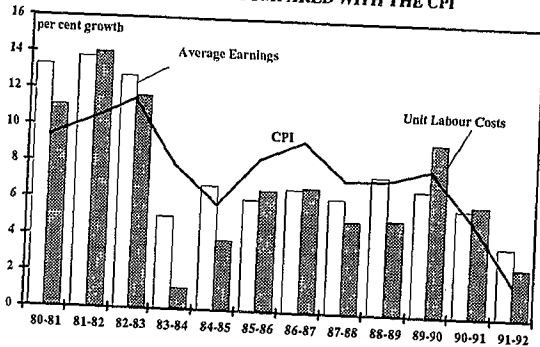
Wages and Profits

Average earnings growth has been slowing since 1988-89 (Chart 14). Nominal earnings growth in 1991-92 was the lowest experienced since the late 1960s.

- With a faster slowdown in CPI inflation, real earnings increased by 1.9 per cent through 1991-92. This was only the fourth year in the past nine in which average weekly earnings increased by more than the CPI.
- The main influence on growth in nominal wages during the year was the progressive flow-through of the 2.5 per cent National Wage Case decision of April 1991. This was supplemented towards the end of the year by wage increases negotiated as part of workplace bargaining agreements.

Growth in nominal and real unit labour costs also eased in 1991-92, with a slowing in hourly labour costs and a pick-up in labour productivity.

CHART 14: NOMINAL AVERAGE EARNINGS AND NOMINAL UNIT LABOUR COSTS COMPARED WITH THE CPI

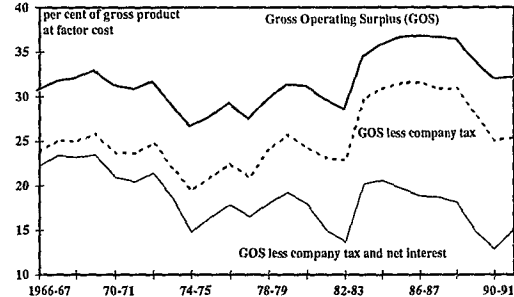


Profit shares stabilised in 1991-92 (Box 6 — Profits).

BOX 6 — PROFITS

- The profit share in the private corporate trading enterprise sector, as measured by gross operating surplus (GOS) in the national accounts, stabilised in 1991-92 after falling in the previous four years (Panel A).
 - This reflected increased labour productivity with continued wage restraint and a modest pick-up in domestic demand.
 - The gross profit share in the 1990-91 recession remained at a relatively high level compared with the 1982-83 recession.
- The GOS share less company tax and net interest, which had declined slowly over the 1980s reflecting increases in debt levels and high interest rates, fell sharply during the recession. In 1991-92, this share recovered somewhat mainly owing to lower net interest payments, corporate debt reduction programs and debt write-offs.
 - Even so, this adjusted measure remained at a low level reflecting the still high share of corporate profit being absorbed by debt servicing.

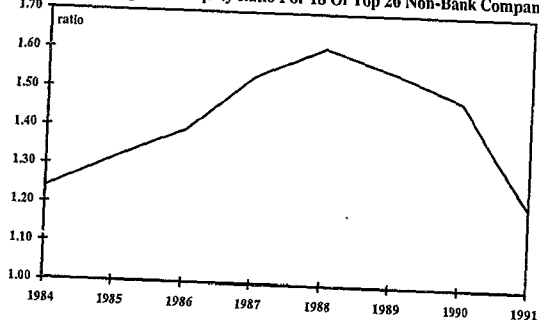
Panel A: Corporate Trading Enterprises' Profit Shares



(continued over)

- Major Australian companies increased their gearing ratios in the 1980s. More recently, the available evidence suggests there has been a significant decline in gearing ratios as companies have restructured their balance sheets — including through increased equity raisings. Overall, gearing ratios of Australian companies are modest by international standards.

Panel B: Average Debt/Equity Ratio For 18 Of Top 20 Non-Bank Companies



Policy Responses

There were significant fiscal policy initiatives to support the emerging recovery and a progressive reduction in official interest rates during 1991-92.

Fiscal Policy

Fiscal policy settings during the year provided a boost to the relatively weak economy. The Commonwealth Budget moved from a surplus of \$1.9 billion (around 0.5 per cent of GDP) in 1990-91 to a deficit of \$9.3 billion in 1991-92 (around 2.4 per cent of GDP).

The impact of the automatic fiscal stabilisers contributed significantly to the swing into deficit. Outlays rose in response to the increase in unemployment and the weak economy more generally — while receipts declined sharply reflecting the subdued economy and the lagged effects of declining incomes over 1990-91.

BOX 7 — ECONOMIC STATEMENTS IN 1991-92

Statement on the Economy and Employment — 14 November 1991

The Statement addressed the further deterioration in the labour market in the first half of 1991-92. Major initiatives were expansions of labour market programs and education and training opportunities. The Statement also included the bringing forward of infrastructure spending and industry development measures.

One Nation — 26 February 1992

One Nation aimed to provide a significant short-term boost to economic activity and, through increasing competitiveness and productivity, to increase the economy's capacity to secure sustainable growth. While the measures involved some additional expenditure in 1991-92, the major impact will be in 1992-93 and later years.

The following measures aimed to provide a more immediate boost to activity.

- A one-off payment of \$300m to families in receipt of the Family Allowance in April 1992.
- Sales tax on passenger motor vehicles was reduced from 20 per cent to 15 per cent in February 1992, with an expected cost to revenue of \$185m in 1992-93.
- Scheduled spending in 1992-93 on transport infrastructure projects of \$762m.
- The introduction of more competitive depreciation arrangements for long-lived assets, combined with a new development allowance and other changes to taxation arrangements, provided incentives for the private sector to increase investment.

The Statement also included initiatives to enhance the Government's continuing program of structural reform and boost productivity growth.

- Reforms were announced to promote greater competition in Australian industry, particularly in the aviation industry, the electricity generation and supply industry and the financial sector.
- A new system of vocational education and training, building on the existing TAFE network, was proposed and has since been agreed with the States.
- Labour market programs also were expanded to assist those most disadvantaged by the recession.
- Foreign investment policy was eased across most sectors of the economy to facilitate investment.

Additional fiscal stimulus was provided during the year through the *Statement on the Economy and Employment* in November 1991 and *One Nation* in February 1992. The major impact of *One Nation* measures will be felt in 1992-93. (Box 7 — Economic Statements in 1991-92).

Although the budgetary position of the State/local sector is affected somewhat less by cyclical factors than the Commonwealth's, subdued economic growth and the fall in asset prices also had a substantial impact on State revenues — particularly in terms of stamp duties on share and property transactions. In addition, State outlays were boosted in 1991-92 by one-off factors including the cost of support packages for some State financial institutions and by redundancy programs. This was reflected in a deterioration in the net borrowing requirement of the State sector.

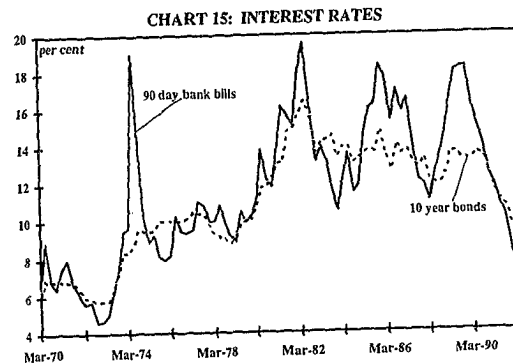
Monetary Policy

Official short-term interest rates were progressively reduced over 1991-92 with further evidence of the decline in inflation and inflation expectations and the continuing weakness of economic activity. The impact on activity of the most recent easings will continue to be felt through 1992-93.

- Short-term interest rates fell to their lowest levels since the early 1970s (Chart 15).
- Long-term yields also fell to levels not seen since the early 1970s. The decline was less than for short-term interest rates but still substantial, reflecting declining inflation expectations. Yields on ten year bonds averaged under 8½ per cent in the first half of August 1992 compared with a trading range of 12-14 per cent for most of the past decade.
- The yield curve (the difference between long-term and short-term interest rates), which had been flat for much of 1990-91, turned sharply positive during 1991-92.
- Bank indicator lending rates fell broadly in line with short-term rates during the year and special 'discount' rates were available for some categories of home mortgage and business borrowers.
- Real interest rates also fell during 1991-92 but by less than nominal rates.
- Real interest rates cannot be measured precisely. Ideally, they should be measured by adjusting nominal interest rates by expected inflation over the term of the interest rate. While various proxy measures of expected inflation can be used, these are not satisfactory beyond the short-term.

- The broad monetary aggregates showed little growth over 1991-92. Credit to the private sector declined slightly — with growth in housing credit offset by falls in business and personal credit.

- This reflected both a shift in the composition of investment towards housing and away from business expansion and the overall very low levels of investment.
- Subdued levels of new business lending were also offset by debt repayments and bank provisioning for bad debts in response to the continuing effects of the sharp asset price cycle.



Wages and Industrial Relations Policy

During 1991-92, the principal macroeconomic objectives of wages policy remained the achievement of sustainable output and employment growth. Wage restraint was maintained consistent with the subdued pace of recovery. Importantly, there was also continuing support for greater devolution of the wages system towards productivity-based workplace bargaining.

The shift towards workplace bargaining was facilitated by the Enterprise Bargaining Principle established by the Australian Industrial Relations Commission (AIRC) following its September 1991 review of the wages system (Box 8 — Industrial Relations).

A key development was the commitment made by the Government and the ACTU in August 1991 — and reaffirmed in early 1992 — to work towards wage outcomes consistent with keeping Australia's inflation rate comparable with that of our major trading partners.

Consistent with the shift to greater decentralisation of wage determination, the Industrial Relations Act was amended in July 1992 to facilitate workplace bargaining by streamlining the processing of certified agreements. That legislation was also subsequently amended to require the AIRC, in determining national wage decisions, to take into account the operation of the Superannuation Guarantee Charge (SGC).

The shift in the focus of the wages system to the workplace level and the wage-inflation commitment by the Government and the ACTU provide a basis for an orderly and stable transition towards a more decentralised wages system which promotes productivity and flexibility while maintaining appropriate aggregate labour cost outcomes. By linking wage increases to improvements in productivity, workplace bargaining can allow real wages to increase while continuing to improve competitiveness.

BOX 8 — INDUSTRIAL RELATIONS

Following a review of its wage fixing principles in September 1991, the AIRC handed down a decision which provided an avenue for workplace bargaining *via* the establishment of a new 'Enterprise Bargaining Principle'.

- The 'Enterprise Bargaining Principle' provides that, where parties enter into a workplace agreement, it should be for a fixed term and negotiation should be through a single bargaining unit in an enterprise or section of an enterprise. Any associated wage increases are to be based on measures designed to effect genuine improvements in productivity — with no further wage or salary increases for the life of the agreement, except when consistent with a National Wage Case decision.
- To date about 180 workplace bargaining agreements, covering almost 8 per cent of wage and salary earners covered by Federal awards, have been certified by the AIRC. At least this number again is believed to be under negotiation.

The relatively slow spread of workplace bargaining across the workforce to date probably reflects, in part, the current difficult economic circumstances. It also reflects the considerable preparatory work by the parties that is necessary to identify and negotiate change leading to genuine productivity improvements. New legislation in respect of certified agreements, effective from July 1992, will facilitate the transition to workplace bargaining.

- The legislative changes will enable agreements reached at the enterprise level to be registered as certified agreements provided that they do not disadvantage workers involved, contain procedures for the prevention and settling of disputes and that consultative procedures have been followed in negotiating the agreement. For agreements reached at the sectoral level, the AIRC may refuse to certify an agreement where it considers it to be contrary to the public interest.

The Government and ACTU have established a framework for the development of 'Pre-Start Industrial Agreements' in respect of 'greenfields' developments or major expansions of existing sites. These agreements regulate union and award coverage on site and aim to establish world best practice standards of management, work organisation and capital equipment.

BUDGET STATEMENT 2

PART II: SUSTAINING GROWTH

OVERVIEW

The key policy challenge is to consolidate the moderate recovery now underway and work towards securing the maximum sustainable growth in activity over the years ahead. This will enable lasting reductions in the high levels of unemployment and long-term improvements in living standards. It will require continued microeconomic reforms and macroeconomic policy actions directed at removing the obstacles to higher growth.

This challenge recognises that the international economy will continue to have a major bearing on the Australian economy. In recent years, Australia has become increasingly integrated into the international economy — as shown by the growing importance of trade to Australia, the role of international financial markets, the broadening of our export base and the increasing linkages to the fast growing Asian economies. However, by past standards, the 1990s appear likely to be a period of relatively slower international growth amongst the major developed nations — offset somewhat by continued strong growth in the Asian region — and a period of more intense competitive pressures. This international outlook presents both opportunities and challenges for Australia.

To reduce unemployment and raise living standards in such circumstances, we must improve our competitiveness, productivity and flexibility at a faster pace than our competitors. This requires better utilising Australia's existing resources and creating an environment conducive to productive investment. These are the essential factors required to underpin growth in employment opportunities and higher incomes.

Policy has a crucial role to play in providing scope for those objectives to be achieved. Ongoing microeconomic reform will improve efficiency and productivity and therefore the economy's supply potential — particularly through opening the economy to competitive pressures and through workplace bargaining. Appropriate macroeconomic policy, by ensuring a proper balance between domestic demand and supply, can help to avoid the inflation and current account pressures that can stifle growth. In this regard, as the economy recovers it will be important that the public sector returns towards balance.

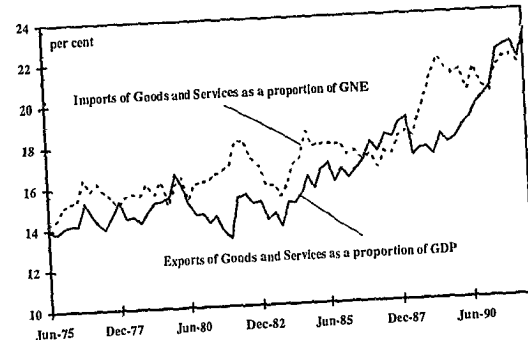
In short, a continued focus on improving productivity is central to the ultimate policy objective of higher living standards and lower unemployment. That, in turn, requires greater efficiency, higher investment and a more highly trained and effective workforce.

INTERNATIONAL DIMENSION

Australia's Increasing International Linkages

An indication of the growing internationalisation of the Australian economy in the 1980s has been the increasing importance of international trade (Chart 16).

CHART 16: EXPORT SHARE OF OUTPUT AND IMPORT SHARE OF DEMAND



By contrast to many other industrial countries, Australia's export and import volumes did not increase significantly as a proportion of GDP prior to the 1980s. This reflected an industry structure geared to the protected domestic market. Such inward orientation denied Australia the gains from greater specialisation that flow from closer integration with the world economy and prevented us from sharing more fully in the rapid increase in growth in the post-war period. Tariff reductions and progressive deregulation of product and financial markets and other microeconomic reform initiatives aimed at improving Australia's competitiveness are helping to change this situation.

A feature of the increasing importance of international trade to the Australian economy in the 1980s has been the change in both the direction and composition of trade (Charts 17, 18 and 19).

CHART 17: DIRECTION OF TRADE
Share of Australian Exports, 1980-81 and 1990-91

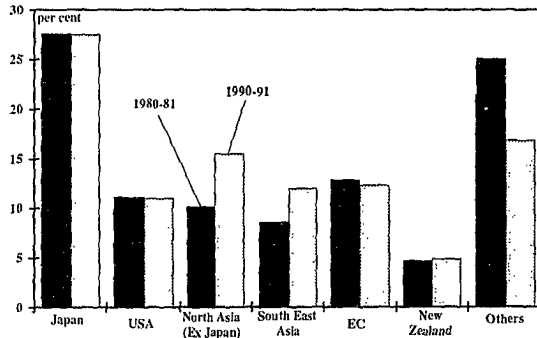
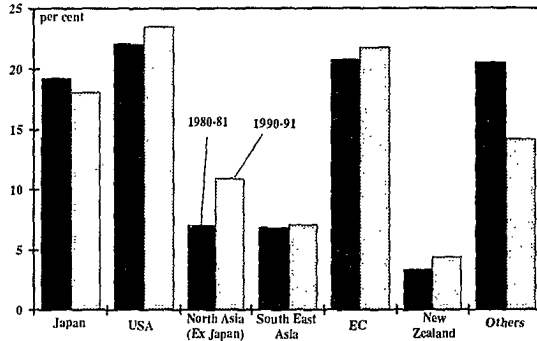


CHART 18: DIRECTION OF TRADE
Share of Australian Imports, 1980-81 and 1990-91



The increasing proportion of Australian trade with the Asian region reflects:

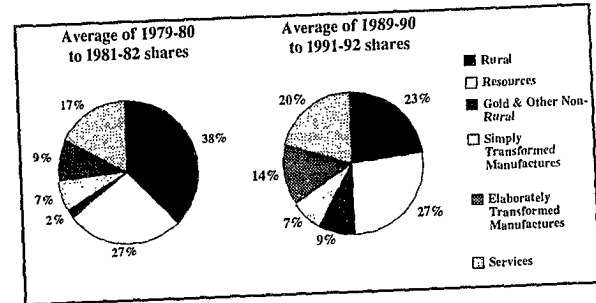
- the rapid growth of the Asian economies, opening up significant new and closer export markets

— providing outlets for the improved international competitiveness and diversification of Australian industry; and

- the high degree of complementarity between the Australian economy and the Asian region.

Australia remains predominantly a commodity exporter. However, there has been a significant broadening of the export base over the 1980s with manufactures and services accounting for about half of the increase in exports.

CHART 19: COMPOSITION OF EXPORTS



The relative importance of rural exports has declined in the past decade mainly because of the effects of weak prices and related corruption of international markets for agricultural products. The share of other commodity exports has remained broadly unchanged. In contrast, manufactured exports have grown very strongly over the same period (Box 9 — Elaborately Transformed Manufactured Exports).

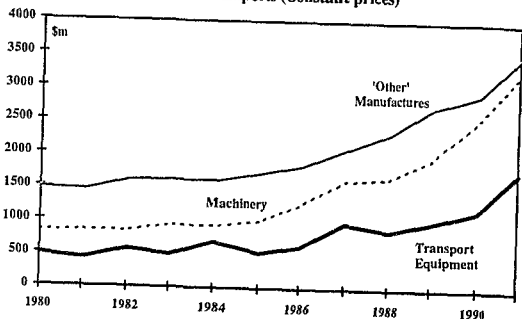
- Growth in Australia's manufactured exports, though from a low base, has been the fastest in the OECD — at around 15 per cent *per annum* in the six years to 1991, over twice the average OECD growth rate.

Exports of services have also increased quickly in recent years largely as a result of the expansion in the tourist industry but also with the development of education, health and financial services. These exports have increased on average by nearly 14 per cent *per annum* since 1986-87.

BOX 9 — ELABORATELY TRANSFORMED MANUFACTURED EXPORTS

- Australian elaborately transformed manufactured (ETM) exports grew strongly from a low base over the ten years to 1991. As a group, ETM exports have recorded the fastest growth of any export category since 1981, increasing twice as fast as minerals exports and more than five times faster than rural commodities exports.
- ETM products refer to the ABS export categories of machinery, transport equipment and 'other' manufactures. These products are generally characterised by a high level of value added processing. The significant increase in exports of these categories over the past 10 years has occurred across a range of ETM products, a number of which are shown in the table below.
- The strong growth in ETM exports is the result of a combination of developments, including greater competitiveness from growing internationalisation of the economy and increased emphasis on product quality, and greater awareness of export opportunities especially in the Asian region. The liberalisation of foreign investment policy since the mid-1980s has also assisted in further integrating Australian manufacturing into world production processes. Industry plans associated with changes to protection have encouraged increased export activity, particularly in the passenger motor vehicles and components sector.
- An increasing proportion of ETM exports has gone to the rapidly growing north and south-east Asian markets. As a result, these markets accounted for 31 per cent of Australian ETM exports in 1991 compared with 20 per cent in 1981.

Total ETM Exports (Constant prices)



(continued over)

Selected ETM Exports (Current prices)

ETM Categories	1981 \$m	1991 \$m	Average Annual Growth (per cent)
Motor Vehicles	220	1286	18
Office Machines and Computers	19	415	33
Telecommunications Equipment	27	226	22
Electrical Equipment	112	555	17
Industrial Machinery	235	799	12
Medical, Pharmaceutical and Scientific Products and Equipment	160	581	13

The diversification of Australia's export markets and the broadening of the export base are related developments.

- Between 1981 and 1988, the fastest growing market for Australian manufactured exports was north-east Asia — including the Republic of Korea, Japan and Taiwan.
- Since 1988, the south-east Asian market — including Thailand, Indonesia, Singapore and Malaysia — has been the most rapidly growing market for Australia's manufactured exports.

A major step in the process of integrating the Australian economy into the world economy was the dismantling of exchange controls and the floating of the Australian dollar in December 1983. These changes were part of a broader international trend towards removing restrictions on the movement of capital. Greater international capital mobility has meant that investors have sought the highest returns worldwide and that domestic saving and investment can move more independently of each other and remain divergent for longer periods of time. One result is that larger current account deficits have been sustained in a number of countries, including Australia, for considerably longer periods than was earlier thought possible.

- Access to overseas capital markets increased significantly in the 1980s.
 - Gross capital inflows averaged 7 per cent of GDP in the 1980s, more than double the average of the previous two decades.
- The relaxation of restrictions on overseas investment also increased the investment opportunities for Australian residents, the result being a significant increase in Australian investment abroad.

- The stock of Australian investments held abroad, which prior to financial liberalisation in 1983 was minimal, rose to around 24 per cent of GDP in the latter half of the decade.

Those larger current account deficits have resulted in a large build-up of external debt by Australia. Servicing this debt will be a considerable burden for many years to come. Importantly, these high external debt levels heighten the vulnerability of Australia to changes in perceptions by international financial markets.

The International Economy in the 1990s

International developments can have a major bearing on the Australian economy. World trade continues to grow faster than world GDP and global markets in goods, capital, services and, to a lesser extent, labour are becoming more closely integrated. This is promoting greater competition and efficiency and providing more ready access to new technology. Yet, it also increases the exposure of most countries to external influences and reduces the scope to follow substantially divergent policies. Australia is no exception.

The events of the past decade — including in particular the changes in Central and Eastern Europe and the disintegration of the Soviet Union along with the events in the Middle East — demonstrate the unpredictable nature of international developments. Major unforeseeable shocks are a feature of the international economic environment and we must be prepared to meet the resultant challenges. At the same time, a number of more predictable international trends are likely to have a major bearing on Australia's economic prospects and policies over the 1990s, particularly in the early part of the decade.

Economic Growth

The world economy slowed dramatically in 1991. The consensus view at present is that the current modest growth in the industrial economies should gather strength during 1993. However, the first half of the 1990s in particular is likely to be a period of slow growth compared with the 1980s. In part, this view reflects the belief that major industrial countries will have to deal with important structural issues that emerged in the 1980s, including the lingering effects of severe asset price cycles.

- US growth is expected to be limited by a poor investment performance and modest productivity growth in recent years — as well as pressures on domestic savings arising partly from slow progress in addressing the federal budget deficit.

- Japan's growth potential is easing as it matures as an advanced industrial economy and, in particular, may be limited by capacity constraints in the labour market. More rapid progress on structural reform and enhanced productivity will be required to offset the expected slowdown in growth of the labour force and to meet the government's objective of 3.5 per cent growth *per annum* over the next five years.
- German growth is expected to remain subdued under the influence of high interest rates and a more restrictive fiscal stance in order to address the financial burden of unification. However, there will be at least some partial offset through investment and consumer spending in eastern Germany. European growth rates are also expected to be constrained by high German interest rates and reduced capital outflows until the borrowing requirement to finance restructuring in eastern Germany is greatly reduced.
- Longer term growth prospects for the dynamic Asian economies will depend on their ability to relieve capacity constraints. The focus will need to be on infrastructure bottlenecks and labour shortages, as well as trade liberalisation and economic restructuring. The process of political reform is also providing another dimension to the task of maintaining the impressive pace of economic reform achieved in recent years. However, although many Asian economies are unlikely to grow at the double digit rates of the mid-1980s, growth is still expected to remain high by OECD standards (Box 10 — Economic Performance of Asia).

Economic Policies

The macroeconomic policies followed by the major industrial countries will help to shape the external climate Australia faces in the 1990s. Virtually all countries emerged from the 1980s with a commitment to achieve steady non-inflationary growth and to avoid repeating the experience of the asset price swings of the late 1980s. Barring unexpected commodity price shocks, the international environment in the 1990s is likely to be a period of generally low inflation with policymakers, investors and the community in general more aware of the costs of high inflation.

The focus is also likely to be on continued structural reform. This includes the privatisation or corporatisation of publicly owned enterprises and the further liberalisation of product, labour and financial markets. Another major concern among all OECD countries is the current and prospective level of unemployment, particularly long-term and youth unemployment. This will require concerted efforts towards improving the efficiency of labour markets and strengthening education and training systems. These are also issues for Australia.

BOX 10 — ECONOMIC PERFORMANCE OF ASIA

Asia, even excluding Japan, was the most dynamic region in the world economy over the past decade with an average growth rate almost three times that of the OECD area. The north-east Asian economies — China, Republic of Korea, Hong Kong and Taiwan — grew at an average annual rate of almost 9 per cent in the 1980s, while the south-east Asian economies — Singapore, Indonesia, Malaysia, the Philippines and Thailand — grew by about 4 per cent *per annum*.

The Asian economies were largely insulated from the recent downturn in world economic activity, particularly the recession in the United States, by a number of factors. Importantly, domestic demand has become the main source of growth in the Asian economies. In addition, they have reduced their dependence on the United States market by switching their exports to Europe and the Middle East, and developing closer trade links within the region itself. During the 1980s, the Asian economies also became more outward-looking, while the OECD area as a whole became more protective.

While the majority of the Asian economies has maintained high growth compared with the OECD area, a number have slowed from the double digit growth rates recorded in the mid-1980s. This slowdown mainly reflected policies aimed at containing inflationary pressures and the impact of reaching capacity constraints after prolonged periods of rapid growth. In the 1990s, the Asian economies will need to relieve capacity constraints, such as infrastructure bottlenecks and skilled labour shortages, and to continue to restructure and liberalise their economies.

The need to remain competitive and to ease capacity constraints has led the Asian economies to develop new trade and investment links in order to maximise regional complementarities. The main examples of this are the increasing integration of Hong Kong, Taiwan and southern China and the growth triangle between Singapore, Indonesia and Malaysia. There is also scope for other complementary economic relations to be established between the dynamic Asian economies and North Korea, north-east China and Vietnam. This closer integration of the economies in Asia has provided a further boost to the dynamism of the region, characterised by the rapid economic development which is under way in southern China.

As was the case in the 1980s, Asia is again likely to be the fastest growing region during the 1990s. The economic structure of the Asian economies will continue to evolve, with rapid income growth and ongoing industrialisation — particularly in China. The demand for foodstuffs and services will rise with the growth in population and *per capita* income, as will demand for raw materials, intermediate goods and industrial equipment as manufacturing production expands. These developments will create important trading opportunities for Australia because of our proximity and complementarity with those economies.

The 1990s will also be a period when many countries, particularly those in Central and Eastern Europe, the Newly Independent States (NIS) of the former Soviet Union and also parts of Asia and Latin America, will be undertaking major economic reforms in the process of moving to more market orientated economies. This will be a difficult process for many with major disruptions to the transition likely. There are already some encouraging signs in a number of Latin American countries but elsewhere the rewards may take much longer to emerge.

Trade

The outcome of the Uruguay Round of the General Agreement on Tariffs and Trade will be an important determinant of both the nature and the growth rate of world trade over the next decade. If the Round succeeds, it will lead to a strengthening of the multilateral trading system including: better market access; lower tariffs; significant cuts in agricultural subsidies; more discipline in the use of industrial subsidies; and the extension of multilateral arrangements to services, trade-related investment rules and intellectual property rights. A successful conclusion of the Round will provide significant potential benefits to Australia in the 1990s. It could result not only in higher rural commodity prices and the opening up of protected agricultural markets but also increased opportunities for non-rural exports, including in the services area.

If the Round fails, there is a risk that countries will resort increasingly to unilateral protectionist action or to discriminatory bilateral deals. Failure of the Round would also increase the risk that existing — or new — regional trading arrangements could become rather inward-looking. This would increase the potential for friction between regional groups and for possible adverse effects on third countries. Already the European Community's single market and its extension to include the countries of the European Free Trade Agreement, the development of the North American Free Trade Agreement and the introduction of the ASEAN Free Trade Agreement hold the prospect of adversely affecting Australia's exports if they divert trade.

Capital Markets

Developments in international capital markets will also have an important bearing on Australia. Financial institutions, particularly in Japan and the United States, have been curtailing their lending to consolidate their balance sheet positions and meet Bank for International Settlements (BIS) capital adequacy requirements. Even when this process is completed, financial institutions are likely to be more prudent in their lending in the 1990s following the experience of the 1980s.

The demand for capital, though subdued in the current weak international environment, will recover as activity picks up and new investment opportunities emerge in the major industrial countries. In addition, there will be continuing demands for capital associated with continued growth in Asia, including major infrastructure projects, along with reform in Eastern and Central Europe and the NIS.

Commodities

Only a gradual recovery in world commodity prices is expected, in line with a modest pick-up in world economic activity. The commodity price cycle has, however, always been characterised by significant and generally unexpected fluctuations. There is added uncertainty because of the impact of developments in the NIS and their capacity to supply the world market. Continuing economic reform by Latin American countries will increase their competitiveness as commodity suppliers. South Africa is also likely to re-emerge as a large supplier of mineral and energy products during the 1990s.

In the short-term, oil prices will be influenced by the ability of OPEC to exert influence, with the security and stability of the Middle East continuing to be a major consideration. Increasing attention to environmental issues is likely to lead to a shift over the 1990s to more energy efficient and environmentally friendly economic activity. Such developments will have significant implications for net energy exporters such as Australia.

The International Environment — Opportunities and Challenges

All in all, the international economy in the 1990s poses considerable challenges for Australia. Relatively slower international growth and increasing competitive pressures argue strongly against assuming ever rising demand and high prices for commodities to underpin Australia's trade performance. Equally, however, there are likely to be significant opportunities, especially those stemming from the continued strong growth of the Asian economies and Australia's recent success in developing new competitive exports in manufacturing and services. It will be crucial that Australia makes the most of these opportunities and strives to create new opportunities in the rapidly evolving world economic environment.

Fluctuations in the world economy — and especially world commodity prices — have always had a powerful influence on the Australian economy. Australia's terms of trade are among the most volatile in the OECD, reflecting our dependence on commodity exports, and the impact of commodity prices on the exchange rate. We need to continue to enhance the capacity of the economy to adjust to such external shocks. One important approach is to continue to diversify our export base — but not at the cost of hampering the development and fundamental contribution of our traditional exports. The impact of terms of trade swings and exchange rate movements can also be reduced by improving the flexibility of the economy — in particular, removing impediments in product and labour markets that restrict resources responding to new opportunities flowing from changes in international prices.

The key to meeting these challenges is lifting the international competitiveness of the Australian economy. Ultimately, the extent to which Australia can improve its competitiveness will be a key determinant of how much faster it can grow than the rest of the world.

Improving Australia's international competitiveness has both price and non-price dimensions. Improved price competitiveness requires a sustained fall in the level of domestic prices relative to overseas prices — that is, a sustained depreciation of the real exchange rate. In principle, this can be achieved by two means:

- maintaining a better inflation or cost performance (including through improved productivity) than our trading partners, with little change in the nominal exchange rate; and
- a sustained depreciation in the nominal exchange rate without erosion from an inferior inflation performance.

The nominal exchange rate is an important determinant of international competitiveness but Australia's (and international) experience is that the benefits of nominal exchange rate depreciations are usually diminished greatly by higher inflation and continuing relatively low productivity growth. Maintaining low inflation and boosting productivity are crucial in achieving improved price competitiveness.

Non-price factors — such as improved quality, reliability and marketing — can also play a critical role in enhancing competitiveness. New product development and the creation of niche markets — often in high value-added products or services — are other important avenues for export growth.

Maintaining and improving competitiveness is an ongoing process. Our international competitors are not standing still. For Australia to move ahead as a trading nation, we must not only match their performance but surpass it. Industries which do not lift productivity performance will inevitably face decline — as resources are attracted to areas where they will be used more efficiently.

The challenge Australia faces in the 1990s is to capitalise on its advantages, including its large resource base, stable political environment and increasingly more skilled workforce as well as the proximity and complementarity with the rapidly growing economies in Asia.

The next section considers how we can continue to improve our competitiveness and productivity — and how these factors can help to deliver sustainable economic growth.

ACHIEVING SUSTAINABLE GROWTH

Sustaining economic growth over a long period depends on securing the right balance between growth in supply and demand. In these circumstances, inflation and current account pressures are unlikely to re-emerge and threaten the durability of recovery.

We continue to be faced with the substantial external debt built up over the 1980s. An important objective for achieving sustained growth is the stabilisation of our external debt. This will require a considerable period when the rate of growth of domestic production exceeds that of domestic demand.

The preferable strategy is to expand the economy's supply potential rather than suppress demand. This permits faster growth in demand, employment and living standards.

Both macro and microeconomic policy can do much to contribute to those objectives.

Clearly, as the economy is currently operating well below potential with high unemployment and low capacity utilisation, there are unlikely to be significant supply constraints on growth in the immediate future. But the potential for supply constraints to hinder improved economic performance over the medium and longer term remains.

The essential requirement for expanding the economy's supply potential is to boost productivity growth. Improved productivity can deliver higher real living standards — through more output, lower costs, greater international competitiveness and higher real incomes.

Productivity can be increased by:

- using our existing resources — both labour and capital — more efficiently and flexibly; and
- expanding capital investment.

In practice, these two approaches often go hand in hand. For example, new investment, incorporating the latest technology, will often enable existing labour and capital resources to be used more productively. In turn, greater productivity from existing resources can encourage further investment.

Improved Efficiency and Flexibility

Important elements in achieving more efficient and flexible use of existing resources are:

- ensuring that labour and capital resources are allocated to those activities that yield the highest return — the key to this objective is competition in more open markets;
- promoting an adaptable and highly skilled workforce;
- ensuring that work and management practices maximise the productivity of existing resources;
- embracing new technologies and management techniques; and
- developing a supportive, low-cost and efficient infrastructure.

Industrial Structure and Competition

Australia's longer run economic performance has not been helped by an inward-looking industrial structure focused on the domestic market. OECD estimates of productivity levels over the period 1970-85 suggest that Australian labour productivity was slightly below the OECD average for the economy as a whole but well below in manufacturing, public utilities and financial services. This high cost industrial structure developed through a lack of effective competition: international competition was constrained by tariffs and quotas and restrictions on capital flows while domestic competition was stifled by regulation.

In recent years, important structural reforms have begun to redress this situation.

- A more flexible and outward-looking economy is developing through deregulation of the financial system and the floating of the dollar, as well as the gradual and phased reductions in tariff and non-tariff barriers.
- Barriers to competition in the domestic economy are gradually being removed, most prominently through airline deregulation and recent reforms to telecommunications, including abolition of the Telecom monopoly.

These reforms are stimulating higher productivity and improved competitiveness not only in the industries directly affected but more generally through lower input costs to other industries. Some of the benefits, such as the broadening of Australia's export performance, are already evident.

Education and Training

Essential ingredients to the successful development of higher value-added and more internationally competitive industries are the adoption of new technologies and the complementary development of a highly skilled and flexible workforce. This imposes demanding requirements on the education and training system.

- High levels of general educational attainment are necessary to provide a flexible workforce with generally transferable skills, and to allow maximum benefit to be gained from more specific vocational and technical skills training.

- Improved levels of specific work based skills, matched to areas of strongest demand for labour, are necessary to complement productive investment.

Policies have been directed at redressing the perceived under-investment in workforce skills over recent years at least partly resulting from:

- market failure owing to the inability of an employer to fully capture the benefits of investment in an employee's skills; and
- inadequate incentives for employees to undertake training.

Recent policy initiatives to address these problems include:

- the Training Guarantee Charge introduced in 1991-92 to promote training in firms where previous efforts were inadequate; and
- the development of career paths under award restructuring and workplace bargaining designed to provide increased rewards for skill acquisition.

The need to improve the quantity and quality of vocational training, including through more direct business involvement, is well recognised. On 21 July 1992 the Commonwealth and the States and Territories agreed on the establishment of a new national vocational education and training system which will better meet the needs and priorities of industry. It will also improve links between TAFE, schools and higher education. The Australian National Training Authority (ANTA) has been established to plan and fund the national vocational training system.

Significant improvement in levels of general educational attainment have been achieved. The percentage of students remaining at school until Year 12 has increased from 41 per cent in 1983 to 71 per cent in 1991. Education participation rates (including both school and vocational training) for 17-19 year olds are now broadly in line with the performance of major OECD countries.

There have also been improvements in tertiary education participation rates. For example, the number of secondary school graduates commencing undergraduate higher education courses has almost doubled since 1983.

Work and Management Practices

Reforms to Australia's industrial relations arrangements have increased the focus on productivity and are encouraging Australian firms to respond better to the increasingly competitive business environment.

Award restructuring laid the foundations for wide-ranging improvements in work practices by, *inter alia*, removing demarcation barriers to more flexible working arrangements and promoting the development of a more highly skilled workforce. Workplace bargaining is now encouraging greater flexibility in specific company level arrangements, including pay levels, and is paving the way for considerable progress in improving productivity at the firm level (Box 11 — Workplace Bargaining).

- More productive enterprises can support higher real wages and, by fostering new investment as market opportunities emerge, higher employment levels.

Improved work and management practices at the enterprise level will lead to better use of existing production facilities. This can both increase domestic supply potential and reduce investment requirements for a given level of output. Considerable scope exists to improve the utilisation of the capital stock (Box 12 — Better Utilisation of Capital Stock: Embracing World Best Practice).

International benchmarking is an increasingly common practice in Australia — for companies with international links and also for those not exposed to adequate domestic competition. Benchmarking to international best practice can enable the productivity of Australian work and management practices to be compared with world best standards.

Technology, Innovation and Research and Development

Innovation and technological change play a crucial role in promoting productivity and international competitiveness, especially for countries with high living standards and cost structures such as Australia.

Indicators suggest that over recent years Australian industry has increased its emphasis on achieving productivity improvements from these sources.

- There was very rapid growth in research and development (R&D) expenditure over the 1980s with R&D funding by business relative to GDP doubling over the course of the decade.
- External patent applications have increased in the 1980s.

BOX 11 — WORKPLACE BARGAINING

A broad range of productivity improvements has been addressed in ratified workplace agreements including:

- comprehensive training programs focusing on industry-related skills and literacy and numeracy;
- employees undertaking a wider range of tasks to reduce demarcation problems and improve job satisfaction and career advancement;
- a team approach to work organisation, to achieve improvements in communication, quality and productivity through better utilisation of peoples' skills; and
- more flexible work practices, including hours of work.

Some examples of successful workplace or enterprise bargaining are:

- The Sheraton Southgate Towers Hotel in Melbourne has negotiated a new agreement (yet to go before the AIRC) which promotes productivity improvement through greater job autonomy, broad-based skill development and accreditation, employer-provided training, improved career paths and greater flexibility in working hours and staff deployment. Penalty rates for permanent employees have been absorbed into an annualised salary to aid flexible deployment of staff.
- In banking and finance, the NAB and ANZ agreements reflect the particular circumstances of each organisation but each dramatically changes the organisation of working arrangements and working hours. At ANZ, there are no restrictions placed on the hours of work of a full-time employee provided they are not below 152 hours every four weeks. Arrangements are negotiated that suit the employee and the branch manager.
- At appliance manufacturer Email Ltd, an agreement introduced a wide range of changes, including flexible working arrangements, a redesign of the factory, improved communications, greater awareness of customer requirements and a new team-based working structure.
- Aircraft maintenance engineers ASTA Aircraft Services introduced a workplace agreement involving more effective methods of work and management organisation, paving the way for reductions in overheads, improved delivery times and international benchmarking. The agreement will allow a 50 per cent increase in productive worktime.

BOX 12 — BETTER UTILISATION OF CAPITAL STOCK: EMBRACING WORLD BEST PRACTICE

The utilisation of production facilities in Australian manufacturing industries has not always reached international standards. For example:

- Australian automotive assembly plants have generally operated at substantially lower levels of capacity utilisation than their major international competitors. An International Motor Vehicle Program study showed that in 1988 Australian vehicle assemblers were, on average, operating only at slightly more than 50 per cent of capacity compared with figures in excess of 80 per cent for all other surveyed regions.
- In the food processing industry, many factories have operated at well below capacity as a result of high penalty rates for second and third shifts. For example, prior to extensive restructuring after being taken over by Pacific Dunlop, Petersville Sleigh's frozen vegetable factories operated at an average of 18 per cent of capacity and its canning plants at only 12 per cent.
- In the coal industry, reformed work arrangements have largely removed restricted hours of working, long periods of suspended production and demarcation disputes. This has facilitated greater utilisation of high-cost equipment and increased productivity. As a result, over the three years to 1991, annual output per employee increased by 16 per cent.

To achieve world best practice, benchmarks are useful to judge the performance of firms against overseas counterparts, particularly in the non-traded sector. The groundwork is being laid, and some firms have made considerable progress.

- For example, restructuring has been under way for over ten years at Tubemakers Structural Products Division. This has included setting demanding performance targets based on experience from employee visits to international plants and introducing a workplace culture of trust and co-operation between management and the workforce. A measure of the success of Tubemakers' program is that the company itself is beginning to set the international benchmark for some of its products.
- To promote best practice in the operation of Government Business Enterprises (GBEs), the Government announced in 1991 that the Bureau of Industry Economics would produce a series of studies identifying world best practice and also reached agreement with the States to establish a national performance monitoring network for GBEs (Box 13 — Infrastructure: Productivity Growth and Reform).

BOX 13 — INFRASTRUCTURE: PRODUCTIVITY GROWTH AND REFORM

An efficient low cost infrastructure is crucial to support the development of world competitive export industries. While parts of Australia's infrastructure such as road haulage are world class, important areas have lagged behind. OECD studies show that total factor productivity in Australian public utilities was half that of the 14 major OECD countries over the period 1981-86.

Reforms over the past few years have already led to substantial improvements. EPAC has estimated that total factor productivity growth for GBES in the electricity, gas and water, transport and storage, and communications sectors grew strongly at an average of over 5 per cent *per annum* in recent years.

Aviation

- Aviation deregulation has seen record levels of domestic passenger traffic (27 per cent increase in 1991-92) at prices substantially below pre-deregulation levels (an average 23 per cent reduction on principal interstate routes), providing net gains to aviation industry users of about \$105m in 1991.
- The aviation reforms announced in *One Nation* built on the earlier deregulatory reform of domestic aviation. They comprised a framework for reducing the barriers between Australia's domestic and international aviation sectors by removing the aviation-specific restrictions on equity investments between Australian operations, and opening the way for the development of a single aviation market with New Zealand. *One Nation* also announced a timetable for Qantas' access to the domestic market and for the designation of additional Australian international airlines.
- The Government's decision for Qantas to acquire Australian Airlines will allow the new airline to benefit from better capital utilisation and cost-saving synergies — and be better able to compete internationally.

Rail Reform

- Over recent years, some State rail systems have achieved significant increases in productivity. In NSW, the rail workforce has been reduced by 28 per cent while freight tonnage and passenger numbers have increased. Similarly, AN and Westrail have reduced their respective workforces by 24 per cent and 10 per cent (between 1987 and 1991).

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- The new National Rail Corporation (NRC) will integrate all interstate rail freight with the goal of achieving world best practice. As well as direct equity from its shareholders, the NRC will benefit from funds allocated by *One Nation* to rail infrastructure, conditional on firm commitments now given by the unions to an enterprise award based on best practice.
- *One Nation* also includes measures that contribute directly to the efficient use of existing infrastructure by improving the interface between rail and other transport modes in Sydney, Melbourne, Brisbane, Adelaide and Fremantle.

Electricity Generation

- Electricity is an important input into many manufacturing and resource-based industries, including major export industries. Power costs can be a major factor in determining the international competitiveness of these industries.
- Important gains in efficiency have been made in recent years but there is still considerable scope for further reform. Electricity prices have fallen by an average of 12 per cent in real terms since 1987 and capital and labour productivity have increased by 30 per cent and more than 46 per cent respectively.
- The structural separation of generation from transmission in an enhanced electricity grid, and fostering competition in the generation phase, are the immediate keys to achieving further efficiency gains. Governments are to examine a report from the National Grid Management Council by the end of 1992 on the nature and operating guidelines of the interstate transmission network.

Communications

- While productivity growth was high in telecommunications during the 1980s, further significant improvements are feasible. The Government has implemented reforms to the telecommunications sector, including the introduction of competition to AOTC in the provision of network telecommunications services.
- The Government has ensured that the efficiency gains generated by competition are passed on to consumers by tightening the price capping arrangements. From 1 July 1991, AOTC is not permitted to increase the average price of a defined bundle of telecommunications services (including connections, local, trunk and international calls) by more than annual CPI inflation minus 5.5 per cent. Moreover, Optus Communications has claimed that it will be able to reduce prices for domestic and international services by 40 per cent in real terms over the first five years of competition.

(continued over)

- Further productivity gains can be expected as competitive forces build in the industry: with Optus operations now getting under way; the licensing of a third mobile telecommunications carrier to begin operations in July 1993; and the opening of the telecommunications network to new competitors from 1997.

Waterfront

- Progress in waterfront reform has been significant, with productivity gains of between 45 and 60 per cent in larger ports. However, further progress is required to ensure reform benefits are passed to end users — and land based costs, including port charges, are reduced to internationally competitive levels.

Infrastructure

The ability of Australian firms to compete internationally is affected by the costs of their direct inputs, including from the non-traded sector. Lower infrastructure costs through reform of transport, the waterfront, communications and public utilities are vital to improving the competitiveness of Australian firms. Significant reforms to crucial areas of transport and communications infrastructure, where productivity levels were widely recognised to be poor, are under way but considerable scope remains for further progress (Box 13 — Infrastructure: Productivity Growth and Reform).

Investment and the Capital Stock

With capacity utilisation still generally at low levels, the capacity of the economy to meet demand has not yet been constrained by the weakness in business investment (Chart 20). Although the capital stock has continued to grow in recent years (Chart 21), investment growth will need to resume as demand gathers pace to ensure higher longer run sustainable rates of economic growth.

Investment expands productive capacity not just through adding to the capital stock. Improvements in the quality of capital can also directly increase labour productivity. As a consequence, new employment opportunities are created through higher output, demand and incomes.

CHART 20: BUSINESS FIXED INVESTMENT AS A PROPORTION OF GDP

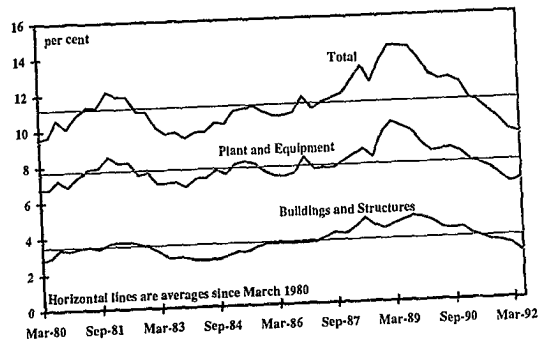
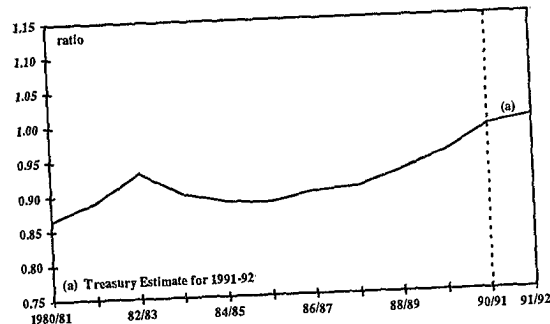


CHART 21: NET BUSINESS FIXED CAPITAL STOCK AS A PROPORTION OF GDP



The determinants of investment are wide ranging and their relative importance is likely to change from one business cycle to the next and, indeed, even over the course of the cycle. Business and investment decisions must ultimately depend on expected profitability but that, in turn, can be determined by a complex range of factors including current and expected:

- capacity utilisation (Chart 24 in Part III);
- aggregate demand;
- real unit labour costs — encompassing wages and on-costs, prices and productivity;
- prices of non-labour inputs, such as raw materials and power;
- opportunity for, and market pressures towards, implementation of new technology;
- cost of capital — including levels of taxation, gearing ratios, interest rates, depreciation and other allowances; and
- availability of finance — including the ability to access external and internal sources of funds.

Those factors, however, have to be combined with much broader perceptions relating to business confidence.

- This encompasses a range of tangible and less tangible factors including views about the domestic and international economic outlook as well as the appropriateness of the stance of economic policy, both here and abroad.
- While the importance of such factors is very difficult to quantify let alone predict, their impact on private sector investment behaviour can be very powerful.

Policy-induced distortions on the relative rates of return for different types of investments (including speculative assets) may also have important effects on the allocation of potential investment funds.

- One of the more important of these distortions is inflation — especially in combination with the tax system. Sustained low inflation, as well as leading to low nominal and real interest rates (with important cash flow consequences), reduces uncertainty and creates a more stable business environment in which investment is more likely to be directed to longer term productive investments rather than to speculative activities.

It is always very difficult to make firm assessments of likely business investment and now is no exception. Nonetheless, there appear to be a number of more favourable

conditions for renewed investment growth in the year ahead. In particular: demand is recovering and this will help to absorb excess capacity; underlying profitability has begun to recover; real unit labour costs are relatively low and likely to remain subdued; and the cost of capital has fallen (reflecting lower interest rates and more generous tax depreciation provisions).

- While the net profit share (corporate profitability after tax and interest payments) is relatively low by past standards — reflecting the effects of the carryover of high corporate indebtedness — recent data indicate an improvement as firms benefit from lower interest rates and reductions in leveraging (Box 6 — Profits).
- With the recent decline in inflation and the improvement in inflation expectations, illustrated in Charts 12 and 13, a major source of uncertainty should have been reduced.
 - Low inflation is an announced objective of the Government and its importance has been recognised more generally by both the unions and employers.
- The marked fall in inflation has allowed a substantial decline in both real and nominal interest rates. Further improvement in and maintenance of low inflation expectations will provide a basis for sustained low interest rates over the medium term.
- The more generous treatment of depreciation and the introduction of the Development Allowance announced in *One Nation* will lower the after-tax cost of capital for domestic investors, and make the Australian corporate tax system more competitive with average OECD standards for foreign investors.
- However, the excess supply of commercial buildings will constrain investment in that sector for some years.

Inappropriate regulatory arrangements can also impede business investment and the efficiency with which the existing capital stock is used. The Government's microeconomic reform initiatives have sought to reduce the burden of regulation, including through:

- joining with the States in the mutual recognition of standards and regulations for goods and occupations; and
- recent Government policy announcements on ecologically sustainable growth which have sought to reduce disincentives for investment
 - measures to expedite project approval processes, announced in *One Nation*, should help to remove development obstacles while promoting continued protection of the natural environment; and

- explicit recognition has been given to trade competitiveness and the national economic impact within the Government's policy on 'Greenhouse' issues.

POLICY CHALLENGES

To the extent that improvements in international competitiveness and domestic supply potential can be accelerated, higher rates of growth can be maintained without giving rise to inflationary pressures or current account problems — and employment opportunities can grow much more rapidly.

- Strong productivity growth and a better investment performance are the keys to improved international competitiveness and increased domestic supply potential.
- Under this framework, Australia would enjoy lower unemployment levels with higher living standards underpinned by high productivity and a highly skilled and well paid workforce.

The need to avoid current account pressures and to stabilise external debt is particularly important. Excessive CADs will influence the availability and cost of foreign savings to finance private investment.

Policy Settings

Government policies are an important ingredient in what can be achieved in modern market-based economies. Governments at all levels can do much to create a high growth environment in which private sector activity has the scope to flourish. A clearly articulated and consistent policy framework directed to medium term objectives will enhance private sector confidence.

- Macroeconomic policy can help to ensure that growth and employment objectives are met by maintaining a stable environment within which inflationary pressures and current account problems do not emerge. This requires policy to be directed towards achieving steady growth in domestic demand compatible with growth in the economy's supply potential and having wage levels that reflect the productivity of the workforce.
- Microeconomic policy is crucial in expanding the supply capacity of the economy by raising productivity growth through various means, including opening the economy to competitive pressures, removing impediments to growth and promoting workplace bargaining. Labour market programs can also smooth the adjustment process and reduce the costs of high unemployment.

Given the long and variable lags before monetary policy changes have their full effect, policy needs to be forward looking. Monetary policy is most effective in inflation control but must operate with an eye on ongoing demand conditions.

Monetary policy needs to be consistently and openly applied to its stated objectives. Such an approach strengthens the credibility of the authorities' anti-inflation resolve and policy objectives — thereby helping to keep inflation expectations in check and interest rates low.

Fiscal policy can best contribute to a proper balance between domestic demand and supply.

- In the face of weak private sector demand, the budget deficit has been allowed to increase through the operation of the budget's automatic stabilisers. As well, discretionary increases in expenditure have provided a direct stimulus to activity in order to facilitate economic recovery.
- As private sector activity consolidates, the budget deficit will need to be progressively wound back. Fiscal policy can then resume its important medium term role of increasing national saving and reducing recourse to foreign financing of domestic investment (Box 14 — Saving and Investment).

Wages policy has a crucial role in enhancing productivity and improving employment prospects in an environment of low inflation.

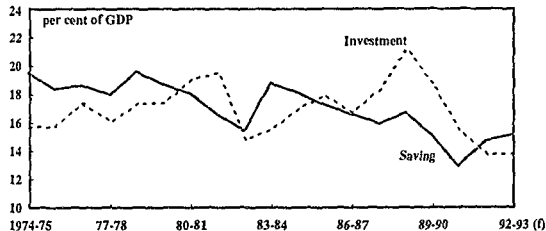
The wage determination system is evolving into a more decentralised and flexible arrangement. Its focus is shifting to workplace bargaining which, in the longer term, will provide a major impetus to improving productivity at both the enterprise and economy wide levels. This will assist in the development of internationally competitive enterprises which can support higher real wages and stimulate employment growth.

The Government and the ACTU have reaffirmed their commitment to work towards wage outcomes consistent with keeping Australia's inflation rate comparable with that of our major trading partners.

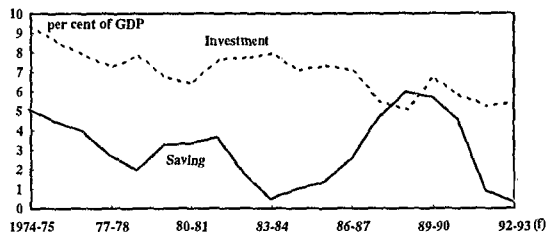
This commitment was met in 1991-92 — Australia's inflation rate was 2 per cent compared with 3¼ per cent in our major trading partners. On the basis of a \$10 increase by March 1993 to minimum award rates through supplementary payments (as proposed by the Government), Australia's inflation rate is estimated to be 2 per cent in 1992-93 compared with an estimated 3¼ per cent in our major trading partners.

BOX 14 — SAVING AND INVESTMENT

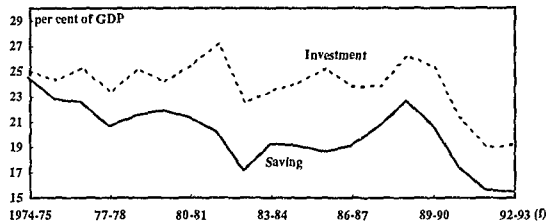
Panel A: Private Sector



Panel B: Public Sector



Panel C: National



(f) Forecasts

The Government-*ACTU* commitment and the maintenance of a relevant award framework through adjustments as now proposed provide a practical method for ensuring appropriate aggregate wages outcomes while encouraging the move towards a more decentralised wages and industrial relations system. The Government has more decentralised wages and industrial relations system. The Government has indicated that support for a second increase to minimum award rates through supplementary payments on or after March 1994 is conditional on inflation remaining at or below that of our major trading partners and workplace bargaining agreements effecting genuine improvements in productivity. The Government has also indicated previously that, if wages growth were to become inconsistent with achieving inflation rates comparable with that of our major trading partners, it would need to reconsider the scheduled timing of increases in the prescribed minimum standard of superannuation.

Reducing Unemployment

The current level of unemployment is imposing very substantial social and economic costs. The solution lies in generating far more employment opportunities as a result of faster and more sustainable economic growth and appropriate wage outcomes.

That said, labour market adjustment and retraining programs have an important role to play not only in assisting the transition to a more highly skilled, competitive and productive economy — but also in minimising the social costs associated with high unemployment.

Experience in Australia and Europe during the 1980s suggests that it will take considerable time to reduce unemployment to more acceptable levels. Employment growth will need to return to levels sufficient to absorb growth in the total labour force before inroads can be made into the number of unemployed. As employment growth starts to pick-up, more people will seek employment which will drive a further wedge between employment growth and reductions in unemployment levels.

Extended periods of unemployment, such as those being widely experienced at present, have ongoing adverse effects on the unemployed beyond the social and personal hardships of unemployment, including through the gradual loss of skills and motivation. This effect can slow progress in reducing unemployment levels over the medium term. In addition, there are signs that, at least initially, the employment response to the current recovery will only be moderate because of extensive business restructuring. Regional disparities in employment growth may also persist.

The costs associated with high unemployment can be lessened by active labour market programs that focus on improving the skill base of the unemployed. Such programs improve the employment prospects of the unemployed and can also reduce labour bottlenecks as the recovery gathers pace.

Recent Employment and Training Initiatives

This Budget contains a range of measures to reduce the costs of unemployment through improving the skills of the unemployed, and to provide employment opportunities through infrastructure spending concentrated in regions where the dangers of long-term unemployment are greatest.

- Spending on infrastructure in depressed regions will be made through local councils and will be concentrated on projects which are strategically important to economic and social development and can provide a strong, early stimulus to local employment.
- Assistance will be provided to individuals through extension to existing training programs for those disadvantaged in the labour market, particularly the long-term unemployed, including JOBSKILLS, JOBSTART and JOBTRAIN.
- Infrastructure spending on transport and education will also contribute to broader medium-term objectives discussed earlier.

The July 1992 Youth Package will improve access to vocational education and training and provide work experience for youth through the provision of wage subsidies.

Major reforms to the vocational education and training system have also been announced. These reforms are designed to meet the needs and priorities of industry and thereby assist in improving the competitiveness of Australian firms.

Agreement has also been reached on reform of entry level training arrangements — with the focus shifted to competency rather than time served. Pilot schemes are being developed which involve a new approach to training wages and allowances. Trainee wages will be based on the level of competency attained, the amount of time spent on the job in structured training or productive work and the value of the competencies demonstrated by the trainee on the job.

Career Start Traineeships are to be introduced as an interim step while competency-based training and wage structures are developed. Wages will be linked to the time spent on the job. The Government will guarantee a minimum wage and will provide subsidies to employers to make the employment of trainees more attractive.

Structural Factors

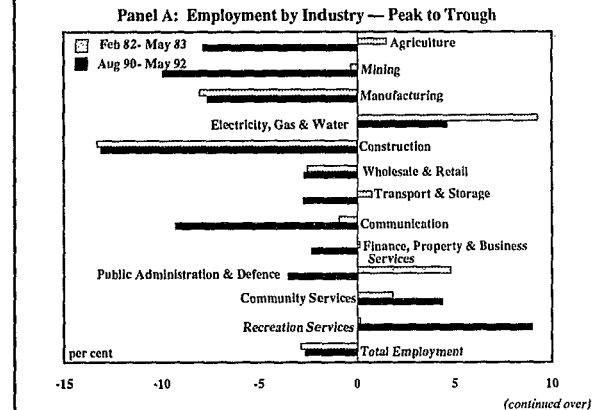
At a time of high unemployment, concerns have understandably been expressed about the effects of past and continuing structural reform on unemployment.

Concern about the effects of structural reform on employment has recently focused on the pace of tariff reductions. However, employment losses have not been concentrated

in those industries most affected by tariff cuts (Box 15 — Employment Trends by Industry). Regardless of the causes of the current unemployment problem, policy responses will need to maintain a longer term perspective — particularly in the face of the continuing improvements in the productivity of our competitors.

- A tariff pause or slowdown would be unlikely to be effective because businesses are likely to make decisions on the basis of long-term viability. It would also disadvantage those other industries, relying on lower input costs as tariff rates fall, in developing new export markets.
- The structural reform process has been central to developing a more open and outward looking domestic economy. Australian enterprises can compete internationally, as evidenced by the strong growth in manufactured exports over recent years.
- Crucially, the pace of reform must be maintained on a broad front. As tariffs fall, industries need to be able to remain competitive by drawing on lower cost infrastructure support services, as well as more efficient labour practices and management approaches.

BOX 15 — EMPLOYMENT TRENDS BY INDUSTRY



BUDGET STATEMENT 2

PART III: THE ECONOMIC OUTLOOK

OVERVIEW

The recovery should gather momentum in 1992-93. However, the pace of recovery in 1992-93 will be moderate — at around 3 per cent in year average terms and 3¼ per cent through the year. This reflects the slow and uneven nature of the recovery to date, in common with the experience of a number of other industrial countries.

The essentially domestic factors which initiated the recovery during 1991-92 should continue in 1992-93:

- steady growth in private consumption;
- consolidation of the housing recovery;
- a continued contribution from the non-farm stock cycle in response to higher levels of demand; and
- public sector investment growth supported by measures announced in *One Nation* and in this Budget.

In addition, private sector investment in plant and equipment is forecast to start to recover during 1992-93 after falling over the past three years.

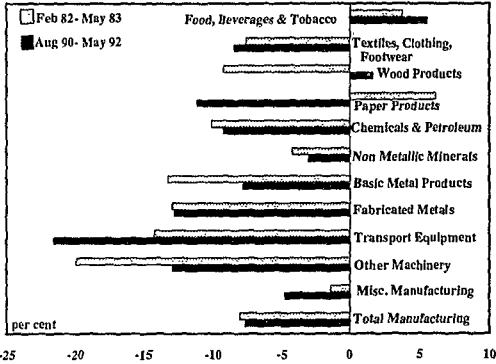
The farm sector as a whole is also expected to turn around following the breaking of the drought in some areas. The drought, of course, still persists in other major regions.

In contrast to past Australian economic cycles, the recovery is not being assisted in any significant way by the world economy (Chart 22). Subdued international growth and associated uncertainties — particularly in Japan and the US — will constrain export demand. The terms of trade are forecast to remain at low levels. This is a key reason why this recovery is slower than usual.

Employment growth is expected to pick-up slowly during the course of 1992-93 — but will only be sufficient to reduce the unemployment rate to around 10 per cent by mid-1993.

Inflation is expected to remain low in 1992-93. Factors contributing to this forecast include the moderate pace of the recovery, the restrained outlook for wages growth, low inflation expectations, continued increases in productivity and increased competition in Australian markets.

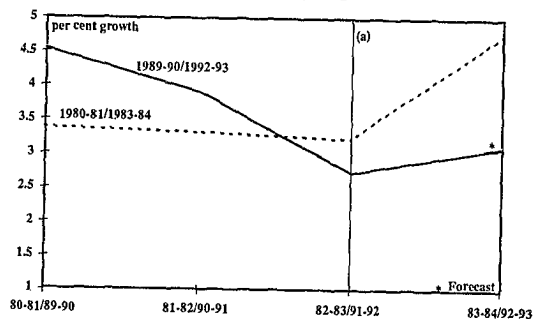
Panel B: Manufacturing Employment — Peak to Trough



- The decline in employment following the 1990-91 recession has been more widely spread across the various industry sectors than in 1982-83.
 - As in the 1982-83 recession, the largest employment decline was experienced by the construction industry.
- In particular, the impact on manufacturing employment is not out of line with developments in a number of other industries and is similar to the 1982-83 experience when tariff rates were not falling.
- Within manufacturing, those industries subject to the greatest proportional decline in tariffs have had different experiences since the peak in total employment.
 - Transport equipment has experienced the largest decline in employment and proportionately more than in 1982-83.
 - But the decline in textiles, clothing and footwear is in line with the 1982-83 experience and with the average for the manufacturing sector as a whole.
 - Employment in industries less exposed to reductions in protection has also experienced sharp declines — for example, paper products, chemicals and basic metals.

Following significant falls over the past two years, the CAD is forecast to rise moderately in 1992-93. This reflects the recovery in domestic demand and the constraints on export growth because of smaller increments to export capacity and the subdued pick-up in world economic activity. The net income deficit is expected to be broadly unchanged in 1992-93.

CHART 22: COMPARISON OF INTERNATIONAL ECONOMIC GROWTH RATES



(a) Vertical line indicates the bottom of the downturn.

POLICY FRAMEWORK

The forecasts for 1992-93 assume that macroeconomic policies continue to be set in a medium-term framework directed at achieving sustainable growth in activity and employment with continuing low inflation.

Monetary Policy

Monetary policy is assumed to remain consistent with the maintenance of low inflation and inflation expectations while continuing to accommodate and assist the continuing recovery in economic activity.

- Policy will allow for the long and variable lags between policy adjustments and their economic effect. In that context, previous reductions in interest rates are expected to influence economic activity in 1992-93 and beyond as business and consumer confidence improves.

Fiscal Policy

Fiscal policy is currently providing a short-term stimulus to assist the recovery, particularly through infrastructure spending and a range of labour market initiatives. This stimulus will be unwound in future years as the economy recovers.

The Commonwealth has budgeted for a deficit of \$13.4 billion in 1992-93.

- Both cyclical and structural factors will contribute to this outcome.
 - Revenue is expected to decline as a proportion of GDP.
 - Outlays are expected to rise as a proportion of GDP, largely reflecting discretionary measures in *One Nation* and in this Budget. The increase is partly offset by the impact of asset sales.
- The Commonwealth sector's net borrowing requirement is expected to increase as a share of GDP from 2.7 per cent in 1991-92 to around 3.9 per cent in 1992-93.

The net borrowing requirement for the State/local sector is expected to fall from around 2.3 per cent of GDP in 1991-92 to 1.1 per cent of GDP in 1992-93.

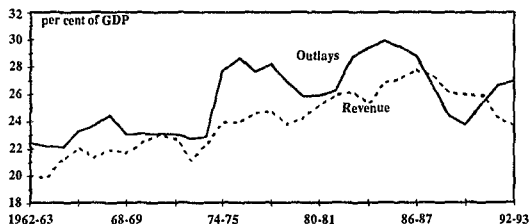
This expected change reflects one-off factors:

- support for State banks and related financial enterprises in 1991-92 added over \$2 billion to outlays in that year; and
- the sale of business assets is expected to reduce outlays by around \$2.5 billion in total in 1992-93.

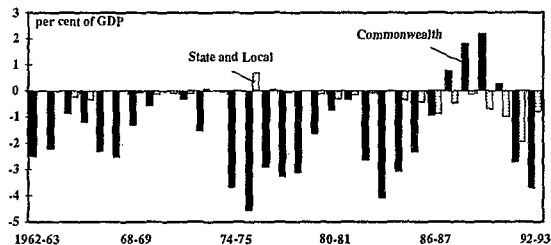
The public sector borrowing requirement is expected to remain unchanged as a share of GDP at 5 per cent in 1992-93 (Box 16 — Fiscal Indicators).

BOX 16 — FISCAL INDICATORS

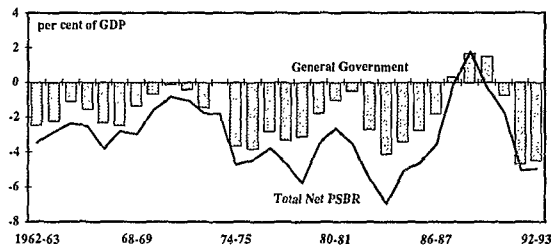
Panel A: Commonwealth Budget Revenue and Outlays



Panel B: General Government Net Borrowing Requirement (a)



Panel C: Net Public Sector Borrowing Requirement (PSBR) (a)



(a) A positive (negative) value implies that the sector was a net lender (borrower).

Wages Policy

Wages policy will continue to be directed towards maintaining low inflation and achieving sustainable employment growth as the economy recovers. These objectives require continued focus on productivity gains in determining wage increases and labour costs more generally. Achieving these productivity improvements will require the further spread of workplace bargaining. The forecasts are based on:

- the Government's preferred option of a \$10 per week increase in minimum award rates using the supplementary payment mechanism from March 1993;
- wage rises negotiated through workplace agreements being fully offset by achieved productivity improvements; and
- the effects of introduction of the SGC — bearing in mind that the Government has amended the public interest provisions of the Industrial Relations Act to require the AIRC to take account of the operation of the SGC in considering changes to awards or orders, including in the context of wage cases.

The transition towards a more flexible and decentralised wages system should accelerate through the year.

FORECASTING ASSUMPTIONS

The forecasts for 1992-93 are predicated on the following assumptions:

- real GDP growth for Australia's major trading partners of 3 per cent consisting of
 - growth in OECD major trading partners of 2 per cent
 - and growth in Australia's major Asian trading partners (excluding Japan) of 6 per cent;
- inflation in Australia's major trading partners of 3¼ per cent;
- overseas nominal interest rates remaining around current levels;
- consistent with usual practice, the exchange rate to remain unchanged from recent levels
 - there was significant volatility in the exchange rate in the week prior to the Budget. The implications of exchange rate movements for some of the estimates are discussed below;

- world crude oil prices (average of West Texas Intermediate, Brent and Dubai) remaining on average close to current levels of \$US19 per barrel; and
- also in line with usual practice, a return to 'normal' seasonal conditions for the farm sector over the remainder of 1992-93.

The outlook for the international economy in 1992-93 remains very uncertain. In particular, a considerably sharper and more protracted slowdown in the Japanese economy than currently expected is a risk to the 1992-93 forecasts.

Forecasts for 1992-93

The economic forecasts for 1992-93 are summarised in Table 3.

The forecasts should be interpreted very much in terms of the broad picture of the economy and likely trends.

The forecasts, as in previous years, have been significantly affected by the starting point embodied in the national accounts estimate for the June quarter. Recent labour force data also cloud the picture. The sharp pick-up recorded for both employment and the participation rate in June and July does not sit comfortably with other labour market data, business surveys and extensive discussions with business. Contact with business suggests that employment growth is likely to be only gradual.

Demand and Output

In year average terms, GNE is expected to grow by 3½ per cent and GDP by around 3 per cent. Chart 23 shows the expected contributions for the major expenditure aggregates in 1992-93 along with actual contributions in 1991-92.

- Continued steady growth in private consumption is forecast in 1992-93, contributing around 1¾ percentage points to overall growth in GDP.

— This would be consistent with some slowing in real household disposable income growth and a modest fall in the household saving ratio following the unexpected pick-up in the ratio in 1991-92.

Table 3: Forecasts and Forecasting Assumptions

	1990-91 Year Average	1991-92 Year Average	1992-93 (f) Year Average	Four quarters to June 93 (f)
Panel A - International Assumptions				
Major trading partners -				
Real GDP*	3.9	2.8	3	
Inflation	5.0	3.3	3 ¼	
Crude oil (\$US/barrel)	23.5	19.1	19	
TWI index (Index points)	58.9	58.2	54	
Panel B - Forecasts of Demand and Output (a)				
Private consumption	0.5	2.4	2 ¾	2 ¼
Private investment -				
Dwellings	-10.3	-3.3	8	11
Non-dwelling construction	-15.3	-20.0	-15	-7 ½
Plant and equipment	-9.3	-14.5	3 ¾	3 ¾
Business Investment	-11.3	-16.3	-2	½
Private final demand	-2.2	-0.7	2 ½	2 ½
Public final demand	1.1	2.9	3 ¼	6 ½
Total final demand	-1.4	0.2	2 ¾	3 ½
Increase in stocks (b) -				
Private non-farm	-1.0	0.3	½	¾
Farm and public authority	-0.5	-0.5	0	0
Gross national expenditure	-3.5	-0.8	3 ½	3 ½
Exports of goods and services	11.8	9.3	5 ¼	3 ¼
Imports of goods and services	-4.1	4.4	7 ¾	4 ½
Net exports (b)	3.0	1.0	-½	-½
Gross domestic product (c)	-0.8	0.4	3	3 ¾
Comprising -				
Non-farm product	-1.1	0.8	2 ¾	3 ½
Farm product	6.8	-9.6	7 ¼	8
Panel C - Forecasts of Other Selected Economic Measures (d)				
Average Earnings (National Accounts basis)	5.9	3.7	3 ½	4 ¾
Consumer price index	5.3	1.9	2	3
Gross non-farm product deflator	4.0	1.4	2 ¾	5
Non-farm real unit labour costs	1.3	1.2	-2 ¾	-2 ¾
Employment (labour force survey basis)	-0.4	-1.6	1	2
Unemployment rate (per cent)	8.4	10.4	10 ½	10 (e)
Participation rate (per cent)	63.7	63.1	63	
Real household disposable income	-1.1	3.5	2 ¼	2 ¼
Household saving ratio (per cent)	5.8	6.8	6 ¼	
Terms of trade	-4.6	-2.1	0	1 ¾
Current account balance - \$ billion	-15.7	-11.9	-15	
Percentage of GDP	-4.1	-3.1	-3 ¾	

(a) Average 1984-85 prices. Unless otherwise indicated, figures are percentage change on preceding year.

(b) Percentage points contribution to change in GDP.

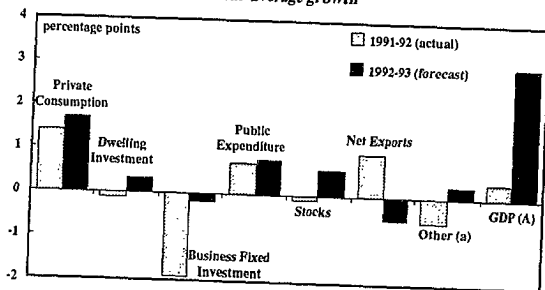
(c) GDP (average) measure.

(d) Percentage change on preceding year unless otherwise indicated.

(e) Mid-1993 forecast.

(f) Forecast.

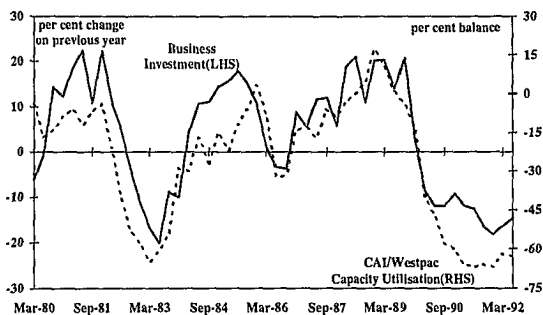
CHART 23: CONTRIBUTIONS TO GDP GROWTH
Year average growth



(a) Real estate transfer expenses and the discrepancy between GDP(E) & GDP(A).

- The dwelling sector recovery should consolidate through 1992-93, reflecting earlier improvements in affordability and pent-up demand.
- Business fixed investment is forecast to start to recover towards the end of 1992-93.
 - Capacity utilisation is currently at low levels — and about the levels recorded in the 1982-83 recession (Chart 24). Unlike the recovery from the 1982-83 recession, the pick-up in demand is likely to be much slower and hence the turnaround in investment will be delayed and weaker when it occurs. It may also be influenced by the extent to which improved management and work practices allow better use of existing plant and equipment.
 - Investment in plant and equipment is expected to begin to recover as aggregate demand continues to expand. However, the non-residential construction sector is likely to remain weak and to continue falling through the year, reflecting the continued oversupply of office buildings.

CHART 24: CAPACITY UTILISATION AND BUSINESS INVESTMENT



- Public sector final demand will continue to support activity in 1992-93, with a pick-up in spending through the year.
 - Strong growth in both Commonwealth and State/local sector investment is expected in 1992-93. Growth in public sector investment will be boosted by measures introduced in *One Nation* and this Budget.
 - Both Commonwealth and State/local sector consumption is forecast to grow moderately.
- Private non-farm stocks are expected to be rebuilt at a moderate pace in 1992-93 in response to higher levels of demand. The rebuilding is likely to be constrained, however, as a result of tighter corporate stock control policy.
- The farm sector is expected to contribute ¼ of a percentage point to GDP growth in 1992-93 after detracting 0.4 percentage points last year.
- Net exports are expected to detract from GDP growth. Imports are projected to rise more quickly than demand as domestic expenditure recovers. Subdued growth in the world economy, particularly the slowdown in Japan, and smaller increments to capacity in the non-rural sector are expected to constrain export growth.

Labour Market

Employment growth is expected to resume in 1992-93. However, with continuing extensive business restructuring, employment is likely to respond more gradually to the recovery in demand than in previous cycles. As the recovery gathers momentum, businesses are forecast initially to utilise their existing workforce more intensively and to engage a greater proportion of part-time and casual workers rather than full-time employees.

- During 1992-93, employment growth will be supported by declining real unit labour costs. This will reflect continued restrained wages growth and a forecast increase in productivity.

The participation rate is expected to remain broadly unchanged in year average terms. This would be consistent with some downward correction to the recently recorded sharp increases in the participation rate, followed by a marginal rise through the remainder of 1992-93 as discouraged workers re-enter the workforce in response to the pick-up in activity and employment growth. A rising participation rate will moderate the decline in unemployment as employment growth resumes. The unemployment rate is expected to decline slowly over 1992-93 to around 10 per cent by mid-1993.

The employment initiatives announced in the July 1992 Youth Package and this Budget will contribute to the decline in unemployment in 1992-93 and beyond. The accompanying paper, *Working for the Future*, addresses those measures.

Incomes, Prices and Labour Costs

Real household disposable income is expected to continue to recover in 1992-93, although at a slower rate than in 1991-92. While employment growth and unincorporated enterprise income are expected to improve, the impact of the fiscal stabilisers (through cash benefits and income taxes) is more neutral than in 1991-92 when the economy was weaker. In particular, income tax payments fell sharply in that year, in part reflecting a sharp fall in collections from provisional taxpayers.

Average weekly earnings (national accounts basis) are expected to rise moderately in 1992-93. This measure includes the impact of the SGC from July 1992 as well as increases to minimum award rates (via the supplementary rates mechanism) and wage increases flowing from enterprise bargaining. However, more than the usual degree of uncertainty applies to wages forecasts for 1992-93, given the transition underway to a more decentralised system of wage fixing based more on workplace bargaining.

The level of real unit labour costs is expected to decline because of the restrained outlook for wages growth and the expected improvements in labour productivity.

Company income is expected to recover in 1992-93 primarily reflecting the forecast pick-up in activity, declining real unit labour costs and reduced interest payments on debt.

Inflation is expected to remain low, assisted by continued moderation in unit labour costs. The CPI is forecast to increase marginally in 1992-93, reflecting some rebuilding of profit margins, the flow-through of higher import prices following recent depreciations of the \$A and higher State taxes and charges.

A significantly lower exchange rate than assumed would lead to upward pressures on inflation. However, the still moderate levels of expected domestic demand could dampen the flow-through of higher import prices to inflation. Conversely, a higher exchange rate than assumed would reduce inflationary pressures.

Balance of Payments

Following significant falls in the last two years, a moderate increase in the CAD is forecast in 1992-93. A small deficit in the balance of trade in goods and services is expected in 1992-93 following a surplus in 1991-92, the first time in twelve years.

Growth in endogenous import volumes is expected to rise in 1992-93 in line with continuing demand growth. Exogenous import volumes are forecast to decline, mainly owing to lower imports of aircraft.

The import penetration ratio — that is, the ratio of imports to domestic demand — is expected to rise in 1992-93. A change in domestic demand is generally accompanied by a larger response in imports and, in addition, there has been an upward trend in the import penetration ratio over a number of years in Australia (and most other nations). This reflects, in part, compositional changes, including increased computer imports as well as the Australian economy becoming more integrated into world markets.

The increasing internationalisation of the Australian economy has also been reflected in the rise in exports as a proportion of GDP. This secular increase in the export ratio (Chart 16) is sometimes over-looked by commentators.

Growth in merchandise export volumes is expected to moderate from the relatively high growth rates of recent years. This reflects the unwinding of special factors (particularly relating to gold and oil), the slowdown in the Japanese economy and smaller increments to productive capacity in the non-rural sector. Exports of non-metal manufactures are expected to continue to grow strongly. Services exports are forecast to increase substantially owing in particular to increased receipts from tourism.

After falling considerably in 1991-92, the net income deficit is expected to be broadly unchanged in 1992-93. Higher dividend payments resulting from improving domestic corporate profitability and servicing costs of further increases in the stock of net external liabilities are expected to offset the advantages of lower average interest costs domestically and overseas.

A significantly lower exchange rate than assumed for 1992-93 would increase the price of imports but have little immediate effect on volumes — and would also increase the SA value of exports denominated in foreign currencies. The net income deficit would also increase as the cost of servicing external liabilities rose. The net effect would, at least initially, be a higher CAD.

Only if the depreciation in the nominal exchange rate were translated into a sustained lower real exchange rate would there be a reduction in import volumes and an increase in export volumes in later years.

On the other hand, a higher exchange rate than assumed would tend to work in the opposite direction.

The terms of trade are forecast to be unchanged in 1992-93. Commodity prices are subdued and the outlook is uncertain. This is particularly the case for iron ore and coal prices although the pick-up in aluminium and alumina prices is expected to be maintained. Cereal prices are forecast to fall in 1992-93 although a modest rise in wool prices is expected, along with a small increase in manufactured export prices.

BUDGET STATEMENT 2: APPENDIX

FOOTNOTES FOR TEXT, CHARTS AND TABLES

FOOTNOTE

- (1) The Australian Bureau of Statistics (ABS) changed its preferred measure of GDP during the course of 1991-92 from the income measure GDP(I) to the average of the income, production and expenditure measures GDP(A). GDP(I) increased by 1.8 per cent (constant price, seasonally adjusted) through the course of 1991-92 and 0.2 per cent in year average terms.

TABLES

PART I

- Table 1: Data on outcomes for GDP and components and the calculation of GDP ratios (using current price GDP(I) data) are from Australian National Accounts, National Income and Expenditure, June Quarter 1992 (ABS No. 5206). Data for the current account deficit and components are from Balance of Payments, Australia, June Quarter 1992 (ABS No. 5302). Employment and unemployment data are from The Labour Force, July 1992, Preliminary (ABS No. 6202). Consumer Price Index (CPI) data are from Consumer Price Index (ABS No. 6401). GDP(I) based Gross National Expenditure data are shown.
- Table 2: Data for the current account balance and components are from ABS No. 5302. Data for net external debt in 1990-91 are from International Investment Position, Australia, March Quarter 1992 (ABS. No. 5306). Data for net external debt in 1991-92 are unpublished preliminary estimates from the ABS. GDP ratios are derived using current price GDP(I) data from ABS No. 5206.

PART II

- Box 9: Data (current price) are from the Trade Exports Classifications (TREC) system used by the Department of Foreign Affairs and Trade. The TREC system is based on the Standard International Trade Classification (SITC - used by the ABS) but groups exports according to level of value added processing.

PART III

Table 3: The estimate for Gross National Expenditure is based on GDP(I). The non-farm GDP(I) deflator is used to deflate non-farm unit labour costs.

CHARTS

PART 1

- Chart 1:** GDP data are from ABS No. 5206 and employment data are from ABS No. 6202.
- Chart 2:** OECD countries growth forecasts are from the OECD Economic Outlook Nos. 46 to 51. Each column shows the OECD growth forecast for 1991 or 1992 published on the date indicated at the head of the column.
- Chart 3:** International economic growth comparisons are through the year real growth rates from the OECD Main Economic Indicators. Estimates for the June quarter 1992 are derived from the OECD Economic Outlook No. 51.
- Chart 4:** International CPI comparisons are from the OECD Main Economic Indicators. The chart shows through the year growth rates to the months of June and December.
- Chart 5:** International short-term interest rates for the last month of the quarter are from the OECD Main Economic Indicators.
- Chart 6:** Contributions to trend GDP (A) growth are derived from ABS No. 5206.
- Chart 7:** Industry data are from Australian National Accounts, Gross Product, Employment and Hours Worked (ABS No. 5222). 'Other services' comprises community services and recreation, personal and other services and 'Other' comprises ownership of dwellings and import duties, less the imputed bank service charge.
- It should be noted that ABS constant price estimates of product growth for the finance, property and business services sector (and for public administration and defence and community services) are derived on the basis of assuming zero growth in average labour productivity.
- Chart 8:** The current account deficit and components are from ABS No. 5302. Current price GDP(I) data (for calculation of ratios) are from ABS No. 5206.
- Chart 9:** The composition of employment and unemployment data are from The Labour Force, June 1992 (ABS No. 6203). Annual averages of original monthly data are used.

Chart 10: Unemployment by age group data are from ABS No. 6203. Annual averages of original monthly data are used.

Chart 11: Teenage labour market data are from ABS No. 6203. Annual averages of original monthly data are used.

Chart 12: Through the year growth rates are used. The major trading partners are Japan, United States, United Kingdom, New Zealand and Republic of Korea. CPI data for Japan, United States, United Kingdom and New Zealand are from the OECD Main Economic Indicators. CPI data for Republic of Korea are from the IMF International Financial Statistics. The composite inflation rate is weighted on the basis of Australia's merchandise trade in 1990-91. Australian data are from ABS No. 6401, adjusted for the introduction of Medicare in 1984.

Chart 13: The Treasury underlying inflation rate abstracts from the components of the CPI that are affected by seasonal factors or directly influenced by government decisions. The components excluded under these criteria include: meat and seafoods, fresh fruit and vegetables, health services, tobacco and alcohol, petrol, fuel and light, postal and telephone services, rent of government owned dwellings, urban transport fares, clothing, local government rates and charges, holiday travel and accommodation, education and child care, mortgage interest charges, consumer credit charges and pharmaceuticals.

For the Westpac/Melbourne Institute Survey of Consumer Inflationary Expectations, data are quarterly to June 1992. From July 1992, the survey switched to a monthly basis.

Chart 14: Data are from ABS No. 5206, ABS No. 6401 and the ABS NIF data base:

- Nominal average earnings are equal to non-farm wages, salaries and supplements (seasonally adjusted) per non-farm wage and salary earner (seasonally adjusted non-farm civilian wage and salary earners plus unadjusted defence force personnel).
- Nominal unit labour costs are equal to the ratio of nominal labour costs (non-farm wages, salaries and supplements, plus payroll tax (less employment subsidies) and fringe benefits tax per hour worked by non-farm wage and salary earners) to average hourly labour productivity (constant price gross non-farm product per hour worked by all employed persons).

— Year average CPI growth rates are from ABS No. 6401, adjusted for the introduction of Medicare in 1984.

Chart 15: Short and long term interest rates are quarterly averages of midday rates.

Box 1: Panel A: OECD forecasts of growth in OECD countries are from the OECD Economic Outlook Nos. 41 to 51. Forecast data are from the issue in which the forecast for the respective calendar year first appears. Data on a financial year basis are derived by compounding semi-annual growth rates.

Panel B: Australian growth forecasts are for year average constant price GDP(I). The private sector forecast in each year is the 'average' forecast published in the Business Review Weekly following the release of the June quarter national accounts. Outcomes are from ABS No. 5206.

Box 2: The troughs in activity for the 1982-83 and 1990-91 recessions are defined as the March quarter 1983 and the June quarter 1991.

Panel A: Index comparisons of constant price trend GDP(A) data are derived from ABS No. 5206.

Panel B: Comparisons of quarterly average, trend unemployment data are derived from ABS No. 6202.

Panel C: Comparisons of inflation are derived from ABS No. 6401, adjusted for the introduction of Medicare in 1984.

Panel D: Comparisons of the CAD as a proportion of GDP are derived from ABS No. 5302 and ABS No. 5206.

Box 3: State employment data (trend, year to the month of June 1992) are from ABS No. 6202.

State seasonally adjusted, constant price consumption data are from ABS No. 5206.

Current price, seasonally adjusted data on Gross Fixed Capital Expenditure (GFCE) by State from ABS No. 5206 have been deflated using the GFCE deflators from ABS No. 5206. State data are only available up to the March quarter 1992.

Box 4: Panel A: Data are from Balance of Payments, Australia, June 1992 (ABS No. 5301).

Panel B: As for Panel A.

Box 5: Labour market data are from ABS No. 6202. The employment ratio (in original terms) has been smoothed by Treasury.

Box 6: Panel A: Profit share data are derived from Australian National Accounts, National Income and Expenditure, 1990-91 (ABS No. 5204), ABS No. 5206 and the Australian Tax Office.

The corporate trading enterprises' gross operating surplus (GOS) share is equal to the ratio of non-farm private corporate trading enterprises' GOS to gross product at factor cost of the private non-farm corporate sector.

Company tax is defined as income tax payable by corporate trading enterprises less their increase in income tax provisions.

Net interest payments are equal to interest paid by corporate trading enterprises less interest received by them.

A change in petroleum taxation arrangements, effective from 1 July 1991, has increased GOS estimates for 1991-92. Prior to 1991-92, Bass Strait crude oil and liquid petroleum gas production were subject to an excise tax (recorded in the national accounts as an indirect tax). From the September quarter 1991, this excise tax was replaced by a resource rent tax (treated in the national accounts as an income tax payable out of GOS). The effect on GOS was to permanently boost its level from 1991-92 by about \$1.4 billion (and reduce the level of indirect taxes by the same amount). The data has not been adjusted for this effect.

Panel B: Debt/equity data are from the Australian Stock Exchange. The average debt to equity ratio is the ratio of total liabilities to shareholders' funds (at book value) for 18 of the top 20 non-bank companies (ranked by market capitalisation as at end-June 1991). Two companies were excluded because data are not available for 1991.

PART II

Chart 16: Export and import share data (constant prices, seasonally adjusted) are from ABS No. 5302 and ABS No. 5206.

Chart 17: The direction of Australia's export trade (current price) data are from the Department of Foreign Affairs and Trade, 'Composition of Trade, Australia 1990-91' and 'Direction of Trade, Australia'.

Chart 18: The direction of Australia's import trade (current price) data are from the Department of Foreign Affairs and Trade, 'Composition of Trade, Australia 1990-91' and 'Direction of Trade, Australia'.

Chart 19: Three year averages of the composition of exports are derived from ABS No. 5302.

Chart 20: Components of constant price, seasonally adjusted private business fixed investment as a proportion of GDP (I) are derived from ABS No. 5206.

Chart 21: Constant price net business fixed capital stock as a proportion of GDP(I) is derived from ABS No. 5221 and ABS No. 5206. Private enterprise data (net of depreciation) are used.

Box 9: Elaborately transformed manufactured exports data (constant price) are from ABS No. 5302, classified according to the SITC.

Box 14: Panels A, B and C: Saving/investment data up to 1990-91 are from ABS No. 5204. 1991-92 figures are Treasury estimates (incorporating ABS NIF data) and 1992-93 figures are forecasts.

Box 15: Panel A: Employment trends by industry are derived from ABS No. 6203. Total employment is an ABS trend estimate. Trend employment by industry sectors is derived by Treasury by applying a 13-term Henderson-weighted moving average to the original ABS data. There is a slight discrepancy between total trend employment and the sum of the trend industry components.

Panel B: Treasury estimate of trend sectoral employment - see Panel A.

PART III

Chart 22: International year average economic growth data are derived from the OECD National Accounts (various issues) and the IMF International Financial Statistics Yearbook 1991.

Chart 23: GDP data for 1991-92 are from ABS No. 5206.

Chart 24: Capacity utilisation data are from Confederation of Australian Industry/Westpac Survey of Industrial Trends. Private business investment data are from ABS No. 5206.

Box 16: Panel A: Commonwealth Budget aggregates are from Table 3 of Statement 5, Budget Paper No. 1, 1992-93. Current price GDP(I) data (for calculation of ratios) are from ABS No. 5206.

Panels B and C: The general government sector's principal functions include provision of a range of non-market (or public) goods and services,

provision of the legal and other institutional frameworks for the community, and administration of the income transfer system. The net Public Sector Borrowing Requirement (PSBR) measures the public sector's direct call on financial markets and is defined as total outlays less total revenues, less increase in provisions (including depreciation and superannuation) and, for the Public Trading Enterprise and State/local sectors, excludes net advances received from general government and from the Commonwealth, respectively. Data on public sector finance are from Government Financial Estimates (ABS No. 5501). Current price GDP(I) data (for calculation of ratios) are from ABS No. 5206. Figures for 1992-93 are Treasury estimates.

STATEMENT 3 — OUTLAYS

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GUIDE FOR READERS OF STATEMENT 3

This guide describes the purpose and format of *Statement 3* and provides details of the style conventions used throughout.

THE PURPOSE OF STATEMENT 3

The statement presents the budget and forward estimates of outlays for the 1992-93 Budget and provides detailed information for readers on the allocation of Commonwealth funds to the various functions of government.

FORMAT OF STATEMENT 3

- 'Part I. Budget Outlays in Aggregate' includes a discussion of the highlights of the 1992-93 Budget, the forward estimates, trends in outlays, running costs budgets and the 1991-92 Budget outcome.
- 'Part II. Analysis by Function' provides a breakdown of total budgeted outlays classified by the functions of government.
 - Each functional listing begins with an overview, including summary tables, giving details of outlays and budget measures. This is followed by detailed commentary on the purpose and nature of the function, trends in function outlays, major policy changes over the last 10 years and the 1991-92 Budget outcome.
 - Detailed information on each subfunction, including budget and forward estimates, major programs and details on measures introduced by the Government for the 1992-93 Budget follows.
- The 'Statistical Appendix' provides historic tables covering outlay transactions of the Commonwealth budget sector according to a number of classifications, including function, economic type and portfolio.

LINKS TO OTHER BUDGET DOCUMENTS

Statement 3 is not the only source of information on budget outlays in the Budget Papers:

- *Statement 8, Classification of Budget Information* Budget Paper 1, describes the various classifications in more detail;
 - Budget Paper 2 details all budget payments and receipts; and
 - Budget Paper 3 presents budget outlays by portfolio and program.
- Beyond the budget sector, the general government sector includes activities funded from non-budget sources (eg part of the outlays of the ABC, SBS and CSIRO). Information on the general government sector, including the non-budget sector, is included in *Statements 6, 7 and 8* of Budget Paper 1.

STYLE CONVENTIONS

The following style conventions are used in *Statement 3* in addition to those noted on page iv to this Budget Paper.

- References in the text to allocations or estimates refer to the 1992-93 financial year unless otherwise stated. Similarly, references to changes in such amounts refer to comparisons with the 1991-92 outcome unless otherwise stated. References to the 'forward years' are to the years 1993-94 to 1995-96.
- The following abbreviations are used for the States and Territories: NSW (New South Wales), Vic (Victoria), Qld (Queensland), WA (Western Australia), SA (South Australia), Tas (Tasmania), NT (Northern Territory), ACT (Australian Capital Territory).
- 'States' includes the NT but excludes the ACT; 'the six States' excludes the NT and the ACT; 'States and Territories' includes the NT and the ACT but unless otherwise stated excludes other Territories; 'States and all Territories' has its natural meaning.
- Amounts shown for current and future years should be taken as estimates (whether or not so described) unless that is clearly not intended.
- All estimates used in *Statement 3* are expressed in nominal terms unless otherwise stated.
- Estimates not expressed as whole dollars are rounded to the nearest \$0.1m.
- All time periods are inclusive of the opening and/or closing dates or periods given (eg 'the three years to 1992-93' comprises 1990-91, 1991-92 and 1992-93).
- Real growth in outlays, unless otherwise stated, has been measured by reference to the non-farm Gross Domestic Product deflator.
- Functional and subfunctional tables (except for 1. *Defence*) do not include, for the budget and forward years, amounts for wage increases expected to take place after the Budget in that year. An allowance for such increases is included in 9C. *Contingency Reserve*.
- The sign of the percentage change reflects the result of the calculation, not the effect on the aggregate concerned. Therefore, the sign on the percentage change for an aggregate which changes sign will be negative.
- The following conventions have been followed when referring to other Government statements:
 - *March 1991 Economic Development Statement* refers to the *Building a Competitive Australia* statements of 12 March 1991;
 - *November 1991 Economic Statement* refers to the *Statement on the Economy and Employment* a parliamentary statement by the Hon. Mr R J L Hawke AC, the then Prime Minister, on 14 November 1991;
 - *One Nation* refers to the statement made by the Prime Minister 26 February 1992;
 - *July 1992 Youth Package* refers to *A National Employment and Training Plan for Young Australians* announced by the Prime Minister 27 July 1992; and
 - *Employment Statement* refers *Working for the Future - Jobs, skills, innovation* a statement by the Treasurer on employment and growth in the 1990s.

PART I. BUDGET OUTLAYS IN AGGREGATE

1. FEATURES OF THE 1992-93 BUDGET

Table 1. Summary of Outlays

	1991-92 Actual \$m	1992-93 Budget \$m	1993-94 Estimate \$m	1994-95 Estimate \$m	1995-96 Estimate \$m
Outlays excluding Asset Sales	102335.8	111494.0	116766.9	118303.0	123104.6
Real growth over previous year	4.9	5.9	1.2	-1.9	0.8
Outlays as a proportion of GDP	26.6	27.4	26.6	25.1	24.4
Asset Sales	301.8	-1600.0	-950.0	-75.0	-150.0
TOTAL	102637.6	109894.0	115816.9	118228.0	122954.6
Real growth over previous year	5.4	4.1	1.8	-1.1	0.7
Outlays as a proportion of GDP	26.7	27.0	26.4	25.1	24.4

- The 1992-93 Budget is significantly influenced by the economic situation in which it has been framed. In particular the growth in outlays is mainly due to the impact of the recession on the number of people dependent on pensions and benefits, and the measures announced in the *November 1991 Economic Statement, One Nation*, the *July 1992 Youth Package*, and the *Employment Statement* announced as part of this Budget:
 - the primary emphasis of the budget is on employment, and as well there are some major health and social welfare initiatives such as reform of the public hospital system and assistance to those on lower incomes.
- In the 1992-93 Budget:
 - outlays are expected to increase by 7.1% in nominal terms, an increase of 4.1% in real terms;
 - outlays are estimated to comprise 27.0% of Gross Domestic Product (GDP); and
 - the major sources of growth in outlays are increases in the functions 4. *Social Security and Welfare*, 7A. *Transport and Communication*, 2. *Education*, 9A. *Assistance to Other Governments, nec*, 3. *Health* and 7A. *Labour and Employment*; partly offset by reductions in 7B. *Industry Assistance and Development* and increased 9D. *Asset Sales*.
- Measures taken by the Government since the 1991-92 Budget have increased outlays by a net \$3554m (3.2% of total outlays). New policy costing \$5308m has been offset by savings of \$1754m:
 - the measures included in the *November 1991 Economic Statement, One Nation*, the *July 1992 Youth Package* and the *Employment Statement*

announced as part of this budget amount to \$2671m in 1992 with declining impact on outlays over the forward years.

- Over the budget and forward years:
 - outlays are expected to rise by 1.4% in real terms;
 - the major sources of growth over the forward years are expected to be functions 3. *Health*, 9A. *Assistance to Other Governments, nec* and 9B. *Public Debt Interest*;
 - these increases are partially offset by expected real declines in functions 7A. *Transport and Communication*, 7C. *Labour and Employment* and 4. *Social Security and Welfare*; and
 - after growing in 1991-92, the ratio of outlays to GDP is estimated to rise marginally in 1992-93 and to decline over the forward years to 24.4% in 1995-96.

2. BUDGET AND FORWARD ESTIMATES,
1992-93 TO 1995-96

Table 2. Outlays by Function

	1991-92 Actual \$m	1992-93 Budget \$m	Change %	1993-94 Estimate \$m	1994-95 Estimate \$m	1995-96 Estimate \$m
1. Defence	9362.5	9885.5	5.6	10005.8	10089.0	10409.8
2. Education	8359.9	9200.5	10.1	9598.0	10125.3	10495.3
3. Health	13841.5	14761.6	6.6	15842.9	16711.9	17688.7
4. Social Security and Welfare	35347.4	37943.2	7.3	39655.3	39876.6	40945.0
5. Housing and Community Amenities	1144.2	1426.5	24.7	1262.3	1056.4	1060.7
6. Culture and Recreation	1250.2	1270.7	1.6	1266.0	1248.3	1253.6
7. Economic Services						
A. Transport and Communication	1518.6	2694.0	77.4	1691.3	1162.1	1193.8
B. Industry Assistance and Development	3651.0	3310.7	-9.3	3247.9	3188.4	3191.3
C. Labour and Employment	1836.1	2726.7	48.5	2621.9	2250.6	1871.2
D. Other Economic Services	278.6	301.9	8.3	310.8	292.2	293.6
Total Economic Services	7284.4	9035.3	24.0	7871.9	6893.2	6550.0
8. General Public Services						
A. Legislative Services	377.8	438.8	16.1	385.1	390.0	473.6
B. Law, Order and Public Safety	932.8	928.3	-0.5	835.4	782.9	811.3
C. Foreign Affairs and Overseas Aid	1868.7	1950.9	4.4	1913.2	1954.0	2002.8
D. General and Scientific Research	868.6	988.7	13.8	1051.9	1009.1	1011.4
E. Administrative Services	2943.7	3188.7	8.3	3093.1	3022.0	3174.9
Total General Public Services	6991.6	7495.5	7.2	7278.7	7157.9	7474.0
9. Not Allocated to Function						
A. Assistance to Other Govts nec	13116.5	14070.9	7.3	15663.0	15610.1	16944.7
B. Public Debt Interest	5637.8	6406.4	13.6	7791.1	8672.1	8919.1
C. Contingency Reserve			na	532.0	862.3	1363.8
D. Asset Sales	301.8	-1600.0	na	-950.0	-75.0	-150.0
Total Not Allocated to Function	19056.1	18877.3	-0.9	23036.1	25069.5	27077.6
TOTAL	102637.6	109894.0	7.1	115816.9	118228.0	122954.6

The budget process is based upon a system of rolling forward estimates compiled by the Department of Finance in consultation with other departments and agencies, and published with the budget estimates in this Statement.

The estimates published in this Budget for 1992-93 and the forward years are based upon the forward estimates published with the 1991-92 Budget for the years 1992-93 to 1994-95. The forward estimates record the minimum cost of on-going Government policy, as adjusted from time to time by the Department of Finance for the effects of parameters (both economic and non-economic - eg programs beneficiaries) and other necessary variations. The estimates do not include any provision for new programs or for expansion of existing programs that has not been agreed by the Government. However, to avoid a conservative bias in the estimates, an allowance is included within program estimates for renewal of some elements of existing policy for which present authority terminates during the forward years. A bulk allowance is also made to balance conservative bias evident in the estimates of the cost of existing policy (see 9C. Contingency Reserve). As such, the estimates constitute a base for future Government decision-making and do not in any sense represent policy targets.

The forward estimates were updated in January, May and July 1992 to reflect revised assumptions following release of the quarterly national accounts and other economic data. As part of the rolling process a further year (1995-96) was added to the forward estimates in January. The forward estimates have also been progressively updated to incorporate the effects of policy decisions and changed parameter assumptions relating to specific programs - eg the number and composition of sole parent pension beneficiaries. The forward estimates thus represent a benchmark against which the effects of Government decisions and the impact of changes in parameter assumptions can be measured.

Table 3 summarises revisions to the forward estimates since the 1991-92 Budget. Major measures to vary outlays were announced in the November 1991 Economic Statement, One Nation, the July 1992 Youth Package and include the Employment Statement announced as part of this Budget. At the time of the 1991-92 Budget, real outlays were expected to rise by 1.1% in 1992-93, and to decline on average in the following years. The 1992-93 Budget estimates now indicate an increase of 4.1%, and on average the forward estimates years are projected to rise marginally in real terms. The small changes in outlays over the forward years mask some compositional changes. These are analysed in 4. Outlays Trends below.

Table 3. Reconciliation of Budget and Forward Estimates in Aggregate

	1991-92 \$m	1992-93 Budget \$m	1993-94 Estimate \$m	1994-95 Estimate \$m
PUBLISHED BUDGET AND FORWARD ESTIMATES AS AT 1991-92 BUDGET (a)	101514	105705	109110	111102
Real growth over preceding year (%)		2.6	1.1	0.2
Outlays as proportion of GDP (%)		25.7	24.9	24.2
Policy Decisions since 1991-92 Budget		1382	3554	2964
Parameter and Other Estimate Variations				
Revisions to economic parameters:				
- JSA/NEWSTART		75	1182	1471
- Prices and Wages		-164	-1534	-1489
- Interest and Exchange Rates		0	69	64
- Public Debt Interest		-640	-399	1076
- Program Specific Parameters		360	1495	2178
- Slippage in 1991-92 Budget Decisions		442	-444	15
- Other Revisions		-331	266	427
Sub-total		-258	635	3743
TOTAL VARIATIONS		1123	4189	6707
1991-92 OUTCOME AND UPDATED FORWARD ESTIMATES AS AT 1992-93 BUDGET		102638	109894	115817
Real growth over preceding year (%)		5.4	4.1	1.8
Outlays as proportion of GDP (%)		26.7	27.0	26.4

(a) Figures differ from published 1991-92 Budget estimates due to classification changes introduced in the 1992-93 Budget. Note: Estimates may not add to totals due to rounding.

The estimates for 1992-93 have increased by \$4189m over the levels provided for in the 1991-92 Budget. This growth is primarily due to Government policy decisions which have increased outlays by \$3554m. Estimates of outlays on Jobsearch and Newstart Allowances have increased by a further \$1182m. These increases have been partially offset by decreases of \$1534m due to lower than expected growth in prices and wages.

Table 4. Reconciliation of Budget and Forward Estimates by 1992-93 by Function (a)

	1992-93 Forward Estimates	1992-93 Budget Estimates	Difference between Budget and Other Estimates		Parameter and Estimates		Policy Decisions		1993-94 effect of Policy Decisions	
			Estimates	Estimates	Increases	Decreases	Increases	Decreases	Increases	Decreases
1. Defence	9940	9835	-55	-126	72	71	-1	20	-104	-85
2. Education	8733	9200	467	196	377	106	271	573	-252	321
3. Health	14362	14762	400	-73	535	-62	473	960	-58	902
4. Social Security and Welfare	35424	37943	2519	2206	730	-417	313	857	-574	283
5. Housing & Community Amenities	1181	1427	245	-65	366	-55	310	152	-6	146
6. Culture and Recreation	1186	1271	84	16	68	0	68	135	-1	134
7. Economic Services	1498	2694	1196	45	1151	0	1151	570	-475	95
8. Industry Assistance and Development	3204	3311	107	-184	314	-24	291	333	-35	298
9. Labour and Employment	1805	2727	922	47	916	-41	875	738	-23	736
10. Other Economic Services	307	302	-5	-15	11	0	10	11	0	11
Total Economic Services	6815	9033	2220	-107	2392	-65	2327	1672	-232	1440
11. General Public Services	432	439	7	2	5	0	5	1	0	1
12. Legislative Services	909	928	20	-29	51	-2	49	28	-4	24
13. Law, Order and Public Safety	1839	1951	112	41	75	-4	71	9	0	9
14. Foreign Affairs and Overseas Aid	947	989	42	-20	62	0	62	41	0	41
15. General and Scientific Res	2991	3189	198	64	134	-1	134	191	-3	188
16. Administrative Services	7118	7495	378	57	327	-7	320	269	-7	262
17. Not Allocated to Function	14151	14071	-80	-480	440	-40	400	362	0	362
18. Assist to Other Governments	6805	6406	-399	0	0	0	0	0	0	0
19. Public Debt Interest	190	0	-190	-190	0	0	0	0	0	0
20. Contingency Reserve	-200	-1600	-1400	-400	0	-1000	-1000	0	-800	-800
21. Asset Sales	20947	18877	-2069	-1469	440	-1040	-600	362	-800	-438
Total not Allocated to Function	105705	105894	4189	635	5308	-1754	3554	4999	-2035	2964

(a) All estimates in this table in 1992-93 prices.
Note: Estimates may not add due to rounding.

This reduces not only the costs of public sector wages, but also the costs of pensions and benefits, payments to the States and a number of other programs below previously projected levels.

Table 4 provides a decomposition of the net increase of \$4189m in the estimate for 1992-93 over the estimate published in last year's budget. The changes are analysed by function and broken into policy decisions and parameter and other estimates variations. The effect of the policy decisions on the estimates for 1993-94 is also provided. This information establishes the extent to which the Government has made discretionary changes to the estimates during the full budget cycle.

Policy Decisions

A summary of major policy measures since the 1991-92 Budget, classified by function, is shown in Table 5. Details of these and other policy measures are contained in each of the functional chapters.

As part of the Government's policy making process there have been a number of packages of policy measures announced since the 1991-92 Budget. Measures included in packages of the November 1991 Economic Statement, One Nation, the July 1992 Youth each of the November 1991 Economic Statement, One Nation, the July 1992 Youth Package and the Employment Statement announced as part of this Budget are so indicated in Table 5. The total outlays impact of each of these packages is shown at the foot of the table.

Asset sales measures announced since last budget are estimated to reduce total 1992-93 outlays by \$1000m and the 1993-94 outlays by \$800m (the major measure being the decision to sell 100% of a combined Qantas/Australian Airlines, see 9D. Asset Sales).

Table 5. Summary of Major Measures by Function

Description of Measure	Effects on Outlays			
	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
1. Defence				
Repayment of Defence Housing Authority advances funded by privatisation of houses	-	-60.0	-120.0	-120.0
Local defence purchases and the Ready Reserve (iv)	59.2	7.1	-17.9	-53.6
2. Education				
1994 higher education capital	-	77.5	158.4	79.7
1994 higher education growth	0.1	24.8	70.5	101.8
Higher education quality assurance	0.8	43.1	87.2	87.5
Increased funding for post school vocational education and training(ii)	35.0	105.0	175.0	210.0
Initiatives in post-secondary education and training (i)	141.3	127.9	135.3	146.5
Voluntary student loans scheme	-42.0	-114.7	-138.7	-137.9
3. Health				
Changes to Medicare Co-payment/GP Initiatives	365.0	534.0	704.0	707.0
Contingency Allocation for Public Access Bonus Pool (for public patient access to the hospital system)	-	208.5	218.2	251.0
Health Incentives Package - Waiting Lists Management	50.0	20.9	-	-
State Government Nursing Home Benefits	5.4	22.8	43.1	55.0

Description of Measure	Effects on Outlays			
	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
4. Social Security and Welfare				
56pf increase in assistance for low income families (ii)	240.4	255.4	260.3	270.3
National Aboriginal Health Strategy	38.9	64.1	66.4	0.0
Royal Commission into Aboriginal Deaths in Custody - Underlying Causes	27.6	39.7	47.7	54.0
Abolition of rent assistance waiting period (ii)	50.0	46.0	39.0	34.0
Rationalise Mobile Review Teams to allow more flexible management	-10.1	-49.8	-53.3	-55.0
Ongoing assessment of capital gains & losses of Listed Shares and Other Securities	1.0	-63.3	-85.5	-88.6
Continue data matching of DSS and TFN records assuming repeal of sunset clause	-18.5	-96.5	-148.1	-181.1
Pension increase of 56pf including a bring-forward of indexation to January 93	124.2	189.6	206.1	214.7
5. Housing and Community Amenities				
Bring forward of expenditure under the Commonwealth-State Housing Agreement (iv)	75.0	25.0	-50.0	-50.0
Local Capital Works Program (iv)	251.7	100.5	-	-
6. Culture and Recreation				
Film Finance Corporation / Special Production Fund of the Australian Film Commission - Continuation of Funding	34.2	64.7	61.9	58.2
7A. Transport and Communication				
AOTC debt for Equity Swap				
Rail funding (i)(i)	250.8	250.8	250.8	268.3
Roads funding (j)(i)	318.5	174.0	-	-
Untie road funding for arterial roads	451.5	150.2	61.4	102.5
	-	-175.0	-350.0	-350.0
7B. Industry Assistance and Development				
Continuation of Dairy Marketing Levy	117.1	114.0	108.0	105.0
Pharmaceutical Industry Development Program (Factor F)	20.2	70.2	130.2	150.2
TCF Industry Development Strategy	55.5	10.4	5.3	-
7C. Labour and Employment				
Accredited Training and JOBSTART card for long-term unemployed young people (iii)	70.2	127.8	49.2	-
Additional JOBSKILLS places (iv)	82.3	84.0	66.2	45.7
Additional training and job subsidy places under the Employment Access Program (i)	59.9	30.2	-	-
Additional training places and job subsidies under labour market programs (i)	123.6	2.6	-	-
Landcare and Environment Action Program (iii)	50.7	56.1	28.6	-
8E. Administrative Services				
Commercialisation strategy of DAS Common Service Businesses, including superannuation costs	20.8	-0.3	-26.8	-68.8
Construction of new office facilities, Canberra and Brisbane	52.3	147.7	129.7	34.5

Description of Measure	Effects on Outlays			
	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
9A. Assistance to Other Government				
Victoria Special Revenue Assistance - Petroleum Resource Rent Tax	139.0	144.1	149.3	154.7
Acceleration of Building Better Cities Projects (iv)	45.0	43.0	-35.0	-53.0
Increase in Financial Assistance Grants Pool	150.0	-	-	-
Untie arterial road funding and change indexation arrangements	-	175.0	350.0	361.9
9D. Asset Sales				
Sale of Commonwealth Assets	-1000.0	-800.0	-	-

Notations (i)-(iv) indicate measures included in policy packages as follows:

(i) November 1991 Economic Statement	200.6	9.5	6.7	na
(ii) One Nation	1431.6	841.8	499.7	520.4
(iii) July 1992 Youth Package	297.2	334.7	135.3	10.1
(iv) Employment Statement included in this budget	741.6	467.2	76.8	-95.0

Parameter Variations

Since the 1991-92 Budget, variations from the published forward estimates for 1992-93 caused by changes in economic and program specific parameters include increases due to higher than expected numbers of Jobsearch and Newstart Allowances beneficiaries, lower than expected wages and prices, and larger than anticipated numbers of other pensioners and beneficiaries. The expected cost to the Commonwealth of public debt interest is estimated to fall in 1992-93 by \$399m, largely reflecting lower interest rates and the premium from the issue of bonds during July 1992 (see 9B. *Public Debt Interest*) but to rise in later years due to the larger budget deficits than were expected. The effect of these changes and the corresponding effects in the outyears can be seen in Table 3, and indicative values of the revised parameters are shown in 3. *Estimating Assumptions*.

Other Variations

The net effect of other variations in 1992-93 totalled \$266m (including the absorption of the \$500m that had been included in the 1992-93 forward estimates to balance systematic conservative bias in the cost of existing policy). The largest contributions to this variation were the decreased estimates for savings from the computer matching of Social Security benefit recipients (\$183.9m), reduced levels of collections from the Higher Education Contribution Scheme (\$80.1m), and costs flowing from the alignment of the Family Allowance Supplement Threshold and the Austudy Parental income test (\$72.6m). These costs were partly offset by downwards revisions to estimated usage of the farm exit provisions of the Rural Adjustment Scheme (\$72.7m) and delays in implementation of the Australian Tax Office modernisation program (\$74.6m).

3. ESTIMATING ASSUMPTIONS

Economic Parameter Assumptions

The economic parameters underlying the budget estimates are set out in *Statement 2* of Budget Paper 1. However, due to the greater uncertainty of longer term forecasts, the parameters underlying the forward estimates are essentially illustrative.

The following key parameters have been used in calculating the estimates:

- **prices:** the Consumer Price Index (CPI) and non-farm Gross Domestic Product (GDP) price deflator are assumed to increase by around 2% and 2.75% respectively in 1992-93. The CPI and non-farm GDP deflator are projected to grow at around 3.25% and 3.5% respectively in 1993-94. In later years both are projected to grow at 3.25%;
- **wages:** public sector wages are assumed to move in line with community standards and with the Government's policy on workplace bargaining in Australian Government employment, with budgetary costs reflecting the gainsharing arrangements which form part of that policy. (They also include, as result of earlier decisions, adjustments to the remuneration of Senior Officers and performance-based pay for both Senior Officers and the Senior Executive Service within the Australian Public Service);
- **unemployment:** the estimates assume beneficiary numbers of around 815 000 in 1992-93 declining in the forward years;
- **interest rates:** monetary policy is assumed to focus on low inflation and inflation expectations while accommodating sustainable growth in economic activity. In the forward years, nominal interest rates are assumed to remain at low levels, consistent with the assumption about inflation; and
- **exchange rates:** The Trade Weighted Index (TWI) is assumed to be 54 for 1992-93 and the forward years.

The economic parameter estimates were settled following the release of the June quarter CPI and June quarter National Accounts. These were not available in time to be incorporated in the estimates for individual programs. An allowance is made for the impact of final revisions in 9C. *Contingency Reserve*. Final revisions centred on a lowering of price parameters through all years having a cumulative downward impact on the outlays estimate. Individual programs reflect parameter estimates derived in early July based on the latest economic forecasts for 1992-93 at that time.

Parameter Sensitivity of the Budget and Forward Estimates

The following section provides an approximate guide to the sensitivity of the forward estimates of outlays to variations in key economic parameters. The analysis set out below examines the effects on outlays of independent and economy-wide changes in specific parameters. For the purpose of the sensitivity analysis, economic parameters are collected around five broad groups. The assumptions regarding 1992-93 economic parameters are:

- **prices:** an additional one percentage point increase in all price deflators in 1992-93 calculated by increasing each of the 1992-93 quarterly figures by 0.25 percentage points;
- **wages:** an additional 0.5 percentage point increase in all wage and salary rates in both the December and June quarters of 1992-93, and assumed to be fully budget supplemented;
- **economic growth:** increased growth in GDP during 1992-93, so that the level of GDP is 1% higher by the end of 1992-93;
- **interest rates:** a one percentage point increase in all interest rates affecting the estimates, occurring on 1 July 1992 and maintained throughout 1992-93 only; and

- **exchange rates:** an additional increase of one index point in the Trade Weighted Index in 1992-93 (this increase is assumed to occur uniformly against all currencies).

Economic parameters for the years 1993-94 to 1995-96 are assumed to remain unchanged. Outlays in these years vary only to reflect impacts that the changed 1992-93 economic parameters have on changes in the level of prices and wages, and lagged effects of changes in the economic parameters for 1992-93.

The effect on outlays is sensitive to the assumed timing of these variations, especially in the first year. For example, an increase of 1% in prices occurring in the first quarter of 1992-93 would have a greater effect on 1992-93 estimates than a 1% increase spread evenly over the four quarters of 1992-93. Furthermore, the effects are based on a single year change of the parameters, whereas changes to budget year parameters are often associated with changes in the parameters over the forward years.

Table 6 sets out the results of the sensitivity analysis. The immediate impact of an increase in prices, wages or interest rates leads to an increase in estimated outlays, whereas an increase in the TWI or economic growth leads to a decrease in estimated outlays. Parameter changes in the opposite direction would lead to equivalent but opposite effects on budget outlays.

The estimated responses vary in some cases from those published in the 1991-92 Budget papers because of changes in the nominal value of the forward estimates, rounding effects and the state of the budget balance in 1992-93.

The changes shown are the direct effects only. Changes in exchange rates for example could be expected to lead to changes in other economic variables, which would in turn affect budget outlays. The sensitivity factors can, within limits, be used cumulatively to test the outlay sensitivity to an alternative economic scenario.

Table 6. Estimated Effect on Total Outlays of Variations in Key Parameters

Parameter	Estimated Effect on Total Outlays (rounded to nearest \$25m)			
	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
Prices	175	625	725	775
Wages	100	200	225	225
Economic Growth	-25	-175	-275	-325
Interest Rates	200	225	175	175
Exchange Rates	-25	-	-	-

The general effects on outlays of the assumptions regarding possible changes in economic parameters are as follows:

- **prices:** approximately 80% of total outlays in 1992-93 are dependent on price movements. Three quarters of the effect on total outlays of the price parameter assumptions is accounted for by pensions and benefits and by general revenue assistance to other governments;
- **wages:** approximately 60% of the effect of changes in wages from 1992-93 onwards is accounted for in program expenditure linked to wage costs (notably education grants, public hospital funding grants, nursing home subsidies and medical grants). The remainder is in direct wage and salary costs of public sector employees. For the purposes of this analysis only the nominal wages increases are assumed to be fully

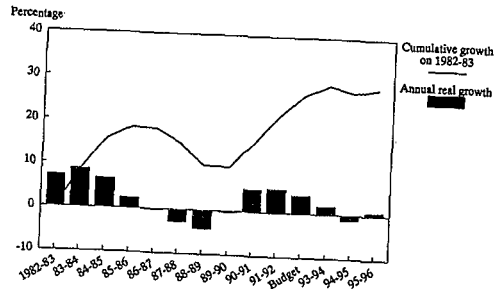
budget supplemented; ie no account has been taken of the offsetting running costs or programs savings designed to be part of workplace bargaining;

- **economic growth:** the only effect included in the analysis is on employment and numbers of unemployment beneficiaries. In the forward years, the fall in the number of unemployed is expected to be less than the increase in employment owing to an encouraged worker which increases labour supply;
- **interest rates:** the principal component of outlays that would be affected by any change in interest rates would be public debt interest, which would be affected in 1992-93 and the forward years due to the higher coupon costs for Treasury Bonds issued in 1992-93. The effects of higher interest costs on Treasury Notes would be felt in 1992-93 and 1993-94 according to the redemption pattern of Notes issued in 1992-93. Other major programs affected are interest subsidies paid on Defence Service Home Loans and the concessional finance interest subsidy provided through AUSTRADE; and
- **exchange rates:** outlays affected are interest payments on Commonwealth debt denominated in foreign currencies, defence capital purchases, foreign aid payments and salaries and allowances of overseas staff such as those employed by AUSTRADE and the Department of Foreign Affairs and Trade.

4. OUTLAYS TRENDS

General Trends

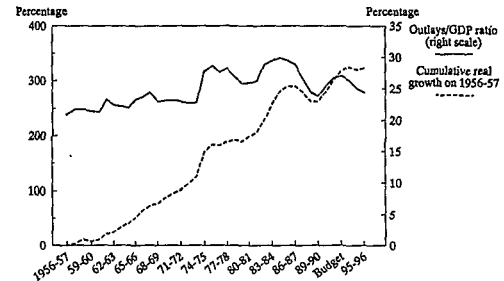
Chart 1. Real Growth in Outlays



In the period 1982-83 to 1991-92, outlays increased by 21.9% in real terms. In the three years to 1985-86 outlays increased by 18.4% in real terms. This trend was reversed between 1985-86 and 1989-90 when real outlays fell by 7.1%. With the start of the economic downturn in 1990-91, real outlays over the period 1989-90 to 1991-92 increased by 10.8% in real terms. Outlays are expected to increase in 1992-93 by a

further 4.1%. This is largely the result of recession related increases in 4. *Social Security and Welfare*, as well as increases in outlays on 7C. *Labour and Employment*, and 7A. *Transport and Communication* resulting from decisions taken during the year to address the impact of the recession. Outlays on 3. *Health*, 7A. *Assistance to Other Governments, nec* and 2. *Education* also contribute to the growth.

Chart 2. Outlays as a Proportion of GDP and Cumulative Real Growth



The ratio of budget outlays to GDP is an indicator of the share of national resources devoted to Commonwealth programs, although the ratio is sensitive to economic growth. After moving in a narrow band between 20.9% and 24.4% in the two decades to 1973-74, the ratio rose sharply to 1974-75. Subsequently the ratio fluctuated before peaking at around 30% in 1984-85. The combination of measures taken by the Commonwealth to reduce outlays, and the economic growth experienced until 1989-90, contributed to a decline for four consecutive years leading to an aggregate fall in the ratio to 23.8%. This trend was reversed in 1990-91 and 1991-92 with the advent of the recession and related increases in outlays. Outlays as a proportion of GDP is expected to be 27.0% in 1992-93 before falling to an estimated 24.4% in 1995-96, again reflecting the forecast improvement in economic conditions.

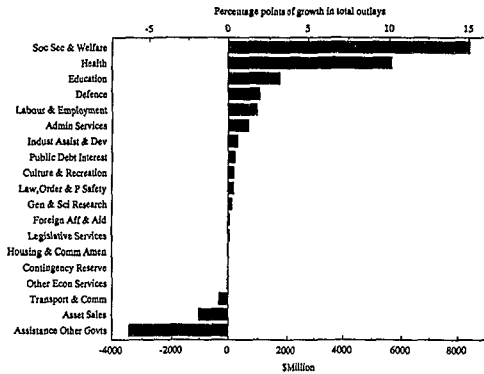
Trends in Outlays by Function

Comparisons of outlays in particular functions between the historical period (1982-83 to 1991-92) and the budget and forward years are complicated by the treatment of prospective wage and salary increases. For the budget and forward years, estimates of wages and salaries are based on rates prevailing at budget time in that year. An allowance for wage and salary increases determined after the Budget each year is included in 9C. *Contingency Reserve*.

Charts 3 and 4 show the contributions to real growth in each function in the periods 1982-83 to 1992-93 and 1992-93 to 1995-96 respectively. As Chart 3 suggests, the ten years between 1982-83 and 1992-93 saw most areas of Commonwealth outlays grow in real terms. The largest contributions were made by 4. *Social Security and Welfare*,

3. Health and 2. Education, while 9A. Assistance to Other Governments, nec declined over the period.

**Chart 3. Contributions to Real Growth
1982-83 to 1992-93
(1984-85 Prices)**

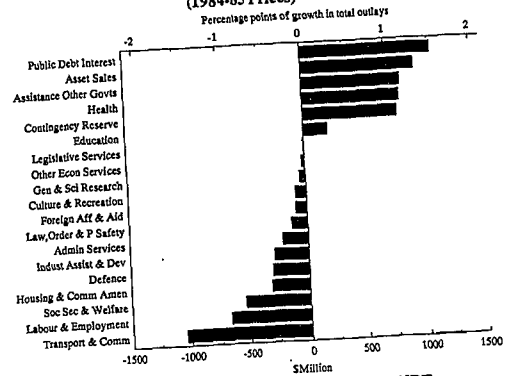


While the current economic downturn has led to the substantial increase in the outlays on 4. Social Security and Welfare, measures introduced by the Government during the late 1980's resulted in significant real reductions in several functions over the short term, which provided limited scope for the Government to redirect some funding to different policy areas in pursuit of social justice priorities.

Over the forward estimates period (1992-93 to 1995-96), real outlays are expected to grow slowly. The reduced growth towards the end of the forward years reflects the expected improvement in the economy in 1992-93 and beyond. Functions expected to decline over this period are 4. Social Security and Welfare, 7A. Transport and Communication and 7C. Labour and Employment. Significant real increases over the period are expected in 9B. Public Debt Interest, 3. Health and 9A. Assistance to Other Governments, nec.

Outlays on 3. Health have increased by an average of 6.5% over the period from 1982-83 to 1992-93, and are expected to continue to increase by an average of 2.4% each year in the period from the budget year to 1995-96. These persistent increases can largely be attributed to the changed financing arrangements associated with the introduction of Medicare in 1984 and the subsequent increased coverage of Commonwealth funded medical benefits as well as increased outlays on pharmaceutical benefits. There has also been growth in Medicare service volumes (particularly an increase in utilisation per head) and a general trend towards more expensive services.

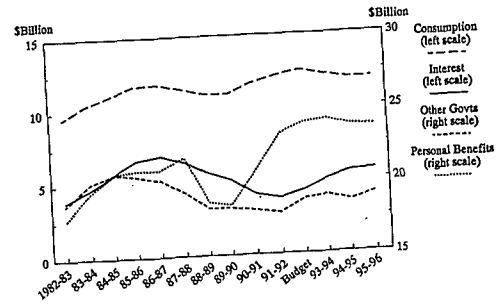
**Chart 4. Contributions to Real Growth
1992-93 to 1995-96
(1984-85 Prices)**



5. OUTLAYS BY ECONOMIC TYPE

Consumption, which comprises all current outlays on goods and services, grew in real terms in the period to 1986-87, declined between 1986-87 and 1989-90 reflecting constraint in Budget own-purpose outlays. It has risen again over the past few years but is expected to decline again in real terms over the forward years.

Chart 5. Real Outlays by Economic Type



From 1982-83 to 1986-87, interest payments grew in real terms. From 1987-88 to 1991-92, the level of interest payments declined by over \$2b to reach the level of 1984-85 payments, as improvements in the budget balance reduced the Commonwealth's borrowing requirements and allowed for repayments of past borrowings. From 1992-93 interest is expected to increase significantly in real terms.

The real level of assistance to other governments (States, Territories and local) has fluctuated over the last ten years. The most substantial real reductions in this category occurred in 1987-88 and 1988-89. Since 1990-91 this series has been affected by accelerated State repayments of Commonwealth loans (which are classified as offsets within outlays in line with ABS practice).

Over the years from 1982-83 to 1987-88, personal benefit payments (which includes payments to the unemployed and pension payments) have displayed strong real growth. Outlays in this category declined markedly in 1988-89 and 1989-90 when the Health Insurance Commission (HIC) (part of the Commonwealth non-budget sector) took over payment of Medicare benefits (1988-89) and Pharmaceutical benefits (1989-90) from the then Department of Community Services and Health. These payments are now classified as grants to the non-budget sector but are still recorded as personal benefit payments in Commonwealth sector statistics (see *Statement 7*). The strong real growth in the level of personal benefit payments is expected to ease in the budget and forward years.

The other components of Budget outlays are not reflected in Chart 5.

The large majority of capital spending by Australian governments is undertaken by the States and Territories, with the financial support of the Commonwealth. Typically, less than 1.0% of the Commonwealth's own outlays is devoted to capital purposes.

Other transfers includes current and capital grants and net advances to non-profit institutions, the Commonwealth non-budget sector, overseas and other sectors. There are changes in level in this series. For example, between 1984-85 and 1987-88, large payments were made to the Parliament House Construction Authority, and in 1988-89 and 1989-90 the payments were begun to the HIC for Medicare and Pharmaceutical Benefits Scheme benefits.

Tables VI to X in the statistical appendix to this Statement set out outlays by economic type.

6. BUDGET FLEXIBILITY

In framing the Budget, a significant proportion of outlays included in the forward estimates is committed and cannot easily be altered in the short term. While there are many different types of commitment and the degree of commitment will vary over time, the degree of immutability of commitments eventually depends on the judgements of Ministers - both in the short and medium terms. Only a small proportion of total outlays is ultimately non-discretionary. Table 7 shows the effect of government decisions on the forward estimates for each year from 1981-82.

7. RUNNING COSTS BUDGETS

The running costs budgets referred to in this Section are for departments and agencies operating under the running costs arrangements. These running costs budgets include:

Table 7. Reconciliation of Forward Estimates and Budget 1982-83 to 1992-93 (\$ million)

Year	Forward Estimates	Budget Estimates	Total Change	Revised Estimates Variation	Change accounted for by:			Change on Forward Estimates	
					Increase	Decrease	Net	Accounted for by Policy Decisions %	Total %
1981-82	41512	40662	-650	-175	308	-783	-475	-1.1	-1.6
1982-83	46112	47067	955	458	1153	-656	497	1.1	2.1
1983-84	54594	56703	2109	838	2485	-1214	1271	2.3	3.9
1984-85	64125	63948	-177	-599	1138	-556	582	0.9	-0.3
1985-86	69164	69067	-97	-667	716	-1480	-764	-1.1	-1.2
1986-87	75702	74764	-938	1039	816	-2793	-1977	-2.6	-3.5
1987-88	80939	78146	-2793	694	638	-4125	-3487	-4.3	-0.4
1988-89	82369	82013	-356	297	973	-1566	-593	-0.7	2.2
1989-90	84895	86753	1858	1636	1621	-1399	223	0.3	-1.4
1990-91	93161	92956	-205	1098	2011	-3314	-1303	-1.4	-0.2
1991-92	97846	101508	3663	3713	1917	-1867	-50	-0.1	3.7
1992-93	105705	109894	4189	635	5308	-1794	3554	3.4	4.0

running costs appropriations to departments and agencies; that part of one-line appropriations to departments and agencies that is used for running cost purposes; and, where applicable, annotated running costs appropriations (under Section 35 of the *Audit Act 1907*) and funds received from other sources by departments and agencies that are used for running costs purposes.

The purpose of the running costs arrangements, introduced in 1987-88, is to provide an appropriate framework and set of incentives to improve public sector efficiency and effectiveness of program delivery, to enhance accountability and streamline budget formulation.

Nature of Running Costs Budgets

Running costs budgets cover the salary and administrative expenses (including minor capital) associated with the running of departments and agencies. The key elements of the running costs policy include greater resource flexibility gained by consolidating appropriations; cash limiting budgets; the discipline of thresholds where managers are required to absorb small variations to budgets; access to carryover and borrowing facilities between fiscal years; a focus on user charging and use of amounts received; the sharing of efficiency dividends; and the integration of staffing controls within a financial framework. Consistent with the goal of continued improvement, some changes to running costs arrangements have been introduced for the 1992-93 Budget.

Additional funds for legal services provided by the Attorney-General's Department have been added to the running costs budgets of other departments and agencies this year. This has taken place to facilitate the introduction of user charging by the legal practice area of the Attorney-General's Department. Transitional arrangements will mean that funds distributed to departments and agencies cannot be used for any purpose other than payment for legal services provided by the Attorney-General's Department, until after 1994-95.

Property Operating Expenses (POE - accommodation and related expenditure) have also been added to the running costs budgets of departments and agencies this year. Previously, POE were provided to receiving agencies as a separate appropriation. Its full incorporation into the running costs arrangements will be subject to resource agreements being put in place between a department or agency and the Department of Finance.

A review of the carryover and borrowing limit also took place during 1991-92. As a result of that review the Minister for Finance has approved an increase in the carryover and borrowing limit from 3% to 6% from the 1992-93 Budget. In addition, multiple year carryovers and borrowings will now be allowed, subject to resource agreements between the relevant department or agency and Department of Finance.

Trends

When assessing trends in running costs budgets, account needs to be taken of changes to the administrative structures which underpin such budgets. Significant changes to Government administration have occurred since 1986-87. Examples include: the commercialisation of units within the Department of Administrative Services; the creation of the ACT Government; the establishment of a separate Tourism Portfolio during 1991-92; and, in 1992-93, the charging for legal services provided by the Attorney-General's Department and the incorporation of POE into running costs.

Adjustments to particular years' running costs appropriations to permit access to carryover and borrowing facilities can distort between-year comparisons, even though overall appropriation levels across the years do not increase. Additionally, as the running costs arrangements have matured, the policy of promoting user charging for services has led to increased budgets for both user and provider agencies, as user charging receipts are annotated to service providers' running costs budgets.

Even after allowing for these effects there is still some evidence of real growth in running costs budgets over the period 1986-87 to 1991-92. The changes in financial resources and average staffing levels (ASL) under the running costs arrangements are summarised in the following table:

Table 8. Real Change in Running Cost Budgets (% Over Preceding Year)(a)

	1988-89	1989-90	1990-91	1991-92	1992-93 (b)	Annual Average (c)
Running Costs	1.5	0.4	7.0	6.4	2.7	3.6
ASL	-2.0	-4.6	2.7	3.5	1.1	0.1

- (a) Up to 1991-92, growth rates exclude POE.
 (b) 1992-93 salaries estimates are based on wage rates applying at the beginning of the financial year.
 (c) Average annual growth from 1987-88 to 1992-93.

Real growth in running costs in 1991-92 can be attributed to a number of factors. In particular, the running costs budgets of several departments are determined, in part, by reference to staffing agreements that formally link staff numbers to the number and composition of client populations. For example, significant increases in the number of unemployed, as a result of the recession, has led to a significant increase in the running costs of the Department of Social Security and the Commonwealth Employment Service.

The Budget and Forward Estimates

The incorporation into running costs of the legal services provided by the Attorney-General's Department has added around 0.4 percentage points (\$47m) to running costs growth in 1992-93. Growth in POE in 1992-93 has contributed a further 0.9 percentage points (\$91m).

Net carryovers and borrowings into 1992-93 (from 1991-92 and 1993-94 respectively) of \$200m have contributed 1.9 percentage points to 1992-93 running costs growth. The net effect of new policy and savings measures agreed since the 1991-92 Budget have added \$300m (2.8 percentage points).

The bulk of new policy resources have been in response to the recession. Substantial additional running costs have been provided to improve the quality and availability of training and labour market programs as well as the servicing of the unemployed. From the November 1991 *Economic Statement*, *One Nation*, the July 1992 *Youth Package*, and the *Employment Statement* announced as part of this Budget, the Department of Employment, Education and Training has received around \$74m in running costs to undertake the training and labour market initiatives incorporated in those statements. Although not to the same extent, running costs for several other departments and agencies have also increased to allow for the administration of new or expanded measures in those statements.

8. THE 1991-92 BUDGET IN REVIEW

In the 1992-93 Budget, departments and agencies paid an efficiency dividend totalling almost \$85m. This brings the total efficiency dividend realised since 1987-88 to over \$320m.

Table 9. Total Running Costs Budgets and Staffing Levels by Portfolio (a)

	1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate	1992-93 Growth
Running Costs						
	\$m	\$m	\$m	\$m	\$m	%
Administrative Services	257.8	282.1	294.8	289.6	293.7	9.5
Arts, Sport, the Environ & Territories	425.4	427.3	420.7	412.6	416.6	0.4
Attorney-General's	707.7	675.0	677.8	652.0	671.9	-6.6
Defence (b)	1733.1	1736.2	1755.5	1724.7	1788.9	0.0
Employment, Education & Training	742.8	900.5	917.8	872.2	870.6	21.2
Finance	140.2	160.4	144.7	142.8	146.6	14.5
Foreign Affairs & Trade	495.2	520.9	528.8	521.8	526.3	5.2
Health, Housing & Community Services	1095.6	1115.6	1139.9	1114.4	1121.0	1.8
Immigration, Local Gov & Ethnic Affairs	240.1	274.2	289.0	284.5	274.0	14.2
Industrial Relations	148.5	163.2	164.4	159.9	160.2	9.8
Industry, Technology & Commerce	1095.1	1177.8	1212.3	1139.3	1155.7	7.6
Primary Industries & Energy	353.8	355.8	348.7	341.3	347.7	0.6
Prime Minister & Cabinet	87.4	88.6	83.7	80.1	80.4	1.4
Social Security	1003.5	1071.1	1044.6	1027.9	1031.1	6.7
Tourism	18.0	20.7	21.0	20.2	20.7	14.9
Transport & Communications	812.7	818.4	858.2	866.2	887.7	0.7
Treasury	1390.2	1412.9	1317.4	1259.7	1226.0	1.6
Total	10746.7	11200.7	11219.2	10909.3	11019.3	4.2
Staffing Levels						
	SY's	SY's	SY's	SY's	SY's	%
Administrative Services	3730	3814	3765	3732	3700	2.3
Arts, Sport, the Environ & Territories	4863	4758	4624	4500	4406	-2.2
Attorney-General's	9394	9566	9419	9237	9175	1.8
Defence (b)	24006	22798	21901	21284	20955	-5.0
Employment, Education & Training	12746	15633	15417	14872	14428	22.7
Finance	2064	2052	2008	1973	1964	-0.6
Foreign Affairs & Trade	5425	5560	5499	5445	5391	2.5
Health, Housing & Community Services	18597	18292	17936	17619	17336	-1.6
Immigration, Local Gov & Ethnic Affairs	3366	3602	3211	3126	3122	7.0
Industrial Relations	1805	1952	1913	1824	1757	8.1
Industry, Technology & Commerce	14567	14512	14396	13633	13450	-0.4
Primary Industries & Energy	4290	3936	3725	3629	3581	-8.3
Prime Minister & Cabinet	1085	1098	1029	995	972	1.2
Social Security	19100	20417	19641	19421	18565	6.9
Tourism	262	261	237	233	231	-0.3
Transport & Communications	8311	8174	8181	8123	8094	-1.6
Treasury	24110	23094	22245	21286	20400	-4.2
Total	157720	159518	155146	150932	147527	1.1

- (a) The separate Tourism and Arts, Sport, the Environment and Territories portfolios were established during 1991-92 from the Arts, Sport, the Environment, Tourism and Territories portfolio. Non-salary running costs budget and forward estimates incorporate an allowance for prospective price increases. Salary estimates are based on wage rates applying at the beginning of each year and allow for the extra paydays in 1993-94. Estimates for salary increases during each year are held in the SC Contingency Reserve. 1991-92 actual figures include POE for comparison purposes.
- (b) Defence figures exclude salaries (and Staff Years) for service personnel and Property Operating Expenses (POE).

A detailed report on the outcome of the 1991-92 Budget was released by the Minister for Finance with the June Statement of Commonwealth Financial Transactions on 31 July 1992. Differences in outlay figures in that report to those published here are mainly due to last day adjustments and correction of mispostings. Table 10 compares the outcome for the year with budget estimates and with 1990-91 and categorises the variations from budget estimates. Real growth in outlays in 1991-92 was 5.4%. The outcome for 1991-92 was above the budget estimate by \$1.1b or 1.1%. Two economic statements contributed significantly to the variation from budget estimates, (\$170m in the November 1991 Economic Statement and \$494m in One Nation). Other decisions amounting to around \$700m include the revision of Medicare arrangements, the sale of AUSSAT, construction of an aviation facility at Badgerys Creek, assistance to the agricultural sector and funding a national aboriginal health strategy. Parameter changes reduced the outcome by around \$360m and slippage in asset sales (approximately \$440m) more than offset other downward variations.

PART II: ANALYSIS BY FUNCTION

1. DEFENCE

OVERVIEW

		1991-92	1992-93	1993-94	1994-95	1995-96
		Actual	Budget	Estimate	Estimate	Estimate
1.1	Personnel Costs and Retirement Benefits	\$m 3819.8	4181.2	4193.3	4050.4	4111.8
			9.5	0.3	-3.4	1.5
1.2	Defence Equipment and Stores	\$m 3498.2	3711.6	3791.3	3932.2	4117.8
			6.1	2.1	3.7	4.7
1.3	Defence Facilities	\$m 286.3	324.7	348.8	457.7	449.3
			13.4	7.4	31.2	-1.8
1.4	Defence Housing	\$m 198.1	179.1	159.5	146.6	179.8
			-9.6	-11.0	-8.1	22.7
1.5	Defence Industry	\$m 149.9	115.7	99.1	75.1	71.6
			-22.8	-14.4	-24.2	-4.6
1.6	Defence Science	\$m 232.3	211.7	204.3	193.0	191.9
			-8.8	-3.5	-5.6	-0.5
1.7	Other Defence Outlays	\$m 1178.0	1161.4	1209.7	1234.0	1287.6
			-1.4	4.2	2.0	4.3
TOTAL		\$m 9362.5	9885.5	10005.8	10089.9	10409.8
		%	5.6	1.2	0.8	3.2

- Total Defence outlays will increase by \$523.0m or 5.6% in 1992-93 representing zero real growth (using defence deflators). Planning guidance has been set at a reduction of 0.5% in real terms for 1993-94 with Defence outlays being maintained at that real level for future years.
- Under the *Employment Statement* announced in the Budget, Defence outlays totalling \$59.2m in 1992-93 and \$7.1m in 1993-94, have been brought forward from future years to stimulate employment. Allowing for price effects, this funding will be offset by reductions in Defence outlays in 1994-95 (\$17.9m) and in 1995-96 (\$53.6m).
- Defence outlays are estimated to be 9.0% of total Commonwealth outlays (2.4% of Gross Domestic Product) in 1992-93, down from 9.1% in 1991-92.
- Approved off-budget borrowings for Defence companies and authorities total \$76.5m in 1992-93 including \$28m for the Defence Housing Authority (DHA) to fund housing construction under the employment package.
- The Government's decision to privatise a significant proportion of off-base housing stock currently owned by DHA in capital cities and developed regional centres and replace it with privately owned accommodation will yield \$300m in

Table 10. Reconciliation of 1991-92 Budget and Outcome (\$m)

	Outcome: estimate		Parameter changes		Slippage of budget		Outcome variations		Change in 1991-92 outcome over:		
	1990-91	1991-92	economic	non-economic	Post budget decisions	measures	Other	1990-91	1991-92	1990-91	1991-92
	(\$)	(\$)						(\$)	(\$)	%	%
OUTLAYS											
1. Defence	9066	9435	32	0	13	-5	-112	9593	297	3.3	-72
2. Education	7467	8254	-5	74	85	6	-54	8560	893	12.0	106
3. Health	12939	13694	37	1	131	2	-13	13841	902	7.0	158
4. Social Security and Welfare	30559	34407	-5	286	361	2	296	35347	4789	15.7	940
5. Housing and Community	1084	1189	-35	0	2	-2	-11	1144	60	5.6	-45
6. Cultural and Recreation	1194	1237	0	0	21	0	-7	1250	56	4.7	14
7. Economic Services											
A. Transport and Communication	1791	1440	0	0	211	-34	99	1510	-273	-15.2	79
B. Health Assistance and Development	3979	3612	1	0	80	0	-43	3651	-328	-8.2	39
C. Labour and Employment	1440	1768	3	0	103	-1	-37	1856	396	27.5	68
D. Other Economic Services	269	290	1	0	0	0	0	279	10	3.7	-11
Total Economic Services	7478	7110	6	0	395	-35	-12	7284	-194	-2.6	174
8. General Public Services											
A. Legislative Services	351	338	1	0	0	0	19	378	27	7.7	20
B. Law, Order and Public Safety	752	977	1	0	-6	-6	-49	933	181	24.0	-45
C. Foreign Affairs and Overseas Aid	1720	1833	6	-1	43	0	-12	1869	148	8.6	35
D. General Scientific Research nec	749	879	0	0	4	0	-14	869	119	15.9	-10
E. Administrative Services	2895	3170	3	0	5	-4	-230	2944	139	5.0	-226
Total General Public Services	6377	7217	10	-1	61	-10	-286	6992	614	9.6	-226
9. Not Allocated to Function											
A. Government over Government nec	13966	13329	-99	0	18	-14	-117	13116	-850	-6.1	-212
B. Public Debt Interest	6661	6278	-640	0	0	0	0	5638	-423	-7.0	-640
C. Contingency Reserve	0	0	-31	0	0	0	31	0	0	-	-
D. Asset Sales	-162	-625	0	0	296	498	133	302	463	na	927
Total Not Allocated to Function	19866	18981	-769	0	314	484	46	19056	-1310	-4.1	75
TOTAL OUTLAYS	96030	101514	-720	360	1382	442	-331	102638	6607	6.9	1123

(a) The 1990-91 Outcome and the 1991-92 Budget estimate differ from those published in the 1991-92 Budget Papers due to classification changes introduced in the 1992-93 Budget. (See Statement 4 of the 1992-93 Budget.)

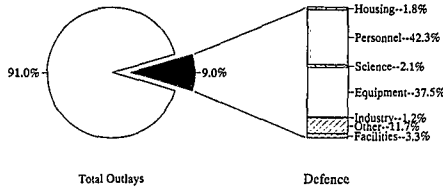
(b) Includes delays and other changes in impact of Budget measures.

(c) Includes changes in non-economic activity levels, employer of training costs and net program underpays.

the forward years (\$60m in 1993-94, \$120m in 1994-95 and \$120m in 1995-96) to the Budget:

- sale proceeds will reduce *DHA debt to the Commonwealth*, and consequently reduce the Authority's interest costs;
- the quality of housing stock occupied by service families will not be affected nor will the Government's commitment to improving Defence housing quality.

Chart 1 Defence
Proportion of Total Outlays and Function
1992-93



- The main variations in 1992-93 are due to:
 - increased Personnel and Retirement Benefits costs (\$361.5m), reflecting pay and allowance increases, increase in retention payments, indexation of retirement benefits and the effect of the Military Superannuation and Benefits Scheme;
 - increased outlays on Equipment and Stores, particularly larger projects which are gathering momentum (eg submarines, frigates and Jindalee Operational Radar Network), together with spending on planned new projects (\$213.4m);
 - increased general administration costs (\$37.2m) largely as a result of a higher level of expenditure for compensation and legal expenses; and
 - reductions in expenditure on Defence Industry (\$34.2m) reflecting, in part, the imminent completion of facilities projects by Defence at Mulwala and Garden Island Dockyard, (NSW).

MEASURES TABLE

Description of measure	Effect on Outlays			
	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
<i>Decreases</i>				
Repayment of Defence Housing Authority advances funded by privatisation of houses	-	-60.0	-120.0	-120.0
Reduction in real growth in Defence outlays by 0.5% in 1993-94 with outlays to be maintained at that real level in subsequent years	-	-44.1	-45.3	-47.0
Establishment of Law Enforcement Access Network	-0.7	-1.4	-1.5	-1.5
<i>Increases</i>				
Local Defence purchases and the Ready Reserve (i)	59.2	7.1	-17.9	-53.6
Peacekeeping force in Cambodia - Net of UN Reimbursement	12.1	9.6	-6.5	-
Continued support for multi-national force in Gulf	0.1	-	-	-
Introduction of Military Compensation Scheme	0.2	3.7	7.4	11.6
Defence Housing Authority - Additional borrowing authority for housing construction (\$28.0m) (i)	-	-	-	-

(i) Measures included in the *Employment Statement*.

PURPOSE

The Defence objective is to promote the security of Australia and protect its people and its interests. The Government aims to provide adequate, self-reliant defence of Australia and its interests, against armed attack or other military pressure, within the framework of our alliances and regional associations. The White Paper, *The Defence of Australia*, released in March 1987, provides a comprehensive review of Australia's defence capabilities and priorities up to the end of the century. These priorities were re-examined in the *Force Structure Review 1991* and significant adjustments to the balance of capabilities are being made to better meet Australia's strategic priorities.

NATURE OF DEFENCE OUTLAYS

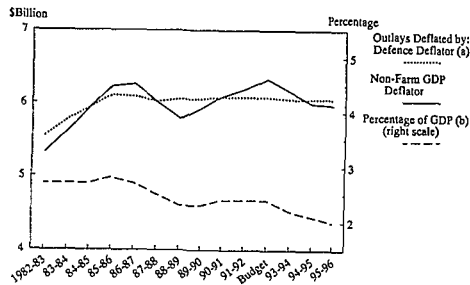
Salaries, fuel, ammunition and maintenance form the largest elements of Defence outlays. Although in recent years there have been increasing pressures from personnel and operating costs, the proportion of Defence resources devoted to the provision of new equipment and facilities has been maintained in line with the Government's priorities.

TRENDS IN DEFENCE OUTLAYS

From 1982-83 to 1987-88, Defence outlays were between 2.5% and 2.8% of GDP. This proportion declined to 2.3% in 1988-89, but increased to 2.4% in 1990-91 and has been maintained at this level since then. A decline is estimated in the forward years reflecting reduced real growth in 1993-94 and recovery of outlays accelerated for employment purposes, together with proceeds in the forward years from privatisation of the Defence Housing Authority (DHA) assets which do not represent a reduction in Defence effort.

The Defence share of total outlays has been fairly stable, varying between 9.1% and 9.7% but is estimated to decline over the forward years largely for the reasons outlined above.

Chart 2 Defence Outlays
(1984-85 prices)



- (a) Figures are necessarily approximate, derived from underlying real growth for Defence for past years.
 (b) Affected by repayments of advances from DHA which do not represent a change in the level of Defence effort.

The solid line on the chart showing Defence outlays deflated by the non-farm Gross Domestic Product (GDP) deflator is a measure of the real demands made by the function on Australian community resources. The dotted line on the chart, which is derived from information on price changes, exchange rates and timing movements used in defence real growth guidance calculations, is a broad indicator of the underlying change in the level of Defence goods and services procured. This measure parallels the basis on which defence financial guidance is provided. On this basis Defence outlays grew strongly between 1982-83 and 1985-86, averaging about 3.5% real growth a year, largely reflecting the replacement of capital equipment purchased in the 1960s. The period also saw the beginning of a gradual shift away from personnel costs to capital items, particularly equipment.

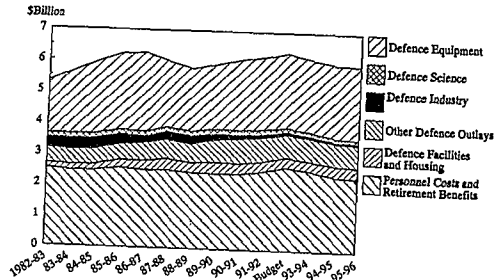
Growth slowed over the period 1986-87 to 1992-93 as global allocations were reduced in the context of general fiscal restraint. Even within the reduced allocation, payments on Defence equipment and facilities have been broadly maintained. Capital spending is expected to continue at a relatively high level as progress is made on major White Paper initiatives such as provision of submarines, ANZAC frigates and Jindalee Operational Radar Network (JORN).

These major initiatives, together with personnel costs and retirement benefits will continue to represent commitment of almost 80% of Defence outlays under current guidance for at least several years.

However, supplementary resources have been and continue to be provided outside financial guidance for some special projects such as the Geraldton communications facility, the Military Superannuation and Benefits Scheme (MSBS) for service personnel, the Gulf Crisis and peacekeeping in Cambodia (\$24.9m before United Nations (UN) reimbursement for the latter in 1992-93). Defence spending capacity has been further augmented by arrangements under which Defence may now retain, and offset against its outlays, most of the proceeds from the sale of surplus or under-utilised properties. Off-budget Loan Council funding facilities are available to Government Business Enterprises in the Defence portfolio and DHA (a total of \$76.5m in 1992-93), thereby relieving Defence of funding responsibilities for some of these activities. Implementation of the Force Structure Review recommendations, including the Ready Reserve together with the Commercial Support Program, the Logistics Redevelopment Program and other efficiency initiatives, will generate significant savings for use in higher priority areas. Defence will also be given an incentive to reap further savings by the retention of savings in superannuation costs as well as salaries of personnel released under the commercial support initiatives. The additional flexibility produced by these measures will assist in meeting pressures on the capital equipment program in future years. As savings from efficiency measures take effect and existing projects draw to a close, there will be greater scope to replace obsolete equipment (such as DDGs, Fremantle class patrol boats and M113 tracked armoured fighting vehicles) and to acquire enhanced capabilities.

The major changes in the composition of Defence outlays over the last ten years and for the budget and forward years are illustrated in Chart 3.

Chart 3 Defence - Composition
(1984-85 prices)



MAJOR POLICY CHANGES

The period since 1982-83 has seen a number of significant changes including the commencement of initiatives foreshadowed in the 1987 Defence White Paper, such as in-flight refuelling for the F/A-18 aircraft, new Collins class submarines, ANZAC frigates, JORN, and enhancement of defence infrastructure in the west and north of Australia, together with the completion of a Force Structure Review to reassess priorities, leading to:

- the commencement of a Commercial Support Program designed to open support functions to competition;
- the introduction of a Ready Reserve; and
- changes in equipment and operational priorities.

A list of other significant Defence initiatives which have been implemented to date was provided in Statement 3 of 1991-92 Budget Paper 1.

1991-92 OUTCOME

The outcome for 1991-92 was \$72.3m or 0.8% less than the 1991-92 Budget allocation. The major factors contributing to this were lower outlays on retirement and retention benefits for the Australian Defence Force (ADF) personnel (\$98m) and Customs Duty (\$8m). As receipts from the sale of surplus defence properties were not achieved during the year, other Defence outlays were reduced by a corresponding amount (\$10.2m).

Partly offsetting these shortfalls were increases resulting from price and exchange rate movements (\$31.7m), additional compensation and legal payments (\$18.1m) and net outlays associated with Australia's contribution to UN sponsored peacekeeping in Cambodia (\$12.2m).

SUBFUNCTION DETAIL

1.1 PERSONNEL COSTS AND RETIREMENT BENEFITS

	1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Defence Force Personnel	\$m 2578.0	2700.9	2650.9	2544.5	2578.6
	%	4.8	-1.9	-4.0	1.3
Civilian Personnel	\$m 610.5	624.8	670.2	616.2	638.1
	%	2.4	7.3	-8.1	3.6
Defence Forces Retirement	\$m 631.3	795.5	827.2	829.7	885.1
	%	26.0	4.0	0.3	6.7
Provision for Contingent Salary and Related Increases	\$m	60.0	45.0	60.0	10.0
	%	na	-25.0	33.3	-83.3
TOTAL	\$m 3819.8	4181.2	4193.3	4050.4	4111.8
	%	9.5	0.3	-3.4	1.5

The variation in personnel and retirement benefits costs in 1992-93 reflects the impact of the Force Structure Review reductions in personnel numbers, offset by increases in retention payments authorised under the MSBS, increased net retirement payments under the Defence Force Retirement and Death Benefits (DFRDB) and MSBS, the full year effects of increases in salary and allowance rates and a provision for contingent salary and related increases.

Defence Force Personnel

Details of ADF personnel numbers are shown in the table below:

Authorised Average Strength

	1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Permanent Forces					
Navy	15549	15424	15139	15139	15139
	%	-1.5	-0.8	-1.8	0.0
Army	30733	29273	28362	27221	26456
	%	-0.2	-4.8	-3.1	-4.0
Air Force	21893	21209	19170	18593	18335
	%	-0.7	-3.1	-9.6	-3.0
Total Permanent Forces	68175	65906	62671	60953	59930
	%	-0.7	-3.3	-4.9	-2.7
Ready Reserve (a)	356	1247	1317	1253	1260
	%	n.a.	250.3	5.6	-4.9
General Reserves (a)	3146	3268	3231	3244	3261
	%	-5.6	3.9	-1.1	0.4
TOTAL	71677	70421	67219	65450	64451
	%	-0.4	-1.8	-4.5	-2.6

(a) Staff year equivalent of training days.

A net reduction of 2269 in ADF Permanent Forces is forecast in 1992-93. Army numbers are forecast to fall by 1460 largely due to the replacement of some elements of the Permanent Force following the introduction of a Ready Reserve. Over the forward years the Permanent Forces are expected to be reduced further as a result of the

expansion of the Ready Reserve, other Force Structure Review initiatives and the implementation of the Commercial Support Program.

For the General Reserves, the number of training days is expected to increase in 1992-93 and then remain relatively constant. The June 1993 target strength for the Active General Reserve is 29 165. The actual strength at 30 June 1992 was 29 590.

Civilian Personnel

Civilians represent 24% of total staffing. Civilian average staffing levels are planned to fall by approximately 1200 in 1992-93 to 22 798 largely due to Defence efficiency measures, contracting out support activities under commercial support arrangements and closure of Maribymong Explosives Factory. Over the forward years civilian staffing levels are projected to decline further, by more than 1800, as the Force Structure Review and Commercial Support Program gather momentum.

The cost of some personnel categories discussed above are included in '1.5 Defence Industry', '1.6 Defence Science' and '1.7 Defence Other'.

Defence Forces Retirement Benefits

The DFRDB and MSBS provide occupational contributory superannuation for members of the ADF.

The increased provision in 1992-93 relates to both the DFRDB and MSBS schemes. In respect of the former, payments to beneficiaries are estimated to increase by \$39.3m reflecting increased pensioner numbers and higher pension rates. Contributions from members fall by \$70.0m due to the transfer of contributors to the MSBS. MSBS payments increase by \$65.8m and are partly offset by \$10.9m reimbursement of member accumulated contributions from the Fund. For the forward years the provision for DFRDB is expected to increase as the number of beneficiaries remains broadly at the same level while the number of contributors decrease; provisions for MSBS are expected to increase as membership increases.

Provision for Contingent Salary and Related Increases

This allowance, like the general budget contingency reserve, is not appropriated at budget time but as necessary during the course of the year.

Trends

The decline in personnel costs and retirement benefits as a proportion of total outlays in the early part of the decade is expected to continue over the forward years - from 40.8% of Defence outlays in 1991-92 to 39.5% in 1995-96, largely due to a reduction in civilian and military personnel numbers offset by an increase in net retirement benefits payments as DFRDB and MSBS outlays grow.

The new retention payments to service personnel who have completed 15 years service and undertake to serve for a further five years also contributes significantly to outlays growth. The retention benefit, included under Defence Force Personnel costs, is estimated to cost \$101.4m in 1992-93 as a significant number of eligible members are expected to transfer to the MSBS and hence become eligible for the benefit. The cost is expected to fall to \$41.4m in 1993-94 and then rise gradually through the remaining forward years.

A planned reduction in civilian and service personnel of 8.4% over the forward years from 93 219 in 1992-93 to 85 406 in 1995-96 will partially offset the increases.

1.2 DEFENCE EQUIPMENT AND STORES

Major Defence White Paper equipment initiatives, including the Collins class submarines and the ANZAC frigates, are gaining momentum. The most significant equipment decisions taken in 1991-92 were the acquisition of wheeled armoured fighting vehicles, additional RAVEN combat radios, the Delamere (NT) electronic warfare range and further phases of the Supply Systems Redevelopment Project. Because of the long lead time for many equipment acquisitions, payments made during 1992-93 will strongly reflect project approvals in earlier years. Larger payments in 1991-92 and provisions for 1992-93 on major projects already approved are shown below.

	1991-92 \$m	1992-93 \$m
Collins class submarine	688	720
ANZAC frigates (net of NZ contribution)	257	443
Jindalee Operational Radar Network	99	193
F/A-18 tactical fighter	169	121
Raven HF VHF field communications (approved phases)	66	105
F-111 avionics update	58	86
Australian and US built PFG guided missile frigates	91	79
Supply Systems Redevelopment Project (approved phases)	16	48
Seahawk helicopters	25	37
P3C electronic support measures	13	25
Small arms - individual weapons project	36	24
Blackhawk utility helicopters	18	24
Army Command Support System	1	19
Laser airborne depth sounder	12	18
Future Aerial Target System	1	17
Discon secure communications	21	15
Delamere Electronic Warfare Range	1	14

An allocation of \$36.6m has been made in 1992-93 for new equipment projects including the issue of tenders for Coastal Minehunters and to update the P3C Orions and expenditure for a new Naval Communications Station and equipment to update Air Force control and reporting units. Details of new initiatives will be announced in due course by the Minister for Defence.

Outlays on supporting equipment and maintenance for items delivered into Defence service increase in 1992-93 by \$39.6m to \$1412.9m.

Trends

Outlays on Equipment and Stores decline slightly from the 1986-87 peak of 40.3% of Defence outlays to 37.5% in 1992-93 (about the average for the past decade). They are expected to increase slightly in the forward years, when large outlays will be made on the Collins class submarines, ANZAC frigates, JORN, Coastal Minehunters and the update of the P3C Orions.

1.3 DEFENCE FACILITIES

This item covers the development of bases, airfields, communications, training and other facilities necessary to support the ADF and its operations. It also includes the provision

of single living accommodation for service personnel and working accommodation for Defence.

These outlays in 1992-93 relate mainly to payments for projects approved in previous years as well as repairs and maintenance costing \$250 000 or more. For 1992-93 an allowance of \$53m has been made for initial expenditure on major new projects, including Army deployment facilities, living and logistics accommodation in Darwin, new warehouse facilities at various RAAF Bases and Moorebank (NSW) (the Defence National Storage and Distribution Centre), together with RAAF Base Scherger, Qld. The estimates also reflect accelerated expenditure on a range of works largely in depressed areas for employment purposes (\$23.5m). Estimated 1992-93 outlays on major projects (including those previously approved) are:

	\$m
HMAS Stirling Redevelopment, Rockingham, WA	34.3
Base Redevelopment, Singleton, NSW	16.1
Tindal Development, Katherine, NT	14.8
RAAF Warehousing Redevelopment, Various States	12.9
Base Development, Puckapunyal, Vic	11.0
Explosives Storage Redevelopment, Myambal, NSW	10.7
Defence National Storage and Distribution Centre, Moorebank, NSW	10.3
2 Cavalry Regiment Development, Darwin, NT	9.5
Army Deployment Facilities, Darwin, NT	9.3
Base Redevelopment, Oakey, Qld	8.3
7 Sig Regiment Redevelopment, Cabarlah, Qld	6.6
RAAF Base Scherger Development, Weipa, Qld	6.1
Base Redevelopment, Bandiana, Vic	5.3
DSD Relocation, Canberra, ACT	5.2
Larakeyah Barracks Redevelopment, Darwin, NT	4.1

Trends

Facilities outlays have averaged about 3% of the Defence budget over the decade to 1991-92. The projected increase in Facilities outlays, particularly in 1994-95, reflects planned developments relating mainly to the continued priority being given to support of northern and western operations and the Defence Logistics Redevelopment Project.

1.4 DEFENCE HOUSING

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Capital Contributions to DHA	\$m	80.1	46.3	1.9	-44.5	-18.5
	%		-42.2	-95.9	na	-58.6
Rent Payments to DHA	\$m	190.5	203.2	224.7	261.0	270.5
	%		6.6	10.6	16.2	3.7
Rent Recoveries	\$m	-72.0	-72.2	-71.4	-74.1	-76.7
	%		0.2	-1.1	3.8	3.5
Other Housing Payments	\$m	-0.5	1.8	4.3	4.2	4.4
	%		na	134.9	-2.3	4.1
TOTAL	\$m	198.1	179.1	159.5	146.6	179.8
	%		-9.6	-11.0	-8.1	22.7

Subsidised housing is provided for eligible ADF personnel and their families. DHA administers and maintains the Defence housing stock of some 23 000 dwellings on a commercial basis and charges Defence commercial rents for the housing provided. The Authority also has flexibility to develop and trade in land and dwellings and to enter into joint ventures with private sector partners.

Capital Contributions to Defence Housing Authority

Capital contributions from Defence to DHA are one of the funding sources for the Authority's housing investment program. Additional contributions have been made as interest-bearing loans at the long term bond rate. DHA also has approval for off-budget borrowings of \$69m in 1992-93 including \$28m to accelerate house construction in Melbourne and Adelaide. The housing program is also funded by retained earnings, which include reinvestment of interest on Commonwealth loans until the ten year program commenced in 1986, to improve Defence housing, has been completed. The item also includes repayment by DHA of any Commonwealth loans in 1993-94 reflect the impact of the repayment by DHA of Commonwealth loans in 1993-94 (\$60m), 1994-95 (\$120m) and 1995-96 (\$120m), which will be achieved by the privatisation of DHA-owned housing in capital cities and developed regional markets. The sales will enable future housing investment to be concentrated on lower standard and remote housing but will not reduce the quality of housing occupied by service families. Replacement housing will be provided either by leasing community standard accommodation from the private market, a housing trust or similar mechanism or by allowing more service families to obtain their own accommodation and seek reimbursement under Temporary Rental Allowance (TRA) provisions.

Rent Payments to DHA and Rent Recoveries

Market rents charged by DHA are reviewed annually by recognised valuers to reflect other relevant factors. Recoveries comprise rent receipts from ADF members based on their entitlements under the Group Rent Scheme.

Additional costs of \$57.1m for TRA paid to ADF members who rent non-Defence housing and \$21.2m for Temporary Accommodation Allowance paid to those obliged to occupy non-residential accommodation are included under '1.1 Personnel Costs and Retirement Benefits'. The Fringe Benefits Tax liability for housing assistance (excluding housing loans) paid to service personnel, \$81.1m in 1992-93, is included under '1.7 Defence Other'.

Other Housing Payments

Under the Australian Defence Force Home Loans Assistance Scheme (ADFHLAS), commenced in May 1991, eligible personnel are entitled to a maximum loan of \$40 000 with an interest subsidy equal to 40% of the average interest charged over the life of the loan. The Scheme assists in meeting retention objectives because the subsidy depends on service beyond an initial six year period. The Scheme also encourages home ownership during service. The Government has decided to waive the usual qualifying period for access to home loan assistance under the Defence Service Homes Scheme and the ADFHLAS for members who served in certain operational areas such as the Gulf.

Trends

Improvement in service housing continues to be an important priority and the benefits from earlier housing expenditure are now being realised. The proceeds in the forward years from privatisation of housing owned by DHA will be returned to the budget as repayments of previous Commonwealth advances to the DHA thus reducing the Authority's overall debt levels.

The unrecovered costs of service housing provided by DHA has increased from about 40% in the early 1980s to about 65% in 1992-93 and remains at about 70% for forward years. The increase in Other Housing Payments reflects the increased take-up of loans by personnel who have served in specified operational areas.

1.5 DEFENCE INDUSTRY

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Defence Production	\$m	130.9	93.3	72.9	64.5	71.6
	%		-28.8	-21.8	-11.6	11.1
Aerospace Technologies of Australia	\$m	5.0	1.5	-	-	-
	%		-70.9	-100.0	na	-
Australian Defence Industries	\$m	14.0	20.9	26.1	10.6	na
	%		49.8	24.8	-59.6	-100.0
TOTAL	\$m	149.9	115.7	99.1	75.1	71.6
	%		-22.8	-14.4	-24.2	-4.6

The Government aims to foster an industrial base for the development and supply of stores and equipment where timely and independent local provision is of prime importance to Australia's defence.

Defence Production

For 1992-93 the item includes payments to support strategic industrial production capability in munitions (\$19.7m), shipbuilding (\$15.2m) and aerospace (\$7.2m). Provision is also made for closure of the Maribyrnong Explosives Factory (\$8.4m), the Albion Explosives Factory (\$3.0m) and the Cockatoo Island Dockyard (\$2.8m).

Defence has allocated \$13.9m to defence industry development projects and \$7.1m for industry assistance including Raven radios and towed acoustic arrays.

The \$37.6m reduction largely reflects the virtual completion of Mulwala Explosives Factory (\$10.3m) and works at Garden Island Dockyard (\$4.0m), reduced salary payments (\$4.4m) and a reduction in funding for the largely completed Nomad Support Program including tail plane rectification (\$5.7m).

Payments to the Aerospace Technologies of Australia Pty Ltd (ASTA) and Australian Defence Industries Ltd (ADI) for goods and services supplied to the Department of Defence on a commercial basis are included under '1.2 Defence Equipment and Stores'.

Aerospace Technologies of Australia Pty Ltd

In addition to \$1.5m allocated for redundancies, ASTA has access to \$7.5m new borrowings under Loan Council arrangements to continue to restructure its Avalon (Vic)

operations. In 1992-93 the Commonwealth is to consider options for the future of ASTA including possible further privatisation of the company or its business units.

Australian Defence Industries Ltd

The provision of \$20.9m in 1992-93 is for a compliance program to enable the company to meet State health and safety standards, redundancy payments, the disposal of hazardous materials and obsolete stock, and for audit fees. The Commonwealth is to consider the business plans of the company and the future of its business units during 1992-93. This is expected to include its future capital structure, proposals to rationalise ammunition manufacture through construction of a new plant at Benalla (Vic), and diversification and rationalisation of its business units.

Trends

The forward estimates continue a downward trend established in the 1980s and now due mainly to a fall-off of costs associated with the establishment of ASTA and ADI.

1.6 DEFENCE SCIENCE

The Defence Science and Technology Organisation's (DSTO) activities will continue to be directed towards improving its skills base. Particular emphasis is placed on supporting key defence capabilities in intelligence and surveillance (including JORN), mine warfare, and command, control and communications.

Lower outlays in 1992-93 reflect reduced staffing levels with the bulk of the reductions in administration and support areas rather than in research and development. Areas of high defence significance will be protected.

DSTO is increasingly undertaking a range of commercial activities. They include consultancy and training services, contract research, hire of specialist facilities, sale of intellectual property rights and collaboration with industry for technology transfer. DSTO operates a trust account for such transactions. It will continue to participate in a number of joint venture companies, and is establishing an Industry Support Office at the Aeronautical Research Laboratory to make DSTO's expertise more accessible to industry.

Trends

As a proportion of the Defence budget, Defence Science outlays have declined from 2.5% in 1991-92 to 2.1% in 1992-93 and are estimated to decline to 1.8% by 1995-96 largely due to reduced expenditure on new facilities as projects are completed, and to declining staff numbers.

1.7 OTHER DEFENCE OUTLAYS

	1991-92	1992-93	1993-94	1994-95	1995-96
	Actual	Budget	Estimate	Estimate	Estimate
Defence Cooperation Program	\$m 75.2	74.3	78.4	81.0	83.7
	%	-1.2	5.5	3.3	3.4
General Administration	\$m 1329.5	1366.6	1333.2	1372.3	1435.8
	%	2.8	-2.4	2.9	4.6
Recoveries and Repayments	\$m -226.7	-279.6	-201.9	-219.2	-231.9
	%	-23.3	-27.8	8.6	5.8
TOTAL	\$m 1178.0	1161.4	1209.7	1234.0	1287.6
	%	-1.4	4.2	2.0	4.3

Defence Co-operation Program

The program encompasses training, exercises, professional exchanges and equipment-based projects to help promote a favourable strategic environment. The small decrease in 1992-93 mainly relates to the completion of a number of projects in Papua New Guinea, eg Air Squadron Transportation relocation project, largely offset by increases in program activity (including training and consultancy assistance) in South East Asia and the South West Pacific regions.

General Administration

This category comprises Fringe Benefits Tax, rent, movement and storage expenses, office requisites, compensation and legal expenses, postage and telephones, fuel (but not fuel for service operational activities), freight, security of premises, payments for medical and dental services, computer services and consultants. It also includes outlays relating to the Natural Disasters Organisation. The increase in 1992-93 is largely due to a higher level of expenditure on compensation and legal expenses, price increases for a broad range of general administrative items and allowances for the introduction of user charging for legal services provided by the Attorney-General's department.

Recoveries and Repayments

Included are charges made for meals and accommodation at Defence establishments (\$44.7m), defence related recoveries from other governments (\$10.2m), Defence Co-operation recoveries (\$2.9m) and reimbursement from the UN for part of the costs of the Cambodia peacekeeping deployment (\$12.8m). The net increase for 1992-93 reflects the one-off effect of proceeds from sale of Chinook helicopters (\$40.0m) and Mirage aircraft (\$7.3m). The Defence share of proceeds from the sale of surplus land and buildings is estimated at \$15.0m in 1992-93. Receipts are expected to increase in the forward years reflecting the proceeds from the sale of properties released during the Defence Logistics Redevelopment Project. Major receipts from sales of former Defence properties that are not attributable to the Defence function are shown under 8E. Administrative Services and 9D. Assets Sales.

Under current arrangements, Defence is entitled to retain net proceeds from property sales (apart from those which fall under previously authorised arrangements) up to the equivalent of 1% real growth in Defence outlays. For property sales above this level, Defence may retain 50% of net proceeds.

Trends

Other Defence outlays are expected to increase as a proportion of total Defence outlays from 11.7% in 1992-93 to 12.4% in 1995-96. This reflects increased expenditure on general administration, the impact of the proposed Military Compensation Scheme, the expected phase-out of UN contributions for the peacekeeping force in Cambodia and reductions in equipment disposal revenues from the high level expected in 1992-93.

2. EDUCATION

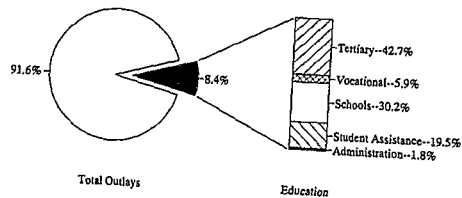
OVERVIEW

	1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
2.1 Tertiary Education	\$m 3562.8	3925.5	4152.5	4436.1	4443.3
	%	10.2	5.8	6.8	0.2
2.2 Vocational Education	\$m 421.3	539.8	609.1	708.9	769.2
	%	28.1	12.8	16.4	8.5
2.3 Schools	\$m 2622.6	2777.3	2878.3	2962.3	3092.9
	%	5.9	3.6	2.9	4.4
2.4 Student Assistance	\$m 1621.4	1786.5	1798.0	1858.5	2028.7
	%	10.8	0.1	3.4	9.2
2.5 General Administration	\$m 131.9	161.5	160.1	159.5	161.0
	%	22.4	-0.8	-0.4	0.9
TOTAL	\$m 8359.9	9200.5	9598.0	10125.3	10495.3
	%	10.1	4.3	5.5	3.7

The above budget and forward estimates make no allowance for Commonwealth sector wage and salary increases which occur within each year. Provision is included in 9C, Contingency Reserve.

- Total outlays on Education are expected to increase by \$840.6m or 6.6% in real terms in 1992-93. Further real increases are planned over the forward years amounting to 2.2% in real terms between 1992-93 and 1995-96.
- Education outlays are forecast to be 8.4% of total Commonwealth outlays in 1992-93 (see Chart 1). This proportion has increased steadily over recent years.

Chart 1. Education
Proportion of Total Outlays and Function
1992-93



- The main sources of real growth in 1992-93 and the forward years are:
 - a significant increase in Commonwealth funding for vocational education in the 1992 and 1993 calendar years; and
 - further increases in Commonwealth funded higher education student places as a result of Government decisions in recent years (the number of places will increase by about 27 000 over 1992 and 1993).
- Major new policy in this Budget includes:
 - the proposed establishment on 1 January 1993 of a voluntary student assistance loans scheme for tertiary AUSTUDY and ABSTUDY students;
 - an agreement between the States and the Commonwealth to establish a national vocational education and training system and an increase in Commonwealth funding for Technical and Further Education of \$135.7m in 1992-93, rising to \$279.5m in 1994-95;
 - increased general recurrent funding for non-government schools and increased capital funding for government and non-government schools;
 - additional capital funding of \$20.2m in 1992-93 for higher education institutions, following the \$20.0m and \$11.6m announced in *One Nation* and the *November 1991 Economic Statement* respectively; and
 - the commencement of an Open Learning Initiative designed to allow open access to tertiary education.

MEASURES TABLE

Description of measure	Effect on Outlays			
	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
<i>Decreases</i>				
Changing up-front HECS discount to 25%	-15.0	-29.8	-29.1	-28.3
NZ students up-front HECS payment	-1.4	-2.8	-2.9	-3.0
Voluntary student loans scheme	-42.0	-114.7	-138.7	-137.9
Increase AUSTUDY minimum payment to \$1000	-14.0	-29.0	-30.4	-31.9
AUSTUDY - fringe benefits	-	-21.4	-43.7	-43.7
AUSTUDY - debt management	-7.2	-12.5	-14.2	-14.6
Continue data matching	-5.0	-7.9	-8.0	-8.0
Enhance Compliance - Child Care Maintenance Assessment	-2.8	-4.8	-5.1	-5.4
Establishment of Law Enforcement Access Network	-1.7	-1.7	-	-
Education Student Assistance System redevelopment (stage 1)	-0.1	-0.5	-0.5	-0.6
Quality Schooling	-1.1	-1.4	2.2	0.3
Implementation of User charging in Adult Migrant English Program	-0.6	-0.3	-0.3	-0.3
Restructured ESL training for jobseekers - Transfer to Labour Market programs (iv)	-12.2	-18.3	-38.0	-17.1

Description of measure	Effect on Outlays			
	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
Aboriginal Language Initiatives Program - Transfer to ATSLIC	-2.1	-2.2	-2.3	-2.4
Increases				
Initiatives in post-secondary education and training (i)	141.3	127.9	135.3	146.5
Increased funding for post school vocational education and training (ii)	35.0	105.0	175.0	210.0
Higher education - infrastructure funding (ii)				
Higher education capital (iv)	20.0	-	-	-
Higher education quality assurance	20.2	11.6	-	-
1994 higher education capital	0.8	43.1	87.2	87.5
1994 higher education growth	-	77.5	158.4	79.7
Open Learning Initiative	0.1	24.8	70.5	101.8
Non-government schools - infrastructure funding (ii)	20.0	21.2	11.6	1.9
Non-government schools capital-base funds	15.0	8.0	-	-
Non-government schools capital funding (iv)	-	-	42.5	44.0
Non-government schools recurrent funding	22.6	38.4	0.2	0.3
Government schools capital funding (iv)	23.1	47.1	47.9	49.1
Students at Risk program (ii)	40.3	20.7	-	-
Education Counselling (ii)	3.6	7.2	3.7	-
Implementation of Australian Vocational Certificate in schools (iii)	1.2	2.1	1.1	-
Changed administration arrangements for Indian Ocean Territories (Education Services)	0.7	0.7	0.8	-
Christmas Island rebuilding program - schools	1.8	1.5	1.7	1.7
AUSTUDY - increase personal income test to \$6000	0.6	-	-	-
AUSTUDY - reduce age of independence	1.9	3.9	4.1	4.3
Continuation of pre-vocational training places - AUSTUDY costs (ii)	0.6	5.3	23.4	39.3
Additional pre-vocational courses - AUSTUDY costs (iii)	9.1	-	-	-
Additional JET advisers - AUSTUDY costs	5.1	5.3	-	-
Increased assistance for isolated children	0.2	0.5	0.5	0.5
Aboriginal Language and Literacy Strategies	8.2	8.2	8.2	8.2
Community Violence - schools sector	2.6	5.5	5.7	5.9
Royal Commission into Aboriginal Deaths in Custody - Underlying Causes	0.5	0.5	-	-
New AMEP arrangements for migrant on-arrival accommodation	0.9	4.7	7.4	9.1
	1.2	1.8	1.3	1.3

- (i) Measure announced in the November 1991 Economic Statement.
(ii) Measure announced in One Notice.
(iii) Measure announced in the July 1992 Youth Package.
(iv) Measure included in the Employment Statement.

PURPOSE

The Commonwealth's objective in education is the provision of, in conjunction with States, Territories and non-government authorities, an education system that:

- equitably satisfies the educational aspirations of individuals from all socio-economic backgrounds; and
- meets industry and community requirements for a skilled and educated workforce.

NATURE OF EDUCATION OUTLAYS

Approximately 78.7% of outlays are to suppliers of education services comprising:

- higher education institutions, for which the Commonwealth meets approximately 73% of costs, the remainder coming from fees, investment income, donations and Higher Education Contribution Scheme (HECS) collections;
- government schools, for which the Commonwealth meets approximately 11% of costs;
- non-government schools, for which the Commonwealth meets on average 35% of costs; and
- Technical and Further Education (TAFE) institutions, for which Commonwealth grants to the States and Territories in 1991-92 provided approximately 9% of total recurrent funding and 65% of total capital funding.

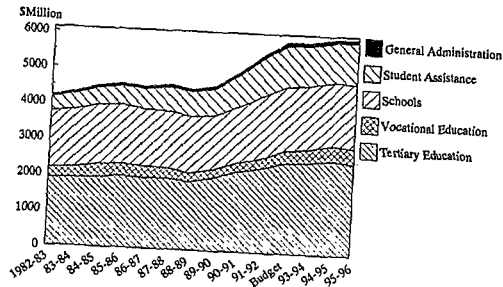
Assistance is also provided to individuals in the form of income or other support for students (mainly through AUSTUDY and ABSTUDY) which represents 19.5% of outlays on education.

Running costs associated with the Education function in the Department of Employment, Education and Training (DEET) are also included.

Offsets to these outlays include receipts under HECS; receipts from the Overseas Student Charge and the subsidy paid by the Australian International Development Assistance Bureau (AIDAB) for students from developing countries; and recoveries from the States for their share of staff superannuation costs attributable to the period when the States were responsible for funding higher education.

TRENDS IN EDUCATION OUTLAYS

Chart 2. Education Outlays Composition (1984-85 Prices)



After the levelling of growth in the mid 1980s, outlays have increased for most major components since 1989-90 and growth is expected to continue at least until 1994-95 as a result of:

- the expansion of higher education, which has led to increased outlays on higher education places and on student assistance;
- increases in funding for TAFE announced in the *November 1991 Economic Statement and One Nation*; and
- continued increases in outlays on student assistance despite savings from the introduction of a loans scheme.

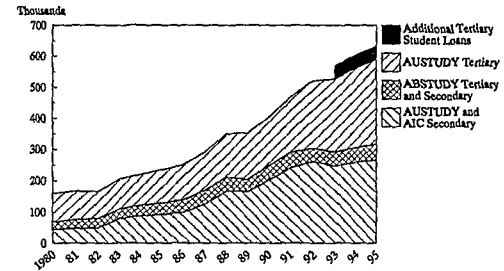
The growth in AUSTUDY and ABSTUDY outlays is primarily a consequence of increases in beneficiary numbers over the period:

- for secondary students, the increased beneficiary numbers have resulted from rising Year 11 and 12 retention rates and demographic factors; and
- increased outlays on AUSTUDY for tertiary students reflects continuing growth in higher education places since 1988.

Outlays have also increased as a result of substantial increases in benefit rates for 16-17 year olds associated with the introduction of the common youth allowance structure in 1988.

While this trend is expected to continue over the forward years, the effect of the package of measures to be introduced from 1993, in particular the introduction of a voluntary loans scheme, is expected to reduce the rate of growth in outlays.

Chart 3. Student Assistance (Student Beneficiary Numbers at 31 December)



Funding for higher education institutions has increased by an average annual rate of 1.8% (real) over the ten years to 1991-92, with more rapid growth (average annual real rate of 5.5%) in the last three years, reflecting the increases in the number of available places. The forward estimates reflect the transfer of nurse education to the higher education sector. Further growth in spending is expected to be moderated by increased collections under HECS.

In the period 1982-83 to 1991-92, Commonwealth funding for schools has increased by 38% in real terms. This increase is due to real per capita grant increases and changes in the school student profile. In particular, per capita grants have been increased each year from 1985 to achieve a standard level of resourcing. Additionally, the increase in real terms reflects enrolment drift from government to non-government schools, at a higher direct cost to the Commonwealth, and increased post-compulsory schooling retention which is largely evident in government schools.

MAJOR POLICY CHANGES

The main policy measures affecting education outlays over the period 1982-83 to 1991-92 have been:

- the expansion in the provision of higher education places;
- the introduction of student charges (the Higher Education Administration Charge, introduced in 1987, and its replacement, HECS, introduced in 1989);
- real increases since 1985 in per capita general recurrent grants to both government and non-government schools; and
- restructuring of student assistance schemes in 1987 and 1988 to improve incentives for students to undertake post-compulsory secondary and tertiary studies.

1991-92 OUTCOME

Outlays for 1991-92 were \$98.0m (1.2%) more than the budget estimate. The major factors contributing to this outcome were:

- higher than anticipated beneficiary numbers under AUSTUDY and ABSTUDY (an increase of \$55.1m);
- higher than anticipated demand for the Aboriginal Tutorial Assistance Scheme (an increase of \$9.9m);
- lower than expected HECS repayments, offset against increased up-front receipts, resulting in an increase in the Commonwealth contribution (\$27.9m); and
- outlays recorded against this function that have been funded from a \$14.7m allocation to Commonwealth higher education institutions by the Australian Research Council. This amount was recorded against 8D. General and Scientific Research, nec in the 1991-92 Budget.

SUBFUNCTION DETAIL

2.1 TERTIARY EDUCATION

	1991-92 Actual	1992-93 Budget ^(a)	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Higher Education					
Grants to the States and Commonwealth Institutions	\$m 2970.7	3324.0	3548.0	3849.7	3884.5
Payment to Higher Education Trust Fund	% 576.8	-11.9	6.7	8.5	0.9
Open Learning Initiative	\$m -	1.0	-1.2	-2.2	-3.2
	%	19.0	19.4	9.7	-
Other Higher Education	\$m 14.6	na	2.3	-49.8	-100.0
	%	14.7	14.8	15.2	15.6
Post Graduate Awards	\$m 1.4	1.1	0.6	2.5	2.6
	%	1.8	1.8	1.9	2.0
Sub-total	\$m 3563.5	3942.1	4159.9	4439.6	4446.8
	%	10.6	5.5	6.7	0.2
Overseas Student Charge	\$m -21.2	-10.2	-4.7	-2.0	-2.0
	%	-52.0	-54.3	-56.3	-
Contribution for Students from Developing Countries (a)	\$m -20.2	-6.4	-2.7	-1.4	-1.4
	%	-68.2	-57.7	-47.9	-
ELICOS	\$m 40.7	-	-	-	-
	%	-100.0	na	na	na
TOTAL	\$m 3562.8	3925.5	4152.5	4436.1	4443.3
	%	10.2	5.8	6.8	0.2

(a) See corresponding outlays shown in 8C. Foreign Affairs and Overseas Aid.

Higher Education

Table 1. Higher Education Programs - Calendar Year Basis (nominal prices)

Type of grant	1991 \$m	1992 \$m	1993 \$m	% change on 1992	1994 \$m	1995 \$m
Operating	3391.8	3689.5	3955.3	7.2	4465.6	4678.1
Research (a)	223.7	257.3	284.6	10.6	303.4	277.9
Capital	216.7	306.2	259.8	-15.2	285.2	198.9
TOTAL	3832.2	4253.1	4499.7	5.8	5054.2	5154.9
less						
HECS offsets	166.9	200.5	274.2	36.8	320.6	378.0
Superannuation recoveries	18.9	48.4	35.0	-27.7	38.0	42.0
TOTAL	3646.4	4004.2	4190.4	4.7	4695.6	4734.9

(a) The amounts shown against Research are attributed to 8D. General and Scientific Research, nec.

The increased operating and capital grants for higher education reflect the increases in student places since the Government's 1988 White Paper on Higher Education. Over 85 000 places have been created for Australian students including 21 700 additional places to be provided in 1993 and 1994. In the November 1991 Economic Statement \$6.9m was provided in 1992 for additional places for NSW, Qld, WA and Tas. An apparent real decline of 3.2% in higher education outlays for 1995-96 reflects the fact that decisions concerning funding levels for 1995 will not be taken until after the Budget.

For 1992-93, funding for the higher education capital program is expected to increase by 48.3% to \$333.3m, stemming mainly from:

- an additional \$21.5m for 1992 announced as part of the November 1991 Economic Statement which included \$15m brought forward from the 1994 capital program;
- additional funding of \$20m announced in One Nation; and
- additional funding of \$20.2m in 1992-93 included in the Employment Statement.

Capital funding totalling \$315.6m in 1994 and 1995 was also agreed in October 1991 for the 1994 higher education programs.

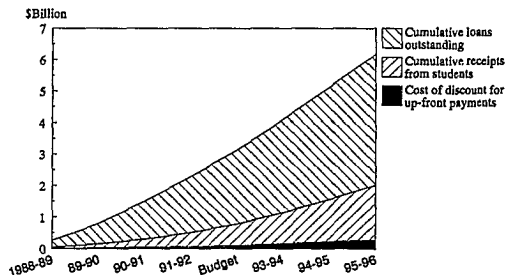
Other initiatives include provision of additional funds of \$80.5m each calendar year from 1994 for a quality assurance and enhancement program. The funds will be allocated to higher education institutions in recognition of good performance in the use of all available resources to attain the best quality in higher education.

Since the introduction of HECS in January 1989, a proportion of total operating grants for State and Commonwealth institutions has been paid through the Higher Education Trust Fund. The Higher Education Contribution represents 20% of the average operating cost of a higher education place, but the discounts for up-front payment, and the benefit implicit in the absence of real interest and the contingent nature of the repayments, significantly reduce the effective contribution made by students to their education. The contribution is indexed annually by the higher education operating grant index and for 1993 is estimated to be \$2331 per full-time student. Students are required to make payments either up-front on enrolment or as a deferred payment through the taxation

system when the student's annual taxable income reaches a certain level (\$27 748 for 1992-93).

In 1991-92, higher education outlays were offset by \$186.4m through HECS receipts (\$49.3m from receipts through the taxation system and \$137.1m through up-front payments and voluntary repayments). The 1992-93 estimates for HECS collections have been revised downwards since the 1991-92 Budget by \$80.1m. Receipts for the forward years have also been revised downwards by a total of \$529.9m. The major factor underlying the revision is an expected increase in the number of students whose taxable income will not reach the minimum prescribed level for repaying HECS debt during these years. As illustrated in Chart 4, outstanding HECS debt is expected to grow from about \$1.8b in June 1992 to an estimated \$4.2b by 30 June 1996.

Chart 4. HECS - Projected Accumulated Debt and Recoveries



The discount for up-front payments will be increased from 15% to 25% from 1993 (increasing estimated receipts by \$102.1m over the four year period to 1995-96). HECS recovery procedures will also be tightened from 1993 by requiring New Zealand students who have been resident in Australia for less than two years, and those permanent residents whose term address is overseas, to pay their HECS liability on enrolment.

The establishment of the Open Learning Initiative, from 1993, is expected to increase flexibility in the provision of tertiary education services and to reduce unmet demand for higher education places. University accredited units of study will be provided through distance learning courses and TV Open Learning programs. Access to a decentralised network of electronic library and other services will be developed to provide additional student support. Participants will pay charges which approximate HECS contributions paid by other students. The Commonwealth funding is subject to the outcome of competitive processes but no government financial support will be provided after 1995.

Other Higher Education

In 1992-93 funding of \$10.7m will be provided for the Australian Film, Television and Radio School which offers advanced and specialist training in the film, television and radio industry. An amount of \$2.9m has been allocated for the National Institute of Dramatic Art which provides practical training in live theatre, television, film and radio with courses in acting, directing, stage management and design.

Overseas Student Charge

This represents fees paid by students under the subsidised students program which was phased out from 1990. Under the current arrangements, higher education institutions can offer places to additional overseas students, who pay full fees directly to institutions. The Government also offers full-fee scholarships to students from developing countries through aid programs administered by AIDAB. For further details refer to the Equity and Merit Scholarship Scheme under Bilateral Aid in 8C. Foreign Affairs and Overseas Aid.

English Language Intensive Courses for Overseas Students

In 1990, the Government agreed to refund course fees pre-paid by overseas students affected by August 1989 changes to visa entry requirements. A total of \$64.2m was refunded to some 12 500 students by the Government in 1990-91 and 1991-92 and a further \$1m has been allocated in 1992-93 for the remaining refunds. The Commonwealth has taken action to recover amounts from those institutions on whose behalf the Government is making the refunds. The level of recovery is estimated to be low, however, as a number of the institutions have closed.

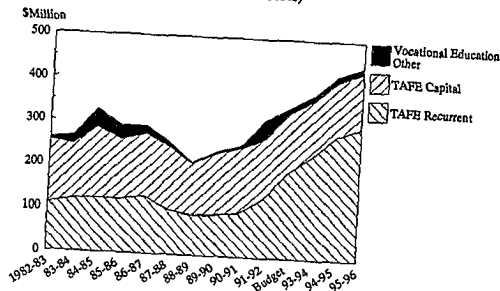
2.2 VOCATIONAL EDUCATION

	1991-92	1992-93	1993-94	1994-95	1995-96
	Actual	Budget	Estimate	Estimate	Estimate
Technical and Further Education	\$m 410.3	\$22.3	\$89.6	\$68.8	\$48.7
%		27.3	12.9	16.8	8.7
Other	\$m 11.0	\$17.5	\$19.6	\$20.1	\$20.5
%		59.7	11.8	2.7	2.3
TOTAL	\$m 421.3	\$39.8	\$609.1	\$708.9	\$692.2
%		28.1	12.8	16.4	8.5

In 1991-92 the Commonwealth funded approximately 9% of total TAFE recurrent expenditure and provided approximately 65% of total capital funds. While growth in participation and funding for higher education and schools has been strong over the past decade, until recently growth in TAFE has been much lower. In 1991-92 and 1992-93 the Commonwealth announced measures to improve access to vocational education and training and to increase its viability as an alternative to other forms of post-school study.

In the November 1991 Economic Statement an extra \$100m was provided for TAFE recurrent funds from 1992. An additional \$420m over the 1993-95 triennium was announced in One Nation to continue the upgrading of the TAFE system and to ensure a sustained increase in participation in vocational education and training. Estimated Commonwealth payments to TAFE in 1992-93 of \$522.3m represent a 23.3% real increase over actual outlays in 1991-92.

Chart 5. Commonwealth Outlays on Vocational Education (1984-85 Prices)



Following extensive negotiations with the States and Territories, the Prime Minister announced on 21 July 1992 the formation of an Australian National Training Authority (ANTA) to promote a national vocational education and training system. ANTA will operate under a Ministerial Council representing the States and Territories and the Commonwealth, and will have particular responsibilities in relation to planning, resource allocation and the administration of national programs. The Ministerial Council will be responsible for decisions on strategic policy, national objectives and priorities for vocational education in Australia.

Under the new arrangements, States and Territories will maintain their effort in vocational education and training and the Commonwealth will continue its current level of financial support and provide growth funding. The Commonwealth-State/Territory agreement on ANTA comes into force on 1 January 1994. Transitional arrangements will be developed for the 1993 calendar year.

Other measures relating to vocational and industry training are described in 7C. *Labour and Employment*.

2.3 SCHOOLS

	1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Schools in the States and Territories					
Government	\$m 1165.1	1216.4	1219.7	1235.9	1292.1
%		4.4	0.3	1.3	4.5
Non-government	\$m 1388.9	1479.1	1570.8	1647.3	1730.5
%		6.5	6.2	4.9	5.1
Joint Programs	\$m 69.4	82.1	88.0	79.1	70.4
%		18.3	7.2	-10.1	-11.0
Sub-total	\$m 2623.4	2777.6	2878.5	2962.4	3093.1
%		5.9	3.6	2.9	4.4
Overseas Student Charge	\$m -0.3	-0.1	-0.1
%		-79.9	-1.5	-47.0	-
Contribution for Students from Developing Countries (a)	\$m -0.5	-0.3	-0.1	-0.1	-0.1
%		-39.7	-56.6	-48.1	-
TOTAL	\$m 2622.6	2777.3	2878.3	2962.3	3092.9
%		5.9	3.6	2.9	4.4

(a) See corresponding outlays shown in 8C. *Foreign Affairs and Overseas Aid*.

The Commonwealth contributes to the general operating costs and capital expenditure of both government and non-government schools and provides further funding for a range of specific purpose programs aimed at identified areas of need.

Table 2. Schools Programs - Calendar Year Basis (nominal prices)

	1991 \$m	1992 \$m	1993 \$m	% change on 1992	1994 \$m	1995 \$m
Government						
General Recurrent	962.7	954.5	969.7	1.6	1002.7	1039.9
Capital	221.7	210.5	275.1	30.7	210.5	217.8
Non-Government						
General Recurrent	1270.6	1327.4	1412.2	6.4	1487.4	1566.3
Capital	85.3	99.4	134.7	35.6	113.7	123.1
Joint Programs	46.2	61.2	71.4	16.7	67.1	64.9
TOTAL	2586.5	2652.9	2863.1	7.9	2881.3	3012.0

Government and Non-Government Schools

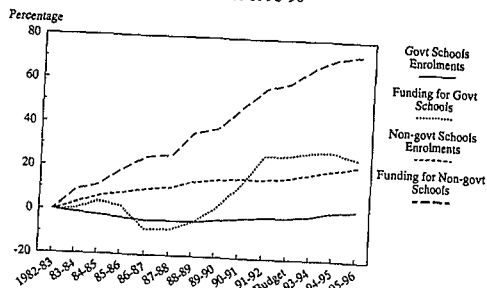
Commonwealth grants represent about 11% of total spending on government schools (with the balance being met by State and Territory governments) and about 35% of total support for non-government schools (with the balance being met by other governments (19%) and private sources (46%)).

Since 1988, funding has been guided by a National Schools Strategy (NSS), the purpose of which is to provide a framework for Commonwealth-State/Territory collaboration on school issues. Consistent with the NSS, Commonwealth funding for government schools is based on agreements with the States and Territories. These agreements set out objectives for schools (such as improving retention rates and educational outcomes) and require the States and Territories to provide information on performance against

objectives. This information forms the basis of the annual *National Report on Schooling in Australia* published by the Australian Education Council.

Commonwealth support for individual non-government schools is based on need, with schools being categorised into one of 12 funding categories (category 1 receiving the least support and category 12 the most). Further details on the funding categories are provided in *Commonwealth Programs for Schools - Administrative Guidelines 1992*. Agreements, performing a similar role to those for government schools, are in place with non-government schools authorities and non-systemic schools and require similar reporting arrangements.

Chart 6. Commonwealth Recurrent Funding for Schools
Cumulative Real Growth
1982-83 to 1995-96



Funding for government schools has been successively increased since 1986-87 after a reduction in outlays announced in the context of the *May 1985 Expenditure Savings Statement*. The real growth in grants to both government and non-government schools reflects real growth in per capita grants for most schools, which over a number of years, has resulted in all government schools, along with non-government schools in categories 1-7, being resourced to a standard benchmark level by 1992.

The Commonwealth provided additional funds for its share of teacher employment award restructuring in both government and non-government schools, following the 1990 agreement between the States, Territories and the Commonwealth on a new national benchmark salary structure for teachers. Since 1990 this assistance has been provided separately under the Award Restructuring Assistance Program. From 1993 it will be paid as part of the *General Recurrent Grants Program*.

The funding base for non-government schools will be broadened in 1993 resulting in a one-off increase in per capita funding levels for all non-government schools. There will also be further annual real per capita increases to non-government schools in categories 5-12 (representing approximately 82% of non-government school enrolments) beyond 1993. Funding for other schools will be maintained in real terms. In 1993, average government recurrent costs will replace the Community Standard as the benchmark for

determining recurrent funding levels and changes to the New Schools Policy will lift maximum enrolment provisions, strengthen assessment provisions and allow schools currently restricted to categories 1 to 6, on review, to apply for the full range of funding categories after five years of operation, at an estimated cost of \$7m each year.

In the context of specific initiatives on employment in this Budget, capital funding for government schools will be increased by \$60m and for non-government schools by \$45m in 1993 as detailed in the *Employment Statement*. Additional capital funding of \$15m in 1993 for non-government schools was also announced in *One Nation*. Increased capital funding of \$40m real per year will be provided for non-government schools from 1994-95. In total the Budget provides for increased funding to government and non-government schools of \$372m (in Budget 1992-93 prices) over four years.

Joint Programs

The Commonwealth provides funds for a range of targeted programs which operate in both government and non-government schools. These include the School Language and Literacy Program (\$22.0m) and the Country Areas Program (\$16.8m) as well as a number of smaller programs.

Targeted funding for projects that promote retention of students who are at risk of leaving education due to family hardship or other social problems under the 'Students at Risk' program will be increased from \$5m in 1992 to \$7m in 1993 and 1994. A new education counselling program will also be introduced in 1993 and 1994 at a cost of \$4.4m over two years.

In 1993 the focus of the Good Schools Strategy will change towards promoting quality teaching in schools and also support the formation of a National Teachers Council to promote a nationally consistent framework for improving the quality of teachers' work and professional standards.

2.4 STUDENT ASSISTANCE

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
AUSTUDY	\$m	1501.9	1430.8	1423.9	1488.8	1613.4
	%		9.9	-0.5	4.6	8.4
ABSTUDY and Other Assistance for Aboriginals	\$m	194.4	237.2	247.1	268.9	294.0
	%		22.0	4.2	8.8	9.3
Migrant Education	\$m	98.6	99.4	97.8	71.6	92.1
	%		0.8	-1.6	-26.9	28.7
Other	\$m	26.5	29.1	29.2	29.2	29.2
	%		9.8	0.4	0.1	0.1
TOTAL	\$m	1621.4	1796.5	1798.0	1858.5	2028.7
	%		10.8	0.1	3.4	9.2

AUSTUDY

AUSTUDY provides income support to financially disadvantaged students over 16 years of age undertaking approved courses of study in secondary schools, TAFE colleges, approved private providers of TAFE equivalent courses and higher education institutions. Maximum benefit rates are age-related and aligned with those for relevant

Social Security payments (Job Search and Newstart Allowances). Benefits are paid to 16-17 year olds with higher rates for 18 year olds and over, and over 21 year olds in special categories. This assistance is provided subject to parental and personal income and assets tests for dependent students or personal and spouse income tests for independent students. AUSTUDY is also subject to academic progress rules.

Following consideration of the review of AUSTUDY commissioned by DEET, fundamental changes are to be made to the program.

A supplementary scheme will be introduced from 1 January 1993, to provide flexibility for tertiary students to tailor assistance to their individual needs.

Under the proposed arrangements, tertiary students eligible for AUSTUDY and ABSTUDY will have the option of 'trading-in' part of their grant assistance for a repayable income supplement of twice the amount, up to a maximum of \$4000 per annum. A similar repayable income supplement of up to \$2000 will also be available to tertiary students whose parental income, while excluding them from receiving grants through the parental income test, is less than \$50 000 a year, provided other eligibility criteria are met.

The supplement will be provided through an advance paid to the student from a selected financial institution. Students can make repayments directly to the financial institutions within the first five years, and receive a discount. Loans not repaid to the financial institution by the end of five years will be repurchased by the Commonwealth from the financial institution, after which repayments are made to the Commonwealth by the former students on an income-contingent, zero real interest basis similar to HECS.

Interest on the loans, while they are held by the financial institution, will be paid by the Commonwealth. These interest payments will be made under the special appropriations in the *Student Assistance Act 1973*. The savings from the introduction of the supplementary scheme as a result of the 'trade-in' of grants, net of interest payments and running costs, are estimated at \$42.0m in 1992-93 based on expected take-up by about 75 400 students who trade-in and another 42 500 below the \$50 000 parental income limit. The savings anticipated in 1993-94 and later years are expected to increase by more than double this amount. Partly offsetting these savings are interest payments to the financial institution which are expected to be \$10.0m in 1993-94, \$33.8m in 1994-95 and \$63.8m in 1995-96. The estimated cost of the Commonwealth repurchasing advances in 1998-99 is \$143m, with this being partly offset by anticipated repayments by former students through the taxation system.

The Government intends to lower the age of automatic independence progressively from 25 to 22 under AUSTUDY and ABSTUDY, with this progress to be reviewed. For 1993, students will qualify as independent on turning 24. The AUSTUDY and ABSTUDY personal income test threshold will also be increased from \$5000 to \$6000 a year.

To effect further improvements in the targeting of student assistance, changes to the income measure used in parental, spouse and personal income tests will be implemented. From 1994, the value of some fringe benefits will be regarded as income in determining assistance. Outlays are expected to be reduced by this measure by about \$21.4m in 1993-94, and \$43.7m in both 1994-95 and 1995-96. Coupled with this measure is an increase in debt management activities which is expected to reduce overpayments and increase recoveries by \$7.2m in 1992-93. The minimum payment, below which assistance will not be provided, will also be increased from \$250 a year to \$1000 a year

at an estimated saving of \$14.0m in 1992-93 rising to \$31.9m in 1995-96. Tertiary students made ineligible for grant assistance by this measure will have access to loans.

Real outlays on AUSTUDY are estimated to increase by 6.4% in 1992-93 and then to decline in 1993-94. This reflects the effect of savings from the package of reforms (\$60.7m in 1992-93, increasing to \$168.4m in 1993-94), which is estimated to offset growth from increasing beneficiary numbers.

ABSTUDY and Other Assistance for Aboriginals

ABSTUDY assists Aboriginal and Torres Strait Islander students in primary, secondary and tertiary education by providing income support and other assistance tailored to their needs. The basic rates of assistance are similar to AUSTUDY, with additional assistance available to part-time students, pensioners, those under 16 years and over 21 years of age and for school fees. Aboriginal tertiary students will also be eligible for the voluntary loan scheme. ABSTUDY payments are not subject to assets tests.

ABSTUDY outlays are expected to grow by 11.9% in real terms in 1992-93 to \$115.3m. This largely reflects the continued effect of strong increases in beneficiary numbers in 1992 and additional expected increases in 1993, offset by savings from the introduction of the voluntary loan scheme.

Other forms of assistance for Aboriginal and Torres Strait Islander students are provided under a number of programs. The largest of these is the Aboriginal Education Strategic Initiatives Programs (AESIP), which provides supplementary funding assistance to government and non-government school systems, and independent Aboriginal education providers, to improve education for Aboriginals. Funding is based on State strategic plans and on operational plans for the triennium. AESIP will provide \$68.0m in the 1992 calendar year, with funding for the next triennium estimated at \$241.1m. These estimates include additional funding as part of the Government's response to the Royal Commission into Aboriginal Deaths in Custody. Also included are provisions for an Aboriginal Literacy Strategy and an Aboriginal Languages Education Strategy.

The Aboriginal Tutorial Assistance Scheme provides Aboriginal students with tutorial assistance by contracting tutors and establishing and operating homework centres. Outlays under this program are estimated to increase by \$2.1m to \$23.5m reflecting a continuation of the increased demand experienced in 1991-92. The Aboriginal Student Support and Parental Awareness (ASSPA) program funds school-based parents' committees to undertake activities aimed at increasing participation rates. ASSPA outlays are estimated at \$14.9m in 1992-93 compared with 1991-92 outlays of \$13.5m.

The Aboriginal and Torres Strait Islander Commission has assumed responsibility for the Aboriginal Languages Initiative Program which is aimed at supporting community-based language maintenance, development and research. Outlays for this program are now recorded under Aboriginal Advancement programs within 4. *Social Security and Welfare*.

Migrant Education

This subfunction relates to the Adult Migrant English Program (AMEP), which provides English as a Second Language (ESL) tuition largely to newly arrived adult migrants and refugees. The slight reduction in real terms in expenditure in 1992-93 reflects an expected decline in numbers of new arrivals, and the increased emphasis on English

language proficiency in migrant selection offset by the full-year effects of leases entered into in 1991-92. Further declines in later years also reflect measures to address the backlog of jobseekers in need of ESL tuition through the restructuring of ESL provision and the expansion of places for jobseekers. This will involve the transfer of \$101.1m over the five years to 1996-97 from AMEP to labour market programs administered by DEET under 7C. *Labour and Employment* in conjunction with an increase in funding under those programs.

Some AMEP funding in 1992-93 will come from user charging to be introduced for certain categories of migrants. An administrative charge will apply from 1 January 1993 for some migrants already resident in Australia who undertake tuition under the AMEP. (These funds constitute budget revenue and are included in *Statement 4*.)

Three Adult Migrant English Centres will be relocated as a result of the planned disposal of certain accommodation properties, following a review of migrant on-arrival accommodation. An amount of \$1.2m is provided for that purpose in 1992-93.

Other

The Assistance for Isolated Children scheme (AIC) provides financial assistance mainly for students who, because of geographical isolation, undertake their secondary education at boarding school, by correspondence or from a second family home. AIC outlays are expected to increase in 1992-93 by \$2.5m to \$23.4m, mainly reflecting the full-year effect of the minimum, non-income tested boarding allowance increasing from \$1500 to \$2500 from January 1992.

The Veterans' Children Education Scheme (VCES) provides income support assistance to students whose parents have died or are totally and permanently incapacitated as a result of war service. Outlays on VCES are expected to increase marginally in 1992-93 to \$5.0m.

2.5 GENERAL ADMINISTRATION

Outlays under this subfunction fund DEET's administration of student assistance schemes and areas providing education policy advice and several initiatives under the Australian Languages and Literacy Policy.

Outlays under General Administration are estimated to increase significantly by \$29.6m or 18.6% in real terms in 1992-93, primarily reflecting the administrative costs of introducing the AUSTUDY/ABSTUDY loans scheme and the increasing administrative workload from expected increases in student assistance beneficiary numbers.

3. HEALTH

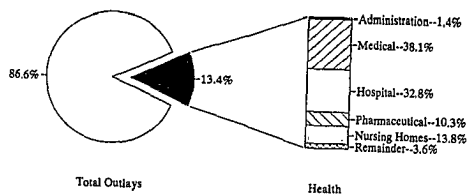
OVERVIEW

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
3.1	Medical Services and Benefits	\$m 5106.2	5620.3	6162.4	6739.6	7323.9
	%		10.1	9.6	9.4	8.7
3.2	Hospital Services	\$m 4599.5	4840.8	5203.4	5344.3	5553.8
	%		5.2	7.5	2.7	3.9
3.3	Pharmaceutical Services and Benefits	\$m 1413.7	1519.9	1590.1	1674.3	1764.9
	%		7.5	4.6	5.3	5.4
3.4	Nursing Home Subsidies and Domiciliary Care Services	\$m 2024.9	2038.1	2130.0	2210.6	2299.0
	%		0.7	4.5	3.8	4.0
3.5	Other Health Services	\$m 481.5	529.3	590.6	582.0	590.0
	%		9.9	11.6	-1.5	1.4
3.6	General Administration	\$m 215.6	213.1	166.4	161.1	157.2
	%		-1.2	-21.9	-3.2	-2.4
	TOTAL	\$m 13841.5	14761.6	15842.9	16711.9	17688.7
	%		6.6	7.3	5.5	5.8

The above budget and forward estimates make no allowance for Commonwealth sector wage and salary increases which occur within each year. Provision is included in 9C. *Contingency Reserve*.

- Health outlays are estimated to increase by \$920.1m or 6.6% (3.3% in real terms) in 1992-93 and by an average of 6.2% (2.4% real) over the forward years.
- The main sources of outlays growth in 1992-93 are:
 - increased Medicare Benefits utilisation and the drift towards more expensive services (\$256.5m);
 - fee increases for Medicare Benefits (\$121.2m);
 - indexation of Hospital Funding Grants (\$137.7m);
 - the introduction of new health incentive programs as part of the renegotiation of the Hospital Funding (Medicare) Agreements with the States and Territories (\$64m); and
 - increases in pharmaceutical benefits due to increases in the average price of drugs (\$45m) and the utilisation of new and expensive drugs (\$70m).

Chart 1. Health
Proportion of Total Outlays and Function
1992-93



- Health outlays are estimated to comprise 13.4% of total outlays in 1992-93, compared with 13.5% in 1991-92.

MEASURES TABLE

Description of measure	Effect on Outlays			
	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
Medical Services and Benefits				
HIC - Revised Payment Arrangements (Medicare Benefits)	-20.0	-	-	-
HIC - Investigation of Inappropriate Servicing Patterns and Practices	-9.9	-17.3	-26.9	-32.4
General Practice Initiatives	-8.8	-22.9	-42.3	16.8
Compensation Patients - Medicare Benefits Recovery Measures (HIC)	-2.8	-6.9	-5.5	-5.6
Efficiency Improvements in Transport of Veterans (Medical)	-1.2	-1.2	-1.2	-1.2
Introduction of Military Compensation Scheme for Current Servicemen (i)	-	-1.4	-2.8	-4.3
Changes to Medicare Co-payment/GP Initiatives (i)	365.0	534.0	704.0	707.0
Changes to 1991-92 Budget Pathology Package (i)	2.4	3.5	3.9	4.2
Automatic Grant of Special Pension to Spouses of POWs (Medical)	0.5	1.2	1.2	1.3
Automatic Acceptance of Certain Conditions for POWs (Medical)	-	-	-	0.1
Hospital Services				
Productivity Improvements in Repatriation Hospitals	-4.0	-4.1	-4.1	-4.2
Review of Veterans' Treatment Classifications in Public Hospitals	-0.3	-1.3	-2.3	-3.5
Contingency Allocation for Public Access Bonus Pool	-	208.5	218.2	251.0
Health Incentives Package				
- Waiting Lists Management	50.0	20.9	-	-
- Mental Health Reform	6.0	20.4	26.2	26.9
- Hospital Capital Investment	3.0	17.1	40.3	25.9
- Health Communications Network	3.0	4.0	-	-
- Casemix Development	1.2	2.1	2.2	2.3
- Area Health Management	0.3	3.5	2.3	-
- Clinical Budgeting and Management Within Hospitals	0.3	3.5	2.2	-

Description of measure	Effect on Outlays			
	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
- Quality Assurance Guidelines	0.2	1.3	1.8	-
Improved Community Care for Veterans	5.0	1.9	-4.0	-5.9
Changed Administration Arrangements for Indian Ocean Territories (Health Services) (i)	3.5	4.0	4.2	4.3
Christmas Island Rebuilding Program (Hospital) (i)	1.2	8.2	1.0	-
Transfer of Concord Hospital to the NSW State Government (i)	-	23.1	9.2	-4.2
Pharmaceutical Services and Benefits				
Rational Drug Use Policy	-1.4	-2.5	-2.5	-2.4
RPBS Prescribing and Usage Review	-0.2	-1.9	-2.9	-3.8
PBS Cost Effective Use Strategy	0.6	-8.3	-12.4	-17.6
PBS Peer Review	-	-1.0	-1.0	-1.0
Issue Duplicate PHB Card for Access Visit	0.1	0.1	0.1	0.1
Nursing Home Subsidies and Domiciliary Care Services				
Nursing Home Auditing Arrangements	-3.8	-5.4	-9.4	-9.4
Adjustment in HACC Real Growth to 8%	-2.0	-4.5	-7.6	-11.5
Assistance to Non-Government Nursing Homes	9.4	10.6	12.1	12.1
State Government Nursing Home Benefits	5.4	22.8	43.1	55.0
Replacement Grants for Non-Profit Nursing Homes	5.3	6.0	2.3	-
Domiciliary Nursing Care Benefit	4.7	10.5	12.7	15.2
Expansion of the Community Visitors Scheme	0.6	2.5	2.5	2.5
Aged Care Assessment Teams as Budget Holders	0.5	2.2	2.2	2.2
Training of Providers on Aged Care Issues (Veterans)	0.4	0.3	0.3	0.3
Export of Aged Care	0.4	0.1	0.1	0.1
Nursing Home Outcome Standards Review Panels	0.2	0.2	0.2	0.2
Other Health Services				
Improved Targeting of Health Advancement Programs	-2.5	-3.1	-3.2	-3.3
National Drug Strategy	35.2	34.2	35.4	36.6
National Health Advancement Program	4.9	5.2	5.9	6.1
Royal Commission into Aboriginal Deaths in Custody: Measures to Reduce Drug Abuse (i)	2.0	2.1	2.1	2.2
Additional Funds for NHMRC	1.5	3.1	1.6	-
Health Workforce Development	1.2	1.2	1.0	1.1
Measures to Reduce Alcohol Related Community Violence (i)	1.1	1.1	-	-
Abolition of Fringe Benefits' Income and Assets Test (Hearing Services)	0.9	12.0	11.9	8.2
Immunisation Program Against Hib Disease	-	6.0	8.0	8.0
General Administration				
Running Costs Associated with Medicare Renegotiations	5.0	-	-	-
Additional Resources for National Food Authority (i)	3.1	-	-	-
Professional Indemnity Arrangements for Health Professionals	1.5	2.6	1.6	-
Establishment of Centre of Social and Economic Modelling	1.5	1.4	1.4	1.4
Regionalisation of Service Delivery and Cross Program Links	1.3	3.5	4.5	4.4
Dental Health Care Review	0.5	-	-	-
Northern Australians' Service Delivery Pilot Programs	0.3	0.5	0.5	0.2
Veterans' Health Week	0.1	0.1	0.1	0.1
Ongoing Support for Day Care Clubs (Veterans)	0.2	0.4	0.4	0.4

(i) Measure announced prior to the 1992-93 Budget

- The Government is to provide a range of financial assistance measures to each State and Territory contingent upon each agreeing to enter into a new five year Hospital Funding Agreement with the Commonwealth from 1993-94.
- A key focus of these initiatives will be to improve access to the hospital system for public patients:
 - A bonus pool is to be made available from 1993-94 (with a value of \$208.5m in that year growing to \$251m by 1995-96), which is to be distributed amongst each State and Territory according to its relative level of public provision; and
 - considerable funds are to be made available in 1992-93 and 1993-94 (\$50m and \$20.9m respectively) to assist in reducing hospital waiting lists.
- Funding is also to be provided to the States and Territories for the upgrading and further development of hospital infrastructure, the integration of mental health services into the mainstream health system, and for a range of other specific purpose incentive programs in the health area.
- The Government is to provide enhanced funding in several areas for aged care services, including a major phased increase in State Government nursing home benefits.
- Following the completion of evaluations, it has been decided to reshape several major health advancement programs:
 - the National Campaign Against Drug Abuse is to be replaced by a new National Drug Strategy with a focus on the major areas of tobacco and alcohol abuse and drug crime prevention; and
 - the National Health Promotion and National Better Health Programs are to be replaced by a new National Health Advancement Program, with a focus on specific areas, including environmental health, food and nutrition policy.
- A number of initiatives, set out in the Measures Table, are being introduced to restrain Medicare Benefit outlays, and to restrain Pharmaceutical Benefit outlays through the promotion of better drug prescribing practices.

PURPOSE

Commonwealth activity in the health area is primarily directed towards ensuring that all Australians have access to necessary health services without excessive price barriers. It also includes the setting and administering of standards for the safety and efficacy of therapeutic goods and services, support for health research and promotion of better health.

NATURE OF HEALTH OUTLAYS

Commonwealth financial assistance for health services is provided for both individuals and institutions.

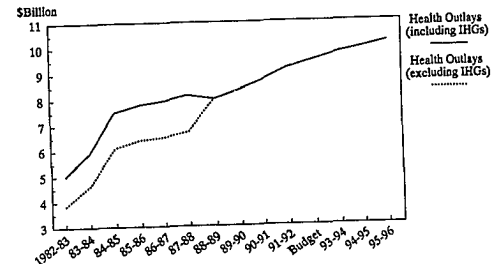
For individuals, benefits are paid for services rendered and goods supplied, in the main, by private professionals and organisations eg doctors, pharmacists and nursing home proprietors. Individuals can also receive assistance through tax expenditures, a rebate for the excess of unreimbursed health expenses over \$1000 in the year of income, sales tax exemptions on a wide range of health related goods, and tax deductibility for gifts to eligible organisations.

For institutions, support is provided to State and Territory hospital systems through specific purpose hospital funding grants. Health services are also provided directly through the repatriation hospital system as well as through such organisations as the Australian Hearing Services Authority.

TRENDS IN HEALTH OUTLAYS

Over the period 1982-83 to 1991-92 there were significant changes in the level of Commonwealth involvement in the financing of health care (see Chart 2).

Chart 2. Health Outlays
With and Without Identified Health Grants(a)
(1984-85 prices)



(a) Identified Health Grants were classified to 9A. Assistance to Other Governments, nec during the period 1981-82 to 1987-88.

Until 1980-81 real growth in outlays was relatively low, averaging 1.5% a year, reflecting restrictions of coverage of medical benefits paid by the Commonwealth and a reduction in the real level of pharmaceutical benefits for non-pensioners. In 1981-82, there was a sharp decline in direct outlays reflecting the cessation of the hospital cost-sharing agreements with most States. These were replaced by a combination of Identified Health Grants (IHGs) (recorded under 9A. Assistance to Other Governments, nec) and Medicare Compensation grants (from 1 February 1984). Including IHGs, total Health outlays declined, in real terms, between 1980-81 and 1982-83 at an average of 0.4% a year.

A sharp increase in total Health outlays in 1983-84 and 1984-85, averaging 22.2% real a year, was largely a result of the introduction of Medicare with a consequential increase in coverage and in the average real level of Commonwealth funding of medical benefits. These were previously financed by contributions to health insurance funds and out-of-pocket payments by patients. There was also a significant increase in payments to the States and Territories, including compensation payments for revenue forgone following the introduction of free public hospital care.

From 1985-86 to 1991-92 real growth averaged 2.7% a year, with real growth from 1989-90 to 1991-92, averaging 4.9% a year. This growth reflected:

- higher utilisation of medical services and pharmaceutical benefits; and
- a drift towards more expensive medical services and more expensive drugs.

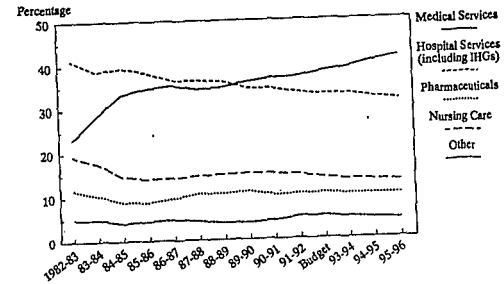
In 1992-93 real growth in total Health outlays is expected to be 3.3%. This reflects real growth in medical services and benefits (6.6%), pharmaceutical services and benefits (4.1%), and hospital services (1.9%). Negative real growth is expected in nursing home subsidies and domiciliary care services (2.5%) and general administration (4.3%).

The forward years reflect further increases in outlays, with expected annual real increases in the range of 1.9% to 3.0% over the period. These growth rates mainly flow from the increased cost of medical services and benefits (growth rates in the range of 5.0% to 5.7%) arising as a consequence of:

- volume growth in medical services;
- drift towards more expensive services; and
- continuation of the advances in medical technology.

Major changes to health financing arrangements during the last ten years have significantly altered the composition of total health outlays (including IHGs) as shown in Chart 3.

Chart 3. Health Composition - Including IHGs
Percentage of Total Health Outlays



With the introduction of Medicare, there was relatively stronger growth in expenditure on medical benefits and hospital services. Medical services and benefits increased from 23.2% of outlays in 1982-83 to 34.6% in 1985-86, largely reflecting the higher benefits and the change to universal public cover for the costs of medical care under Medicare. From 1985-86 until 1991-92, medical services and benefits increased further to 36.9% of outlays while hospital services decreased from 38.3% to 33.2%. Over the same period, pharmaceutical services and benefits increased from 8.7% to 10.2% of total health outlays and outlays on nursing home subsidies and domiciliary care services increased from 14.0% to 14.6%.

Over the forward years, medical services and benefits are expected to grow faster than all other components of this function, so that by 1995-96 medical services and benefits will comprise 41.4% of outlays as compared to 38.1% in 1992-93.

MAJOR POLICY CHANGES

Over the period 1982-83 to 1991-92, there were significant changes in the level and nature of Commonwealth involvement in health financing and service delivery. The most significant change was the introduction of universal health insurance under Medicare in 1984. Medicare greatly extended the coverage and level of medical benefits, initially abolished private medical insurance (although in-hospital gap medical insurance became possible later) and substantially increased Commonwealth assistance for State hospitals. Real Commonwealth outlays on Health rose by 27.1% in 1984-85, reflecting the replacement of private payments for medical costs (both directly and through insurance) and the fact that public patients became eligible to receive free shared ward accommodation and free outpatient treatment in public hospitals.

1991-92 OUTCOME

The outcome for 1991-92 was \$157.8m (or 1.2%) more than the budget estimate. The major factors contributing to this were higher than budgeted outlays on:

- medical services and benefits (\$107.7m) reflecting the decisions to modify and then to withdraw the reduced level of benefits for some services provided by general practitioners (GPs) announced in the 1991-92 Budget; and
- pharmaceutical services and benefits (\$86.7m) reflecting mainly the listing and prescribing of new drugs and a higher than expected number of concession card holders.

Smaller than anticipated budgeted outlays occurred for hospital services (-\$24.2m), reflecting lower indexation of the Hospital Funding Grants, partly offset by higher hospital expenditures on veterans and their dependants.

3.1 MEDICAL SERVICES AND BENEFITS

	1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Medical Benefits	\$m 4545.1	4985.5	5468.2	5993.8	6549.1
	%	9.7	9.7	9.6	9.3
Health Insurance Commission	\$m 168.7	180.6	180.1	189.1	197.4
Administrative Costs	\$m	7.1	-0.3	5.0	4.4
Veterans and Dependants	\$m 301.4	346.5	382.2	423.1	472.4
	%	14.9	10.3	10.7	11.7
Other Services	\$m 90.9	107.8	131.8	133.5	105.0
	%	18.5	22.3	1.3	-21.4
TOTAL	\$m 5106.2	5620.3	6162.4	6739.6	7323.9
	%	10.1	9.6	9.4	8.7

These outlays are used to enable all Australian residents to obtain the appropriate medical services which are necessary for their health care, without excessive price barriers. This is done through payment of Medicare Benefits or alternative financing arrangements. Included in this subfunction are medical benefits payments for consultations and services, treatment costs and allowances for eligible veterans and their dependants, Health Program Grants, and administrative costs of the Health Insurance Commission (HIC).

Medical Benefits

Under Medicare the following Commonwealth assistance is provided towards the costs of medical and optometrical services:

- for out-of-hospital medical services 85% of the schedule fee (subject to the benefit not exceeding the fee actually charged) is met by the Commonwealth plus any further amount required to ensure that the gap (met by the patient) between the benefit and schedule fee does not exceed \$26.80 (indexed 1 November each year) for an individual item; and that no family has to make gap payments exceeding the present threshold of \$246 a year (indexed 1 January each year);
- for medical services provided to in-hospital patients under private care, the Commonwealth meets 75% of the schedule fee with no gap limit on individual benefit claims. Public patients are not charged for treatment; and
- practitioners may direct bill any patient and accept the Medicare benefit as full payment.

Registered health insurers are required to offer gap insurance in their basic tables to cover the difference between 75% and 100% of the schedule fee for medical services rendered to private patients in hospitals (either public or private). With some exceptions (eg some overseas visitors and compensable cases), no other form of medical insurance cover, 'gap' or otherwise, is permitted. All health insurance offered must comply with the community rating principle whereby premiums are based only on family/single status and not on claims experience, age or sex.

Veterans and Dependants

The Commonwealth meets the costs for eligible veterans and their dependants of local medical officer, specialist, paramedical and dental services, the supply and maintenance of surgical aids, and travelling and other expenses incurred in obtaining medical treatment.

Health Insurance Commission - Administration of Medical Benefits

The HIC pays Medicare Benefits for medical and optometrical services and undertakes measures to combat medical fraud and overservicing. It also provides services for processing of Department of Veterans' Affairs (DVA) treatment accounts.

Other Services

This item includes Health Program Grants authorised under the *Health Insurance Act 1973* as the Commonwealth contribution to approved health related services such as the Yallourn Medical Society, and payments to NSW, Vic, Qld and Tas for the continued operation of the former Commonwealth Pathology Laboratories. Health Program Grants are intended to be a cost-effective alternative to funding through Medicare Benefits.

Also included is funding for the Support for Training and Evaluation Program which includes the Family Medicine Program, the Rural Health Support, Education and Training Program and General Practice Evaluation Program. The Government, in recognising the need to support continuing improvement in the quality of primary medical care, introduced a vocational register for GPs in December 1989. Those practitioners who enrol on the vocational register and participate in continuing medical education receive increased remuneration through higher schedule fees.

Trends

Between 1982-83 and 1991-92, expenditure on medical services and benefits grew rapidly, at an average of 19.5% a year (12.5% real). This reflects strong growth in medical benefits whose coverage was expanded with the introduction of Medicare in 1984, as well as growth resulting from increased utilisation and the trend towards more expensive medical services.

Over the period 1985-86 to 1991-92, outlays on medical services and benefits increased by 10.0% a year (3.9% real) on average. For Medicare Benefits, the major item in this subfunction, increased outlays reflected:

- overall growth in the number of services averaging 5.4% a year, due to increases in the size of the population (1.6%) and higher utilisation per person (3.8%);
- increases in schedule fee levels averaging 4.9% a year; and

- an average increase of about 6% a year in the average benefit cost of services, of which about 1% a year reflects the drift to more expensive services and procedures.

Some restraint on the overall growth rate has been achieved by:

- reviewing areas of the Medicare Benefits Schedule showing rapid growth and restructuring benefits. Measures were applied in the pathology area in 1986, 1989 and 1992 and in diagnostic imaging and a number of other areas in 1987-88; and
- Medicare Benefits for in-hospital treatment of private patients were reduced from 85% to 75% from 1 August 1987.

During 1991-92 expenditure on Medicare Benefits increased by 7.3% (5.5% real). Growth was due to increases in the volume of medical services as a consequence of growth in the size and ageing of the population (1.6%); increased utilisation of services per person (2.4%); increases in medical fees (3.7%); and increases in the average cost of Medicare Benefits (1.6%) resulting from increased utilisation of more expensive items and additions to the schedule. This was partly offset by decreases due to restructuring of some benefits and changes to payment arrangements by the HIC (2.0%).

About half of the continuing trend towards higher cost items (fee drift) in 1991-92 was due to the take-up by GPs of vocational registration for which higher schedule fees are paid in recognition of extra training and quality improvement. The remaining increase is mainly due to fee drift in diagnostic imaging items and in In Vitro Fertilisation.

For 1992-93 outlays on medical benefits (including the package of measures being introduced for GPs - see Measures below) are expected to increase by 9.7% (6.2% real) and then by an average of 9.5% (5.6% real) a year over the forward years. Growth in the number of Medicare services over the forward years is expected to average 4.7% each year (of which 1.6% is due to growth and ageing of the population and 3.1% due to increased utilisation per person).

The trend towards higher cost services is expected to continue and will account for about 1% of the increase in outlays, while the introduction of new items to the schedule will further add to benefits expenditure.

Measures

In the 1991-92 Budget the Government foreshadowed initiatives related to the funding and organisation of general practice, directed at assisting the medical profession to improve the quality of treatment and addressing some of the structural issues related to general practice which have contributed to the growth in Medicare Benefit outlays.

The 1992-93 Budget includes a number of initiatives for GPs developed by the Government following detailed discussions with the Australian Medical Association (AMA) and the Royal Australian College of General Practitioners (RACGP).

The Measures Table in the overview section identifies the impact of the negotiated general practice initiatives on the forward estimates published in the 1991-92 Budget, including the effects of a decision to restrict the entry of overseas trained doctors.

Outlays under the package in 1992-93 will include the following:

- \$8m for a Rural Incentives Program to encourage GPs to relocate to rural areas and to assist those already in rural practice;

- \$8m for Practice Enhancement Grants to assist accredited practices to improve their patient care;
- \$17m to establish Divisions of General Practice (local infrastructure to improve integration of general practice with the rest of the health system);
- \$12m to trial other initiatives such as practice budgets;
- \$11.5m to continue the Demonstration Practice Grants Program; and
- \$3m for the introduction from early 1993 of a scheme of accredited general practices to promote higher quality.

The HIC is to introduce additional initiatives to counter inappropriate service patterns and practices, which are expected to generate savings of \$9.9m in 1992-93, rising to \$32.4m in 1995-96. These include using more sophisticated computer techniques to identify possible inappropriate service patterns and follow up by HIC medical experts, and upgraded investigation and legal processes to identify and prosecute unethical practices (particularly in the pathology industry). In addition the HIC is to implement more effective arrangements for recovering Medicare Benefits from compensation patients.

An adjustment is also to be made to HIC payment patterns for Medicare Benefits, with estimated savings of \$20m in 1992-93.

3.2 HOSPITAL SERVICES

	1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Public Hospitals	\$m 3821.0	4031.6	4166.9	4353.5	4533.3
	%	5.5	3.4	4.5	4.1
Contingency Allocation	\$m -	-	208.5	218.2	251.0
- Bonus Payments	%	na.	na	4.6	15.0
Veterans and Dependents	\$m 739.9	759.1	801.2	772.5	769.4
	%	2.6	5.6	-3.6	-0.4
Other	\$m 38.7	50.2	26.7	-	-
	%	29.6	-46.7	-100.0	na
TOTAL	\$m 4599.5	4840.8	5203.4	5344.3	5553.8
	%	5.2	7.5	2.7	3.9

Outlays are designed to ensure efficient and effective delivery of free hospital care under Medicare which entitles all Australian residents to free shared ward accommodation and treatment and free outpatient treatment at public hospitals. Those electing to have 'doctor-of-choice' or private ward accommodation in a public hospital must bear the additional cost or take out appropriate hospital insurance cover. To support free hospital care under Medicare, the Commonwealth provides substantial financial assistance to the States and Territories.

Public Hospitals

Following the introduction of Medicare on 1 February 1984, funding was provided by way of specific purpose Medicare Compensation Grants and general purpose IHGs. In 1988, these payments were combined as Hospital Funding Grants (HFGs) to run for five years commencing 1 July 1988. The grants will total \$3921.7m in 1992-93 and are

indexed for award wage and Consumer Price Index (CPI) increases and age/sex weighted population growth.

The grants include a specific Commonwealth contribution (\$39.6m in 1992-93) for the treatment of AIDS patients in public hospitals. This component is indexed to the actual growth in cases treated in recognition of the growing impact of AIDS on public hospital systems.

Incentive payments and penalty provisions under the grants are directed to ensuring appropriate levels of access for public patients. Incentive payments available under the HFG arrangements in 1992-93, which are aimed at promoting continued efficiency gains in public hospitals, include:

- \$31.9m for expansion of post-acute and palliative care services to promote continued reductions in hospital length of stay, thereby allowing more effective utilisation of inpatient resources;
- \$12.8m for expansion of day only treatment as a substitute for overnight hospital stays and to allow for increased throughput with a view to reducing waiting times for longer stay procedures; and
- \$11.2m, of which \$3.2m will be available for the States, for the development of cost-based casemix systems to allow more informed resource management in the hospital system and assist meaningful comparisons of hospital performance.

A range of new and expanded incentive measures are also to be made available from 1992-93, details of which are set out at Measures below.

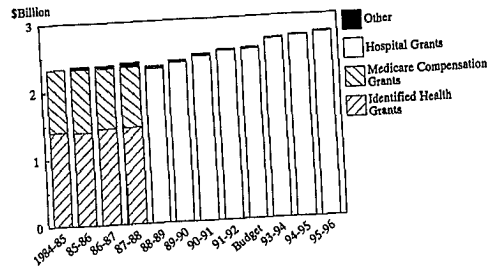
The penalty provisions involve reduced payments for those States and Territories where per capita in-hospital medical benefits exceed a prescribed maximum level and/or levels of public patient access are less than a prescribed minimum level. Actual penalties for 1992-93 will be based on data available in June 1993.

The Commonwealth also contributes to the upgrading of the infrastructure of State public hospitals through the Hospital Enhancement Program. The Commonwealth provided \$32m in 1991-92, of which \$23m was matched \$2 for \$1 by the States. The Hospital Enhancement Program is to continue until the end of 1992-93 with the Commonwealth providing \$37.1m.

Additional assistance to the States for development of their hospital infrastructure is also to be made available from 1992-93, details of which are provided at Measures below.

Chart 4 shows total Commonwealth outlays at constant (1984-85) prices on public hospitals between 1985-86 and 1995-96 (including outlays on the bonus payment contained in the contingency allocation - see Measures below). For comparative purposes, IHGs have been included for the years 1985-86 to 1987-88.

Chart 4. Outlays on Public Hospitals (a)
(1984-85 prices)



(a) Other comprises the Teaching Hospitals Capital Equipment Program (1985-86 to 1987-88), the Waiting Lists Program (1987-88 to 1988-89) and the Hospital Enhancement Program (1988-89 to 1992-93).

Veterans and Dependants Hospitals

Repatriation hospitals and clinics are maintained in each State for the treatment of eligible veterans and their dependants. Community patients are admitted to Repatriation hospitals free of charge if spare beds are available and the facilities are suitable. Conversely, veterans and their dependants may, where appropriate, be admitted to private or State public hospitals, generally at Commonwealth expense.

The Government has decided that Repatriation hospitals should be integrated with the State hospitals system by 1995 or earlier if the States wish to proceed more quickly. The transfer of Repatriation General Hospital Hobart to Tasmania occurred on 1 July 1992, and negotiations with the other States are underway. In this regard the Government is committed to ensuring the continued availability of high quality hospital care to veterans.

Other

The Commonwealth is providing financial assistance over the period 1985 to 1993 to States and Territories for the transfer of nurse education from hospital-based facilities to the higher education sector.

The Commonwealth provides an indexed subsidy towards the additional recurrent costs incurred by States and Territories for each student nurse at a higher education institution. AUSTUDY is also available on the same basis as for other students. The States and Territories provide appropriate capital facilities.

Similar arrangements apply to the transfer of nurse education currently being provided in Repatriation hospitals.

Payments to the States and Territories under these arrangements in 1991-92 were \$38.7m, with an estimated \$45.2m for 1992-93 reflecting increased take-up by the States and increasing costs in higher education.

Trends

Commonwealth recurrent expenditure on hospital services and benefits grew in real terms over the period 1982-83 to 1991-92 by 4.4% a year with the pattern of funding affected substantially by periodic changes in hospital funding arrangements and the associated shifts in the levels of average real benefits. For example, the introduction of Medicare resulted in a 29.7% rise in real Commonwealth expenditure in 1984-85, largely replacing private contributions to State hospital budgets through hospital charges. After the initial impact of Medicare, from 1985-86 growth declined until the introduction in the 1988-89 Budget of new and more generous funding arrangements for the States. The decline prior to that Budget mainly reflects the method of indexation of the Medicare Compensation Grants and the termination of private hospital subsidies. The specific purpose HFGs are indexed for cost increases and age/sex weighted population growth.

For 1992-93 outlays are estimated to increase by \$241.3m (1.9% real), mainly due to the indexation of the HFGs and the introduction of additional specific purpose incentive funds for the States hospital system.

The main features for the forward years are real growth of 3.1% in 1993-94, reflecting the proposed introduction of new enhanced five year Hospital Funding Agreements, and -0.2% a year thereafter reflecting declining outlays for veterans and the cessation of the Nurse Education Transfer Program.

Measures

The Commonwealth will offer a range of financial assistance to each State and Territory, contingent upon each agreeing to enter a new five year Hospital Funding Agreement from 1993-94.

Funds will be offered from 1992-93, for a number of incentive programs in the health area (several of these are classified to '3.5 Other Health Services' but all are described below). The major focus of this incentive program will be:

- improving public patient access to hospitals by reforming waiting list arrangements and targeting areas for funding where there are long waiting times. This may include the treatment of public patients in private hospitals where suitable arrangements are reached (\$50m in 1992-93 and \$20.9m in 1993-94);
- capital investment planning and capital outlays on the upgrading and further development of the public hospital system (\$3m in 1992-93 rising to \$40.3m by 1994-95); and
- accelerating the integration of mental health services into the acute hospital and community care systems and funding a range of innovative mental health projects of national significance (\$6m in 1992-93 rising to \$26.9m by 1995-96).

Funds will also be provided for the further development of Area health management within the States' health systems; the extension of cost-based casemix information systems to facilitate hospital resource management; the development of a health

communications network and management agency; initiatives to develop clinical budgeting and management within hospitals, and the development of guidelines for diagnosis and treatment of defined care and for the evaluation of processes of care.

Further, the Commonwealth has set aside funds in a contingency allocation for a substantial bonus pool (\$208.5m in 1993-94 rising to \$251m by 1995-96) to encourage improved access for public patients to the hospital system. The amount of the bonus available for each State or Territory in any year will be based on its relative level of public provision. The funds for the bonus pool will be committed for each State and Territory once it agrees to a new five year Hospital Funding Agreement.

The Government has decided to improve care for veterans in Victoria by closing Repatriation Hospitals Bundoora and MacLeod, and replacing care in those institutions with care in more appropriate community facilities. Costs are estimated to be \$5m in 1992-93 and \$1.9m in 1993-94.

The Government is also to obtain savings estimated at \$4.3m in 1992-93 rising to \$7.7m in 1995-96, from efficiency measures at the Repatriation General Hospitals and closer monitoring of veteran patient classifications when treatment is purchased in public and private hospitals.

3.3 PHARMACEUTICAL SERVICES AND BENEFITS

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Pharmaceutical Benefits Scheme						
General	\$m	229.2	234.0	242.9	256.4	270.2
	%		2.1	3.8	5.5	5.4
Concessional	\$m	920.1	1031.3	1064.7	1115.2	1174.5
	%		12.1	3.2	4.7	5.3
Sub-total	\$m	1149.3	1265.3	1307.6	1371.6	1444.7
	%		10.1	3.3	4.9	5.3
Repatriation Pharmaceutical Benefits Scheme	\$m	88.5	77.0	82.8	85.3	87.8
	%		-13.0	7.6	2.9	2.9
Alternative Arrangements for the Supply of Drugs	\$m	101.1	140.3	159.6	179.6	200.5
	%		38.8	13.8	12.5	11.6
Pharmacy Restructuring	\$m	36.4	12.9	9.5	6.7	-
	%		-64.6	-26.4	-29.4	-100.0
Health Insurance Commission Administrative Costs	\$m	38.4	24.4	30.6	31.2	31.9
	%		-36.6	25.3	2.2	2.2
TOTAL	\$m	1413.7	1519.9	1590.1	1674.3	1764.9
	%		7.5	4.6	5.3	5.4

Through pharmaceutical services and benefits, the Commonwealth aims to ensure access by the Australian community to necessary cost effective medicines at the lowest cost to Government and consumers, consistent with reliable supply.

Pharmaceutical Benefits Scheme (PBS) and the Repatriation Pharmaceutical Benefits Scheme (RPBS)

Under the schemes pharmaceuticals are supplied to:

- the general public:

— at a maximum of \$15.90 per prescription item until total expenditures reach the safety net of \$309.90 in a year; then at \$2.60 per prescription item until expenditures reach a further \$51.60 in a year; then at no cost thereafter in that year; and

- to patients entitled to the concessional payment: including pensioners, the unemployed, low income families, veterans, war widows and their dependants:

— at \$2.60 per prescription item until expenditures reach \$135.20 in a year; then at no cost thereafter in that year.

The charges and the safety nets are indexed. The safety nets apply to a family's or an individual's purchases and operate on a calendar year basis.

Alternative arrangements

In certain circumstances some pharmaceuticals are not listed under the PBS and alternative arrangements are made. These arrangements apply to patients who receive medical treatment outside the hospital setting.

The most significant alternative arrangements are:

- human growth hormone (\$45.5m) is supplied free of charge through doctors, mainly paediatricians; and
- selected high cost drugs are supplied by the States and Territories through hospitals and the Commonwealth funds its share of costs (relating to the use of the drugs in the community setting) through grants to the States and Territories (\$65m).

Pharmacy restructuring

Major changes to pharmacists' remuneration and the operation of retail pharmacies were announced in 1990-91. To assist pharmacists, a restructuring package is provided by the Commonwealth mainly to facilitate closures and amalgamations of pharmacies.

Health Insurance Commission - administration of the Pharmaceutical Benefits Scheme

The HIC reimburses pharmacists for the difference between the Commonwealth price of pharmaceuticals and patient contributions. It also undertakes measures to ensure that benefits are supplied correctly and only to eligible people.

Trends

Outlays on pharmaceutical services and benefits increased at an average of 12.0% a year in nominal terms (5.5% real) from 1982-83 to 1991-92.

The key determinants of growth in pharmaceutical benefits have been the listing of new drugs, the extent of patient contributions, shifts in the patterns of doctors' prescribing, the composition of patient populations (particularly the effects of ageing), the prices of drugs negotiated between the manufacturers and the Pharmaceutical Benefits Pricing Authority, and pharmacists' remuneration.

With regard to these various factors:

- underlying volume growth in pensioners' scripts of around 5% a year until late 1990 has been a major cause of real growth because pensioners are the dominant group by volume and there was no restraint on demand through a patient contribution;
- introduction of the concessional arrangements in 1983 resulted in a significant reduction in patient contributions for the unemployed and low income earners; and
- a substantial rise has occurred in the average price of pharmaceuticals, mainly reflecting the listing and prescribing of expensive technologically advanced drugs.

Until 1987-88 restraint on outlays under the PBS came mainly from periodic increases in the general patient contribution and the containment of price increases of listed drugs. In the 1987-88 Budget cost-effectiveness criteria were included in Pharmaceutical Benefits Advisory Committee considerations on whether drugs should be listed and in 1988 restrictions on the prescribing of some expensive drugs were introduced.

The 1990-91 Budget measures included changes to pharmacists' remuneration and the introduction of a charge for pensioners. Drug consumption data since the introduction of the charges indicates a significant fall in the number of pharmaceuticals used by pensioners resulting in a fall in 1990-91 real outlays. Real outlays in 1991-92 increased, reflecting mainly the listing and prescribing of new and expensive drugs and an increase in the number of patients entitled to concessions.

From 1992-93 to 1995-96 nominal growth is estimated to average 5.4% (1.3% real) a year. This growth mainly reflects continuing increases in drug prices, ageing of the population, and increasing utilisation of drugs.

Overall, pharmaceutical benefits are estimated to decrease from 10.3% of total health outlays in 1992-93 to 10.0% in 1995-96.

Measures

The Government has introduced a number of measures focused on promoting better drug prescribing practices:

- the PBS cost-effective use strategy, which aims to improve the quality of use of expensive drugs through the development of protocols and cost-effectiveness guidelines with the medical profession, conducting consensus conferences with the profession, monitoring drug usage, providing feedback to prescribers and enforcement to minimise overprescribing or overcharging;
- PBS peer review, which will involve reviews by independent GPs and pharmacists of drug treatment records of nursing home, hostel and private hospital residents and subsequent corrective action to reduce unnecessary prescribing;
- a rational drug use policy, which aims to provide doctors with advice, independent of that provided by drug companies, through peer initiated prescriber education to promote appropriate prescribing of drugs and using non-drug alternatives; and
- review of RPBS prescribing and usage, which aims to change inappropriate prescribing patterns and client drug usage through provider and client contact and education.

The above measures are estimated to achieve reductions in outlays of \$1m in 1992-93, rising to \$24.8m by 1995-96.

3.4 NURSING HOME SUBSIDIES AND DOMICILIARY CARE SERVICES

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Nursing Home Subsidies for the Aged	\$m	1715.0	1741.8	1807.8	1864.4	1926.5
	%		1.6	3.8	3.1	3.3
Nursing Care for Veterans and Dependants	\$m	104.2	105.5	110.3	115.9	121.8
	%		1.3	4.5	5.1	5.1
Nursing Home Subsidies for People With Disabilities	\$m	73.5	42.1	43.1	44.1	45.2
	%		-42.7	2.3	2.4	2.4
Domiciliary Nursing Care Benefit	\$m	33.5	38.7	45.1	47.8	50.8
	%		15.5	16.4	6.1	6.2
Home Nursing Service	\$m	98.7	109.9	123.8	138.4	154.7
	%		11.4	12.6	11.8	11.8
TOTAL	\$m	2024.9	2038.1	2130.0	2210.6	2299.0
	%		0.7	4.5	3.8	4.0

Nursing home subsidies are provided to ensure that people who are assessed as requiring nursing home care have access to residential support and care which is appropriate to their needs. Domiciliary nursing care benefits and services are provided to assist frail aged and younger disabled people to remain in the community and so avoid inappropriate institutional care.

Nursing Home Subsidies for the Aged

New funding arrangements for nursing homes commenced on 1 July 1987 involving the phased introduction over the period to 1 July 1991 of standard daily resident fees and standard Commonwealth benefits. The first stage introduced a national standard funding component for infrastructure costs and the second stage from 1 July 1988 introduced nationally uniform nursing and personal care staffing arrangements. Under the uniform staffing arrangements, five levels of resident service need were established at a standard number of hours and a standard rate of funding per hour. From 1 July 1991 no resident has been required to pay more than a weekly contribution to their care costs at a rate of 87.5% of the sum of the standard rate pension plus rent assistance. Entry to nursing homes is controlled and is based on care needs assessed by specialist teams funded jointly by the Commonwealth and the States and Territories.

A small proportion of nursing homes is exempt from the standard fee and benefit arrangements to allow them to provide for those residents who are prepared to pay for a higher standard of accommodation and service. Additional standard benefits are payable for respite care patients in recognition of additional costs incurred by nursing homes and to provide an incentive for the provision of this care.

Capital assistance for the construction, extension, purchase or upgrade of nursing homes is provided under the Aged or Disabled Persons Care Act 1954 to eligible non-profit organisations (\$31.2m in 1992-93).

Included in this classification is recurrent funding for day care centres which are attached to some nursing homes and which provide such approved services as physiotherapy and podiatry to non-nursing home residents.

Nursing Care for Veterans and Dependants

The Commonwealth provides nursing home assistance through DVA, for those veterans with service-related disabilities and for certain categories of veterans and war widows with disabilities not related to service. Commonwealth financial support, entry to homes and resident contributions are made under the same conditions for all residents, including those funded through DVA.

Nursing Home Subsidies for People with Disabilities

The bulk of nursing homes for people with disabilities are funded under the Disability Services Act 1986, with the homes concerned receiving annual grants. The responsibility for the funding of these homes is progressively being transferred to the States and Territories as the Commonwealth-State Disability Agreement is implemented in each State and Territory.

A small number of homes are funded under the National Health Act 1953 and receive nursing home subsidies as described above under 'Nursing Home Subsidies for the Aged'.

Domiciliary Nursing Care Benefit

The Commonwealth pays a benefit of \$42 a fortnight to eligible persons (estimated at some 31 600 for 1992-93) who provide care for approved persons at home as an alternative to institutional care. Those covered must be aged 16 years or over and be otherwise eligible for admission to an approved nursing home.

Home Nursing Services

Under the cost-shared Home and Community Care (HACC) agreements with the States, the Commonwealth funds certain home nursing services to assist the frail aged and younger disabled people who are at risk of institutionalisation to continue to live in their own homes. Home nursing services are one of a range of services offered through HACC. Others include respite care, home help and dementia specific projects (see 4. Social Security and Welfare).

Trends

From 1982-83 to 1991-92 real outlays on Nursing Home Subsidies and Domiciliary Care Services grew by an average real rate of 3.6% a year.

From 1982-83 to 1984-85 under previous financing arrangements, real outlays grew at an average rate of 6.1% a year, with demographic and cost factors contributing significantly to pressures on the program. However, growth has abated significantly since 1985-86, declining to an average of 3.5% a year real for the period to 1991-92. For the budget and forward years, outlays are expected to decrease by an average of 0.4% a year in real terms.

A significant contributing factor to the reduction in growth which has occurred since the mid 1980s has been the Government's decision in 1986 to shift the emphasis in growth

of residential care places for the aged away from nursing homes towards less costly hostels, within an overall planning target (currently 95 residential care places per 1000 aged population), combined with more effective funding arrangements for nursing homes. Outlays on hostels are shown under 4. *Social Security and Welfare*.

Home Nursing Services together with other HACC outlays, have more than doubled in real terms since 1984-85.

Commonwealth Outlays on Nursing Home Subsidies for People with Disabilities is expected to decline by \$31.4m in 1992-93 reflecting the progressive transfer of responsibility for the funding of nursing home services for people with disabilities to the States and Territories under the new Commonwealth-State Disability Agreement.

Measures

The Government has decided to introduce a range of new measures for nursing homes and domiciliary care services:

- a major increase is to be provided over time in levels of funding for State Government nursing home benefits. The cost of the new arrangements will be \$5.4m in 1992-93, rising to \$55.0m in 1995-96;
- further assistance is to be provided to non-government nursing homes, including supplementary funding to offset the interest costs of capital for new and rebuilt beds and upgrading of beds. The measures will increase outlays by \$9.4m in 1992-93 rising to \$12.1m in 1995-96;
- grants of \$13.6m over the three years to 1994-95 are to be made available for capital replacement for nursing homes owned by non-profit organisations;
- as part of a package of additional assistance measures for carers of the frail aged and disabled, the rate of the Domiciliary Nursing Care Benefit (DNCB) is to be increased from \$42 to \$52 per fortnight from 6 January 1993, and indexed by the CPI. Carers will also now be eligible to retain DNCB for up to 42 days while the person they care for is in respite care. The total value of the assistance package for carers, approximately half of which appears under 4. *Social Security and Welfare*, is \$14.4m in 1992-93, rising to \$30.2m by 1995-96;
- the Community Visitors Scheme, which aims to improve the quality of life of nursing home residents, is to be enhanced at a cost of \$0.6m in 1992-93 and \$2.5m in 1993-94 and subsequent years;
- funding is to be made available for a pilot project involving six Aged Care Assessment Teams directly purchasing services for the aged (\$0.5m in 1992-93 and \$2.2m from 1993-94);
- upgraded auditing arrangements are to be introduced for nursing homes, which are expected to yield savings of \$3.8m in 1992-93 rising to \$9.4m in 1995-96; and
- the rate of growth of the HACC program is to be set at 8% real from 1992-93, producing savings in home nursing care services of \$2m in 1992-93, rising to \$11.5m in 1995-96.

3.5 OTHER HEALTH SERVICES

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Health Research	\$m	130.8	144.8	150.6	142.7	140.0
	%		10.8	4.0	-5.2	-2.0
Health Promotion and Disease Prevention	\$m	65.4	76.4	90.4	107.3	116.0
	%	49.1	51.8	51.8	53.6	55.5
AIDS Control	\$m		5.6		3.5	3.4
	%		4.1	39.0	39.1	40.4
National Drug Programs	\$m	33.5	22.7	-5.1	0.4	3.3
	%	177.3	191.1	247.5	233.6	236.3
Health Support Services	\$m		7.8	29.5	-5.6	1.2
	%	25.4	24.1	11.3	5.6	1.8
Other	\$m		-5.4	-53.1	-50.7	-66.8
	%					
TOTAL	\$m	481.5	529.3	590.6	582.0	590.0
	%		9.9	11.6	-1.5	1.4

The Commonwealth provides financial assistance to support health research, to promote better health by prevention of disease, and to provide health services supplementary to the mainstream health care system.

Health Research

Commonwealth support for health research activities includes funding for medical and public health research through the Medical Research Endowment Fund (MREF) and the Public Health Research and Development Committee (PHRDC) and to the Australian Institute of Health and Welfare. Funding is also provided to supplement capital spending at Medical Research Institutes.

Disbursements from the MREF, received from both the Commonwealth and other sources such as gifts and bequests, is determined by the Minister for Health, Housing and Community Services on the advice of the National Health and Medical Research Council which acts, where necessary, in accordance with any conditions imposed by private benefactors. Assistance is provided from the MREF and the PHRDC to award project, program, institute and research unit grants and training awards.

Health Promotion and Disease Prevention

The Commonwealth provides financial assistance for a number of health promotion and disease prevention activities that emphasise prevention rather than the dominant curative approach.

A National Health Advancement Program is to be established to replace the former National Better Health and National Health Promotion Programs - see Measures below.

Under the National Community Health Program (\$5.1m in 1992-93), the Commonwealth funds projects which foster community participation, self-help and multi-disciplinary approaches to health care (eg through support to voluntary associations operating at the national level).

Financial assistance (\$13.9m in 1992-93) is provided to non-government Family Planning Associations for clinical services (part of which is paid in lieu of benefit for medical services provided in clinics) and for education and training.

The Public Health Program (\$8.4m in 1992-93) provides assistance to tertiary education institutions for courses and programs in public health.

The National Program for the Early Detection of Breast Cancer (\$17.5m in 1992-93) funds a national screening program running for five years. The initial \$14m for the program was provided by the Commonwealth, with the States cost sharing the program thereafter.

The Cervical Cancer Screening Program (\$7.1m in 1992-93) funds a national screening program running for four years aimed at women between the ages of 18 and 70.

Funds are provided for a national bone marrow and organ donor register (\$0.8m in 1992-93).

The National Women's Health Program funds the promotion of primary health care for women, information and education programs for women, continuing education for providers of health care for women and financial assistance to birthing services. Of the \$10.5m provided from the 1992-93 Budget, \$10.2m will go to the States and Territories.

AIDS Control

Grants are provided for education and prevention, treatment and support services, the National Media Campaign and Research activities. Expenditure in 1992-93 for these activities is estimated to be \$51.8m.

National Drug Programs

Activities funded under the National Campaign Against Drug Abuse (to become the National Drug Strategy from 1992-93 - see Measures below) have included drug abuse treatment, rehabilitation and prevention programs, the 'Drug Offensive' public information campaign, the development of a national drug abuse data system together with research and evaluation. Of the \$33.5m provided from the 1991-92 Budget, \$21.1m was allocated to the States and Territories for funding of \$ for \$ cost-shared projects.

Health Support Services

During 1990-91, the Commonwealth Serum Laboratories Commission was incorporated as a public company as part of a restructuring program aimed at a more commercial orientation. In addition to its off-budget activities, CSL Limited (CSL) is reimbursed by the Commonwealth for activities it performs on its behalf, including research projects and blood processing. CSL also processes (on a commercial basis) blood products for other countries in the region, including New Zealand.

The annual operating costs of the Red Cross Society's Blood Transfusion Service (BTS) in the States and Territories are shared by the States (60%), the Society (the lower of 5% of operating costs and 10% of the previous year's income from donations) and the Commonwealth (the balance). Approved capital costs are shared between the Commonwealth and the States on a \$ for \$ basis. Blood collected by the BTS is processed by CSL and blood products are supplied, free of charge (excluding freight), to

hospitals and approved pathologists for use in medical treatment and analysis. In 1992-93 \$42.0m is provided for BTS (recurrent and capital expenditure) and \$34m for CSL.

The Commonwealth subsidises the Royal Flying Doctor Service to the extent of about 45% of annual operating costs (matched \$ for \$ with the States) and also provides a substantial contribution to capital costs. Total provision in 1992-93 is \$15.4m.

The Commonwealth provides through the Australian Hearing Services Authority (formerly the National Acoustic Laboratories) a range of hearing services to eligible pensioners and all people under the age of 21 years.

This item includes costs associated with the Authority's services, including hearing tests, provision, fitting and maintenance of hearing aids and the supply of hearing aid batteries and associated running costs. The Authority also conducts a research and development program on hearing impairment, hearing aid technology, noise measurement and the effects of noise on people.

This item also provides funds to:

- the Australian Diabetes Foundation to distribute syringes and test aids with patient contributions meeting part of the costs; and
- colostomy and ileostomy associations for supply of stoma appliances.

Health Services for Aboriginals

With the advent of the Aboriginal and Torres Strait Islander Commission in 1989-90, all outlays for Aboriginal advancement programs administered by the Commission are now included under 4. *Social Security and Welfare*.

Other

This category includes outlays on environmental, social and other public health activities including human quarantine, and health advisory committees. Also included is provision for act of grace payments to meet additional costs incurred in sending patients with life threatening diseases overseas for treatment unavailable in Australia; the Commonwealth's contribution to reciprocal health care agreements with other countries; and payments towards the operational costs of the Australian Medical Council.

Further, an allocation of \$18.4m has been included for payment to the ACT Government as the Commonwealth's estimated share of costs in 1992-93 for a program of sealing and removal of asbestos insulation from residential dwellings.

Trends

Average annual growth over the period 1982-83 to 1991-92 was 17.3% a year (10.5% real). The main contributors to this substantial real growth have been expenditures under the MREF, reflecting the indexation arrangements that applied for most of the period, supplemented by periodic real increases in budget allocations; the development of the AIDS control program, and the National Campaign Against Drug Abuse (NCADA); and growth in BTS operating costs and blood product prices.

Outlays in Other Health Services are estimated to increase by 9.9% (6.5% real) in 1992-93 to a total of \$529.3m. The main factors contributing to the increase include

medical research funding (\$12.2m), capital and operating outlays by the BTS (\$9m), and specific health initiatives to be introduced as part of the Government's offer to the States for new five year Hospital Funding Agreements (\$8.2m - see '3.2 Hospital Services').

Overall, outlays for this group of programs are projected to decline by 0.1% per annum in real terms over the forward years, mainly reflecting the cessation of authority for some programs, including the Public Health Program and the Women's Health Program, and the finalisation of the asbestos removal program in the ACT.

Measures

The following measures have been announced:

- NCADA is to be relaunched as the National Drug Strategy with a focus on achieving strategic goals in the areas of tobacco and alcohol abuse and drug crime prevention. Estimated expenditures are \$39.2m in 1992-93, decreasing to \$38.7m in 1995-96;
 - a National Health Advancement Program (NHAP) is to be established to replace the former National Better Health and National Health Promotion Programs. The NHAP will focus on the specific areas of environmental health, food and nutrition policy, injury prevention and the development of national health goals and targets. Expenditure is estimated at \$5.7m in 1992-93 rising to \$6.1m in 1995-96;
 - funding is to be made available to the Australian Hearing Services Authority to meet an expected increase in demand for its services as a result of the Government's decision to abolish the special income and assets test for pensioners from 1 April 1993, making them eligible for the full range of Commonwealth fringe benefits, including hearing aids (see also 4. Social Security and Welfare). Outlays are estimated at \$0.9m in 1992-93, rising to \$8.2m by 1995-96;
 - funding is to be provided for immunisation of children against Haemophilus influenzae type b (Hib) at a cost of \$6m in 1993-94, rising to \$8m thereafter;
 - medical research funding under the National Health and Medical Research Council is to be increased by \$1.5m in 1992-93, \$3.1m in 1993-94 and \$1.6m in 1994-95; and
 - modifications are to be made to better target outlays across several health promotion and prevention programs, saving \$2.5m in 1992-93 rising to \$3.3m in 1995-96.
- The Government has also announced an in-principle decision to sell all of its shares in CSL subject to CSL remaining under Australian control (see also 9D. Asset Sales).

3.6 GENERAL ADMINISTRATION

	1991-92	1992-93	1993-94	1994-95	1995-96
	Actual	Budget	Estimate	Estimate	Estimate
Health, Housing and Community Services	\$m 190.3	195.9	150.2	145.4	141.3
	%	3.0	-23.3	-3.2	-2.8
Veterans' Affairs	\$m 25.4	17.2	16.2	15.6	15.8
	%	-32.2	-5.7	-3.7	1.3
TOTAL	\$m 215.6	213.1	166.4	161.1	157.2
	%	-1.2	-21.9	-3.2	-2.4

Outlays under this subfunction comprise part of the general administrative and capital expenses of the Department of Health, Housing and Community Services (DHHCS) and DVA.

Health, Housing and Community Services

This item comprises a proportion of the operating costs of DHHCS, including the Australian Government Health Service (AGHS), Therapeutic Goods Administration (TGA), the Australian Radiation Laboratory and the National Food Authority (NFA). There is a provision of \$195.9m for general administration, of which \$67.4m is for salaries. The balance of the running costs of DHHCS are classified under 4. Social Security and Welfare and 5. Housing and Community Amenities.

The TGA trust account, which began operating on 1 July 1990, is funded on a \$ for \$ basis by the therapeutic goods industry and the Commonwealth. Expenditure from the trust account is estimated at \$40.7m for 1992-93. The TGA laboratory complex at Symonston in Canberra is expected to be completed by November 1992. The 1992-93 capital allocation is \$7.4m, a fall of \$11.1m on 1991-92.

The NFA, which is responsible for development of food standards and codes of practice for the industry, commenced operations early in 1991-92. It is expected to cost \$7.2m in 1992-93. Additional resources for 1992-93 totalling \$3.1m have been provided to the NFA to deal with a backlog of applications for the development of (or variations to) food standards and a review of food standards.

From 1 July 1990 AGHS has been charging government departments and authorities for its services on a user pays basis.

The Government is constructing a new blood fractionation facility at Broadmeadows in Vic. The project is expected to be completed in 1993. The 1992-93 capital allocation is \$36.3m, a reduction of \$34.8m on 1991-92.

Veterans' Affairs

This item comprises the portion of the operating costs of DVA relating to 3. Health, an amount of \$17.2m.

Trends

Outlays in General Administration are estimated to fall by 1.2% (4.3% real) in 1992-93 and 21.9% (25.1% real) in 1993-94 reflecting the expected completion of the blood fractionation facility at Broadmeadows and the TGA laboratory at Symonston.

Measures

Additional running cost resources of \$5.0m are to be provided to DHHCS in 1992-93 to facilitate the introduction and understanding of the package of new health measures associated with the revised Hospital Funding Agreements to be negotiated with the States.

Running cost resources of \$1.3m in 1992-93, rising to \$4.4m in 1995-96, are also to be allocated to DHHCS for initiatives associated with service delivery at the regional level and to streamline the legislative base for the Department's operations.

4. SOCIAL SECURITY AND WELFARE

OVERVIEW

		1991-92	1992-93	1993-94	1994-95	1995-96
		Actual	Budget	Estimate	Estimate	Estimate
4.1	Assistance to the Aged (a)	\$m 10575.1	11332.3	12389.8	12661.0	13483.6
	%		7.2	9.3	2.2	6.5
4.2	Assistance to Veterans and Dependents	\$m 3790.9	3838.5	3901.6	4002.0	4065.2
	%		1.3	1.6	2.6	1.6
4.3	Assistance to People with Disabilities (a)	\$m 3967.0	4350.2	4744.0	4825.6	5055.7
	%		9.7	9.1	1.7	4.8
4.4	Assistance to Families with Children (a)	\$m 6707.1	7725.1	8662.9	8840.6	9181.1
	%		15.2	12.1	2.1	3.9
4.5	Assistance to the Unemployed and Sick (a)	\$m 7181.1	7363.5	6581.2	6170.2	5813.6
	%		2.5	-10.6	-6.2	-5.8
4.6	Other Welfare Programs (a)	\$m 1179.6	1146.3	1120.7	1089.2	1084.1
	%		-2.8	-2.2	-2.8	-0.5
4.7	Aboriginal Advancement Programs nec	\$m 672.6	831.3	932.1	990.8	959.3
	%		23.6	12.1	6.3	-3.2
4.8	General Administration	\$m 1293.9	1375.2	1347.7	1326.2	1334.6
	%		6.3	-2.0	-1.6	0.6
4.9	Recoveries and Repayments	\$m -20.0	-19.2	-24.7	-29.0	-32.1
	%		-3.8	-28.5	17.4	10.7
	TOTAL	\$m 35347.4	37943.2	39655.3	39876.6	40945.0
	%		7.3	4.5	0.6	2.7

(a) Affected by data discontinuity from 1992-93 - see below.

The above budget and forward estimates make no allowance for Commonwealth sector wage and salary increases which occur within each year. Provision is included in 9C, Contingency Reserve.

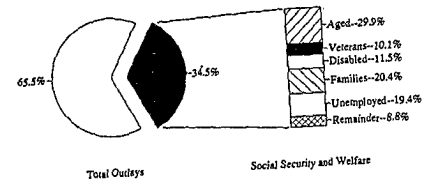
Discontinuity in the Data

Reclassification of the functional treatment of family payments in this Budget has significantly affected the outlays and growth rates for three of the subfunctions below. In the 1991-92 Budget the Government decided that Additional Pension and Benefit for children (APB) would, from 1 January 1993, be separately identified. As a consequence, approximately \$400m in 1992-93 and \$800m in the forward years has been transferred from (mainly) sub-function '4.5 Assistance to the Unemployed and Sick' to a new category 'Additional Family Payment' in subfunction '4.4 Assistance to Families with Children'. A significant transfer has also been made from subfunction '4.3 Assistance to People with Disabilities' to subfunction 4.4. These transfers contribute to the strong growth in nominal outlays for subfunction 4.4 while reducing measured outlays growth for subfunctions 4.3 and 4.5.

- Total Social Security and Welfare outlays are expected to increase by \$2595.8m or 7.3% (4.0% in real terms) in 1992-93. In subsequent years, however, real outlays are expected to decline, at an average rate of 1.1% a year to 1995-96.

- This decline is caused by expected decreases in outlays for '4.5 Assistance to the Unemployed and Sick', '4.6 Other Welfare Programs' and a reduction in the level of expenditure on '4.8 General Administration'. This results from improving economic conditions over the forward estimates period.
- In 1992-93, Social Security and Welfare outlays are forecast to comprise 34.5% of total Commonwealth outlays (see Chart 1), similar to the share for 1991-92 of 34.4%.

Chart 1. Social Security and Welfare
Proportion of Total Outlays and Function



Remainder includes Other Welfare Programs; Aboriginal Advancement Programs; General Administration and Recoveries and Repayments.

MEASURES TABLE

Measures that affect more than one sub-function are shown at the end of this table. These include some significant measures first announced in the 1992-93 Budget, including Pension increases, abolition of fringe benefits income and assets tests and reform of rent assistance.

Description of measure	Effect on Outlays			
	1992-93	1993-94	1994-95	1995-96
	\$m	\$m	\$m	\$m
Assistance to the Aged	-0.1	-1.6	-3.9	-6.5
Auditing of hostel subsidy assessments	-3.0	-9.3	-10.2	-11.2
Refinement of hostel subsidies	1.8	2.0	0.8	0.0
Hostel replacement grants for non-profit organisations	0.1	0.1	0.1	0.1
Hostel outcome standards review panels	0.2	0.3	0.5	0.6
Hostel outcome standards staffing levels	0.1	2.3	7.6	12.5
Hostel replacement of State Government nursing home beds	3.0	7.0	7.0	7.0
National action plan for dementia care	0.0	2.4	2.4	2.4
Multipurpose services initiatives for rural and remote communities	-4.9	-11.3	-19.1	-28.7
Adjustment in HACC real growth to 8%	6.7	7.7	12.8	14.0
Expanded respite care for carers	3.0	2.0	0.0	0.0
Carers information package	2.5	10.0	10.0	10.0
Aged pensioners' home equity conversion loans from financial institutions				

Description of measure	Effect on Outlays			
	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
Assistance to Veterans and Dependents				
Introduction of Military Compensation Scheme (v)	-0.1	-4.2	-7.7	-11.4
Automatic acceptance of certain conditions for POWs (Europe, Korea and Vietnam)	0.3	0.4	0.4	0.4
Extend Joint Venture Scheme				
Capital for hostel construction	0.1	0.3	0.3	0.3
Automatic grant of Special Pension to spouses of POWs	0.1	0.6	1.2	1.5
Assistance to <i>People with Disabilities</i>	1.5	3.1	3.5	3.9
Disabilities Reform Package Evaluation				
Increase period of temporary cessation of care during which Carer Pension is still payable	0.3	0.8	0.5	0.2
Allow Carer Pensioners to travel overseas during periods of respite	0.0	0.1	0.1	0.1
Encourage part-time employment for Carer Pensioners	0.0	0.0	-0.3	-0.3
Extend lump sum bereavement payment to carer pensioners	0.0	0.4	0.4	0.4
Extend Education Entry Payment to Disability Support Pensioners	0.0	0.2	0.2	0.2
Subsidies for continence items	3.7	7.0	7.2	7.3
Increase Employment Entry Payment to \$300 for Disability Support Pensioners	0.0	0.3	0.5	0.6
\$10pf increase in Mobility Allowance	0.9	5.2	5.6	6.0
Widen eligibility for Mobility Allowance	2.6	5.7	5.4	5.2
Index Mobility Allowance	0.2	0.6	1.5	2.3
Vocational outcomes for clients of CRS	-0.1	0.1	0.1	0.1
Disabilities program and Research and Development	-0.2	-0.3	-0.3	-0.3
Supplementation of Disability Service Providers	10.4	12.7	15.4	18.9
Assistance to Families with Children				
\$6pf increase in assistance for low income families (ii)	240.4	255.4	260.3	270.3
Increased resources for Child Support Agency- Sole Parent Pension offsets (v)	-6.4	-9.0	-11.2	-15.2
Increased resources for Child Support Agency (v)				
Lump sum advance of Family Allowance	16.4	11.3	10.8	10.4
Modify Child Support formula in cases of substantial access	0.6	1.1	1.2	1.2
Earlier disbursement of Child Support payments	0.0	1.7	1.8	1.8
Extend private maintenance arrangements under CSS	0.8	0.2	0.2	0.3
Relaxed maintenance income test for disabled children	-2.3	-9.8	-8.6	-7.5
Issue duplicate PHB Card for children during access visit	0.1	0.2	0.2	0.2
Index FAS threshold on CPI rather than AWE	0.3	0.1	0.1	0.1
Expansion of Family Skills Training Program	-8.4	-8.2	-6.0	-17.8
Child support review officer arrangements	0.3	0.7	0.8	0.8
Expand JET for Aboriginal and Torres Strait Islander clients	2.6	1.6	2.6	3.5
Link DSS/DEET computer systems	0.1	0.1	0.0	0.0
Expand JET for Non-English Speaking Background (NESB) clients	0.2	0.0	0.0	0.0
Extend JET to sole parents receiving Special Benefit	0.0	0.0	0.2	0.0
Improved effectiveness of JET in areas of high welfare dependency	0.1	0.0	0.0	0.0
Enhanced Child Care for JET clients	0.1	0.2	0.0	0.0
Additional JET advisers, clerical support staff and program places in regions of greatest need	0.5	0.5	0.5	0.5
Increase fee relief ceiling for child care	0.3	0.8	0.8	0.8
Increase fee relief ceiling for child care	3.9	16.9	17.9	18.8
Reverse 1991-92 Budget decisions on Child Care Unified Fee Relief System	8.7	9.8	11.9	11.9

Description of measure	Effect on Outlays			
	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
Delay indexation of Child Care Fee Relief	-2.5	-4.3	-4.5	-4.7
Income assessment for Child Care Fee Relief	0.1	-1.3	-4.8	-5.1
Compliance measures for Child Care Fee Relief	-2.3	-5.0	-5.0	-5.0
Extend Child Care Fee Relief to employer sponsored Family Day Care	-0.2	-0.7	-0.9	-1.0
Not proceeding with further Family Resources Centres	-3.0	-3.0	-3.0	-3.0
Hardship provision for assets test for Child Care Fee Relief	5.7	2.1	2.6	2.3
Include fringe benefits in assessment of income for family payments and Child Care Fee Relief	0.0	-11.2	-36.6	-38.4
Increase minimum AUSTUDY payment to \$1000 - Family Allowances flow-on	3.8	7.8	8.6	9.3
International Year of the Family Initiatives	1.7	0.2	0.0	0.0
Assistance to the Unemployed and Sick				
Offsets to labour market programs (i)	-67.7	0.0	0.0	0.0
Offsets to initiatives in post-secondary education and training (i)	-47.6	-49.1	-50.5	0.0
Offsets to labour market and training programs (ii)	-50.7	-20.2	0.0	0.0
ELDP modifications (iii)	3.0	2.9	2.9	2.9
Modify employment history requirement for 15 year old JSA/SA claimants (iii)	0.3	1.0	1.0	1.1
Reduce living away from home period for independent rate of income for under 18 year olds from 26 to 18 weeks (iii)	0.4	0.7	0.8	0.8
Strengthen activity test for Newstart Allowance by more co-operation between DEET and DSS	-3.7	-5.2	-5.4	-5.6
Incentives and assistance for 50-54 year old JSA/NSA recipients	0.1	-0.4	-0.4	-0.4
More intensive reviews of selected JSA clients where there is a high risk of incorrect payment	-4.3	-8.4	-7.2	-6.5
26 week waiting period for migrants for JSA and Sickness Allowance but access to Special Benefit for those in hardship	-6.7	-29.8	-25.0	-20.1
Labour market offsets resulting from Employment and Youth Initiatives (iv)	-123.1	-181.1	-130.8	-34.6
Other Welfare Programs				
Special Benefit reform package including intensive reviews and administrative enhancements	1.4	-3.7	-3.4	-3.5
Job placement and employment training for homeless youth	5.3	5.5	0.0	0.0
SAAP Growth Funds	3.5	7.0	0.0	0.0
Emergency Relief - supplementary funding (v)	5.6	4.9	2.9	1.4
Emergency Assistance for Asylum Seekers	3.7	0.0	0.0	0.0
Asylum Seeker Assistance Scheme	8.4	8.8	5.3	2.2
Implementation of user charging in Adult Migrant English Program	0.5	0.3	0.3	0.3
New arrangements for migrant on-arrival accommodation	0.7	0.7	0.7	0.8
Telecommunications access for the hearing impaired - pilot study	0.3	0.0	0.0	0.0
Aboriginal Advancement Programs nec				
Community violence - alcohol related, intervention program (v)	1.6	1.5	1.4	0.0
National Aboriginal Health Strategy (v)	38.9	64.1	66.4	0.0
Royal Commission into Aboriginal Deaths in Custody - Immediate needs (v)	1.1	0.0	0.0	0.0
Royal Commission into Aboriginal Deaths in Custody - National response (v)	24.5	26.8	27.1	28.0
Royal Commission into Aboriginal Deaths in Custody - Underlying Causes (v)	27.6	39.7	47.7	54.0
Council for Aboriginal Reconciliation	4.0	4.9	5.1	5.3

Description of measure	Effect on Outlays			
	1992-93	1993-94	1994-95	1995-96
	\$m	\$m	\$m	\$m
Award Wage Supplementation, Aboriginal organisations	3.6	8.6	13.1	14.2
Aboriginal Language Initiatives Program - transfer to ATSIIC	2.1	2.2	2.3	2.4
General Administration				
Expansion of Community Agent Program through appointment of additional 20 agents	0.3	0.3	0.3	0.4
Expansion of Support Network for Aboriginal Parents (SNAP)	0.7	1.0	0.9	1.0
Expansion of ATSI Interpreter Service	0.3	0.2	0.3	0.3
Expansion of Aboriginal and Islander Liaison Officer network by 10 positions	0.4	0.6	0.6	0.7
Establishment of Law Enforcement Access Network (v)				
Establishment of a teleservice centre network to augment DSS's current delivery systems (v)	-2.4	-2.5	-2.5	0.0
Streamline DSS appeals process	27.1	12.5	9.4	9.6
Efficiency improvements in DVA activities	-0.5	-1.2	-1.3	-1.3
DSS training using distance learning technology	-1.0	-1.0	-1.3	-1.4
DSS ATSI Trainees (iii)	-0.7	-1.1	-1.1	-1.2
Increased resources for migrant liaison and interpreter services	2.8	0.0	0.0	0.0
Measures that affect more than one sub-function	0.5	1.1	1.4	1.7
Provision of income support to farming families in financial hardship (v)	21.6	8.2	0.0	0.0
Social security agreement with Austria (v)				
Community education campaign on benefit of saving for retirement (v)	-3.8	-4.4	-4.8	-4.8
Social Security Agreement with Cyprus (v)	3.6	3.6	1.9	0.0
Abolition of rent assistance waiting period (ii)	0.3	0.9	1.5	1.5
Reform of Rent Assistance	50.0	46.0	39.0	34.0
Rationalise Mobile Review Teams to allow more flexible management	22.9	71.4	44.9	23.6
Improved debt recovery procedures to locate debtors and initiate recovery action	-10.1	-49.8	-53.3	-55.0
Reversal of community education campaign on benefit of saving for retirement decision	-21.5	-20.7	-16.0	-16.6
Extend computer matching with DILGEA departure records	-5.8	-4.4	-1.9	0.0
Simplify Managed Investments Rules	-6.6	-9.5	-10.7	-11.2
Ongoing assessment of capital gains & losses of Listed Shares and Other Securities	2.0	2.0	2.1	2.2
Disregard Preserved Superannuation Benefits until pension age	1.0	-63.3	-85.5	-86.6
Computer matching with State departments of corrective services	4.1	15.9	16.5	17.1
Extend data matching to include records of overseas clients and former clients	-5.0	-7.0	-7.3	-7.5
Continue data matching of DSS and TFN records assuming repeal of sunset clause	-0.0	-0.8	-0.9	-0.9
Extend Accelerated Claimant Matching (ACM) to all DSS regional offices	-18.5	-96.5	-148.1	-181.1
Pension increase of \$6pf including a bring-forward of indexation to January 93	-6.5	-8.9	-9.3	-9.6
Increase in Social Security Remote Area Allowance	124.2	189.6	206.1	214.7
Abolition of fringe benefits income and assets tests	2.9	4.6	4.5	4.5
	5.9	11.2	11.5	12.7

(i) Measure announced in the November 1991 Economic Statement.

(ii) Measure announced in One Nation.

(iii) Measure announced in the July 1992 Youth Package.

(iv) Measure includes offsets announced in the Youth Package and the Employment Statement.

(v) Measure also announced prior to the 1992-93 Budget.

• Major measures include:

— **Pension rates.** An increase in January 1993 of \$6 a fortnight for single pensioners and \$5.00 a fortnight each for married pensioners, which includes a bring-forward of the March 1993 indexation, adding \$124.2m to outlays in 1992-93 and \$189.6m in 1993-94.

— **Rent assistance.** Improved targeting of rent assistance to those with housing affordability problems, particularly benefitting single age pensioners and sole parents, at a cost of \$22.9m in 1992-93 and \$71.4m in 1993-94, declining to \$23.6m in 1995-96.

— **Fringe Benefits.** Removal of the special income and assets tests which apply to eligibility for Commonwealth fringe benefits, including hearing aids and the telephone allowance, increasing outlays by \$7.1m in 1992-93 (\$5.9m in this function) and \$23.1m in 1993-94 (\$11.2m in this function - see also 3. Health '3.5 Other Health Services').

— **Investment income.** A package of measures to simplify the treatment of investment income under the pension income and assets test and to improve equity, with a cost to outlays of \$7.1m in 1992-93, followed by savings of \$45.4m in 1993-94, increasing to \$66.9m in 1994-95.

— **Families.** A number of measures to better target assistance to families:

: from January 1994, the value of employer provided fringe benefits for motor vehicles, low interest loans, employer provided housing, school fees and private health insurance (above a total of \$1000) will be taken into account in assessing entitlement for Family Allowance (FA), Family Allowance Supplement (FAS), Job Search Allowance (JSA) for 16 or 17 year olds, AUSTUDY and child care fee relief. This is expected to save \$32.6m in 1993-94, rising to \$82.1m in 1995-96 (\$11.2m and \$38.4m in this function);

: from January 1993 the level of income above which FAS payments are made at part rather than full rates will be indexed to movements in the Consumer Price Index rather than Average Weekly Earnings. This will ensure that the threshold is based more explicitly on need, while maintaining the level of the income threshold in real terms. The measure is expected to save \$8.4m in 1992-93 and \$17.8m in 1995-96; and

: an additional \$19m will be provided to the Child Support Agency (CSA) in 1992-93 to improve compliance and client service and ensure adequate staffing for new review officer arrangements. This will result in savings in sole parent pensions of around \$6.4m in 1992-93.

— **Costs of Disability.** A package of assistance for people with disabilities to help them meet some of the additional costs which they incur. This includes a \$10 a fortnight increase in the rate of Mobility Allowance as well as indexation of that payment and widening of its availability. Funds will also be provided

to assist the purchase of continence items. This package of measures is estimated to cost \$7.5m in 1992-93, rising to \$21.6m in 1995-96.

— *Carers Package.* A package of assistance to carers of the frail aged and disabled will increase outlays by \$14.4m in 1992-93 (\$9.7m in this function), rising to \$30.2m (\$15.1m in this function) in 1995-96 (see also 3. *Health* '3.4 Nursing Home Subsidies and Domiciliary Care Services').

— *Home and Community Care (HACC).* Future growth in HACC outlays is to be set at 8% in real terms. This will result in savings of \$6.9m in 1992-93 (\$4.9m in this function) and \$40.2m in 1995-96 (\$28.7m in this function); see also 3. *Health* '3.4 Nursing Home Subsidies and Domiciliary Care Services'.

— *Child Care.* An increase in the fee relief ceiling for child care of \$4 a week (in addition to the indexation adjustment) from 1 April 1993, at an estimated cost of \$3.9m in 1992-93, rising to \$18.8m in 1995-96.

— *Compliance measures.* Expanded application of data matching and the proposed continuation of this fraud detection technique beyond January 1993 are major elements in a package of compliance measures. A further measure expected to produce significant ongoing savings is a reorganisation of the Department of Social Security's (DSS) Mobile Review Team resources which will facilitate more flexible and responsive management of Mobile Review Team activity.

• A number of significant measures were announced in the *November 1991 Economic Statement and One Nation*. Significant measures, other than these, announced during 1991-92 include:

— *Farmers Access to Income Support Payments.* From 1 December 1991, eligibility requirements for JSA were altered to assist viable farmers through periods of temporary financial difficulties.

— *Royal Commission into Aboriginal Deaths in Custody.* National response programs were put into place to address issues relating to justice and the underlying causes of Aboriginal disadvantage.

— *Teleservice Centre Network.* Authority was given for the DSS to establish 11 teleservice centres throughout Australia which are expected to reduce demand on the present DSS service delivery network.

— *Emergency Relief.* Responding to increasing demand for emergency relief, the Government agreed to provide increases in outlays of \$5.6m in 1992-93 and \$4.9m in 1993-94.

— *Labour Market and Training Measures.* During 1991-92, and in the 1992-93 Budget, the Government has announced new and extended labour market and training measures which have the effect of reducing the call on JSA and NSA. These effects amount to \$289.1m in 1992-93, including \$123.1m on account of employment and youth initiatives in the 1992-93 Budget (see 2. *Education* and 7C. *Labour and Employment*).

PURPOSE

The Australian social security system assists people in economic hardship by providing income support to those who are unemployed or are not able to fully support themselves because of age, invalidity, sole parenthood or similar factors. Lower and middle income families also receive support in recognition of the additional costs they incur in bringing up children.

Veterans and their dependants can qualify for both income support and health services under the repatriation system as compensation for war service.

Assistance under this function is intended to encourage self-help and financial independence and is targeted towards those most in need.

NATURE OF SOCIAL SECURITY AND WELFARE OUTLAYS

Most social security assistance is provided in the form of benefits paid directly to recipients and/or families who satisfy eligibility criteria. Payments are generally indexed to movements in the Consumer Price Index (CPI) to maintain their real value.

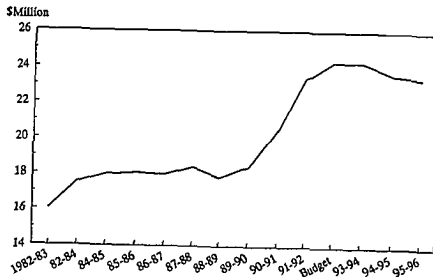
This function also includes funding for a wide range of welfare services for people with special needs. The services are provided directly or through State, Territory and local government authorities and voluntary agencies and include services to the aged and disabled, a variety of child care services and advancement programs for Aboriginals.

Not included under this function is welfare assistance provided indirectly through the personal income tax system (eg concessional income tax rebates which provide relief for pensioners and beneficiaries, dependent spouse and sole parent rebates which assist low to middle income families and deductions allowed for gifts to certain welfare bodies which extend indirect assistance to the organisations concerned).

TRENDS IN SOCIAL SECURITY AND WELFARE OUTLAYS

Outlays on Social Security and Welfare increased over the ten years to 1991-92 by an average 4.3% a year in real terms. It is apparent from Charts 2 and 3 that between 1984-85 and 1989-90 growth in outlays was low, with negative growth recorded in two of those years. However, large increases in both the early 1980s and 1990s reflect the impact of domestic economic recessions in those periods. Outlays are expected to continue to grow in 1992-93, by \$2.6b (7.3%) in nominal terms.

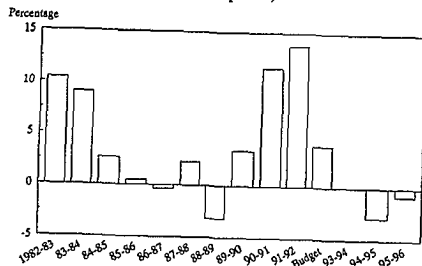
**Chart 2. Social Security and Welfare
(1984-85 prices)**



The major factors contributing to growth in outlays over the past decade have been:

- the indexation of pensions and benefits, ensuring that real outlays will be constant for given eligibility conditions and number of recipients (this accounts for the largest component of nominal growth);
- changes in client numbers in demand driven programs (influenced by population growth, demographic changes and changes in economic conditions); and
- changes in outlays resulting from Government policy initiatives, including those which alter eligibility criteria and rates of payment.

**Chart 3. Social Security and Welfare
Annual Percentage Change
(1984-85 prices)**



Changes in the rate at which pensions and benefits are paid (other than those arising from indexation) have also affected the level of real outlays.

Rapid real growth in the early 1980s reflects sharp increases in the number of unemployment beneficiaries, particularly in 1982-83. Other factors contributing to this growth included increased outlays on assistance to families (due to higher child allowances and increasing numbers of sole parents) and to veterans (as more veterans reached the qualifying age for service pensions).

Between 1984-85 and 1989-90, the rate of growth in real outlays for the function slowed substantially, averaging only 0.5% a year over the five years. Large decreases occurred in unemployment benefits (approximately 30% real reduction over the five years) as the labour market strengthened, but were partially offset by increased payments elsewhere, particularly for people with disabilities.

Government policies to improve targeting of assistance and to encourage increased self-help by those receiving income support also contributed to lower real growth in outlays over the ten years to 1991-92. In particular, measures such as the introduction of the pensions assets test and the Family Allowance (FA) income test and the lowering of the maximum child qualifying age for Sole Parent Pension (SPP) to 15 years, significantly improved the targeting of payments. Measures to reduce fraud and abuse also contributed to lower growth in outlays, as did the non-indexation of FA during most of the period. However, higher outlays on Invalid Pension contributed 2.2 percentage points to growth in total functional outlays during the period.

For some benefits, increases in the rates of payment above indexation have occurred. The basic rate of pensions and benefits was increased by more than the inflation rate in November 1984 and April 1990. Above-indexation increases in the rate of single adult Unemployment and Sickness Benefit were also made. These pension rises, combined with indexation of pensions and benefits, increased pension levels relative to average weekly earnings from just under 23% in 1983 to over 25% by June 1990. Child payments to low income families and rent assistance were also substantially increased during this period.

Unemployment Benefit (UB) numbers declined sharply from 1986-87 reflecting the strengthening labour market, tighter targeting and improved administration, and culminated in declining real outlays for the function in 1988-89. Significant real growth in assistance to low income families was accommodated within this declining total. The major program of assistance for such families, Family Allowance Supplement (FAS), was expanded both through substantial real increases in rates of payment (which also flowed on to additional pension and benefit for children) and real increases in income test limits. However, the contribution to the function total from real growth in FAS over the period as a whole was offset by a real decline in outlays on FA.

In 1989-90 function outlays rose by 3.4% in real terms (see Chart 3) as a result of significant increases in pension rates, rent assistance and child payments. In 1990-91 and 1991-92 real outlays grew by 11.5% and 13.8% respectively. During these two years, payments to the unemployed and sick, as a proportion of total social welfare outlays, increased from 14% in 1989-90 to 20% in 1991-92. Other factors contributing to growth in function outlays were increased payments to the aged and disabled, a \$1b increase in payments to families with children and a \$5 a fortnight pharmaceutical

allowance introduced in 1990-91 in the context of reform of the Pharmaceutical Benefits arrangements and the Disability Support Pension reforms in 1991-92.

MAJOR POLICY CHANGES

Over recent years priorities within the Social Security and Welfare function have moved away from universal provision of benefits towards means-tested benefits targeted to those most in need.

At the same time, measures have been introduced to increase the adequacy of payments and to enhance incentives for self-help. Policy changes have sought to:

- expand the capacity of people to meet their own needs through strategies to maximise private income, such as improved arrangements for the collection of child maintenance payments from non-custodial parents;
- direct new spending initiatives towards areas of greatest need, for example the introduction of FAS, together with increased rent assistance for families with children;
- encourage sole parents and the unemployed to enter or re-enter the labour market, particularly through the provision of additional targeted child care places and the introduction of specific programs for the long-term unemployed (eg. Newstart Allowance (NSA)) and sole parents (eg Jobs, Education and Training (JET));
- introduce a more active approach to the assessment of invalid pensions, including rehabilitation programs and labour market measures to improve the work force potential of people with disabilities; and
- reduce fraud and overpayments, by introducing and expanding Mobile Review Teams (MRTs) and greater use of computer matching and accelerated claimant matching.

1991-92 OUTCOME

In 1991-92, outlays were \$938.9m (2.7%) higher than budget estimate. Approximately \$370m of this difference is attributable to decisions in February 1992, relating to family payments. A further \$340m of the difference resulted from higher than expected client numbers in sub-functions '4.1 Assistance to the Aged' and '4.3 Assistance to People with Disabilities'.

SUBFUNCTION DETAIL

4.1 ASSISTANCE TO THE AGED

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Age Pensions and Allowances	\$m	9924.4	10568.8	11602.7	11829.1	12560.2
	%		6.5	9.8	2.0	6.2
Aged Persons' Hostels	\$m	432.7	508.3	498.3	502.0	538.9
	%		17.5	-2.0	0.7	7.4
Home and Community Care	\$m	218.0	255.2	288.7	329.9	384.5
	%		17.1	13.1	14.3	16.6
TOTAL	\$m	10575.1	11332.3	12389.8	12661.0	13483.6
	%		7.2	9.3	2.2	6.5

Outlays provide access to adequate levels of income for aged people and their dependants, while means testing arrangements ensure that pension payments are targeted to those with limited resources. Included are outlays on residential care for those aged people who are unable to live at home but who do not require nursing home care. Also included are outlays on cost effective community care alternatives for those frail aged and younger disabled for whom long-term residential accommodation would be inappropriate.

Age Pension and Allowances

Age Pensions are payable to women aged 60 years and over and to men aged 65 years and over, subject to residency requirements and income and assets tests. At 30 June 1992 there were 1 482 672 persons receiving the age pension (including wives and carers). The single rate of pension is currently \$306.10 a fortnight and the combined married rate is \$510.60 a fortnight or \$255.30 each.

Under the income test, the rate of pension is reduced by \$1 a week for every \$2 of non-pension income above the prescribed threshold (currently \$86 a fortnight for a single pensioner and \$152 (combined) a fortnight for couples). The assets tests limits for full pension entitlement (as at July 1992) range from \$112 500 for a single homeowner to a maximum of \$240 500 for a married non-homeowner.

To provide for movements in the cost of living, rates of pension are adjusted twice yearly in line with movements in the CPI. The income test threshold is also indexed annually in July by the CPI.

Pensioners (as well as beneficiaries and FAS recipients) may also qualify for rent assistance if they are renting privately. Current maximum rates of rent assistance range from \$62.90 a fortnight without children to \$83.90 a fortnight for those with three or more children.

Aged Persons' Hostels

The Commonwealth pays the following recurrent subsidies to eligible organisations providing hostel type accommodation for aged or disabled people:

- hostel care subsidy for services such as meals, laundry, cleaning and social activities (this subsidy is restricted to residents classified as financially disadvantaged);
- personal care subsidy to provide a higher level of care for more dependent residents including services such as assistance in bathing, toileting, eating and medication (this is a three tier subsidy arrangement based on the degree of dependency); and
- respite care subsidy to encourage provision of respite care beds for aged and disabled persons who temporarily cannot care for themselves or whose carers need short-term relief. These subsidies are paid at one of two levels based on type of care required:

— 137.5% of the hostel care rate of subsidy for respite residents who require hostel level care; or

— 137.5% of the lowest rate of the personal care subsidy.

Grants are also made to religious, charitable and other approved organisations and local government bodies to defray costs of construction, extension, purchase or upgrade of hostel accommodation facilities for aged or disabled people.

Home and Community Care

The Commonwealth, in conjunction with the States and Territories, provides a range of services for frail aged and younger disabled people at risk of institutionalisation to enable them to continue to live in their own homes. Funding is shared with the States and Territories based on respective levels of outlays in the previous year.

Home Nursing Services provided under Home and Community Care (HACC) are included under 3. Health '3.4 Nursing Home Subsidies and Domiciliary Care Services'.

Trends

Outlays on Assistance to the Aged increased from \$4 968.8m in 1982-83 to \$10 575.1m in 1991-92, an average annual increase of 2.5% a year in real terms.

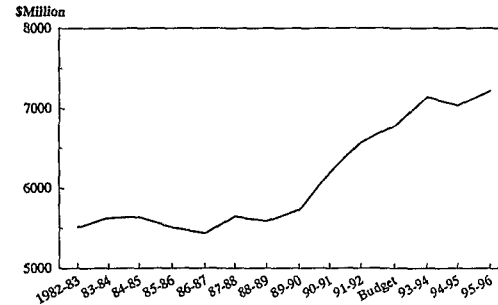
This growth is dominated by movements in Age Pension outlays. While the number of people aged 65 years or more grew at over twice the rate for the population as a whole, outlays on age pension increased by an average of only 0.2% a year (real) over the six years to 1988-89. This reflected greater targeting of payments to those with low levels of income or assets as a result of the reintroduction in 1983 of the income test for those aged over 70, the introduction in 1985 of the assets test and changes in treatment of managed investment income under the income test.

Since 1988-89, however, the growth rate of outlays has increased to 6.2% a year in real terms. This stronger growth reflects:

- a reduction in the proportion of the aged population that is eligible for a service pension rather than an age pension (outlays on service pensions are classified under '4.2 Assistance to Veterans and Dependants');
- lower interest rates and higher levels of unemployment, resulting in reduced levels of private incomes for many aged persons;
- an above indexation increase in pensions of \$4 a fortnight (\$6.60 for marrieds) in 1989-90, together with a reduction in the indexation time-lag.

Reflecting these developments the number of people in receipt of the Age Pension has increased by 120,000 (8.8%) since 1988-89. 33.3% of age pensioners now receive a part-rate pension, compared with 27.0% in 1988-89.

Chart 4. Age Pension
(1984-85 prices)



That part of outlays on care of the aged which is included in this function grew modestly over the early part of the 1980s. However, the Government's aged care strategy has since contributed to significant increases in outlays on a more appropriate range of services to the growing aged population, together with a shift in emphasis in residential care away from nursing homes to hostels. Outlays on both hostel recurrent subsidies and capital grants have risen rapidly due to growth in hostel bed numbers and increases in subsidy levels following the 1986-87 Budget decision to automatically index all hostel recurrent subsidies. The personal care subsidy, which has been the most significant of the three hostel subsidies, was also augmented following the decision to provide five annual real increases (over and above indexation) of \$1.50 a day commencing in May 1988. Revision to the hostel personal care subsidy arrangements in the 1991-92 Budget further added to outlays.

Outlays on HACC services for aged and younger disabled people grew modestly in the early 1980s. In 1985 the *Home and Community Care Act 1985* subsumed a number of previously related services and outlays have subsequently grown rapidly, more than doubling in real terms in the seven years to 1991-92. This reflected both higher base funding and arrangements with the States for significant growth in program funding.

The Commonwealth expects to spend \$11 332.5m on assistance to the aged in 1992-93, an increase of \$757.4m (7.2% real) on 1991-92. Further growth in outlays over the forward years reflects continued growth in the numbers of age pensioners together with the effect of the decision to increase pension rates in real terms in 1992-93.

Measures

Major measures include:

- the Government has improved the adequacy of the age pension by providing a \$6 a fortnight increase in the standard rate of pension (\$5 each for marrieds). The increase, which is payable to all pensioners, allowees with dependants and older long-term allowees from 28 January 1993, comprises a \$2 a fortnight increase in the real rate of pension together with a bring forward of the anticipated March 1993 pension indexation increase of \$4 a fortnight. The cost to outlays is \$124.2m in 1992-93, rising to \$214.7m in 1995-96;
 - the Government has made further improvements to rent assistance arrangements for age and other pensioners and allowees. From 20 March 1993 (indexation date) increased assistance will be targeted to those paying a high proportion of their income in rent while a greater individual contribution will be required from new clients paying less than 20% of their income in rent. This will significantly improve housing affordability for a large number of social security clients and veterans. The features of the new system are:
 - a new structure of minimum rent thresholds above which assistance will be provided. These thresholds are based on approximately 20% of maximum social security entitlements: the current threshold of \$50 a fortnight is increased to \$60 a fortnight for singles without children, to \$80 for singles with children, to \$100 a fortnight for couples without children and \$120 for couples with children;
 - twice-yearly indexation of these rent thresholds;
 - an increase in the rate of assistance from 50 cents to 75 cents per dollar of rent paid above the rent threshold;
 - an increase of \$4 a fortnight in the maximum rate of assistance of \$62.90 a fortnight for singles without children; the maximum rate for other categories remains unchanged, although all maximum rates are indexed twice yearly;
 - protection of those DSS clients who receive more assistance under the current rent assistance system than the new arrangements through the freezing of the rent assistance component of the entitlement of these clients.
- The cost to outlays is \$22.9m in 1992-93 and \$71.4m in 1993-94, declining to \$23.6m in 1995-96;
- rates of Remote Area Allowance will be increased by 25% from 1 January 1993. This will coincide with a similar increase in the level of income tax zone rebates;
 - the Department of Social Security is to seek co-operative arrangements in the financial sector for the purpose of marketing a small Home Equity Conversion loan product to aged pensioners. The new type of loan is aimed at meeting the needs of pensioners who wish to remain in their own homes but have insufficient income for home maintenance or home improvements and who are reluctant to take out the larger Home Equity Conversion loans currently available in financial markets, both because of the high transaction costs involved and pensioners' desire to retain a substantial equity in their home. A maximum of \$2.5m will be made available to financial institutions in

1992-93 and no more than \$10m in any subsequent year. The arrangement will be reviewed in the context of the 1996-97 Budget;

- from 1 April 1993 all pensioners will be eligible for those Commonwealth fringe benefits associated with the Pensioner Health Benefits card. This decision removes the special income and assets tests for these concessions (which has hitherto precluded access other than to pharmaceutical concessions by some 400 000 age and service pensioners) and is aimed at reinforcing incentives to save and earn income in retirement. Fringe benefits will also be extended to Newstart recipients aged 60 years and over and Sickness Allowance and Special Benefit recipients in the same age group who have been in receipt of income support for 12 months or longer. A new Pensioner Concession card will replace the existing Pensioner Health Benefits and Pharmaceutical Benefits Concession cards. The measure will cost \$7.1m in 1992-93 and \$23.1m in 1993-94 (see also 3. Health '3.5 Other Health Services');
- the Government has reviewed the income and assets test treatment of different types of investments held by pensioners. A number of measures have been put in place to simplify arrangements and improve equity:
 - the categorisation of managed investments into 'accruing return investments' and 'market linked investments' has been abolished, involving additional outlays of \$2.0m in 1992-93;
 - from 1 September 1993 the assessment of income for income testing purposes will be expanded to include accruing capital gains and losses made during the previous twelve months on listed shares and other securities (hitherto only dividends have been assessed), with outlays of \$1.0m in 1992-93 followed by savings of \$63.3m in 1993-94 rising to \$85.5m in 1994-95 and \$88.6m in 1995-96;
 - the income and assets test exemption which currently applies to compulsorily preserved superannuation benefits has been extended to all benefits preserved in superannuation or roll-over funds prior to pension age, involving additional outlays of \$4.1m in 1992-93, increasing to \$17.1m in 1995-96;
- the Personal Care and Hostel Care Subsidies paid to Financially Disadvantaged Persons (FDPs) in hostels will each be increased by \$0.55 a day from 6 January 1993 to increase the equity of financial support for residents. In parallel, the Personal Care Subsidy paid to non-FDPs will be decreased by \$2.65 a day. This is expected to result in net savings of \$3.0m in 1992-93, rising to \$11.2m in 1995-96. In addition, increased auditing of personal care assessments is expected to provide savings of \$6.5m by 1995-96;
- the Budget also provides funding of \$2.3m in 1993-94, rising to \$12.5m in 1995-96, aimed at increased numbers of hostel beds. This is a necessary response to closure of some beds in State government nursing homes under arrangements for higher levels of nursing home benefits for their residents (see 3. Health '3.4 Nursing Home Subsidies and Domiciliary Care Services');
- grants of \$18m will be provided over the three years to 1994-95 for the replacement of nursing homes and hostels owned by non-profit organisations. The grants are partly recorded under this function and partly under the Health function (see 3. Health

'3.4 Nursing Home Subsidies and Domiciliary Care Services'). Expected increases in outlays are \$7m in 1992-93 (\$1.8m in this function), \$8m in 1993-94 (\$2m in this function) and \$3m in 1994-95 (\$0.8m in this function);

- the Government has provided a package of additional assistance to carers of the frail aged and disabled, involving additional outlays of \$14.4m in 1992-93 (\$9.7m in this function), rising to \$30.2m in 1995-96 (\$15.1m in this function). The package includes additional respite care services costing \$6.7m in 1992-93, rising to \$14m in 1995-96, enhancements to the Carer Pension (see '4.3 Assistance to People with Disabilities') and enhancements to the Domiciliary Nursing Care Benefit (see 3. Health '3.4 Nursing Home Subsidies and Domiciliary Care Services');
- the Government has provided for continued strong growth in outlays on HACC, with the real growth rate being set at 8.0% in 1992-93 and thereafter. This results in savings of \$6.9m in 1992-93 (\$4.9m in this function) rising to \$40.2m in 1995-96 (\$28.7m in this function). (See also 3. Health '3.4 Nursing Home Subsidies and Domiciliary Care Services');
- the Budget provides \$3m in 1992-93 and \$7m a year in 1993-94 to 1996-97 for initiatives aimed at improving the delivery of long term care for dementia sufferers and assisting their carers;
- the Government is to make available \$2.4m in 1993-94, 1994-95 and 1995-96 for grants to service providers in rural and remote localities to better coordinate hospital, nursing home, hostel, community care, medical and pharmaceutical services for the aged as part of the Multi-purpose Services Initiatives Program agreed with the States and Territories.

4.2 ASSISTANCE TO VETERANS AND DEPENDANTS

		1991-92	1992-93	1993-94	1994-95	1995-96
		Actual	Budget	Estimate	Estimate	Estimate
Disability Pensions and Allowances	\$m	1403.8	1439.4	1483.6	1536.3	1581.7
	%		2.5	3.1	3.6	3.0
Service Pensions	\$m	2377.6	2389.1	2407.1	2453.8	2471.3
	%		0.5	0.8	1.9	0.7
Other	\$m	9.5	10.0	10.9	11.9	12.2
	%		5.0	9.8	8.9	2.3
TOTAL	\$m	3790.9	3838.5	3901.6	4002.0	4065.2
	%		1.2	1.6	2.6	1.6

Outlays provide income support and compensation, in the form of pensions, to veterans and their dependants for incapacity or death resulting from war or defence service. Veterans over the age of 55 years (female) and 60 years (male) and their dependants receive a pension equivalent to age pension.

Disability Pensions and Allowances

Disability pensions and allowances are paid to ex-service men and women for service-related incapacities at rates which vary with the level of incapacity. Various allowances and adjustments are provided which supplement disability pensions for temporary incapacity, loss of earnings and extreme disablement.

Disability pensions and allowances are not subject to personal income tax or income or assets tests.

War or Defence Widow(er)'s Pension is payable to the widow(er)s of veterans whose death was service related (and in certain other limited circumstances). Orphan's Pension is payable in respect of veterans' children.

Service Pensions

These are payable to veterans who have qualifying service and are of qualifying age or who are permanently incapacitated for work. Service pensions are also available to certain Commonwealth and allied veterans and mariners who satisfy residency requirements.

Service pensions carry the same rates and range of additional payments as the Age Pension and are subject to the same indexation arrangements and income and assets tests, except that any Disability Pension and related allowances received are not regarded as income for the purposes of the Service Pension income test.

Other

This item includes grants to veterans' associations and to community groups providing non-institutional care to veterans. It also includes grants to veterans' organisations to assist in the development of sponsoring submissions for hostel accommodation for frail aged veterans, and provides associated capital assistance.

Trends

Outlays on Assistance to Veterans and Dependants grew rapidly during the 1980s before peaking in real terms at \$3128.4m in 1987-88. After a brief decline outlays returned in 1991-92 to within 1% of the real 1987-88 level. Growth over the ten years to 1991-92 averaged 2.9% a year in real terms.

Outlays on both service pensions and disability pensions, including war widow pensions, have shown a similar pattern of growth. The number of service pensioners increased rapidly to a peak of 405 000 in 1986-87 as veterans of World War II reached retiring age. In 1990-91 and 1991-92 outlays increased due to payment of a slightly higher average rate of pension, while the number of service pensioners continued to fall.

Outlays on Disability Pension grew by an average 2.6% a year in real terms over the ten years to 1991-92. In contrast the number of disability, dependant and war widow(er) pension recipients has fallen by an average 1.9% a year (from 413 130 at 30 June 1982 to 341 868 at 30 June 1992) due to the ageing of the client group and the termination in 1986 of pension grants to veterans' dependants. This divergence in growth between outlays and client numbers reflects receipt of high rates of pension by an increasing proportion of disability pensioners, together with continued growth in the number of war widow pensioners (who receive the equivalent of the single rate of social security pension with the addition of a domestic allowance of \$24 a fortnight).

Outlays on veterans and their dependants are expected to decline by 1.8% a year in real terms over the forward years.

Measures

Significant decisions include:

- improved support and accommodation assistance for veterans through the extension of the joint ventures scheme, and provision of capital assistance for hostel accommodation for veterans. Estimated costs are \$0.3m in 1992-93 rising to \$1.8m in 1995-96;
- extension to ex-Prisoners of War (POWs) of the European, Korean and Vietnam theatres of benefits made available in 1989 to POWs of the Japanese, and involving a less intrusive claims process in respect of the acceptance for compensation purposes of certain specified disabilities (costing \$0.3m in 1992-93 and \$0.4m thereafter); and
- the automatic grant of a Special Pension, equivalent in value to the war widow pension, to the spouses of former POWs who received, or were eligible to receive, disability pension at the time of death. Estimated costs are \$1.5m in 1992-93 increasing to \$3.9m in 1995-96.

In addition, a number of other budget measures flow on to this subfunction. These measures are described under '4.1 Assistance to the Aged'. Other measures which impact on veterans are also described under 3. *Health* '3.1 Medical Services and Benefits', '3.2 Hospital Services' and 6. *Culture and Recreation* '6.2 Arts and Cultural Heritage'.

4.3 ASSISTANCE TO PEOPLE WITH DISABILITIES

		1991-92	1992-93	1993-94	1994-95	1995-96
		Actual	Budget	Estimate	Estimate	Estimate
Disability Support Pensions and Allowances	\$m	3548.0	3883.0	4222.1	4280.3	4475.8
	%		9.4	8.7	1.4	4.6
Other Payments to People with Disabilities	\$m	84.3	30.5	28.6	26.9	28.2
	%		-63.8	-6.4	-5.7	4.6
Disability and Rehabilitation Services	\$m	334.7	436.6	493.3	518.4	551.8
	%		30.4	13.0	5.1	6.4
TOTAL	\$m	3967.0	4350.2	4744.0	4825.6	5055.7
	%		9.7	9.1	1.7	4.8

Outlays provide income support to people with disabilities who have limited means and whose disability precludes full-time employment. Special services are also provided to increase the independence of, and employment opportunities for, people with disabilities and their integration into the community. Payments are also made to those States and Territories which have administrative responsibility for accommodation and support services for people with disabilities under the Commonwealth-State Disability Agreement.

The results of an extensive review of income support and other forms of assistance for people with disabilities were announced in the 1990-91 Budget. The new arrangements were in large part implemented from 12 November 1991. The main features of the new system are:

- the reform of income support arrangements to remove anomalies and encourage greater participation in the labour market; and

- the expansion of services for rehabilitation and training as well as increased benefits for transition to work.

The new package of assistance for people with disabilities will tighten targeting and restrain growth in Disability Support Pension (DSP) outlays by improving work force potential and discouraging long-term dependence on income support.

Invalid Pensions and Allowances

The Invalid Pension has been renamed DSP and the notion of permanent incapacity for work removed. New eligibility criteria require at least a 20% level of medical impairment and an inability to work full-time in open employment in the foreseeable future. The labour market potential of those eligible for DSP is assessed with a view to their undertaking suitable training, rehabilitation or job search (where appropriate) to enhance their labour force potential.

DSP rates are the same as for Age Pension, with the exception that there is an age related level of payment for those under 21 years of age. Disability support pensioners, apart from the permanently blind (who receive a means test free pension) are also subject to the same income and assets test as age pensioners.

Other Payments for People with Disabilities

As part of the Disability Reform Package, Sheltered Employment Allowance and new grants of Rehabilitation Allowance have been absorbed within DSP. A Mobility Allowance of \$40 a fortnight, increasing to \$50 a fortnight from March 1993, may also be paid to people with disabilities who are gainfully employed or undertaking vocational training and who cannot use public transport without substantial assistance.

Disability and Rehabilitation Services

This item includes disability services for people who have a disability that is permanent or likely to be permanent, and which results in a substantially reduced capacity for communication, learning or mobility and a need for ongoing support services.

Approved services include accommodation support, advocacy, employment and training assistance, independent living training, information, recreation, respite care, and supported employment. In 1991-92, some 2100 services received funding.

Under the Commonwealth-State Disability Agreement (CSDA), signed in July 1991, the Commonwealth has administrative responsibility for employment services for people with disabilities and the States and Territories have administrative responsibility for the provision of accommodation and support services. This Agreement has been implemented in Vic, Qld, Tas and the ACT with effect from 1 July 1992. Negotiations relating to the implementation of the Agreement are yet to be finalised with NSW, SA, WA and the NT.

Implementation of the Agreement involves net additional costs for the States and Territories. Additional funding is initially being paid through Specific Purpose Payments to the ACT and those States which are currently operating under the Agreement.

Total 1992-93 funding for disability services under this item is \$380.9m, of which \$42.0m is classified to 3. Health '3.4 Nursing Home Subsidies and Domiciliary Care Services'.

The Commonwealth Rehabilitation Service (CRS) provides treatment and training programs, predominantly in the field of occupational rehabilitation, to people with disabilities who are of working age and who are assessed as likely to be assisted by CRS programs in making substantial progress towards a place in the workforce, or in achieving new levels of personal independence or participation in family and social life. The Service provides assistance without charge to clients who are not covered under compensation arrangements. Clients eligible for compensation payments are charged for costs incurred. Training allowance and living away from home allowance may be paid to clients of the CRS who are undertaking vocational courses or on-the-job training. CRS outlays in 1992-93 are estimated to be \$97.7m.

Trends

Over the ten years to 1991-92 outlays on Assistance to People with Disabilities increased by an average of 7.7% a year in real terms.

Outlays on Invalid Pension grew rapidly to November 1991, reflecting an increase in numbers of recipients from 271 500 at 30 June 1982 to 454 600 at 7 November 1991 (including recipients of Wife's and Carer's Pension). This growth is partly related to economic conditions, with periods of rapid growth coinciding with periods of high unemployment, when people with disabilities face greater difficulty in finding and retaining employment.

With the introduction of the DSP there has been a renewed emphasis on substantial impairment as a condition of eligibility for the pension. However, numbers of recipients have continued to grow, from 466 700 at 21 November 1991 (after absorption of Sheltered Employment Allowance) to 487 400 in June 1992. Outlays on assistance to people with disabilities are estimated at \$4350.2m in 1992-93, rising to \$5055.7m in 1995-96, an average real increase of 1.3% a year. This reflects the net effect of CPI indexation of rates of payment and significantly higher outlays on rehabilitation and other services for the disabled, together with some further growth in numbers of disabled people reliant on income support and the transfer of child payments from DSP to Additional Family Payment (AFP).

Measures

The Government has decided in the 1992-93 Budget to provide additional assistance in meeting some of the costs faced by people with disabilities. Measures include a number of enhancements to Mobility Allowance including an increase in the payment by \$10 a fortnight and indexation by the CPI, extension of eligibility to those in job search and voluntary work and availability of up to six months entitlements as an upfront lump sum. An Education Entry Payment of \$200 will be extended to DSPs and the employment entry payment will be increased to \$300. Assistance will be provided to help defray the cost of bowel and bladder care items incurred by those DSPs and Mobility Allowees who have a permanent incontinence condition as a result of a severe disability.

In addition, the Government has provided funds for disability services to assist with the costs associated with the movement to award wages and the Superannuation Guarantee Charge.

As part of a package of measures, income support for carers of the aged and disabled will be enhanced from July 1993 by extension of eligibility for Carer Pension to some situations where a person cares for a non-pensioner, and lengthening from 28 to 42 days the period of temporary cessation of care during which Carer Pension is still payable. Carer pensioners will also be allowed to travel overseas during a period of respite care, to participate in employment, education or training for up to 10 hours a week without affecting eligibility, and to have access to pensioner earnings credit arrangements and the JET scheme.

4.4 ASSISTANCE TO FAMILIES WITH CHILDREN

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Family Allowance	\$m	2329.0	1040.8	-	-	-
(to 31.12.92)	%	-	-55.3	-100.0	na	na
Family Allowance Supplement	\$m	723.8	517.3	-	-	-
(to 31.12.92)	%	-	-28.5	-100.0	na	na
Basic Family Payment	\$m	-	1053.3	2136.6	2202.6	2296.6
(from 1.1.93)	%	-	na	102.9	3.1	4.3
Additional Family Payment	\$m	-	1556.4	3238.0	3296.2	3302.8
(from 1.1.93)	%	-	na	108.0	1.8	0.2
Sole Parent Pensions	\$m	3056.5	2814.0	2501.8	2497.5	2680.0
and Allowances	%	-	-7.9	-11.1	-0.2	7.3
Other Child Payments	\$m	105.4	123.5	132.8	148.2	163.7
	%	-	17.1	7.5	11.6	10.5
Child Care	\$m	439.8	536.7	581.4	626.3	667.3
	%	-	22.0	8.3	7.7	6.5
Other	\$m	52.4	83.2	72.3	69.8	70.7
	%	-	58.6	-13.0	-3.5	1.3
TOTAL	\$m	6707.1	7725.1	8662.9	8840.6	9181.1
	%	-	15.2	12.1	2.1	3.9

From 1992-93 outlays in this subfunction reflect the transfer of additional pension and allowance on account of children into the new AFP from 1 January 1993.

Outlays are intended to ensure that those with care and control of dependent children receive appropriate financial assistance towards their support. This assistance is tailored to various circumstances, particularly where the children are in low income families or where they have disabilities or are orphaned. Assistance is also provided to sole parents in recognition of the difficulties they face in gaining entry to the workforce, either because they have sole responsibility for dependent children or because of absence from the workforce while caring for younger children.

Family Allowance

FA is an income tested, non-taxable allowance paid to families with children under the age of 16 and certain older full-time dependent students not receiving prescribed education support payments. The entitlement is \$20.70 a fortnight for each child up to and including the third, and \$27.60 for the fourth and each subsequent child. Under the income test introduced in November 1987, entitlement for a calendar year is generally determined on the basis of the previous financial year's taxable income. The income threshold above which entitlement is reduced is indexed each January in line with the

CPI and is currently \$64 167 for one child, with an additional \$3210 for each further child. Targeting of FA was further improved from January 1992 with the introduction of an assets test with a threshold of \$600 000 of net assets excluding the family home. The payment is also available to families with very low incomes who fail the assets test.

Family Allowance Supplement

FAS increases support for children in low income families. It is an income and asset tested, non-taxable allowance paid in addition to FA. The maximum rate of FAS depends on the age of the eligible child - families currently receive \$60.80 a fortnight per child aged under 13 and \$85.90 a fortnight per child aged 13 to 15. FAS recipients who rent privately may also be eligible for rent assistance.

FAS is withdrawn at the rate of 50 cents for each dollar of income above \$20 700 (income generally being the combined parental taxable income for the previous financial year), a threshold which increases with the number of children in the family. Thresholds are indexed each January, with the CPI being used for this purpose from January 1993. The threshold for the FAS assets test (currently \$359 250) is also indexed each January.

Basic Family Payment

In the 1991-92 Budget the Government announced a major package to assist low and moderate income families with children. This included a new system of family payments under which FA and FAS will be rationalised to improve take-up of FAS through a single claim process. From 1 January 1993 FA will be renamed Basic Family Payment (BFP). Tax file numbers will be used to identify families currently not taking up their FAS entitlements. Current rates of payment and income and asset limits will apply.

Additional Family Payment

From 1 January 1993 recipients of FAS and additional pension and benefit will receive a single payment to be known as AFP. This will improve the visibility of family payments, simplify and provide continuity of payment for the client, direct all child payments to the primary carer (usually the mother) and improve take-up and workforce incentives. Current rates of payment and income and asset limits will apply.

Sole Parent Pension and Allowances

SPP and allowances are paid to persons who have substantially sole care and control of a child under 16 years of age. The SPP is payable at the same rate and is subject to the same income and assets test as the Age Pension. Currently a sole parent with two children under 13 living in rented accommodation may receive up to \$576.50 a fortnight. With the commencement of the Child Support Scheme in 1988, sole parents have been required to take reasonable steps to obtain maintenance and so ensure that non-custodial parents meet their responsibilities for child maintenance.

Other Child Payments

This item covers outlays on Child Disability Allowance (CDA) and Orphan Pension. These payments are made fortnightly in conjunction with FA. CDA is currently \$66.20 and Orphan Pension \$33.20 a fortnight. Neither payment is income or assets tested.

Child Care

The main forms of Commonwealth assistance for child care are:

- income tested fee relief to eligible families using approved services, including non-profit, private and employer sponsored services; and
- operational and capital subsidies to non-profit services under the Services for Families with Children Program (SFCP).

Child care fee relief is provided through service operators to enable reduced fees for low and middle income families. Maximum fee relief is currently \$87.50 a week for a family with one child in long day care, presently payable when family income is less than \$459 a week. For higher income families fee relief is progressively reduced at higher incomes, with eligibility for fee relief cutting out at about \$59 120 for families with one child. Fee relief is calculated on a maximum fee for fee relief purposes. From 1 April 1993, this maximum fee will rise from \$103 to \$108.50 for 50 hours of care a week.

In addition to fee relief, the Government provides capital and operational subsidies under the SFCP for a wide range of child care services, including long day care centres (but not for private or employer sponsored services). Subsidies are also provided for services in carers' homes (Family Day Care (FDC)), outside school hours and vacation care and occasional care. Other services are provided for Aboriginal and Torres Strait Islander children, children of non-English speaking backgrounds, children with disabilities and children in remote areas. Child care is also provided for sole parents participating in the JET program.

The following tables show the estimates for child care programs by funding and care types.

Child Care - Outlays by Funding Type

	1991-92 Actual \$m	1992-93 Budget \$m	1993-94 Estimate \$m	1994-95 Estimate \$m	1995-96 Estimate \$m
Fee Relief:					
Long Day Care					
- community sponsored	187.5	208.5	225.2	238.5	258.4
- private and employer sponsored	94.3	135.9	156.6	171.7	183.7
Other (a)	7.6	12.2	14.2	15.6	16.1
Operational Subsidies	92.1	105.1	116.2	125.5	137.6
Capital Grants	10.1	15.7	9.5	12.6	7.5
Special Services	19.7	20.4	21.0	22.1	22.6
Supplementary Services	8.2	8.7	8.0	8.2	8.4
Program Support	6.5	7.0	7.3	8.0	8.8
JET - Sole Parents	5.0	8.8	9.4	9.6	15.0
Other (b)	8.8	14.4	14.1	14.6	667.3
TOTAL	439.8	536.7	581.4	626.3	

- (a) Occasional Care; Outside School Hours Care.
 (b) Mainly Vacation Care grant to States, Family Resource Centres, Youth Activity Services, Accreditation and funding for work and child care units.

Child Care - Outlays by Care Type

	1991-92 Actual \$m	1992-93 Budget \$m	1993-94 Estimate \$m	1994-95 Estimate \$m	1995-96 Estimate \$m
Long Day Care					
- centre based					
- family day care	238.0	296.1	329.1	359.1	382.2
Occasional Care	123.6	139.8	146.6	153.4	164.4
Outside School Hours Care	14.4	15.2	15.1	15.5	15.8
JET - Sole Parents	15.1	24.5	28.1	31.4	34.5
Other (a)	5.0	8.8	9.4	9.6	9.8
TOTAL	432.1	523.3	532.2	574.4	606.6
	432.1	536.7	581.4	626.3	667.3

(a) Includes mainly Special Services, Supplementary Services, Program Support, Youth Activity Services, Family Resource Centres, Accreditation and Vacation Care.

Other

This includes outlays for the Child Support Agency (CSA) in the Australian Taxation Office (ATO) (\$59.8m in 1992-93) and funds for the Australian Institute of Family Studies (\$3.1m in 1992-93).

Funding is also included for grants to approved marriage counselling and marriage education organisations. Commonwealth support for these organisations will increase by \$2.7m in 1992-93 reflecting the final stage of the expansion of marriage counselling and family mediation services, commenced in 1990-91, to previously underserved metropolitan and rural areas. Annual funding has increased by just over 100% since 1989-90 to \$19.7m in 1992-93.

Trends

Outlays on Assistance to Families with Children increased by an average of 4% a year in real terms between 1982-83 and 1991-92. Substantial annual increases in real outlays in the early 1980s levelled out by the mid 1980s, and in 1986-87 real outlays fell significantly as a result of Government decisions curtailing eligibility for income support payments. The replacement of Family Income Supplement by FAS in December 1987 offset the effect of these decisions to some extent. Significantly higher outlays under FAS reflected more generous entitlements and an increase in the number of recipients resulting from a higher income test threshold.

Substantial increases in the real level of payments for children (FA, FAS and additional pension and benefit) have occurred since December 1987 in response to the Government's commitment to lift child payments to meet 'child poverty' benchmarks. A further increase in both the rate of payment (up \$6 a fortnight per child) and the income test threshold (up to \$20 700 a year) occurred in April 1992. The new benchmarks will be 16.2% of the combined married rate of pension for children under 13 years and 21.2% for children 13-15 years. Legislation ensures FAS rates are increased each January as required to maintain these benchmarks.

Other decisions intended to maintain adequacy, tighten targeting and encourage self-help include:

- the introduction of annual income reviews in January 1989;

- the introduction in January 1989 of an assets test on FAS and the revision of the 25% income reduction rule;
- the introduction in March 1989 of the JET scheme for sole parents;
- the indexing of FA payments from January 1990; and
- the introduction in January 1992 of an assets test on FA.

The nominal growth rate in outlays of 15.2% in this subfunction in 1992-93 reflects the statistical reclassification of approximately \$400m of additional pension and allowance on account of child related benefits associated with programs outside the subfunction (chiefly from '4.5 Assistance to the Unemployed and Sick'). These outlays have been transferred to the new AFP, which is included in this subfunction, commencing on 1 January 1993. A further \$580m has been transferred within the subfunction from Sole Parent Pensions and Allowances into AFP. This reclassification accounts for the negative growth in Sole Parent Pensions and Allowances in 1992-93.

In the forward years the real level of outlays on assistance to families is expected to increase by 2% a year. This reflects the increase in assistance to families announced in the 1991-92 Budget and *One Nation* as well as the full year effect of the transfer of additional pension and allowance on account of children to AFP. In the absence of this transfer, outlays on SPP would have risen due to growth in client numbers and indexation, partly offset by lower average rates as a result of the additional maintenance income generated by the Child Support Scheme.

The Services for Families with Children Program (SFCP) has expanded strongly from its inception in 1972-73. Outlays have grown significantly (a three-fold increase in real terms) since 1983-84, following the Government's decision to expand the number of child care places and to provide more generous income tested fee relief. In 1990 the Government announced a further 50 000 new child care places (10 000 centre-based places, 10 000 family day care places and 30 000 outside school hours care places) to be operational by 1995-96. New, more generous fee relief arrangements were announced in 1990 and, on 1 January 1991, fee relief was extended to eligible users of approved employer-sponsored, non-profit non-SFCP and private child care services.

Measures

The 1992-93 Budget contains a number of further measures to assist families. As an extension to the lump sum FA bonus announced in *One Nation* from 1 January 1993 families will have the option of taking half the first child rate of FA as a lump sum for up to six months on request. The maximum advance at January 1993 rates would be \$136.50 each six months. The balance would be paid in fortnightly instalments as at present. This will assist families to meet moderately sized "lumpy" expenses.

In order to better target assistance to families, from January 1994 the value of certain employer provided fringe benefits will be included in the income test in assessing entitlements to FA, FAS, JSA for 16 and 17 year olds, AUSTUDY and child care fee relief. The fringe benefits included comprise employer provided motor vehicles, low interest loans, housing, school fees and private health insurance. Only the value of benefits exceeding \$1000 will affect entitlement.

The Government has also decided to introduce a number of improvements to the Child Support Scheme arising from a recently completed evaluation by the Child Support

Evaluation Advisory Group. These include earlier distribution of maintenance payments received by the CSA, provision for all Department of Social Security (DSS) clients receiving maintenance to collect it privately and disregarding for income test purposes special maintenance received for a disabled child. Non-custodial parents will be assisted through the funding of information forums on the operation of the Scheme, availability of concessional pharmaceuticals for children of pensioners during access visits and modification of the child support formula to take account of costs incurred by the non-custodial parent where he or she has substantial access. The method of calculating penalties on outstanding child support liabilities will also be improved and simplified. These measures will be introduced between January and July 1993.

The JET scheme for sole parent pensioners will also be expanded from October 1992 following completion of an evaluation of the program's performance. Five additional JET Advisers will be appointed to extend full program servicing to areas of highest unmet demand. A number of initiatives will improve take-up and outcomes for Aboriginal and Torres Strait Islanders, sole parents from a non-English speaking background and those in areas of high welfare dependency. Additional funding will be provided for JET child care and to investigate the feasibility of linking the computer systems of administering departments.

From January 1993 the CPI will replace Average Weekly Earnings (AWE) as the basis for inflation adjustment of the income test threshold for FAS (AFP). This will improve the targeting of family payments to those most in need.

The Government has decided that on 1 April 1993, in addition to the normal adjustment for indexation, the child care fee relief ceiling (the maximum fee for the calculation of fee relief) will be raised by \$4 a week. This measure will cost \$3.9m in 1992-93 and \$16.9m in 1993-94.

After extensive community consultation the Government has decided not to implement the 1991-92 Budget decision to introduce a two-tiered unified fee relief system. This will mean additional outlays of \$8.7m in 1992-93 and \$9.8m in 1993-94.

From 1 July 1993 applicants for child care fee relief will be subject to an assets test equivalent to that applying to FAS recipients. This test differs from that announced in the 1991-92 Budget (but not implemented) in that it incorporates hardship provisions consistent with those that apply to FAS. The cost to the Budget of deferring the implementation of the existing test to 1 July 1993 and adding the hardship provisions is \$5.7m in 1992-93 and \$2.1m in 1993-94.

Indexation for child care fee relief is to be deferred to 1 April of each year, with the existing income cutouts for fee relief eligibility being maintained at the current levels until 1 April 1994, saving \$2.5m in 1992-93 and \$4.3m in 1993-94.

The Government will also:

- establish units to detect non-compliance with Commonwealth fee relief arrangements. It is estimated that savings of \$2.3m will be achieved in 1992-93 and \$5.0m in each subsequent year;
- replace from 1 July 1993 the twice yearly assessment of income for fee relief entitlement with a once a year assessment. It is estimated that this initiative will save \$1.3m in 1993-94, rising to \$5.1m in 1995-96.

From 1 January 1993, employees using employer sponsored places in FDC will be eligible for child care fee relief. It is expected that this provision will result in some substitution between centre-based long day care provision and FDC, which is estimated to result in savings of \$0.2m in 1992-93 rising to \$1.3m in 1995-96.

The Government has decided not to proceed with the establishment of five Family Resource Centres announced in early 1990. The expected savings from this decision are \$3m a year.

In recognition of 1994 being the International Year of the Family, \$1.7m is to be provided in 1992-93 and \$0.2m in 1993-94 for the development of family related initiatives.

4.5 ASSISTANCE TO THE UNEMPLOYED AND SICK

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Newstart Allowance	\$m	2272.0	3242.8	3263.5	3064.3	2738.7
	%		42.7	0.6	-6.1	-10.6
Job Search Allowance	\$m	4464.2	3731.6	2927.7	2689.1	2623.1
	%		-16.4	-21.5	-8.1	-2.5
Sickness Benefits (Pre 12 November 1991)	\$m	177.2	-	-	-	-
	%		-100.0	na	na	na
Sickness Allowance	\$m	267.7	389.1	390.0	416.7	451.8
	%		45.4	0.2	6.9	8.4
TOTAL	\$m	7181.1	7363.5	6581.2	6170.2	5813.6
	%		2.5	-10.6	-6.2	-5.8

Income support is provided to persons who are unemployed, unable to work because of temporary incapacity and who have limited alternative means of support.

Unemployment and Sickness Allowances

JSA is available during the first 12 months of unemployment to support (and require) active job search or involvement in appropriate training or other job preparation activities. Applicants are required to attend an intensive interview (either at or within three months of registration) to identify strategies to overcome their labour market difficulties. After three months, recipients are required to provide detailed information on their job search activities. After six months, clients are referred to more intensive labour market assistance. Young unemployed (16 or 17 years) receive JSA irrespective of their time on benefit.

NSA is available for those who are unemployed for longer than 12 months. Transition from JSA to NSA is not automatic, with NSA emphasising the obligation of the client to improve his or her employment prospects through a structured activity arrangement. NSA recognises the special problems facing the long term unemployed and the need for a different approach to client contact, assistance and reciprocal obligation. This includes attendance at an intensive interview involving both DSS and Commonwealth Employment Service (CES) officers, access to a broader range of labour market and related assistance and a number of measures to ease the costs associated with the transition back to work. These incentives include eligibility for a \$100 employment entry payment, continued access to fringe benefit entitlements for six months after

returning to full-time employment, waiving of the JSA waiting period if a job falls through within three months and assistance with commuting costs in certain cases.

Sickness Allowance (SA) payments are limited to 12 months, except where the recipient demonstrates special circumstances justifying an extension for a further 12 months. SA recipients are referred for appropriate treatment and for rehabilitation.

Payment Rates

Married recipients of unemployment allowances and those with dependants generally receive the same basic rates of payment as age pensioners, while recipients without dependants receive lower rates (currently \$234.20 a fortnight for those aged 18-20 and \$281.90 a fortnight for those 21 years and over). Allowances (like pensions) are indexed to movements in the CPI. Recipients may also qualify for rent assistance.

Allowances are income tested and also subject to an assets test: for single recipients there is a free area of \$60 a fortnight; between \$60 and \$140 a fortnight a 50% withdrawal applies and in excess of \$140 a fortnight a \$ for \$ taper applies. The same assets limit applies to allowances as to pensions but no taper applies. That is, a person exceeding the limit immediately loses the total entitlement.

Payments to young unemployed are aligned with AUSTUDY in order to minimise the financial incentive for young people to leave the education system.

Recipients aged 16 and 17 years receive a maximum payment of \$128.30 a fortnight, subject to a personal and parental income test. Above parental income of \$20 700 a year, JSA is reduced to a minimum rate of \$59.90 a fortnight. The maximum and minimum rates of JSA are indexed in January each year in line with increases in the CPI. A higher rate of JSA (currently \$211.80 a fortnight) is paid to those deemed to be independent.

Young Homeless Allowance may be payable (at the same rates as the independent JSA rate) to young people aged 16 or 17 years who are unable to live at home because of difficult domestic circumstances.

Trends

Outlays on Assistance to the Unemployed and Sick rose by 5.8% a year in real terms in the ten years to 1991-92, reaching \$7181.1m. A previous peak of \$3885.9m occurred in 1987-88, reflecting the effect of the recession in the early 1980s and continuing high numbers of UB recipients. This was followed by declines in 1988-89 and 1989-90. Increased compliance activity by DSS and a strengthening job market contributed to these decreases. With the economy entering recession in 1990, unemployment and sickness payments rose by a total of \$3502m in the two years to 1991-92.

SA outlays comprise a relatively small component of this subfunction. Unlike outlays on the unemployed, these payments have grown steadily from \$270.8m in 1982-83 to \$650.6m in 1990-91. However, with the replacement of Sickness Benefit by SA in November 1991, payments in 1991-92 declined to \$444.9m. This fall is attributable to transfers to DSP and tighter administration by DSS. Outlays on SA are expected to decline again in 1992-93 to \$389.1m.

Assistance to the Unemployed and Sick is projected to rise in 1992-93 to \$7363.5m but then to decline over the forward years to \$5813.6m in 1995-96, as the economy recovers.

The number of people in receipt of the longer term NSA payment, as a proportion of total JSA and NSA recipients, is expected to increase over the forward years.

Measures

Since the 1991-92 Budget the Government has announced a number of labour market and training measures, including in the 1992-93 Budget, which have the effect of reducing the call on JSA and NSA by \$289.1m in 1992-93 (including \$123.1m on account of employment and youth initiatives in this Budget).

Other measures announced in the 1992-93 Budget will impact upon DSS's compliance activities, assistance to youth and assistance to migrants. These include:

- the extension of data matching through the proposed repeal of the sunset clause in the present data matching legislation;
- more intensive matching of DSS records with those held by State Corrective Services and with Department of Immigration, Local Government and Ethnic Affairs (DILGELA) departure records. Records of overseas clients and clients with outstanding debts are to be included in matching activities;
- extension of Accelerated Claimant Matching (ACM) in DSS's regional network (aimed at detecting invalid applications for payment);
- imposition of a 26 week waiting period (from date of arrival) for newly arrived migrants prior to access to JSA and SA, but allowing access to Special Benefit for those who suffer hardship during the waiting period;
- modification of the Education Leaver Deferral Period provisions, particularly as they are applied to youth;
- improved debt recovery by matching overpayment records with Employment Declaration Forms held by the ATO;
- easing of the employment history requirements for 15 year olds applying for JSA;
- reduction from 26 weeks to 18 weeks in the minimum living away from home period for eligibility for independent rate of payment for young persons;
- rationalisation of MRTs into smaller, strategically located units with the flexibility to structure review work according to risk analysis of client categories;
- strengthening of the activity test for NSA by allowing DSS field staff to assist the CES to identify NEWSTART allowees not complying with the Activity Agreement; and
- more intensive reviews of JSA recipients.

4.6 OTHER WELFARE PROGRAMS

	1991-92	1992-93	1993-94	1994-95	1995-96
	Actual	Budget	Estimate	Estimate	Estimate
Special Benefit	\$m 304.1	-314.7	304.4	331.2	352.8
	%	3.5	-3.3	8.8	6.5
Other Assistance to Widows	\$m 566.6	532.3	523.6	470.1	440.9
	%	-6.1	-1.6	-10.2	-6.2
Accommodation Assistance	\$m 187.5	198.8	198.1	194.5	196.4
	%	6.1	-0.3	-1.9	1.0
Asylum Seeker Assistance	\$m -	8.4	8.8	5.3	2.2
	%	na	5.2	-39.3	-58.2
Migrant's Settlement Support	\$m 42.7	53.3	50.1	50.9	52.7
	%	24.8	-5.9	1.6	3.4
Telephone Allowances and Postal Concessions	\$m 61.1	19.2	14.8	15.2	15.5
	%	-68.5	-23.1	2.7	2.2
Other	\$m 17.7	19.7	20.8	22.1	23.7
	%	11.1	5.7	6.3	7.0
TOTAL	\$m 1179.6	1146.3	1120.7	1089.2	1084.1
	%	-2.8	-2.2	-2.8	-0.5

This subfunction comprises a number of related program elements with the following objectives:

- provision of income support to people in special circumstances;
- provision for income supplements and/or concessions for people facing certain additional costs;
- increased access to accommodation for low income earners and the homeless through the provision of recurrent and capital funds in conjunction with the States and Territories; and
- emergency relief funds paid through charitable agencies for people who are in financial crisis.

Special Benefit

This benefit is paid to people who are unable to earn a sufficient livelihood for themselves and their dependants, who are ineligible for any other pension or benefit and who can prove hardship. It is payable at the discretion of the Secretary of DSS at rates equivalent to JSA/NSA.

Other Assistance to Widows

This item comprises the Class B Widow's Pension and the Widowed Person's Allowance. Class B Widow's Pension is payable to previously married women who do not have dependent children and who were aged 50 years or more, or were sole parent pensioners aged 45 years or more, at 1 July 1987. These pensions are payable at the same rate as age pensions and the same additional payments are available. They are also subject to the same income and assets test.

Widowed Person's Allowance replaced Class C Widow's Pension from March 1989. It is payable to recently widowed persons who do not have dependent children (those with

children being entitled to SPP). The allowance is payable for up to 12 weeks after the death of the spouse (but not concurrently with another pension or benefit) under normal pension rates and conditions.

Accommodation Assistance

This item comprises a number of programs targeted at those in short-term housing crisis.

The Mortgage and Rent Assistance Program (MRAP) assists low income home buyers experiencing extreme difficulty in meeting their mortgage repayments, and low income private renters experiencing difficulty in meeting rent payments or in gaining access to private rental accommodation.

The Crisis Accommodation Program provides for the purchase, construction, renovation or leasing of dwellings to provide short-term emergency accommodation (eg refugees).

Commonwealth funds for these two programs are provided to the States as sub-programs under the Commonwealth-State Housing Agreement (CSHA) (see 5. Housing and Community Amenities). States are required to match MRAP funds on a \$ for \$ basis.

Under the Supported Accommodation Assistance Program (SAAP) the Commonwealth, in conjunction with the States and Territories, makes available recurrent funds for transitional support services to assist people who are homeless as a result of a crisis. The States and Territories match Commonwealth outlays on a \$ for \$ basis above an agreed funding base.

Five year funding arrangements for SAAP commenced in 1989-90. Under the agreement the Commonwealth will provide the States and Territories with \$92.2m in 1992-93. Growth funds of \$5m were provided in each of the first three years of the current agreement over and above annual indexation.

In addition to SAAP funding and consistent with the Commonwealth's Youth Social Justice Strategy, \$5.4m is to be provided in 1992-93 to the States and Territories on a matched basis for innovative service development projects focused on priorities for homeless youth.

Emergency Relief

The Emergency Relief Program provides grants to non-government community welfare agencies for distribution as short-term emergency assistance to people in financial crisis. Commonwealth funds supplement those of the non-government sector and State and Territory governments and are distributed through over 1000 agencies Australia wide. The Government has also earmarked additional funds, under Emergency Relief, for refugee status applicants in financial crisis pending the establishment of the Asylum Seeker Assistance Scheme.

Asylum Seeker Assistance

The Government is to provide assistance through a national voluntary agency for eligible on-shore applicants for refugee status who are unable to support themselves, pending determination of their applications. Eligibility requires applications to have been before DILGEA for at least six months. As the backlog of applications is addressed, funding for the Asylum Seeker Assistance Scheme is expected to decline.

Migrant Settlement Support

Settlement support for migrants includes grants-in-aid, migrant on-arrival accommodation, translator and interpreter services, funding for migrant resource centres, maintenance of unattached refugee children and assistance to voluntary agencies under the Community Refugee Settlement Scheme.

Following a review of accommodation services for newly-arrived migrants, Commonwealth-owned accommodation will be replaced with leased accommodation. This will increase expenditure on settlement services and grants to cater for a more dispersed network by \$0.7m a year. Disposal of properties will yield a saving of \$31m in the period 1993-94 to 1995-96 (recorded under 8E. Administrative Services '8E.2 Estate Management'). Operational savings from using leased accommodation vary from \$3.5m in 1992-93 to \$5.4m in 1995-96 (recorded under 5. Housing '5.4 Other').

Telephone Allowance and Postal Concessions

From 1 July 1992, Telephone Allowance replaced the Telephone Rental Concession (TRC). Initially the allowance is equivalent to one third of the basic telephone rental fee but thereafter will be adjusted for CPI increases annually. Vouchers issued under TRC arrangements will be valid until 30 September 1992. Eligible recipients include certain veterans and veterans' widows, and health care card holders who rent a telephone.

Other

Included under this heading is assistance to the Australian National Railways Commission (\$2.9m in 1992-93 - see 7A. Transport and Communication '7A.3.2 Rail Transport'). This comprises reimbursement for concessional passenger fares for eligible pensioners and beneficiaries.

Trends

Outlays on Other Welfare Programs increased in real terms by 3.3% a year between 1982-83 and 1991-92. In 1992-93 outlays are expected to decline by \$33.3m and to continue to decline over the forward years.

Growth in outlays was influenced by movements in the two largest items, Special Benefit and Class B Widow's Pension.

Special Benefit outlays doubled in real terms over the period 1982-83 to 1991-92 reflecting, in particular, changes in labour market conditions. From the mid 1980s the Government introduced measures to improve targeting and enforcement of eligibility conditions for pensions and benefits. A number of pensioners and beneficiaries affected by these measures have subsequently qualified for Special Benefit, resulting in growth in real outlays.

Growth in outlays on Class B Widow's Pension in the four years to 1984-85 largely reflected increasing numbers of eligible persons. Phasing out of Class B Widow's Pensions was commenced on 1 July 1987 (subject to a number of protection provisions for existing pensioners and certain other women). By the year 2002 there will be no new grants of this pension.

Increased outlays for the implementation of the Government's strategy for young people and increased outlays on mortgage relief have also contributed to the growth in outlays on Other Welfare Programs.

Over the forward years the phasing out of Class B Widow's Pension eligibility and tighter administration of Special Benefit are expected to result in a fall in real outlays.

Measures

An Asylum Seeker Assistance Scheme will be established under which a national voluntary agency will assist people who are applicants seeking refugee status and who are unable to support themselves. Payments are estimated at \$8.4m in 1992-93, declining to \$2.2m in 1995-96.

Pending establishment of the scheme, an additional \$3.7m will be provided in 1992-93 under the Emergency Relief Program to assist such people.

The Government has decided to tighten administration of Special Benefit with an expected saving to the Budget of \$3.7m in the first full year of operation (1993-94). One-off intensive reviews of a number of categories of long term Special Benefit cases are expected to result in clients being assisted by more appropriate social security programs.

The 1992-93 Budget provides for a Commonwealth contribution of \$3.5m for negotiations with the States on growth funds for SAAP in each of 1992-93 and 1993-94.

The Budget also provides for a new pilot Job Placement and Employment Training program for homeless youth as part of the Government's response to the 1992 youth summit, which will cost \$5.3m in 1992-93 and \$5.5m in 1993-94.

4.7 ABORIGINAL ADVANCEMENT PROGRAMS

This subfunction comprises the programs administered by the Aboriginal and Torres Strait Islander Commission (ATSIC), the Aboriginal and Torres Strait Islander Commercial Development Corporation (ATSICDC) and the Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS) together with some activity associated with the Aboriginal Reconciliation process. Other outlays on Aboriginal programs appear under 2. Education, 7C. Labour and Employment and 5. Housing and Community Amenities.

The convention of using the term 'Aboriginals' to include persons of the Torres Strait Islands has been adopted in this Section.

Economic Program

ATSIC's Economic Program promotes the economic independence and self-determination of Aboriginals largely through the development of opportunities for employment, education, training and land ownership. The program is the main vehicle for implementing the Government's Aboriginal Employment Development Policy (AEDP). It has been expanded significantly in 1992-93, by way of enhancements to existing functions and the introduction of new activities, as part of the Commonwealth's response to the Royal Commission into Aboriginal Deaths in Custody.

The Community Development Employment Projects (CDEP) Scheme is both the largest element of the AEDP and the main activity within the Program, with 1991-92 outlays of

\$204.5m or 32% of all ATISIC outlays. CDEP enables Aboriginal community councils to undertake various projects involving the creation of employment opportunities. Under the scheme, communities agree to forgo the individual unemployment benefits to which their members would be entitled in order to receive an equivalent consolidated amount plus payments for on-costs and support. About 63% of CDEP program outlays can be regarded as offset by social security payments which would otherwise accrue. As at July 1992, 20 806 CDEP workers were participating in the scheme, an increase of 15% over the previous year.

Other major activities within the Economic Program include the Business Funding Scheme, loans for home purchase, support for land acquisition and management, regional planning and payments to ATISICDC. ATISICDC is accumulating substantial capital assets and in 1992-93 will again receive a \$10m subvention. Its diverse investment portfolio includes tourism, retail and horticultural developments.

As part of the response to the Royal Commission into Aboriginal Deaths in Custody, a Community Economic Initiatives Scheme and a Young Persons Employment Program will begin in 1992-93. Training resources will also become available through ATISIC, following the transfer on 1 July 1992 of Training for Aboriginals Program funds totalling \$50.7m which were previously administered by the Department of Employment, Education and Training (DEET).

Social Program

ATISIC's Social Program assists Aboriginals to improve their quality of life, to take advantage of their citizenship rights and to meet their social and cultural aspirations in accordance with the principles of Social Justice and Access and Equity. The Program covers health measures, community housing and infrastructure and funding for legal services. It also covers the administration of land rights and heritage protection legislation, as well as activities previously supported under a separate heritage and culture program.

The major component of outlays (totalling \$148.1m in 1991-92) provides community housing and infrastructure (other Aboriginal housing assistance is included under 5. *Housing and Community Amenities* as earmarked funding under the Commonwealth-State Housing Agreement: \$91m in 1992-93).

Under the National Aboriginal Health Strategy (NAHS), support for Aboriginal Medical Services has been increased and ATISIC also makes grants to the States for public health infrastructure, on the basis of State commitments to broadly matching expenditures. In 1992-93, \$38.8m is being appropriated to ATISIC for NAHS grants.

Reflecting growth in capital outlays, support for Aboriginal Hostels Ltd will increase to \$29.0m in 1992-93. Support for AIATISIS will be maintained at \$5.3m.

Trends

Outlays on the programs now administered by ATISIC have increased by 8.8% a year in real terms between 1982-83 and 1991-92. The largest component of this growth has been CDEP, which now covers 185 communities, compared with 18 at the start of the period. CDEP outlays are expected to increase further in 1992-93, to \$234.6m.

Measures

In December 1991 NAHS contributions totalling \$232m over five years were confirmed.

Additional outlays have been agreed in response to the report of the Royal Commission into Aboriginal Deaths in Custody totalling some \$400m over five years. ATISIC will administer most of these funds, which include substantial increases in support for legal services, land purchase, CDEP and measures to reduce substance abuse. Some programs will be administered by other agencies, including the Attorney-General's Department and DEET.

\$3.6m in 1992-93 (rising to \$14.2m in 1995-96) has been allocated to ATISIC to meet the costs of phased introduction of award coverage in Aboriginal organisations (supplementation is not relevant to CDEP, which reflects social security arrangements). Some \$4.0m in 1992-93 and \$5.3m in 1995-96 has also been provided for programs under the auspices of the Council for Aboriginal Reconciliation.

4.8 GENERAL ADMINISTRATION

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Department of Social Security	\$m	1015.5	1102.6	1075.9	1058.5	1061.8
	%		8.6	-2.4	-1.6	0.3
Department of Veterans' Affairs	\$m	144.3	155.5	155.3	152.0	153.9
	%		7.8	-0.1	-2.1	1.3
Department of Health, Housing and Community Services	\$m	134.2	117.1	116.6	115.7	118.9
	%		-12.7	-0.4	-0.8	2.8
TOTAL	\$m	1293.9	1375.2	1347.7	1326.2	1334.6
	%		6.3	-2.0	-1.6	0.6

Department of Social Security

The major component of general administration is salaries costs, which are expected to total \$629.9m in 1992-93 compared with \$589.0m in 1991-92. Additional resources have been provided to:

- implement the initiatives announced in the Budget (\$10.7m); and
- cover the costs of the additional staff required to provide services to the anticipated higher numbers of social security pensioners and beneficiaries in 1992-93 (\$36.1m).

Other components are administrative and capital expenses. In particular, capital outlays on computers in 1992-93 are expected to be \$32.6m (compared to \$15.5m in 1991-92). A significant proportion of this spending is on non-mainframe computing network replacement.

1992-93 Property Operating Expenses outlays are expected to be approximately \$35m higher than for 1991-92 (to expand the delivery network to meet growing client numbers).

Declining outlays on general administration over the forward years reflect the expected decrease in client numbers as the economy improves.

Department of Veterans' Affairs

The major components of general administrative costs of the Department of Veterans' Affairs allocated to this function comprise \$81.6m for salaries and allowances, \$41.4m for administrative expenses and \$27.9m for property operating expenses.

Savings of at least \$4.5m will accrue over the next four years due to efficiency improvements in administration of the Department's Benefits program.

Department of Health, Housing and Community Services

Outlays of \$117.1m provide mainly for administrative costs of the Social Security and Welfare function of the Department of Health, Housing and Community Services, including \$64.4m for salaries, \$29.9m for administrative expenses and \$18.9m for Property Operating Expenses.

4.9 RECOVERIES AND REPAYMENTS

Receipts under this item were \$0.5m lower than expected in 1991-92 due principally to revised advice on amounts owing from 1990-91 for payments under the Social Security Agreement between Australia and New Zealand. Under this agreement Australia is reimbursed for the cost of Australian age, widows and disability support pensions paid to certain New Zealanders. The estimated drop in receipts in 1992-93 to \$19.2m reflects the net effect of an anticipated increase in numbers of, and average rates for, New Zealanders paid under this agreement, offset by lower receipts from recovery measures introduced in previous budgets.

5. HOUSING AND COMMUNITY AMENITIES

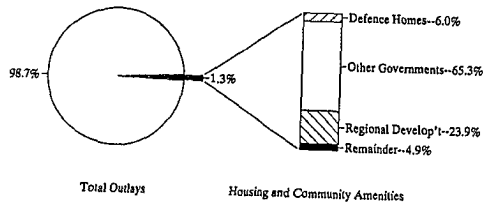
OVERVIEW

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
5.1	Assistance to Other Governments	\$m 914.0	930.8	939.4	873.9	885.4
	%		1.8	0.9	-7.0	1.3
5.2	Assistance to First Home Owners	\$m 33.0	18.9	8.4	2.7	2.7
	%		-42.7	-55.5	-67.7	-
5.3	Defence Service Homes	\$m 92.3	85.0	83.1	75.4	70.1
	%		-8.0	-2.2	-9.2	-7.1
5.4	Other	\$m 9.5	21.7	25.0	10.6	7.3
	%		127.8	15.3	-57.4	-31.6
5.5	General Administration	\$m 28.3	28.9	27.3	27.5	27.8
	%		1.8	-5.3	0.7	1.0
	Sub-total	\$m 1077.2	1085.2	1083.1	990.1	993.2
	%		0.7	-0.2	-8.6	0.3
5.6	Regional Development and Pollution Control	\$m 67.0	341.3	179.1	66.2	67.5
	%		na	-47.5	-63.0	1.8
	TOTAL	\$m 1144.2	1426.5	1262.3	1056.4	1060.7
	%		24.7	-11.5	-16.3	0.4

The above budget and forward estimates of outlays make no allowance for future Commonwealth sector wage and salary increases. Provision is included in 9C, Contingency Reserve.

- Total Housing and Community Amenities outlays are expected to increase by \$282.3m or 24.7% (20.8% real) in 1992-93, with an overall real decline in outlays over the forward years (down 12.7% real a year). However outlays on Rent Assistance (which are included in 4. Social Security and Welfare) increase in real terms over the forward years.
- The increase in total outlays in 1992-93 largely reflects a two-year Local Capital Works Program under which grants will be provided to local governments for public infrastructure projects. The estimated cost, including administration, over the two years is \$352.2m under this function.
- Outlays on Housing and Community Amenities represent 1.3% of total outlays in 1992-93, compared with 1.1% in 1991-92.

**Chart 1. Housing and Community Amenities
Proportion of Total Outlays and Function
1992-93**



- The pattern in the forward years is dominated by:
 - the termination after 1993-94 of the Local Capital Works Program;
 - a bring-forward of funding under the Commonwealth-State Housing Agreement (CSHA), resulting in increased funding in 1992-93 and 1993-94 and reduced funding in the following years; and
 - further reductions in outlays under the discontinued First Home Owners Scheme and a slight decline in interest subsidy outlays for Defence Service Home Loans (\$86.0m in 1992-93, reducing to \$81.5m in 1995-96).

MEASURES TABLE

Description of measure	Effect on Outlays			
	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
Decreases				
Abolition of the Private Rental Subsidy	-26.0	-39.0	-52.0	-65.0
Grants Administration - Commonwealth State Housing Agreement	-50.0	-	-	-
New Arrangements for Migrant On-arrival Accommodation	-3.5	-3.9	-4.7	-5.4
Increases				
Community Housing Program	24.3	28.8	33.8	41.0
Social Housing Subsidy Program	0.0	8.0	16.0	24.0
Bring Forward of expenditure under the Commonwealth-State Housing Agreement (iv)	75.0	25.0	-50.0	-50.0
DSH Loans - repairs and modification to properties	0.6	1.2	2.2	3.6
Housing and Urban Research Initiatives (ii)	0.9	2.0	2.0	2.1
Continuation of Local Approvals Review Program	1.3	1.3	1.3	-

Description of measure	Effect on Outlays			
	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
Integrated Local Area Planning	1.7	2.2	2.2	-
Building Regulation Reform	2.3	-	-	-
Local Capital Works Program (iv)	251.7	100.5	-	-
Economic Development Initiatives in Regions Affected by ANRC Redundancies	1.3	1.3	0.7	-
Provision of Rental Assistance for Indian Ocean Territories	0.3	0.4	0.4	0.4
Christmas Island Rebuilding Program - Sewerage Upgrade	0.9	5.2	-	-
Christmas Island Rebuilding Program - Water Supply Upgrade	0.9	3.5	-	-
Christmas Island Rebuilding Program - Housing Upgrade	4.3	-	-	-
Christmas Island Rebuilding Program - relocate mining plant	1.4	-	-	-
Newcastle Economic Development Initiative (i) (ii)	0.8	1.5	-	-
Western Australia Sewerage and Waste Water Quality Infrastructure (i)	11.0	8.5	-	-
Western Australia Urban Infrastructure (ii)	8.0	-	-	-
Forests	1.0	1.0	1.1	1.1
Biodiversity Program	1.0	1.0	1.1	1.1
Environmental Research	0.5	0.7	0.7	0.7

- (i) Measure announced in November 1991 Economic Statement.
- (ii) Measure announced in One Nation.
- (iii) Includes \$0.2m a year for the National Housing and Urban Research Institute.
- (iv) Measure included in Employment Statement.

• Major measures include:

- **Local Capital Works Program.** In 1992-93 and 1993-94, funds totalling \$345m will be provided through local governments for worthwhile social and economic infrastructure projects in areas of higher than average unemployment. Assistance of \$5m in 1992-93 will also be provided to local government associations to facilitate local infrastructure provision and economic development;
- **CSHA bring-forward.** Untied CSHA grants for public housing construction will be increased by \$75m in 1992-93 and \$25m in 1993-94 as part of the *Employment Statement*. The additional funding will be targeted to those States and Territories with the greatest capacity to absorb it. There will be offsetting reductions in spending of \$50m in each of 1994-95 and 1995-96;
- **CSHA grants administration.** In order to encourage timely achievement of the Commonwealth's public housing objectives and to deter carryovers between years, tied CSHA grants to those States that are unable to expend the full amount in the course of 1992-93 will be reduced by \$50m;
- **Social Housing Subsidy Program.** The Government will introduce a program to enable States or other managers of social housing to raise additional funds for shared home ownership and other rental accommodation for low and moderate income earners. The subsidy will support annual borrowings of around \$450m and provide around 20,000 shared home ownership

opportunities by 1995-96. The program will cost \$8m in 1993-94 and an additional \$8m in each subsequent year; and

- *Community Housing Program.* The Government will foster the expansion of the community housing sector, with the objective of providing a wider range of rental housing opportunities to low and moderate income earners as part of a renegotiated CSHA. This will result in significant expansion of the community sector housing stock over the next four years. The cost of the program including administration is \$24.3m in 1992-93.

PURPOSE

Commonwealth outlays for housing improve access to adequate, appropriate and affordable housing for those whose needs are inadequately met through the private rental market or who have difficulty achieving home ownership. Housing assistance is also available to social security recipients on low incomes who rent privately (see 4. *Social Security and Welfare*, '4.1 Assistance to the Aged').

Outlays under Community Amenities include assistance to the States, local government and statutory bodies aimed at improving the functioning and efficiency of regions and cities and preserving and protecting the environment.

NATURE OF HOUSING AND COMMUNITY AMENITIES OUTLAYS

The Commonwealth provides housing assistance to people in need through the Commonwealth-State Housing Agreement (CSHA). Commonwealth outlays fund the expansion and maintenance of the public rental housing stock by State and Territory governments, which also provide funding contributions. Assistance is targeted to low income people and groups disadvantaged in finding suitable accommodation.

The Commonwealth provides eligible former and serving members of the Defence force who enlisted prior to May 1985 with home purchase assistance in the form of a home loan interest subsidy.

The Commonwealth funds programs to encourage better urban and regional planning and development and to promote national environmental objectives. This includes funding for State and local governments and the Commonwealth Environment Protection Agency (CEPA).

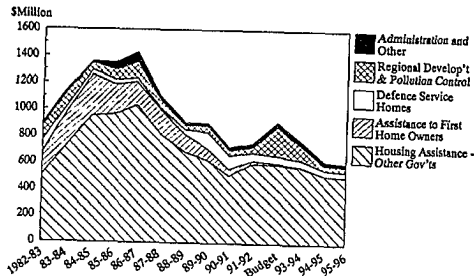
The Commonwealth also provides the States and Territories with general purpose capital grants in recognition of the need to improve the efficiency of cities and the quality of urban life (see 9A. *Assistance to Other Governments, nec*).

TRENDS IN HOUSING AND COMMUNITY AMENITIES OUTLAYS

Outlays on Housing and Community Amenities declined by 1.9% a year in real terms between 1982-83 and 1991-92. This trend reflects the net effect of changing emphasis over time on three objectives: home ownership (assisted through the First Home Owners Scheme (FHOS)), access to public rental housing (assisted through the CSHA) and support to private renters (through Rent Assistance payable to social security recipients on low incomes, included in 4. *Social Security and Welfare*, '4.1 Assistance to the Aged').

Reflecting these changing priorities, assistance to first home owners has been phased down to low levels over the seven years to 1991-92. Commonwealth public housing outlays grew by 2.1% a year in real terms over the ten years to 1991-92. Since the mid 1980s assistance to private renters has been substantially increased.

Chart 2. Housing and Community Amenities
(1984-85 prices)



Over the ten years to 1991-92 outlays on regional development have generally decreased while outlays on pollution control have increased, particularly with the establishment of CEPA in 1991-92.

Outlays under the Housing and Community Amenities function are expected to increase by 20.8% in real terms in 1992-93, largely due to a program of grants to local governments for public infrastructure projects. Over the forward years, outlays are expected to decline by 12.7% a year, principally reflecting the phasing down of outlays on this program, a reduction in real outlays for public housing and reduced payments under both the FHOS and the Defence Service Homes (DSH) Scheme. However, outlays on Rent Assistance are expected to increase in real terms.

MAJOR POLICY CHANGES

Over recent years policy measures have sought to:

- increase the availability of public housing to those on low incomes through both a significant expansion in the size of the public rental stock and improved targeting of the stock, for example, through the payment of cost or market related rents by those with the capacity to meet them;
- improve the financial viability of public housing, in circumstances in which a growing proportion of tenants are eligible for rent rebates, by replacing loans with grants to the States and thereby progressively removing loans from the system;
- increase the commitment of State Governments to the funding of public housing by requiring States to progressively match Commonwealth grant funding with State grant funding, thereby helping to ease the funding pressure faced by the Commonwealth;
- develop housing delivery options which provide alternatives to conventional public housing, particularly through the development of a community-based housing sector and increased private sector involvement in public housing provision;

- increase the efficiency of urban form and its responsiveness to individual needs by providing funding to States and local government based on achieved outcomes and developing and promoting the use of performance-based codes for urban planning and development;
- ensure that legitimate environmental and heritage concerns are addressed and that consistent national environmental standards are established; and
- assist the development of social and economic infrastructure in areas of higher than average unemployment.

1991-92 OUTCOME

Function outlays in 1991-92 were \$1144.2m or 3.7% lower than the budget estimate. The shortfall principally reflects difficulty in implementing the Private Rental Subsidy Program and slightly lower than projected payments for FHOS, DSH and Pollution Control and Abatement.

SUBFUNCTION DETAIL

5.1 HOUSING ASSISTANCE TO OTHER GOVERNMENTS

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Nominated Loan Funds -	\$m	-15.0	-19.6	-20.5	-21.4	-22.4
Repayment of Principal	%		30.5	4.5	4.4	4.6
CSHA Loans - Repayment	\$m	-56.6	-61.3	-63.8	-66.2	-68.9
of Principal	%		8.3	4.1	3.7	4.1
CSHA Grants to States	\$m	957.6	982.6	982.6	907.6	907.6
and Territories	%		2.6	-	-7.6	-
Social Housing Subsidy Program	\$m	-	8.0	16.0	24.0	24.0
	%		na	na	100.0	50.0
Community Housing Program	\$m	-	23.7	27.6	32.4	39.6
	%		na	16.5	17.2	22.3
Other Grants for Housing	\$m	28.1	5.5	5.5	5.5	5.5
	%		-80.4	-	-	-
TOTAL	\$m	914.0	930.8	939.4	873.9	885.4
	%		1.8	0.9	-7.0	1.3

The Commonwealth, in conjunction with the States and Territories, provides public rental housing, offers subsidised rents to low income public housing tenants and assists low income earners to purchase a home.

Loan Funds - Repayment of Principal

All Commonwealth loan funds that were provided for public housing purposes, either in the form of CSHA loans before 1984-85 or as Nominated Loan Council advances before 1989-90, are repayable in equal annual instalments over 53 years. Repayments of loan assistance are estimated to total \$80.9m in 1992-93, compared with \$71.6m in 1991-92. Interest is payable at a concessional rate of 4.5% a year and payments are estimated to total \$161.1m in 1992-93 (see *Statement 4 'Interest Revenue'*).

CSHA Grants to States and Territories

In 1992-93, \$1053.3m is provided in CSHA grant funding. \$982.6m is classified to this function and \$70.6m is allocated to '4.6 Other Welfare Programs'. Details of the allocation of CSHA funds between States and Territories are shown in Budget Paper 4 *Commonwealth Financial Relations With Other Levels of Government 1992-93*.

Features of the 1989 CSHA:

- planning processes between the Commonwealth and States were strengthened;
- funding was redistributed to the States on the basis of CSHA relativities (essentially per capita);
- the States have not been required to service any new Commonwealth debt but are required to match Commonwealth untied assistance on a \$ for \$ basis (subject to phase-in provisions). At least half the State matching effort must be in the form of grant funding, with the balance to be met through the value of CSHA home purchase assistance loans. Matching is not required for tied programs, with the exception of the Mortgage and Rent Assistance Program (MRAP);
- Commonwealth and State matching grants have been paid into the rental capital account and used primarily to acquire public rental housing. States and Territories can also draw on this account to repay State debt to the Commonwealth for past funding and to cover various State recurrent and capital outlays up to 25% of funds in the rental capital account (excluding State administration costs). The general allowance has been used to subsidise community housing organisations, enter joint ventures and leasehold arrangements with the private sector and provide financial assistance to tenants; and
- targeting of public housing assistance was enhanced by requiring tenants who are able to meet the full cost of the accommodation they occupy to do so. The formula used to set maximum rents includes the true interest cost on State borrowings (rather than incorporating the subsidised interest cost of moneys provided on concessional terms).

Base level funds to the ACT will be preserved at their 1989-90 level of \$17.8m until 1993-94, when the per capita relativities will have been phased in for all other parties to the Agreement. From 1993-94 all parties, including the ACT, will be allocated untied funds on a per capita basis, with the smaller States receiving guaranteed minimum shares.

The subprograms within the CSHA comprise:

- *Untied Assistance* funds the construction and maintenance of public rental housing, rental subsidies for low income earners and repayments of Commonwealth principal and interest up to the extent of States' and Territories' public housing operating losses. Home Purchase Assistance is financed from revolving funds (ie loan repayments) and is supplemented by private sector raisings together with some transfers from the rental capital account;
- *Pensioner Rental Housing Assistance* assists pensioners and beneficiaries to gain access to accommodation which best suits their needs and capacity to pay;
- *Aboriginal Rental Housing Assistance* provides grants for the construction, purchase or lease of rental dwellings for Aboriginals in need of housing assistance;
- *Local Government and Community Housing Assistance* enables local government, community and welfare organisations to purchase, construct, lease or upgrade dwellings for low cost rental housing and is intended to attract additional land and capital resources and allow tenants a greater role in the management of dwellings;
- MRAP provides short-term assistance to low income home buyers or private renters experiencing extreme difficulty in meeting their repayments or rent and is often used to provide bridging assistance until alternative public housing becomes available; and
- *Crisis Accommodation* funding is available for the purchase, construction, renovation or leasing of dwellings to provide short-term emergency accommodation providing services under the Supported Accommodation Assistance Program (see '4.6 Other Welfare Programs').

The table below shows the various components of the CSHA, including those allocated to other functions.

Components of the Commonwealth-State Housing Agreement

Program	1992-93 Budget \$m
Untied Assistance - Rental (a)	817.9
Pensioner Rental Housing	49.3
Aboriginal Rental Housing	91.0
Local Government and Community Housing	24.4
Research and Consultancy (b)	0.1
Subtotal - Allocated to 5. <i>Housing and Community Amenities</i>	982.7
Mortgage and Rent Assistance	30.9
Crisis Accommodation	39.7
Subtotal - Allocated to 4. <i>Social Security and Welfare</i>	70.6
TOTAL	1053.3

(a) Includes a net increase of \$25m, comprising the CSHA Bring-forward costing \$75m and the tied Grants Administration measures saving \$50.

(b) This program is classified to '5.4 Housing Other'.

The Government has decided on a package of reforms to the 1989 CSHA which are to be negotiated with the States and Territories during 1992-93. These include proposals to improve the accountability and responsiveness of State Housing Authorities, together with more efficient targeting and management of the public housing stock. The existing

nominal level of CSHA funding will be maintained, ensuring the continued expansion of the mainstream public housing sector. In order to encourage timely achievement of the Commonwealth's public housing objectives and to deter carryovers between years, tied CSHA grants to those States that are unable to expend the full amount in the course of 1992-93 will be reduced by \$50m.

Untied CSHA spending will be increased by \$75m in 1992-93 and \$25m in 1993-94 as part of the *Employment Statement*. The additional funding will be targeted to those States and regions with the greatest capacity to absorb it. There will be offsetting reductions in spending of \$50m in each of 1994-95 and 1995-96.

Community Housing Program

In response to the need to expand the current range of low cost housing options, a new Community Housing Program (CHP) will be established. The new program will incorporate the existing Local Government and Community Housing Program (LGCHP) following commencement of a new CSHA. The program will add significantly to the community sector housing stock over the next four years and will include initiatives for improved training and resourcing in the sector. The Commonwealth will have the discretion to allocate funding direct to organisations. \$24.3m (including administration) is provided for the CHP in 1992-93, rising to \$41.0m in 1995-96, in addition to the existing LGCHP allocation.

Private Rental Subsidy Program

In 1989 the Government announced funding for States for the purpose of subsidising additions to the low income rental housing stock by private investors. However, the Government guarantees necessary to attract investors have effectively made proposals ineligible for subsidy. With no scheme having yet been implemented, the Government has decided to abolish this program and to redirect funding to housing initiatives announced in the Budget.

Social Housing Subsidy Program

A Social Housing Subsidy Program is to be established which will enable State Governments or other managers of social housing programs to raise additional funds to cover the cost of the public equity portion of shared home ownership arrangements and to raise funds for other rental accommodation for low and moderate income earners. Shared home ownership arrangements assist low and moderate income earners who are unable to afford full home ownership in the short term into partial home ownership. Current tenants in public housing will be given priority for shared home ownership which will help to ensure that housing assistance is targeted to those most in need. The cost of the program is \$8m in 1993-94 and an additional \$8m in each subsequent year.

Other Grants to the States for Housing

The *States Grants (Housing) Act 1971* provided for annual housing grants to the six States for 30 years. These grants are in lieu of an interest concession on State funding for public housing in 1971-72 and 1972-73. In 1992-93 \$5.5m will be provided for this purpose.

In 1991-92 \$22.6m was provided to the States and Territories for home deposit assistance in addition to CSHA grants.

Trends

Outlays reflect the net effect of CSHA grant funding and the repayment of past loans by States and Territories. While in 1980-81 untied assistance was provided entirely in the form of loans, since 1989-90 all CSHA funding has been provided on a grant basis. Over the ten years to 1991-92 housing assistance to other governments has increased by an average 2.3% a year in real terms. CSHA funding almost doubled in real terms between 1981-82 and 1984-85 as governments responded to housing-related poverty. In 1989-90 the pool of nominated loan funds under the Loan Council borrowing arrangements was converted to grants which have since been maintained in nominal terms.

While the number of applicants for public housing as a proportion of public housing units available has increased slightly over the last decade, improved targeting has enabled increasing numbers of pensioners and beneficiaries and other low income groups to be assisted. The proportion of public housing tenants receiving rent subsidies rose from 52% in 1981-82 to 78% in 1990-91.

Commonwealth outlays on public housing are expected to decline by 1.4% in real terms in 1992-93 and by 4.3% over the forward years as a whole. In contrast, Rent Assistance outlays (estimated at \$850m in 1991-92) increase by 3.3% a year in real terms over the forward years, reflecting both the full year effect of increased unemployment in 1991-92, removal of rent assistance waiting periods in *One Nation* and a Budget measure to improve housing affordability for Rent Assistance recipients (see 4. *Social Security and Welfare*, '4.1 Assistance to the Aged').

5.2 ASSISTANCE TO FIRST HOME OWNERS

FHOS ran for seven years from 1983-84, with the objectives of assisting low to moderate income earners to purchase their first home and stimulating activity in the dwelling construction industry. FHOS provided deposit assistance and an ongoing subsidy to help meet the costs of mortgage repayments in early years. Outlays on FHOS, which peaked in the mid-1980s, are expected to decline from \$33.0m in 1991-92 to \$18.9m in 1992-93 and to continue to decline progressively over the forward years as commitments to previously approved applicants are fulfilled.

5.3 DEFENCE SERVICE HOMES

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Home Acquisition Assistance	\$m	94.0	86.0	86.9	81.6	81.5
	%		-8.4	0.9	-6.0	-0.1
DSH Insurance	\$m	-1.7	-1.1	-3.8	-6.2	-11.5
	%		-34.5	248.0	63.4	84.3
TOTAL	\$m	92.3	85.0	83.1	75.4	70.1
	%		-8.0	-2.2	-9.2	-7.1

The DSH Scheme provides home ownership assistance in the form of subsidised low interest loans to eligible former and serving members of the Defence Forces who enlisted prior to May 1985, or who have certain qualifying service. Housing assistance for service personnel who enlisted after May 1985 is classified in 1. *Defence*.

Home Acquisition Assistance

In 1988-89 the Government sold the mortgage portfolio administered by the former Defence Service Homes Corporation, and the right to make new loans under the Scheme, to Westpac Banking Corporation. Under the program a subsidy is paid to Westpac to bridge the difference between the concessional interest rate paid by DSH borrowers (6.85% a year) and an agreed benchmark mortgage rate based on the standard bank interest rates for new owner-occupied housing. Borrowers who require more than the maximum subsidised loan of \$25 000 (available over a 25 year period) have access to top up loans from Westpac at first mortgage housing interest rates.

In January 1991 the Government improved benefits available under the Scheme by extending portability for most DSH loans current at 9 December 1987 and allowing DSH loans to be taken out to meet entry fees for retirement villages.

Defence Service Homes Insurance

The DSH Insurance Scheme provides home insurance to DSH borrowers and operates on a self-funding basis. Total outlays under this classification are the net difference between cash receipts (other than receipts of interest on investments detailed in Statement 4) and payments from the Insurance Trust Account. In 1990-91 a higher than expected number of insurance payouts for hailstorm and flood damage placed pressure on the Scheme's reserves. The Trust Account's net cash inflow is expected to decline marginally from \$1.7m in 1991-92 to \$1.1m in 1992-93 before increasing over the forward years.

Since July 1991 DSH has made contents insurance available to its clients on an agency basis, with a private sector insurer carrying the risk.

Trends

DSH assistance has varied significantly over the ten years to 1991-92. Outlays peaked in 1989-90 reflecting the full year impact of the interest subsidy payable to Westpac following the sale of the mortgage portfolio in 1988-89. In 1991-92 outlays fell by 38.3% to \$92.3m due to the reduced level of the interest subsidy in light of the prevailing lower interest rates. In 1992-93 outlays are expected to fall further to \$85.0m.

Measures

The Government has taken a number of measures to meet the needs of eligible individuals, particularly elderly and widowed persons, who have not previously made use of their DSH entitlements. Persons whose homes are no longer suitable to their needs, generally due to their age and frailty, will be able to take out a DSH loan for the repair and modification of properties which they already own. The *Defence Service Homes Act 1918* will also be amended to enable eligible persons to take out DSH loans for the discharge of existing mortgages. These measures are estimated to cost \$0.6m in 1992-93, rising to \$3.6m in 1995-96.

5.4 HOUSING OTHER

A National Urban Development Program (NUDP) has been introduced which subsumes the Housing Industry Development, Housing and Urban Research, Local Approvals Review and Integrated Local Area Planning programs. The NUDP is directed at

achieving regulatory reform, improved urban form and land use and increased industry efficiency. Additional funding of \$3.7m is provided in 1992-93, with \$5.3m in 1993-94 and 1994-95, declining to about \$1.9m in later years.

An amount of \$0.2m a year will also be provided over the four years to 1995-96 for the National Housing and Urban Research Institute.

A total amount of \$16.1m will be provided over the two years to 1993-94 for the Christmas Island Rebuilding Program.

Following a review of migrant on-arrival accommodation, Commonwealth-owned accommodation is to be largely replaced by leased properties, resulting in operational savings of \$3.5m in 1992-93 and larger amounts in later years.

Trends

While highly variable, outlays under this subfunction have generally declined over the last decade. Real increases are expected in 1992-93 and 1993-94, reflecting the funding levels for the Housing and Urban Development initiatives and the Christmas Island Rebuilding Program.

5.5 GENERAL ADMINISTRATION

Outlays of \$28.8m in 1992-93 provide mainly for administrative costs of the housing function of the Department of Health, Housing and Community Services, including \$14.8m for salaries, \$8.1m for administrative expenses and \$5.7m for computer equipment and property operating expenses.

Additional resources have been provided to implement initiatives announced in the Budget (\$1.6m in 1992-93, increasing to \$2.2m in 1995-96).

5.6 REGIONAL DEVELOPMENT AND POLLUTION CONTROL

	1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Local Government and	\$m 26.0	300.7	139.2	28.1	28.2
Regional Development	%	na	-53.7	-79.9	0.7
Pollution Abatement and Control	\$m 41.0	40.6	39.9	38.2	39.2
	%	-1.1	-1.7	-4.3	2.7
TOTAL	\$m 67.0	341.3	179.1	66.2	67.5
	%	na	-47.5	-63.0	1.8

The Commonwealth provides financial assistance to the States and local government and has established a number of statutory bodies to encourage better urban and regional planning and development, to promote greater recognition of national environmental objectives and to fund programs to preserve and protect the environment.

Local Government and Regional Development

Outlays for 1992-93 include financial assistance to the States and Territories through the Federal Water Resources Assistance Program (\$28.8m), grants to Western Australia for sewerage and water quality infrastructure (\$11.0m in 1992-93 and \$8.5m in 1993-94) and for urban and recreational facilities (\$8.0m in 1992-93), the Newcastle redevelopment project (\$0.8m), the operating costs of the National Capital Planning Authority (\$5.1m), and a continuation of the Local Government Development Program

(\$2.3m). Repayments of the principal components of loans for regional development initiatives (\$3.6m in 1992-93) offset outlays within this subfunction.

A Local Capital Works Program will be introduced for a two year period, providing local governments with grants for economic and social infrastructure projects. An amount of \$251.7m has been allocated for this purpose in 1992-93, with a further \$100m in 1993-94. Local governments in regions and areas identified as having above average levels of unemployment during the past year will be able to receive funding for worthwhile projects. A further \$5m will be provided in 1992-93 to assist local government associations to facilitate the local co-ordination of infrastructure provision, economic development and other initiatives to generate employment.

Funding of \$0.7m in 1991-92, \$1.3m in each of 1992-93 and 1993-94 and \$0.7m in 1994-95 is committed to support the development of new enterprises and job opportunities in areas adversely affected by Australian National Railways Commission redundancies.

Proceeds of the sale of land excess to the requirements of the Albury-Wodonga Development Corporation offset outlays under this subfunction.

Pollution Abatement and Control

The Commonwealth has a number of programs to monitor and control the impact of pollution on the environment. Funds are provided for the Commonwealth Environment Protection Agency (CEPA) (\$11.0m); the Office of the Supervising Scientist (\$7.0m) which monitors and undertakes research into the effects of uranium and other mining on the environment of the Alligator Rivers Region of Kakadu National Park; the Resource Assessment Commission (\$5.5m), financial assistance to various international and national bodies concerned with environment and conservation issues, and rehabilitation of abandoned uranium mines.

Additional funding of \$4.2m over four years is provided for a cooperative program involving Commonwealth, State and Territory governments to survey forests for old growth and wilderness values, with the aim of protecting these values through a network of reserves and regional management plans. Additional funding of \$6.8m over four years is also provided to promote biodiversity and undertake environmental research.

Trends

Over the last decade, outlays on regional development have generally decreased while outlays on pollution control have increased, particularly with the establishment of the CEPA in 1991-92.

Outlays will rise significantly in 1992-93, mainly as a result of the Local Capital Works Program and sewerage and urban infrastructure projects in Western Australia. Forward estimates of outlays will then fall in 1993-94 as these programs are reduced, before stabilising at a lower level from 1994-95 onwards when the programs have been completed.

6. CULTURE AND RECREATION

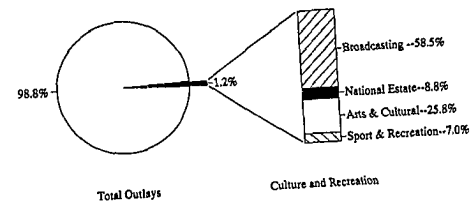
OVERVIEW

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
6.1	Broadcasting	\$m 731.8	743.1	773.9	782.3	791.2
		% 1.5	1.5	4.1	1.1	1.1
6.2	Arts and Cultural Heritage	\$m 334.9	327.9	319.3	308.9	310.9
		% -2.1	-2.1	-2.7	-3.2	0.6
6.3	Sport and Recreation	\$m 75.0	88.4	82.5	79.1	73.0
		% 17.8	17.8	-6.6	-4.1	-7.8
6.4	National Estate and Parks	\$m 108.4	111.3	90.3	78.0	78.6
		% 2.6	2.6	-18.9	-13.7	0.8
TOTAL		\$m 1250.2	1270.7	1266.0	1248.3	1253.6
		%	1.6	-0.4	-1.4	0.4

The above budget and forward estimates make no allowance for Commonwealth sector wage and salary increases which occur within each year. Provision is included in PC Contingency Reserve.

- Outlays on Culture and Recreation are expected to increase by \$20.5m in 1992-93 (a decrease of 1.5% in real terms) and decline further by 11.7% in real terms over the forward years.
- Culture and Recreation outlays are estimated to be 1.2% of total outlays, the same as in 1991-92 (see Chart 1).

Chart 1. Culture and Recreation
Proportion of Total Outlays and Function
1992-93



- The small real decrease in 1992-93 reflects:
 - a one-off provision of \$20m in 1991-92 for the preservation of historic properties;
 - the completion of capital works for the Australian National Gallery; and
 - reduced funding for the Australian Film Finance Corporation.
- This is largely offset by:
 - provision of an additional \$13.8m to Queensland under the Fraser Island structural adjustment assistance program to offset the effect of capital gains tax on compensation recipients;
 - a carry forward of funds for the Community Cultural, Recreation and Sporting Facilities program; and
 - the provision of \$5m for the Sydney Year 2000 Olympic Games Bid.

MEASURES TABLE

Description of measure	Effect on Outlays			
	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
Decreases				
Changed administration arrangements for Indian Ocean Territories	-0.2	-0.9	-1.7	-2.1
Creation of Australian Broadcasting Authority	-	-	-3.9	-3.9
Increases				
Interest subsidy to the ABC (i)				
Australian Participation in Expo 1993, Taejon	1.5	1.5	1.5	1.5
Communications Selection Team costs - Pay TV	3.5	2.0	-	-
Provisional funding to ABC for Pay Television	0.2	-	-	-
Royal Commission into Aboriginal Deaths in Custody - Measures to address the underlying causes of Aboriginal disadvantage	-	12.5	-	-
Remote Commercial Television Services	2.2	2.3	2.3	2.4
National Broadcasting Facility Hobart	3.2	2.0	2.0	-
Australian National Maritime Museum	5.5	5.0	-5.3	-5.3
Australian Sports Commission - Continuation of Next Step Funding	1.8	-	-	-
Film Finance Corporation / Special Production Fund of the Australian Film Commission - Continuation of Funding	34.2	64.7	61.9	58.2
Environmental Research				
Continuation of Environmental Resources Information Network	1.2	1.2	1.3	1.3
Control of Feral Pests	2.4	2.5	2.6	2.7
Refurbishment/Reconstruction and Re-location of war graves	1.5	1.6	1.6	1.7
War Memorial Storage and Display facility	0.5	0.7	0.7	0.6
Commemoration of significant war related events	2.6	0.3	0.3	0.3
National Film and Sound Archive	0.8	0.5	0.3	0.4
Assistance for Sydney Year 2000 Olympic bid	1.0	2.2	2.3	2.3
National Performing Arts Touring Scheme	5.0	-	-	-
Creative Artists Fellowships	2.0	2.6	3.2	3.3
Performing Arts Companies	0.3	0.5	0.5	0.6
	0.5	0.5	0.5	0.6

(i) Measure announced in November 1991 Economic Statement.

PURPOSE

Commonwealth outlays aim to promote increased community awareness of, and participation in, cultural, recreational and conservation related activities.

NATURE OF CULTURE AND RECREATION OUTLAYS

Outlays are mainly by way of direct expenditures by Commonwealth agencies. Other avenues of support include payments to the States and Territories (shown in Budget Paper 4) and taxation expenditures such as concessions on investments in new films under Division 10BA of the *Income Tax Assessment Act 1936*.

Funding for broadcasting represents about 58% of total outlays for 1992-93 and is primarily directed towards meeting the operating and capital costs of the Australian Broadcasting Corporation (ABC), Special Broadcasting Service (SBS) and National Transmitting Facilities.

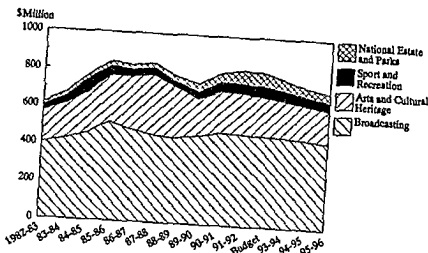
Other activities include:

- managing Australia's cultural heritage through national collection institutions;
- direct financial assistance for the arts and other cultural activities including the film industry;
- assistance to sport and recreation activities;
- the operations of statutory authorities to manage and protect, amongst other places, the world heritage areas of Uluru and Kakadu National Parks and the Great Barrier Reef; and
- joint management and funding arrangements for other world heritage areas in Tasmania and Queensland;

TRENDS IN CULTURE AND RECREATION OUTLAYS

Over the ten years from 1982-83 the movement in outlays has been influenced by a number of major capital projects and special events. Outlays peaked in 1985-86 after an expansion of capital facilities for broadcasting, and again in 1987-88 with the commencement of construction of the Australian National Maritime Museum (ANMM), the Bicentennial celebrations and the build-up to Expo '88. Outlays rose again in 1990-91 with additional funding for the ABC, broadcasting facilities and sport associated with the Commonwealth Games in Auckland, New Zealand. The peak in 1991-92 reflected increases for National Transmitting Facilities, preservation of historic buildings, capital funding for the Wet Tropics of Queensland World Heritage Area and the first instalment of structural adjustment following world heritage nomination of Fraser Island and the Great Sandy Region (see Chart 2).

Chart 2. Culture and Recreation Trends
(1984-85 prices)



In 1992-93 outlays are expected to increase in nominal terms but decrease marginally in real terms, mainly due to reductions in the areas of the National Estate, National Collections and Assistance to the Film Industry, offset in part by an increase in Sport and Recreation. Total outlays are projected to decline over the forward years.

1991-92 OUTCOME

Outlays in 1991-92 were \$13.6m (1.1%) higher than the budget estimate of \$1237m, largely reflecting the one-off provision of \$20m for the preservation of historic buildings which was announced in *One Nation*, offset by minor reductions in '6.1 Broadcasting' and '6.3 Sport and Recreation'.

SUBFUNCTION DETAIL

6.1 BROADCASTING

	1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Australian Broadcasting Corporation	\$m 501.7	504.2	541.5	554.7	573.5
Special Broadcasting Service	% 61.1	0.5	7.4	2.4	3.4
National Transmitting Facilities	\$m 144.1	147.3	134.9	132.3	124.2
Planning and Regulation	% 24.9	2.3	-8.4	-1.9	-6.2
	\$m 24.9	29.4	28.6	23.9	19.7
TOTAL	\$m 731.8	743.1	773.9	782.3	791.2
	% 1.5	4.1	1.1	1.1	1.1

The ABC and SBS constitute the principal components of the broadcasting function. Outlays are intended to fund an independent and distinctive alternative to other broadcasters.

Australian Broadcasting Corporation

The ABC's activities include four domestic radio networks, a national television network, an overseas radio service (Radio Australia) and six orchestras. The ABC also markets books, recordings and other merchandise through ABC shops and franchise outlets.

In 1991-92 the ABC entered into the second three year guaranteed funding agreement. Under the agreement the ABC's base level of funding is indexed for inflation by the non-farm Gross Domestic Product deflator. The ABC and SBS are exempt from the 1.25% efficiency dividend applicable to other budget-funded agencies.

Beginning 1992-93, an agreement has been negotiated with the ABC to smooth the effects of over and under funding arising from the difference between actual and forecast inflation. This mechanism, and borrowing of \$6.5m from future appropriations to cover staff redundancies results in a nominal increase in outlays of \$2.5m in 1992-93.

In addition to Budget funding, the ABC expects \$86.0m in gross revenue from commercial activities. With cash on hand of \$0.3m, this implies a total level of ABC resources (excluding borrowings and asset sales) of \$590.4m which represents a nominal increase of 0.8% on total resources provided in 1991-92.

The real increase in funding for 1993-94 reflects the decision to provide the ABC with \$12.5m to participate in bidding for a single Pay TV transponder licence, contingent on the Government's final decision regarding Pay TV.

Special Broadcasting Service

The SBS operates multilingual radio stations and a multicultural television service.

The SBS, like the ABC, entered into a second three year guaranteed funding agreement in 1991-92 which maintains funding in real terms. In addition, the SBS is able to raise revenue through sponsorship and advertising.

Estimated outlays of \$62.2m represent a nominal increase of \$1.1m. Advertising and other off-budget revenue is expected to total \$7.1m. With cash on hand this represents a nominal increase in the resources available to SBS of 2.3%.

National Transmitting Facilities

The Commonwealth provides, operates and maintains the transmitting facilities used for radio and television services by the ABC and SBS through a contract with the Australian and Overseas Telecommunications Corporation (AOTC).

The National Transmission Authority was established on 1 July 1992 as a separate cost centre to manage Commonwealth Transmission assets within the Department of Transport and Communications (DTC). This change was designed to increase transparency and accountability in the management of the assets. It is expected that over the next few years contracts will be progressively opened up to competition from providers other than AOTC.

In 1992-93 \$82.6m has been provided for operating and maintenance costs and \$69.2m for capital expenditure. Expenditure of \$5.5m in 1992-93 and \$5.0m in 1993-94 for replacement of the Hobart transmission tower is to be brought forward from the capital

budgets of 1994-95 and 1995-96. Receipts from commercial broadcasters and other users who share some of the transmitting sites are estimated at \$4.5m.

Planning and Regulation

The Australian Broadcasting Tribunal (ABT) (\$2.8m 1992-93) has been responsible for regulating commercial and public radio and commercial television in Australia, including the granting and renewal of radio and television broadcasting licences and formulating appropriate standards for programs and advertisements. Broadcasting system planning and the development of policies for equitable access to radio and television services has been administered by DTC.

The *Broadcasting Services Act 1992*, passed in late July after extensive public consultation, represents a major reform of broadcasting legislation. It provides a more contemporary regime for the regulation of all broadcasting services in Australia. The legislation establishes the Australian Broadcasting Authority (ABA) from 1 October 1992. The ABA will replace the ABT but will also carry out the broadcasting planning functions currently undertaken by DTC. The ABA's budget for 1992-93 will be \$10.2m.

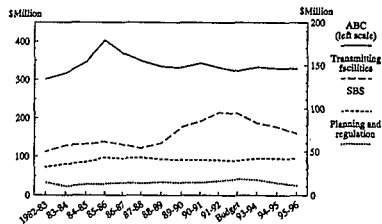
The Public Broadcasting Foundation will receive \$2.3m for distribution to public broadcasting stations and to meet its own administrative expenses. The nationally networked ethnic radio and current affairs service which operates through public radio stations will receive \$2.1m.

In addition to the subsidies provided to the Imparja Aboriginal television service in central Australia, the Commonwealth is to enter into an agreement with the Qld, WA, SA and NT Governments to subsidise the satellite transponder costs of the other commercial broadcasters comprising the three station Remote Commercial Television Service. The Commonwealth contribution is estimated at \$3.2m in 1992-93 and \$2.0m in 1993-94 and 1994-95.

Trends

After a decline in outlays in the late 1980s because of reduced levels of capital investment, the introduction of the three year funding guarantee for the ABC and SBS, initially in 1988-89 and renewed in 1991-92, has seen outlays maintained in real terms.

Chart 3 Broadcasting
(1984-85 prices)



6.2 ARTS AND CULTURAL HERITAGE

	1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
National Collections	\$m 126.5	121.3	115.4	113.6	116.5
%		-4.1	-4.9	-1.5	2.5
Assistance to the Film Industry	\$m 91.4	84.8	81.2	72.1	68.6
%		-7.2	-4.3	-11.2	-4.8
Arts and Heritage	\$m 87.2	92.2	94.2	96.7	99.5
%		5.7	2.2	2.5	3.0
Administration	\$m 29.8	29.6	28.5	26.6	26.3
%		-0.4	-3.9	-6.7	-1.1
TOTAL	\$m 334.9	327.9	319.3	308.9	310.9
%		-2.1	-2.7	-3.2	0.6

National Collections

Outlays include the operating and capital costs of collecting institutions such as the National Library of Australia, the Australian National Gallery (ANG), the National Film and Sound Archive (NFSA), the ANMM, the National Museum of Australia, the Australian War Memorial (AWM) and the Australian Archives. Institutions are also encouraged to raise revenue from non-government sources.

In 1992-93 \$2.6m is provided for construction of a facility at Mitchell, ACT, which will store the AWM's larger historical relics and enable these items to be better preserved and more accessible to the public. The Government had previously provided \$5m towards the cost of an exhibition hall.

The Government has decided that funding initially allocated for specific film preservation and restoration projects and which would have tapered off in 1992-93 should be added to the NFSA's resource base and this is reflected in the budget and forward years.

In the light of operating experience since opening in December 1991, estimated outlays for the ANMM in 1992-93 have increased by \$1.8m (20%) over the previous estimate, reflecting higher operating costs and lower revenue levels than previously anticipated. The Budget subvention is expected to decline in the forward years as revenue levels increase.

Outlays for the ANG have declined by around 21% with the completion in 1991-92 of capital works projects to replace the roof of the ANG building and to construct a purpose-built storage warehouse.

Assistance to the Film Industry

Financial assistance is provided through a number of Commonwealth agencies: the Australian Film Commission (AFC); the Australian Film Commission Australian Film Finance Corporation Pty Ltd (FFC); the Australian Film Commission (AFC); and Film Australia Pty Ltd (FAPL). Division 10BA tax concessions are also provided for investment in new films.

Following reviews of film financing through the FFC and the AFC's Special Production Fund (SPF), total funding of \$61.9m has been provided to the FFC in 1992-93, with funding to continue at declining levels through to 1995-96 pending further review. Funding for the SPF has been maintained in real terms (\$7.4m in 1992-93) through the forward years.

Arts and Heritage

Outlays are dominated by funding to the Australia Council (\$56.9m in 1992-93) for its grants and running costs. The Council will receive additional funding for Creative Artists Fellowships (\$0.3m in 1992-93) and for Performing Arts companies (\$0.5m in 1992-93).

The Government has established a National Performing Arts Touring Scheme (\$2.0m in 1992-93 rising to \$3.3m in 1995-96) to tour the arts across State boundaries where this is not commercially practicable or where there is a demonstrated public demand.

One-off additional funding of \$1.8m over two years has been provided to the Australian Opera and Ballet Orchestra and the State Orchestra of Victoria to overcome financial problems, the funding being conditional upon revised financial and administrative arrangements. Responsibility for ongoing funding of these bodies has been transferred from the Australia Council to the Department of the Arts, Sport, the Environment and Territories.

The Budget provides \$0.5m in 1992-93, for the first year of a five-year program of structural renovation of war cemeteries, war grave plots, gardens of remembrance and associated facilities located at numerous sites throughout Australia and Papua New Guinea.

Trends

Outlays fell in 1988-89 and 1989-90, following the completion of Expo '88 and the Bicentennial celebrations. They increased again in 1990-91 with fitout of the ANMM and the partial transfer of assistance to the film industry from tax revenue concession arrangements to the outlays side of the budget. Outlays for the forward years are expected to fall due to reduced funding to the FFC, the expiry of current arrangements for FAPL and completion of capital programs for the ANG and the Australian Archives.

6.3 SPORT AND RECREATION

The Commonwealth provides financial assistance to encourage community interest and participation in sport and recreational activities. The Australian Sports Commission (ASC) facilitates the pursuit of excellence in sport and sports development.

Outlays in 1992-93 will increase by \$13.3m with the provision of \$5m to assist the Sydney bid for the Olympic Games in the year 2000 and the carryforward of \$7.8m from 1991-92 for the Community Cultural, Recreation and Sporting Facilities program.

The Government has extended the ASC's four year 'Next Step' funding package through the forward years. An evaluation of the effectiveness of this package is currently underway.

Trends

Since 1982-83, outlays have more than doubled in real terms following a number of Government initiatives to provide increased funding for sports development and community recreation and sporting facilities.

The reduction in funding in 1995-96 reflects the expiry of the Community Cultural, Recreation and Sporting Facilities program in 1994-95.

6.4 NATIONAL ESTATE AND PARKS

The Commonwealth plays an active role in the identification and protection of Australia's natural environment through arrangements such as the Register of National Estate, management of national parks and world heritage listing. The Commonwealth discharges many of its management responsibilities through various statutory authorities.

Arrangements have also been developed with the States and Territories to assist with management.

Funding for the budget and forward years includes \$2.4m (real) a year for the continuation of the Environmental Resources Information Network and an additional \$1.5m (real) a year for the control of feral pests.

As foreshadowed in *One Nation*, additional funding of \$1.3m has been provided to the Australian Heritage Commission for each of the years 1992-93 to 1994-5 to undertake an expanded program of joint regional assessments of forest values with relevant State agencies.

The 1992-93 payment of structural adjustment assistance to Queensland following world heritage nomination of the Fraser Island and Great Sandy Region has been increased by \$13.8m to \$20.8m. The increase is provided to offset the effect of capital gains tax levied on businesses receiving compensation payments from the Queensland Government.

Trends

Over the last decade, outlays have more than doubled in real terms, reflecting the Commonwealth's responsibility for managing Kakadu and Uluru National Parks and greater resources allocated for the management of the Great Barrier Reef Marine Park. Outlays are projected to decline in real terms over the forward years with lower levels of recurrent funding for park management authorities, a wind-down of capital programs in Kakadu National Park and the Wet Tropics of Queensland and completion of structural adjustment assistance grants to Queensland in respect of the world heritage nomination of Fraser Island and the Great Sandy Region.

7. ECONOMIC SERVICES

This category covers a range of economic services including transport and communication, industry assistance and development, labour and employment and other economic services.

7A. TRANSPORT AND COMMUNICATION

OVERVIEW

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
7A.1	Communication	\$m -282.7	-34.2	-34.6	-38.4	-20.4
	%		-87.9	1.0	11.1	-47.0
7A.2	Air Transport	\$m 99.6	163.8	98.5	97.8	100.8
	%		64.4	-39.9	-0.7	3.1
7A.3	Land Transport	\$m 1370.2	2325.0	1450.7	920.4	933.9
	%		69.7	-37.6	-36.6	1.5
7A.4	Sea Transport	\$m 259.4	165.0	101.2	107.3	103.9
	%		-36.4	-38.7	6.0	-3.2
7A.5	Other Transport and Communication	\$m 72.1	74.4	75.5	75.1	75.6
	%		3.2	1.5	-0.6	0.8
	TOTAL	\$m 1518.6	2694.0	1691.3	1162.1	1193.8
	%		77.4	-37.2	-31.3	2.7

The above budget and forward estimates make no allowance for Commonwealth sector wage and salary increases which occur within each year. Provision is included in 9C. Contingency Reserve.

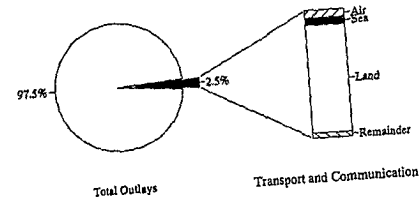
- In 1992-93, outlays on Transport and Communication are expected to increase by \$1175.4m. Compared to 1991-92, over the forward years, real outlays are expected to decline by 60.3%.
- Major factors contributing to the expected net increase in 1992-93 include:
 - the *One Nation* commitment to provide funding for National Roads upgrading and maintenance (\$215m), accelerated funding for selected National Arterial projects (\$80m), and funding for the addition to the National Highway System of the Brisbane/Melbourne and Sydney/Adelaide interstate freight routes (\$89.5m);
 - the *One Nation* commitment to invest in a National Rail Network (\$283m), upgrading the Launceston and Port Augusta workshops (\$8m), and a contribution to transport infrastructure in Qld (\$20m) and WA (\$13.5m);
 - the *One Nation* and *Employment Statement* commitments to provide additional funding for the Road Safety Black Spot Program (\$70m);
 - the Commonwealth equity contribution to the National Rail Corporation (NRC) (\$153.7m);

- a reduction in principal repayments of Commonwealth debt (classified as an offset to outlays) from the Australian and Overseas Telecommunications Corporation as a result of a progressive \$2b debt to equity conversion (\$250.8m); and from the Australian National Railway Commission (\$38.3m); and the Civil Aviation Authority (CAA) (\$110m).

These increases are partially offset by:

- completion of the Waterfront, Shipping and Towing Reform Packages (\$112.9m);
- efficiency savings in safety and regulatory services provided by the CAA (\$17.0m); and
- reduced outlays for the development of Badgerys Creek airport (\$29m).

Chart 1. Transport and Communication (a)
Proportion of Total Outlays and Function
1992-93



- (a) The 'Remainder' in the pie-bar illustration includes Communication outlays, which are negative, and Other Transport and Communications outlays.
- Transport and Communication outlays are expected to be 2.5% of total outlays in 1992-93 (see Chart 1) compared with 1.4% in 1991-92.
- Annual real declines in the forward estimates mainly reflect:
 - withdrawal of Commonwealth involvement in civil (non-Federal Airports Corporation) aerodromes;
 - culmination in 1992-93 of initial capital outlays for the development of Badgerys Creek;

- the completion of the *One Nation* and *Employment Statement* commitment to road and rail;
- reduction in the annual cash equity contribution to the NRC; and
- the decision to untie \$350m of specific purpose road grants.

MEASURES TABLE

Description of measure	Effect on Outlays			
	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
Decreases				
Untie road funding for arterial roads	-	-175.0	-350.0	-350.0
Increases				
AOTC Debt for Equity Swap	250.8	250.8	250.8	268.3
Communications Selection Team costs - 3rd mobile telecommunications licence	0.2	-	-	-
Revised arrangements for contributions to Asia-Pacific Telecommunity	0.2	0.2	0.2	-
Development of Badgery's Creek Airport				
Aerodrome local ownership program (i)	13.1	-	-	-
Subsidy for remote Aerodrome Inspectors	10.2	-7.9	-0.2	-
Newcastle Economic Development Initiative (i)	0.3	0.3	0.3	0.3
Acquisition of Newbun land adjoining Perth Airport	2.5	-	-	-
Roads funding (i)	0.5	-	-	-
Additional Funding for Road Safety Black Spot Program (ii)	451.5	150.2	61.4	102.5
Rail funding (i)	60.0	0.1	-	-
Townsville Port Infrastructure (i)	318.5	174.0	-	-
Christmas Island Rebuilding Program - Port infrastructure	20.0	-	-	-
Changed administration arrangements for Indian Ocean Territories - Aerodrome and port operations	2.3	1.0	-	-
Waterfront Industry Reform - Additional redundancy payments	1.2	1.0	0.9	0.9
Additional Running Costs for the Shipping Industry Reform Authority (SIRA)	20.0	-	-	-
	0.1	-	-	-

- (i) Includes infrastructure investment announced in the November 1991 Economic Statement, *One Nation*.
(ii) Measure included in *Employment Statement*.

3.144

PURPOSE

The Commonwealth provides certain infrastructure and the regulatory framework to facilitate the provision of cost effective and efficient transport and communication services. Typically, the Commonwealth cooperates with the States and Territories to achieve these goals.

NATURE OF TRANSPORT AND COMMUNICATION OUTLAYS

Direct grants and specific purpose payments to State and Territory governments for the construction and maintenance of roads are the largest component of this function. The Commonwealth also supports other types of transport infrastructure projects, such as mainline railway upgrading.

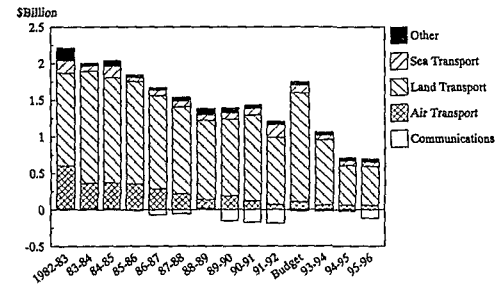
Other major outlays support operational and infrastructure programs such as waterfront and shipping industry reforms; equity and other support for the National Rail Corporation (NRC); payments of revenue supplements to Australian National Railways (AN) to support its operations; the provision of assistance to shippers of certain goods between Tasmania and the mainland; taxable grants to acquire certain ships; and the acquisition of land and development funding for a General Aviation facility at Badgerys Creek.

Outlays are also provided for regulatory functions, such as telecommunications regulation and transport safety, performed by the Department of Transport and Communications (DTC) and other organisations, including the Australian Telecommunications Authority (AUSTEL), the Civil Aviation Authority (CAA) and the Australian Maritime Safety Authority (AMSA).

In addition, the Commonwealth has provided loans to its transport and communication Government Business Enterprises operating outside the budget sector (eg the Australian and Overseas Telecommunications Corporation (AOTC), the Federal Airports Corporation (FAC) and AN).

TRENDS IN TRANSPORT AND COMMUNICATION OUTLAYS

Chart 2. Transport and Communication
(1984-85 Prices)



3.145

While there has been a downwards trend in total outlays since 1984-85 (see Chart 2), a real increase of 71.9% is expected in 1992-93.

Land Transport outlays for 1992-93, and to a lesser extent 1993-94, will be significantly increased by the *One Nation* commitments to road and rail, and cash equity contributions to the NRC. However, the impact is largely limited to those years and, with the untying of \$350m road funding, post 1993 outlays are expected to decline over the forward years.

Sea Transport outlays increased recently with the introduction of the shipping and waterfront reform packages in 1989-90. Outlays are expected to gradually decline with the general completion of these packages in 1992-93.

Despite some fluctuations between years, there has been a significant downward trend in air transport outlays over the ten years to 1992-93. This reflects cost savings from the Government's policy of commercialising its involvement in aviation operations through the establishment of the FAC and the CAA. The significant decrease in outlays in 1991-92 reflects the repayment of \$115m of the CAA's outstanding Commonwealth debt. Outlays are expected to decline in real terms over the forward years with the progressive withdrawal of the Commonwealth's involvement in civil (non-FAC) airports.

Communication outlays grew slightly in the early 1980s. This growth has been offset by progressive repayment from 1989-90 of \$326.4m a year of Commonwealth loans by the Australian Telecommunications Corporation (Telecom). The level of offset will decrease from 1992-93 as AOTC is now expected to repay a reduced principal amount of \$284.9m to the Commonwealth over the next four years, reflecting a progressive \$2b conversion of debt to equity.

1991-92 OUTCOME

Transport and Communication outlays in 1991-92 were \$78.6m (5.4%) more than the Budget estimate. This was in part due to:

- the Black Spot Program (\$25m) and the contributions made to transport infrastructure (\$66m) announced in the *November 1991 Economic Statement*; and
- the Government's decision to contribute to the development of a General Aviation facility at Badgerys Creek (\$47m).

Partially offsetting this increase were decreased outlays resulting from:

- lower than expected equity contributions to the NRC (\$31.1m);
- repayment by AN of advances (\$20.1m); and
- delays in acquisition of land for the second Sydney airport at Badgerys Creek (\$13.7m).

SUBFUNCTION DETAIL

7A.1 COMMUNICATION

	1991-92 Actual	1992-93 ¹ Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Planning and Regulation	\$m 43.7	41.4	41.0	37.2	37.7
	%	-5.3	-0.8	-9.4	1.5
Repayment of Advances	\$m -326.4	-75.6	-75.6	-75.6	-58.1
	%	-76.8	-	-	-23.1
TOTAL	\$m -282.7	-34.2	-34.6	-38.4	-20.4
	%	-87.9	1.0	11.1	-47.0

The above budget and forward estimates do not include outlays for broadcasting activities, other than for radiocommunications. These are covered in 6. *Culture and Recreation*.

Commonwealth activity in the communications area is directed towards:

- ensuring efficient and equitable access to broadcasting, telecommunications and postal services;
- promoting competition in the telecommunications industry;
- managing consumer access to broadcasting services by developing equitable broadcasting policies and programs;
- managing equitable and efficient access to the electromagnetic spectrum; and
- international negotiations on frequency allocations, satellite positioning and technical standards which meet Australia's requirements.

Planning and Regulation

DTC plans and monitors the use of the radio frequency spectrum for private, commercial and public radiocommunications purposes, as well as overseeing the telecommunications regulatory environment.

The decrease in 1992-93 outlays was mainly due to the completion of the first stage of the Government's telecommunications reforms such as the sale of AUSSAT (see 9D. *Asset Sales*). Also, AUSTEL received a significant increase in outlays in 1991-92 due to its primary role in administering telecommunications reform. These are expected to decrease slightly in 1992-93, following the completion of inquiries and research related to the implementation of the new carrier arrangements, but are expected to remain relatively constant thereafter.

The decrease in 1993-94 outlays is due to the anticipated completion of a further stage of the telecommunications reforms, including the proposed sale of the third mobile telecommunications licence.

Outlays for radio frequency management have remained largely constant over the past decade, with small variations primarily reflecting movement in the SA which affects the cost of overseas equipment purchases, and in telecommunications, the cost of contributions to international organisations.

Repayment of Advances

The merger of Telecom and OTC Limited on 1 February 1992 to form AOTC transferred the total loan repayment obligations of Telecom to AOTC. However, the amount

outstanding to the Commonwealth will be considerably reduced by the progressive conversion of \$2b in Commonwealth debt to equity over the period 1 July 1992 to 1 July 1996. As a result the principal component of the loan repayments has been reduced from \$326.4m to \$75.6m a year until 1995-96, when the final payment on the loans (\$58.1m) will be made.

7A.2 AIR TRANSPORT

	1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Airport Administration and Aviation Policy	\$m 87.0	47.6	15.1	14.3	14.9
	%	-45.3	-68.3	-5.3	4.2
Aerodrome Local Ownership Plan	\$m 26.7	34.1	-	-	-
	%	28.0	-100.0	na	na
Air Safety, Search and Rescue	\$m 84.2	67.0	65.7	65.1	67.6
	%	-20.4	-2.0	-0.9	3.8
Avgas Excise Paid To CAA	\$m 23.6	23.4	23.4	23.4	23.4
	%	-0.9	-	-	-
Recoveries and Repayments	\$m -121.9	-8.3	-5.7	-5.1	-5.1
	%	-93.2	-30.9	-11.7	-
TOTAL	\$m 99.6	163.8	98.5	97.8	100.8
	%	64.4	-39.9	-0.7	3.1

The Commonwealth's aviation policies aim to promote the operation of safe, efficient and competitive air services within, to and from Australia. In furthering these aims substantial reforms to the aviation regulatory environment were announced in *One Nation*. Essentially, these reforms are directed toward increasing competition on both domestic and international routes. This involves allowing other Australian carriers to compete with Qantas Airways Ltd and foreign carriers on international routes, allowing Qantas to operate domestically, and moves towards a single aviation market with New Zealand.

The Government has also announced the sale to Qantas of Australian Airlines Ltd and the sale of 100% of its shareholding in the enlarged Qantas (see 9D. *Asset Sales*).

Airport Administration and Aviation Policy

In December 1991 the Government announced its intention to proceed with the development of a general aviation facility at Badgerys Creek as the first stage of developing Sydney's second major airport. Following discussions with the FAC, the Commonwealth provided \$47m in April 1992 to expedite development of the facility. A further \$9.1m is being provided in 1992-93 for associated development works. Approximately \$17.7m will also be provided to finalise site acquisitions in 1992-93, including \$4m for the acquisition of noise affected properties.

The Government's decision to allow additional Australian carriers to operate on international routes led to the establishment on 1 July 1992 of the International Air Services Commission (IASC), which will be responsible for allocating Australia's international route entitlements between Australian carriers. The IASC's 1992-93 establishment and operational costs total \$1.7m and the forward estimates are \$1.2m a year. The IASC's costs have been offset by equivalent reductions in DTC's running costs.

The balance of the 1992-93 provision of \$47.6m covers DTC's running costs and other operating costs (\$17.4m), remote air service subsidies (\$1.1m), and finalisation of land acquisition at Perth Airport (\$0.6m).

Aerodrome Local Ownership Plan

In the 1990-91 Budget, the Government announced its intention to transfer remaining Commonwealth (non-FAC) civil airports to full local ownership and to encourage local authorities to take over financial responsibility for airports which were previously jointly funded by the Commonwealth under the Aerodrome Local Ownership Plan (ALOP). The program involves the provision of grants to ensure airports are in good condition, as well as the payment of once-off capitalised grants to assist smaller remote communities to assume full financial responsibility for their airports. Provision of an additional \$27.5m was announced in *One Nation* to accelerate the program which is now scheduled for completion by the end of 1992-93.

In 1991-92 grants totalling \$14.5m and subsidies of \$7.5m were provided under the program. As at 1 July 1992, 172 aerodromes had withdrawn from the ALOP, and 8 Commonwealth aerodromes had transferred together with the civil area of one joint civil/Defence aerodrome.

The 1992-93 provision includes grants totalling \$20.7m, subsidies of \$9.2m and \$1.5m for the Commonwealth's contribution to maintenance costs at ALOP airports yet to withdraw. The withdrawal of 62 aerodromes from the ALOP and the transfer of 22 Commonwealth aerodromes and the civil areas of 6 joint civil/Defence aerodromes remain to be secured in 1992-93.

As part of the Newcastle Economic Development Initiative contained within *One Nation*, \$2.8m will be provided to upgrade Williamtown (Newcastle) Airport in association with transfer of the civil area to local ownership.

Air Safety and Search and Rescue

In 1992-93 outlays comprise \$6.7m for the operation of the Bureau of Air Safety Investigation, a \$59.3m payment to the CAA for administering aviation safety and search and rescue services and \$1.1m for Australia's membership contribution to the International Civil Aviation Organisation.

The \$17.2m reduction in this provision mainly reflects efficiency savings identified by the CAA. The payment to the CAA now includes an additional \$0.3m a year to fund aerodrome inspectors to service the needs of Aboriginal Communities in Northern Australia.

In the 1990-91 Budget the Government announced its intention to phase in full cost recovery for aviation safety services (with the exception of search and rescue) from 1 November 1991. The Government has now decided to continue to fund 50% of costs associated with the CAA's safety standard setting and enforcement functions up to a limit of \$22.8m. Phased recovery of the balance of these costs from the aviation industry will commence from 1 July 1993 (see 'Revenue Measures' in *Statement 4*).

Avgas Excise Paid to Civil Aviation Authority

Approximately 92% of the Avgas excise on aviation gasoline fuel is appropriated to the CAA to contribute towards recovering the costs of enroute and terminal navigation and

rescue and fire fighting services and facilities where no specific charges apply for those services.

The remainder of the Avgas excise, which is retained to partially offset the Commonwealth's costs in relation to remaining Commonwealth (non-FAC) airports and its contribution to the ALOP, is being phased out as the Commonwealth withdraws from these activities.

Recoveries and Repayments

Recoveries include receipts from landing charges, airport business concessions and rentals and recoveries for minor works and services. The reduction over the forward years reflects the early completion of transferring Commonwealth airports, including revenue collection responsibilities, to local authorities. Beginning in 1992-93, the CAA will repay \$5m a year of its remaining \$35m in borrowings from the Commonwealth.

7A.3 LAND TRANSPORT

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
7A.3.1 Road Transport	\$m	1368.0	1786.0	1101.5	847.3	876.4
	%		30.6	-38.3	-23.1	3.4
7A.3.2 Rail Transport	\$m	82.8	55.5	36.8	89.7	74.0
	%		na.	-34.2	-75.5	-17.4
7A.3.3 The Pipeline Authority	\$m	-80.7	-16.6	-16.6	-16.6	-16.6
	%		-79.4	-	-	-
TOTAL	\$m	1370.2	2325.0	1450.7	920.4	933.9
	%		69.7	-37.6	-36.6	1.5

Outlays by the Commonwealth on land transport aim to develop the sector in ways consistent with national economic and social priorities, including securing safe and efficient operations and the adoption of practices responsive to user requirements.

7A.3.1 Road transport

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Road Grants	\$m	1186.8	1534.7	1067.0	813.0	841.7
	%		29.3	-30.5	-23.8	3.5
Interstate Road Transport Charge	\$m	15.9	17.1	17.1	17.1	17.1
	%		7.2	-	-	-
Road Safety and Land Transport Research	\$m	69.8	141.5	8.1	8.1	8.1
	%		102.9	-94.2	-	-
Other	\$m	95.6	92.8	9.4	9.2	9.6
	%		-2.9	-89.9	-2.0	4.3
TOTAL	\$m	1368.0	1786.0	1101.5	847.3	876.4
	%		30.6	-38.3	-23.1	3.4

Outlays for road transport are mainly grants to the States and Territories for road construction and maintenance, including engineering improvements at locations with a poor safety record, and for Urban Public Transport (UPT) projects. Smaller outlays include payments for road safety and land transport research, and the payment to the States and Territories of registration fees for interstate commercial vehicles.

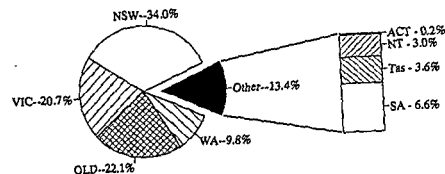
Following on the significant reforms agreed between the Commonwealth, States and Territories, the National Road Transport Commission (NRTC) was established in January 1992 as an independent body under a Commonwealth, State and Territory agreement, to develop an acceptable framework of national rules, regulations and charges for the road transport industry.

Road Grants

In *One Nation* the Commonwealth provided significant additional road grants under the Australian Land Transport Development (ALTD) Program. Additional grants of \$215m are to be provided in 1992-93 and directed to maintenance and upgrading of the National Highway System (NHS) and other high priority projects with a further \$80m being provided for accelerated funding for selected National Arterial Projects, and \$89.5m for the newly included interstate freight routes between Sydney, Melbourne, Adelaide and Brisbane. In total, \$629.5m is to be provided over the next two years (including the Black Spot Program).

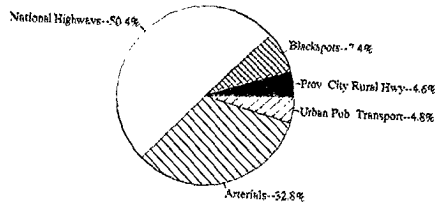
The Commonwealth has also decided to rationalise the role of each level of Government, thereby removing overlapping functions and confusing responsibilities. The Commonwealth has decided, therefore, that its post 1993 road program will cover a national network of roads comprising the existing NHS, interstate routes linking Sydney and Adelaide and Melbourne and Brisbane, and urban roads linking the current points of termination of the NHS in Sydney, Melbourne, Brisbane, Perth and Adelaide. The new three year program will have a budget of \$820m (1994-95 prices) and funding will be maintained in real terms. The rationalisation of responsibility will also result in a \$350m transfer of funding from special purpose funding for roads to identified general revenue assistance to the States and Territories.

Chart 3. Road Grants 1992-93



Charts 3 and 4 show the distribution of grants in 1992-93 by State and category respectively.

Chart 4. Road Grants by category
1992-93



Interstate Road Transport Charge

Under the current system the Commonwealth pays the States and Territories the amount it receives for the registration of vehicles and licensing of operators engaged in interstate trade and commerce. Charges under the legislation (classified as 'Revenue - Other Taxes, Fees and Fines' in Statement 4) are collected by State and Territory vehicle registration authorities and paid into a trust fund prior to distribution to the States and Territories for expenditure on roads.

A national approach to road user charging for heavy vehicles is being developed by the NRTC. This will eventually replace the current Commonwealth charges. The new charges are expected to apply from 1 July 1995.

Road Safety and Land Transport Research

Based on the agreement to implement a series of uniform safety measures grants are provided to the States and Territories to enable engineering and other improvements at locations noted for a high incidence of accidents involving death or serious injury.

An initial Road Safety Black Spot Program provided \$110m over the period 1990-91 to 1992-93 as a separately identifiable element within the ALTD Program. *One Nation* provided a further \$25m in 1991-92 and \$45m in 1992-93. Under the Government's *Employment Statement* additional funding of \$60m is being provided in 1992-93.

Grants will also be provided to implement specific safety measures that have proven road safety value.

The Australian Road Research Board will continue to receive funding from the Commonwealth, States and Territories for research into road design and construction, traffic engineering and traffic management.

3.152

Other Assistance For Urban Public Transport

A separate three year UPT Program was established in 1990-91, bringing together existing UPT funding under the State Arterial category of the ALTD Program and incorporating additional funding. Under this program, \$83.3m will be available for UPT in 1992-93.

Policy and Administration

The NRTC will be jointly funded by the Commonwealth, the States (excluding the NT) and the ACT. The Commonwealth contribution to the NRTC will be \$1.1m based on a 35% share of costs.

The costs incurred by DTC in administering its road transport responsibilities are also included under this item.

7A.3.2 Rail Transport

	1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
National Rail Corporation	\$m 8.9	370.4	139.7	37.1	22.3
	%	na	-62.3	-73.4	-39.9
Australian National Rail Commission	\$m 38.9	111.9	160.0	60.0	60.0
	%	188.0	43.0	-62.5	-
Other Rail Development	\$m 35.0	73.3	65.1	-7.4	-8.3
	%	169.1	9.8	-111.3	11.4
TOTAL	\$m 82.8	555.5	365.8	89.7	74.0
	%	na	-34.2	-75.5	-17.4

One Nation foreshadowed a major upgrading of the national rail network to provide a complete standard gauge mainline link from Brisbane to Perth with connections to ports. The \$463m upgrading (including \$14m announced in the *November 1991 Economic Statement*) will occur over two years with \$297m to be provided in 1992-93. These works will complement the \$840m the NRC is expected to spend on the network over the next five years.

The upgrading will take place on both State and Commonwealth owned elements of the network, with funds allocated between the NRC (\$289m) and the existing rail systems. The works to be undertaken include the conversion of the Melbourne-Adelaide link to standard gauge (\$115m), upgrading of the Melbourne-Brisbane corridor to improve the reliability of transit times and allow the operation of longer trains (\$277m), Melbourne terminal improvements and port access (\$25m), and standard gauge connections to the ports of Brisbane and Adelaide (\$38m).

National Rail Corporation

The NRC has been established by the Commonwealth, NSW, Vic and WA to operate the interstate rail freight network as a fully commercial entity in line with international best practice. In addition to the *One Nation* funds, the Commonwealth agreed in 1991 to a schedule of cash equity contributions totalling \$295.8m over the six years to 1996-97, including \$162.7m in 1992-93. The other shareholders are committed to total capital injections of \$118.7m commencing in 1993-94, and have agreed to appropriate equity recognition of the Commonwealth's *One Nation* funding.

3.153

Australian National Railways Commission

AN's interstate freight operations and its associated assets and cash flow will be taken over by the NRC over the next three years with the most significant impact from 1993-94. Provision has been made in the forward estimates for the servicing and repayment of commercial debt that AN will not be able to support in the future. In addition to continuing losses on passenger and Tasrail operations, the estimates also provide for redundancies under AN's ongoing program to achieve best practice. Some \$15m is provided for restructuring workshops in Adelaide, Port Augusta and Launceston, and \$47m of *One Nation* funds are allocated to AN for the national network upgrade. The ALTD program also provides \$9m for concrete resleepering on the Melbourne-Adelaide line in 1992-93.

The Indian Pacific train will be refurbished with \$5m to be spent in 1992-93 and \$7m in 1993-94.

AN is reimbursed (\$2.9m in 1992-93) under 4. *Social Security and Welfare* for concessional passenger rail travel by eligible pensioners and other beneficiaries.

Other Rail Development

This item comprises payments to the States for mainline railway upgrading, including the \$132m allocation from *One Nation* for the national network. *One Nation* also provided \$13.5m to WA to assist in the upgrading of the Kwinana-Picton line. A capital grant of \$35m was provided to WA in 1991-92 for railway infrastructure and upgrading.

This item also includes repayable advances from the Commonwealth for earlier upgrading and standardisation.

7A.3.3 The Pipeline Authority

The Pipeline Authority is engaged in the transport of natural gas by pipeline from Moomba (SA) to Sydney, other cities in NSW and Canberra. The negative outlays represent repayment of previous loans; the relatively high 1991-92 outcome was due to early repayments being made as a result of refinancing a portion of the Authority's debt from the private sector. Now that some legal issues have been clarified, the Government proposes to hold discussions with interested parties, including AGL, with a view to selling the pipeline system.

7A.4 SEA TRANSPORT

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Tasmanian Freight Equalisation Scheme	\$m	32.8	34.0	34.7	35.0	35.4
	%		3.8	2.1	0.9	1.1
Maritime Services	\$m	69.6	82.8	59.5	58.3	58.5
	%		18.9	-28.1	-2.1	0.3
Waterfront Industry Reform	\$m	122.7	28.0	-	-	-
	%		-77.2	-100.0	na	na
Shipping Industry Reform	\$m	34.3	20.2	7.0	14.0	10.0
	%		-41.1	-65.4	100.0	-28.6
TOTAL	\$m	259.4	165.0	101.2	107.3	103.9
	%		-36.4	-38.7	6.0	-3.2

Tasmanian Freight Equalisation Scheme

The Scheme provides assistance to shippers of certain goods between Tasmania and the mainland to help alleviate the freight cost differential incurred in comparison to mainland States and Territories.

Maritime Services

AMSA is paid amounts equal to collections by the Commonwealth under the Marine Navigation and Oil Pollution levies in order to perform various functions relating to marine navigation and ship safety. AMSA receives separate payments from the Commonwealth to conduct search and rescue activities and a share of the cost of the safety/regulatory function, which will be fully cost recovered from 1993-94.

This item also includes the upgrading and operation of port infrastructure for Indian Ocean Territories in accordance with the policy of bringing laws, standards and infrastructure up to the standard of those on the Australian mainland (see 8E. *Administrative Services*), and \$20m towards the development of the port of Townsville provided in *One Nation* for 1992-93.

Waterfront Industry Reform

In October 1989 an in-principle agreement was reached between the Australian Council of Trade Unions, stevedoring unions and employers on elements of a reform package for the waterfront and to their implementation under the auspices of the Waterfront Industry Reform Authority. On the basis of this agreement, the Government committed up to \$154m over three years on a \$ for \$ basis with employers towards the cost of redundancy payments, training, skills audits and job redesign projects. Release of the Commonwealth's contribution was dependent upon suitable enterprise based agreements being completed.

In order to realise the full benefits of the program, the Government announced in December 1991, that an additional \$20m would be contributed for early retirement/redundancy payments for a further 400 surplus employees. These payments are expected to be completed by early 1992-93.

Shipping Industry Reform

The substantial fall in outlays for 1992-93 represents the conclusion of both the shipping industry and towage industry reform initiatives.

The three year program to reduce crewing levels on Australian vessels to international standards has resulted in average crew levels falling from 27.9 on 30 June 1989 to 20.9 on 30 June 1992. Under this program, \$26.5m has been provided by the Commonwealth since the reforms were introduced in 1989-90 to meet half the cost of a voluntary early retirement scheme and half the cost of retraining seafarers.

To encourage capital investment in modern ships, which permit lower crewing levels, the Commonwealth provides a taxable grant equal to 7% of the purchase price of eligible new trading ships. Outlays are expected to be \$20.1m in 1992-93 and the scheme will continue until 1997.

7A.5 OTHER TRANSPORT AND COMMUNICATION

Administration and Other Services

This item includes running costs for DTC not functionally allocated elsewhere, and receipts related to various transport services, including recoveries associated with the charter of Departmental vessels.

7B. INDUSTRY ASSISTANCE AND DEVELOPMENT

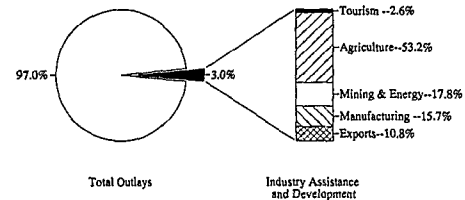
OVERVIEW

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
7B.1	Agricultural, Forestry and Fishing Industries	\$m 1927.7	1760.9	1656.5	1610.3	1662.9
		%	-8.7	-5.9	-2.8	3.3
7B.2	Mining and Energy	\$m 659.9	588.3	711.0	733.4	763.5
		%	-10.8	20.9	3.1	4.1
7B.3	Manufacturing Industry	\$m 455.4	519.1	429.4	382.8	299.1
		%	14.0	-17.3	-10.9	-21.9
7B.4	Tourism Industry	\$m 78.2	86.2	79.2	80.5	83.0
		%	10.2	-8.1	1.7	3.1
7B.5	Assistance to Exporters	\$m 529.8	356.2	371.6	381.3	382.8
		%	-32.8	4.3	2.6	0.4
TOTAL		\$m 3651.0	3310.7	3247.9	3188.4	3191.3
		%	-9.3	-1.9	-1.8	0.1

The above budget and forward estimates of outlays make no allowance for Commonwealth sector wage and salary increases which occur within each year. Provision is included in 9C. Contingency Reserve.

- Outlays on Industry Assistance and Development are expected to decline by \$340.3m in 1992-93 (12.1% in real terms) and by 13.7% in real terms over the forward years (compared to the 1992-93 Budget estimate).
- Outlays on Industry Assistance and Development are expected to account for 3% of total outlays in 1992-93, compared with 3.6% in 1991-92.

Chart 1. Industry Assistance and Development
Proportion of Total Outlays and Function
1992-93



- The major factors contributing to the expected real decrease in 1992-93 are:
 - a reduction in wool industry outlays mainly reflecting reduced industry contributions;
 - a final payment in 1991-92 to Victoria to ameliorate gas price increases arising from the Resource Rent Tax to Bass Strait production of oil and gas; and
 - a one-off payment from Queensland of \$65m to conclude the Gladstone power station loan agreement.
- These factors are partially offset by:
 - an increase of \$68m under the Diesel Fuel Rebate Scheme for the mining and primary production sectors;
 - an increase of \$39m in assistance to the Pharmaceutical industry and \$29m in assistance to the Textile, Clothing and Footwear industry;
 - the provision of \$25m in 1992-93 for upgrading electricity transmission links between Victoria, NSW and SA; and
 - an increase of \$10m in funding for the Rural Adjustment Scheme (RAS).

MEASURES TABLE

Description of measure	Effect on Outlays			
	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
Agricultural, Forestry and Fishing Industries				
Department of Primary Industries and Energy Running Costs Savings	-4.3	-7.2	-5.7	-4.6
AQIS: Review of organisational arrangements and funding options	-1.4	-8.9	-14.6	-15.1
Exotic Disease Preparedness Savings	-0.5	-0.6	-0.6	-0.7
Continuation of Dairy Marketing Levy	117.1	114.0	108.0	105.0
Increased funding for Rural Adjustment Scheme	33.2	3.5	-3.1	-3.3
ESD/Greenhouse Initiatives	7.9	14.0	14.0	14.0
Crop planting scheme (i)	6.0	-	-	-
Continued funding for brucellosis & tuberculosis eradication campaign	..	4.9	3.2	2.9
Rural Community Services Funding	1.8	1.8	1.8	1.8
Marketing Skills Program	1.6	1.4	1.6	1.6
Imported Food Inspection Program Extension	1.5	1.9	3.1	3.3
Aboriginal Rural Resource Initiatives	1.4	2.3	2.8	-
Additional funding for rural counselling (ii)	0.8	0.8	0.8	-
Japanese tuna access (DPIE running costs)	0.6	0.7	0.7	-
Interim funding for National Forest Inventory	0.2	-	-	-
Mining and Energy Industries				
Coal Industry Reform Package	-0.8	-1.8	-1.9	-1.9
Equity in National Electricity Grid (ii)	25.0	50.0	25.0	-
Changed administration arrangements for Indian Ocean Territories (Electricity Generation)	2.0	1.8	1.8	1.8

Description of measure	Effect on Outlays			
	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
Reform and corporatisation of Snowy Mountain Scheme	0.3	-	-	-
DFRS Increased Eligibility	0.3	0.3	0.3	0.3
Manufacturing Industry				
Computer Bounty	-13.0	-16.7	-17.3	-8.9
Rural Industries Business Extension Service	-0.2	-	-	-
TCF Industry Development Strategy	55.5	10.4	5.3	-
Pharmaceutical Industry Development Program (Factor F)	20.2	70.2	130.2	150.2
Agri Food Industry	3.7	3.6	2.5	1.9
Export access scheme for small and medium sized enterprises (ii)	2.7	2.7	2.6	-
Integrated National Space Program	1.3	1.8	1.8	1.8
Science and Technology Awareness	0.9	0.9	-	-
Newcastle Economic Development Initiative (ii)	0.8	3.0	1.4	-
International Collaboration	0.8	0.8	-	-
Reactor Inquiry	0.8	1.2	-	-
Feasibility study into steel mill - Bunbury (ii)	0.8	0.2	-	-
Telecommunications Industry Development Authority	0.5	0.5	0.5	0.5
Information Technology Development Program	0.5	0.5	0.5	0.6
Review of anti-dumping and countervailing system (i)	0.3	0.3	0.3	0.3
Pooled Development Funds (ii)	0.3	0.3	0.4	0.4
Music Industry Advisory Council	0.2	-	-	-
Best Practice Environmental Management	0.2	0.2	0.2	0.2
Building and Construction Industry Reform Strategy	0.1	0.1	0.1	-
Investment Promotion Program	-	5.2	5.2	-
Tourism				
Australian Tourist Commission - Overseas Marketing (i)	10.0	-	-	-
Funding for the new Department of Tourism (ii)	5.7	5.9	6.0	6.2
Assistance to Exporters				
Innovative Agricultural Marketing Program	-0.8	-0.8	-	-
Expansion of Austrade (i)	5.0	5.0	5.0	-
Measures to encourage exporters	-	20.0	25.0	30.0

- (i) Measure announced in November 1991 Economic Statement.
(ii) Measure announced in One Nation.

PURPOSE

The Commonwealth's industry policies seek to encourage the development of internationally competitive industries, both directly by promoting structural change and indirectly by facilitating export and research and development activity.

In the March 1991 Economic Development Statement the Government announced further reductions in the level of assistance and lower protection for the manufacturing sector. In February 1992, the *One Nation* announced additional measures to generate growth and to encourage investment opportunities in industry in the 1990's.

NATURE OF INDUSTRY ASSISTANCE AND DEVELOPMENT OUTLAYS

Assistance to industry includes: bounties and subsidies; price support and adjustment schemes; contributions to research and promotion; and the cost of services to industry provided by some departments and organisations either free of charge or at charges which do not fully recover the costs involved.

Agricultural, forestry and fishing industries account for over half of outlays in 1992-93 (see Chart 1). A large proportion (43.8%) of these outlays are offset by industry contributions through levies, taxes and charges collected by the Commonwealth on industry's behalf. These are classified as revenue (see Part 3 Outcomes and Estimates, Revenue in *Statement 4*,) under 'Other Taxes, Fees and Fines'. Approximately 23% of outlays under the whole function are matched by revenue from primary industries.

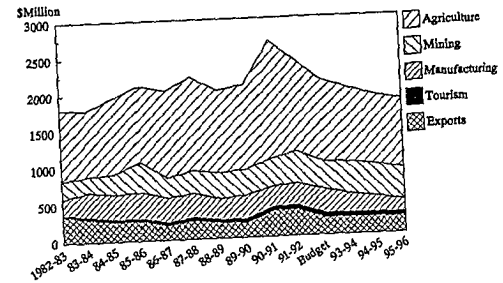
Outlays included in other functions also assist industry. Examples are airports and airway services, roads and shipping subsidies, outlays to maintain or improve the defence capacity of industry and certain outlays by the Commonwealth Scientific and Industrial Research Organisation (CSIRO).

Assistance is also provided to industry through special provisions in the taxation system. Some are of wide application, eg the concessional treatment for tax purposes of expenditure on research and development, while others are industry specific, eg the averaging provisions for income from primary production and the Income Equalisation Deposits Scheme.

TRENDS IN INDUSTRY ASSISTANCE AND DEVELOPMENT OUTLAYS

Between 1982-83 and 1991-92, outlays increased by 34% in real terms. As Chart 2 shows, total outlays are expected to decrease in line with Government policy to phase down protection, reduce disparities in assistance between different industries, and encourage structural change and the flow of resources to those industries with the best international commercial prospects.

Chart 2. Industry Assistance and Development
Composition: Trends and Real Outlays
(1984-85 prices)



Major influences between 1982-83 and 1991-92 include:

- a real increase of 34.0% in outlays in the agricultural, forestry and fishing sectors mainly due to:
 - increased outlays for the wool industry, particularly in 1990-91;
 - steady expansion in outlays under Natural Resources Development and Management; and
 - increased payments to primary producers under the Diesel Fuel Rebate Scheme (DFRS).
- a real increase of 75.8% in outlays in the mining sector mainly as a result of an increase in DFRS payments to mining operators;
- a real increase of 40.7% in the manufacturing sector; however, since 1985-86 outlays have declined;
- a real increase of 322.8% in the tourism sector; and
- a real decline of 2.4% for export assistance due to the winding down of the Export Expansion Grants Scheme, offset in part by the introduction of the Export Market Development Grants Scheme.

Outlays are estimated to decline steadily in real terms by 13.7% over the forward years. Major influences are:

- a reduction in wool industry outlays;
- the phasing out of forestry assistance packages;

- phased reductions in most bounties; and
- reduction in assistance under RAS from 1993-94.

1991-92 OUTCOME

Budget outlays for 1991-92 were \$3651m, \$39m (1.0%) more than the budget estimate.

The major factors leading to this outcome include:

- an increase of \$52.3m in payments for claims and capitalisation under the textile yarn bounty; and
- additional payments of \$5.7m to the Australian Wool Corporation (AWC) and \$27.9m to the Australian Wool Realisation Commission (AWRC).

SUBFUNCTION DETAILS

7B.1 AGRICULTURAL, FORESTRY AND FISHING INDUSTRIES

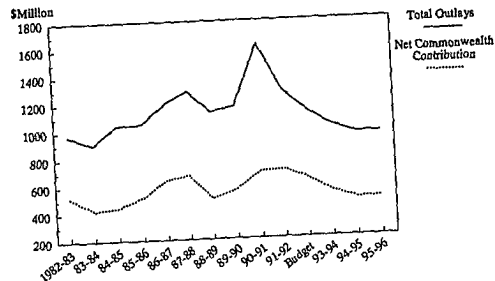
Specific Industries	1991-92		1992-93		1993-94	1994-95	1995-96
	Actual	Budget	Estimate	Estimate	Estimate	Estimate	Estimate
7B.1.1 Wool Industry	\$m 504.0	325.8	303.1	294.5	305.6		
	%	-35.3	-7.0	-2.8	3.8		
7B.1.2 Wheat Industry	\$m 82.7	64.6	56.0	53.3	53.3		
	%	-21.9	-13.3	-4.8	-		
7B.1.3 Dairy Industry	\$m 171.6	154.6	142.1	137.1	136.1		
	%	-9.9	-8.1	-3.5	-0.7		
7B.1.4 Cattle, Sheep and Pig Industries	\$m 181.4	166.4	166.4	163.0	165.0		
	%	-8.2	..	-2.0	1.2		
7B.1.5 Fishing, Horticulture and Other Agricultural Industries	\$m 96.2	100.6	102.2	106.1	106.8		
	%	4.6	1.6	3.8	0.7		
Sub-total	\$m 1035.8	812.0	769.7	754.0	766.8		
	%	-21.6	-5.2	-2.0	1.7		
7B.1.6 General Assistance not Allocated to Specific Industries	\$m 726.0	776.0	718.7	704.0	741.1		
	%	6.9	-7.4	-2.0	5.3		
7B.1.7 Natural Resources Development and Management	\$m 60.2	74.1	77.0	63.3	62.5		
	%	23.0	4.0	-17.8	-1.3		
7B.1.8 General Administration	\$m 105.7	98.8	91.1	89.0	92.5		
	%	-6.6	-7.8	-2.3	3.9		
TOTAL	\$m 1927.7	1760.9	1656.5	1610.3	1662.9		
	%	-8.7	-5.9	-2.8	3.3		

Memo:						
Total revenue (industry contribution) from Agricultural Forestry and Fishing Industries	\$m	849.1	770.4	786.6	806.4	824.7
Payout of trust account balances	\$m	21.3	-	-	-	-
Net Commonwealth contribution	\$m	1057.3	990.5	869.9	803.9	838.2

Assistance to the agricultural, forestry and fishing industries aims to foster more efficient, innovative, adaptable and sustainable primary industries, remove constraints on export performance and improve international competitiveness. Outlays on natural resources management aim to promote the equitable and efficient use of water, soil and forest resources at sustainable levels.

Industry contributions for rural research are matched \$ for \$ by the Commonwealth up to 0.5% of the gross value of production (GVP).

Chart 3. Agricultural, Forestry and Fishing Industries Outlays (a)
(1984-85 prices)



(a) The difference between the total outlays and net Commonwealth contributions represents outlays funded by industry through levies and charges.

Trends

Chart 3 shows total outlays over 1982-83 to 1995-96 for the agricultural, forestry and fishing industries and the net Commonwealth contribution. Peaks in outlays were associated with wheat underwriting payments (1987-88) and wool industry payments (1990-91).

Outlays have also increased due to growth in research, promotion and marketing in rural industries; increased Commonwealth involvement in quarantine and inspection; and growth in assistance for development and management of natural resources.

Estimated outlays for 1992-93 represent a real decrease of 11.5% on the 1991-92 outcome. This decrease is mainly due to a reduction in wool industry outlays reflecting reduced industry contributions and the ending of the Supplementary Payments Scheme.

Over the forward years, outlays are estimated to show a real reduction of 15.4%. This reflects:

- a reduction in wool industry outlays;
- the phasing out of forestry assistance packages; and
- reduction in assistance under RAS from 1993-94.

7B.1.1 Wool Industry

Memo:	1991-92	1992-93	1993-94	1994-95	1995-96
	Actual	Budget	Estimate	Estimate	Estimate
Total outlays	\$m 504.0	325.8	303.1	294.5	305.6
Proceeds of industry levies	\$m 359.9	262.9	267.6	278.3	288.7
Net Commonwealth contribution	\$m 144.1	62.9	35.5	16.2	16.9

Total outlays on wool have fallen from \$1148.1m in 1990-91, when the wool stockpile and associated debt peaked, to an estimated \$325.8m in 1992-93.

For 1992-93, the wool levy has been reduced from 12% to an effective rate of 8.5%, of which 4.5 percentage points (\$139.2m) will go to the AWRC to help manage and pay out the industry's debt; 3.5 percentage points (\$108.2m) to the AWC for wool promotion and marketing; and 0.5 percentage points (\$15.5m) to the Wool Research and Development Corporation (WRDC).

The Commonwealth will provide a grant of \$22.5m to the AWRC to assist in managing a reduction in debt; \$25m to the AWC for wool promotion by the International Wool Secretariat; and will match WRDC expenditure on a \$ for \$ basis (\$15.5m). Commonwealth Government funding for wool promotion will cease at the end of 1993-94.

7B.1.2 Wheat Industry

Memo:	1991-92	1992-93	1993-94	1994-95	1995-96
	Actual	Budget	Estimate	Estimate	Estimate
Total outlays	\$m 82.7	64.6	56.0	53.3	53.3
Proceeds of industry levies	\$m 39.2	50.5	43.2	43.2	43.2
Net Commonwealth contribution	\$m 43.5	14.1	12.8	10.1	10.1

Industry arrangements provide for collection of a levy on the net sales value of wheat. Part of the levy (\$33.7m in 1992-93) is paid to the Wheat Industry Fund to finance certain insurance guarantees or trading activities by the Australian Wheat Board; the remainder funds research activity (\$16.8m). The Commonwealth currently matches industry contributions to research on a \$ for \$ basis up to 0.5% of GVP (\$10.1m in 1992-93). The balance of the Commonwealth's underwriting liability in respect of the 1986-87 wheat pool (\$1m) is expected to be paid in 1992-93.

Outlays under this heading are estimated to decline by 21.9% in 1992-93, as a result of a one-off compensation payment of \$31m in 1991-92 to the wheat industry in relation to sanctions against Iraq.

7B.1.3 Dairy Industry

Memo:	1991-92	1992-93	1993-94	1994-95	1995-96
	Actual	Budget	Estimate	Estimate	Estimate
Total outlays	\$m 171.6	154.6	142.1	137.1	136.1
Proceeds of industry levies	\$m 144.1	150.1	138.1	133.1	132.1
Net Commonwealth contribution	\$m 27.5	4.5	4.0	4.0	4.0

New dairy marketing arrangements took effect from 1 July 1992. Key features of this dairy industry strategy include the continuation of Commonwealth assistance for manufacturing milk, with market support payments to be reduced from 22% to 10% by

30 June 2000 (after which assistance will cease) and the termination of Commonwealth financial assistance for dairy underwriting from 30 June 1992.

Under the previous dairy arrangements, an underwriting payment of \$22m was made in 1991-92 and a payment of \$0.5m is expected to be made in 1992-93.

Outlays for dairy promotion and the Australian Dairy Corporation administrative costs (\$18m) and research (\$5.0m) are primarily financed through a levy on the milkfat content of all whole-milk and whole-milk products. The industry contribution to research is matched \$ for \$ by the Commonwealth (\$5m).

7B.1.4 Cattle, Sheep and Pig Industries

Memo:	1991-92	1992-93	1993-94	1994-95	1995-96
	Actual	Budget	Estimate	Estimate	Estimate
Total outlays	\$m 181.4	166.4	166.4	163.0	165.0
Proceeds of industry levies	\$m 149.6	127.1	133.3	134.8	137.7
Net Commonwealth contribution	\$m 31.8	39.3	33.1	28.2	27.3

Industry will contribute \$22.8m to the Meat Research Corporation and \$2.7m to the Pig Research and Development Corporation in 1992-93. Industry funds are matched \$ for \$ by the Commonwealth.

The Commonwealth will also make payments of some \$93.1m, fully funded by industry levies, to the Australian Pork Corporation and to the Australian Meat and Livestock Corporation for promotion, administrative and operational expenses.

The costs of the Bovine Brucellosis and Tuberculosis Eradication Campaign are funded on the basis of 20% Commonwealth (\$7m in 1992-93), 30% State/Territory and 50% industry contributions. Australia was declared brucellosis free in 1989, and is expected to be declared impending free of tuberculosis by December 1992 and free of tuberculosis by December 1997. Provision has been made in the forward estimates for a Commonwealth contribution of \$16.5m in the period 1992-93 to 1997-98.

7B.1.5 Fishing, Horticulture and Other Agricultural Industries

	1991-92	1992-93	1993-94	1994-95	1995-96
	Actual	Budget	Estimate	Estimate	Estimate
Fishing Industry	\$m 40.1	33.5	33.9	34.7	34.1
	%	-16.6	1.1	2.4	-1.6
Horticulture and Other	\$m 56.0	67.1	68.3	71.4	72.7
Agricultural Industries	%	19.8	1.8	4.5	1.8
TOTAL	\$m 96.2	100.6	102.2	106.1	106.8
	%	4.6	1.6	3.8	0.7

Memo:	1991-92	1992-93	1993-94	1994-95	1995-96
	Actual	Budget	Estimate	Estimate	Estimate
Fishing Industry					
Proceeds of industry levies	\$m 7.9	8.8	10.1	11.9	11.9
Payout of trust account balances	\$m 18.3	-	-	-	-
Net Commonwealth contribution	\$m 13.9	24.7	23.8	22.8	22.2
Horticulture and Other Agricultural Industries					
Proceeds of industry levies	\$m 22.7	31.0	33.0	36.2	36.9
Payout of trust account balances	\$m 3.0	-	-	-	-
Net Commonwealth contribution	\$m 30.3	36.1	35.3	35.2	35.8

Fishing Industry

Estimates include funding for the Australian Fisheries Management Authority (AFMA) and fisheries research. The balances of fisheries research and adjustment trust accounts were transferred in 1991-92 to AFMA and the Fisheries Research and Development Corporation.

Horticultural and Other Agricultural Industries

Industry levies fully pay for the activities of the Australian Wine and Brandy Corporation (\$1.1m) and the Australian Tobacco Marketing Advisory Committee (\$0.4m). The Australian Horticultural Corporation is funded both by industry (\$6.7m) and the Commonwealth (\$2.5m). Industry outlays for research in respect of horticultural, barley, cotton, grain legumes, oilseeds, poultry, sugar, tobacco and other smaller industries (\$22.5m) are matched \$ for \$ by the Commonwealth.

7B.1.6 General Assistance not Allocated to Specific Industries

	1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Rural Adjustment	\$m 138.6	148.6	60.9	17.6	11.4
Quarantine and Inspection Services	\$m 172.5	177.2	168.0	157.5	160.5
Diesel Fuel Rebate Scheme	\$m 408.1	438.8	478.0	519.5	564.5
Other	\$m 6.8	11.4	11.8	9.5	4.7
TOTAL	\$m 726.0	776.0	718.7	704.0	741.1
	%	6.9	-7.4	-2.0	5.3
Memo:					
Proceeds of quarantine and inspection charges	\$m 122.3	134.6	149.2	154.4	159.7
Net Commonwealth contribution	\$m 603.7	641.4	569.5	549.6	581.4

Rural Adjustment

The Commonwealth provides assistance in the form of interest subsidies, loans and/or grants under RAS to farmers experiencing financial difficulties arising from circumstances beyond their control. RAS funding of \$166.5m will be provided in 1992-93 compared with expenditure of \$157.3m in 1991-92 (partially offset by existing loan repayments). Within the increased amount for 1992-93, the Commonwealth will be seeking an agreement from the States to a restructuring of the RAS and acceptance of a National Drought Policy. The effect of the agreement will be that in 1992-93 an additional \$31m will be available for Debt Reconstruction with Interest Subsidy (DRIS) of which \$14m will be provided to meet extreme drought circumstances in NSW and Qld. Some \$6m will be available in 1992-93 for the continuation of the Crop Planting Scheme announced in *One Nation*.

Quarantine and Inspection Service

The Australian Quarantine and Inspection Service (AQIS) conducts inspection and certification services mainly for exports of animals, animal products, plants and plant

products, the importing of these items, and the quarantine surveillance of arriving vessels, persons and goods. Following a 1991 review of organisational arrangements, AQIS will operate via a Trust Account from 1 July 1993. The imported food inspection capacity of AQIS is to be expanded on a fully cost-recovered basis.

Diesel Fuel Rebate Scheme - Primary Production

Outlays will increase during the forward years due to expected increases in fuel consumption and excise rates which are indexed in line with inflation by the Consumer Price Index. The current rebate rate for primary producers is 26.0 cents per litre, which is equal to the excise rate.

Other

The Commonwealth is providing total additional funding of \$3.3m for: the Primary Industries Marketing Skills Program; improved access to education, training and services in rural areas; and improved information for rural Australians on Commonwealth programs. The Commonwealth meets up to half the costs of rural counsellors employed by appropriate non-profit organisations (increased funding of \$0.8m per annum was provided in *One Nation*). An additional \$1.4m will be provided to Aboriginal and Torres Strait Islander communities for development and enhancement of the use of their rural resources.

7B.1.7 Natural Resources Development and Management

This classification covers water, forestry and land management programs including the National Soil Conservation Program, the Federal Water Resources Assistance Program, forestry development and adjustment programs and the activities of the Land and Water Research and Development Corporation.

In recognition of the importance of sustainable development objectives and the clear links between land, water and forest management, these natural resource programs are to be integrated within a single National Landcare Program in 1992-93. Long term strategic plans will guide actions under three principal program components:

- assistance for community landcare projects;
- a Commonwealth-State partnership component (based on agreed business plans); and
- a Commonwealth initiatives component.

Funding for new initiatives totalling \$5.2m will be provided in 1992-93 to enhance sustainable land and forest management in key regions, with further increases in funding of \$5.1m in 1993-94 and \$5.6m in 1994-95 and 1995-96.

Total outlays for natural resource development and management increased to \$74.1m in 1992-93 (\$60.2m in 1991-92). Outlays are \$77m in 1993-94; \$63.3m in 1994-95 and \$62.5m in 1995-96. The reduction in outlays towards the end of the forward estimates period reflects the completion of forestry adjustment programs.

7B.1.8 General Administration

This includes running costs for those parts of the Department of Primary Industries and Energy (DPIE) involved in the agriculture, forestry and fishing industries. Also included are the costs of the Australian Plague Locust Commission, analytical testing and

payments by the DPIE to CSIRO to meet half the operating and capital costs of the Australian Animal Health Laboratory.

A National Registration Scheme for agricultural and veterinary chemicals began on 1 July 1992. A statutory authority, the National Registration Authority for Agricultural and Veterinary Chemicals, will be established to undertake Commonwealth responsibilities in this area.

7B.2 MINING AND ENERGY

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Specific Industries						
Minerals	\$m	0.6	0.8	0.5	0.5	0.6
	%		30.7	-32.7	3.5	3.5
Coal	\$m	16.1	10.0	0.6	0.6	0.6
	%		-38.1	-94.1	3.4	3.4
Petroleum and Gas	\$m	63.7	3.3	3.3	3.3	3.3
	%		-94.8	1.6	-	-
Electricity	\$m	8.0	-39.1	43.8	18.8	-6.2
	%		na	-212.1	-57.1	-133.0
Sub-total	\$m	88.4	-25.1	48.2	23.3	-1.7
	%		-128.3	na	-51.7	-107.2
General Assistance	\$m	485.3	522.1	568.8	618.1	671.7
Diesel Fuel Rebate Scheme	%		7.6	8.9	8.7	8.7
Energy Research and Conservation	\$m	16.5	21.2	20.3	19.1	19.5
	%		28.4	-4.3	-5.7	2.1
Other General Assistance	\$m	69.7	70.2	73.8	73.0	74.0
	%		0.7	5.2	-1.1	1.4
Sub-total	\$m	571.5	613.4	662.8	710.1	765.2
	%		7.3	8.1	7.1	7.7
TOTAL	\$m	659.9	588.3	711.0	733.4	763.5
	%		-10.8	20.9	3.1	4.1

The Commonwealth provides assistance for the development of mining and energy through grants and subsidies, direct project involvement and the supply of services. Assistance is aimed at improving efficiency and competitiveness.

Specific Industries

Minerals

Outlays relate principally to the Commonwealth's membership of international mineral commodity organisations.

Coal

As part of the 1991-92 coal industry reform package, the Joint Coal Board (JCB) was restructured and its functions reduced. The JCB will now be self funded; however, the Commonwealth and NSW will each contribute \$0.5m in 1992-93 towards the cost of redundancies. In addition, responsibility for coal research is to be transferred from the Commonwealth to the coal industry.

In 1991-92 outlays from the Coal Research Trust Account were \$13.9m. The balance of the Trust Account (\$7.9m) is to be transferred to Australian Coal Research Limited in 1992-93.

Petroleum and Gas

A final payment of \$60m was made to Victoria in 1991-92 to ameliorate gas price increases associated with the application of the Resource Rent tax to Bass Strait oil and gas production.

Other outlays reflect payments to the States for fees collected on their behalf and administration, together with principal repayments received, on a loan made to the Timor Gap Joint Authority.

Electricity

Subject to agreement with the relevant States on a timetable for the development of the National Grid Corporation and the separation of transmission assets to form part of the Corporation, the Commonwealth will contribute \$100m over three years towards upgrading the existing transmission links between NSW, Victoria and SA.

Outlays in 1992-93 also include the final \$10m payment of a subsidy to the NT for electricity generation. Also included are repayments of principal advanced for construction of power generating facilities, notably the Snowy Mountains Scheme and a special payment of \$65m to extinguish the outstanding amount on the Gladstone power station loan. (Interest receipts on these advances are classified as revenue and are included in *Statement 4* as non-tax revenue).

General Assistance

Diesel Fuel Rebate Scheme - Mining

This Scheme provides for an excise rebate on diesel fuel used off-road in mining operations. The excise on diesel fuel is currently 26.0 cents per litre of which mining operators receive a rebate of 23.6 cents per litre.

The DFRS eligibility is to be extended in respect of certain shipping activities associated with mining operations.

Energy Research and Conservation

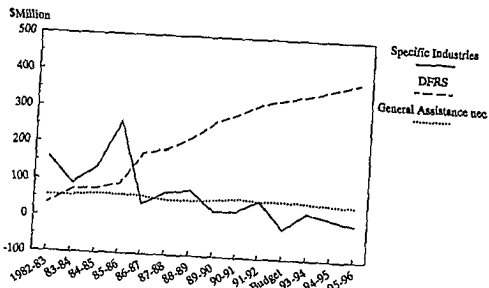
Outlays comprise Commonwealth contributions to the Energy Research and Development Corporation (\$11.7m in 1992-93) and funding of the Commonwealth Energy Management Program (CEMP) which promote the development and use of efficient energy sources, technologies and practices. Funding of \$7.2m has been provided for CEMP in 1992-93 plus a further \$2.5m for demonstration programs of renewable energy technologies. Such measures are important elements of the Government's approach to ecologically sustainable development and climate change.

Other General Assistance

Outlays under this heading relate principally to the staffing and operating costs of the Bureau of Mineral Resources, Geology and Geophysics and other parts of DPIE which

provide research, advice and administrative support for programs and activities relating to the mining and energy sector.

Chart 4. Mining and Energy Industries
(1984-85 prices)



Trends

This subfunction is dominated by payments to operators in the mining and energy sector under the DFRS which has operated since 1982-83 (see Chart 4). The upward trend reflects the combined effect of growth in mining sector activity, broadening of the eligibility base and increases in excise rates applying to diesel fuel.

Assistance to specific industries has declined since 1985-86. This mainly reflects the operation and subsequent winding up of the Bass Strait Freight Adjustment Scheme; a special payment of \$124.8m in 1985-86 to oil refiners to compensate for financial losses associated with the import parity pricing regime; and Commonwealth contributions under the NSW Coal Freight Rate Efficiency Scheme in 1988-89. The growth in outlays in 1991-92 is on account of a one-off payment of \$60m to Victoria to ameliorate gas price increases in that State, arising from the application of the Resource Rent Tax to Bass Strait producers of oil and gas. The sharp fall in Budget outlays for specific industries reflects the impact of an agreement between the Commonwealth and Queensland governments to conclude the Gladstone power station loan agreement with a one-off payment to the Commonwealth of \$65m.

7B.3 MANUFACTURING INDUSTRY

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Sector Specific Assistance						
Textiles, Clothing and Footwear	\$m	113.0	141.7	48.4	36.3	3.6
	%		25.4	-65.8	-25.1	-90.1
Shipbuilding	\$m	24.4	30.1	20.6	18.8	5.2
	%		23.5	-31.6	-8.7	-72.4
Printing and Photographic Film	\$m	33.5	32.3	14.4	7.4	-
	%		-3.7	-55.4	-48.3	-100.0
Information Technology	\$m	81.4	79.5	61.3	48.8	51.3
	%		-2.4	-22.9	-20.3	5.1
Engineering and Machinery	\$m	22.8	10.9	7.8	6.1	3.9
	%		-52.2	-29.0	-20.9	-37.1
Automotive	\$m	3.3	1.2	1.1	1.1	1.1
	%		-62.9	-7.9	-1.1	2.1
Pharmaceutical and Food	\$m	27.0	67.9	125.0	141.1	153.1
	%		151.7	84.0	12.9	8.5
Sub-total	\$m	305.5	363.6	278.5	259.6	218.2
	%		19.0	-23.4	-6.8	-16.0
General Assistance						
Industrial Research and Development	\$m	40.0	45.8	39.7	34.1	18.9
	%		14.5	-13.2	-14.0	-44.6
Industry Services	\$m	32.0	31.8	30.2	20.7	0.3
	%		-0.6	-5.1	-31.4	-98.5
Other Assistance to Manufacturing	\$m	78.0	77.9	81.0	68.4	61.7
	%		-0.2	4.0	-15.6	-9.8
Sub-total	\$m	150.0	155.5	150.9	123.2	80.9
	%		3.6	-2.9	-18.4	-34.3
TOTAL	\$m	455.4	519.1	429.4	382.8	299.1
	%		14.0	-17.3	-10.9	-21.9

Assistance to the manufacturing industry aims to foster international competitiveness, export orientation and structural adjustment including the promotion of managerial efficiency and industry research and development.

Assistance comprises bounties, subsidies and other assistance targeted to specific sectors, as well as general programs such as the Grants for Industry Research and Development Scheme (GIRD) and the National Industry Extension Service (NIES).

Sector Specific Assistance

Textiles, Clothing and Footwear

The TCF industry receives assistance through a range of measures including tariffs, grants and bounties. Assistance to the industry is provided under the auspices of the TCF Plan which is administered by the TCF Development Authority (TCFDA).

It was announced in the *March 1991 Economic Development Statement* that the TCF Plan would be extended from 1995 to the year 2000. During this period, the level of tariff protection for the industry would be reduced. An import credit scheme was introduced to encourage export orientation in the industry and complementary schemes under the TCF Industry Development Strategy (IDS) were expanded to facilitate

industry restructuring and international competitiveness in existing firms, as well as internationally competitive green field investments.

One Nation provided additional funds for the IDS of \$51m between 1991-92 to 1994-95 and a decision has been taken in the 1992-93 Budget context to increase this by a further \$31m, taking total expenditure over remainder of the program to \$126m. The strategy assists restructuring and the promotion of adjustment processes in response to the phase-down of tariffs and quotas.

Producers eligible for the textile yarn bounty are permitted to capitalise bounty receipts. Bounty capitalisation payments are estimated to cost \$25.7m in 1992-93, and will be offset by estimated savings of \$34m in the forward years.

Shipbuilding

Assistance is provided through the shipbuilding bounty for the domestic construction of vessels exceeding 150 tonnes under the *Bounty (Ships) Act 1989*. Outlays for 1992-93 are estimated at \$30m. Falling outlays over the forward years reflect reductions in bounty rates: 10% of value added to June 1993 and 5% to June 1995 when the bounty expires.

Printing and Photographic Film

Assistance to the printing industry is provided through the book bounty which expires in December 1993. Outlays for 1992-93 are estimated at \$26m. The Industry Commission is currently reviewing the future of the bounty.

In 1989-90, bounty assistance was provided for the production of sensitised photographic film. Outlays will be \$6m in 1992-93. The bounty expires in June 1993.

Information Technology

Bounty assistance to the information technology industry is provided through the computer bounty. In 1991, the bounty was widened to include printed circuit boards. The bounty expires in December 1995. In 1992 bounty eligibility will be tightened. This is estimated to save \$13m in 1992-93 and \$40m over the forward years.

A Telecommunications Industry Development Authority has been formed to advise the Government on the overall effectiveness of telecommunication carriers, equipment and service suppliers in meeting the Government's objectives for the development of the industry.

An Information Technology Development Program (ITDP) has been introduced to foster improved access to, and uptake of Information Technology (IT) applications and encourage investment in IT innovations and development. Funding for the ITDP will be \$0.5m in 1992-93 and for each of the forward years.

Engineering and Machinery

Bounty assistance is provided on local production of machine tools and robots with rates phasing down from 24% to 5% over the period June 1991 to June 1996. Outlays are estimated at \$9m in 1992-93.

The Advanced Manufacturing Technology Development Program (AMTDP) encourages firms to develop indigenous manufacturing technology products and systems. \$20m is provided over seven years (\$3m in 1992-93).

Automotive

The Automotive Industry Plan aims to improve the efficiency and international competitiveness of the industry primarily through the lowering of protection for the industry to a customs tariff of 15% by the year 2000.

Budgetary assistance is provided through the Motor Vehicles and Components Development Grants Scheme which terminates in December 1992.

Pharmaceutical and Food

Assistance is provided to the pharmaceutical industry to increase the level of domestic activities in production, research and development, and exports. The assistance, known as the Pharmaceutical Industry Development Program (Factor F Program), is provided in the form of a price premium paid by the Government for certain pharmaceutical products.

The program ceased receiving applications for new entrants in May 1991 under the scheme introduced in 1986. A revised scheme was announced on 31 March 1992 with funding of up to \$820m over the period 1992-93 to 1998-99. It is to be reviewed in 1997.

A new Agri-Food Industry initiative to enhance competitiveness and export performance in the food and food processing industries was announced by the Minister for Industry, Technology and Commerce and the Minister for Primary Industries and Energy on 19 July 1992. Of the \$3.7m provided to support this initiative in 1992-93, \$1.9m is included under this heading mainly for an Agri-Food Council, and workplace reform and training.

General Assistance

Industrial Research and Development

Industrial research and development (R&D) is encouraged by the GIRD Scheme and the tax concession on R&D expenditure (see *Statement 4*).

The GIRD Scheme is administered by the Industry Research and Development Board. Funding beyond 1994 will be subject to an Industry Commission review in 1993 of the effectiveness of the scheme. \$32m has been appropriated for the scheme in 1992-93.

The *March 1991 Economic Development Statement* announced that the R&D tax concession would be made a permanent feature of the *Income Tax Assessment Act 1936*.

Industry Services

NIES is a joint Commonwealth-State venture offering advisory and referral services and subsidy assistance to small and medium sized firms in manufacturing industry to improve business efficiency and international competitiveness.

An estimated \$5.3m will be paid by the Commonwealth under NIES in 1992-93 and a further \$11m will be paid to the States and Territories. Funding beyond June 1995 will

depend on an evaluation of the scheme's effectiveness by the Industry Commission in 1993.

The Government is providing assistance for an Industry Development Centre at Newcastle to provide targeted and practical advice and assistance to the broad range of industry in the Hunter region.

The Government will continue its support for (1992-93 outlays in parenthesis):

- the Multi-Function Polis (\$2m);
- the Small and Medium Enterprise Development Program (\$7.8m);
- the Building Regulatory Reform Program (\$2.8m); and
- the Business Advisors for Rural Areas Program and the Rural Industries Business Extension Service to facilitate rural and regional development (outlays will be \$2.7m and \$1.8m respectively).

Other Assistance to Manufacturing

The Investment Promotion Program which commenced in 1987-88 and was designed to attract foreign investment into the manufacturing and service sector, has been extended for a further two years to 1994-95 with funding of \$5.2m in 1993-94 and 1994-95.

Other outlays consist mainly of administrative costs associated with the Department of Industry, Technology and Commerce.

Trends

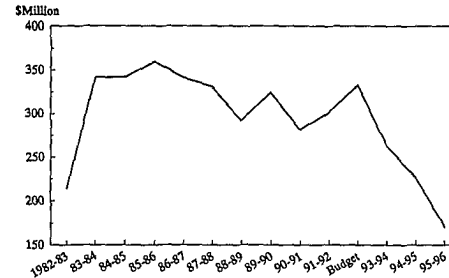
Outlays in 1991-92 to the manufacturing industry were 40.7% higher in real terms compared with 1982-83 (see Chart 5).

The major increase in assistance in 1983-84 was due to financial restructuring of the Australian Industry Development Corporation.

Outlays peaked in 1985-86 mainly due to the introduction of budgetary assistance for specific industries:

- the shipbuilding and textile yarns bounties in 1981-82;
- the steel mill products bounty in 1984-85; and
- the computer bounty and the Motor Vehicles and Components Development Grants Scheme in 1985-86.

**Chart 5. Assistance to Manufacturing
(1984-85 prices)**



After 1985-86, there was a real decline in outlays due to reductions in general industry assistance and cessation of the steel industry plan. 1989-90 was an exception to this trend, mainly as a result of a sharp increase in assistance to the TCF industry in that year through the textile yarns bounty.

For 1992-93, outlays show a real increase of 10.5% on the 1991-92 outcome. The increase in outlays is to support enhancements in the TCF Industry Plan (mainly the IDS) and the Pharmaceutical Industry Development Program. Over the forward years, outlays for total manufacturing industry assistance are projected to decline by 48.4% in real terms.

Assistance to specific sectors will generally decrease over the forward years mainly reflecting reductions in outlays for bounties (consistent with the decline in tariff protection to manufacturing industry generally). Assistance to the TCF industry is expected to decrease in real terms by 97.7% from a peak in 1992-93; the shipbuilding industry by 84.5%; the printing and photographic film industry by 100%; the information technology industry by 42.2%; and the engineering and machinery industry by 68.4%. However, it is estimated that outlays for the pharmaceutical and food industry will increase in real terms by 101.8%.

General assistance programs will also decrease over the forward years, mainly reflecting a reduction in outlays for the Small and Medium Enterprise Development Program, the winding down of existing funding approved for NIES and the phasing down of several programs now under the Industry Innovation Program.

7.B.4 TOURISM INDUSTRY

Tourism assistance aims to optimise the contribution of overseas and domestic tourism to the economy while taking account of broader social and environmental policy objectives.

Tourism functions were transferred to a newly created Department of Tourism during 1991-92 with additional policy development and research capacity, increasing outlays by \$4.0m in 1991-92 and by \$5.7m in the forward years.

Approximately 88% of budgetary assistance to the industry is provided to the Australian Tourist Commission (ATC) to promote Australia overseas as a tourist destination. The ATC has a total budget of over \$100m in 1992-93, including more than \$23m (30%) from industry contributions for joint promotional activities.

Commonwealth assistance for tourism has increased from \$10.8m in 1982-83 to \$78.2m in 1991-92, a real increase of over 322.8% in the last decade.

7B.5 ASSISTANCE TO EXPORTERS

	1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Export Development Schemes	\$m 165.0	178.3	219.4	215.0	220.0
	%	8.1	23.1	-2.0	2.3
Export and Trade Promotion	\$m 110.2	119.4	120.3	120.8	117.1
	%	8.4	0.7	0.4	-3.1
Export Finance Facility	\$m 10.9	12.1	13.1	13.3	14.0
	%	11.2	8.1	1.2	5.6
National Interest Export Business	\$m 243.7	46.4	18.8	32.2	31.6
	%	-81.0	-59.4	71.0	-1.7
TOTAL	\$m 529.8	356.2	371.6	381.3	382.8
	%	-22.8	4.3	2.6	0.4

The purpose of Commonwealth assistance to exporters is to promote a greater level of export orientation for Australian industry by: providing direct financial assistance in developing export markets; providing information and promotional assistance; developing trade policy; and providing finance and insurance services including concessional export finance.

Most outlays relating to general export strategies are shown under this subfunction. Outlays related to improving the export performance of specific industries are included under the subfunctions which cover those industries.

Export Development Schemes

The Export Market Development Grants Scheme (EMDGS) is the Government's principal export market development scheme and is administered by the Australian Trade Commission (AUSTRADE).

The Scheme aims to encourage small to medium sized Australian exporters to develop overseas markets for goods, certain services, industrial property rights and Australian expertise. EMDGS targets new exporters demonstrating substantial commitment to export development.

The Government has decided to extend EMDGS eligibility so that firms which have already received support up to the current eight years limit will be entitled to assistance for a further three years if they enter new export markets. Funding will be for three years, \$20m in 1993-94 rising to \$30m in 1995-96, with the effectiveness of this new eligibility being reviewed before the 1996-97 Budget.

Payments under the EMDGS are estimated to be \$148m in 1992-93. Other grants for export enhancement are provided under the International Trade Enhancement Scheme (\$22.6m in 1992-93), the Innovative Agricultural Marketing Program and the Asia-Pacific Fellowships Scheme.

Export and Trade Promotion

This comprises the running and operational costs of AUSTRADE, the development of trade policy and oversight of trade issues by the Department of Foreign Affairs and Trade and agri-food export marketing initiatives of DPIE, including \$1.5m in 1992-93 for a Clean Food Export Strategy.

AUSTRADE provides assistance to Australian companies through export incentives, trade missions, market intelligence, and funding for feasibility plans. AUSTRADE also has responsibility for raising the export profile of Australian industry through increasing local awareness of export opportunities.

Following the 1990 McKinsey Review of AUSTRADE, increased emphasis has been given to increasing Australia's trading links with Asia. In *One Nation* an additional \$5m a year from 1992-93 to 1994-95 was allocated to strengthen AUSTRADE's international network, particularly in the Asia-Pacific region.

Export Finance Facility

The Export Finance and Insurance Corporation (EFIC) provides loans and insurance to support Australian produced exports. EFIC borrows on the commercial market and lends to eligible participants, often at subsidised rates of interest, in accordance with the Organisation for Economic Co-operation and Development's Guidelines for Officially Supported Export Credits. Any shortfall between EFIC's borrowing rates and the concessional lending rates is met by a subsidy payment from the Commonwealth to EFIC.

During 1991-92, EFIC's new lending commitments amounted to \$183m. Of this, projects involving loans worth \$130m were also supported by aid grants under the Development Import Finance Facility administered by the Australian International Development Assistance Bureau (see 8C. *Foreign Affairs and Overseas Aid*).

National Interest Export Business

Some export finance proposals considered by the Government to be in the national interest are administered by EFIC on behalf of the Commonwealth. Premiums and fees for National Interest business are remitted to the Commonwealth which bears liability for payouts on insurance claims and defaults by borrowers.

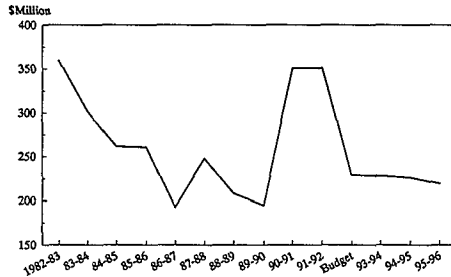
When payouts are required on National Interest business, as an alternative to immediate payouts from the Budget, the Government may authorise EFIC to borrow under the provisions of the *Export Finance and Insurance Corporation Act 1991* to pay such claims. In these circumstances, the Commonwealth is liable to reimburse EFIC's borrowing costs and to repay the borrowings should EFIC not be able to recover the debts.

In 1991-92, \$249m was paid on insurance claims in respect of Iraqi wheat debts and a further \$36m is likely to be paid in 1992-93. There is also estimated to be approximately \$13m of interest due on EFIC borrowings to fund insurance claims on trade credit

defaults by the former Soviet Union and \$4.6m in respect of the interest shortfall on rescheduled Egyptian wheat debt. Remittances of National Interest premiums and fees to the Commonwealth are estimated at \$7.3m in 1992-93.

A new \$100m National Interest facility will be introduced in 1992-93 to assist exporters requiring finance for working capital. The facility will be administered by EFIC and will offer guarantees to banks providing pre-shipment finance to Australian exporters of capital goods and services. There will be no cost to the Budget unless defaults occur.

Chart 6. Assistance to Exporters
(1984-85 prices)



Trends

As shown in Chart 6, between 1982-83 and 1989-90, outlays declined by 45.7% in real terms, mainly due to the decline in outlays for Export Development Schemes. Outlays declined from 1982-83 to 1984-85 largely due to the winding down of the Export Expansion Grants Scheme. Funding of the related EMDGS peaked in 1985-86 and then declined reflecting improved targeting.

The substantial increase in assistance to exporters in 1990-91 and 1991-92 compared with 1989-90 largely reflects payment of insurance claims in respect of Iraqi wheat debts.

7C. LABOUR AND EMPLOYMENT

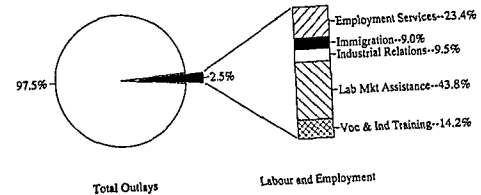
OVERVIEW

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
7C.1	Vocational and Industry Training	\$m 199.5 % 387.8	194.4 387.8	239.4 -22.8	220.4 -26.4	211.3 -4.1
7C.2	Labour Market Assistance to Jobseekers and Industry	\$m 694.0 % 72.3	1195.5 258.6	1170.5 -2.1	944.0 -19.3	640.4 -32.2
7C.3	Industrial Relations	\$m 215.2 % 20.2	258.6 20.2	258.9 0.1	246.0 -5.0	199.9 -18.7
7C.4	Immigration	\$m 212.0 % 16.1	246.1 16.1	260.7 5.9	248.6 -4.6	237.3 -4.5
7C.5	Employment Services	\$m 515.5 % 23.9	638.7 23.9	632.4 -1.0	591.6 -6.5	582.3 -1.6
TOTAL		\$m 1836.1 % 48.5	2726.7 48.5	2621.9 -3.8	2250.6 -14.2	1871.2 -16.9

The above budget and forward estimates make no allowance for Commonwealth sector wage and salary increases which occur within each year. Provision is included in 9C. Contingency Reserve.

- Outlays on Labour and Employment are expected to increase by \$890.6m or 48.5% (43.8% in real terms) in 1992-93:
— a real decrease of 7.7% is expected in 1993-94, followed by more pronounced decreases over the remainder of the forward years (17.1% in 1994-95 and 19.7% in 1995-96).

Chart 1. Labour and Employment Proportion of
Total Outlays and Function 1992-93



- As illustrated in Chart 1, outlays on Labour and Employment are forecast to account for 2.5% of total outlays in 1992-93, an increase of 0.8 percentage points from 1991-92.
- The main sources of growth in 1992-93 are:
 - an estimated increase of \$188.3m (88.3% real growth) for Vocational and Industry Training, reflecting measures to increase recruitment of apprentices and trainees and the implementation of the Australian Vocational Certificate training system; and
 - an estimated increase of \$501.5m in Labour Market Assistance to Jobseekers and Industry (66.9% real growth) as a result of labour market program initiatives included in the July 1992 Youth Package and further measures announced in this Budget as part of the Employment Statement.
- The expected decline in outlays over the forward years is primarily due to anticipated reductions in both these areas as employment prospects improve.

MEASURES TABLE

Description of measure	Effect on Outlays			
	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
Vocational and Industry Training				
Reallocation of entry level training programs (i)	-36.8	-11.4	-	-
Accelerated development of National Competency Standards	1.4	-	-	-
Additional first year apprentice incentive - CRAFT (ii)	13.2	-	-	-
Australian Traineeship Scheme - Increased first year trainee incentive (ii)	6.8	-	-	-
Continuation of measures to assist unemployed and 'at risk' second year apprentices (ii)	10.4	1.2	-	-
Assistance to 'at risk' second year apprentices (ii)	3.9	-	-	-
Assistance to group training schemes (ii)	3.2	0.9	-	-
Continuation of pre-vocational training places (ii)	40.0	-	-	-
Career Start and Australian Vocational Certificate pilot trainees (iii)	34.2	21.1	1.0	-
Increased Traineeship incentive (iii)	11.0	3.5	-	-
Extension of apprenticeship and traineeship recruitment incentives (iii)	10.1	10.1	-	1.5
Special incentive payments for Group Training apprentices (iii)	20.3	8.8	-	3.8
Increased ATS trainees in the APS - DEET component (iii)	7.7	-	-	-
Pre-vocational courses for full-time students (iii)	20.1	21.0	-	-
Implementation of Australian Vocational Certificate Training System (iii)	12.6	17.4	11.1	-
Pilot sponsorship of local industry/education network committees (iii)	1.2	0.7	-	-
Adult and Community Education	0.7	0.7	0.7	0.7
Training surveys	2.0	2.3	1.0	-
Labour Market Programs				
Aboriginal Language and Literacy Strategies - Offsets from Training for Aboriginals Program	-2.6	-5.4	-5.5	-5.7

Description of measure	Effect on Outlays			
	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
Council for Aboriginal Reconciliation - Offsets from Training for Aboriginals Program	-3.2	-4.1	-4.2	-4.3
Review of Textile, Clothing and Footwear Labour Adjustment Package	0.2	0.2	0.2	-
Extension of revegetation projects in the Queensland Wet Tropics World Heritage area	1.7	1.3	-	-
SkillShare salary supplementation	12.3	11.0	10.5	10.7
Additional training places and job subsidies under labour market programs (i)	123.6	2.6	-	-
Additional JOBSKILLS places (ii)	30.0	15.0	-	-
Additional training and job subsidy places under the Employment Access Program (ii)	59.9	30.2	-	-
Additional places under the New Enterprise Incentive Scheme (ii)	14.5	6.2	-	-
Office of Labour Market Adjustment - Regional employment initiatives (ii)	6.0	4.0	-	-
Accredited Training and JOBSTART card for long-term unemployed young people (iii)	70.2	127.8	49.2	-
Increased funds for youth counselling services (iii)	2.2	1.4	-	-
Expanded linked training and employment assistance (iii)	33.5	40.0	34.4	-
Landcare and Environment Action Program (iii)	50.7	56.1	28.6	-
Australian Youth Initiatives Grants (iii)	0.9	1.2	0.8	-
SkillShare: extra targeted training services for older long term unemployed (iv)	13.9	14.2	-	-
SkillShare: additional funding to maintain 1992-93 levels of activity (iv)	-	30.0	39.1	20.1
SkillShare Project Refurbishment (iv)	10.0	5.0	-	-
Additional JOBSKILLS places (iv)	82.3	84.0	66.2	45.7
Restructuring and expansion of JOBSTART with linked Training Assistance (iv)	32.9	46.0	23.2	-
Additional accredited training places for unemployed adults (iv)	17.9	36.6	37.4	-
Enhancements to New Enterprise Incentive Scheme (iv)	1.3	0.6	0.6	0.7
Workplace Training in Literacy (iv)	2.1	2.6	2.6	-
Restructured ESL training for jobseekers (iv)	49.3	85.6	136.6	37.1
Labour Market Adjustment: additional assistance for enterprises in targeted regions (iv)	8.8	3.2	-	-
Formal Training Allowance for labour market program participants	31.2	53.7	18.8	-
Extend JET to Carer Pensioners	-	0.5	0.5	0.5
Expand JET for Aboriginal and Torres Strait Islander Clients	0.2	0.3	-	-
Expand JET for clients of non-English speaking background	-	-	0.7	-
Improved effectiveness of JET in areas of high welfare dependency	0.2	0.5	-	-
Additional JET advisers, support staff and program places in regions of greatest need	0.8	2.1	2.1	2.2
Immigration				
New Independent Business Skills Category to replace Business Migration Program	0.1	0.1	0.1	0.1
Migration agents and advisory services	0.8	1.0	1.0	-
1992-93 Migration Program - English test	1.3	0.7	-	-
Revised refugee determination system	25.7	-	-	-
Establishment of the Refugee Review Tribunal	3.2	-	-	-
Interim assistance for asylum seekers	0.1	-	-	-
Upgrading of representation in Gulf region	0.2	0.2	0.2	0.2
Administrative arrangements at Berne	0.1	0.1	0.1	0.1

Description of measure	Effect on Outlays			
	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
Asylum Seeker Assistance Scheme	0.4	0.3	0.3	0.3
Expansion of detention facilities	2.1	2.6	0.2	0.2
Local Approvals Review Program - property operating expenses	0.1	-
Local Capital Works Program - property operating expenses (iv)	0.3	0.1	-	-
Industrial Relations				
Workplace Reform implementation of 'Best and Fairest' Program	2.6	1.0	-	-
Workplace Reform and Best Practice Program	1.1	12.5	6.2	5.8
Rationalisation of Commonwealth and State Industrial Relations Systems	1.0	2.4	-	-
National Uniformity of Occupational Health and Safety Standards				
Enhancements to Client Delivery	0.5	-	-	-
Implementing ILO Convention number 156 - workers with family responsibilities	1.5	0.6	-	-
	0.5	0.7	-	-
Building and construction industry reform strategy				
Reform of Entry Level Training Structures in the APS	2.5	2.1	2.0	-
Affirmative Action Act 1986 - extension of coverage	0.2	0.2	-	-
Superannuation Guarantee Campaign Underpinning	0.4	0.3	-	-
Payments to former Commonwealth employees in lieu of recreation leave	0.5	-	-	-
	2.7	1.4	-	-
Other				
Information technology capacity upgrade	14.2	-1.9	0.5	0.5
Strengthen Activity Test for Newstart Allowance	0.2	0.3	0.3	0.3
Employer Nomination Scheme	-0.1	-0.2	-0.2	-0.2
ANRC redundancies: Regional Economic Development Initiatives	1.6	0.8	0.3	-
DEET Financial Management Reform Package	0.5	0.5	0.5	-
Link DSS/DEET Computer Systems	0.2	-	-	-
Grant to AUSMUSIC	0.6	0.6	-	-

- (i) Measures announced in the November 1991 Economic Statement.
(ii) Measures announced in One Nation.
(iii) Measures announced in the July 1992 Youth Package.
(iv) Measures included in the Employment Statement.

PURPOSE

The Commonwealth's involvement in the Labour and Employment function complements macroeconomic policy by promoting a flexible and skilled workforce to support economic expansion. It aims to improve the efficiency of the labour force by enhancing skill levels, assisting people to find jobs, assisting the disadvantaged to compete for job opportunities and by setting an industrial relations framework.

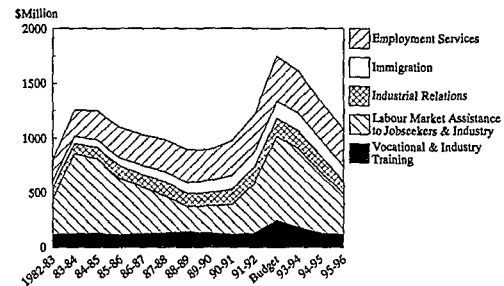
NATURE OF LABOUR AND EMPLOYMENT OUTLAYS

Outlays on Labour and Employment are used mainly for training and employment assistance, facilitation of migration and temporary entry and operation of the Commonwealth industrial relations system. They include subsidies to employers of apprentices, trainees and disadvantaged jobseekers, payments to suppliers of formal training, income support for people undertaking full-time training and assistance for people affected by industry restructuring. The operational costs of the Federal Industrial Relations system, and the relevant parts of the Departments of Industrial Relations (DIR), Employment, Education and Training (DEET), (including the Commonwealth Employment Service (CES)) and Immigration, Local Government and Ethnic Affairs (DILGEA) are also included in this function.

TRENDS IN LABOUR AND EMPLOYMENT OUTLAYS

Chart 2 illustrates trends in Labour and Employment outlays from 1982-83 to 1991-92, together with the budget and forward estimates to 1995-96.

Chart 2. Labour and Employment Outlays Composition (1984-85 Prices)



The main factor in the changing expenditure pattern over the whole period is variations in labour market assistance programs made in response to labour market conditions and reflecting Government measures to address downturns. This assistance increased markedly from 1982-83 to 1984-85 in conjunction with higher levels of unemployment, but declined significantly in real terms to 1988-89 before trending upwards, with a significant increase in this Budget.

Details on trends in each of the subfunctions is provided under the relevant headings below.

Total outlays on Labour and Employment were 52.2% higher in real terms in 1991-92 than in 1982-83 but 3.3% below the previous peak in 1983-84. Outlays are expected to increase by a further 43.8% in real terms in 1992-93 before declining by 38.5% in real terms over the forward years.

MAJOR POLICY CHANGES

The major changes in Commonwealth assistance for the unemployed from the early 1980s to the 1991-92 Budget were outlined in the 1991-92 Budget Statement 3. Since the mid 1980s, increased emphasis has been placed on training and skill development.

The November 1991 Economic Statement, One Nation and the July 1992 Youth Package, together with further measures announced in this Budget, have substantially increased outlays on Labour and Employment while consolidating the increasing emphasis on training. A number of the measures announced in the Budget form part of the Employment Statement issued by the Treasurer concurrently with the Budget. Other substantial outlays outside the Labour and Employment function are also included, as shown in the table below. Individual measures included in the Employment Statement are footnoted in the measures tables throughout Statement 3.

The Employment Statement - Summary

	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
Previously Announced Measures				
7C. Labour and Employment	549.6	357.8	125.0	5.3
Other Functions	1407.3	899.3	647.6	760.0
Sub-total	1956.9	1257.2	772.7	765.3
Specific Budget Measures				
7C. Labour and Employment	218.4	308.0	305.8	103.6
1. Defence	59.2	7.1	-17.9	-53.6
2. Education	70.9	52.4	-37.8	-16.9
4. Housing and Community Amenities	327.0	125.5	-50.0	-50.0
7A. Transport and Communication	60.0	0.1	-	-
Other Functions	6.2	-25.9	-123.3	-78.2
Sub-total	741.6	467.2	76.8	-95.0
Total	2698.5	1724.3	849.4	670.3

The initiatives announced in the July 1992 Youth Package and the Budget include:

- increased linkages between training - both accredited and less formal courses - and job placement through access to JOBSTART wage subsidies;
- additional places under SkillShare, targeted particularly at the long-term unemployed;
- a substantial increase in places under JOBSKILLS which provides participants with a training wage; and

- training opportunities for young people through the implementation of the Australian Vocational Certificate and Career Start traineeships.

Under the Immigration subfunction, emphasis has been placed on achieving greater economic focus to the migration program, and moving to a more certain and transparent decision-making regime reflecting developments in administrative law over the decade. In response to a significant increase in onshore applicants for refugee status in recent years, additional resources have been devoted to the process of determining applications. On the temporary entry side, the emphasis has been on facilitating larger flows of visitors and temporary residents while maintaining the integrity of Australia's immigration control system.

1991-92 OUTCOME

Outlays for 1991-92 were \$67.8m or 3.8% higher than originally estimated due to:

- labour market program initiatives announced in the November 1991 Economic Statement and One Nation (\$81.5m);
- a revised Determination of Refugee Status (DORS) processing system (\$6.0m); and
- increased spending by the Stevedoring Industry Finance Committee (\$9.6m).

These increases were partially offset by reduced outlays due to lower than anticipated numbers of apprentices and trainees (\$19.1m), delays in implementing a number of skills training programs (\$7.2m) and delays in payments from the Training Guarantee Fund to the Consolidated Revenue Fund (\$7.0m).

SUBFUNCTION DETAIL

7C.1 VOCATIONAL AND INDUSTRY TRAINING

	1991-92 Actual	1992-93 ¹ Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Entry Level Training	\$m 163.1	320.5	228.3	156.9	160.5
	%	96.6	-28.8	-31.3	2.3
Skills Training	\$m 36.4	67.3	71.2	63.5	50.9
	%	84.7	5.8	-10.7	-19.9
TOTAL	\$m 199.5	387.8	299.4	220.4	211.3
	%	94.4	-22.8	-26.4	-4.1

Outlays cover support for training in skills relevant to current and anticipated industry requirements and are designed to improve the productivity and competitiveness of Australian industry.

Entry Level Training

Workforce entry level training programs assist the acquisition of vocational skills to meet the needs of industry and improve access to training for particularly disadvantaged groups.

There are three existing entry level training programs:

- the Commonwealth Rebate for Apprentice Full-Time Training (CRAFT) pays subsidies to employers to meet part of the cost of employing apprentices indentured under awards;
- the Australian Traineeship System (ATS) which subsidises work experience and structured off-the-job training for young people in a number of occupations for which award coverage has been established; and
- the Special Entry Level Training Scheme which supports group training arrangements for apprenticeships and traineeships, provides special assistance for disabled apprentices, and funds additional full-time pre-vocational training places.

Increased outlays in 1992-93 provide for measures to implement reform of entry level training arrangements and to address short term declines in apprentice and trainee numbers as a result of the recession.

The July 1992 *Youth Package* announced funding for the implementation of the Australian Vocational Certificate (AVC) training system, including the creation of new Career Start traineeship places and the implementation of AVC pilot projects. These initiatives respond to the recommendations of the Employment and Skills Formation Council's (Carmichael) Report on entry level training and are intended to increase substantially vocational training opportunities for young people over the remainder of the decade. The Commonwealth's contribution to the cost of traineeships includes wage subsidies to employers, an off-the-job training payment and a training allowance to bring trainee incomes up to a minimum rate of \$125 per week for 16-17 year olds and \$150 per week for those over 18.

Measures aimed at encouraging employers to take on more apprentices and trainees, announced in *One Nation*, have been extended to 30 June 1993. These include a \$2000 incentive for each additional first year apprentice employed during the financial year and an increase from \$1000 to \$2000 in the ATS employer incentive. In addition, a further incentive payment of \$1000 will be available to employers of additional trainees and \$3000 for apprentices employed by group training schemes. A \$3000 subsidy will also apply to Career Start and AVC pilot traineeships.

Funding has also been provided for additional full-time pre-vocational training places for young people. Measures to assist unemployed apprentices and those at risk of being retrenched, announced in the *March 1991 Economic Development Statement*, will also continue until June 1993.

Apprentice and trainee numbers for 1991-92 were lower than 1990-91, because of the weak job market, resulting in an underspend of \$19.1m on the 1991-92 Budget estimates. Increased incentive payments have slowed the rate of decline. It is estimated that \$320.5m will be spent on entry level training in 1992-93, a real increase of 90.4% on 1991-92, reflecting the higher cost of increased employer incentive payments and funding for additional pre-vocational training places.

Skills Training

Outlays under this program are directed at increasing the level and quality of skills training by industry and the promotion of training reform. Funding is provided for a range of projects associated with the development of competency-based approaches to training and the implementation of training reform including skills audits, competency standards development, curricula and assessment procedures development, and the

establishment of industry-based Skill Centres. The Commonwealth funds a national network of tripartite Industry Training Advisory Bodies to coordinate and develop improved training arrangements in industry. It also contributes to the operation of the National Training Board, under an agreement with State and Territory Ministers, in order to achieve a nationally coordinated and consistent approach to training.

In this Budget, additional funding has been provided under this program for the implementation of the AVC training system, including the development of industry training plans, new competency-based vocational training curricula, and appropriate assessment and reporting methods.

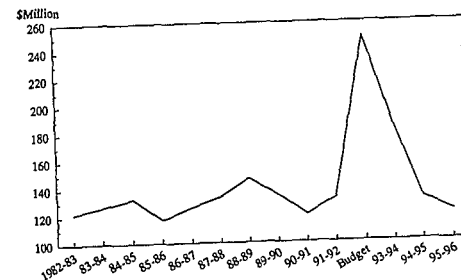
The Workplace Training in Literacy program, which seeks to help workers with English language and literacy difficulties to participate in industry training opportunities, is also expanded in the Budget.

Total outlays on Skills Training are expected to increase to \$67.3m in 1992-93 (a real increase of 78.9%).

Trends

Variations in the level of real outlays on Vocational and Industry Training over the past ten years (see Chart 3) largely reflect changes in the numbers of apprentices and trainees in employment. Real outlays increased from 1985-86 to 1988-89, reflecting the implementation of ATS (which commenced in 1985) and growth in the number of apprentices. Changes in the payments structure and lower numbers of apprentices and trainees, due to the economic downturn, resulted in a decline in outlays after 1988-89. Short-term measures implemented in this Budget will increase outlays substantially in 1992-93.

Chart 3. Outlays on Vocational and Industry Training



7C.2 LABOUR MARKET ASSISTANCE TO JOBBEERS AND INDUSTRY

	1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Assistance to Jobseekers and Industry	\$m 597.6	1149.7	1126.0	898.8	594.0
%		92.4	-2.1	-20.2	-33.9
Aboriginal Employment Assistance	\$m 96.4	45.8	44.5	45.2	46.3
%		-52.5	-2.9	1.6	2.6
TOTAL	\$m 694.0	1195.5	1170.5	944.0	640.4
%		72.3	-2.1	-19.3	-32.2

The Government funds a range of activities to improve the employment prospects of unemployed persons and those in industries facing significant economic adjustment.

Assistance to Jobseekers and Industry

To maximise the effectiveness of assistance to the unemployed, particularly the long-term unemployed, a range of programs is provided to accommodate the needs of individual jobseekers. The existing assistance measures include:

- training programs which are designed to increase opportunities for participants to obtain and to upgrade skills relevant to current and future labour market requirements. These programs include:
 - JOBTRAIN, which assists disadvantaged jobseekers to obtain employment or to proceed to further education or training by providing short-term vocational training closely linked to individual needs and the local labour market;
 - SkillShare, which provides grants to non-profit community groups for structured skills training aimed at long-term unemployed and particularly disadvantaged jobseekers;
 - the Special Intervention Program which provides assessment of, and remedial training for, individuals facing specific employment barriers such as English literacy, language and other learning difficulties; and
 - Job Search Training, which consists of Job Clubs and Job Search Training Courses. Job Clubs provide intensive training courses on job seeking skills while Job Search Training Courses involve formal course work with a TAFE or community group.
- wage subsidies and income support to assist the long-term unemployed and other disadvantaged groups to obtain employment. These subsidies include:
 - JOBSTART, which facilitates employment by the provision of temporary wage subsidies to private sector employers; and
 - JOBSKILLS, which commenced on 1 July 1991, and which combines work experience primarily in the local government and community sector and training for people unemployed for 12 months or more; and
- the New Enterprise Incentive Scheme (NEIS) which provides income support and training to assist unemployed people to set up small business ventures.

Included in this classification is a range of labour market measures through the Office of Labour Market Adjustment (OLMA). OLMA provides packages of assistance (wage subsidies, training and relocation assistance) for workers displaced (or at risk of being displaced) from designated industries and regions affected by structural change.

The Government has announced a wide range of measures which have involved new programs or augment existing labour market programs described above. These measures include those announced in the November 1991 Economic Statement, the July 1992 Youth Package and further measures announced in the Budget and included in the Employment Statement.

The measures announced in November included an additional \$113.2m in 1992-93 for a number of labour market programs, including JOBTRAIN, JOBSTART, SkillShare and NEIS.

One Nation provided further allocations for labour market programs, including:

- an additional \$53.6m in 1992-93 for JOBSTART and the Special Intervention Program;
 - an additional \$29.1m in 1992-93 for JOBSKILLS; and
 - additional funding for regional employment initiatives by OLMA (\$5.7m in 1992-93).
- Further major measures under this classification announced in the July 1992 Youth Package include:
- the Landcare and Environment Action Program, announced in the July 1992 Youth Package which will fund States and regional bodies for projects to provide training and work experience in land care and environmental protection (\$47.3m in 1992-93);
 - accredited training for long-term unemployed young people, a new program which will provide recipients with access to a six month full-time accredited training course and entitlement to a JOBSTART wage subsidy on completion of the course (\$70.0m in 1992-93);
 - additional JOBTRAIN and SkillShare places targeted to young unemployed with access to a JOBSTART subsidy on completion (\$28.0m in 1992-93).

Major measures announced in this Budget as part of the Employment Statement include:

- additional accredited full and part-time training places for adults, to be funded under JOBTRAIN (\$16.9m in 1992-93);
- funding for an additional 6000 JOBSKILLS places in each of 1992-93 and 1993-94 (\$78.4m in 1992-93);
- additional SkillShare places, including additional services particularly targeted at those unemployed with dependants (\$12.5m in 1992-93):
 - with additional funding for refurbishment of SkillShare premises (\$9.9m);
- an additional 10 000 JOBSTART places in 1992-93 (15 000 in 1993-94) with some linked training assistance under JOBTRAIN, in addition to JOBSTART places announced prior to the Budget and those included in the above measures (\$27.0m in 1992-93); and

- additional funding of \$14.7m in 1992-93 and \$28.6m in 1993-94 to provide additional places in English as a Second Language (ESL) tuition for those jobseekers requiring such training:

- from 1 January 1993, responsibility for providing ESL tuition to jobseekers (with the exception of new arrivals and current clients) will be transferred from DILGEA to DEET and included in the Special Intervention Program. Income support will be provided from this program, with a corresponding reduction in outlays on JSA and Newstart Allowance. Outlays under this classification will be increased, as a result, by \$32.6m in 1992-93 and \$53.9m in 1993-94 reflecting tuition costs for jobseekers and the payment of training allowances. There are consequential reductions in 2. Education and 4. Social Security and Welfare.

Measures announced by the Government since the last Budget are expected to increase outlays under this classification by \$611.7m in 1992-93 and \$625.9m in 1993-94. Most of these labour market measures are intended as a short-term response to the current high rates of unemployment and their effect on outlays under this classification is estimated to fall to \$425.3m in 1994-95 and \$110.9m in 1995-96.

Participants in formal labour market programs may receive income support in the form of Formal Training Allowance (FTA). This provides the equivalent of Job Search Allowance or NEWSTART allowance, as well as assistance with other costs such as books, equipment and living away from home in order to undertake training. The costs of FTA are included within the estimates for the relevant programs.

Running costs for the administration of labour market programs are recorded in '7C.5 Employment Services'.

Components of Assistance to Jobseekers and Industry

Program	1991-92 \$m	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
JOBSTART	117.2	239.3	162.0	136.4	105.3
JOBTRAIN	192.6	207.3	228.6	217.3	165.4
Accredited Training for LTU Young People	-	101.3	173.4	60.4	-
SkillsShare	136.0	175.9	181.2	162.8	143.1
JOBSKILLS	45.5	154.2	97.5	62.5	42.7
Landscape and Environment Action Program	-	47.3	52.8	27.0	-
Special Intervention Program	13.3	84.3	111.5	157.9	62.0
NEIS	28.2	44.0	31.0	23.3	24.1
Jobsearch Training	16.4	12.2	12.8	13.1	13.4
Mobility Assistance	8.6	9.4	9.7	10.0	10.3
Labour Adjustment Assistance	29.4	57.1	49.6	14.2	14.5
Australian Youth Initiative Grants	4.5	5.9	6.0	5.3	4.6
Other	5.9	11.6	9.8	8.5	8.7
Total	597.6	1149.7	1126.0	898.8	594.0

The increase of \$552.1m in 1992-93 represents a real increase of 86.3% over 1991-92.

Aboriginal Employment Assistance

Employment and training assistance provided to Aboriginals is a key feature of the Aboriginal Employment Development Policy (AEDP). The AEDP aims to improve income and employment outcomes for Aboriginal and Torres Strait Islander people. In order to increase the levels of permanent employment for Aboriginals and Torres Strait

Islanders in the labour market, the Training for Aboriginals Program (TAP) provides wage subsidies for public sector training and on-the-job private sector training, formal training through vocationally oriented courses and subsidised work experience.

Outlays rose steadily each year over the period 1982-83 to 1991-92 reflecting both the especially disadvantaged position Aboriginals and Torres Strait Islanders have in the labour market and increasing emphasis on programs designed to improve employment outcomes.

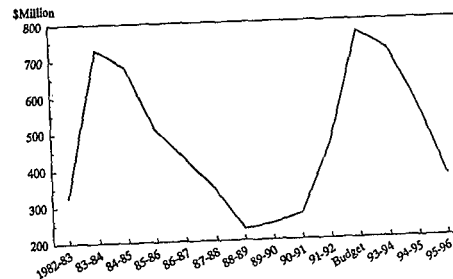
Following a recent review of the TAP by Mr Elliot Johnson QC, the Aboriginal and Torres Strait Islander Commission has now assumed responsibility for Aboriginal community sector elements of the program, thus giving Aboriginal people greater control over decisions on funds allocation. As a result of the transfer, outlays under this classification will fall and outlays for Aboriginal Advancement programs within 4. Social Security and Welfare will increase correspondingly. For 1992-93, TAP outlays under the Labour and Employment function are expected to be \$45.8m.

Other outlays on Aboriginal programs are included under 2. Education.

Trends

Chart 4 shows real outlays on Labour Market Assistance to Jobseekers and Industry since 1982-83 and illustrates the changes in this subfunction in response to changing unemployment levels, including the initiatives discussed above.

Chart 4. Outlays on Labour Market Assistance to Jobseekers and Industry (1984-85 prices)



7C.3 INDUSTRIAL RELATIONS

	1991-92	1992-93	1993-94	1994-95	1995-96
	Actual	Budget	Estimate	Estimate	Estimate
Industrial Relations Development and Advice	\$m 69.5	91.4	72.3	59.4	58.2
%		31.5	-21.0	-17.8	-2.1
Industrial Relations Conciliation and Arbitration	\$m 38.0	38.9	39.6	39.8	40.9
%		2.3	1.7	0.5	2.8
Special Industry Services	\$m 79.2	98.4	117.0	117.0	70.0
%		24.4	18.9	-	-40.2
Trade Union Training	\$m 9.7	9.9	10.4	10.4	10.6
%		2.3	4.7	-0.1	2.5
Occupational Health and Safety	\$m 18.8	19.9	19.7	19.5	20.2
%		5.9	-0.9	-1.2	3.9
TOTAL	\$m 215.2	258.6	258.9	246.0	199.9
%		20.2	0.1	-5.0	-18.7

This subfunction covers outlays on programs in the Industrial Relations portfolio.

Industrial Relations Development and Advice

Costs associated with the provision of advice by the Department of Industrial Relations to the Minister, Commonwealth authorities, industry and unions on industrial relations matters, including advice to the Government as employer in the public sector, are covered under this item. Also included are the Remuneration Tribunal (\$0.8m in 1992-93), the Affirmative Action Agency (\$2.1m in 1992-93), and the Construction Industry Development Agency (\$2.5m in 1992-93) established in 1992 to facilitate widespread reform in the construction industry. The total 1992-93 Budget allocation for these programs is in the order of \$55m.

Outlays on workplace reform have been increased and a number of related programs reorganised into two streams to enhance delivery. Grants to firms and organisations for activities including best practice demonstration, financial assistance for union restructuring and a specific allocation of \$0.8m for reform in the meat processing industry, have been combined under a Workplace Reform and Best Practice Program (an additional \$1.1m in 1992-93). Associated information dissemination and training activity has now been included under a separate Workplace Reform - Implementation of 'Best and Fairest' Program (an additional \$2.6m in 1992-93). A total of approximately \$30.0m has been provided for these programs in the 1992-93 Budget.

For 1992-93, additional funds of \$1m have been provided to promote the rationalisation of State/Federal industrial relations systems, \$1.5m for the Enhancements to Client Delivery Program designed to provide clients with more accessible and better quality industrial relations information, \$0.5m to assist with the implementation of International Labour Organisation Convention number 156, \$0.5m for national uniformity of occupational health and safety standards, \$0.5m for the superannuation guarantee campaign and \$0.4m to undertake the wages, structural and industrial relations aspects of the reform of entry level training in the Australian Public Service and the private sector. In addition \$0.4m has been provided in 1992-93 to extend coverage under the Affirmative Action (Equal Employment Opportunity for Women) Act 1986 and \$2.7m for payments to former employers in lieu of recreation leave. The total Budget allocation for these programs is in the order of \$6m.

Industrial Relations Conciliation and Arbitration

This item covers outlays for the operation of the Australian Industrial Relations Commission (\$39.2m in 1992-93).

Special Industry Services

This item involves the administration of legislation for the financing of employee entitlements in the coal mining industry and on the waterfront. Costs are offset by levies on black coal production and waterfront employers under the relevant legislation.

Trade Union Training

The Trade Union Training Authority (\$9.9m in 1992-93) plans and undertakes trade union training through State based training centres and a residential training college at Albany-Wodonga.

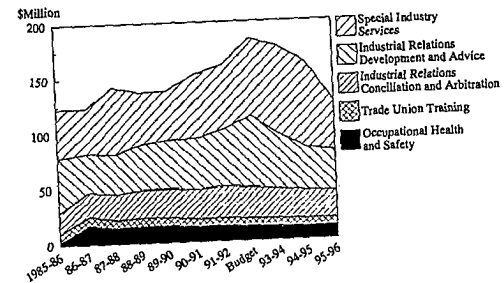
Occupational Health and Safety

The objective of the National Occupational Health and Safety Commission (\$19.9m in 1992-93) is to provide a national forum for consultation between employers, unions and State and Commonwealth Governments, and to develop policies, strategies and standards on occupational health and safety. Included in the above is \$0.5m to assist in the implementation of national uniform occupational health and safety standards.

Trends

Outlays have increased since 1984-85 in response to an increased emphasis on workplace reform, such as the Workplace Reform Program and the Best Practice Demonstration Program, and industrial relations reform, such as the establishment of the Industrial Relations Commission and union rationalisation. Additional funding provided in 1992-93 is aimed at better integration and targeting of programs and providing increased impetus to workplace reform.

Chart 5. Industrial Relations Outlays by Composition



7C.4 IMMIGRATION

		1991-92	1992-93	1993-94	1994-95	1995-96
		Actual	Budget	Estimate	Estimate	Estimate
Permanent and Temporary Residents	\$m	50.7	62.1	62.1	54.5	57.5
	%		22.4	-	-12.2	5.5
Students, Visitors and Entry	\$m	28.0	33.1	34.3	34.9	36.0
	%		18.3	5.6	1.9	3.0
Refugees, Humanitarian and Special Assistance Review	\$m	22.0	39.9	51.6	47.7	28.0
	%		81.3	29.4	-7.5	-41.4
Compliance	\$m	7.1	8.2	8.4	5.6	8.9
	%		15.5	3.5	2.2	3.0
Citizenship	\$m	35.0	47.9	50.5	48.4	50.3
	%		36.7	5.5	-4.3	3.9
General Administration	\$m	5.0	5.8	6.0	6.1	6.3
	%		14.2	4.1	1.9	3.4
TOTAL	\$m	64.2	49.3	47.8	48.3	50.4
	%		-23.3	-3.0	1.1	4.3
	\$m	212.0	246.1	260.7	246.6	237.3
	%		16.1	5.9	-4.6	-4.5

Outlays on this subfunction cover those activities of DILGEA concerned with management of the migration program, visa issue and entry facilitation. Other DILGEA outlays associated with migrant settlement are covered under 2. *Education* and 4. *Social Security and Welfare*. DILGEA local government outlays are under 5. *Housing and Community Amenities*.

Permanent and Temporary Residents

The annual migration program for permanent entry has been set at 80 000 for 1992-93, a fall of 27.9% on 1991-92. Selection of persons for migration to Australia is made on the basis of family reunion, contribution to the economic development of Australia or humanitarian grounds (see Chart 6).

Major changes in the 1992-93 migration program include:

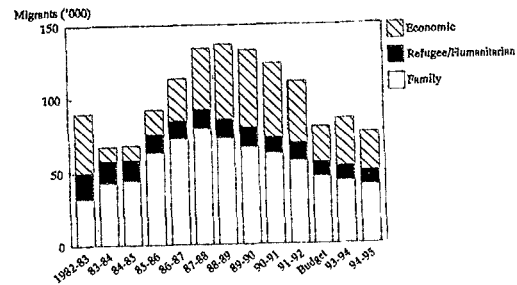
- increasing the passmark for the points-tested Independent and Concessional Family categories; and
- the introduction of a schedule of occupations that require English language proficiency on occupational grounds.

Temporary resident entry policy seeks to facilitate the entry, for a maximum stay of four years, of people who can contribute to the economic and cultural development of Australia. This allows for the entry of, amongst others, skilled persons, sports men and women, entertainers and working holiday-makers. During 1991-92, 85 000 temporary resident visas were granted.

A Migration Agents Registration Scheme (funded by registration fees) will commence from 21 September 1992. The Scheme is intended to introduce a higher standard of service within the migration advice industry.

The Government will be seeking amendment of the *Migration Act 1958* in relation to entry and removal from Australia in order to simplify and to clarify the requirements of migration legislation and to give better effect to its migration policies.

Chart 6. Migration Program - Overview



Refugees, Humanitarian & Special Assistance

As a signatory of the United Nations Convention on Refugees, Australia is obliged to consider applications for refugee status and to respond to humanitarian and special needs of persons suffering discrimination or displacement. The planned intake for refugee/humanitarian cases selected off-shore is 10 000 places in 1992-93. Successful on-shore applicants (not included in migration program numbers) are issued a special four year Temporary Entry Permit granting them access to a variety of services including Special Benefit, Family Allowance, Family Allowance Supplement, Medicare, labour market programs, English language training and education.

Applications for on-shore determination of refugee status have continued to increase, although at a lower rate than in 1990-91. Some 22 000 cases were on hand for processing as at June 1992. To address this caseload, a series of measures to improve the efficiency of the refugee determination system has been introduced. Additional funding of \$25.7m is to be provided for the system for 1992-93.

The *Migration Act 1958* is also to be amended to codify the procedures for determination of refugee status and to replace the existing Refugee Status Review Committee with an independent Refugee Review Tribunal from 1993-94 to achieve a greater degree of community confidence in, and acceptance of, refugee application determinations.

Compliance

Funding is provided for investigations of immigration fraud and the apprehension, detention and deportation of persons without authority to remain in Australia. An amount of \$2.1m is to be provided in 1992-93, with a further \$2.6m in 1993-94, to expand the Willawood Detention Centre in NSW.

Trends

Over the period 1982-83 to 1991-92, outlays on immigration grew by 119.7% in real terms. These outlays have been offset by rising levels of cost recovery from application fees and charges for other services. In 1992-93, however, the level of cost recovery will fall to 31% of outlays. The major part of the fees is classified as revenue and appears in *Statement 4*.

The forward estimates are based on migration levels continuing around the current level of 80 000. However, the Government decides the annual planning figure for migration intakes each year around April. Outlays on immigration in the forward years will continue to be sensitive to the number of on-shore asylum claimants and the need for increased compliance activity.

7C.5 EMPLOYMENT SERVICES

Outlays in this category relate to the Labour and Employment component of running costs of the Employment, Education and Training Portfolio of which the CES is the major component.

The key measures are:

- an increase in outlays on administration of measures which were announced in the *November 1991 Economic Statement* (an increase of \$3.0m in 1992-93 above the 1991-92 provision of \$7.3m);
- an increase of \$6.6m in 1992-93 resulting from *One Nation* (above the 1991-92 allocation of \$1.8m), which is to cease by the end of 1993-94; and
- further increases in outlays for administration of measures announced in the *July 1992 Youth Package* and this Budget (\$33.1m in 1992-93, peaking at \$38.8m in 1993-94, before declining to \$7.1m in 1995-96).

Overall, outlays are estimated to be \$638.7m in 1992-93 (a real increase of 20.0% over 1991-92). This is primarily due to the specific measures shown above to address the needs of those affected by the economic downturn. The other major component is the increase in resources required by the CES (both in staff and related accommodation) to respond to the high levels of unemployment, particularly the increase in the number of long-term unemployed in 1992-93.

Staffing of the CES network is derived from a formula based on forecasts of selected workload indicators, including vacancies notified and the number of jobseekers registering for work classified by short or long term unemployment status. This has resulted in an additional \$50.2m to support the higher staffing levels (1260 staff years), of which \$16.1m (405 staff years) is directly related to servicing NEWSTART clients. Receipts from employer charging in the network are estimated to offset outlays in 1992-93 by \$2.4m.

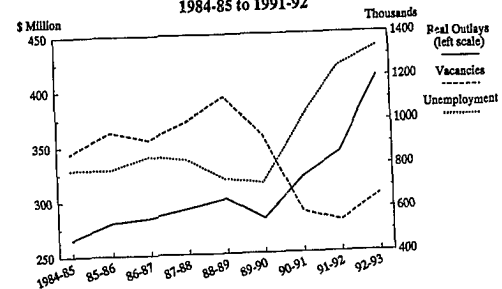
Trends

Outlays on Employment Services grew substantially (averaging 6.5% a year in real terms) over the period from 1982-83 to 1991-92.

Chart 7 shows the steady growth on outlays on employment services from 1984-85 until 1988-89. This was associated with a strong increase in the number of vacancies and a

small rise in the total number of unemployed. By 1989-90, the number of vacancies began to decline sharply and, in combination with the reduction in the number of unemployed, real outlays fell. Since that time, the increase in the pool of unemployed has resulted in a strong rise in outlays, which are expected to be 36.5% higher in real terms in 1992-93 than the previous peak in 1988-89.

Chart 7. Employment Services
Comparisons of Outlays to Unemployment and Vacancies
Cumulative Real Growth
1984-85 to 1991-92



7D. OTHER ECONOMIC SERVICES

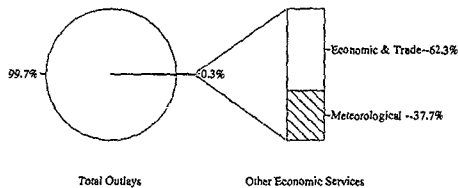
OVERVIEW

	1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
7D.1 Economic and Trade Regulation	\$m 166.9	186.2	193.6	176.7	176.5
	%	12.7	2.9	-8.7	-0.1
7D.2 Meteorological Services	\$m 111.7	113.7	117.2	115.4	117.1
	%	3.8	3.1	-1.5	1.4
TOTAL	\$m 278.6	301.9	310.8	292.2	293.6
	%	8.3	3.0	-6.0	0.5

The above budget and forward estimates make no allowance for Commonwealth sector wage and salary increases which occur within each year. Provision is included in 9C. Contingency Reserve.

- Outlays on Other Economic Services are expected to increase by 4.9% in real terms in 1992-93, mainly reflecting:
 - the impact of measures, including in particular the phased relocation of the Industry Commission from Canberra to Melbourne at a cost of \$4.8m in 1992-93 and some \$16.9m overall.
- Outlays on Other Economic Services account for 0.3% of total Commonwealth outlays, the same level as 1991-92.
- Existing policies imply an overall real decrease of 12.9% over the forward years mainly due to substantial completion of the Industry Commission's relocation to Melbourne, the reduced impact of one-off costs for the Australian Securities Commission and completion of the capital procurement program by the

Chart 1. Other Economic Services
Proportion of Total Outlays and Function
1992-93



Australian Government Analytical Laboratories as well as increased receipts from charges by that body.

- Measures have added a total of \$10.1m to outlays in 1992-93 and an additional \$25.5m over the forward years.

MEASURES TABLE

Description of measure	Effect on Outlays			
	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
<i>Increases</i>				
Industry Commission - Relocation from Canberra to Melbourne	4.8	6.3	4.7	1.1
Extension of contribution to IMPACT project for computer model research	0.2	0.2	0.2	0.1
Reform of Merger Law	0.2	0.3	0.3	0.3
Consumer Protection Advancement Program	0.5	0.5	0.5	0.6
Expansion of the Australian Accounting Standards Board	0.3	0.4	0.4	0.4
Enhanced Corporate Disclosure	1.1	1.1	0.5	0.6
Enhanced activities of the National Standards Commission	0.8	0.8	0.8	0.9
Genetically Modified Organisms Release Authority	1.2	1.3	1.6	1.7
Expand business oriented economic analysis of Asian Economies	1.0	-	-	-

PURPOSE

This function covers outlays on economic services which are not included in other functional classifications. These include: patents and trademarks administration; industry analysis and review; the regulation of monopolies and restrictive trade practices; price control and justification; regulation of companies and securities; other forms of business regulation; meteorological services and other technical services not allocable to a specific industry.

NATURE OF OTHER ECONOMIC SERVICES OUTLAYS

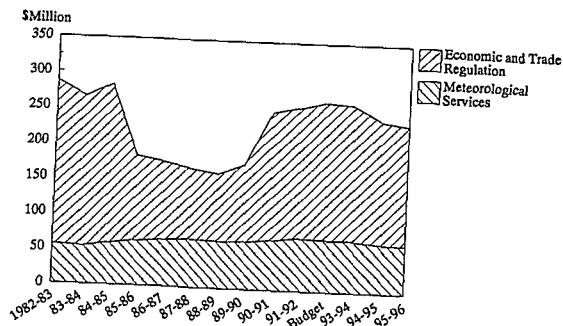
Outlays mainly comprise the operational costs of the supplying agencies.

TRENDS IN OTHER ECONOMIC SERVICES OUTLAYS

Variations in outlays for this function over the last ten years were largely driven by policy changes affecting the Economic and Trade Regulation subfunction (see Chart 2). Between 1982-83 and 1991-92 outlays declined by 20% in real terms mainly due to a reduction in payments made under the Petroleum Products Freight Subsidy Scheme (from \$123.8m in 1982-83 to \$3.2m in 1991-92). This reduction was partially offset by the costs of establishing the Australian Securities Commission (ASC) in 1990-91.

Outlays on meteorological services over the period 1982-83 to 1991-92 increased steadily in real terms, at an average rate of about 3.6% a year. This essentially reflected the attribution of costs not previously borne by the Bureau of Meteorology (BOM) and the initiation of a capital replacement program that included the replacement of obsolete equipment such as radars.

Chart 2. Other Economic Services



1991-92 OUTCOME

The 1991-92 outcome was \$11.1m lower than the budget estimate. The variation was mainly due to increased receipts from recoveries and charges by the Patent, Trade Marks and Designs Offices (PTM&DO) and the ASC.

SUBFUNCTION DETAIL

7D.1 ECONOMIC AND TRADE REGULATION

	1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Patent, Trade Marks and Designs Office	\$m -2.4	\$m -0.3	1.3	1.9	1.1
%		-87.8	na	52.6	-45.0
Industry Commission	\$m 16.3	\$m 21.7	23.7	21.7	18.3
%		33.5	9.1	-8.4	-16.0
Trade Practices and Consumer Affairs	\$m 22.0	\$m 22.2	23.3	22.6	23.1
%		0.9	4.8	-2.7	2.0
Regulation of Companies and Securities	\$m 115.4	\$m 121.4	126.0	113.6	116.8
%		-5.2	3.7	-9.8	2.8
Other	\$m 15.6	\$m 23.1	19.4	16.8	17.3
%		48.2	-15.9	-13.2	2.7
TOTAL	\$m 166.9	\$m 188.2	193.6	176.7	176.5
%		12.7	2.9	-8.7	-0.1

Outlays covered mainly relate to the operational costs of agencies involved in various forms of business regulation.

Patent, Trade Marks and Designs Offices

The PTM&DOs administer the national industrial property system. The Offices' primary functions are to examine patent, trade mark and design applications and to grant property rights to successful applicants. In 1992-93, \$3.5m has been provided for the fitout of refurbished accommodation. Funding of \$1.4m has also been provided, reflecting increased workload demands. The Offices recover the full cost of their activities, over time, through fees and charges.

Industry Commission

The Industry Commission is the Government's major review and inquiry body regarding industry matters. The Government has previously announced that the Commission will relocate from Canberra to Melbourne from 1992-93. This will allow the Commission to have closer contact with industry.

Trade Practices and Consumer Affairs

This item provides for the running costs of the Trade Practices Commission (TPC), the Prices Surveillance Authority, and the Federal Bureau of Consumer Affairs. Additional funding has been provided to enable the TPC to subject more mergers to scrutiny to ensure that competition in the economy is adequately promoted. The Government has also decided to establish a Consumer Protection Advancement Program to improve the protection of consumer's interests, including in the use of financial services.

Regulation of Companies and Securities

This item mainly provides for the operating costs of the ASC. From 1 January 1991 a national scheme of companies, securities and futures regulation was implemented, replacing functions previously undertaken by the National Companies and Securities Commission and State Corporate Affairs Commissions. Outlays encompass the provision of information and registry services by the ASC, as well as the enforcement of scheme laws.

Funding for the ASC for 1992-93 is estimated at \$132.4m (the figures in the table are net of receipts from certain service charges). This reflects a full year's funding for operations and some one-off costs. The initiatives highlighted in the measures table relating to enhanced corporate disclosure and the Accounting Standards Board are aimed at improving the quality and timeliness of financial information provided by Australian corporate entities. The funds provided to the ASC will enable redevelopment of computer systems to assist enhanced corporate disclosure.

Other

This item covers the National Standards Commission, the Petroleum Products Freight Subsidy Scheme, the Commonwealth's contribution to Standards Australia and the National Association of Testing Authorities and the operations of the AGAL trust account. In 1992-93 and over the forward years, funding has been provided to establish the Genetically Modified Organisms Release Authority. The Authority will assess and approve proposals for the planned release of genetically modified organisms into the environment. Funding of \$1.0m in 1992-93 has been provided in order to expand business oriented economic analysis of Asian economies.

7D.2 METEOROLOGICAL SERVICES

This subfunction covers the running costs of BOM and the Ionospheric Prediction Service (IPS), net of recoveries for services. BOM provides a range of climate data, monitoring, information and advisory services for the general public and specialist users such as the aviation industry and the defence force. It also undertakes research into the nature and mechanisms of the Australian and southern hemisphere climate, including greenhouse research. The IPS predicts the state of the ionosphere for users of radio communications systems, including defence force and telecommunication authorities.

BOM recoveries will decrease by approximately \$7m across the budget and forward years following a review of the service requirements of, and delivery mechanism for, the aviation industry and the defence force. This decrease will be matched by a corresponding reduction in BOM resource allocations after taking account of one-off adjustment costs and non-discretionary overheads.

8. GENERAL PUBLIC SERVICES

This category covers legislative services; law order and public safety; foreign affairs and overseas aid; general and scientific research; and miscellaneous administrative services.

8A. LEGISLATIVE SERVICES

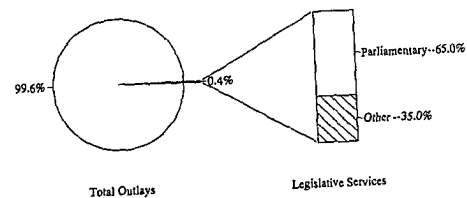
OVERVIEW

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
8A.1 Parliamentary Outlays	\$m	284.8	285.0	304.5	301.7	311.7
	%		0.1	6.8	-0.9	3.3
8A.2 Other Legislative Services	\$m	93.0	153.8	80.6	88.3	161.8
	%		65.4	-47.6	9.7	83.2
TOTAL	\$m	377.8	438.8	385.1	390.0	473.6
	%		16.1	-12.3	1.3	21.4

The above budget and forward estimates make no allowance for Commonwealth sector wage and salary increases which occur within each year. Provision is included in 9C. Contingency Reserve.

- Total Legislative Services outlays are expected to increase by \$61.0m or 16.1% in 1992-93 (12.5% increase in real terms).
- The marked increases in outlays in 1992-93 and 1995-96 reflect funding for Federal elections in those years.

Chart 1. Legislative Services
Proportion of Total Outlays and Function
1992-93



MEASURES TABLE

Description of measure	Effect on Outlays			
	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
<i>Increases</i>				
Funding for additional advisor to each Presiding Officer	0.1	0.1	0.1	0.1
Production of Candidate Profile booklet prior to Federal Elections	3.0	-	-	3.4
Additional funding to Aboriginal and Torres Strait Islander Electoral Information Service	0.5	0.5	0.5	0.6
Government House redevelopment - Additional funding	0.9	0.2	-	-
Resources for Constitutional Centenary Foundation Incorporated	0.3	0.3	0.3	0.3

PURPOSE

The Legislative Services function funds parliamentary and electoral administration.

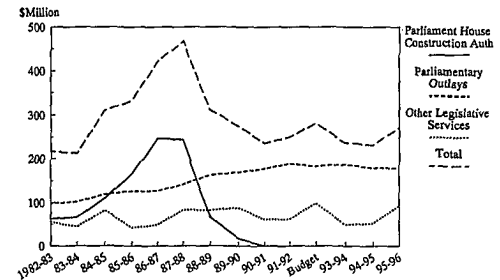
NATURE OF LEGISLATIVE SERVICES OUTLAYS

Outlays cover services provided by the Parliamentary Departments (the Senate, House of Representatives, Parliamentary Library, Parliamentary Reporting Staff and Joint House), the Australian Electoral Commission (AEC), and the Department of Administrative Services (DAS) for parliamentary and ministerial staff and services.

TRENDS IN LEGISLATIVE SERVICES OUTLAYS

Trends over the past decade are dominated by outlays on the construction of the new Parliament House, which peaked in 1986-87. The other major influences have been the provision of services in the new Parliament House, and the costs of Federal elections. Excluding the cost of constructing the new Parliament House, outlays are forecast to increase by 82.5% in real terms between 1982-83 and 1992-93 (see Chart 2).

Chart 2. Legislative Services
(1984-85 prices)



1991-92 OUTCOME

The outcome for 1991-92 was \$21.0m (5.9%) more than the budget estimate. This reflects preparations for the 1993 Federal election that were undertaken earlier than had been expected, higher than expected payments associated with the turnover of Ministerial staff and consultants, and additional Hansard printing costs.

SUBFUNCTION DETAIL

8A.1 PARLIAMENTARY OUTLAYS

Parliamentary outlays cover services by the Parliamentary Departments and DAS to parliamentarians. Support services include: Hansard; advisory, procedural, research

and administrative support; library; communications support; building and facilities management; and travel within Australia and overseas.

8A.2 OTHER LEGISLATIVE SERVICES

Other Legislative Services covers the Australian Electoral Commission (AEC); support services for the Governor-General and former Governors-General; maintenance of the Prime Minister's official residences at the Lodge and Kirribilli House and the Governor-General's residences at Government House and Admiralty House; and drafting of Bills by the Office of Parliamentary Counsel.

The Government has provided the AEC with an additional \$0.5m a year from 1992-93 to expand the Aboriginal and Islander Electoral Information Service. The additional funding will allow the Service to extend its coverage across Australia.

Total funding of \$2.1m in 1992-93 is being provided to the Office of the Governor-General for conservation and redevelopment of Government House.

Provision has been made for Federal elections in 1992-93 and 1995-96. An additional \$3.0m has been provided for the production and distribution of a booklet identifying each candidate and his or her policies.

8B. LAW, ORDER AND PUBLIC SAFETY

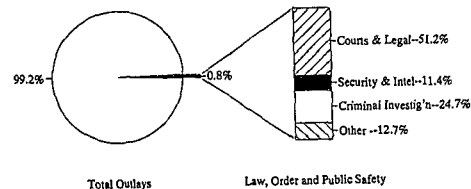
OVERVIEW

	1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
8B.1 Courts and Legal Services	\$m 502.1	475.3	389.1	359.2	372.8
	%	-5.3	-18.1	-7.7	3.8
8B.2 Security and Intelligence Services	\$m 100.2	106.2	100.6	97.2	96.2
	%	6.0	-5.3	-3.4	-1.0
8B.3 Criminal Investigation	\$m 218.0	229.2	233.1	222.9	231.3
	%	5.2	1.7	-4.4	3.8
8B.4 Other Law, Order and Public Safety	\$m 112.4	117.6	112.6	103.6	111.0
	%	4.6	-4.2	-8.0	7.2
TOTAL	\$m 932.8	928.3	835.4	782.9	811.3
	%	-0.5	-10.0	-6.3	3.6

The above budget and forward estimates make no allowance for Commonwealth sector wage and salary increases which occur within each year. Provision is included in 9C. Contingency Reserve.

- Outlays are expected to decrease by \$4.5m or 0.5% (a reduction of 3.6% in real terms) in 1992-93. A decrease of 21.7% in real terms is currently projected over the forward years.
- Outlays for Law, Order and Public Safety in 1992-93 account for 0.8% of total Commonwealth outlays, down from 1.0% in 1991-92.

Chart 1. Law, Order and Public Safety
Proportion of Total Outlays and Function
1992-93



- The main reasons for the reduction in 1992-93 outlays are:
 - non-recurring expenditure from 1991-92, in particular the purchase of land in 1991-92 for a Brisbane court building (\$30.1m), and the Legal Office Information System (\$12.8m); and
 - the transfer to other functions of funding for legal services, consequent on the commercialisation of legal services in the Attorney-General's Department (\$49.0m).
- The reduction in outlays is largely offset by measures and one-off increases in expenditure in 1992-93, in particular:
 - the Brisbane court construction (\$21.9m);
 - slippage from 1991-92 of new ADP equipment purchases for the Attorney-General's Department, the Office of the Director of Public Prosecutions and the Australian Federal Police (\$9.5m); and
 - the carry forward and full year effect of 1991-92 Budget measures for the Cash Transaction Reports Agency (\$5.5m).
- The expected sharp decline in outlays over the forward years is largely due to:
 - the projected completion in 1993-94 of current projects under the Courts Construction Program with expenditure decreasing from \$94.1m in 1992-93 to \$18.7m in 1993-94;
 - completion of the installation of Law Enforcement Access Network (LEAN) in 1992-93; and
 - the full effect of the transfer of legal services funding to other functions (an additional \$10.2m).

MEASURES TABLE

Description of measure	Effect on Outlays			
	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
<i>Decreases</i>				
AFP - Extension of efficiency dividend to uniformed ranks	-1.0	-2.0	-3.1	-4.2
Review of Australia's Intelligence and Security Agencies - ASIO Savings	-1.0	-2.0	-3.0	-4.2
<i>Increases</i>				
Supplementation of Interpreter Services for Courts	0.1	0.2	0.2	0.2
Melbourne Law Courts - Development of accommodation options	4.6	1.0	1.0	1.0
Child Support Scheme - Funding for non-custodial parent forums	0.4	0.8	0.9	0.9
Streamline DSS Appeals Process - Funding for Welfare Rights Centres	0.5	1.0	1.1	1.1
Private Maintenance Collection Stage 2	0.1	0.1	0.1	0.1
Legal Assistance arising from Iranian Embassy incident	0.8	-	-	-

Description of measure	Effect on Outlays			
	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
Human Rights Initiatives, including Disability Discrimination Legislation	2.8	2.4	2.0	2.1
Racial Vilification Legislation	-	0.6	1.2	0.8
Public Awareness and Consultation Function - Film and literature classification	0.1	0.2	0.2	0.2
Royal Commission into Aboriginal Deaths in Custody: National response	2.8	2.3	2.2	1.9
Royal Commission into Aboriginal Deaths in Custody immediate needs - Training for Queensland Police	0.2	-	-	-
Expansion of Family Skills Training Program	-	0.1	0.1	0.1
AFP - Assistance to Cambodia	0.7	-	-	-
Telecommunication Interception - Interim upgrade to maintain existing capability	3.9	5.6	1.6	0.2
Establishment of the Office of Inspector General of the National Crime Authority	0.1	0.1	0.1	0.1
Review of Australia's Intelligence and Security Agencies - Additional Resources for Office of National Assessments	0.1	0.2	0.2	0.2
Establishment of Law Enforcement Access Network	19.2	6.6	-	-
Commonwealth contribution to media campaign to reduce firearms holdings in the community	3.0	-	-	-
Community Violence - Funding for Australian Institute of Criminology Programs	0.2	0.2	0.2	0.2
ABCI - Computing facilities	0.5	-	-	-
Director of Public Prosecutions - Additional funding for corporate prosecutions	1.5	-	-	-
Resource Requirements for ITSA's Computer needs and reforms to Bankruptcy Act 1966	2.8	1.5	0.9	1.4
Changed administration arrangements for Indian Ocean Territories - Provision of Police, Customs and Legal Services	5.1	4.5	4.6	4.8
- Christmas Island Rebuilding Program - Construction of Police Station	0.2	-	-	2.2

PURPOSE

Commonwealth activity for Law, Order and Public Safety aims to ensure that all Australians have access to appropriate legal services and protection under the law. The function also covers the collection and assessment of information of security and intelligence interest to Australia.

NATURE OF LAW, ORDER AND PUBLIC SAFETY OUTLAYS

These outlays cover courts administration and related legal services, legal aid, law enforcement, other police and criminology support activities, security and intelligence services and a range of public safety activities.

TRENDS IN LAW, ORDER AND PUBLIC SAFETY OUTLAYS

Chart 2. Law, Order and Public Safety
(1984-85 prices)

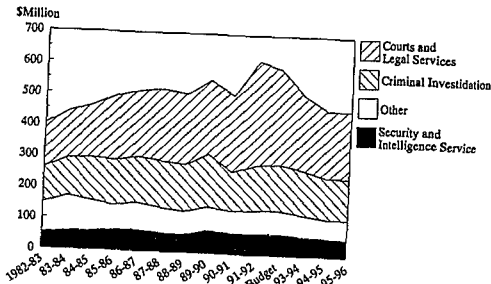


Chart 2 shows that total outlays grew by 53.6% in real terms over the period from 1982-83 to 1991-92 but are projected to fall by 21.7% in real terms over the budget and forward years.

The increase in outlays was due to increased resources for legal aid; expanded facilities for, and higher administrative costs of, Commonwealth courts and tribunals; expansion and higher administrative costs of the Australian Federal Police (AFP); and the establishment, in the mid 1980s, of various budget dependent agencies such as the National Crime Authority (NCA), the Director of Public Prosecutions (DPP), and the Cash Transaction Reports Agency (CTRA). Increases were partly offset by the transfer of the ACT policing component of the AFP and the ACT Magistrates Court to the ACT Government in 1990-91. Stabilisation of outlays between 1986-87 and 1988-89 reflects, in part, the introduction of user charging by Australian Protective Services (APS) whose costs are consequently classified against other functions.

Outlays decline sharply over the forward years due to the winding down of current projects under the Courts Construction Program and reduced costs associated with the

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Legal Office Information System (LOIS) and the Law Enforcement Access Network (LEAN) following installation.

1991-92 OUTCOME

Outlays in 1991-92 were lower than budget forecasts by \$44.5m (4.6%). Significant factors included: underexpenditure on war crimes prosecutions (\$8.8m) and corporate prosecutions (\$4.8m), higher receipts and lower costs of APS (\$9.1m), deferral of new ADP equipment purchases for the Attorney-General's Department, the AFP and the DPP (\$9.5m), and underexpenditure on the design stage of the Melbourne courts building (\$4.6m).

SUBFUNCTION DETAIL

8B.1 COURTS AND LEGAL SERVICES

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
High Court	\$m	9.6	8.2	8.2	8.3	8.5
	%		-14.5	-0.2	1.9	2.4
Other Commonwealth Courts	\$m	235.0	221.7	144.5	123.6	126.0
	%		-5.7	-34.8	-14.4	1.9
Legal Services	\$m	118.5	97.6	86.3	77.7	84.6
	%		-17.7	-11.5	-9.9	8.8
Legal Aid	\$m	126.1	133.4	136.0	135.1	139.8
	%		5.8	1.9	-0.6	3.5
Protection of Human Rights	\$m	12.9	14.4	14.1	14.4	13.8
	%		11.6	-2.2	1.8	-3.7
TOTAL	\$m	502.1	475.3	389.1	359.2	372.8
	%		-5.3	-18.1	-7.7	3.8

These outlays support legal and law related services to the community to protect human rights and facilitate equal access to justice. This is achieved through the funding of legal aid, the facilities and operations of the Federal judiciary and related legal services. The interests of the Commonwealth are also advanced and protected through the provision of legal advice.

Other Commonwealth Courts

This item covers the running costs of the Family Court of Australia, the Federal Court of Australia and operating expenses of AUSCRIP - the Commonwealth Reporting Service. Also included is funding for construction of Commonwealth courts. Responsibility for the Supreme Court of the ACT was transferred to the ACT Government from 1 July 1992. Funding is now included in 9A. Assistance to Other Governments, nec. Funding of \$4.6m has been included in 1992-93 for accommodation needs of the Courts in Melbourne.

Legal Services

Legal Services encompass the administration of bankruptcies, the running costs of the DPP and the operational expenses of the Australian Law Reform Commission and the newly created Legal Practice Trust Account. The Attorney-General's Department began

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charging for certain services, including those provided by the Australian Government Solicitor, from 1 July 1992.

\$2.8m has been allocated in 1992-93 to the Insolvency and Trustee Service Australia (ITSA) to implement recent reforms to contribution and discharge regimes for bankrupts.

Legal Aid

Commonwealth funding is provided to State and Territory Legal Aid Commissions for provision of legal aid services. The level of contributions have been agreed in legal aid agreements between the Commonwealth, States and Territories.

Protection of Human Rights

This classification encompasses the Human Rights and Equal Opportunity Commission and the residual funding of the Royal Commission into Aboriginal Deaths in Custody. Additional funding of \$2.8 has been allocated in 1992-93 for various human rights initiatives.

Trends

Courts and Legal Services outlays grew by 135.0% in real terms over the period from 1982-83 to 1991-92 (an average of 10.0% a year). Components of growth include:

- the establishment of the DPP in 1983-84;
 - funding for the Courts Construction Program over the period 1987-88 to 1991-92; and
 - average real funding growth of 4.9% a year for legal aid over the ten year period.
- Outlays decline by 8.3% in real terms in 1992-93 largely reflecting reduced expenditure on LOIS and the transfer of funding for legal services to other functions.

Outlays are expected to continue to decline over the forward years, mainly reflecting the winding down of current projects under the Courts Construction Program and completion of the installation of LOIS in 1992-93.

8B.2 SECURITY AND INTELLIGENCE

The intelligence agencies covered under this heading (the Australian Security Intelligence Organisation (ASIO), the Australian Secret Intelligence Service and the Office of National Assessments) collect and assess information relevant to guard against possible threats to Australia's national interests. Other matters include physical and technical security at overseas posts; counter-terrorist training and equipment; and the operations of the Office of the Inspector-General of Intelligence and Security.

Trends

Security and Intelligence outlays grew by 28.5% in real terms over the period 1982-83 to 1991-92. This is largely due to increases in protective physical and communications security at overseas diplomatic missions, the introduction of office automation systems and increases in property expenses.

Over the budget and forward years, outlays are expected to decline by 18.9% in real terms largely due to the completion of new computer system installations, the effect of related efficiencies and other administrative savings, and a reduction in ASIO staffing

and associated resources resulting from a recent Government review of Australia's intelligence agencies. The ASIO reductions are offset in 1992-93 and 1993-94 by increased funding (shared with the AFP and the NCA) for an interim upgrade to maintain the existing telecommunications intercept capability.

8B.3 CRIMINAL INVESTIGATION

	1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Australian Federal Police	\$m 166.6	168.6	176.5	168.6	176.1
	%	1.2	4.7	-4.5	4.5
Other Criminal Investigation	\$m 51.4	60.7	56.7	54.4	55.2
	%	18.0	-6.5	-4.1	1.6
TOTAL	\$m 218.0	229.2	233.1	222.9	231.3
	%	5.2	1.7	-4.4	3.8

These outlays provide for law enforcement and investigation activities.

Australian Federal Police (AFP)

The AFP provides law enforcement in the areas of community policing, drug trafficking, organised crime, fraud against the Commonwealth and counter terrorism.

Other Criminal Investigation

This element covers police and criminology support activities such as the Australian Bureau of Criminal Intelligence, the Australian Institute of Criminology, the National Crime Authority and the Cash Transaction Reports Agency (CTRA).

Trends

Outlays under this subfunction increased by 49.4% in real terms over the period 1982-83 to 1989-90 but declined in 1990-91 due to the transfer of responsibility for ACT policing to the ACT Government (see 1990-91 Budget Paper 1, 9A. *Assistance to Other Governments, nec*). Strongest growth occurred from 1984-85 to 1989-90, partly reflecting the upgrading of the AFP's computer capacity and the recruitment of additional police at an additional annual cost of \$13.1m. The extra capacity is used mainly to bolster the AFP's activities in combating drug-related and organised crime. In addition, industrial award decisions handed down in 1988-89 aimed at increasing the efficiency of the AFP by restructuring the workforce cost \$15.4m in 1990-91 rising to \$21.5m from 1992-93 onwards. Real growth in the period also occurred as a result of the creation of the NCA (July 1984) and the CTRA (February 1989).

The rise in funding in 1992-93 is mainly due to the carry forward and additional funding for the CTRA's computer network for monitoring international telegraphic transactions (\$5.5m).

The underlying trend over the forward years shows a reduction in outlays of 9.6% in real terms following one-off expenditure in 1992-93 on measures carried forward from 1991-92, and the decline in funding for the purchase of the computer network of the CTRA following its installation.

8B.4 OTHER LAW, ORDER AND PUBLIC SAFETY

	1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
General Administration	\$m 68.0	73.3	59.3	51.6	53.0
	%	7.8	-19.1	-13.0	2.7
Coastwatch	\$m 23.7	24.5	25.4	26.2	27.1
	%	3.4	3.8	3.3	3.4
Other	\$m 20.8	19.8	27.9	25.8	30.9
	%	-4.6	41.0	-7.6	19.9
TOTAL	\$m 112.4	117.6	112.6	103.6	111.0
	%	4.6	-4.2	-8.0	7.2

Outlays cover the administration of the Attorney-General's Department, coastal surveillance and protective and custodial services.

General Administration

This element includes the general administration costs of the Attorney-General's Department other than for '8B.1. Courts and Legal Services' and the administration of grants and payments falling under the responsibility of the Attorney-General.

Coastwatch

The Coastwatch unit of the Australian Customs Service is responsible for the aerial surveillance of Australian Coastal and Fishing Zone areas. The program allows early detection of possible smuggling, illegal entry into Australia, unauthorised fishing in Australian territory, quarantine breaches and any other activities contravening Australian law.

Other

Outlays shown under this component generally relate to APS operations which are substantially cost recovered.

Trends

Other Law, Order and Public Safety outlays have decreased by 22.3% in real terms over the period 1982-83 to 1991-92. This is largely due to the introduction of charging by the APS with the costs of services being shown against other functions, and transfers of certain functions to the ACT Government.

The increase in outlays in 1992-93 relates mainly to the costs associated with the installation of Law Enforcement Access Network (LEAN).

Over the forward years, outlays decline by 15.4% in real terms largely reflecting the one-off nature of the expenditure on LEAN in 1992-93.

8C. FOREIGN AFFAIRS AND OVERSEAS AID

OVERVIEW

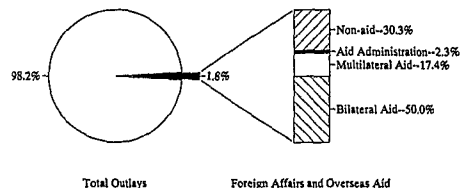
	1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Overseas Aid					
8C.1.1 Bilateral	\$m 920.7	974.8	946.3	982.9	1001.4
	%	5.9	-2.9	3.9	1.9
8C.1.2 Multilateral	\$m 339.8	339.7	387.5	409.9	433.2
	%	1.1	14.1	5.8	5.7
8C.1.3 Administration	\$m 43.0	45.6	46.3	46.1	46.8
	%	6.2	1.4	-0.4	1.5
8C.1 Sub-total	\$m 1303.5	1360.1	1380.0	1438.9	1481.4
	%	4.3	1.5	4.3	3.0
8C.2 Foreign Affairs Non-aid	\$m 565.2	590.8	533.2	515.0	521.4
	%	4.5	-9.7	-3.4	1.2
TOTAL	\$m 1868.7	1950.3	1913.2	1954.0	2002.8
	%	4.4	-1.9	2.1	2.5

(a) The above budget and forward estimates make no allowance for Commonwealth sector wage and salary increases which occur within each year. Provision is included in 9C. Contingency Reserve.

(b) '8C.1 Overseas Aid' includes development assistance to central and eastern European countries in transition. These payments meet the concessionality and qualitative standards in the definition of Official Development Assistance (ODA) set by the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD). However, they are not included in the DAC's statistics of ODA flows to "traditional developing country recipients".

- Total outlays on Foreign Affairs and Overseas Aid are estimated to increase by 1.1% in real terms over 1991-92.

Chart 1. Foreign Affairs and Overseas Aid
Proportion of Total Outlays and Function
1992-93



- Outlays on Foreign Affairs and Overseas Aid will be 1.8% of total Commonwealth outlays in 1992-93, the same as 1991-92.
- Within the function, expected real changes in outlays in 1992-93 compared with 1991-92 are:
 - increase in bilateral aid of 2.5%;
 - decrease in multilateral aid of 3.2%;
 - aid administration increase by 2.8%;
 - total outlays under '8C.1 Overseas Aid' increase by 1.1%; and
 - total outlays under '8C.2 Foreign Affairs Non-Aid' increase by 1.2%.

MEASURES TABLE

Description of measure	Effect on Outlays			
	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
Decreases				
Construction of Chancery and Head of Mission residence in Hanoi, and rationalisation of residential property in Singapore	-3.3	1.4	2.1	-0.2
Savings from restructuring of overseas representation in the US and elsewhere	-0.4	-0.6	-0.7	-0.7
Increases				
Expansion of Development Import Finance Facility (i)	5.0	0.0	0.0	0.0
Expansion of Development Import Finance Facility (ii)	18.0	0.0	0.0	0.0
Property costs of Australian Bilateral Aid to Vietnam	2.0	0.6	0.4	0.4
UN Transitional Authority in Cambodia (UNTAC)	15.5	0.0	0.0	0.0
UN Protection Force (UNPROFOR) (in Croatia, Bosnia and Herzegovina)	7.3	0.0	0.0	0.0
Cambodia: Australian Federal Police contribution to UNTAC	0.8	0.0	0.0	0.0
Increased funding for establishment of new post in Phnom Penh	5.2	0.3	1.5	0.5
Increased funding for new Jakarta Chancery project	2.9	0.0	0.0	0.0
Increased funding for additional housing in Port Moresby	2.3	0.0	0.0	0.0
Increased funding for Beijing Chancery project	0.7	0.0	0.0	0.0
DFAT involvement in processing of onshore refugee claimants	0.0	0.1	0.3	0.3
Washington Chancery repairs to facade	3.8	0.0	0.0	0.0
Construction of additional secure houses in Port Moresby	7.6	8.4	0.0	0.0
Additional Treasury Position in Asia (Singapore)	0.0	0.1	0.1	0.1
Pilot Screw Worm Fly facility - Malaysia	2.4	0.0	0.0	0.0
Support for Australian Commerce and Industry Office (ACIO) in Taiwan	1.0	1.0	1.0	1.1
Closure of overseas posts	0.3	-2.5	-2.6	-2.7

(i) Measure announced in the November 1991 Economic Statement.
 (ii) Measure announced in One Nation.

PURPOSE

Outlays under this function support policies to further Australia's external relations including its strategic and trade interests and social and cultural relations. The major budgetary component is the Australian aid program (69.7% of total outlays for the function in 1992-93) which aims to promote the economic and social advancement of peoples of developing countries. This program reflects Australia's humanitarian concerns as well as foreign policy and commercial interests.

NATURE OF FOREIGN AFFAIRS AND OVERSEAS AID OUTLAYS

The bulk of outlays under '8C.1 Overseas Aid' consist of *Official Development Assistance (ODA)*. The Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) defines this as payments which have the objective of promoting the economic development and welfare of developing countries, are concessional in character, with a grant element of at least 25%, and are undertaken by the official sector.

'8C.2 Foreign Affairs Non-Aid' outlays include running costs of the Department of Foreign Affairs and Trade (DFAT), outlays on official overseas property services provided by the Department of Administrative Services (DAS), and contributions to international organisations.

TRENDS IN FOREIGN AFFAIRS AND OVERSEAS AID OUTLAYS

Total outlays for this function increased by 3.8% in real terms over the period 1982-83 to 1991-92. This trend reflects:

- a real reduction in aid outlays of 6.1%, which was especially pronounced in the period 1986-87 to 1987-88; and
- an increase in outlays for '8C.2 Foreign Affairs Non-Aid' of 37.6%, reflecting the increased costs of servicing international commitments, due in part to the generally lower SA compared with other currencies.

Total Foreign Affairs and Overseas Aid outlays are projected to decrease by 8.1% in real terms over the forward years, largely because of one-off payments in the non-aid area (particularly contributions to United Nations (UN) peace-keeping operations).

1991-92 OUTCOME

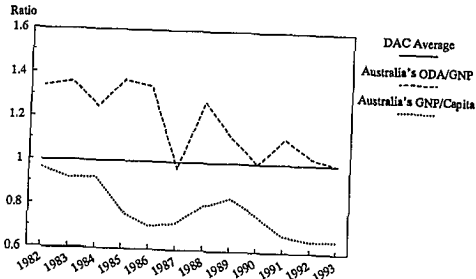
Outlays in 1991-92 exceeded budget estimates by \$35.3m (or 1.9%). This was mainly a result of increased provision for DFAT running costs, Development Import Finance Facility (DIFF), contributions to UN peace-keeping forces in Cambodia and the former Yugoslavia, and the establishment of new programs of aid assistance to Vietnam and Cambodia.

SUBFUNCTION DETAIL

8C.1 OVERSEAS AID

Australia's provision of aid per capita has declined over the last decade. However, while Australia's Gross National Product (GNP) per capita has been significantly below the DAC average since the mid 1980s, the proportion of our GNP paid as ODA still approximates the DAC weighted average (Chart 2).

Chart 2. Australian ODA/GNP and GNP/Capita as Ratios of DAC Average ODA/GNP and GNP/Capita (a)(b)



- (a) DAC statistical conventions provide that donor contributions to multilateral agencies measure the total contribution at the point of deposit of an encashable note rather than at the point(s) of encashment or outlay. Because deposits are made irregularly, while encashment usually extends over a number of years, deposit-based statistics are more volatile than encashment-based statistics. DAC statistics are recorded by calendar years.
- (b) The 1991, 1992 and 1993 points are estimates. The decline in Australia's GNP/Capita relative to the DAC average reflects a lower rate of growth in Australian GNP/Capita than in OECD countries as a whole.

Chart 3. Overseas Aid Proportion of Subfunction Outlays (1984-85 prices)

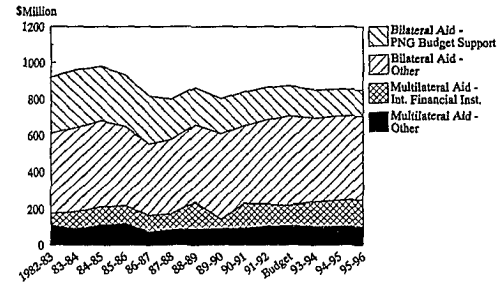


Chart 3 shows the changing focus of Australia's aid and highlights the decreasing share of our aid represented by Papua New Guinea (PNG) budget support. Over the period 1982-83 to 1991-92, all aid (bilateral and multilateral) other than for PNG budget support increased by 11.8% in real terms.

8C.1.1 Bilateral Aid

	1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Papua New Guinea - Budget Support	\$m 269.5	259.0	249.0	249.0	249.0
%		-3.9	-3.9	-	-
Projects, Technical Cooperation and Related Activities	\$m 315.4	343.0	344.0	354.9	361.4
%		8.7	0.3	3.2	1.8
Training	\$m 142.5	146.8	145.3	163.9	169.4
%		3.0	-1.0	12.8	3.4
Emergency Aid	\$m 11.7	10.3	10.3	10.6	10.8
%		-12.1	-	3.2	1.9
Refugee Relief	\$m 42.8	44.2	46.2	47.8	49.5
%		3.3	4.5	3.5	3.5
Non-government Organisations	\$m 17.1	24.7	24.7	25.5	26.0
%		44.0	-	3.2	1.9
Development Import Finance	\$m 98.0	120.0	100.0	103.5	107.1
%		22.4	-16.7	3.5	3.5
Australian Centre for International Agricultural Research	\$m 18.9	21.6	21.6	22.3	22.7
%		14.3	-	3.2	1.9
International Trade Development	\$m 4.8	5.2	5.2	5.4	5.5
%		8.8	-	3.2	1.9
TOTAL	\$m 920.7	974.8	946.3	982.9	1001.4
%		5.9	-2.9	3.9	1.9

Papua New Guinea Budget Support

A five year Development Cooperation Treaty signed with PNG in 1989 provides minimum aid funding. Under agreed arrangements, direct budget support of \$259m in 1992-93 and \$249m in 1993-94 is to be provided. The declining rate is in accordance with the aim of both the PNG and Australian Governments to shift progressively from budget support to aid for particular programs and projects. The next review of the Treaty is due in September 1992.

Other Bilateral Aid

Bilateral aid provides a specific country focus for the Australian aid program. Outlays in this subfunction accommodate all ongoing country programs in the South Pacific, South East Asia and other regions, and include:

- new bilateral aid programs established late in 1991-92 with Vietnam and Cambodia; total expenditure in 1992-93 is expected to be \$16.4m in Vietnam and \$12.8m in Cambodia; and
- increased funding provided to Laos and Thailand in connection with the Mekong Bridge project.

Category components under '8C.1.1 Bilateral Aid' include \$120m for DIFF, an increase of 18.6% in real terms compared with 1991-92.

Trends

Outlays on bilateral aid fell 16.2% in real terms between 1982-83 and 1991-92 because of:

- expenditure constraints affecting all Commonwealth outlays;
- increasing commitments to other areas of the aid program since 1986-87, particularly contributions to international development financial institutions (IFIs), which provide relatively greater support to the poorest developing countries; and
- a real reduction since 1984-85 in budget support to PNG.

Outlays for bilateral aid are projected to decrease by 8.0% in real terms over the forward years, and represent a continuation of the shift from bilateral to multilateral aid.

Allocations to categories within '8C.1.1 Bilateral Aid' in the forward years are, however, indicative only. Final allocations are subject to reassessment within the context of the Budget process each year.

8C.1.2 Multilateral Aid

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
International Development	\$m	181.5	170.6	216.9	233.6	253.1
Financial Institutions	%		-6.0	27.1	7.7	8.4
UN Organisations	\$m	86.2	88.6	89.1	92.0	93.9
	%		2.8	0.6	3.2	2.1
Commonwealth Organisations	\$m	12.2	12.6	12.6	13.0	13.2
	%		3.4	-	3.2	1.9
Other International Organisations	\$m	19.6	21.9	22.9	23.9	24.6
	%		12.0	4.5	4.4	2.6
Regional Organisations	\$m	40.3	46.0	46.0	47.5	48.3
	%		14.0	-	3.2	1.9
TOTAL	\$m	339.8	339.7	387.5	409.9	433.2
	%		..	14.1	5.8	5.7

Multilateral aid outlays encompass contributions to economic development funds administered by international, regional or other multinational organisations.

International Development Financial Institutions

The bulk of outlays comprise contributions for capital and concessional lending through the International Bank for Reconstruction and Development (the World Bank) and the Asian Development Bank (ADB), and reflect the pattern of drawdowns against Australian Government promissory notes.

In 1992-93 Australia will contribute a third instalment of \$7.8m in capital subscriptions to the European Bank for Reconstruction and Development to assist the restructuring of the economies of central and eastern Europe.

Trends

The balance within multilateral aid has shifted over the period 1982-83 to 1991-92 from payments to UN organisations (included as part of 'Other Multilateral Aid' in Chart 3) towards aid through IFIs, mainly the ADB and the World Bank. The trend is maintained through the forward years.

Overall, outlays for multilateral aid increased by 28.5% in real terms over the period 1982-83 to 1991-92, reflecting:

- increases in Australia's share of replenishments of the Asian Development Fund and the IFIs' rate of drawdown on promissory notes;
- increased contributions to regional organisations; and
- a lower SA relative to the SUS (contributions to international organisations are assessed in SUS).

Contributions to IFIs rose by 79.8% in real terms between 1982-83 and 1991-92 and are expected to increase by 32.9% over the forward years (see Chart 3). The estimates provide for Australia's participation in future IFI replenishments and, largely for that reason, projected outlays for multilateral aid as a whole will increase by 14.2% in real terms over the forward years.

8C.1.3 Aid Administration

This category provides for the administrative costs of the Australian aid program, including through the Australian International Development Assistance Bureau. Outlays are expected to increase by 2.8% in real terms in 1992-93.

8C.2 FOREIGN AFFAIRS NON-AID

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Membership of International Organisations	\$m	60.4	-57.7	61.4	61.4	61.4
	%		-4.4	6.4	-	-
United Nations Peace-keeping Operations	\$m	33.5	32.0	3.9	3.9	3.9
	%		-4.7	-87.7	-	-
Other Activities	\$m	25.3	19.1	11.9	10.3	9.0
	%		-24.6	-37.7	-13.4	-12.7
General Administration	\$m	446.0	482.1	456.0	439.4	447.1
	%		8.1	-5.4	-3.6	1.8
TOTAL	\$m	565.2	590.8	533.2	515.0	521.4
	%		4.5	-9.7	-3.4	1.2

These outlays are provided to promote Australia's interests through diplomatic relations with other countries, both bilaterally and through our participation in, and contributions to, international organisations and forums.

Membership of International Organisations

These outlays contribute to the administrative expenses and, in some cases, the functional activities of international organisations including the UN (\$19.7m contribution to its regular budget), the UN Food and Agriculture Organization (\$8.2m), the World Health Organization (\$7.3m), the OECD (\$5.7m) and the Commonwealth Secretariat (\$2.3m).

In 1992-93 outlays are expected to decrease by 7.4% in real terms, mainly because of Australia's withdrawal from the Common Fund for Commodities.

United Nations Peace-Keeping Operations

Australia's contributions to UN peace-keeping activities are expected to total \$32.0m in 1992-93, and include:

- \$15.5m for the UN Transitional Authority in Cambodia;
- \$7.3m for the UN Protection Force (in Croatia, Bosnia and Herzegovina);
- \$3.1m for the UN Interim Force in Lebanon;
- \$2.2m for the UN Angola Verification Mission; and
- \$1.5m for the UN Mission to the Western Sahara.

The forward estimates for this category of outlays are based on existing commitments and indicate expected significant reductions. However, the continued international preference for use of UN-sponsored peace keeping operations to resolve regional conflicts suggests that further commitments may be required in the forward years, and that outlays in this category may remain high for the foreseeable future.

Other Activities

These outlays support a range of cultural and other activities not covered elsewhere. Compared with 1991-92, outlays are expected to reduce by 26.9% in real terms in 1992-93, reflecting the removal of one-off expenditures associated with Australia's participation in Expo 92.

General Administration

These outlays include the major part of the DFAT administration costs (other than a small proportion of the Department's costs which relate to functions 7B. *Industry Assistance and Development* and 8B. *Law, Order and Public Safety*) and DAS overseas property services (residential and office accommodation for staff of Australian missions overseas).

Outlays are expected to increase by 4.7% in real terms in 1992-93, primarily because of growth in overseas property outlays of \$18.1m, mainly due to:

- additional secure housing in Port Moresby (\$7.6m);
- establishment of the Australian mission in Phnom Penh (\$5.2m);
- repairs to the facade of the chancery in Washington (\$3.8m); and
- a new chancery in Hanoi (\$4.2m).

Outlays on these works have, to a limited extent, been offset by:

- reductions flowing from the completion of the Beijing chancery and the future rationalisation of property in Singapore;
- a modest real reduction in DFAT running costs following rationalisation of Australia's representation in the United States; and
- savings in DFAT running costs and overseas property costs flowing from the closure of missions in Berne, Lisbon and Prague.

8D. GENERAL AND SCIENTIFIC RESEARCH, NEC

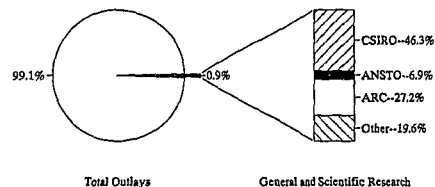
OVERVIEW

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
8D.1 Commonwealth Scientific and Industrial Research Organisation	\$m	448.2	458.2	490.2	438.5	445.5
	%		2.2	7.0	-10.6	1.6
8D.2 Australian Nuclear Science and Technology Organisation	\$m	65.1	67.7	69.6	69.4	71.5
	%		-4.0	2.7	-0.3	3.1
8D.3 Australian Research Council	\$m	230.8	269.0	293.4	291.3	282.4
	%		16.5	9.1	-0.7	-3.1
8D.4 Other General and Scientific Research, nec	\$m	124.5	193.8	198.7	209.9	212.0
	%		55.7	2.5	5.7	1.0
TOTAL	\$m	868.6	988.7	1051.9	1009.1	1011.4
	%		13.8	6.4	-4.1	0.2

The 1991-92 actual outcome represents Australian Research Council (ARC) grants to State institutions only with grants to Commonwealth institutions (\$14.7m) included in 2. Education. The 1992-93 estimate is the total of ARC grants to both State and Commonwealth institutions prior to the 1993 allocation to the Commonwealth institutions.

- Outlays are estimated to increase by \$120.1m or 13.8% in 1992-93 (an increase of 10.3% in real terms); and decrease by 8.4% in real terms over the forward years.
- Main impacts on outlays in 1992-93 are:
 - funding of \$54.5m for the Cooperative Research Centres (CRC) program (an increase of \$36.3m);
 - commencement of the Australian Magnesium Metal Research and Development Project (\$4.9m);
 - equity in the Australian Technology Group (\$30m);
 - increased infrastructure funding to the science agencies (\$15m);
 - increased funding for an additional 200 Australian Post-graduate Research Awards (APRAs) (\$1.5m) and the full year effects of increases in APRAs (from 1100 to 1300) and Overseas Postgraduate Scholarships (from 150 to 300) announced in the March 1991 Economic Development Statement (\$9.9m); and
 - the full year effect of increases in research grants allocated by the ARC including Collaborative Research Grants announced in the 1991-92 Budget (\$7.4m).

Chart 1. General and Scientific Research, nec
Proportion of Total Outlays and Function
1992-93



- Outlays under this function have remained constant at around 0.9% of total outlays in 1992-93, a marginal increase on 1991-92 (0.8%).
- Substantial elements of Commonwealth support for science and technology in particular fields, such as defence technology, industry, health and education, are included in other functions in this Statement. The Commonwealth also provides considerable support for industry research and development through a tax concession scheme. The current scheme was extended in the March 1991 Economic Development Statement as a permanent feature of the tax system.
- Major factors contributing to changes over the forward years are:
 - termination in 1994 of the five year program of supplementary funding announced in the May 1989 Science and Technology Statement;
 - full funding of the CRC program with the progressive establishment of up to 50 Centres by 1994-95;
 - commitments to the Australian Magnesium Metal Research and Development Project (\$12.3m in 1993-94 and \$2.8m in 1994-95);
 - additional funding to science agencies for infrastructure in 1993-94 (\$15.6m); and
 - funding through the ARC research programs, rising to \$290.3m in 1993-94 and additional research grants (including Collaborative Research Grants) rising to \$40.0m in 1995-96.

MEASURES TABLE

Description of measure	Effect on Outlays			
	1992-93	1993-94	1994-95	1995-96
	\$m	\$m	\$m	\$m
Replacement and refurbishment of CSIRO properties (i)	6.2	-	-	-
Australian magnesium metal industry - Technology initiative	4.9	12.3	2.8	-
Establishment of Australian Technology Group (ii)	30.0	-	-	-
Environmental Research	0.3	0.4	0.4	0.4
Science Agencies Infrastructure (iii)	15.0	15.6	-	-
Greenhouse Core Research	-	5.9	6.1	6.4
Climate Change Policy and Program Support	4.1	1.0	1.1	1.1
AIMS Extension in Western Australia	0.2	1.6	3.0	-
Post-graduate Student Awards	1.5	4.7	7.8	10.4

- (i) Measure announced in the November 1991 Economic Statement.
 (ii) Measure announced in *One Nation*.
 (iii) Measure included in the *Employment Statement*.

3.226

PURPOSE

Outlays under this function support the provision of advice, long term and strategic research activities, and efforts to encourage and assist scientific and technological innovation in Australian industry.

Commonwealth support for science and technology ranges across various portfolios and functional classifications. Budget Related Paper 6, *Science and Technology Budget Statement 1992-93*, and the Science White Paper, *Developing Australian Ideas - A Blueprint for the 1990s*, provide further details including policy issues and historical trends.

NATURE OF GENERAL AND SCIENTIFIC RESEARCH OUTLAYS

The research agencies: the Commonwealth Scientific and Industrial Research Organisation (CSIRO), the Australian Nuclear Science and Technology Organisation (ANSTO) and the Australian Institute of Marine Science (AIMS) receive the bulk of their funding directly from the Budget. They also receive additional research funding from private industry and a variety of Commonwealth assisted grant schemes. Australia also maintains several Antarctic research stations and supports associated research through the Antarctic Division of the Department of the Arts, Sport, the Environment and Territories.

Commonwealth grants provide funds for research through the ARC for higher education research grants and fellowships; through the CRC program to supplement contributions from CRC partner organisations; and for environmental research initiatives.

Science policy advice and coordination activities are undertaken by the Office of the Chief Scientist, the Prime Minister's Science Council (PMSC) and the Coordination Committee on Science and Technology (CCST). The Australian Science and Technology Council (ASTEC) provides independent policy advice.

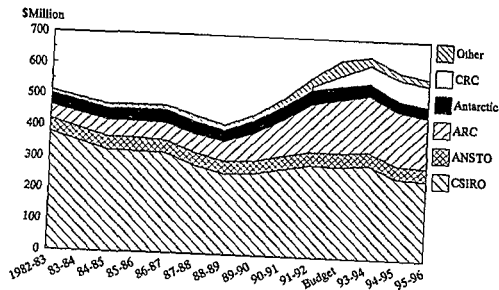
TRENDS IN GENERAL AND SCIENTIFIC RESEARCH OUTLAYS

Total outlays were 13.8% higher in real terms in 1991-92 than in 1982-83. In addition, total recurrent funds available to CSIRO, ANSTO and AIMS have been supplemented by external funding which, for CSIRO, has increased 141.2% in real terms over the ten years to 1991-92. The 1992-93 budget estimate reflects a real increase of 10.3% compared with 1991-92 while funding in the forward years is estimated to decline by 8.4% in real terms.

Chart 2 illustrates the changing composition of outlays on scientific research over the last decade. CSIRO accounts for a much smaller proportion of outlays now (46.3% in 1992-93) than in earlier years (73.6% in 1982-83). This shift reflects completion of major capital projects by CSIRO and, more recently, a move towards funding through grant schemes. The *May 1989 Science and Technology Statement* announced a significant increase in funding from 1989-90 to 1993-94, providing additional resources for CSIRO, the ARC and other science related programs.

3.227

Chart 2. General and Scientific Research, nec
(1984-85 prices)



Substantial real increases for the ARC and to a lesser extent the Antarctic Division and the creation of the CRC program have offset declining direct appropriations to CSIRO. Increases in ARC grants and fellowships, the transfer of some higher education operating grants to ARC in 1988-89 and additional research infrastructure funding have resulted in a real increase of 238.2% in ARC funds between 1982-83 and 1991-92.

The CRC program will contribute a real increase in this function's outlays over the forward years of 5.3%. This increase is offset by real declines over the forward years of 6.0% in ARC funds and 11.7% in science agencies' funds. These declines result from the termination of the *May 1989 Science and Technology Statement* five year special funding and the additional infrastructure funding provided in 1992-93 and 1993-94 to the science agencies. Funding for the Antarctic program will also decline by 19.5% in real terms reflecting the completion of the rebuilding program.

MAJOR POLICY CHANGES

Since the early 1980s efforts have been directed at improving the links between researchers and users, increasing the relevance of research to national priorities, and promoting technology transfer. Increased reliance has been placed on competitive funding mechanisms to increase the flexibility and relevance of research. Where possible, responsibility for detailed decisions on research priorities has been devolved to researchers and users within broad strategic guidelines set by the Government.

During 1988 the ARC was established as an advisory council to the National Board of Employment, Education and Training, with responsibility for advising government on national research priorities. Funds allocated on the advice of the ARC have been expanded by a transfer of a proportion of higher education institution operating grants.

CSIRO, ANSTO and AIMS have been required to seek increased external funding and their operations have been restructured and reoriented to link research more closely to user needs. The external funding targets set are to be viewed flexibly to allow the

quality and relevance of research output and community benefit to be considered. Commonwealth funding is now on a triennial basis with guaranteed real levels of funding to 1993-94.

1991-92 OUTCOME

The 1991-92 outcome was \$10.4m below the budget estimate. This is attributable to the transfer of the research grants allocation for Commonwealth institutions (\$14.7m) into 2. Education, a change in the payment schedule for the CRC program (\$1.2m), delays in Commonwealth-State negotiations concerning the Cape York Peninsula Land Use Strategy (\$1.2m), and various factors within the Antarctic Division (\$0.9m). These were offset by additional funding to CSIRO of \$4m in the *November 1991 Economic Statement*, a transfer of salaries (\$2.4m) to ARC from 7C. Labour and Employment and adjustments for National Wage Case rises of approximately \$1.5m.

SUBFUNCTION DETAIL

8D.1 COMMONWEALTH SCIENTIFIC AND INDUSTRIAL RESEARCH ORGANISATION

CSIRO, an independent statutory authority, is Australia's largest and most diverse scientific research organisation. Its role is essentially to undertake long term strategic research, together with the applied research necessary to transfer research results to users, for the benefit of the nation. Its activities do not encompass research in the defence, nuclear science and clinical medicine fields.

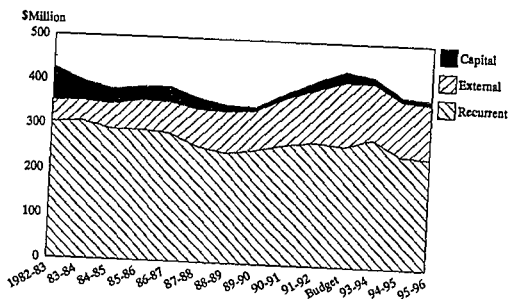
CSIRO now has an internal mechanism to determine and shift resources to priority areas in line with national goals, needs and opportunities. This process, combined with guaranteed funding arrangements, should enhance CSIRO's ability to target its research effort more effectively to national priorities.

To encourage CSIRO to improve its links with industry, the Government has set an external earnings target (ie funds other than direct budget appropriations) of 30% of total funding. In 1991-92 the level achieved was 28.7%. External earnings include support from other budget appropriations (eg the rural industry research funds) and contributions from industry and other levels of government.

Trends

Chart 3 demonstrates a real increase in recurrent resources available to CSIRO from appropriations and external sources over the 1980s. Excluding capital, funds available in 1991-92 were 11.8% higher in real terms than in 1982-83. Total direct budget appropriations fell by 21.7% in real terms from 1982-83 to 1991-92 (after adjusting for changes in funding arrangements for capital and repairs and maintenance effected during the early 1980s). This decrease reflected a decline (74.3% real) in capital expenditure from the high level of activity in the early to mid 1980s.

Chart 3. CSIRO - Total Funding Base (a)
(1984-85 prices)



(a) From 1989-90 minor capital has been transferred to recurrent funding.

Increases in external funding over recent years, both from industry and from Commonwealth grant schemes (such as the National Energy Research, Development and Demonstration Council and rural industry research funds), have largely offset the real decline in recurrent appropriations. External funding has increased from \$43.2m in 1982-83 to \$178.3m in 1991-92 (11.5% compared to 28.7% of total expenditure) a real increase of 141.2%. This change in the source of funding has resulted in some redirection of CSIRO's research activities from longer term strategic research towards applied research generally funded by external bodies.

It is estimated that CSIRO will have \$685.7m available for its activities in 1992-93, comprising:

- direct budget appropriations of \$456.3m (recurrent \$415.0m, Magnesium loan \$4.9m and capital \$36.4m);
- funds from industry contributions and other forms of private and Government support for specific projects \$170.8m, including part of the \$1.9m for Kraft Pulp Mill research managed by CSIRO;
- a contribution of \$6.0m from the Department of Primary Industries and Energy to meet half the operating costs of the Australian Animal Health Laboratory; and
- receipts from other sources such as sales of assets and publications \$48.5m.

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The allocation of resources amongst CSIRO's activities in 1991-92 and estimates for 1992-93 are shown below:

	1991-92 Actual \$m	1992-93 Budget(b) \$m	Change \$m	%
Animal Production and Processing	61.0	63.5	2.5	4.1
Australian Animal Health Laboratory	11.4	12.1	0.8	6.8
Industrial Technologies	63.0	64.3	1.3	2.1
Information Science and Engineering	27.5	27.5	0.0	0.0
Australia Telescope	10.2	10.3	0.1	0.4
Minerals, Energy and Construction	65.0	76.3(e)	11.3	17.4
Natural Resources and Environment	54.6	67.9	13.3	24.3
Oceanographic Research Vessel	3.8	4.3	0.5	13.4
Plant Production and Processing	85.2	89.2	4.0	4.7
Corporate Research Support	39.0	41.6	2.6	6.7
Specific Project Contributions(a)	162.4	170.8	8.4	5.2
Capital and Repairs and Maintenance	37.4	57.9	20.5	54.8
Total outlays	620.5	685.7	65.2	10.5
of which:				
Appropriations -	442.2(c)	460.4(d)	18.2	4.1
External Sources -	178.3	225.3	47.0	26.4
(% of total)	(28.7%)	(32.9%)		

(a) Industry contributions and other forms of private and government support.

(b) These figures are estimates as supplied by CSIRO.

(c) Appropriations totalled \$446.3m in 1991-92; \$4.1m of contracted commitments remains unspent due to construction delays with certain capital projects.

(d) Appropriations of \$456.3 in 1992-93 plus \$4.1 from 1991-92 - refer note (c).

(e) Includes \$4.9m capital advance for Magnesium pilot plant.

Direct budget estimates for CSIRO in 1992-93 and the forward years are affected by the decisions to provide guaranteed real funding in the triennium (1991-92 to 1993-94), additional funding for restoration of science infrastructure (\$18.2m in 1992-93 and \$12.5m in 1993-94) plus loans of \$10m over the triennium to assist in the redevelopment of the North Ryde site and \$20m over three years for Magnesium research and a pilot plant. Overall CSIRO has a marginal real decrease of 1.0% in direct budget allocations for 1992-93 due to specific allocations in 1991-92 and the application of the efficiency dividend. The special funding provided in the *May 1989 Science and Technology Statement* terminates at the end of the triennium, accounting for the decline in the estimates for 1994-95.

8D.2 AUSTRALIAN NUCLEAR SCIENCE AND TECHNOLOGY ORGANISATION

ANSTO is Australia's major centre of competence and expertise in nuclear science and associated technologies. It undertakes research and development in nuclear science to contribute to Australian industrial innovation and development and produces a range of radioisotopes and radiopharmaceuticals for use in industry and medicine throughout Australia and for export.

In addition, ANSTO maintains a core of nuclear expertise and national nuclear facilities to reinforce Australia's strategic interests in nuclear technology, providing the technical credibility to further Australia's non-proliferation, nuclear safeguards and wider nuclear technology policies and interests. ANSTO has redirected its research and development

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program to achieve 70% applications-oriented research and 30% long-term strategic projects with emphasis on new industrial applications.

Trends

Direct budget appropriations to ANSTO in 1991-92 were 4.6% higher in real terms than in 1982-83 when the Organisation was known as the Australian Atomic Energy Commission. This increase is largely attributable to several major capital projects, such as the National Medical Cyclotron facility at the Royal Prince Alfred Hospital, Sydney which was opened in April 1992.

ANSTO will be appropriated \$66.9m in 1992-93, including \$14.6m allocated for capital works. From 1992-93 the Nuclear Safety Bureau (NSB), which was previously funded through ANSTO, will receive a separate allocation (\$0.8m) reflecting its new independent status. The 1992-93 estimate, including NSB, represents an increase of 0.8% in real terms from the 1991-92 outcome. This is mainly attributable to additional funding for infrastructure of \$2.2m in 1992-93, partially offset by repayment of an advance to purchase a supercomputer in 1991-92. Funding for infrastructure of \$2.4m has also been provided in 1993-94. Significant capital works activities in 1992-93 will be:

- acquisition of a Secondary Ion Mass Spectrometer and the construction of a building to house it;
- upgrading of security to meet international obligations;
- modernisation and refurbishment of existing buildings and laboratories;
- water management facilities upgrades to comply with new occupational health and safety standards; and
- upgrading of electrical and fire suppression systems.

ANSTO has set itself a target of raising \$21.8m in external revenue in addition to funds appropriated through the 1992-93 Budget. Manufacture and sale of radioisotopes will deliver \$8.2m with the balance coming from other industry sources and government sponsored research programs.

Direct budget funding (in real terms) is estimated to remain relatively constant over the forward years. Under the guaranteed funding arrangement, ANSTO has been set an external revenue target of 30% of budget appropriations which it achieved in 1991-92. This achievement suggests that ANSTO could expect even higher contributions from external activities over the forward years.

An independent review of the nuclear reactor HIFAR and the issues surrounding any replacement of that reactor will be undertaken in 1992-93 and 1993-94. Funding of \$2m has been provided through the Department of Industry, Technology and Commerce for this purpose under 7B. *Industry Assistance and Development*.

8D.3 AUSTRALIAN RESEARCH COUNCIL

The ARC advises on the allocation of research funds to higher education institutions under the *Higher Education Funding Act 1988*. It advises on national research priorities, coordination of research policy, the development and implementation of programs for selective concentration of research activity, and measures to improve the training of

research personnel. The Special Research Assistance (SRA) program includes: Research Grants; Postgraduate Awards; Research Fellowships; Overseas Postgraduate Research Scholarships; Key Centres of Teaching and Research; Special Research Centres; the Research Infrastructure Program; and Collaborative Research Grants. ARC grants are provided on a competitive basis involving selection by an independent panel which assesses the merits of individual proposals.

Trends

Appropriations for the ARC and its predecessors (including the Australian Research Grants Scheme and the Marine Sciences and Technologies Grant Scheme) increased by 238.2% in real terms over the ten years to 1991-92. This change is attributable to increases in ARC grants and fellowships, the transfer of some higher education operating grants to ARC in 1988-89 and additional research infrastructure funding.

ARC funding is estimated to increase by 6.1% in real terms over 1991-92 taking into account funds allocated to Commonwealth institutions (\$14.7m) and transferred to 2. *Education*. This primarily reflects increased funding for research infrastructure to higher education institutions (\$6.0m) and the full year effects of previous decisions to increase Australian and overseas post-graduate awards (\$9.9m) and funding for ARC increase Australian and overseas has been provided in 1992-93 (rising to \$10.4m in 1995-96) for 200 additional Australian Postgraduate Research Award from 1993.

8D.4 OTHER GENERAL AND SCIENTIFIC RESEARCH

		1991-92	1992-93	1993-94	1994-95	1995-96
		Actual	Budget	Estimate	Estimate	Estimate
Policy, Coordination and Promotion	\$m	5.1	8.1	7.9	6.9	7.0
	%		60.0	-2.9	-12.4	1.5
Cooperative Research Centres	\$m	18.2	54.5	94.5	115.0	119.0
	%		198.8	73.3	21.7	3.5
Antarctic Division	\$m	67.3	65.4	63.2	58.7	58.8
	%		-2.8	-3.3	-7.2	0.2
International and Other Research	\$m	33.9	65.8	33.1	29.4	27.2
	%		94.1	-49.7	-11.1	-7.5
TOTAL	\$m	124.5	193.8	198.7	209.9	212.0
	%		55.7	2.5	5.7	1.0

Policy, Coordination and Promotion

ASTECC provides independent advice to the Government and undertakes ad hoc reviews on issues relating to science policy and funding in Australia. The Council has been appropriated \$2.0m in 1992-93, broadly maintaining the real level of resources available over the last decade.

The PMSC and CCST are major forums for the consideration of science and technology issues. The PMSC, chaired by the Prime Minister, comprises Ministers with primary responsibility for science and technology matters and representatives from industry and the scientific community. The CCST brings together senior representatives of Commonwealth bodies to share information on and coordinate science and technology programs and policies.

In 1992-93 \$1.4m will be available to the Office of the Chief Scientist Division of the Department of Prime Minister and Cabinet to support the PMSC, the CCST, the CRC Program and to coordinate and develop science and technology policies.

The National Science and Technology Centre aims to increase community awareness and understanding of science and technology through the Centre's exhibitions, the travelling Science Circus and other outreach educational programs. Following a review during 1991-92, the total funding requirement for the Centre is estimated at \$6.5m each year, of which the Commonwealth will provide about \$3.2m with the balance expected to be generated through the Centre's revenue raising activities. In addition, one-off appropriations for capital works are estimated at \$0.3m in both 1992-93 and 1993-94.

Cooperative Research Centres Program

CRCs are an innovative approach towards enhancing the benefits from publicly funded research and development by bringing together research groups and users in public and private organisations. CRCs also provide a training ground for Australia's future researchers.

There are currently 34 CRCs and up to a further 16 CRCs will be selected in the third and final round in 1992-93. Funding of \$54.5m will be available in 1992-93, an increase of \$36.3m over 1991-92.

Antarctic Division

The Antarctic Division carries out scientific research and maintains an Australian presence at three stations on the Antarctic continent and one on Macquarie Island.

An extensive rebuilding program, which commenced in 1980-81, is scheduled for completion in March 1995. The total cost of the program is expected to be \$112.3m (1992-93 prices).

The Division's appropriation in 1992-93 will decrease by \$1.9m, which represents a real decrease of 5.8% on the 1991-92 outcome. Funding over the decade to 1991-92 showed a real increase of 24.2% due mainly to the rebuilding program. Over the forward years outlays show a real decrease of 19.5% due to the completion of the rebuilding program.

International and Other Research

AIMS' research is directed towards understanding the marine environment in the coastal and continental shelf regions of Australia and to assist the development, conservation and management of marine resources, particularly in the Great Barrier Reef Marine Park. The Institute has also developed links with industry in areas such as mariculture and provides a research base and expertise for commercial developments.

Direct budget funding of AIMS has increased by 30.4% in real terms since 1982-83. This is in part due to the construction of a technical engineering facility, costing \$2.5m, which was completed in 1991-92. The decline resulting from the completion of this facility will be partially offset over the forward years by the expansion of AIMS in North West Australia (additional funding to 1994-95 only). Further infrastructure funding has been provided (\$0.8m in 1992-93 and \$0.7m in 1993-94). The net effect of this will be a rise in forward estimates followed by a decline in 1995-96, resulting in a real decrease of 13.8% over the forward years.

Funding for research into the greenhouse effect (administered by the National Greenhouse Advisory Committee) has been extended beyond 1992-93 to the forward years. In addition, funding associated with climate change activities has been continued with \$4.1m provided in 1992-93 and approximately \$1.0m in each of the forward years.

As previously announced an Australian Technology Group (ATG) is being established as a company to operate on a commercial basis. Its objective will be to address the issue of research commercialisation (this was a recommendation of *Bringing the Market to Bear on Research - The Block Report*). The Government has provided \$30m equity in 1992-93 to improve the transfer of technology between the public and private sectors. It is hoped that private interests will at least match the Government's contribution.

The International Science and Technology Cooperation program will receive funding of \$5.3m in 1992-93. This program facilitates access by Australian scientists and research groups to their overseas counterparts.

Trends

This subfunction includes recent initiatives relating to coordination and cooperation such as the CRC program and the creation of the PMSC and the CCST. In addition, the growing concern about the greenhouse effect and climate change problems has led to specific funding of research in these fields. Funding has increased in real terms by 50.9% since 1991-92 and, excluding the one-off impact of the establishment of the ATG, will continue to grow over the forward years with the establishment of further CRCs.

8E. ADMINISTRATIVE SERVICES

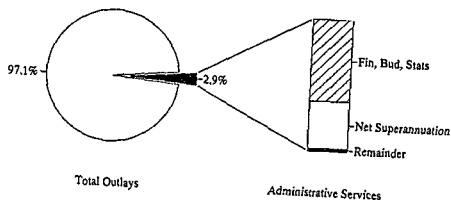
OVERVIEW

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
8E.1 Financial, Budgetary, Statistical and Administrative	\$m	2033.3	2073.7	1977.6	1795.7	1760.1
	%		2.0	-4.6	-9.2	-2.0
8E.2 Estate Management	\$m	-23.8	-57.3	-0.8	-56.4	-159.9
	%		141.0	-98.7	na	183.6
8E.3 Net Superannuation Payments	\$m	970.7	1193.1	1278.3	1458.0	1735.3
	%		22.9	7.1	14.1	19.0
8E.4 Net Commonwealth Employees' Compensation	\$m	54.9	81.2	76.1	78.0	76.7
	%		47.9	-6.3	2.5	-1.7
8E.5 Common Business Services	\$m	65.8	80.9	-54.4	-67.8	-49.3
	%		23.1	-167.3	24.6	-27.3
8E.6 Taxes Paid by Budget Agencies	\$m	-157.2	-183.0	-183.7	-185.5	-188.1
	%		16.4	0.3	1.0	1.4
TOTAL	\$m	2943.7	3188.7	3093.1	3022.0	3174.9
	%		8.3	-3.0	-2.3	5.1

The above budget and forward estimates of outlays make no allowance for Commonwealth sector wage and salary increases which occur within each year. Provision is included in 9C. Contingency Reserve.

- Total outlays on Administrative Services are estimated to increase by \$245m or 8.3% in 1992-93 (5.0% in real terms) and to decline in real terms in 1993-94 and 1994-95 by an average 6.3% a year, increasing again in 1995-96 by 1.5%.
- Outlays on Administrative Services are estimated to account for 2.9% of total Commonwealth outlays in 1992-93, the same level as 1991-92 (see Chart 1).

Chart 1. Administrative Services
Proportion of Total Outlays and Function
1992-93



- The main sources of growth in 1992-93 are:

- Net Superannuation Payments, due to increased numbers of beneficiaries, the bringing forward of expenditure as a result of lump sum payments under the new Public Sector Superannuation (PSS) scheme, and continuing high levels of retrenchments;
 - outlays on the construction of new Commonwealth office accommodation commencing in 1992-93 in Brisbane and Canberra (\$52.3m in 1992-93 on projects totalling \$364.3m);
 - funding for the Task Force on Asset Sales (Department of Finance) to process the sale of Qantas and Australian Airlines (\$10.6m);
 - additional funding for the Insurance and Superannuation Commission for audit of superannuation funds and improved enquiry services as well as enhanced capacity for superannuation and insurance supervision (\$12m);
 - staff redundancy payments by some common service businesses in the Department of Administrative Services (\$28.4m);
 - loan flotation expenses due to anticipated increased borrowing requirements (\$12.8m); and
 - upgrading of computer systems for the Australian Customs Service (Customs) (\$29.9m in 1992-93).
- These increases in 1992-93 are partially offset by:
 - reduced expenditure on office construction as other projects approved in previous years approach completion; and
 - the completion of the 1991 Census of Population and Housing.
 - Outlays in forward years remain at a relatively high level due to:
 - progress on construction of office projects commencing in 1992-93; and
 - continued high Net Superannuation Payments as former employees elect to take lump sum benefits under the PSS in lieu of pensions.

MEASURES TABLE

Description of measure	Effect on Outlays			
	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
Decreases				
Aboriginal and Torres Strait Islander Electoral Information Service - offsetting savings	-0.5	-0.5	-0.6	-0.6
Sale of migrant on-arrival accommodation	-	-2.6	-10.8	-17.9
Increases				
Department of the Treasury Post in Asia (Singapore)	0.2	0.3	0.3	0.3
Treasury - OECD project on Structural Indicators	0.1	-	-	-
Creation of an Authority in Treasury to assess projects eligible for Development Allowance	1.0	0.8	0.9	0.9
Treasury - community education campaign on benefits of saving for retirement	1.0	-	-	-
Treasury and Australian Bureau of Statistics (ABS) - economic forecasting improvement	1.8	1.8	1.8	1.9
Australian Taxation Office (ATO) - continuation of Data Matching of DSS records and Tax File Numbers	-	2.1	2.1	2.2
Insurance and Superannuation Commission (ISC) - Audit and related activities	7.8	10.3	6.2	6.4
ISC - enhanced capacity for insurance and superannuation supervision	4.2	3.2	3.2	3.3
ISC - community education campaign on benefits of saving for retirement	0.4	0.4	0.2	-
Superannuation Guarantee Charge - administrative costs of ATO and ISC	5.0	3.1	2.7	2.8
Increased ATO funding for Sales Tax Simplification	4.5	-	-	-
Administrative costs of the Department of Finance and ABS for incorporating property costs into running costs	0.2	0.2	0.1	0.1
ABS - Royal Commission into Aboriginal Deaths in Custody	0.5	2.9	1.2	-
Australian Customs Service (Customs) - waterfront surveillance	2.6	2.4	-	-
Customs - fitout of international terminal buildings	1.9	1.7	0.3	0.4
Review of anti-dumping and countervailing system	1.3	1.4	1.4	1.6
Department of the Prime Minister and Cabinet (PM&C) - community education campaign against violence	1.0	1.0	1.1	-
Establishment of Major Projects Facilitation Unit (including Resource Security) in PM&C	0.3	-	-	-
Changed administration arrangements for Indian Ocean Territories	3.7	10.9	9.6	9.3
Commercialisation strategy of DAS Common Service Businesses, including superannuation costs	20.8	-0.3	-26.8	-68.8
Construction of new office facilities, Canberra and Brisbane	52.3	147.7	129.7	34.5
Rem for 538 Collins Street, Melbourne	2.1	1.4	1.4	-
Additional funding for lease termination and refurbishment - Sydney Plaza Building	5.0	-	-	-
Additional funding for construction of Commonwealth Centre, Hobart	1.6	-	-	-
Additional funding for construction of Commonwealth Centre, Melbourne	13.5	-	-	-
Additional resources following the review of Comcare program	0.9	0.9	0.9	0.9
Comcare - Strategy for reduction of stress related compensation claims	0.1	-	-	-
Review of Fleet vehicle financing	0.3	-	-	-

PURPOSE

This function relates to administrative machinery, infrastructure and support services of government which are not covered under other functions.

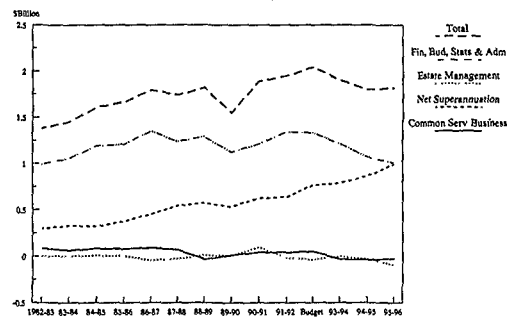
NATURE OF ADMINISTRATIVE SERVICES OUTLAYS

The administrative processes of government include identifiable tasks such as the collection of taxes, the collection and reporting of statistical information, raising and managing public debt, overseeing disbursement of public funds, auditing of Commonwealth entities, superannuation and insurance supervision, and providing economic, financial and other coordinated policy advice to government. They also include the provision of centralised personnel services (employee compensation and superannuation) and business services (such as property and transport) to government departments and agencies.

TRENDS IN ADMINISTRATIVE SERVICES OUTLAYS

Chart 2 shows the trend in outlays for the total function and the main subfunctions since 1982-83. Explanations of these trends are reported under each subfunction.

Chart 2. Administrative Services
(1984-85 prices)



MAJOR POLICY CHANGES

Significant policy changes in the period to 1991-92 were:

- a strengthening of the Australian Taxation Office (ATO) resource base, introduction of the Tax File Number System and modernisation of ATO systems to enhance efficiency and provide greater equity in taxation administration;
- the introduction of a new superannuation scheme for Commonwealth employees from 1990-91;

- the progressive introduction of fee-for-service and other commercialisation reforms, from 1987-88, to the common services of the Department of Administrative Services (DAS), and from 1991-92 for the Australian National Audit Office (ANAO);
- the introduction of revised arrangements for funding Commonwealth employees' compensation, including full premium funding from 1989-90;
- the phased introduction, from 1989-90, of rent payable on the Commonwealth estate; and
- the introduction, from 1987-88, of fringe benefits tax (FBT) and, from 1990-91, of customs duty payable by departments and budget sector agencies.

From 1992-93 the Government has agreed to incorporate property costs into budget dependent agencies' running costs budgets. Subject to a property scrutiny and resource agreement process, this will give agencies the scope and incentive to manage the property costs more efficiently and to trade off these costs against other operating costs.

1991-92 OUTCOME

In 1991-92, outlays were \$200m or 6.5% lower than the budget estimate mainly due to:

- lower administrative expenses, lower interest paid on overpaid tax and lower outlays on the modernisation program within the ATO (\$81m); and
- lower Net Superannuation Payments due to fewer new beneficiaries and less retrenchments than expected (\$134m).

These reductions were partially offset by:

- increased outlays on Estate Management (\$15m), primarily from lower than expected receipts from rent and sale proceeds of the property estate; and
- a repayment in 1991-92 of excess FBT collected from budget sector agencies in previous years (\$20m).

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SUBFUNCTION DETAIL

8.E.1 FINANCIAL, BUDGETARY, STATISTICAL AND ADMINISTRATIVE

		1991-92	1992-93	1993-94	1994-95	1995-96
		Actual	Budget	Estimate	Estimate	Estimate
Department of the Treasury	\$m	33.9	50.8	39.1	40.6	41.2
	%		49.6	-23.0	3.8	1.6
Australian Taxation Office	\$m	1155.2	1140.6	1127.3	987.3	976.2
	%		-1.3	-1.2	-12.4	-1.1
Australian Bureau of Statistics	\$m	241.1	194.7	189.1	205.7	182.8
	%		-19.2	-2.9	8.8	-11.1
Department of Finance	\$m	67.5	81.3	66.7	65.2	67.1
	%		20.4	-18.0	-2.2	2.9
Australian National Audit Office	\$m	26.7	17.8	15.8	14.8	15.6
	%		-33.3	-11.3	-6.2	5.2
Australian Customs Service	\$m	293.0	302.8	277.5	255.7	261.7
	%		3.4	-8.4	-7.9	2.4
Department of the Prime Minister and Cabinet	\$m	70.6	74.9	62.5	59.8	58.6
	%		6.2	-16.6	-4.2	-2.1
Department of the Arts, Sport and the Environment and Territories	\$m	41.0	30.7	22.4	20.1	19.8
	%		-25.1	-27.0	-10.1	-1.7
Department of Administrative Services	\$m	67.5	128.6	125.3	100.1	90.0
	%		90.6	-2.6	-20.1	-10.0
Insurance and Superannuation Commission	\$m	16.0	32.4	34.2	29.2	29.8
	%		102.0	5.6	-14.6	2.0
Other	\$m	20.8	19.2	17.7	17.1	17.3
	%		-7.8	-7.5	-3.2	0.8
TOTAL	\$m	2033.3	2073.7	1977.6	1795.7	1760.1
	%		2.0	-4.6	-9.2	-2.0

This subfunction covers: the running costs and other outlays of departments concerned with policy development and coordination; financial, budgetary, and statistical programs; and administrative activities. Operational expenses of agencies not elsewhere classified are also included.

Trends

Real outlays of the Australian Taxation Office (ATO) grew substantially from 1982-83 to 1991-92. This reflects increases in the taxpayer population, measures implemented to address tax avoidance and greater efficiency and equity in taxation administration. No real growth is expected in 1992-93, largely due to reductions in expenditure on the modernisation of ATO's systems (which was approved in 1989-90), estimated to cost in excess of \$1b over 12 years and to result in an ongoing reduction of 3000 staff, compared to that which would otherwise have been required, by 1998-99. The estimated cost in 1992-93 of ATO systems modernisation is \$216.8m, a decrease of approximately \$53m on 1991-92. Outlays are expected to decline over the forward years reflecting, in part, lower outlays on modernisation and the savings generated from the project.

Real outlays of the Australian Customs Service (Customs) grew substantially during the first half of the 1980s, mainly due to a reconstitution of its functions in 1982-83. Outlays in 1991-92 and 1992-93 remain high but are projected to decline in 1993-94 and 1994-95. This reflects the development of a new computer system which cost \$3.8m in 1990-91, \$25.9m in 1991-92 and a further \$29.9m estimated in 1992-93.

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Fluctuations in outlays of the Australian Bureau of Statistics (ABS) reflect its cyclical program of data collections. The Census of Population and Housing generated peaks in outlays in census processing years 1986-87 and 1991-92.

The decline in subfunction outlays between 1987-88 and 1989-90 was mainly due to:

- a reduction in loan flotation expenses and the curtailing of overseas borrowings as a result of budgetary surpluses from 1987-88;
- cessation of Commonwealth outlays on administration (nec) of the ACT following self-government in May 1989; and
- a reduction in running costs of the Department of Administrative Services (DAS) due to a number of common service units moving to commercial trust account operations and their outlays then being classified under '8E.5 Common Service Businesses'.

Charging by the Australian National Audit Office (ANAO) for all financial statement audits commenced in 1991-92. As fees are recorded as an offset within outlays, there is a consequential reduction in outlays under this function with offsetting additions to outlays under other functions. During 1991-92 the ANAO decided to forgo the flexibilities available through a net annotated appropriation arrangement (ie fee receipts being credited to the appropriation) and revert to a gross appropriation mechanism (ie fees paid to Consolidated Revenue Fund). Agreement has been reached between ANAO and the Department of Finance that ANAO's appropriations relating to financial statement audits in any financial year be linked to the level of receipts generated in a previous 12 month period.

The decline in funding under the Department of the Prime Minister and Cabinet (PM&C) in the forward years reflects the scheduled completion of the Public Service Commission's Middle Management Development Program and the Structural Efficiency Principle Training initiative.

Running cost resources of the Department of Finance will be supplemented by \$10.6m in 1992-93 for the Task Force on Assets Sales to process the sale of equity in Qantas and Australian Airlines.

Measures

Running costs of the Department of the Treasury (Treasury) will be supplemented to cover the cost of establishing a Treasury Post in Singapore and to fund the cost of representation on an Organisation for Economic Cooperation and Development (OECD) project on structural indicators. These increases will be fully offset by savings from efficiency gains in the Royal Australian Mint.

Treasury will receive funding for establishing and maintaining an authority to assess projects eligible for the development allowance announced in *One Nation*.

Funds will be provided to Treasury and the ABS to improve economic forecasting.

The ATO will be allocated funding in 1993-94 and subsequent years for ongoing costs of the continuation of the Tax File Number Data-Matching Program carried out by the Department of Social Security.

Funds will be provided to the Insurance and Superannuation Commission (ISC) for audit and related matters to implement an extensive and effective random and targeted audit program of superannuation funds and to improve its enquiry services. Flowing from an

evaluation of the ISC, additional resources will also be provided for enhanced capacity for insurance and superannuation supervision.

Additional funds will be provided to the ISC and the Department of the Treasury to conduct a community education campaign on the benefits of saving for retirement.

Funds will be provided to the ATO and the ISC for costs associated with the introduction of the Superannuation Guarantee Charge which commenced from 1 July 1992.

The ATO will also be provided with running costs funding to publicise and implement the changes to the structure of the wholesale sales tax announced by the Government in its statement on the simplification of the Wholesale Sales Tax Legislation.

Additional resources will be provided to the ABS to conduct surveys arising from the Royal Commission into Aboriginal Deaths in Custody.

The upgrade and fitting-out of the international terminal buildings for Customs is estimated to cost \$1.9m in 1992-93, \$1.7m in 1993-94 and \$0.3m a year thereafter. Customs will also undertake a waterfront surveillance pilot program in Victoria, costing \$2.6m in 1992-93 and \$2.4m in 1993-94, and a review of the anti-dumping and countervailing system.

Funds will be provided to the Office of the Status of Women in PM&C for a community education campaign aimed at eliminating violence against women.

In accordance with the policy of bringing laws, standards and infrastructure on the Indian Ocean Territories (IOT) of the Cocos (Keeling) Islands and Christmas Island up to the standard of those on the mainland of Australia, additional funds will be provided for the introduction of new legal and administrative systems, based on those of Western Australia, to replace the British colonial legislation. The Government has also committed \$42.0m over the next five years for essential infrastructure works on Christmas Island and a further \$5.4m in 1992-93 for works on the Cocos (Keeling) Islands.

In line with the funding increase, the functional classification of IOT outlays has been revised. Consequently, outlays which were formerly shown under this function have now been classified to other functions. Expenditure in 1991-92 and previous years remain in this subfunction.

As part of the commercialisation strategy for DAS, the Government has agreed to budget assistance for some of the excess staff costs of the common service businesses and the transfer of some property and purchasing services from the commercialised operations back to budget funding to avoid the perception of a conflict of interest. These initiatives add to outlays of this subfunction with partially offsetting reductions in outlays under subfunction '8E.5 Common Service Businesses'.

8E.2 ESTATE MANAGEMENT

This subfunction covers management of the Commonwealth's investment in real property.

Trends

Since the mid 1980s outlays have fluctuated widely, reflecting changes in the mix of large capital items such as construction and the disposal of property. The main contributing factors were:

- a government initiative to rationalise Commonwealth real property holdings by disposing of surplus or non-economic properties (the sale of Commonwealth office blocks in Sydney and Melbourne are shown under 9D. *Asset Sales*);
- the decision taken in 1983-84 to purchase ten new office blocks, including seven in regional centres, by annual instalments (began in 1987-88);
- a commitment in 1988-89 to construct new Commonwealth offices in Melbourne (Casselden Place) and Sydney (Haymarket), and in 1989-90 in Townsville, Hobart, Alice Springs and Logan City (Brisbane). Outlays on these six projects peaked in 1990-91; and
- the introduction in 1989-90 of rents, set at market levels, on the Commonwealth office estate and from 1990-91 on industrial properties. Budget dependent agencies were supplemented to meet these costs. The effect on this subfunction was to reduce outlays by the amount of the return on the estate (rent less outgoings costs, which was \$96.1m in 1990-91 and \$219m in 1991-92).

Measures

Funding for the construction of office accommodation in Canberra covers new offices, at Barton and Belconnen, and refurbishment and extension of one office at Woden. A new office is also being constructed in Brisbane.

Additional funds have been provided to complete office projects, at various locations, commenced in previous years.

A review of accommodation provided for newly arrived refugees and migrants has found that leasing rather than owning would meet accommodation needs more effectively. Consequently, most Commonwealth-owned flats and hostels are to be replaced by leased accommodation, yielding savings of \$42m over the period to 1997-98.

8E.3 NET SUPERANNUATION PAYMENTS

This subfunction comprises outlays associated with the provision by the Commonwealth of superannuation schemes for its employees and Members of Parliament. Most Commonwealth employees are provided with benefits through the Public Sector Superannuation (PSS) scheme and the Commonwealth Superannuation Scheme, and these benefits represent the bulk of the outlays. Superannuation benefits for Members of Parliament are provided through the Parliamentary Contributory Superannuation Scheme. The cost of superannuation benefits are reimbursed to State schemes in respect of former South Australian and Tasmanian State railway employees.

Employer contributions by Commonwealth agencies, amounts paid from the Superannuation Funds and contributions by Members of Parliament are incorporated as offsets to outlays.

Superannuation benefits for the defence forces and for former employees of agencies which are classified as Public Trading Enterprises (PTEs) are not included. The net

superannuation transactions of PTEs are classified (in accordance with Australian Bureau of Statistics standards) as financing transactions and are not included in the calculation of the budget balance. *Statement 7* of this Budget Paper shows the effect of PTE superannuation transactions on the financing requirement of the budget sector. Estimates relating to the defence forces are included in *I. Defence*.

Trends

Outlays increased by 15% a year (8.6% in real terms) over the period 1982-83 to 1991-92. Increases in pension benefits, more beneficiaries and the greater incidence of lump sum benefits taken up under the PSS are expected to continue to increase real outlays. Retrenchments are expected to continue to bring forward some costs.

8E.4 COMMONWEALTH EMPLOYEES' COMPENSATION

The current arrangements, administered by Comcare, place an increased emphasis on better workplace safety, rehabilitation and improved claims management. The arrangements aim to prevent injuries and to assist incapacitated employees to return to productive work as soon as practicable.

Agencies are required to pay premiums which reflect the fully funded cost of all their accruing compensation liabilities. Premiums are determined annually for each agency based primarily on its occupational risk profile and claims experience and are paid into the Consolidated Revenue Fund (CRF). The premium scheme retains the Commonwealth's practice of self-insurance while providing incentives for agencies to improve their occupational health and safety and rehabilitation performance by enabling savings (or costs) on future premiums to be retained (or absorbed).

Trends

Since the introduction of the compensation reforms in 1988-89, there has been a substantial reduction in the incidence of claims lasting longer than 28 days. The current level of approximately 13.5% is down from 28.5% under the previous scheme.

Agencies' premiums are expected to rise marginally overall in 1992-93 from a rate of 1.7 cents per wage and salary dollar, reflecting the imposition of a levy of 0.7% of the premium pool. The levy is to be used partially to fund the regulatory activities of the Commission for the Safety, Rehabilitation and Compensation of Commonwealth Employees (the Commission) and operational/administrative activities of Comcare related to the implementation of the new *Occupational Health and Safety (Commonwealth Employment) Act 1991 (OH&S (CE) Act 1991)*. Also contributing to the marginal increase is the incorporation in premium calculations of the costs of Comcare's ADP acquisitions. In the longer term agencies' premiums are expected to fall as the effects of the legislation and better preventative measures, including improved claims management information from the upgraded ADP systems, impact on the incidence of compensation claims.

Measures

Stemming from the Review of the *Commonwealth Employees' Rehabilitation and Compensation (CERC) Act 1988* (the Brown Review) conducted in 1991 a number of changes has been made. A revised and expanded Commission is to have responsibility for the regulatory provisions of the *CERC Act 1988* and the *OH&S (CE) Act 1991*, while

Comcare is to operate as the claims management and service delivery arm of the Commission. Other changes include the introduction of new financial arrangements; Comcare being able to offer a more flexible range of services; and diversification of Comcare's market base to enable it to offer its services outside the Commonwealth Public Sector.

From 1992-93 Comcare will receive its funding for compensation and rehabilitation-related activities from premiums under a special appropriation. Funding for activities related to the *OH&S (CE) Act 1991* will be funded via an annual appropriation, with additional resource requirements being met from revenue in the form of a levy on premiums and user charges. Revenue from all sources is expected to be approximately \$2.2m in 1992-93. An additional \$5.2m will be provided in 1992-93, as a repayable loan, to enable Comcare to complete its ADP acquisitions.

8E.5 COMMON SERVICE BUSINESSES

	1991-92	1992-93	1993-94	1994-95	1995-96
	Actual	Budget	Estimate	Estimate	Estimate
Australian Valuation Office	\$m -3.4	-3.5	-4.4	-4.9	-5.5
Removals, Distribution	%	4.8	24.0	12.8	12.0
Publishing and Printing	\$m -4.1	6.2	-4.0	-4.9	-4.8
Australian Survey and Land Information Group	%	na	-164.9	20.4	-0.7
Fleet	\$m 30.0	24.9	24.8	25.6	28.0
	%	-17.0	-0.5	3.1	9.6
Comcar	\$m -23.7	5.6	-86.3	-71.6	-39.3
	%	-123.8	na	-17.0	-45.2
Construction Project Management	\$m 4.1	9.7	-1.1	-2.4	-2.5
	%	133.6	-111.8	106.3	7.3
Asset Repairs and Maintenance	\$m 97.4	29.0	5.7	4.3	2.4
	%	-70.3	-80.5	-24.9	-44.5
Australian Property	\$m -54.8	7.0	16.9	-6.7	-19.7
	%	-112.7	143.8	-139.4	195.3
TOTAL	\$m 20.1	2.1	-6.0	-7.2	-7.9
	%	-89.5	na	20.0	8.8
	\$m 65.8	80.9	-54.4	-67.8	-49.3
	%	23.1	-167.3	24.6	-27.3

Outlays in 1991-92 for Construction Project Management includes payment of the balance of the former Australian Construction Services (ACS) Trust Account to CRF on behalf of both Project Services and Asset Services.

This subfunction covers most of the business units in the Department of Administrative Services (DAS) providing common services to Commonwealth departments and agencies. The business units operate through a trust account on the Commonwealth Public Account, thus providing increased financial and administrative flexibility to DAS in servicing customer requirements. All operational costs of the businesses are charged to the Trust Account. All fees received from clients are credited to the Trust Account. Gross income of all businesses in this subfunction in 1992-93 is estimated at \$875m.

The services provided by the business units included in this subfunction are:

- valuation of real property and equipment by the Australian Valuation Office;
- distribution and warehousing by DAS Distribution; office, household and overseas removals by DAS Removals; and publishing and printing by the Australian Government Publishing Service;

- survey, mapping, geodesy, remote sensing and land information services by the Australian Survey and Land Information Group;
- leasing of self-drive vehicles to clients by Fleet;
- car-with-driver services by Comcar;
- planning, design, and construction supervision services by Project Services and Interiors;
- repairs and maintenance, and minor capital works by Asset Services; and
- real estate and property management services by Australian Property.

The other common service business of DAS, the Australian Government Analytical Laboratories, is classified under 7D. *Other Economic Services*.

Trends

Real outlays fluctuated over the period from 1982-83 to 1986-87, increasing by an average 2.7% a year. After a peak in 1986-87, real outlays decreased substantially (by 85%) to 1989-90. The change in trend reflects the commercialisation reforms, in particular the introduction of user charging. (These changes were introduced progressively from July 1987 with the most significant changes being introduced in 1989-90.) Supplementation was provided to user departments and agencies for the charges. The cost of providing these services has, consequently, been transferred to other subfunctions in this function and to other functions.

The commercialisation reforms have resulted in business staff numbers falling by some 4900 (34%) between July 1987 and June 1992. This has realised savings to the budget and to departments under the running costs arrangements. These savings have been partially offset by budget funding of some up-front costs (capital injections, staff redundancy costs, transitional operating subsidies) to assist business rationalisation. The commercialisation reforms have also allowed departments a choice of service which has resulted in services purchased being more suited to need. Depressed economic conditions and the exposure of businesses to competition from alternate service providers has resulted in significant reductions in activity levels in some businesses, particularly survey and construction management. Further reductions in activity may occur in the years ahead as the remaining businesses are progressively exposed to competition (general printing from July 1992, and Fleet and Asset Services from July 1993).

Outlays in 1992-93 and the forward years reflect the continuation of the redundancy program for excess staff. Outlays are expected to reduce significantly in the forward years as improved economic conditions and the redeployment of excess staff improve prospective profitability. From 1992-93, while the cost of staff excess to the commercial requirements of the businesses will be met from the resources of the DAS Business Services Trust Account, a subvention to that Account has the effect of recording the excess staff cost in the non-commercial part of DAS under 'Department of Administrative Services' (8E.1).

Outlays by Fleet Services in 1992-93 reflect the cyclical peak in vehicle replacement, and some expansion of the fleet. Substantial reductions in outlays in 1993-94 and 1994-95 mainly reflect the completion of a property rationalisation program (covering Fleet, Distribution, Comcar and Removals) which commenced in 1989-90. Net proceeds

from the sale of surplus and underutilised properties are to be repaid to the Consolidated Revenue Fund.

Measures

The Government has agreed to the introduction of new technology for call booking/queueing in Comcar's operations. This initiative will cost \$5.7m in 1992-93 and will reduce operating costs by \$5m a year from 1993-94.

During 1992-93 the option of financing the operations of Fleet Services through a private sector lease will be examined. Fleet Services currently has a fleet of some 17,000 vehicles worth more than \$250m.

8E.6 TAXES PAID BY BUDGET AGENCIES

	1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Fringe Benefits Tax	\$m -149.7	-175.2	-175.6	-177.1	-179.4
	%	17.0	0.2	0.9	1.3
Customs Duty	\$m -7.5	-7.8	-8.1	-8.4	-8.7
	%	4.2	3.8	3.5	3.4
TOTAL	\$m -157.2	-183.0	-183.7	-185.5	-188.1
	%	16.4	0.3	1.0	1.4

Taxes and levies received from budget sector agencies, and classified as an offset within outlays, are reported under this subfunction whereas the payments are reported under the functions to which the paying departments and agencies are functionally classified.

Fringe Benefits Tax

FBT was introduced for departments and budget sector agencies on 1 January 1987 (departments and agencies were fully supplemented at that time). Outlays in 1991-92 reflect the repayment of excess FBT collected from agencies in previous years.

The Budget and forward estimates include a provision for an increase in the FBT rate from 47% to 48.25% from 1 April 1992.

Customs Duty

Since 1 October 1990, Commonwealth departments and budget sector agencies have been required to pay an administrative charge in the nature of customs duty. Each department and agency will receive full supplementation for customs duties until 1993-94 when an adjustment will be made to their running costs base.

9. NOT ALLOCATED TO FUNCTION

This category covers outlays to the States, Territories and for local government that are not classified elsewhere in *Statement 3*; outlays on public debt interest; allowances included in the Contingency Reserve; and the proceeds from asset sales. The Contingency Reserve is an allowance, included in aggregate outlays figuring, to reflect anticipated events which cannot be assigned to individual programs at budget time.

9A. ASSISTANCE TO OTHER GOVERNMENTS, NEC

OVERVIEW

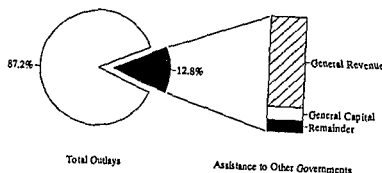
	1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
9A.1 General Revenue Assistance - States and Territories	\$m 13704.0	14189.2	14683.4	15409.8	15933.7
	%	3.5	3.5	4.9	3.4
9A.2 General Capital Assistance - States and Territories	\$m -2218.5	-2050.3	-460.2	-1354.2	-548.9
	%	-7.6	-7.6	194.3	-92.4
9A.3 Debt Assistance - States and Northern Territory	\$m 256.8	161.0	118.0	144.1	92.4
	%	-37.3	-26.7	22.2	-35.9
9A.4 Assistance for Local Government - States and Territories	\$m 1039.6	1079.4	1105.0	1147.0	1186.0
	%	3.8	2.4	3.8	3.4
9A.5 Compensation for Revenue Lost from Companies and Securities Regulation	\$m 116.1	120.5	121.2	125.7	130.1
	%	3.8	0.5	3.7	3.5
9A.6 Natural Disaster Relief and Other Assistance nec	\$m 218.5	571.1	95.6	137.6	151.4
	%	161.4	-83.3	44.0	10.0
TOTAL	\$m 13116.5	14070.9	15663.0	15610.1	16944.7
	%	7.3	11.3	-0.3	8.5

- Total outlays under this function are estimated to increase by \$954.4m or 7.3% in 1992-93 (4.0% in real terms). Outlays increase substantially in real terms in 1993-94 (by 6.8%), falling by 3.7% in 1994-95 and rising again in 1995-96 (by 4.9%):

— these fluctuations largely mirror changes in accelerated sinking fund receipts from the States resulting from the transfer to the States, from 1990-91, of responsibility for refinancing maturing debt previously raised on their behalf by the Commonwealth.

- Assistance to Other Governments, nec is estimated to account for 12.8% of total Commonwealth outlays in 1992-93, the same proportion as in 1991-92.
- General revenue assistance to the States and Territories dominates the function.

**Chart 1. Assistance to Other Governments, nec (a)
Proportion of Total Outlays and Function
1992-93**



(a) The bar illustration is derived from absolute data (general purpose capital assistance is negative).

- The main sources of the changes in 1992-93 are:
 - a substantial increase in the level of general revenue assistance to the States; and
 - the reduction in general revenue assistance to the ACT (down \$16.4m) reflecting the continuing transition of the ACT to State-like levels of funding.
- New policies have increased outlays by \$399.9m in 1992-93.

MEASURES TABLE

Description of measure	Effect on Outlays			
	1992-93	1993-94	1994-95	1995-96
	\$m	\$m	\$m	\$m
Decreases				
Transfer from Financial Assistance Grants (FAGs) Pool to Special Revenue Assistance	-40.0	-	-	-
Increases				
NT Special Revenue Assistance				
Increase in Financial Assistance Grants Pool	40.0	-	-	-
Extra Payments to NSW and Vic on a per capita basis	150.0	-	-	-
Consequential increase in ACT FAGs	16.3	-	-	-
Local Road Funding	3.7	-	-	-
Unite arterial road funding and change indexation arrangements	0.1	-	-	-
ACT Special Revenue Assistance	-	175.0	350.0	361.9
Acceleration of Building Better Cities Projects (i)	15.0	-	-	-
Assistance for debt redemption to ACT	45.0	43.0	-35.0	-53.0
Victoria Special Revenue Assistance - Petroleum Resource Rent Tax	0.7	-	0.7	-
SA Special Payment	139.0	144.1	149.3	154.7
Consequential increase in Local Government FAGs	17.0	-	-	-
	13.0	0.1	0.1	0.1

(i) Measure included in the Employment Statement.

PURPOSE

The Commonwealth aims to offset fiscal imbalances between and within levels of government, consistent with its overall macroeconomic policy objectives.

NATURE OF ASSISTANCE TO OTHER GOVERNMENTS, NEC

Outlays under this function include:

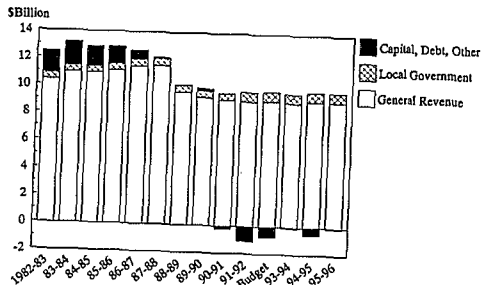
- general revenue grants and general purpose capital assistance to the States and Territories and assistance to the States for servicing and redeeming their debt;
- general purpose grants, including funding for local roads in lieu of grants, paid through the States and Territories to local government;
- compensation to the States for permanent loss of revenue resulting from the creation of a national system of companies, securities and futures regulation during 1990-91;
- natural disaster relief and restoration;
- other assistance to governments, including assistance to Tasmania related to the termination of the Gordon-below-Franklin hydro-electric scheme and assistance to the ACT to fund Canberra's role as the national capital; and
- payments to Victoria and WA associated with off-shore petroleum royalties. Victoria's assistance, paid via a special revenue grant, is compensation for its loss of revenue following the Commonwealth's decision not to share Petroleum Resource Rent Tax (PRRT) revenues; WA's assistance represents its share of royalties for the North West Shelf Project, which is not subject to PRRT.

General purpose assistance to the States and Territories and for local government is determined annually at Premiers' Conference and Loan Council meetings. These grants represent 'untied' assistance which other governments can spend according to their own budgetary priorities. As local government is a constitutional responsibility of State and Territory governments, general purpose assistance for local government is classified by the Commonwealth as (tied) assistance paid through State and Territory governments. Most specific purpose assistance to the States and Territories is classified elsewhere in *Statement 3* under the relevant function. Detailed information is provided in *Budget Paper 4, Commonwealth Financial Relations with Other Levels of Government 1992-93*.

TRENDS IN ASSISTANCE TO OTHER GOVERNMENTS, NEC

Fluctuations in real assistance levels since 1982-83 reflect a number of discrete changes in the classification of particular payments and, for a period in the late 1980s, the growing need for fiscal restraint, both at State and local government levels.

Chart 2. Assistance to Other Governments, nec (a)
(1984-85 Prices)



(a) The ACT is included from 1988-89. Excludes one-off ACT Trust Account transactions in 1988-89.

Real outlays peaked in 1983-84 and, over the four years to 1987-88, fell by an average of 2% a year. Most of the slowing over this period resulted from significant real falls in general purpose capital assistance to the States (see Chart 2). This reflected cuts in the size of the State Governments' Loan Council Program and the conversion of general purpose advances into subsidised loans for public housing.

The sharp decline in functional outlays in 1988-89 reflects both the first significant real cut in financial assistance grants (FAGs) to the States and, more importantly, the conversion of identified health grants into (tied) hospital funding grants (see 3. Health). Identified health grants comprised approximately one eighth of general revenue assistance from 1981-82 to 1987-88. Additional reductions in general revenue assistance are reflected in the continuing decline in outlays in real terms in 1989-90 and 1990-91. However, the major cause of the falls in 1990-91 and 1991-92 was the introduction of accelerated sinking fund receipts associated with changed arrangements for redeeming State debt.

Even after including the ACT (from 1988-89), assistance in lieu of local road grants and capital grants under the Building Better Cities (BBC) Program (from 1991-92), functional outlays comprise only 12.8% of total Commonwealth outlays in 1992-93, down from 25.5% in 1982-83. Projected growth and decline in the budget and forward estimates largely reflect fluctuations in the forward estimates of accelerated sinking fund receipts.

MAJOR POLICY CHANGES

Over the past decade, policy changes and budget measures have significantly affected these outlays. From 1984-85, the bulk of general revenue assistance was delivered as FAGs, which replaced tax sharing grants. The previous arrangements placed a 'floor' under the annual level of each State's grant. Outlays were subsequently reduced by the changes in health and public housing funding and the transfer of the Debts Tax base to

the States (from 1990-91). These reductions were partially offset by increases arising from self-government in the NT (from 1979-80) and the ACT (from 1988-89), increases in capital grants under the BBC Program from 1991-92, and the transfer of tied grants for local roads to general purpose assistance. The Commonwealth has also agreed that funding for arterial roads, currently provided to the States as tied assistance, will be included in general revenue assistance from 1 January 1994.

Decisions of the 1988, 1989 and 1990 Premiers' Conferences to reduce FAGs to the States in real terms were based on strong growth in State own-source revenue and the need for fiscal consolidation by all levels of government. However, in view of the significant deterioration in the financial position of the States as a result of the recession, the Commonwealth agreed at the 1990 Premiers' Conference to a real terms guarantee for 1991-92 to 1993-94. This guarantee was met in 1991-92 and at the 1992 Premiers' Conference the Commonwealth agreed to provide an additional \$166m to the States as a one-off addition for 1992-93 only. Medium-term funding issues will be addressed at the 1993 Premiers' Conference.

Compensation payments for Victoria, relating to the Commonwealth's decision to cease revenue sharing arrangements in relation to Petroleum Resource Rent Tax (PRRT) revenue, will commence in 1992-93 with those payments to be absorbed into general revenue assistance from 1993-94.

1991-92 OUTCOME

Outlays under Assistance to Other Governments, nec were lower than the budget estimate by \$235.2m (1.8%) mainly due to:

- payments of general revenue grants were lower than expected due to a negative Consumer Price Index (CPI) indexation adjustment (\$110.1m);
- general purpose assistance for local government paid through the States and Territories also fell (\$6.7m);
- outlays on Natural Disaster Relief and Restoration were \$36.8m lower than the budget estimate;
- the ACT repaid a loan of \$25m from the Commonwealth as a transitional measure in 1988-89 (this repayment was agreed after the 1991-92 Budget was finalised); and
- the ACT made an early repayment of a portion of its Statutory Authority debt (for municipal and transport plant and equipment). Consequently, the ACT's payment was \$42.2m above the normal principal payments of \$3.7m.

These were partially offset by higher than expected payments to Victoria in lieu of a petroleum royalty (\$14.6m).

SUBFUNCTION DETAIL

9A.1 GENERAL REVENUE ASSISTANCE TO THE STATES AND TERRITORIES

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
9A.1.1 States and Northern Territory	\$m	13293.7	13795.3	14294.7	15006.3	15516.5
	%		3.8	3.6	5.0	3.4
9A.1.2 Australian Capital Territory	\$m	410.3	393.9	388.7	403.5	417.2
	%		-4.0	-1.3	3.8	3.4
TOTAL	\$m	13704.0	14189.2	14683.4	15409.8	15933.7
	%		3.5	3.5	4.9	3.4

General revenue assistance to the States and Territories in 1992-93 is estimated to increase by 3.5% (an increase of 0.3% in real terms).

9A.1.1 General Revenue Assistance to the States

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Financial Assistance Grants	\$m	13215.0	13585.6	14087.8	14623.1	15120.3
	%		2.8	3.7	3.8	3.4
Identified Road Grants	\$m	39.1	30.8	206.9	383.1	396.2
	%		-21.3	na	85.2	3.4
Special Revenue Assistance	\$m	39.5	178.8	-	-	-
	%		na	-100.0	na	na
TOTAL	\$m	13293.7	13795.3	14294.7	15006.3	15516.5
	%		3.8	3.6	5.0	3.4

At the June 1990 Premiers' Conference, the Commonwealth undertook to maintain the level of general revenue grants to the States in real terms for 1991-92 to 1993-94, subject to the condition that Australia did not experience any major economic deterioration. Despite the economic downturn, the Commonwealth, States and Territories agreed at both the June 1991 and 1992 Premiers' Conferences that the real terms guarantee should be honoured for 1991-92 and 1992-93.

Commonwealth general revenue assistance to the States comprises, in 1992-93, FAGs, grants in lieu of tied funding for local roads ('Identified Road Grants') and special revenue assistance. Actual payments of each component in 1992-93 will vary from the budget estimate if the movement in the CPI in the four quarters ending March 1993, over the previous four quarters is different from that forecast.

Financial Assistance Grants

The 1992-93 estimate of \$13.6b reflects the decisions of the June 1992 Premiers' Conference to:

- maintain the level of grants in real terms based on the forecast movement in the average CPI in the year ending March 1993;
- provide, for 1992-93, a one-off addition to FAGs of \$166m; and
- transfer \$40m from the pool of FAGs to the NT (see also 'Special Revenue Assistance' - below).

The States and Territories were unable to reach agreement on the issue of distribution of the Commonwealth's original offer for general revenue assistance which included a one-off augmentation to the base level of assistance of \$150m. As a result, the distribution of the base level of FAGs between the States and Territories in 1992-93 will be in accordance with the Commonwealth Grants Commission's (CGC) 1992 update of general revenue grant relativities, without prejudice to future distribution arrangements which might apply beyond 1992-93. Also, by way of a compromise, it was agreed that the additional \$150m would be distributed according to the higher of either an equal per capita share or a share based on the CGC's relativities. This involves an extra cost to the Commonwealth of \$16.3m to fund the higher (per capita) payments to Vic and NSW. Overall, the base level of general revenue assistance will be augmented, in 1992-93 only, by \$166m.

The forward estimates assume:

- the special assistance to the NT in 1992-93 is added back to the pool of FAGs for 1993-94 and beyond; and
- the pool is maintained in real terms based on the forecast movement in the average CPI for each year ending March.

Identified Road Grants to the States

Heads of Government agreed at the October 1990 Special Premiers' Conference that Commonwealth funds for local roads be untied and paid at the same real level (see '7A.3 Land Transport' and '9A.4 General Purpose Assistance for Local Government through the States and Territories'). Revised arrangements for 1992-93 continue to provide for a portion of these funds to be paid to the States as grants in lieu of funding for local roads under their direct control (eg those in national parks and unincorporated areas). A review of the distribution of the funds is to be undertaken in time for the new arrangements to be implemented in 1995-96. However, the State sector will receive a smaller share of this funding in 1992-93 than in 1991-92 following changes in the arrangements which ensure:

- that the (mostly aboriginal) unincorporated NT Councils become eligible for assistance; and
- that funds paid to Tasmania are more closely aligned with responsibilities.

The Commonwealth has agreed to untie \$350m per annum in relation to funding for State arterial roads from 1 January 1994. This funding is presently provided through tied grants under '7A.3.1 Road Transport'.

Special Revenue Assistance

The NT has received special revenue assistance each year from 1988-89 when the Territory was included in the States' pool of FAGs. It was agreed at the June 1992 Premiers' Conference that \$40m in special revenue assistance, drawn from within the pool of FAGs, would again be provided to the NT for 1992-93.

Special revenue assistance totalling \$139m is to be provided to Victoria in 1992-93 to compensate for the loss of PRRT revenue resulting from the Commonwealth's decision not to share the PRRT revenue. Final payments in relation to Bass Strait PRRT for 1990-91 and 1991-92 are discussed under '9A.6.2 Other Assistance, nec'. This is to be

absorbed within the pool of general revenue assistance from 1993-94 after consideration of revenue treatment in the context of the CGC's 1993 Major Methodology Review.

9A.1.2 General Revenue Assistance to the Australian Capital Territory

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
General Revenue Grant	\$m	357.6	378.9	388.7	403.5	417.2
	%		5.9	2.6	3.8	3.4
Transitional Assistance	\$m	52.7	15.0	-	-	-
	%		-71.5	-100.0	na	na
TOTAL	\$m	410.3	393.9	388.7	403.5	417.2
	%		-4.0	-1.3	3.8	3.4

General revenue assistance to the ACT in 1992-93 is 7% lower in real terms than in 1991-92. This reduction reflects the decrease in transitional assistance provided to the ACT as it moves to State-like levels of funding. The level of the general revenue grant in 1992-93 is based on the CGC's 1992 update on general revenue grant per capita relativities, with an additional \$3.7m corresponding to the \$166m one-off augmentation of the pool of FAGs for the States.

The ACT will also receive special revenue assistance of \$15m in 1992-93, on the understanding that these funds will be used to finance public sector restructuring initiatives.

The forward estimates of the ACT general revenue grant assume that payments are maintained at the same real level as in 1992-93 based on forecast movements in the average CPI for each year ending March. These also assume that the ACT will be included in the States' pool of FAGs from 1993-94 with any future special revenue assistance to be funded from the pool.

9A.2 GENERAL PURPOSE CAPITAL ASSISTANCE TO THE STATES AND TERRITORIES

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
9A.2.1 States and Northern Territory	\$m	-2181.5	-2075.2	-493.6	-1378.5	-577.8
	%		-4.9	-76.2	179.3	-58.1
9A.2.2 Australian Capital Territory	\$m	-37.0	24.9	33.4	24.3	28.9
	%		-167.1	34.5	-27.3	18.8
TOTAL	\$m	-2218.5	-2050.3	-460.2	-1354.2	-548.9
	%		-7.6	-77.6	194.3	-59.5

The Commonwealth provides grants to the six States under the State Governments' Loan Council Program and to the Territories under similar arrangements, to reduce their need to borrow to finance capital works.

9A.2.1 General Purpose Capital Assistance to the States

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Capital Grants	\$m	338.3	475.9	564.3	498.4	410.4
	%		40.7	18.6	-11.7	-17.7
Sinking Fund Receipts	\$m	-182.7	-154.1	-129.6	-118.0	-96.9
	%		-15.7	-15.9	-9.0	-17.8
Accelerated Sinking Fund Receipts	\$m	-2337.0	-2397.0	-928.3	-1758.9	-891.3
	%		2.6	-61.3	89.5	-49.3
TOTAL	\$m	-2181.5	-2075.2	-493.6	-1378.5	-577.8
	%		-4.9	-76.2	179.3	-58.1

The Loan Council decided at its 1992 meeting to maintain the level of capital grants to the States in 1992-93 at \$296.8m, the same nominal level as in 1991-92. Additional general purpose capital grants of \$182.2m will also be provided to the States and Territories under the BBC program (including a \$3.1m notional allocation to the ACT under '9A.2.2 General Purpose Capital Assistance to the Australian Capital Territory'). This estimate reflects a decision to bring forward activities under this program in order to create additional employment opportunities. Final allocations of funding to the States and Territories under the BBC program in each year have yet to be determined. Administrative costs and other payments made under the five year BBC program are included in *5. Housing and Community Amenities*.

While outcomes relating to specific BBC programs are taken into account in determining the level and distribution of BBC funding, the funding provided will be unconditional and available to States and Territories to use according to their own budgetary priorities.

The *Financial Agreement of 1927* between the Commonwealth and the six States limits the borrowing powers of State governments and provides for the Commonwealth to borrow on their behalf. There have been no new money borrowings by the Commonwealth on behalf of the six States (or the NT) since 1986-87. The States are still required to make sinking fund payments for past borrowings. Under arrangements agreed at the 1990 Loan Council meeting, the six States will make additional payments until 2005-06 to the National Debt Sinking Fund (NDSF) for the progressive redemption of maturing debt previously issued by the Commonwealth on their behalf. Similar arrangements apply in respect of the Territories.

The compensation payment to NSW in relation to the Government Insurance Office (GIO) (see '9A.6.2 Other Assistance, nec') will be matched by a payment by NSW into the NDSF. This payment, together with the repayments by the States into the NDSF to refinance Commonwealth Government securities issued on the States' behalf maturing in 1992-93, brings the 1992-93 estimate of accelerated sinking fund receipts to \$2397m, an increase of 2.6% on the previous year. The forward estimates of accelerated sinking fund receipts also reflect the changing level of maturities from year to year.

9A.2.2 General Purpose Capital Assistance to the Australian Capital Territory

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Capital Grants	\$m	33.4	36.6	38.1	37.0	35.5
	%		9.5	4.1	-3.0	-4.1
Repayment of ACT Loans	\$m	-70.5	-11.7	-4.6	-12.6	-6.5
	%		-83.4	-60.4	172.0	-48.2
TOTAL	\$m	-37.0	24.9	33.4	24.3	28.9
	%		-167.1	34.5	-27.3	18.8

At its 1992 meeting, the Loan Council agreed to maintain the ACT's general purpose capital grant in 1992-93 at \$33.4m, the same nominal level as in 1991-92. The transfer of the Supreme Court function to the ACT Government from 1 July 1992 resulted in an addition of \$0.1m to the ACT's capital base from 1992-93. The estimates also include notional estimates (\$3.1m in 1992-93) of the ACT share of the additional assistance available under the BBC program. Final allocations of funding to the States and Territories under the BBC program in each year has yet to be determined (see '9A.2.1 General Purpose Capital Assistance to the States').

9A.3 DEBT ASSISTANCE TO THE STATES

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Commonwealth Sinking Fund	\$m	45.0	38.0	32.0	29.0	23.8
Contributions	%		-15.7	-15.7	-9.3	-18.0
Assistance for Debt Redemption	\$m	211.8	123.0	86.0	115.1	68.6
	%		-41.9	-30.1	33.8	-40.4
TOTAL	\$m	256.8	161.0	118.0	144.1	92.4
	%		-37.3	-26.7	22.2	-35.9

The Commonwealth makes contributions to the NDSF to assist the six States to redeem maturing debt issued by the Commonwealth on their behalf. Similar assistance is provided in respect of Territory debt. Under the *Financial Agreement Act 1976* the Commonwealth makes a standard contribution for the six States, equivalent to 0.28% of each State's net debt as at 30 June of the preceding year. Since 1985-86 the Commonwealth has also made a similar annual contribution into the NT Debt Sinking Fund. For 1992-93, the Commonwealth's contributions are estimated at \$38.0m (18.3% lower in real terms than in 1991-92).

Under revised debt redemption arrangements, implementing a 1990 Loan Council decision, the States now make additional sinking fund contributions to enable redemption at maturity of all Commonwealth debt raised on their behalf (see '9A.2.1 General Purpose Capital Assistance to the States'). A new program of assistance for debt redemption commenced in 1990-91 to compensate the States for the additional interest costs of replacing maturing Commonwealth debt with borrowings in their own names, or through their authorities, rather than by the Commonwealth borrowing on their behalf. Assistance of \$4.7m was provided in 1990-91 based on the interest rate margins between Commonwealth and State debt applying at and prior to the 1990 decision.

The Commonwealth and the States agreed during 1990-91 to change the method used to calculate the compensation for these additional interest costs from 'emerging cost' to the

'net present value' of additional interest costs over a period of 50 years. In addition to compensation for interest costs, assistance for debt redemption from 1991-92 compensates the States for the lower Commonwealth sinking fund contributions which have resulted from the new arrangements. Accordingly, assistance of \$211.8m was paid in 1991-92. The estimate for 1992-93 is \$123m.

9A.4 GENERAL PURPOSE ASSISTANCE FOR LOCAL GOVERNMENT THROUGH THE STATES AND TERRITORIES

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Financial Assistance Grants	\$m	726.1	747.6	765.4	794.5	821.5
	%		3.0	2.4	3.8	3.4
Identified Local Road Grants	\$m	313.6	331.8	339.6	352.5	364.5
	%		5.8	2.3	3.8	3.4
TOTAL	\$m	1039.6	1079.4	1105.0	1147.0	1186.0
	%		3.8	2.4	3.8	3.4

The *Local Government (Financial Assistance) Act 1986* provides for local government financial assistance grants to be paid through the States and distributed according to criteria developed by the States' Local Government Grants Commissions and approved by the Commonwealth Minister for Local Government. The ACT receives assistance for its municipal budget under comparable funding arrangements.

From 1991-92, the level of local government grants has been linked to the underlying movement in general revenue assistance to the six States and the NT, defined as FAGs and special revenue assistance. Local government financial assistance grants paid through the States and Territories in 1992-93 are estimated at \$747.6m.

Since 1989-90, local government financial assistance grants have been distributed between the States on an equal per capita basis. It was agreed at the May 1991 Premiers' Conference that the ACT's grant would be funded on the same basis from 1991-92.

General purpose assistance for local government from 1991-92 includes funding in lieu of tied grants for local roads ('Identified Road Grants'), transferred from the Australian Land Transport Development Program (see '7A.3 Land Transport' and '9A.1 General Revenue Assistance to the States and Territories'). Under revised arrangements announced in May 1992:

- the interstate distribution principles which applied previously under the Land Transport Development Program are to continue;
- the intrastate distribution is to be determined by State Grants Commissions on the basis of principles to be approved by the Minister for Local Government;
- a review of the distribution of the funds is to be undertaken in time for new arrangements to be implemented in 1995-96; and
- each council has the discretion to spend its grant for 1992-93 according to its own priorities.

9A.5 COMPANIES AND SECURITIES REGULATION - COMPENSATION FOR LOSS OF REVENUE

Following the establishment from 1 January 1991 of a national scheme of companies, securities and futures regulation administered by the Australian Securities Commission, the Commonwealth reimburses the States through a specific purpose payment for the loss of a State revenue base. These payments are excluded from the CGC's assessments of general revenue grant relativities.

The estimate of the payment to the States for 1992-93 of \$120.5m incorporates an additional \$9.0m to finalise back adjustments due under the revenue sharing agreement.

9A.6 NATURAL DISASTER RELIEF AND OTHER ASSISTANCE, NEC

		1991-92	1992-93	1993-94	1994-95	1995-96
		Actual	Budget	Estimate	Estimate	Estimate
Natural Disaster Relief	\$m	28.0	43.7	40.7	40.3	41.4
	%		56.1	-7.0	-0.8	2.5
Other Assistance, nec	\$m	190.5	527.4	54.9	97.3	110.0
	%		176.9	-89.6	77.2	13.1
TOTAL	\$m	218.5	571.1	95.6	137.6	151.4
	%		161.4	-83.3	44.0	10.0

9A.6.1 Natural Disaster Relief

Under the Natural Disaster Relief Arrangements (NDRA) the Commonwealth assists the States and Territories with the costs of their relief measures after natural disasters. The Commonwealth reimburses 50% of State expenditure to relieve the personal hardship and distress of individuals and families. For other measures (eg concessional interest loans to farmers or small businesses and the restoration of essential State, Territory and local government assets), each State meets an initial level of expenditure. As State expenditure increases beyond this, the Commonwealth reimburses an increasing share.

A proportion of NDRA payments is made as a concessional loan equal to the proportion of loans to individuals and organisations in total State payments. NDRA outlays include repayments by the States of these Commonwealth loans.

Total payments in 1991-92 were \$51.2m offset by repayments of \$23.1m. This included payments to Qld of \$37.1m, largely attributable to the major flooding and damage in northern Qld in the aftermath of Cyclone Joy. The Commonwealth met nearly 50% of Qld's 1991-92 expenditure.

Payments to NSW of \$13.6m in 1991-92 were in respect of the December 1989 Newcastle earthquake (\$22.0m in 1990-91). Under the special cost sharing arrangements agreed between the Commonwealth and NSW the Commonwealth provides \$ for \$ assistance for Newcastle earthquake relief. NSW's 1991-92 expenditure on other natural disasters is to be assessed further in 1992-93.

The 1992-93 estimate consists of payments of \$60m less repayments of \$16.3m by the States of past loans. The budget estimate of payments reflects expected State expenditure on recent disasters, an allowance for any disasters occurring in 1992-93 and a provision of \$22m to cover further claims anticipated from NSW in respect of disaster expenditure since 1987. The forward estimates of payments of \$50m reflect an average of past payments, offset by scheduled loan repayments.

9A.6.2 Other Assistance, nec

Assistance to New South Wales, nec

The Commonwealth has agreed to provide NSW with a compensation payment (estimated at around \$430m) in 1992-93 for loss of tax equivalent revenue and for (deferred tax liabilities, arising from the sale of the NSW government's GIO. The compensation payment to NSW will be matched by a payment by NSW into the NDSF, which will be used to retire a similar amount of NSW debt to the Commonwealth (see '9A.3 Debt Assistance to the States' for details of the NDSF). The final figure in relation to the tax liabilities will be determined when GIO's balance sheets are available.

Assistance to Victoria, nec

The Commonwealth is compensating Victoria for the loss of its share of petroleum royalties arising from the extension of a PRRT to Bass Strait from 1 July 1990. Under interim arrangements agreed for 1990-91 and 1991-92, payments were linked to the actual production levels during that period and amounted to \$131m in 1991-92, with a final payment of \$12.0m to be made in 1992-93 in respect of 1991-92 production. The payment of \$139m in 1992-93 is calculated as the average level of PRRT revenue over recent years, and will be made as special revenue assistance (see '9A.1.1 General Revenue Assistance to the States'). The payments are to be absorbed into FAGs from 1993-94.

Assistance to Western Australia, nec

Under the provisions of the *Petroleum (Submerged Lands) Act 1967*, the Commonwealth shares with WA a portion of Commonwealth royalties obtained from the North West Shelf project. In 1991-92, payments to WA totalled \$18.4m and are estimated to be \$18.1m in 1992-93. These payments are expected to increase in line with the anticipated expansion of the North West Shelf project in the forward years.

Assistance to Tasmania, nec

Since 1983-84 the Commonwealth has provided financial assistance to Tasmania to offset the effects on employment and electricity prices of the cessation of Stage II of the Gordon River Power Development. The 1992-93 subsidy is estimated at \$30.3m (compared with \$30.1m in 1991-92).

Assistance to the ACT, nec

The ACT receives compensation for municipal cost and revenue disabilities (as identified by the CGC) arising from Canberra's status as the national capital. The budget estimate of assistance for national capital influences is \$18.5m for 1992-93 (\$17.8m in 1991-92) and the forward estimates are \$19.5m for 1993-94, \$20.1m for 1994-95 and \$20.8m for 1995-96.

Assistance to South Australia, nec

In response to a request from SA, the Commonwealth is providing it with assistance of \$17m in 1992-93 for public sector reform.

Grant to the NT in Lieu of Uranium Royalties

While the Commonwealth does not own and control uranium in the six States, it does in the NT. Since this additional Commonwealth power in the NT does not permit the NT Government to levy royalties on uranium mining, the Commonwealth provides a grant in lieu, at the royalty rate of 1.25% of gross proceeds of sales (less minor deductions).

An estimated \$1.5m will be paid to the NT in 1992-93 and \$1.2m in each of the forward years. Payments in 1991-92 totalled \$2.1m.

SUMMARY OF COMMONWEALTH OUTLAYS TO OTHER GOVERNMENTS

Heads of Government agreed at the special Premiers' Conference in July 1991 to continue a practice used for the first time at the May 1991 Premiers' Conference and Loan Council Meeting of disaggregating Specific Purpose Payments (SPPs) to the States and Territories into 'to' and 'through' payments. This approach distinguishes:

- SPPs to State and Territory Governments which are payments made direct to those Governments and excluding those intended for onpassing to local governments, other bodies and individuals; and
- SPPs through State and Territory Governments for onpassing.

The table below provides an overview of total Commonwealth assistance to and through the States and Territories in 1991-92, 1992-93, and the forward years.

	1991-92 Actual \$m	1992-93 Budget \$m	1993-94 Estimate \$m	1994-95 Estimate \$m	1995-96 Estimate \$m
To States and Territories:					
General Revenue Grants	13664.8	14158.4	14476.5	15026.6	15337.5
Identified road grants	39.1	30.8	206.9	383.1	396.2
General capital grants	371.7	512.5	602.4	535.4	445.9
Total general purpose assistance	14075.7	14701.7	15285.8	15945.1	16379.5
Hospital Funding Grants	3784.0	3921.7	4101.5	4300.5	4497.3
Education	1634.2	1848.9	1923.1	2030.4	2143.2
Roads programs	1348.9	1765.0	1084.0	830.0	858.7
Housing	985.7	988.1	988.1	913.1	913.1
Accommodation Support Program	95.7	101.0	106.9	109.8	112.6
Home & Community Care	315.5	351.7	396.1	442.9	495.8
Rural Adjustment	157.3	166.5	76.9	32.6	25.7
Debt Assistance	256.8	161.0	118.0	144.1	92.4
Compensation - companies regulation	116.1	120.5	121.2	125.7	130.1
Other	1177.0	1785.7	1417.4	1318.1	1316.6
Total specific purpose payments	9871.3	11210.1	10333.2	10247.2	10585.5
Total 'to' payments	23947.0	25911.8	25619.0	26192.3	26965.0
Through States and Territories:					
Higher Education	2776.8	3123.6	3344.5	3642.9	3674.0
Non-government schools	1388.9	1479.1	1570.8	1647.3	1730.5
Local government financial assistance	726.1	747.6	765.4	794.5	821.5

	1991-92 Actual \$m	1992-93 Budget \$m	1993-94 Estimate \$m	1994-95 Estimate \$m	1995-96 Estimate \$m
Identified local road grants	313.6	331.8	339.6	352.5	364.5
Australian Research Council	225.3	265.9	290.3	288.2	279.2
Long service leave - coal industry	26.6	16.4	0.0	0.0	0.0
Total 'through' payments	5457.2	5964.4	6310.7	6725.4	6869.8
Payments direct to local government	177.6	429.8	269.8	180.2	196.1
Total payments	29581.8	32306.0	32199.4	33097.9	34030.9
Repayments:					
Accelerated sinking fund receipts	-2337.0	-2397.0	-928.3	-1758.9	-891.3
Other	-420.5	-367.7	-264.8	-264.5	-239.9
Total repayments	-2757.5	-2764.7	-1193.1	-2023.4	-1131.2
Total outlays to/through other governments	26824.3	29541.3	31006.4	31074.6	32899.7

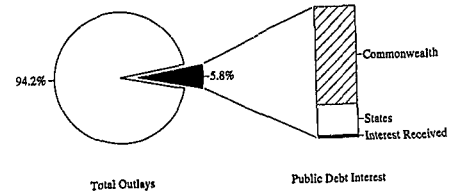
9B. PUBLIC DEBT INTEREST

OVERVIEW

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
9B.1	Gross Interest Payments-					
	For the Commonwealth	\$m 3945.4	4984.8	6632.5	7623.5	8064.5
		%	26.3	33.1	14.9	5.8
	For the States and Territories	\$m 1860.7	1567.6	1302.6	1176.6	960.6
		%	-15.7	-16.9	-9.7	-18.4
	Sub-total	\$m 5806.1	6552.4	7935.1	8800.1	9025.1
		%	12.9	21.1	10.9	2.6
9B.2	Interest Received	\$m -168.3	-146.0	-144.0	-128.0	-106.0
		%	-13.2	-1.4	-11.1	-17.2
	TOTAL	\$m 5637.8	6406.4	7791.1	8672.1	8919.1
		%	13.6	21.6	11.3	2.8

- Outlays on Public Debt Interest (PDI) are expected to increase by \$768.6m or 13.6% in 1992-93 (an increase of 10.1% in real terms). Over the forward years, PDI is expected to increase significantly in real terms:
 - interest on behalf of the Commonwealth, which is estimated to account for 77.8% of PDI outlays in the 1992-93 Budget, is expected to increase significantly as the Commonwealth issues new debt; and
 - interest paid on State and Territory debt will continue to decline, however, as States and Territories refinance maturing debt previously raised on their behalf by the Commonwealth.
- PDI outlays are expected to account for 5.8% of total Commonwealth outlays in 1992-93 (compared with 5.5% in 1991-92).

Chart 1. Public Debt Interest
Proportion of Total Outlays and Function (a)
1992-93



(a) The bar illustration is derived from absolute data (interest received is negative).

PURPOSE

Outlays on PDI service borrowings incurred by the Commonwealth on its own behalf and also on behalf of the States (under the State Governments' Loan Council Program) and the Territories.

NATURE OF PUBLIC DEBT INTEREST OUTLAYS

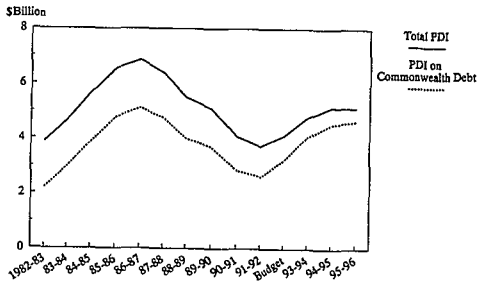
PDI outlays are mainly associated with longer term borrowings from the private sector necessitated by budget deficits. The instruments used for these borrowings are Treasury Bonds, Australian Savings Bonds, Treasury Indexed Bonds and overseas borrowings. PDI outlays cover the fixed (at the time of issue) rates of interest and net premiums and discounts on the issue and repurchase of these instruments.

The Commonwealth also issues short term securities (five, 13 or 26 week Treasury Notes) as the flow of Commonwealth payments and receipts is not matched perfectly throughout the year. No periodic interest payments are made on these securities - the discounts at which these Notes are issued represent their entire PDI cost (incurred at the time the Notes mature).

Payments of interest on the debt of the State and Territory governments, raised on their behalf by the Commonwealth, are treated as Commonwealth outlays. Reimbursement by the relevant governments of these interest payments, together with interest reimbursements by the ACT on capital advances paid to it in 1988-89 and 1989-90, are recorded as revenue under the heading 'Non-Taxation Revenue' in accordance with international classification conventions (see *Statement 4*).

The main source of interest received is the Loan Consolidation and Investment Reserve (LCIR).

Chart 2. Public Debt Interest (1984-85 Prices)



TRENDS IN PUBLIC DEBT INTEREST OUTLAYS

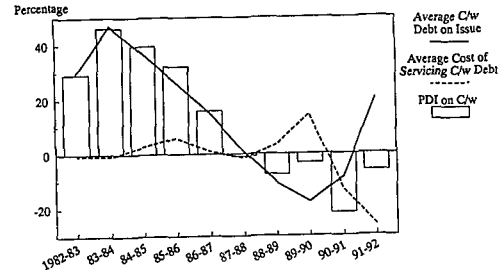
Chart 2 shows changes in the real level of PDI outlays since 1982-83. A number of factors contribute to variations in the level of PDI payable in respect of the Commonwealth's own debt, including changes in:

- the volume of debt;
- the mix of debt instruments;
- the term structure of the debt;
- interest rates payable on that debt; and
- the exchange rate (which affects the \$A amount required to pay interest on foreign currency denominated debt).

Payments in respect of State and Territory debt largely reflect the volume of debt issued by the Commonwealth on their behalf and the interest rates payable on that debt. The State and Territory component of PDI is also being significantly reduced following the June 1990 Loan Council meeting agreement that the States and Territories would accept responsibility for refinancing maturing debt previously raised on their behalf by the Commonwealth. The last of this debt matures in 2005-06.

Because PDI outlays on debt issued for the States and Territories are effectively recovered, the following discussion concentrates on PDI outlays in respect of the Commonwealth's own debt.

Chart 3. PDI, Average Commonwealth Debt on Issue and Average Cost of Servicing Commonwealth Debt (a), (b), (c) Change from Previous Financial Year



- (a) The minor rounding errors which occur in arriving at this decomposition have been apportioned between the two factors.
- (b) Excludes debt issued, and interest paid, on behalf of the State and Territory Governments.
- (c) Excludes Internal Treasury Bills and LCIR holdings of Treasury Bonds.

Chart 3 quantifies, for each year over the past decade, the effect of the two major factors influencing the change in the level of PDI outlays. The factors identified are the (year on year average) changes in:

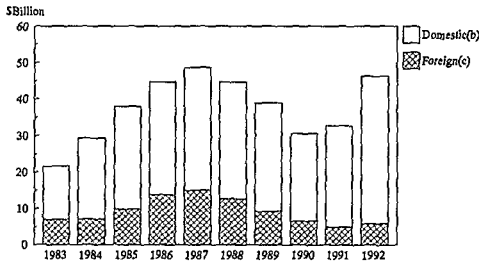
- the volume of Commonwealth debt on issue (which changes principally through the net addition to debt resulting from the Budget outcome, but is also influenced by developments in the non-Budget general government sector - especially in recent years Commonwealth government business enterprises superannuation payments); and
- the weighted average interest rate on Commonwealth debt, with the weights reflecting the mix of the debt stock, its term composition and the impact of the \$A on overseas debt servicing costs.

The two factors identified in Chart 3 together explain the movements in PDI over the past decade.

The sharp rise in the budget deficit in 1982-83 and 1983-84 led to a substantial rise in the volume of Commonwealth debt on issue and hence to a growth in PDI. Between 1983-84 and 1986-87, the rate of growth of PDI slowed as the budget deficit declined in nominal terms and the rate of expansion of the volume of debt slowed. Despite the 'volume' effect, the average cost of servicing the Commonwealth's debt increased over this period due to higher interest rates and the depreciation of the \$A.

From 1987-88 the Commonwealth budget's movement into surplus enabled it to begin progressively repaying foreign currency debt (see Chart 4). This meant that fluctuations in the value of the \$A had less influence on PDI. Over the period since 1988, the Commonwealth has also sought to manage its foreign currency exposure by entering into currency and interest rate swap arrangements.

Chart 4. Composition of Commonwealth Debt at 30 June (a)



- Excludes debt issued on behalf of the State and Territory Governments.
- Excludes internal Treasury Bills and LCR holdings of Treasury Bonds.
- The \$A equivalent (using the corresponding 30 June exchange rates) of foreign debt after adjustment for swaps; excludes LCR holdings of Dutch guilder securities.

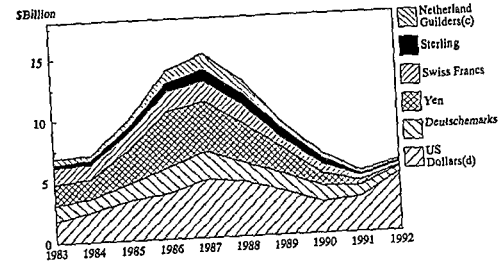
Although the average cost of servicing the Commonwealth's debt rose substantially in 1988-89 and 1989-90, PDI declined from 1987-88 as substantial budget surpluses permitted a reduction in the stock of both domestic and foreign currency Commonwealth debt (see Chart 4).

In 1990-91 and 1991-92, large falls in interest rates reduced significantly the average cost of servicing the Commonwealth's debt. This factor has been the predominant influence on the changes in PDI in these years, with the substantial reduction in the Commonwealth's budget surplus in 1990-91 together with financing transactions associated with payment of Commonwealth government business enterprise superannuation, and the return to a budget deficit in 1991-92, leading to an increase in the level of Commonwealth debt on issue by 1991-92.

The expected budget deficit for 1992-93, and the full year effect of the 1991-92 Budget deficit is reflected in the substantial growth in the Commonwealth component of PDI in 1992-93 and the forward years.

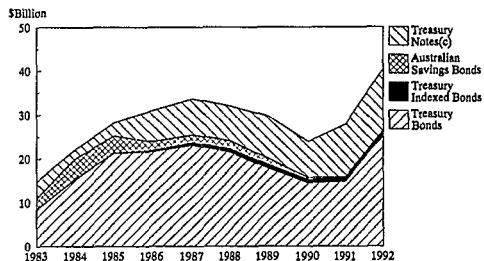
The shifts in the composition of the foreign debt in recent years reflect maturing loans, the redemption of loans prior to maturity, and the effects of repurchases and swaps. Chart 5 shows that the Commonwealth has acted to reduce its exposure to Swiss francs, deutschemarks, guilders, sterling and yen and has reweighted its portfolio towards \$US.

Chart 5. Commonwealth Foreign Debt - by Currency at 30 June (a) (b)



- The \$A equivalent (using the corresponding 30 June exchange rates) of foreign debt after adjustment for swaps.
 - Excludes debt issued on behalf of the State and Territory Governments.
 - Excludes LCR holdings of Dutch guilder securities.
 - Excludes LCR holdings of Dutch guilder securities.
 - Includes a relatively small Canadian dollar debt of A\$60m in 1990-91 and A\$370m in 1991-92.
- The components of the domestic debt, both short and long term are shown in Chart 6.

Chart 6. Commonwealth Domestic Debt at 30 June (a) (b)



- (a) Excludes debt issued on behalf of the State and Territory Governments.
 (b) Excludes internal Treasury Bills and LCIR holdings of Treasury Bonds.
 (c) Includes, in each year, relatively small (less than \$200m) amounts of debt raised through other instruments.

MAJOR POLICY CHANGES

Over the period since 1982 there have been a number of important changes which have helped the Commonwealth to contain PDI outlays. These include measures aimed at better managing the Commonwealth's debt portfolio and those aimed at minimising the within-year financing task (and hence PDI costs) by better matching payments and receipts:

- making more frequent payments to the States under the general revenue assistance grants arrangements and other programs;
- the introduction of quarterly provisional income tax arrangements, revised company tax arrangements to bring most tax payments to the beginning of the financial year and the requirement that larger companies make PAYE payments to the Commonwealth on a fortnightly basis;
- better targeting of the financial markets when issuing the Commonwealth's debt by focusing on only two key instruments - Treasury Bonds and Treasury Notes - and introducing the five week Treasury Note;
- consolidation of the Bond portfolio into 'hot stocks', representing deep, liquid lines, ie which are traded frequently and in relatively large numbers;
- reducing the lag between announcement and holding of Treasury Note tenders by two days, facilitating better cash management; and
- reducing the Ministerially agreed target range for cash balances from \$500-800m to \$0-300m, facilitating a reduction in Treasury Note issue.

1991-92 OUTCOME

In 1991-92 PDI outlays were, in net terms, \$640m (10.2%) lower than the budget estimate. This reflected, inter alia:

- the reduction in yields on Treasury Notes over the course of the year (from around 10.0% in July 1991 to around 6.2% in June 1992); and
- the reduction in yields on Treasury Bonds, which enabled the receipt of substantial premia on the issue of stock over the course of the year as well as lower ongoing coupon payments on new stocks.

Partially offsetting these factors were:

- higher than expected debt issuance arising from the increase in the Budget deficit from \$4.7 billion to \$9.3 billion; and
- adverse exchange rate movements in currencies relevant to PDI payments.

9B.1 GROSS INTEREST PAYMENTS

		1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
For the Commonwealth -						
Domestic and Overseas	\$m	3962.8	5055.0	6720.0	7708.0	8142.0
Borrowings (a)	%		27.6	32.9	14.7	5.6
Income Equalisation Deposits	\$m	5.7	5.0	6.0	6.0	6.0
	%		-12.9	20.0	-	-
Other	\$m	-23.1	-75.2	-93.5	-90.5	-83.5
	%		225.9	24.3	-3.2	-7.7
Sub-total	\$m	3945.4	4984.8	6632.5	7623.5	8064.5
	%		26.3	33.1	14.9	5.8
For the States and Territories -						
Borrowings for the States (a)	\$m	1791.2	1516.0	1257.0	1134.0	920.0
	%		-15.4	-17.1	-9.8	-18.9
Savings Bank Agreements	\$m	51.0	46.0	41.0	38.0	37.0
	%		-9.8	-10.9	-7.3	-2.6
Interest on Behalf of the ACT	\$m	17.8	5.0	4.0	4.0	3.0
	%		-72.0	-20.0	-	-25.0
Other	\$m	0.6	0.6	0.6	0.6	0.6
	%		-3.5	-2.0	-2.0	-2.1
Sub-total	\$m	1860.7	1567.6	1302.6	1176.6	960.6
	%		-15.7	-16.9	-9.7	-18.4
TOTAL	\$m	5806.1	6552.4	7935.1	8800.1	9025.1
	%		12.9	21.1	10.9	2.6

(a) Paid under the Commonwealth Incribed Stock Act 1911 and the Loans Securities Act 1919.

The 1992-93 estimate of \$6552.4m is \$746.3m above the 1991-92 outcome (up 9.4% in real terms), reflecting the deterioration in the Commonwealth's budget balance.

9B.2 INTEREST RECEIVED

The main source of interest received is the Loan Consolidation and Investment Reserve (LCIR). The LCIR, a Commonwealth trust account, receives interest on its investments in Commonwealth securities. Interest received is expected to fall because of changes in the composition of the LCIR's portfolio.

9C. CONTINGENCY RESERVE

OVERVIEW

	1991-92 Actual	1992-93 Budget	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Contingency Reserve	\$m 0	7	532.0	862.3	1363.8
		na	na	62.1	58.2

- The budget and forward estimates include a Contingency Reserve which allows for uncertainties in the estimates relating to:
 - within year changes to non-defence wage and salary awards;
 - medium works projects and some other accommodation costs;
 - the established tendency for budget year estimates of spending on existing government policy in the forward estimates to be revised upward;
 - a provision for expected running costs carryover from 1992-93 into 1993-94; and
 - the effect of parameter revisions for the budget and forward estimates received too late to be included in program estimates.
- In the 1992-93 Contingency Reserve, the aggregated allowance for these uncertainties is zero, with the positive and negative allowances balancing.

PURPOSE

The Contingency Reserve is an allowance, included in aggregate outlays figuring, to reflect anticipated events which cannot be assigned to individual programs at budget time. The Reserve is an estimating device used to ensure that the budget and forward estimates are based on the best information available at the time of the Budget.

While the Reserve ensures that aggregate estimates are as close as possible to expected outcomes, it has no legal status and is not appropriated in the Budget. Instead allowances that are included in the Reserve can only be drawn upon once they have been appropriated by Parliament.

NATURE OF CONTINGENCY RESERVE OUTLAYS

The Contingency Reserve makes allowance, in the budget and forward estimates for anticipated events including:

- expected changes in non-defence wage and salary awards during the course of 1992-93 and the forward years for departments and budget-funded agencies. The estimated salaries for each year are contained in the base estimates for the department or agency based on the estimated level of wages at the start of the year. An allowance is contained in the Contingency Reserve for expected changes in awards during the course of the year. A separate allowance is made in 1. Defence for expected changes in defence wage and salary awards for both Australian Defence Force and civilian employees;
- the established tendency for forward estimates, particularly for demand driven appropriations, to be conservative and understate the growth in outlays. Experience suggests that revision of the forward estimates amounts to around 0.75% of total outlays in the first year, with a further cumulative 0.5% in each following year;
- revisions to property expenses, eg rent renewal costs and medium works which relate to the delivery of existing programs, but which have not yet received formal approval from Government;
- parameter revisions, affecting the budget and forward estimates, available too late to be incorporated into the detailed estimates for publication in this Statement; and
- provision for expected running costs carryovers from 1992-93 to 1993-94. Evidence from recent years indicates that there is an aggregate tendency for departments and agencies to use the flexibility of the running costs system to carry forward funds from the budget year to the following year. A negative allowance of around 1% of the aggregate running costs budget has been provided for 1992-93.

9D. ASSET SALES

OVERVIEW

Asset Sales	1991-92	1992-93	1993-94	1994-95	1995-96
	Actual	Budget	Estimate	Estimate	Estimate
\$m	301.8	-1600.0	-950.0	-75.0	-150.0
%		na	-40.6	-92.1	100.0

- Proceeds from asset sales previously expected in 1991-92 are now expected to be received by the Budget in 1992-93.
- Major Asset Sales previously announced which are expected to be completed in 1992-93 include:
 - the sale of Australian Airlines to Qantas and the subsequent sale of 100% of Qantas;
 - the sale of a substantial part of ANL Limited;
 - the sale of the on-going business of the Housing Loans Insurance Corporation (HLIC) and the associated vesting of the residual HLIC assets in the Commonwealth;
 - the sale of the Commonwealth uranium stockpile; and
 - the sale of the Commonwealth's interests in the former War Service Land Settlement scheme.
- The Government has approved an additional program of major asset sales which is estimated to yield approximately \$1000m over the three year period commencing 1992-93:
 - this program includes the Moomba-Sydney gas pipeline system, sale of Commonwealth Serum Laboratories Ltd, and refinancing of the Department of Administrative Services car fleet.

PURPOSE

This function incorporates the sale of major assets whose retention by the Commonwealth is no longer justified in the public interest.

Estimates reported under this function are additional to the proceeds derived from the normal on-going Property Disposal Programs of the Departments of Administrative Services (DAS) and Defence (see 1. Defence and 8E. Administrative Services).

The Government has established a small Commonwealth Task Force on Asset Sales (TFAS) within the Department of Finance to handle major asset sales which are unusual. TFAS has responsibility for conducting most of the current major asset sales, except for certain significant property disposals (being managed by DAS or Defence) and the AUSSAT sale, which was arranged by the Department of Transport and Communications (DTC).

1991-92 OUTCOME

The budget estimate for major asset sale proceeds in 1991-92 was \$625m. This figure included expected proceeds from the sale of equity in Qantas and Australian Airlines, the Housing Loans Insurance Corporation (HLIC) business, the Commonwealth uranium stockpile and some minor sales being progressed by other departments. Proceeds from the sale of AUSSAT were expected to offset the outstanding AUSSAT debt taken over by the Commonwealth.

In the event, a number of different factors resulted in a net outlay of \$301.8m being reported for 9D. Asset Sales in 1991-92. The *One Nation* decision to significantly alter existing aviation policy led to a restructuring of the airlines' sales and consequent delays in the process. The inability so far of the preferred purchaser of the HLIC business to obtain from the Victorian Government the necessary approval to conduct mortgage insurance with building societies in Victoria has delayed the completion of this sale. Disposal of the Commonwealth uranium stockpile has been in abeyance since a decision of the Government in October 1991 not to proceed with the sale in the market conditions at that time. The 'delayed payment' nature of the AUSSAT sale resulted in the amount of debt assumed by the Commonwealth significantly exceeding the actual sale proceeds received in 1991-92. Further information on the current status of the above sales is included in the following section.

During the year, the sale of surplus Defence buildings at Bankstown Airport was completed, as was a franchise to provide subsidised home loans for eligible employees of the Defence Signals Directorate who are being compulsorily relocated from Melbourne to Canberra. The budgetary impact of these sales was minimal.

CURRENT MAJOR ASSET SALES

The Government's program of major asset sales began in 1987. Proceeds vary from year to year, reflecting the nature of the sales in process at the time. The table below details the net proceeds received from this program to date and the estimated proceeds for 1992-93 and future years.

	1987-88 to 1990-91	1991-92	1992-93 (estimate)	1993-94 to 1995-96 (estimate)
	\$m	\$m	\$m	\$m
Tokyo Embassy Sale/ Re-development Project	666.8	-	-	-
Lease on Chifley Square, Sydney	306.0	-	-	-
Williamstown Dockyard	68.1	-	-	-
Commonwealth Phosphate Rock Stockpile	45.2	-	-	-
Commonwealth Government Centre, Melbourne	35.0	-	-	-
Paris Head of Mission Residence	15.5	-	-	-
Commonwealth Accommodation and Catering Services Ltd	11.9	-	-	-
Defence Service Homes Loan Scheme	1515.8	11.1Dr	0.7	1.9
Australia House, Sydney	27.6	-	-	-
Avalon Airfield ^(a)	20.0	-	-	-
Australian Defence Force Home Loans Assistance Scheme	42.0	-	-	-
Housing Loan Assistance Schemes in the ACT	51.5	-	-	-
Other	8.6	3.6	-	-
AUSSAT	-	294.3Dr	2.0Dr	225.0
Australian Airlines	-	-	400.0	-
Qantas	-	-	-	-
Australian National Line	-	-	-	-
Housing Loans Insurance Corporation	-	-	-	-
Commonwealth Uranium Stockpile	-	-	-	-
Brisbane Airport Land	-	-	-	-
War Service Land Settlement Scheme	-	-	-	-
DAS Fleet Refinancing	-	-	-	-
Moomba-Sydney Gas Pipeline System	-	-	-	-
CSL Ltd	-	-	-	-
Shares in AIDCL Ltd	-	-	-	-
Snowy Mountains Engineering Corporation Ltd	-	-	-	-
McLeod Repatriation Hospital in Melbourne	-	-	-	-
TOTAL	2814.0	301.8Dr	1600.0	1175.0

(a) Sale proceeds of \$70m were offset by debt/equity injection of \$50m to ASTA to help finance the purchase.

Set out below are details of those asset sales which are expected to be finalised in 1992-93, together with information on other sales proposed to be completed in later years.

Airlines

In November 1990, the broad framework for the then proposed sales of the Commonwealth's entire equity interest in Australian Airlines and 49% of its equity interest in Qantas was announced.

After a careful evaluation of competing proposals, the Government announced on 2 June 1992 its decision to sell Australian Airlines to Qantas for \$400m. A sale agreement between the Commonwealth and Qantas was executed on 3 June 1992, for which settlement is due on 14 September 1992.

On 2 June 1992, the Government announced its decision to sell 100% of the combined Qantas/Australian Airlines entity. The Government has decided to implement 'golden

share' arrangements to provide a number of national safeguards in relation to the future of Qantas.

The sale has been planned in two parts - a trade sale element and a public offering of the equity in Qantas that is not sold during the trade sale process. It is expected that the trade sale process will be largely complete by the end of 1992.

At this stage, the Government expects that at least 51% of Qantas/Australian Airlines will be sold via a public float in the first half of 1993.

Housing Loans Insurance Corporation

Sale of elements of HLIC's business and the contracting-out of the management of its 'old book' of pre-sale insurance contracts to the CIC Insurance Group is not complete. Although a sale agreement was executed with CIC in April 1991, it was not finalised in 1991-92 because CIC has been unable to obtain from the Victorian Government an authorisation to write mortgage insurance for building societies in Victoria.

It is hoped that a sale can be completed in 1992-93. The sale of the HLIC business and associated vesting of the residual assets in the Commonwealth is expected to provide net proceeds of \$110m in 1992-93.

Uranium Stockpile

During October 1991, in a confined competitive solicitation process, offers were obtained to purchase the 2262 short tons of uranium oxide owned by the Commonwealth. However, principally because of the depressed state of the uranium market at the time, the Government decided not to sell any of the stockpile.

The market still remains depressed, primarily because of the release of stockpile material from the former USSR. However, strategies are being developed to facilitate the sale of at least some, if not all, of the stockpile in 1992-93.

AUSSAT

During 1991-92, the sale of AUSSAT to Optus Communications was arranged by DTC as a basis for introducing a second telecommunications carrier into Australia. Under the terms of the sale agreement, Optus is acquiring AUSSAT free of its accumulated debt and will pay the Commonwealth approximately \$800m over the next five years, with the right to provide a range of telecommunication services. Given that the AUSSAT debt paid out by the Commonwealth in 1991-92 exceeded the amount of the first instalment payment received from Optus, the initial budgetary impact of this sale was a net outlay of nearly \$300m. Progressive net reductions in outlays will occur as further payments are received from Optus, commencing in 1994-95.

Australian National Line

In the 1991-92 Budget, the Government announced its decision to sell a substantial part of Australian National Line (ANL), the operations of which encompass both domestic and international shipping as well as stevedoring activities in major ports around Australia. In the course of 1991-92 a detailed 'scoping study' was carried out to determine the quantum, timing and method of sale that would be most advantageous to the Commonwealth.

Decisions on these issues are expected to be taken by the Government shortly. Proceeds are expected in late 1992-93 or in the first part of 1993-94.

War Service Land Settlement Scheme

The Government announced in the 1991-92 Budget that it had decided to dispose of the Commonwealth's interests in the War Service Land Settlement (WSLS) scheme. These interests comprise the future rental stream, plus any proceeds from freehold conversions, flowing from some 2100 perpetual leasehold properties located in WA, SA and Tas. This sale is being arranged in such a way as not to adversely affect the rights of existing lessees.

Discussions have been held with the various States concerned, with a view to ascertaining how the Commonwealth might best dispose of its residual interests in this scheme.

Cockatoo Island

The physical preparation of the Island for sale encompasses pollution remediation, environmental issues and heritage planning matters. Discussions have been held with a number of different NSW government agencies regarding various administrative and regulatory aspects of the Island's sale and future use.

No sale proceeds are expected before 1993-94 because of the large amount of preparatory work that needs to be done before this property can be put on the market.

Surplus Land at Brisbane Airport

A substantial area of land was returned to the Commonwealth by the Federal Airports Corporation in June 1989, after the new domestic airport terminal at Brisbane was opened. This surplus land is to be put progressively on the market by DAS as market conditions permit. At this stage a further release of land is scheduled to occur in 1992-93.

Other Sales Activity

A number of properties for which sale responsibility lies with either DAS or Defence are included in the major asset sales function. The sale of part of Newington Armament Depot in Sydney is on hold pending the outcome of the Sydney 2000 Olympics bid whilst the sale of the Anzac Rifle Range at Malabar in Sydney is now being actively pursued. However, due to legal and other difficulties, no sale proceeds are expected before 1993-94 from the sale of the Range.

In July 1991, the Commonwealth was required to pay \$11.5m towards the cost of stamp duty (totalling \$12m) which was belatedly levied by the Queensland Government on the sale of the former Defence Service Homes loan portfolio and new lending franchise to Westpac Banking Corporation in 1988. The Commonwealth and Westpac have appealed against the relevant assessments of duty and a judgement is expected soon.

NEW MAJOR ASSET SALES

The Government has decided in the 1992-93 Budget context to sell various additional major assets over the budget and forward years.

Included among these are:

- Commonwealth Serum Laboratories Ltd (CSL), subject to CSL remaining under independent Australian control;
- McLeod Repatriation Hospital in Melbourne;
- Snowy Mountains Engineering Corporation Ltd;
- the Moomba-Sydney gas pipeline system. Now that some legal issues have been clarified, discussions will take place with interested parties, including AGL;
- some more shares in AIDC Limited, bringing the private shareholding up to 49%, with an equivalent amount to be returned to the Commonwealth by AIDC; and
- private sector financing of the DAS car fleet, subject to further work confirming an initial assessment that this offers net benefits to the Commonwealth.

As has been the practice in the past, individual assessments of the likely/possible proceeds from each sale are not provided for commercial reasons.

STATEMENT 3 — STATISTICAL APPENDIX

INTRODUCTION

Fifteen tables are presented in this appendix covering outlay transactions of the Commonwealth budget sector. Tables in Statement 7 cover the transactions of all Commonwealth entities.

Statement 7 provides a definition of the Commonwealth budget sector and Statement 8 defines terminology employed to describe transactions in these tables; in particular, definitions of the terms outlays and revenue and explanation of the functional and economic type classifications.

A list of tables in this appendix is provided below:

- Table I Commonwealth Budget Outlays by Function (\$m)
- Table II Commonwealth Budget Outlays by Function - Annual Percentage Change
- Table III Commonwealth Budget Outlays by Function - Annual Percentage Change (1984-85 Prices)
- Table IV Commonwealth Budget Outlays by Function as a Proportion of Total Budget Outlays (percent)
- Table V Commonwealth Budget Outlays by Function and Subfunction (\$m)
- Table VI Commonwealth Budget Sector Outlays by Economic Type (\$m)
- Table VII Commonwealth Budget Sector Outlays by Economic Type as a Proportion of Total Budget Outlays (percent)
- Table VIII Commonwealth Budget Sector Outlays by Economic Type - Annual Percentage Change (1984-85 Prices)
- Table IX Commonwealth Budget Sector Domestic Outlays by Economic Type (\$m)
- Table X Commonwealth Budget Sector Overseas Outlays by Economic Type (\$m)
- Table XI Commonwealth Budget Portfolio Outlays by Major Function, 1992-93
- Table XII Commonwealth Budget Portfolio Outlays by Major Economic Type, 1992-93
- Table XIII Outlays on Approved Capital Works of Commonwealth Departments and Agencies
- Table XIV Running Costs Budgets and Staffing - Summary
- Table XV Running Costs Budgets and Staffing - by Agency

Table I - Commonwealth Budget Outlays by Function (\$m)

	1982-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	85-96
OUTLAYS														
1. Defence	4701	5298	5938	6673	7209	7422	7780	8476	9068	9383	9885	10006	10689	10410
2. Education	3702	4070	4503	4900	5201	5683	6021	6573	7467	8360	9200	9598	10125	10495
3. Health	3399	4381	6107	8858	7486	8280	10767	11905	12839	13841	14762	15843	16712	17689
4. Social Security and Welfare	14179	16531	17975	19340	20729	22725	23977	26346	30559	35347	37943	39655	39877	40945
5. Housing and Community Amenities nec	793	1084	1357	1444	1646	1384	1219	1296	1084	1144	1427	1262	1056	1061
6. Culture and Recreation	542	631	768	904	955	1041	1046	1061	1194	1250	1271	1268	1248	1254
7. Economic Services														
A. Transport and Communication	1815	1790	1949	1853	1729	1725	1723	1688	1791	1519	2694	1691	1162	1194
B. Industry Assistance and Development	1592	1685	1946	2260	2344	2733	2714	2984	3979	3651	3311	3248	3188	3191
C. Labour and Employment	705	1187	1251	1176	1186	1216	1205	1276	1440	1836	2727	2622	2251	1871
D. Other Economic Services	204	199	224	129	126	122	128	154	269	279	302	311	292	294
Total Economic Services	4317	4861	5371	5417	5386	5797	5769	6082	7478	7284	9033	7872	6893	6550
8. General Public Services														
A. Legislative Services	192	201	310	357	485	578	420	393	351	376	439	385	390	474
B. Law Order and Public Safety	355	418	463	529	590	641	681	788	752	933	928	835	783	811
C. Foreign Affairs and Overseas Aid	1052	1168	1303	1355	1331	1390	1561	1598	1720	1869	1951	1913	1954	2003
D. General Scientific Research nec	446	463	470	505	542	545	557	642	749	869	989	1052	1009	1011
E. Administrative Services	1221	1366	1609	1783	2064	2149	2446	2216	2805	2944	3189	3093	3022	3175
Total General Public Services	3265	3815	4158	4529	5012	5303	5664	5637	6377	6992	7495	7279	7158	7474
9. Not Allocated to Function														
A. Assistance to Other Governments nec	11049	12427	12856	13794	14588	14978	13700	14254	13966	13116	14071	15663	15610	16945
B. Public Debt Interest	3444	4389	5644	7003	7885	7867	7406	7271	6081	5638	6406	7791	8672	8919
C. Contingency Reserve	-	-	-	-	-	-	-	-	-	-	-	532	862	1364
D. Asset Sales	-	-	-	-	-	-1056	-528	-1088	-162	302	-1600	-950	-75	-150
Total Not Allocated to Function	14492	16816	18501	20796	22473	21790	20577	20458	19866	19056	18877	23036	25069	27078
TOTAL OUTLAYS	49390	57287	64675	70860	76097	79405	82820	87835	96030	102638	109894	115817	118228	122955

Table II - Commonwealth Budget Outlays by Function-Annual Percentage Change

	1982-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96
OUTLAYS														
1.Defence	16.0	12.7	12.1	12.4	8.0	3.0	4.8	8.9	7.0	3.3	5.8	1.2	0.8	3.2
2.Education	13.5	9.9	10.6	8.8	6.1	9.3	6.0	9.2	13.6	12.0	10.1	4.3	5.5	3.7
3.Health	17.7	28.9	39.4	12.3	9.2	10.8	30.0	10.6	8.7	7.0	6.6	7.3	5.5	5.8
4.Social Security and Welfare	22.5	16.8	8.7	7.6	7.2	9.8	5.5	9.9	16.0	15.7	7.3	4.5	0.6	2.7
5.Housing and Community Amenities nec	64.4	38.7	25.2	6.4	14.0	-17.1	-10.6	6.3	-16.4	5.6	24.7	-11.5	-16.3	0.4
6.Culture and Recreation	8.0	16.4	21.8	17.7	5.6	9.1	0.4	1.5	12.5	4.7	1.6	-0.4	-1.4	0.4
7.Economic Services														
A.Transport and Communication	48.2	-1.4	8.9	-5.0	-6.7	-0.3	-0.1	-3.2	7.4	-15.2	77.4	-37.2	-31.3	2.7
B.Industry Assistance and Development	27.4	5.8	15.5	16.1	3.7	18.6	-0.7	10.0	33.3	-8.2	-9.3	-1.9	-1.8	0.1
C.Labour and Employment	52.5	68.3	5.5	-6.1	1.0	2.5	-0.9	5.9	12.9	27.5	48.5	-3.8	-14.2	-16.9
D.Other Economic Services	-8.5	-2.0	12.2	-42.5	-2.1	-2.9	4.5	20.6	74.1	3.7	8.3	3.0	-8.0	0.5
Total Economic Services	36.8	12.8	10.5	0.9	-0.6	7.6	-0.5	5.4	22.9	-2.6	24.0	-12.9	-12.4	-5.0
8.General Public Services														
A.Legislative Services	41.1	4.8	54.5	15.1	35.9	19.1	-27.4	-6.3	-10.7	7.7	16.1	-12.3	1.3	21.4
B.Law Order and Public Safety	25.5	17.7	10.9	14.4	11.4	8.7	6.2	15.8	-4.6	24.0	-0.5	-10.0	-8.3	3.6
C.Foreign Affairs and Overseas Aid	12.2	11.1	11.8	4.0	-1.8	4.5	12.3	2.4	7.6	8.6	4.4	-1.9	2.1	2.5
D.General Scientific Research nec	13.4	3.8	1.7	7.3	7.4	0.7	2.1	15.3	16.8	15.9	13.8	6.4	-4.1	0.2
E.Administrative Services	11.7	11.9	17.8	10.8	15.7	4.1	13.8	-9.4	28.6	5.0	8.3	-3.0	-2.3	5.1
Total General Public Services	14.9	10.7	15.0	9.0	10.6	5.8	6.8	-0.5	13.1	9.6	7.2	-2.9	-1.7	4.4
9.Not Allocated to Function														
A.Assistance to Other Governments nec	11.5	12.5	3.5	7.3	5.8	2.7	-8.5	4.0	-2.0	-6.1	7.3	11.3	-0.3	8.5
B.Public Debt Interest	20.8	27.4	28.6	24.1	12.6	-0.2	-5.9	-1.8	-16.6	-7.0	13.8	21.6	11.3	2.8
C.Contingency Reserve	na	na	na	na	na	na	na	na	na	na	na	na	na	62.1
D.Asset Sales	na	na	na	na	na	na	na	-50.0	102.2	-84.9	na	na	-40.8	-92.1
Total Not Allocated to Function	13.6	16.0	10.0	12.4	8.1	-3.0	-5.6	-0.6	-2.9	-4.1	-0.9	22.0	8.8	8.0
TOTAL OUTLAYS	19.0	16.0	12.9	9.6	7.4	4.3	4.3	6.1	9.3	6.9	7.1	5.4	2.1	4.0

Table III - Commonwealth Budget Outlays by Function-Annual Percentage Change (1984-85 Prices) (a)

	1982-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96
OUTLAYS														
1.Defence	4.5	5.4	5.8	4.9	0.4	-4.0	-3.7	2.5	2.9	1.6	2.3	-2.9	-2.6	-0.3
2.Education	2.3	2.8	4.4	1.6	-1.3	1.9	-2.7	2.8	9.2	10.1	6.6	0.1	1.9	0.1
3.Health	6.1	20.6	31.8	4.8	1.5	3.2	19.4	4.1	4.5	5.2	3.3	3.0	1.9	2.3
4.Social Security and Welfare	10.5	9.1	2.7	0.5	-0.4	2.3	-3.1	3.4	11.5	13.8	4.0	0.3	-2.8	-0.8
5.Housing and Community Amenities nec	48.2	27.8	18.2	-0.6	6.0	-22.7	-17.9	-	-19.6	3.8	20.8	-1.1	-19.1	-3.0
6.Culture and Recreation	-2.8	8.9	14.8	9.9	-1.8	1.7	-7.8	-4.5	8.2	3.0	-1.5	-4.4	-4.7	-3.0
7.Economic Services														
A.Transport and Communication	33.6	-7.8	2.8	-11.3	-13.2	-7.0	-8.3	-8.9	3.2	-16.6	71.8	-39.8	-33.6	-0.7
B.Industry Assistance and Development	14.9	-1.0	9.0	8.4	-3.6	8.8	-8.8	3.5	28.2	-9.8	-12.2	-5.9	-5.2	-3.3
C.Labour and Employment	37.5	57.4	-0.5	-12.3	-6.1	-4.4	-9.0	-0.4	8.5	25.4	43.8	-7.7	-17.1	-19.7
D.Other Economic Services	-15.7	-8.4	6.0	-46.3	-9.0	-9.4	-4.1	13.6	67.4	2.0	4.9	-1.2	-9.2	-2.9
Total Economic Services	23.3	5.3	4.3	-5.8	-7.6	0.4	-8.6	-0.8	18.2	-4.2	20.1	-16.4	-15.4	-8.2
8.General Public Services														
A.Legislative Services	27.2	-2.0	45.9	7.5	26.4	11.1	-33.4	-11.8	-14.2	5.9	12.5	-15.8	-2.1	17.3
B.Law Order and Public Safety	13.2	10.1	4.6	6.8	3.6	1.4	-2.5	9.0	-8.2	22.0	-3.6	-13.7	-9.5	0.1
C.Foreign Affairs and Overseas Aid	1.2	3.9	5.3	-2.9	-8.7	-2.6	3.1	-3.7	3.5	6.8	1.1	-5.9	-1.3	-1.0
D.General Scientific Research nec	2.3	-3.0	-4.0	0.2	-0.2	-6.1	-6.3	8.5	12.3	14.0	10.3	2.1	-7.3	-3.2
E.Administrative Services	0.7	4.7	11.2	3.4	7.6	-2.9	4.5	-14.7	21.7	3.2	4.9	-6.9	-5.6	1.5
Total General Public Services	3.8	3.8	8.5	1.8	2.9	-1.3	-1.9	-8.3	8.8	7.8	3.8	-6.8	-5.0	0.9
9.Not Allocated to Function														
A.Assistance to Other Governments nec	0.5	5.2	-2.3	0.2	-1.7	-4.2	-16.0	-2.1	-5.8	-7.8	3.9	6.8	-3.7	4.9
B.Public Debt Interest	8.9	19.2	21.4	15.8	4.7	-6.9	-13.6	-7.5	-19.8	-8.5	10.1	16.7	7.5	-0.6
C.Contingency Reserve	na	na	na	na	na	na	na	na	na	na	na	na	57.0	63.2
D.Asset Sales	na	na	na	na	na	na	-54.1	90.3	-85.4	na	na	-43.0	-92.4	93.2
Total Not Allocated to Function	2.4	8.5	3.9	5.0	0.5	-9.6	-13.3	-6.4	-6.6	-5.7	-4.0	17.1	5.1	4.4
TOTAL OUTLAYS	7.1	8.6	6.6	2.3	-0.2	-2.7	-4.2	-0.2	5.1	5.4	4.1	1.8	-1.1	0.7

(a) The Non-farm GDP (NFGDP) deflator is used as a general measure of price change
 (b) An adjustment for all final budget and forward estimate parameters has been included in the Contingency Reserve and therefore total outlays.
 The final NFGDP deflator is applied to total outlays and Contingency Reserve while the previous estimate of the deflator is applied to individual functions.

Table IV – Commonwealth Budget Outlays by Function As a Proportion of Total Budget Outlays (per cent)

	1982-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96
OUTLAYS														
1. Defence	9.5	9.2	9.2	9.4	9.5	9.3	9.4	9.7	9.4	9.1	9.0	8.6	8.5	8.5
2. Education	7.5	7.1	7.0	6.9	6.8	7.2	7.3	7.5	7.8	8.1	8.4	8.3	8.6	8.5
3. Health	6.9	7.6	9.4	9.7	9.8	10.4	13.0	13.8	13.5	13.5	13.4	13.7	14.1	14.4
4. Social Security and Welfare	28.7	28.9	27.8	27.3	27.2	28.6	29.0	30.0	31.8	34.4	34.5	34.2	33.7	33.3
5. Housing and Community Amenities nec	1.6	1.9	2.1	2.0	2.2	1.7	1.5	1.5	1.1	1.1	1.3	1.1	0.9	0.9
6. Culture and Recreation	1.1	1.1	1.2	1.3	1.3	1.3	1.3	1.2	1.2	1.2	1.2	1.1	1.1	1.0
7. Economic Services														
A. Transport and Communication	3.7	3.1	3.0	2.6	2.3	2.2	2.1	1.9	1.9	1.5	2.5	1.5	1.0	1.0
B. Industry Assistance and Development	3.2	2.9	3.0	3.2	3.1	3.4	3.3	3.4	4.1	3.6	3.0	2.8	2.7	2.6
C. Labour and Employment	1.4	2.1	1.9	1.7	1.6	1.5	1.5	1.5	1.5	1.8	2.5	2.3	1.9	1.5
D. Other Economic Services	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.2	0.2
Total Economic Services	8.7	8.5	8.3	7.6	7.1	7.3	7.0	6.9	7.8	7.1	8.2	6.8	5.8	5.3
8. General Public Services														
A. Legislative Services	0.4	0.4	0.5	0.5	0.6	0.7	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.4
B. Law Order and Public Safety	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.9	0.8	0.9	0.8	0.7	0.7	0.7
C. Foreign Affairs and Overseas Aid	2.1	2.0	2.0	1.9	1.7	1.8	1.9	1.8	1.8	1.8	1.8	1.7	1.7	1.6
D. General Scientific Research nec	0.9	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.9	0.9	0.9	0.8
E. Administrative Services	2.5	2.4	2.5	2.5	2.7	2.7	3.0	2.5	2.9	2.9	2.9	2.7	2.6	2.6
Total General Public Services	6.6	6.3	6.4	6.4	6.6	6.7	6.8	6.4	6.6	6.8	6.8	6.3	6.1	6.1
9. Not Allocated to Function														
A. Assistance to Other Governments nec	22.4	21.7	19.9	19.5	19.2	18.9	16.5	16.2	14.5	12.8	12.8	13.5	13.2	13.8
B. Public Debt Interest	7.0	7.7	8.7	9.9	10.4	9.9	8.9	8.3	6.3	5.5	5.8	6.7	7.3	7.3
C. Contingency Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D. Asset Sales	-	-	-	-	-	-1.3	-0.6	-1.2	-0.2	0.3	-1.5	-0.8	-0.1	-0.1
Total Not Allocated to Function	29.3	29.4	28.6	29.3	29.5	27.4	24.8	23.3	20.7	18.6	17.2	19.9	21.2	22.0
TOTAL OUTLAYS	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

3.284

Table V – Commonwealth Budget Outlays by Function and Sub-function (\$m)

	1982-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96
Defence	2213	2311	2457	2744	2871	3102	3290	3461	3622	3820	4181	4193	4050	4112
Personnel Costs and Retirement Benefits	1493	1882	2304	2620	2903	2814	2708	2957	3354	3498	3712	3791	3932	4118
Defence Equipment and Stores	114	134	148	193	265	295	295	357	324	286	325	349	458	449
Defence Facilities	32	32	42	64	82	156	139	192	182	198	179	159	147	180
Defence Housing	281	331	336	338	234	296	336	258	177	150	116	99	75	72
Defence Industry	139	147	158	165	183	187	210	225	227	232	212	204	193	192
Defence Science	429	461	495	548	670	772	803	1025	1180	1178	1161	1210	1234	1288
Other Defence Outlays	4701	5288	5938	6673	7209	7422	7780	8478	9086	9363	9885	10006	10089	10410
Total Defence	4701	5288	5938	6673	7209	7422	7780	8478	9086	9363	9885	10006	10089	10410
Education	1669	1801	1942	2151	2262	2452	2550	2928	3316	3563	3926	4153	4436	4443
Tertiary Education	259	281	364	354	381	361	330	340	376	421	540	609	709	769
Vocational Education	1386	1514	1656	1764	1829	1953	2122	2144	2338	2623	2777	2878	2962	3093
Schools and Preschools	343	419	476	560	647	826	933	1059	1317	1621	1796	1788	1858	2029
Student Assistance	45	54	65	72	82	90	96	102	120	132	161	160	160	161
General Administration	3702	4070	4503	4900	5201	5683	6021	6573	7467	8360	9200	9598	10125	10495
Total Education	3702	4070	4503	4900	5201	5683	6021	6573	7467	8360	9200	9598	10125	10495
Health	1031	1592	2501	2885	3218	3455	3732	4272	4745	5108	5620	6162	6740	7324
Medical Services and Benefits	788	957	1556	1711	1678	1873	3879	4093	4426	4600	4841	5203	5344	5554
Hospital Services	508	574	659	725	868	1059	1134	1298	1297	1414	1520	1590	1674	1765
Pharmaceutical Services and Benefits	857	983	1093	1171	1296	1464	1609	1796	1932	2025	2038	2130	2211	2299
Nursing Home Subsidies and Domiciliary Care Services	114	140	165	213	242	252	265	313	382	481	529	591	582	590
Other Health Services	101	134	133	153	185	177	148	134	158	216	213	166	161	157
General Administration	3399	4381	6107	6358	7486	8280	10767	11905	12839	13841	14762	15843	16712	17689
Total Health	3399	4381	6107	6358	7486	8280	10767	11905	12839	13841	14762	15843	16712	17689

3.285

Table V - Commonwealth Budget Outlays by Function and Sub-function (\$m) (continued)

	1982-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96
Social Security and Welfare														
Assistance to the Aged	4969	5418	5762	6034	6456	7233	7854	8621	9722	10575	11332	12390	12661	13484
Assistance to Veterans and Dependents	1709	2023	2322	2584	2762	3128	3187	3398	3681	3791	3838	3902	4002	4065
Assistance to People With Disabilities	1190	1402	1648	1879	2153	2478	2736	3021	3509	3967	4350	4744	4828	5058
Assistance to Families with Children	2649	3028	3281	3537	3550	3853	4129	4963	5517	6707	7725	8663	8841	9181
Assistance to the Unemployed and Sick	2520	3248	3348	3514	3883	3886	3689	3679	5212	7181	7364	6581	6170	5814
Other Welfare Programs	517	583	661	721	775	878	968	1056	1127	1180	1148	1121	1089	1084
Aboriginal Advancement Programs nec	186	231	269	280	316	386	464	529	603	673	831	932	991	959
General Administration	443	602	690	798	836	888	961	1085	1196	1294	1375	1348	1328	1335
Recoveries and Repayments	-4	-5	-6	-8	-3	-5	-11	-6	-8	-20	-19	-25	-29	-32
Total Social Security and Welfare	14179	16531	17975	19340	20729	22725	23977	26346	30559	35347	37943	39655	39877	40945
Housing and Community Amenities														
Housing Assistance to Other Governments	443	689	952	1032	1190	1016	920	895	767	914	931	939	874	885
Assistance to First Home Owners	150	242	306	242	202	222	176	120	71	33	19	8	3	3
Defence Service Homes	82	36	35	35	33	11	52	179	150	92	85	83	75	70
Housing Other	16	14	10	54	82	28	23	8	9	10	22	25	11	7
General Administration	-1	-2	-1	2	3	7	6	21	29	28	29	27	27	28
Regional Development and Pollution Control	102	108	55	80	137	62	42	73	53	67	341	179	68	67
Total Housing and Community Amenities	793	1084	1357	1444	1646	1364	1219	1286	1084	1144	1427	1262	1056	1061
Culture and Recreation														
Broadcasting	354	399	458	557	558	568	607	664	723	732	743	774	782	791
Arts and Cultural Heritage	149	175	218	288	328	395	364	284	330	335	328	319	309	311
Sport and Recreation	24	35	68	51	40	44	24	53	71	75	88	83	79	73
National Estate and Parks	15	22	23	28	20	34	40	60	70	108	111	90	78	79
Total Culture and Recreation	542	631	768	904	955	1041	1046	1061	1194	1250	1271	1268	1248	1254

Table V - Commonwealth Budget Outlays by Function and Sub-function (\$m) (continued)

	1982-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96
Economic Services														
Transport and Communication														
Communication	12	14	14	-17	-81	-66	21	-220	-261	-283	-34	-35	-38	-20
Air Transport	521	327	357	379	327	269	163	271	175	100	164	98	98	101
Land Transport	1008	1355	1355	1400	1366	1367	1339	1406	1677	1370	2325	1451	920	934
Sea Transport	134	64	149	54	77	90	91	118	131	259	165	101	107	104
Other Transport and Communication	140	29	73	37	40	65	109	83	69	72	74	75	75	79
Total Transport and Communication	1815	1790	1949	1853	1729	1725	1723	1668	1791	1519	2634	1691	1162	1194
Industry Assistance and Development														
Agricultural, Forestry and Fishing Industries	856	850	1039	1123	1378	1588	1524	1671	2407	1928	1761	1657	1610	1663
Mining and Energy	219	207	275	441	314	365	475	501	567	660	588	711	733	763
Manufacturing Industry	189	323	342	385	393	409	393	463	418	455	519	429	383	299
Tourism Industry	11	21	29	32	37	46	42	71	65	78	88	79	81	83
Assistance to Exporters	317	285	261	279	222	306	280	278	521	530	356	372	381	383
Total Industry Assistance and Development	1592	1685	1946	2260	2344	2733	2714	2984	3978	3651	3311	3248	3183	3191
Labour and Employment														
Vocational and Industry Training	108	120	132	126	145	165	197	192	178	200	388	299	220	211
Labour Market Assistance to Jobseekers and Industry	288	689	680	548	492	419	311	352	404	694	1196	1170	944	640
Industrial Relations	82	87	103	122	130	160	159	171	201	215	259	259	246	200
Immigration	56	62	71	79	93	112	134	159	183	212	246	261	249	237
Employment Services	171	229	265	300	327	360	404	402	473	515	639	632	592	582
Total Labour and Employment	705	1187	1251	1175	1188	1216	1205	1276	1440	1836	2727	2622	2251	1871

	1982-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96
Other Economic Services														
Economic and Trade Regulation	154	149	165	62	51	39	40	60	165	167	188	194	177	177
Meteorological Services	49	50	59	67	75	84	88	95	104	112	114	117	115	117
Total Other Economic Services	204	199	224	129	126	122	128	154	269	279	302	311	292	294
Total Economic Services	4317	4861	5371	5417	5386	5797	5769	6082	7478	7284	9033	7872	6893	6550
General Public Services														
Legislative Services														
Parliamentary Outlays	142	159	228	312	429	476	309	266	259	285	285	304	302	312
Other Legislative Services	49	42	82	45	56	103	111	127	92	93	154	81	88	162
Total Legislative Services	192	201	310	357	485	578	420	393	351	378	439	385	390	474
Law, Order and Public Safety														
Courts and Legal Services	125	142	167	219	242	283	303	336	381	502	475	389	359	373
Security and Intelligence Services	46	55	59	69	78	74	78	102	89	100	106	101	97	96
Criminal Investigation	100	114	137	155	170	185	202	241	188	218	229	233	223	231
Other Law, Order and Public Safety	85	106	100	86	100	100	99	109	105	112	118	113	104	111
Total Law, Order and Public Safety	355	418	463	529	590	641	681	788	752	933	928	835	783	811
Foreign Affairs and Overseas Aid														
Bilateral Aid	642	714	746	739	728	743	809	902	885	921	975	946	983	1003
Multilateral Aid	155	175	213	234	191	212	317	202	339	340	340	387	410	433
Aid Administration	15	18	21	25	24	31	35	41	41	43	46	46	46	47
Foreign Affairs Non-aid	240	261	323	358	389	404	400	453	475	565	591	533	515	521
Total Foreign Affairs and Overseas Aid	1052	1168	1303	1355	1331	1390	1561	1598	1720	1869	1951	1913	1954	2003
General and Scientific Research														
Commonwealth Scientific and Industrial Research Organisation	328	332	325	344	368	348	348	378	416	448	458	490	438	446
Australian Nuclear Science and Technology Organisation	36	39	42	45	45	51	54	58	63	65	68	70	69	72
Australian Research Council	40	46	53	58	66	73	86	126	173	231	269	293	291	282
Other General and Scientific Research nec	42	46	51	57	63	73	68	83	98	124	194	199	210	212
Total General and Scientific Research	446	463	470	505	542	545	557	642	749	869	969	1052	1009	1011

	1982-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	
Administrative Services															
Financial, Budgetary, Statistical and Administrative Estate Management	876	996	1192	1292	1554	1529	1734	1606	1805	2033	2074	1978	1796	1760	
Net Superannuation Payments	270	310	323	403	521	671	771	782	928	971	1183	1278	1458	1735	
Net Commonwealth Employees' Compensation	-	-	-	-	-	-	102	-7	35	55	81	76	78	77	
Common Business Services	73	59	85	84	106	85	-46	19	65	66	81	-54	-88	-49	
Taxes Paid by Budget Agencies	-	-	-	-	-68	-104	-132	-172	-170	-157	-183	-184	-185	-188	
Total Administrative Services	1221	1366	1609	1783	2064	2149	2446	2216	2805	2944	3189	3093	3022	3175	
Total General Public Services	3265	3615	4156	4529	5012	5303	5664	5637	6377	6992	7495	7279	7158	7474	
Not Allocated to Function															
Payments to Other Governments															
General Revenue Assistance – States & Territories	9215	10354	10970	11915	13223	14248	12973	13278	13601	13704	14189	14683	15410	15934	
General Capital Assistance – States & Territories	1124	1138	1055	1053	540	-130	90	54	-1263	-2219	-2050	-480	-1354	-549	
Debt Assistance – States & Territories	90	110	121	50	51	52	51	50	54	257	181	118	144	92	
Assistance for Local Govt. – States & Territories	427	462	489	539	586	642	664	689	711	1040	1070	1105	1147	1188	
Compensation for Revenue Lost from Companies and Securities Regulation	-	-	-	-	-	-	-	-	68	116	121	121	126	130	
Natural Disaster Relief and Other Assistance nec	193	363	221	236	188	167	-78	183	795	218	571	96	138	151	
Total Payments to Other Governments	11049	12427	12858	13794	14588	14978	13700	14254	13966	13116	14071	15663	15610	16945	
Public Debt Interest															
Gross Interest Payments – For the Commonwealth	1957	2787	3871	5101	5887	5850	5369	5288	4219	3945	4985	6633	7824	8065	
For the States & Territories	1591	1687	1856	1991	2074	2108	2082	2124	2032	1861	1568	1303	1177	961	
Interest Received	-194	-86	-83	-89	-76	-90	-45	-141	-190	-168	-149	-144	-123	-106	
Total Public Debt Interest	3444	4389	5644	7003	7885	7857	7406	7271	6051	5638	6406	7791	8672	8919	
Contingency Reserve	-	-	-	-	-	-	-	-	-	-	-	-	532	862	1364
Contingency Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asset Sales	-	-	-	-	-	-1056	-528	-1068	-162	302	-1600	-950	-75	-150	-150
Total Not Allocated to Function	14492	16816	18501	20796	22473	21790	20577	20458	19866	19056	16877	23036	25069	27078	
TOTAL OUTLAYS	49390	57287	64675	70890	76097	79405	82820	87835	96030	102638	109894	115817	118228	122955	

Table VIII – Commonwealth Budget Sector Outlays by Economic Type—Annual Percentage Change (1984–85 Prices) (a)

	82-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96
CURRENT OUTLAYS														
Current Outlays on Goods and Services														
Defence Salaries	-4.4	-3.8	-1.6	3.4	-0.8	-3.3	-5.6	-9.1	0.7	3.4	2.3	-5.0	-7.4	-3.1
Non-Salaries	15.2	15.1	12.2	6.2	1.4	-7.2	-2.6	10.1	5.5	1.0	3.1	-1.3	0.8	1.0
Non-Defence Salaries	1.6	5.2	5.7	4.4	-0.1	-4.4	-9.2	-5.4	6.5	5.0	1.8	-4.9	-7.1	-3.6
Non-Salaries	3.1	22.1	9.7	7.1	2.5	4.4	5.1	-2.2	14.1	7.9	8.9	-1.9	-0.6	1.4
Total Current Outlays on Goods and Service	3.4	8.3	6.6	5.2	0.7	-3.3	-3.3	-0.8	6.8	4.1	4.1	-3.0	-2.8	-0.6
Current Transfer Payments														
Interest	8.9	19.3	21.5	18.2	4.9	-7.0	-13.2	-7.6	-19.5	-8.7	9.8	16.6	7.4	-0.7
Subsidies	4.3	9.2	7.7	-12.5	-4.2	-4.0	-11.5	5.1	31.9	-12.1	1.8	-8.6	-7.6	-3.4
Personal Benefit Payments	9.8	9.8	8.1	1.0	0.2	3.9	14.4	-1.0	11.7	13.0	3.2	-0.0	-2.9	-0.8
Grants to Non-Profit Institutions	18.4	10.7	14.9	2.7	7.7	-20.3	5.7	..	-4.3	29.8	20.2	0.9	-1.2	-0.1
Grants to Non-Budget Sector	1.3	4.0	6.0	17.8	-6.5	10.1	133.5	21.1	6.2	4.5	4.3	2.9	2.0	1.8
Grants to State Governments	4.4	8.5	4.2	-0.5	1.6	-0.3	-5.2	-0.4	1.0	3.3	0.9	-0.9	1.3	0.2
Grants Through State Governments	4.4	2.1	1.3	3.5	-2.6	1.3	-4.7	1.5	4.8	11.7	3.7	2.8	3.8	0.9
Grants Direct To Local Governments	80.3	15.7	58.7	11.1	-13.0	-4.6	-17.4	12.7	-3.8	57.1	0.6	-9.1	6.7	8.9
Grants Overseas	-1.8	-1.1	4.6	-6.6	-10.4	-2.9	-0.2	9.9	-6.9	6.7	1.3	-8.8	-1.2	-1.9
Other Transfers	-	-	-	-	n.a.	24.4	14.8	31.8	-31.3	n.a.	42.4	-31.1	-48.3	-3.4
Total Current Transfer Payments	7.1	9.4	7.0	2.5	0.6	0.5	-4.7	1.1	4.4	6.9	3.5	1.2	..	-0.2
TOTAL CURRENT OUTLAYS	6.4	9.2	7.0	3.0	0.6	-0.3	-4.4	0.7	4.8	6.4	3.6	0.4	-0.5	-0.2
CAPITAL OUTLAYS														
Capital Outlays on Goods	32.2	-8.1	22.0	-0.5	-14.8	4.1	-21.7	20.7	36.0	10.4	-4.2	-29.2	-28.4	-12.0
Capital Outlays on Land	-0.2	56.9	81.5	3.6	-27.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	28.8
Capital Transfer Payments														
Grants to Non-Budget Sector	14.0	-5.4	40.0	24.3	22.4	-8.6	-55.6	-69.8	-6.6	71.1	-13.2	-30.7	-51.3	-5.1
Grants to State Governments	14.1	18.1	7.5	-5.0	-8.0	-14.9	-5.9	11.1	16.8	-18.0	28.8	-28.0	-17.3	-5.4
Grants Through State Governments	-5.9	4.7	1.5	10.8	10.8	12.2	-28.1	-22.8	45.0	6.7	41.8	-17.8	-9.4	-38.8
Grants Direct To Local Governments	n.a.	-1.3	-15.5	-6.6	-23.4	6.6	n.a.	-65.0	-3.8	66.4	n.a.	-58.4	-90.1	-18.5
Grants to Other Sectors	5.5	27.8	11.4	-20.6	-14.1	7.1	-7.1	-14.7	-23.4	16.1	0.4	-25.5	-12.5	-3.4
Total Capital Transfer Payments	12.5	15.9	10.0	-3.0	-3.8	-10.7	-15.3	-1.0	14.2	-12.5	31.6	-28.6	-19.2	-8.9
Net Advances														
To Non-Budget Sector	n.a.	n.a.	n.a.	n.a.	15.5	-65.1	n.a.	n.a.	83.8	n.a.	n.a.	n.a.	n.a.	-25.2
To Other Governments	9.9	-11.2	-24.7	-9.2	-34.7	n.a.	n.a.	n.a.	45.7	-3.1	-60.5	69.5	-45.4	-45.4
To Other Sectors	-40.9	76.6	-28.7	-2.5	-17.2	n.a.	-82.4	n.a.	-49.8	n.a.	-87.7	n.a.	-13.3	-13.3
Total Net Advances	21.8	-22.0	-23.7	-19.0	-38.1	n.a.	-71.7	n.a.	23.7	36.5	48.2	-66.7	20.3	-60.1
TOTAL CAPITAL OUTLAYS	17.1	1.7	2.6	-5.6	-9.7	-35.2	-0.3	-17.9	12.6	-24.0	8.3	2.2	-30.3	16.7
Contingency Reserve	-	-	-	-	-	-	-	-	-	-	-	n.a.	34.2	67.1
TOTAL OUTLAYS	7.2	8.5	6.6	2.3	-0.2	-2.7	-4.2	-0.2	5.1	5.4	4.1	1.8	-1.1	0.7

(a) The Non-farm GDP (NFGDP) deflator is used as a general measure of price change.
 (b) An adjustment for all final budget and forward estimate parameters has been included in the Contingency Reserve and therefore total outlays.
 The final NFGDP deflator is applied to total outlays and Contingency Reserve while the previous estimate of the deflator is applied to individual types.

TABLE IX – Commonwealth Budget Sector Domestic Outlays by Economic Type(\$m)

	82-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93
CURRENT OUTLAYS											
Current Outlays on Goods and Services											
Defence Salaries	2321	2386	2487	2753	2938	3044	3137	3032	3177	3339	3527
Non-Salaries	1554	1796	1965	2267	2608	3079	3406	4211	4708	4754	5111
Non-Defence Salaries	2400	2701	3026	3380	3829	3716	3673	3696	4088	4375	4597
Non-Salaries	1353	1784	2059	2356	2633	2998	3405	3526	3966	4378	5055
Total Current Outlays on Goods and Service	7628	8668	9537	10758	11813	12836	13622	14464	15948	16846	18290
Current Transfer Payments											
Interest	2986	3867	4999	6102	6642	6602	6506	6510	5547	5337	6076
Subsidies	1370	1599	1824	1709	1761	1813	1747	1951	2677	2393	2515
Personal Benefit Payments	15581	18292	20559	22213	23951	26675	24859	26144	30363	34902	37180
Grants to Non-Profit Institutions	612	724	881	969	1123	960	1105	1174	1168	1542	1914
Grants to Non-Budget Sector	1299	1444	1621	2045	2057	2427	6171	7937	8762	9314	10032
Grants to Through Other Governments	13266	15221	16740	17983	19487	20890	21582	22934	24244	25901	27126
Grants Overseas	292	334	333	-	3	4	5	7	5	17	25
Other Transfers	-	-	-	-	3	4	5	7	5	17	25
Total Current Transfer Payments	35408	41481	46955	51350	55315	59703	62384	67178	73274	79960	85555
TOTAL CURRENT OUTLAYS	43034	50149	56492	62108	67128	72538	76006	81642	89223	96808	103845
CAPITAL OUTLAYS											
Capital Outlays on Goods and Land	413	380	462	472	453	281	382	675	882	1053	1092
Capital Outlays on Goods	2727	3379	3938	4091	4231	4051	3738	3928	4663	4150	5638
Total Capital Transfer Payments	1308	1041	828	688	422	-228	-400	-1210	-1745	-2320	-3412
Total Net Advances	4448	4799	5228	5251	5108	4104	3718	3393	3800	2884	3228
TOTAL CAPITAL OUTLAYS	-	-	-	-	-	-	-	-	-	-	-45
Contingency Reserve	-	-	-	-	-	-	-	-	-	-	-
TOTAL OUTLAYS	47482	54948	61719	67357	72234	76643	79724	85035	93022	99689	107028

TABLE X - Commonwealth Budget Sector Overseas Outlays by Economic Type(\$m)

	82-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93
CURRENT OUTLAYS											
Current Outlays on Goods and Services											
Defence Salaries (c)	6	6	6	7	8	10	2	1	-	-	-
Non-Salaries	767	1060	1429	1593	1603	1109	1037	984	990	1097	1118
Non-Defence Salaries	29	32	35	41	47	50	53	50	52	55	57
Non-Salaries	90	100	130	154	130	101	142	158	146	419	338
Total Current Outlays on Goods and Services	892	1198	1600	1795	1788	1270	1234	1193	1448	1571	1513
Current Transfer Payments											
Interest	458	526	654	935	1298	1311	977	834	600	369	392
Personal Benefit Payments	70	83	92	125	130	140	152	176	203	212	223
Grants Overseas	425	424	507	510	517	510	508	549	529	569	488
Total Current Transfer Payments	953	1033	1253	1570	1945	1961	1635	1559	1332	1150	1103
TOTAL CURRENT OUTLAYS	1845	2231	2853	3365	3733	3231	2869	2752	2780	2721	2616
CAPITAL OUTLAYS											
Capital Outlays on Goods and Land(d)											
Not Advances(e)	94	95	90	108	108	22	-32	32	35	23	46
TOTAL CAPITAL OUTLAYS	63	108	103	138	130	-469	227	48	228	227	250
TOTAL OVERSEAS OUTLAYS (f)	1908	2339	2956	3503	3863	2762	3096	2800	3008	2949	2866

(a) Salaries of all Australian based staff overseas are included in domestic outlays for the purpose of this table. Salaries of locally engaged staff are recorded here.
 (b) Overseas outlays by the Commonwealth do not add directly to domestic income or the demand for locally produced goods and services, while government revenue from overseas sources increase total revenue without withdrawing purchasing power from the domestic sector.
 (c) The fall in Defence salary payments in 1988-89 is due to the running down of operations in Butterworth Malaysia.
 (d) Includes proceeds from sale of Tokyo embassy buildings of \$61m 87/88 Paris Head of Mission residence of \$16m 87/88.
 (e) Includes proceeds from sale of Tokyo embassy land of \$546m 87/88 and \$60m 89/90 in line with ABS treatment.
 (f) Overseas outlays are the major contributor to the overseas budget deficit (OBD) as outlined below:

	82-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93
overseas outlays	1908	2339	2956	3503	3863	2762	3096	2800	3008	2949	2866
plus salaries of Australians based overseas	94	98	104	125	138	121	91	117	123	125	128
less overseas revenue	29	28	32	34	47	38	40	50	56	48	49
OBD	1975	2408	3029	3595	3956	2847	3147	2865	3075	3028	2945

3.294

Table XI - Commonwealth Budget Portfolio Outlays by Major Function, 1992-93

PORTFOLIO	Defence	Education	Health	Social Security			Economic Services	General Public Services	Not Allocated Function	TOTAL
				Housing & Welfare	Community Amenities	Culture & Recreation				
Contingency Reserve	-	-	-	-	-	-	-	137	-	137
Parliament	-	-	-	-	-	-	33	13	568	8
Administrative Services	-14	-	-	-	-	-	-	-	-	-
Arts, Sport, the Environment, and Territories	-	19	24	-	56	461	122	118	18	818
Attorney General's	-	-	-	2	-	2	-	-	-	9903
Defence	9901	-	-	-	-	4	2210	271	-	12390
Employment, Education and Training	-	9077	-	827	-	-	-	-	-	-1408
Finance	-2	-	-	-	-	-9	-	296	1818	2115
Foreign Affairs and Trade	-	-	-	-	-	-	-	-	8	16558
Health, Housing and Community Services	-	-	13420	2045	1085	-	-	-	-	5434
- Health, Housing and Community Services	-	5	1315	4007	85	22	-	-	-	-
- Veterans' Affairs	-	-	-	62	257	-	246	1	-	665
Immigration, Local Government and Ethnic Affairs	-	99	-	-	-	-	259	85	-	344
Industrial Relations	-	-	-	15	3	-	1546	896	-	2459
Industry, Technology and Commerce	-	-	-	-	17	-	1370	7	-	1431
Primary Industry and Energy	-	-	-	5	5	5	-	157	-	173
Prime Minister and Cabinet	-	-	-	30900	-	-	-	8	-	95
Social Security	-	-	-	-	-	-	88	-	-	2
Tourism	-	-	-	3	-	743	2706	-	-	3454
Transport and Communications	-	-	-	59	-72	-	41	1265	20116	21409
Treasury	-	-	-	-	-	-	-	-	-	-
TOTAL OUTLAYS	9885	9200	14762	37943	1427	1271	9033	7495	18877	109894

3.295

Table XII - Commonwealth Budget Portfolio Outlays by Major Economic Type, 1992-93

PORTFOLIO	Contingency Reserve	Current Outlays on Goods and Services	Interest	Personal Benefit Payments	Capital Outlays on Goods and Land	Transfers to Other Govts	Other Transfers	Contingency Reserve nec	TOTAL
Parliament	45	134			3			-45	137
Administrative Services		270	11		321		-10		563
Arts, Sport, the Environment, and Territories		285		4	54	88	337		818
Attorney General's		9764		3	163	248	165		1151
Defence		1092		1890	63	6793	2552		9903
Employment, Education and Training		1277	7		-28	57	-1445		12390
Finance		471		2	23		1617		-152
Foreign Affairs and Trade		602		1749	71	6188	7947		2115
Health, Housing and Community Services		1380		3940	21	20	83		16559
Immigration, Local Government and Ethnic Affairs		382		2	13	244	44		665
Industry, Technology and Commerce		459			4	16	173		344
Primary Industries and Energy		392	5	1	46	17	1938		2459
Prime Minister and Cabinet		114		1	16	213	805		1431
Social Security		1012		29807	4		55		173
Tourism		17			68		13		30900
Transport and Communications		252		3	96	1888	1215		3454
Treasury		1173		6445	3	124	13789		21468
TOTAL OUTLAYS		19803	6468	37403	1067	29511	15857	-45	108864

TABLE XIII - OUTLAYS ON APPROVED CAPITAL WORKS OF COMMONWEALTH DEPARTMENTS AND AGENCIES(1)

Portfolio / Details	\$m				
	Actuals 91-92	Budget 92-93(2)	Estimate 93-94	Estimate 94-95	Estimate 95-96
Parliament	3.7	2.7	2.4	2.4	2.4
Administrative Services	42.4	53.8	30.8	11.9	10.3
Overseas property services (3)					34.5
Commonwealth offices - construction, fitout and refurbishment (4)	163.7	118.6	174.7	126.6	25.8
Commonwealth offices - instalment purchases (5)	33.2	26.2	26.0	25.8	6.8
Other	7.4	12.0	8.7	6.4	
Arts, Sport, the Environment & Territories	11.8	9.2	5.8	1.1	0.5
Antarctic Division	6.5	9.2	5.6	3.0	2.9
Australian National Parks & Wildlife Service	6.4	17.1	22.6	16.9	11.1
Territories Program	2.5	3.5	2.8	0.1	0.1
Bureau of Meteorology	5.0	3.0	0.1	0.1	0.0
National Library of Australia	4.2	3.3	3.0	2.2	2.0
Australian National Gallery	4.2	3.2	3.0		
Australian Sports Commission	3.7				
Other					
Attorney-General's Department (6)	85.5	100.3	23.2	2.3	3.3
Officer Agencies	15.7	14.6	6.9	3.4	3.4
Defence - Defence Facilities (7)	279.5	303.4	313.7	394.1	376.1
Employment, Education & Training - Department & Agencies	18.0	28.1	10.0	2.2	1.8
Finance - Department & Agencies	3.4	7.9	0.7	0.9	0.9
Finance - Department & Agencies	2.2	1.6	2.3	1.3	1.3
Foreign Affairs and Trade - Department & Agencies					
Health, Housing & Community Services (HHCS)	71.1	39.3	11.7	0.0	0.0
Blood fractionating facility	2.9	7.1	6.1	1.2	0.6
Department of Veterans' Affairs & Repatriation Hospitals	4.3	7.6	4.0	4.0	4.0
Health Insurance Commission	6.2	13.8	5.1	4.7	4.7
Department of HHCS and Agencies					
Immigration, Local Government & Ethnic Affairs Department and Agencies	9.6	12.5	11.4	2.8	2.8
Other	0.1	0.5	1.2	1.2	1.2
Industrial Relations					
Industry, Technology and Commerce	13.5	12.8	3.8	2.7	2.7
Australian Customs Service	6.5	3.9	4.5	4.5	4.5
Australian Nuclear Science & Technology Organisation	22.2	37.0	17.8	11.5	10.0
Commonwealth Scientific & Industrial Research Organisation	3.9	4.8	4.0	4.9	4.7
Other					
Primary Industries and Energy - Department & Agencies	8.4	8.4	8.3	5.9	5.9
Prime Minister and Cabinet - Department & Agencies	2.2	2.7	1.5	1.6	1.6
Social Security - Department & Agencies	9.1	29.6	12.0	12.0	12.0
Other	4.3	3.4	0.0	0.0	0.0
Tourism					
Transport and Communications	2.9	2.9	2.3	2.0	2.0
Department	4.1	9.1	0.0	0.0	0.0
Second Sydney airport	13.4	17.0	3.0	0.0	0.0
Australian National Railways Commission	8.1	7.9	7.9	7.9	7.9
Australian Broadcasting Corporation	0.8	0.0	0.0	0.0	0.0
ABC Tel	72.9	69.2	54.7	50.6	50.2
Works for National Broadcasting					
Treasury	73.7	44.3	13.5	10.2	10.3
Australian Tax Office	4.4	5.3	0.8	0.3	0.2
Other					
TOTAL	1087.3	1055.4	815.4	721.3	576.5

(1) Capital works cover buildings and engineering works, and licences associated with and forming an integral part of those works. They include instalment purchase projects and occupants' fitout of premises leased from the private sector, as well as expenditure on design work. Excluded are: outright purchases of land and completed buildings, repairs and maintenance, expenditures on staff housing, computers, plant and equipment and fittings normally provided for specialised functions to be carried out within buildings and facilities. Capital works funded by specific purpose payments to States/Territories are excluded.

(2) Monies for 1992-93 are appropriated under the portfolios shown in Bill 2 (major and medium works and fitouts, Commonwealth offices under construction and instalment purchase) and under Running Costs in Bill 1 (tenant fitout, mainly in leased premises, and minor works).

(3) Details are contained in subfunction 8C.2

(4) Details are contained in subfunction 8E.2

(5) These payments differ from other items shown in this table in that the instalments commenced (in 1987-88) after construction was completed.

(6) Details are contained in subfunction 8B.1

(7) Details are contained in subfunction 1.3

(8) The reduction in estimated outlays in the forward years reflects completion of approved projects. New projects are likely to be approved in the forward years for commencement in those years.

Table XIV Running Costs Budgets & Staffing – Summary

Portfolio	Staffing Levels					Salary (\$m)					Administrative Expenses (\$m)				
	91-92	92-93	93-94	94-95	95-96	91-92	92-93	93-94	94-95	95-96	91-92	92-93	93-94	94-95	95-96
	Act	Bud	Est	Est	Est	Act	Bud	Est	Est	Est	Act	Bud	Est	Est	Est
Administrative Services	3730	3814	3765	3732	3700	132.9	151.4	160.6	150.8	153.3	88.8	92.3	94.6	96.7	100.3
Arts, Sport, the Environ & Territories	4863	4758	4624	4500	4406	196.0	196.9	199.0	189.3	191.1	193.4	193.9	187.0	189.6	191.8
Attorney-General's	9394	9566	9419	9237	9175	394.5	360.3	378.5	363.7	376.2	220.5	235.5	220.0	209.2	216.5
Defence	24006	22799	21901	21284	20955	769.5	772.8	808.3	752.3	777.2	963.5	959.3	940.7	965.9	1005.1
Employment, Education & Training	12746	15633	15417	14672	14428	428.7	527.1	554.6	521.3	522.0	205.4	233.5	228.0	224.2	224.3
Finance	2064	2052	2008	1973	1964	83.3	85.0	85.9	83.1	85.5	40.3	52.2	37.5	38.2	39.5
Foreign Affairs & Trade	5425	5560	5489	5445	5391	264.5	276.5	280.0	274.1	278.5	210.9	231.3	234.8	233.6	233.8
Health, Housing & Community Services	18597	18292	17936	17619	17336	701.0	705.4	732.5	703.3	712.5	308.0	310.7	314.0	315.5	311.9
Immigration, Local Gov & Ethnic Affairs	3366	3602	3211	3126	3122	125.9	135.7	148.2	142.2	134.6	86.0	107.8	111.0	113.3	112.2
Industrial Relations	1805	1952	1913	1824	1757	76.5	82.5	84.1	78.0	77.8	46.3	51.9	50.4	51.9	52.3
Industry, Technology & Commerce	14567	14512	14396	13633	13450	655.3	665.0	712.6	664.1	675.8	397.8	460.9	445.9	420.3	422.4
Primary Industries & Energy	4290	3936	3725	3629	3581	182.4	173.2	174.9	167.2	170.0	141.8	149.7	141.3	142.7	146.3
Prime Minister & Cabinet	1085	1098	1029	995	972	47.4	47.5	45.9	42.8	43.1	29.0	30.3	28.6	28.0	26.1
Social Security	19100	20417	19641	19421	18565	590.9	631.7	643.6	624.1	620.5	282.4	272.7	263.4	265.8	270.5
Tourism	262	261	237	233	231	10.3	13.4	13.2	12.6	12.8	6.8	6.4	6.9	6.7	6.9
Transport & Communications	8311	8174	8181	8123	8094	387.8	386.8	409.2	410.7	422.2	402.2	408.2	423.0	429.0	439.2
Treasury	24110	23094	22245	21266	20400	799.2	787.7	772.7	734.9	737.0	336.5	334.8	284.6	306.6	287.1
Total	157720	159518	155146	150932	147527	5846.2	5998.8	6204.3	5914.5	5990.2	3965.7	4128.3	4009.6	4037.2	4086.2

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Table XIV Running Costs Budgets & Staffing – Summary (cont'd)

Portfolio	Legal Services (\$m)					Property Operating Expenses (\$m)					Total Running Costs Budget (\$m)				
	91-92	92-93	93-94	94-95	95-96	91-92	92-93	93-94	94-95	95-96	91-92	92-93	93-94	94-95	95-96
	Act	Bud	Est	Est	Est	Act	Bud	Est	Est	Est	Act	Bud	Est	Est	Est
Administrative Services	-	1.8	1.9	2.0	2.0	36.1	36.7	37.7	38.1	38.1	257.8	282.1	294.8	289.6	293.7
Arts, Sport, the Environ & Territories	-	1.2	1.2	1.2	1.2	36.0	35.2	32.9	32.6	32.4	425.4	427.3	420.7	412.6	416.6
Attorney-General's	-	4.9	6.0	6.0	6.1	92.6	74.4	73.1	73.0	73.0	707.7	675.0	677.8	652.0	671.9
Defence	-	5.2	6.5	6.5	6.6	-	-	-	-	-	1733.1	1736.2	1755.5	1724.7	1788.9
Employment, Education & Training	-	2.9	3.6	3.7	3.7	108.7	137.0	131.6	123.1	120.6	742.8	900.5	917.8	872.2	870.8
Finance	-	1.6	2.0	2.0	2.1	16.6	21.5	19.2	19.5	19.5	140.2	160.4	144.7	142.3	146.6
Foreign Affairs & Trade	-	0.7	0.8	0.8	0.9	13.8	12.5	13.2	13.2	13.2	495.2	520.9	528.8	521.8	526.3
Health, Housing & Community Services	-	2.8	3.5	3.5	3.6	86.6	96.6	89.9	92.2	93.1	1095.6	1115.6	1139.9	1114.4	1121.0
Immigration, Local Gov & Ethnic Affairs	-	1.3	1.6	1.6	1.7	28.2	29.4	28.1	27.3	25.6	240.1	274.2	289.0	284.5	274.0
Industrial Relations	-	1.9	2.4	2.4	2.4	25.7	26.8	27.5	27.6	27.7	148.5	163.2	164.4	159.9	160.2
Industry, Technology & Commerce	-	4.7	5.6	5.6	5.7	42.0	47.2	48.2	49.3	51.8	1095.1	1177.8	1212.3	1199.3	1155.7
Primary Industries & Energy	-	2.6	3.3	3.3	3.3	29.5	30.2	29.2	28.1	28.1	87.4	88.6	83.7	80.1	80.4
Prime Minister & Cabinet	-	0.3	0.4	0.4	0.4	10.9	10.4	10.9	10.9	10.8	1003.5	1071.1	1044.6	1027.9	1031.1
Social Security	-	1.6	2.0	2.0	2.0	130.2	165.1	135.6	136.1	138.1	18.0	20.7	21.0	20.2	20.7
Tourism	-	-	-	-	-	0.9	0.9	0.9	0.9	0.9	812.7	818.4	858.2	866.2	887.7
Transport & Communications	-	2.5	3.2	3.2	3.2	22.7	23.0	22.9	23.3	23.2	1390.2	1412.9	1317.4	1259.7	1226.0
Treasury	-	11.1	13.8	13.8	14.0	254.5	279.4	246.2	204.4	187.9	10746.8	11200.7	11219.2	10909.3	11019.3
Total	-	47.1	58.0	58.0	58.9	934.9	1026.3	947.2	899.5	853.8	10746.8	11200.7	11219.2	10909.3	11019.3

Table XV Running Costs Budgets & Staffing – by Agency

	Staffing Levels					Salary (\$m)					Administrative Expenses (\$m)				
	91-92 Act	92-93 Bud	93-94 Est	94-95 Est	95-96 Est	91-92 Act	92-93 Bud	93-94 Est	94-95 Est	95-96 Est	91-92 Act	92-93 Bud	93-94 Est	94-95 Est	95-96 Est
Administrative Services															
Department	1807	1895	1857	1834	1811	58.0	76.5	78.8	74.8	75.4	53.9	56.7	57.4	58.7	60.1
Aust Electoral Commission	762	758	749	739	730	27.0	27.8	28.8	27.7	28.6	18.5	17.1	17.0	18.3	17.9
Parl & Ministerial Staff & Services	1161	1161	1159	1159	1159	47.9	47.1	52.9	49.3	49.3	16.4	16.4	20.2	21.7	22.3
Total	3730	3814	3765	3732	3700	132.9	151.4	160.6	150.8	153.3	88.8	92.3	94.6	98.7	100.3
Arts, Sport, the Environment & Territories															
Department	548	556	543	523	508	22.3	22.6	23.1	21.5	21.6	11.1	12.9	12.6	12.6	12.9
Antarctic Division	282	288	289	289	289	13.3	13.3	14.4	14.1	14.5	20.8	20.4	21.3	21.5	21.8
Aust Council	116	113	111	110	109	4.6	5.0	5.3	4.9	5.0	2.8	1.5	1.5	1.6	1.5
Aust Film Commission	46	46	45	45	44	2.5	2.8	2.8	2.8	2.8	5.8	5.1	5.1	5.2	5.2
Aust Film, Television & Radio School	127	127	125	124	122	5.5	5.9	5.5	5.5	5.6	5.2	4.7	5.0	5.1	5.2
Aust Heritage Commission	57	70	69	69	54	2.2	3.0	3.2	3.1	2.5	3.7	5.6	4.8	4.6	4.0
Aust National Gallery	226	220	217	215	212	9.8	9.7	10.0	10.0	10.2	10.4	14.7	11.1	11.5	11.9
Aust National Maritime Museum	78	72	71	70	70	3.2	2.9	3.1	3.0	3.1	13.8	5.7	5.9	6.1	6.3
Aust National Parks & Wildlife Service	314	372	363	357	350	11.9	14.2	14.9	14.3	14.4	10.1	11.8	12.1	12.5	12.8
Aust Sports Commission	233	234	222	219	217	9.4	9.9	9.5	9.2	9.4	10.3	17.2	17.8	18.4	19.1
Aust Sports Drug Agency	19	26	24	24	23	0.8	1.1	1.0	1.0	1.0	2.0	2.3	1.8	1.8	1.8
Commonwealth Bureau of Meteorology	1610	1535	1488	1467	1445	67.9	67.6	67.8	64.6	65.6	40.1	39.1	42.8	43.7	44.5
Great Barrier Reef Marine Park Auth	98	77	76	76	76	3.6	2.9	3.1	3.0	3.1	11.2	11.4	11.3	11.8	12.1
National Capital Planning Auth	40	39	39	38	38	1.9	2.0	2.1	2.1	2.1	1.9	1.7	1.2	1.2	1.3
National Film & Sound Archive	128	128	126	125	123	4.3	4.0	4.5	4.3	4.4	2.0	2.1	2.4	2.5	2.5
National Library of Australia	577	565	558	551	544	19.2	19.6	19.5	18.7	19.1	14.7	14.9	14.0	14.9	15.2
National Museum of Australia	47	43	42	41	41	1.7	1.6	1.7	1.6	1.7	3.0	3.7	2.9	3.0	3.0
National Science & Tech Centre	67	70	69	68	67	2.4	1.5	1.3	1.2	1.2	3.7	5.6	5.2	5.3	5.4
Supervising Scientist & ARRRR	75	68	66	66	66	3.3	3.2	3.2	3.1	3.2	4.2	4.0	3.8	3.8	3.9
Territories	180	99	80	23	9	6.3	4.0	3.6	1.1	0.6	10.8	9.6	4.4	2.5	1.2
Total	4863	4758	4624	4500	4406	196.0	196.9	199.6	189.3	191.1	183.4	183.9	187.0	189.6	191.8

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Table XV Running Costs Budgets & Staffing – by Agency (cont'd)

	Legal Services (\$m)					Property Operating Expenses (\$m)					Total Running Costs Budget (\$m)				
	91-92 Act	92-93 Bud	93-94 Est	94-95 Est	95-96 Est	91-92 Act	92-93 Bud	93-94 Est	94-95 Est	95-96 Est	91-92 Act	92-93 Bud	93-94 Est	94-95 Est	95-96 Est
Administrative Services															
Department	-	1.5	1.6	1.7	1.7	25.1	26.8	27.7	27.7	27.7	137.0	161.5	165.5	162.9	164.9
Aust Electoral Commission	-	0.2	0.3	0.3	0.3	11.0	10.0	10.1	10.4	10.4	56.5	55.1	56.2	56.7	57.2
Parl & Ministerial Staff & Services	-	-	-	-	-	-	-	-	-	-	64.3	65.5	73.1	70.0	71.6
Total	-	1.8	1.9	2.0	2.0	36.1	36.7	37.7	38.1	38.1	257.8	282.1	294.8	289.6	293.7
Arts, Sport, the Environment & Territories															
Department	-	0.7	0.4	0.4	0.4	6.4	6.3	5.7	5.6	5.6	39.8	42.4	41.8	40.2	40.5
Antarctic Division	-	0.1	0.1	0.1	0.1	3.5	4.3	4.1	4.1	4.1	37.6	38.0	39.9	39.8	40.5
Aust Council	-	-	-	-	-	0.9	0.9	0.9	0.9	0.9	8.0	7.4	7.8	7.5	7.4
Aust Film Commission	-	-	-	-	-	-	-	-	-	-	8.3	7.9	7.9	7.9	8.1
Aust Film, Television & Radio School	-	-	0.1	0.1	0.1	-	-	-	-	-	10.7	10.7	10.6	10.7	10.9
Aust Heritage Commission	-	0.1	0.1	0.1	0.1	-	-	-	-	-	6.0	8.7	8.1	7.8	6.6
Aust National Gallery	-	-	0.1	0.1	0.1	-	-	-	-	-	20.2	24.4	21.1	21.5	22.2
Aust National Maritime Museum	-	-	-	-	-	-	-	-	-	-	17.0	8.8	9.1	9.1	9.4
Aust National Parks & Wildlife Service	-	0.1	0.1	0.1	0.1	-	-	-	-	-	22.0	26.1	27.2	26.9	27.4
Aust Sports Commission	-	-	-	-	-	-	-	-	-	-	25.7	27.0	27.4	27.6	28.4
Aust Sports Drug Agency	-	0.1	0.1	0.1	0.1	-	-	-	-	-	2.7	3.5	2.9	2.9	2.9
Commonwealth Bureau of Meteorology	-	0.1	0.1	0.1	0.1	15.7	15.9	15.2	15.2	15.2	123.7	122.7	125.7	123.6	125.4
Great Barrier Reef Marine Park Auth	-	0.2	0.2	0.2	0.2	-	-	-	-	-	14.8	14.4	14.6	15.1	15.5
National Capital Planning Auth	-	-	0.1	0.1	0.1	1.1	1.8	2.0	2.0	2.0	4.8	5.5	5.3	5.3	5.4
National Film & Sound Archive	-	-	-	-	-	1.3	1.3	1.4	1.4	1.4	7.5	7.4	8.3	8.2	8.3
National Library of Australia	-	-	-	-	-	-	-	-	-	-	33.8	34.5	33.5	33.6	34.3
National Museum of Australia	-	-	-	-	-	-	-	-	-	-	4.7	5.3	4.6	4.6	4.7
National Science & Tech Centre	-	-	-	-	-	0.3	0.5	0.5	0.5	0.5	6.5	7.5	7.0	7.0	7.1
Supervising Scientist & ARRRR	-	-	-	-	-	-	-	-	-	-	7.5	7.2	6.9	6.9	7.1
Territories	-	-	-	-	-	6.8	4.3	3.1	2.9	2.7	23.9	17.9	11.1	6.5	4.5
Total	-	1.2	1.2	1.2	1.2	38.0	35.2	32.9	32.6	32.4	425.4	427.3	420.7	412.6	416.8

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Table XV Running Costs Budgets & Staffing – by Agency (cont'd)

	Staffing Levels					Salary (\$m)					Administrative Expenses (\$m)				
	91-92 Act	92-93 Bud	93-94 Est	94-95 Est	95-96 Est	91-92 Act	92-93 Bud	93-94 Est	94-95 Est	95-96 Est	91-92 Act	92-93 Bud	93-94 Est	94-95 Est	95-96 Est
Attorney-General's															
Department	623	708	619	549	554	26.1	25.2	25.8	22.1	23.1	18.9	37.2	32.1	26.7	27.6
Administrative Appeals Tribunal	153	160	158	152	150	8.0	8.5	8.4	7.8	8.0	4.1	4.5	4.3	4.4	4.5
ACT Supreme Court	32	-	-	-	-	1.6	-	-	-	-	1.3	-	-	-	-
Aust Bureau of Criminal Intelligence	36	35	33	32	32	1.2	1.4	1.3	1.3	1.3	2.8	2.8	2.6	2.7	2.7
Aust Federal Police	3116	3066	3036	3007	2985	139.7	140.4	148.8	145.7	153.6	49.4	48.8	47.8	47.8	48.9
Aust Institute of Criminology	48	46	45	45	44	2.3	2.2	2.3	2.3	2.3	1.0	1.0	1.1	1.1	1.1
Aust Securities Commission	1541	1580	1621	1601	1581	57.0	64.2	68.9	66.3	67.6	52.1	51.1	49.4	43.1	44.1
Cash Transaction Reports Agency	36	43	43	42	42	1.4	1.6	1.7	1.6	1.6	4.3	4.4	5.1	4.2	6.1
Companies & Securities Advisory Committee	2	2	2	2	2	0.1	0.1	0.1	0.1	0.1	0.5	0.4	0.4	0.4	0.4
Family Court of Australia	733	736	727	718	710	32.5	31.1	33.7	32.9	33.7	16.0	14.0	15.1	15.5	15.8
Federal Court of Australia	260	283	261	258	258	11.9	14.1	14.3	14.0	14.3	6.7	7.2	6.4	6.5	6.6
High Court of Australia	96	93	92	91	90	3.3	4.6	4.8	4.7	4.7	4.9	3.9	3.8	3.8	3.9
Human Rights & Equal Opp Commission	120	119	125	127	126	5.1	6.0	6.7	6.9	6.7	4.2	5.6	5.2	5.3	5.2
Law Reform Commission	35	35	34	33	33	2.0	1.8	1.9	1.9	1.9	1.6	1.9	2.0	2.0	2.1
Legal Practice T/A	1556	1604	1594	1570	1570	60.2	12.2	12.8	11.4	11.8	25.4	23.3	23.9	18.9	19.5
National Crime Auth	337	345	371	360	356	14.0	15.5	16.8	16.2	16.5	15.9	15.9	16.0	15.7	16.0
Office of the Dir of Public Prosecutions	433	467	416	411	406	18.9	20.9	19.1	17.9	18.3	7.7	10.3	7.8	7.6	8.1
Office of Parliamentary Counsel	48	50	50	49	49	2.4	2.7	2.7	2.6	2.7	0.5	0.7	0.8	0.8	0.8
Trade Practices Commission	189	194	192	190	187	7.8	7.9	8.3	8.0	8.2	3.1	2.8	2.9	2.9	3.0
Total	9394	9566	9419	9227	9175	394.5	360.3	378.5	363.7	376.2	220.5	235.5	220.0	209.2	216.5
Defence															
Civil Personnel	23750	22620	21781	21164	20835	761.0	766.4	804.4	748.4	773.3	963.5	958.3	940.7	965.9	1005.1
Munitions T/A	72	45	-	-	-	2.5	1.6	-	-	-	-	-	-	-	-
Woomera T/A	184	133	120	120	120	6.0	4.7	3.9	3.9	3.9	-	-	-	-	-
Total	24006	22798	21901	21284	20955	769.5	772.6	808.3	752.3	777.2	963.5	958.3	940.7	965.9	1005.1

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Table XV Running Costs Budgets & Staffing – by Agency (cont'd)

	Legal Services (\$m)					Property Operating Expenses (\$m)					Total Running Costs Budget (\$m)				
	91-92 Act	92-93 Bud	93-94 Est	94-95 Est	95-96 Est	91-92 Act	92-93 Bud	93-94 Est	94-95 Est	95-96 Est	91-92 Act	92-93 Bud	93-94 Est	94-95 Est	95-96 Est
Attorney-General's															
Department	-	2.1	2.6	2.6	2.6	27.9	10.4	11.1	11.1	11.1	72.8	74.8	71.5	62.4	64.4
Administrative Appeals Tribunal	-	-	-	-	-	-	-	-	-	-	12.1	13.0	12.6	12.2	12.4
ACT Supreme Court	-	-	-	-	-	-	-	-	-	-	2.8	-	-	-	-
Aust Bureau of Criminal Intelligence	-	-	-	-	-	0.8	0.9	0.9	0.9	0.9	4.9	5.1	4.8	4.9	5.0
Aust Federal Police	-	0.5	0.7	0.7	0.7	24.1	24.4	24.9	24.9	24.9	213.1	213.9	222.0	218.9	223.1
Aust Institute of Criminology	-	-	-	-	-	0.9	0.9	0.9	0.9	0.9	4.2	4.1	4.3	4.3	4.3
Aust Securities Commission	-	0.2	0.3	0.3	0.3	18.7	16.9	15.7	15.7	15.7	127.8	132.4	128.3	125.4	127.8
Cash Transaction Reports Agency	-	-	-	-	-	1.9	1.6	1.2	1.2	1.2	7.6	7.6	8.0	7.0	9.0
Companies & Securities Advisory Committee	-	-	-	-	-	-	-	-	-	-	0.6	0.5	0.5	0.5	0.5
Family Court of Australia	-	-	-	-	-	-	-	-	-	-	48.5	45.1	48.8	48.4	49.5
Federal Court of Australia	-	0.1	0.1	0.1	0.1	-	-	-	-	-	18.6	21.4	20.8	20.6	21.0
High Court of Australia	-	-	-	-	-	-	-	-	-	-	8.2	8.4	8.4	8.5	8.7
Human Rights & Equal Opp Commission	-	-	-	-	-	2.0	2.3	2.1	2.1	2.1	11.3	13.8	14.0	14.3	13.9
Law Reform Commission	-	-	-	-	-	0.7	-	-	-	-	4.2	3.7	3.9	3.9	4.0
Legal Practice T/A	-	-	-	-	-	-	-	-	-	-	85.6	35.5	36.7	30.3	31.3
National Crime Auth	-	0.4	0.5	0.5	0.5	5.2	5.6	5.3	5.3	5.3	35.1	37.5	38.8	37.7	38.4
Office of the Dir of Public Prosecutions	-	-	-	-	-	8.1	8.8	8.2	8.1	8.1	33.9	39.9	35.1	33.7	34.5
Office of Parliamentary Counsel	-	-	-	-	-	0.4	0.5	0.6	0.6	0.6	3.3	4.0	4.1	4.0	4.1
Trade Practices Commission	-	1.5	1.9	1.9	1.9	2.1	2.2	2.2	2.2	2.2	13.0	14.4	15.3	15.1	15.3
Total	-	4.9	6.0	6.0	6.1	92.6	74.4	73.1	73.0	73.0	707.7	675.0	677.8	652.0	671.9
Defence															
Civil Personnel	-	5.2	6.5	6.5	6.6	-	-	-	-	-	1724.6	1729.9	1751.8	1720.8	1785.0
Munitions T/A	-	-	-	-	-	-	-	-	-	-	2.5	1.6	-	-	-
Woomera T/A	-	-	-	-	-	-	-	-	-	-	6.0	4.7	3.9	3.9	3.9
Total	-	5.2	6.5	6.5	6.6	-	-	-	-	-	1733.1	1736.2	1755.5	1724.7	1788.9

Table XV Running Costs Budgets & Staffing - by Agency (cont'd)

	Staffing Levels					Salary (\$m)					Administrative Expenses (\$m)				
	91-92	92-93	93-94	94-95	95-96	91-92	92-93	93-94	94-95	95-96	91-92	92-93	93-94	94-95	95-96
	Act	Bud	Est	Est	Est	Act	Bud	Est	Est	Est	Act	Bud	Est	Est	Est
Employment, Education & Training															
Department															
National Board of Employ, Educ & Training	11435	14196	13959	13426	13002	376.6	463.0	485.8	454.7	454.5	165.3	188.8	178.3	178.6	177.9
	50	47	46	46	46	2.2	2.2	2.3	2.2	2.3	2.5	2.6	2.6	2.7	2.8
ATSC															
Aboriginal Hostels	1091	1228	1251	1241	1224	42.9	55.1	59.1	57.4	58.0	35.4	42.1	44.0	40.8	41.6
Aust Institute of Aboriginal Studies	109	107	106	105	103	4.7	4.6	4.9	4.7	4.8	1.4	1.3	1.3	1.3	1.4
	61	55	55	54	53	2.3	2.3	2.4	2.3	2.4	0.7	0.7	0.7	0.7	0.8
Total	12746	15633	15417	14872	14428	428.7	527.1	554.6	521.3	522.0	205.4	233.5	228.0	224.2	224.3
Finance															
Department															
Aust National Audit Office	917	926	896	875	875	38.9	40.0	39.9	38.2	39.6	20.8	35.9	21.4	21.8	22.7
Retirement Benefits Office	641	641	633	625	616	27.2	27.8	28.3	27.9	28.4	11.4	10.4	10.7	11.0	11.2
	506	485	479	473	473	17.1	17.2	17.6	17.0	17.5	8.1	5.9	5.3	5.4	5.6
Total	2064	2052	2008	1973	1964	83.3	85.0	85.9	83.1	85.5	40.3	52.2	37.5	38.2	39.5
Foreign Affairs & Trade															
Department															
Aust-Japan Foundation	3885	3938	3876	3827	3780	184.4	190.8	194.3	188.9	191.7	150.5	160.7	163.4	162.9	167.7
ACIAR	4	4	4	4	4	0.4	0.4	0.4	0.4	0.4	0.2	0.2	0.2	0.2	0.2
AIDAB	38	37	37	37	36	1.6	1.8	1.8	1.8	1.8	2.1	2.1	2.2	2.3	2.3
AUSTRADE	511	534	532	527	521	23.2	24.7	26.2	25.5	26.0	7.1	7.2	7.3	7.8	7.8
	988	1047	1050	1050	1050	55.0	58.7	57.3	57.6	58.6	57.1	61.0	61.6	60.7	55.8
Total	5425	5560	5499	5445	5391	264.5	276.5	280.0	274.1	278.5	216.9	231.3	234.8	233.6	233.8

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Table XV Running Costs Budgets & Staffing - by Agency (cont'd)

	Legal Services (\$m)					Property Operating Expenses (\$m)					Total Running Costs Budget (\$m)				
	91-92	92-93	93-94	94-95	95-96	91-92	92-93	93-94	94-95	95-96	91-92	92-93	93-94	94-95	95-96
	Act	Bud	Est	Est	Est	Act	Bud	Est	Est	Est	Act	Bud	Est	Est	Est
Employment, Education & Training															
Department															
National Board of Employ, Educ & Training	-	2.2	2.8	2.8	2.8	97.2	120.6	115.1	106.5	104.0	639.1	772.5	783.0	742.6	739.2
	-	-	-	-	-	-	-	-	-	-	4.7	4.8	4.9	4.9	5.0
ATSC															
Aboriginal Hostels	-	0.7	0.9	0.9	0.9	10.2	15.0	15.0	15.0	15.0	88.5	112.9	119.0	114.1	115.5
Aust Institute of Aboriginal Studies	-	-	-	-	-	0.5	0.6	0.6	0.6	0.6	6.6	6.5	6.8	6.7	6.8
	-	-	-	-	-	0.8	0.9	0.9	0.9	1.0	3.9	3.8	4.0	4.0	4.1
Total	-	2.9	3.6	3.7	3.7	108.7	137.0	131.6	123.1	120.6	742.8	900.5	917.8	872.2	870.6
Finance															
Department															
Aust National Audit Office	-	1.6	2.0	2.0	2.1	8.5	8.9	8.6	8.8	8.8	68.3	88.5	72.0	70.9	73.2
Retirement Benefits Office	-	-	-	-	-	5.6	10.1	8.0	8.0	8.0	44.2	48.3	47.1	46.9	47.6
	-	-	-	-	-	2.5	2.5	2.7	2.7	2.7	27.7	25.6	25.6	25.1	25.8
Total	-	1.6	2.0	2.0	2.1	16.6	21.5	19.2	19.5	19.5	140.2	160.4	144.7	142.8	146.6
Foreign Affairs & Trade															
Department															
Aust-Japan Foundation	-	0.2	0.3	0.3	0.3	13.8	12.5	13.2	13.2	13.2	348.7	364.2	371.2	365.2	372.8
ACIAR	-	-	-	-	-	-	-	-	-	-	0.5	0.6	0.6	0.6	0.6
AIDAB	-	-	-	-	-	-	-	-	-	-	3.7	3.9	4.0	4.0	4.1
AUSTRADE	-	0.3	0.4	0.4	0.4	-	-	-	-	-	30.2	32.3	34.0	33.8	34.2
	-	0.1	0.2	0.2	0.2	-	-	-	-	-	112.1	119.9	119.1	118.4	114.6
Total	-	0.7	0.8	0.8	0.9	13.8	12.5	13.2	13.2	13.2	495.2	520.9	528.8	521.8	526.3

3.305

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Table XV Running Costs Budgets & Staffing – by Agency (cont'd)

	Staffing Levels					Salary (\$m)					Administrative Expenses (\$m)								
	91-92		93-94		94-95		95-96		91-92		92-93		93-94		94-95		95-96		
	Act	Bud	Est	Est	Est	Act	Bud	Est	Est	Est	Est	Est	Est	Act	Bud	Est	Est	Est	
Health, Housing & Community Services																			
Department	3664	3722	3639	3543	3420	140.8	154.8	156.3	149.2	148.0	76.4	84.0	81.8	79.3	75.9				
Aust Institute of Health & Welfare	59	75	80	79	78	2.7	3.3	3.8	3.7	3.7	2.3	3.0	2.9	3.0	3.0				
Aust Hearing Services Auth	476	455	464	460	459	20.5	18.1	19.1	18.9	19.7	9.9	12.9	22.3	22.5	18.4				
National Food Auth	38	62	39	38	38	1.8	2.7	1.8	1.7	1.7	2.0	3.7	2.0	2.0	1.9				
Rehabilitation Services T/A	1225	1334	1326	1309	1294	41.3	46.3	49.7	47.8	48.7	13.7	14.3	15.0	15.2	15.4				
Therapeutic Goods Administration T/A	319	362	358	353	349	18.0	17.3	18.4	18.1	18.5	12.7	17.6	13.3	13.6	13.9				
Department of Veterans' Affairs	3446	3495	3403	3351	3306	115.8	119.8	122.7	117.6	119.9	53.3	53.1	50.2	50.5	50.9				
Aust War Memorial	218	215	215	212	209	7.8	7.6	8.1	7.8	8.0	5.0	5.0	4.9	5.0	5.1				
Defence Service Homes Insurance T/A	54	55	55	55	55	1.7	1.9	2.0	2.1	2.3	1.9	2.0	2.2	2.3	2.5				
Repatriation General Hospitals T/A	9101	8516	8357	8219	8129	350.8	333.8	350.5	339.3	342.0	130.9	115.0	119.3	122.1	124.8				
Total	18597	18292	17938	17619	17338	701.0	705.4	732.5	703.3	712.5	308.0	310.7	314.0	315.5	311.9				
Immigration, Local Government & Ethnic Affairs																			
Department	3229	3459	3098	3014	3010	121.6	130.8	144.2	138.3	130.6	78.9	95.4	101.6	103.5	102.0				
Interpreting & Translating Service	137	143	113	112	112	4.3	4.9	4.1	3.9	4.1	7.1	12.4	9.3	9.8	10.2				
Total	3366	3602	3211	3126	3122	125.9	135.7	148.2	142.2	134.8	86.0	107.8	111.0	113.3	112.2				
Industrial Relations																			
Department	759	794	782	710	702	31.7	33.6	33.8	29.8	30.4	11.4	14.3	12.8	13.5	14.2				
Affirmative Action Agency	23	25	25	21	21	0.9	1.0	1.1	0.9	0.9	0.5	0.8	0.7	0.8	0.6				
Aust Industrial Registry	298	318	314	310	307	14.4	16.1	15.9	15.3	15.6	14.0	13.1	13.6	14.4	15.2				
Aust Trade Union Training Auth	114	111	109	108	106	4.9	5.4	5.6	5.5	5.5	4.1	4.5	4.8	4.7	4.8				
COMCARE	385	449	441	435	402	14.1	15.0	15.9	15.2	14.9	8.7	8.5	9.7	9.9	9.5				
Construction Industry Development Agency	-	18	18	18	-	0.1	0.7	1.1	1.1	-	0.7	3.1	1.8	1.4	-				
Nat Occupat Health & Safety Commission	219	229	216	214	211	10.0	10.3	10.4	10.0	10.2	6.7	7.4	6.8	6.9	7.5				
Remuneration Tribunal	8	8	8	8	8	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3				
Total	1805	1952	1913	1824	1757	76.5	82.5	84.1	78.0	77.8	48.3	51.9	50.4	51.9	52.3				

3.307

Table XV Running Costs Budgets & Staffing – by Agency (cont'd)

	Legal Services (\$m)					Property Operating Expenses (\$m)					Total Running Costs Budget (\$m)									
	91-92		92-93		93-94		94-95		95-96		91-92		92-93		93-94		94-95		95-96	
	Act	Bud	Est	Est	Est	Act	Bud	Est	Est	Est	Act	Bud	Est	Est	Est	Est	Est	Est	Est	
Health, Housing & Community Services																				
Department	-	1.2	1.5	1.5	1.5	36.4	40.7	35.4	36.7	36.7	253.6	280.5	275.0	266.7	262.1					
Aust Institute of Health & Welfare	-	-	-	-	-	-	-	-	-	-	5.0	6.3	6.7	6.8	6.8					
Aust Hearing Services Auth	-	0.1	0.2	0.2	0.2	8.4	8.5	8.7	8.9	9.1	38.8	39.7	50.3	50.5	47.4					
National Food Auth	-	-	-	-	-	0.5	0.8	0.4	0.4	0.4	4.1	7.2	4.2	4.1	4.0					
Rehabilitation Services T/A	-	0.3	0.4	0.4	0.4	12.4	13.0	13.5	14.1	14.6	67.4	73.9	78.7	77.5	79.2					
Therapeutic Goods Administration T/A	-	0.1	0.1	0.1	0.1	3.0	5.7	4.1	4.3	4.5	33.7	40.7	38.0	36.2	37.0					
Department of Veterans' Affairs	-	1.1	1.4	1.4	1.4	26.0	27.9	27.8	27.8	27.8	195.0	201.9	202.0	197.2	196.9					
Aust War Memorial	-	-	-	-	-	-	-	-	-	-	12.8	12.6	13.0	12.9	13.1					
Defence Service Homes Insurance T/A	-	-	-	-	-	-	-	-	-	-	3.6	3.9	4.2	4.5	4.6					
Repatriation General Hospitals T/A	-	-	-	-	-	-	-	-	-	-	481.7	448.8	469.8	458.4	466.6					
Total	-	2.8	3.5	3.5	3.6	86.6	96.6	89.9	92.2	93.1	1095.6	1115.6	1139.9	1114.4	1121.0					
Immigration, Local Government & Ethnic Affairs																				
Department	-	1.3	1.6	1.6	1.7	27.3	28.4	27.1	26.3	24.6	227.8	255.9	274.5	269.7	258.8					
Interpreting & Translating Service	-	-	-	-	-	0.9	1.0	1.0	1.0	1.0	12.3	18.3	14.4	14.8	15.3					
Total	-	1.3	1.6	1.6	1.7	28.2	29.4	28.1	27.3	25.6	240.1	274.2	289.0	284.5	274.0					
Industrial Relations																				
Department	-	0.3	0.3	0.3	0.4	6.9	7.3	7.6	7.6	7.6	50.0	55.5	54.5	51.3	52.6					
Affirmative Action Agency	-	-	-	-	-	0.2	0.3	0.3	0.3	0.3	1.6	2.1	2.0	1.6	1.8					
Aust Industrial Registry	-	-	-	-	-	10.2	10.3	10.7	10.7	10.7	38.6	39.5	40.2	40.4	41.5					
Aust Trade Union Training Auth	-	-	-	-	-	1.7	2.0	2.0	2.1	2.2	10.8	11.9	12.3	12.3	12.6					
COMCARE	-	1.5	1.9	1.9	1.9	4.3	4.3	4.3	4.3	4.3	27.1	29.4	31.9	31.3	30.6					
Construction Industry Development Agency	-	-	-	-	-	-	-	-	-	-	0.8	3.8	2.9	2.5	-					
Nat Occupat Health & Safety Commission	-	0.1	0.1	0.1	0.1	2.2	2.3	2.3	2.3	2.3	18.9	20.1	19.7	19.5	20.2					
Remuneration Tribunal	-	-	-	-	-	0.2	0.3	0.3	0.3	0.3	0.8	0.8	0.9	0.9	0.9					
Total	-	1.9	2.4	2.4	2.4	25.7	28.8	27.5	27.6	27.7	148.5	163.2	164.4	159.9	160.2					

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Table XV Running Costs Budgets & Staffing – by Agency (cont'd)

	Staffing Levels					Salary (\$m)					Administrative Expenses (\$m)				
	91-92	92-93	93-94	94-95	95-96	91-92	92-93	93-94	94-95	95-96	91-92	92-93	93-94	94-95	95-96
	Act	Bud	Est	Est	Est	Act	Bud	Est	Est	Est	Act	Bud	Est	Est	Est
Industry, Technology & Commerce															
Department	823	867	833	784	762	35.1	35.0	37.2	33.9	33.7	24.2	28.0	27.1	19.9	14.7
Anti-Dumping Auth	20	24	25	25	25	0.9	1.2	1.2	1.1	1.2	0.3	0.4	0.4	0.4	0.4
Aust Customs Service	5094	4966	4823	4671	4602	192.0	187.4	196.5	185.7	189.0	80.2	98.8	84.5	78.2	80.5
Aust Institute of Marine Science	142	143	147	152	155	7.2	7.6	7.5	7.9	8.2	8.2	8.0	10.3	10.8	8.2
Aust Manufacturing Council Secretariat	25	24	24	24	24	1.1	1.1	1.1	1.1	1.1	1.7	1.8	1.9	1.9	2.0
Aust Nuclear Science & Tech Org	842	843	843	843	843	40.0	42.9	40.8	42.6	44.0	28.3	29.6	30.6	32.9	35.3
Automotive Industry Auth	14	13	13	13	13	0.6	0.6	0.6	0.6	0.6	0.4	0.5	0.5	0.5	0.6
CSIRO	6831	6827	6848	6293	6198	350.1	358.0	394.6	359.1	365.8	244.3	279.6	275.9	260.8	265.7
National Standards Commission	29	31	34	33	33	1.4	1.6	1.9	1.9	1.9	0.6	1.2	1.0	1.0	1.0
Nuclear Safety Bureau	12	10	10	10	10	0.6	0.6	0.6	0.6	0.6	0.2	0.2	0.2	0.2	0.2
Patent, Trade Marks & Designs Office	716	736	769	759	759	25.4	27.1	29.6	28.6	29.1	8.8	12.1	12.7	13.0	13.6
TCF Development Auth	21	28	27	26	26	0.8	1.3	1.2	1.1	0.7	0.6	0.8	0.7	0.7	0.4
Total	14567	14512	14396	13633	13450	655.3	665.0	712.8	664.1	675.8	397.8	460.9	445.9	420.3	422.4
Primary Industries & Energy															
Department	1025	996	937	916	901	44.7	43.4	44.5	42.4	43.2	29.9	35.8	28.4	30.2	32.4
ABARE	303	276	273	269	266	11.9	10.3	10.8	10.4	10.6	6.3	6.2	6.4	6.5	6.7
Aust Fisheries Management Auth	88	90	90	90	90	8.5	9.2	9.5	10.1	9.8	8.5	9.2	9.5	10.1	9.8
Aust Quarantine & Inspection Service	2317	2015	1873	1809	1786	92.7	88.1	84.7	79.9	81.5	72.2	73.1	70.7	69.3	70.7
BMR	557	559	552	545	538	24.7	22.3	25.3	24.4	24.9	24.9	25.3	26.3	26.6	26.6
Total	4290	3936	3725	3629	3581	182.4	173.2	174.9	167.2	170.0	141.8	149.7	141.3	142.7	146.3

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Table XV Running Costs Budgets & Staffing – by Agency (cont'd)

	Legal Services (\$m)					Property Operating Expenses (\$m)					Total Running Costs Budget (\$m)				
	91-92	92-93	93-94	94-95	95-96	91-92	92-93	93-94	94-95	95-96	91-92	92-93	93-94	94-95	95-96
	Act	Bud	Est	Est	Est	Act	Bud	Est	Est	Est	Act	Bud	Est	Est	Est
Industry, Technology & Commerce															
Department	-	0.2	0.3	0.3	0.3	10.7	12.0	12.5	12.5	12.5	7.0	75.9	77.1	66.5	61.2
Anti-Dumping Auth	-	-	-	-	-	-	-	-	-	-	1.2	1.8	1.5	1.5	1.5
Aust Customs Service	-	3.3	4.1	4.1	4.2	31.3	35.2	35.7	38.8	39.3	303.5	324.7	320.6	304.8	312.9
Aust Institute of Marine Science	-	0.1	0.1	0.1	0.1	-	-	-	-	-	15.4	15.7	17.8	18.7	16.5
Aust Manufacturing Council Secretariat	-	-	-	-	-	-	-	-	-	-	2.8	2.9	3.0	3.0	3.1
Aust Nuclear Science & Tech Org	-	0.6	0.6	0.6	0.6	-	-	-	-	-	68.3	73.1	71.8	76.1	79.9
Automotive Industry Auth	-	-	-	-	-	-	-	-	-	-	1.0	1.1	1.1	1.1	1.1
CSIRO	-	0.5	0.5	0.5	0.5	-	-	-	-	-	594.4	638.1	671.0	620.4	632.0
National Standards Commission	-	-	-	-	-	-	-	-	-	-	2.0	2.8	2.9	2.9	2.9
Nuclear Safety Bureau	-	-	-	-	-	-	-	-	-	-	0.8	0.8	0.8	0.8	0.8
Patent, Trade Marks & Designs Office	-	0.1	0.1	0.1	0.1	-	-	-	-	-	34.3	39.2	42.4	41.6	42.8
TCF Development Auth	-	-	-	-	-	-	-	-	-	-	1.4	2.1	1.9	1.8	1.1
Total	-	4.7	5.6	5.6	5.7	42.0	47.2	48.2	49.3	51.8	1095.1	1177.8	1212.3	1139.3	1155.7
Primary Industries & Energy															
Department	-	2.6	3.2	3.2	3.2	14.5	13.4	13.3	12.3	12.3	89.0	95.1	89.5	88.1	91.1
ABARE	-	-	-	-	-	2.3	2.8	2.3	2.3	2.3	20.4	19.3	19.5	19.2	19.6
Aust Fisheries Management Auth	-	-	-	-	-	-	-	-	-	-	16.9	18.5	19.0	20.2	19.6
Aust Quarantine & Inspection Service	-	0.1	0.1	0.1	0.1	7.2	7.7	7.4	7.4	7.4	172.1	199.0	162.9	156.7	159.7
BMR	-	-	-	-	-	5.6	6.1	6.2	6.1	6.1	55.3	53.8	57.8	57.1	57.8
Total	-	2.6	3.3	3.3	3.3	29.5	30.2	29.2	28.1	28.1	353.8	355.8	348.7	341.3	347.7

Table XV Running Costs Budgets & Staffing – by Agency (cont'd)

	Staffing Levels					Salary (\$m)					Administrative Expenses (\$m)				
	91-92 Act	92-93 Bud	93-94 Est	94-95 Est	95-96 Est	91-92 Act	92-93 Bud	93-94 Est	94-95 Est	95-96 Est	91-92 Act	92-93 Bud	93-94 Est	94-95 Est	95-96 Est
Prime Minister & Cabinet															
Department															
Aust Science & Technology Council	513	523	504	490	472	21.9	22.5	22.6	21.3	21.0	11.0	9.7	9.5	9.4	9.2
Commonwealth Ombudsman	17	20	19	19	19	1.1	1.1	1.2	1.1	1.2	0.6	0.7	0.7	0.7	0.7
Economic Planning Advisory Council	74	80	79	78	77	3.3	3.7	3.8	3.6	3.7	1.1	2.2	1.2	1.3	1.3
Governor-General's Office & Estab	19	19	19	19	19	1.0	1.0	1.0	1.0	1.0	0.7	0.7	0.8	0.8	0.8
Merit Protection & Review Agency	80	78	75	74	73	2.7	2.6	2.7	2.8	2.6	3.1	3.1	3.2	3.3	3.3
Office of Insp-Gen of Intellig & Security	45	54	53	52	52	2.8	2.7	2.6	2.3	2.5	0.6	0.6	0.6	0.6	0.6
Office of National Assessments	6	7	7	7	7	0.3	0.4	0.4	0.4	0.4	0.2	0.1	0.1	0.1	0.1
Official Establishments	84	81	80	79	78	3.6	3.5	3.8	3.7	3.7	1.1	1.7	1.2	1.3	1.3
Public Service Commission	12	14	14	13	13	0.5	0.5	0.5	0.5	0.5	3.4	3.3	3.4	3.5	3.5
Resource Assessment Commission	189	179	154	152	150	7.8	7.2	5.9	5.7	5.8	5.0	5.7	5.0	5.0	5.2
	46	43	25	12	12	2.4	2.3	1.5	0.7	0.7	2.2	2.5	0.8	0.1	0.1
Total	1085	1098	1029	995	972	47.4	47.5	45.9	42.8	43.1	29.0	30.3	26.6	26.0	26.1
Social Security															
Department															
Aust Institute of Family Studies	19067	20383	19607	19388	18532	589.0	629.9	641.6	622.2	618.6	281.2	271.5	262.4	264.7	268.4
	33	34	34	33	33	1.9	1.9	2.0	1.9	1.9	1.2	1.2	1.0	1.0	1.1
Total	19100	20417	19641	19421	18565	590.9	631.7	643.6	624.1	620.5	282.4	272.7	263.4	265.8	270.5
Tourism															
Department															
Aust Tourist Commission	131	131	108	106	106	3.1	6.1	5.5	5.1	5.3	3.6	2.8	3.0	2.8	2.9
	131	130	129	127	125	7.2	7.2	7.7	7.4	7.6	3.3	3.6	3.8	3.9	4.1
Total	262	261	237	233	231	10.3	13.4	13.2	12.6	12.8	6.8	6.4	6.9	6.7	6.9

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Table XV Running Costs Budgets & Staffing – by Agency (cont'd)

	Legal Services (\$m)					Property Operating Expenses (\$m)					Total Running Costs Budget (\$m)				
	91-92 Act	92-93 Bud	93-94 Est	94-95 Est	95-96 Est	91-92 Act	92-93 Bud	93-94 Est	94-95 Est	95-96 Est	91-92 Act	92-93 Bud	93-94 Est	94-95 Est	95-96 Est
Prime Minister & Cabinet															
Department															
Aust Science & Technology Council	-	0.3	0.4	0.4	0.4	5.1	4.7	4.9	4.9	4.8	38.0	37.2	37.4	36.1	35.4
Commonwealth Ombudsman	-	-	-	-	-	-	0.2	0.2	0.2	0.2	1.7	2.0	2.1	2.0	2.1
Economic Planning Advisory Council	-	-	-	-	-	0.7	0.8	0.8	0.8	0.8	5.1	6.6	5.8	5.7	5.8
Governor-General's Office & Estab	-	-	-	-	-	0.2	0.2	0.2	0.2	0.2	1.9	1.9	2.0	1.9	2.0
Merit Protection & Review Agency	-	-	-	-	-	0.5	0.5	0.5	0.5	0.5	6.3	6.2	6.4	6.4	6.5
Office of Insp-Gen of Intellig & Security	-	-	-	-	-	1.2	1.3	1.4	1.4	1.4	4.6	4.6	4.6	4.3	4.5
Office of National Assessments	-	-	-	-	-	-	-	-	-	-	0.5	0.5	0.5	0.5	0.5
Official Establishments	-	-	-	-	-	1.1	0.7	0.7	0.7	0.7	5.8	6.0	5.8	5.7	5.8
Public Service Commission	-	-	-	-	-	-	-	-	-	-	3.9	3.8	3.9	4.0	4.1
Resource Assessment Commission	-	-	-	-	-	1.5	1.4	1.5	1.5	1.5	14.3	14.3	12.4	12.1	12.4
	-	-	-	-	-	0.7	0.7	0.7	0.7	0.7	5.3	5.5	3.0	1.4	1.5
Total	-	0.3	0.4	0.4	0.4	10.9	10.4	10.9	10.9	10.8	87.4	88.6	83.7	80.1	80.4
Social Security															
Department															
Aust Institute of Family Studies	-	1.6	2.0	2.0	2.0	130.2	165.1	135.6	136.1	138.1	1000.4	1068.0	1041.6	1025.0	1028.1
	-	-	-	-	-	-	-	-	-	-	3.1	3.1	3.0	3.0	3.0
Total	-	1.6	2.0	2.0	2.0	130.2	165.1	135.6	136.1	138.1	1003.5	1071.1	1044.6	1027.9	1031.1
Tourism															
Department															
Aust Tourist Commission	-	-	-	-	-	0.9	0.9	0.9	0.9	0.9	7.6	9.8	9.4	8.6	9.1
	-	-	-	-	-	-	-	-	-	-	10.4	10.9	11.6	11.4	11.6
Total	-	-	-	-	-	0.9	0.9	0.9	0.9	0.9	18.0	20.7	21.0	20.2	20.7

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Table XV Running Costs Budgets & Staffing - by Agency (cont'd)

	Staffing Levels					Salary (\$m)					Administrative Expenses (\$m)				
	91-92	92-93	93-94	94-95	95-96	91-92	92-93	93-94	94-95	95-96	91-92	92-93	93-94	94-95	95-96
	Act	Bud	Est	Est	Est	Act	Bud	Est	Est	Est	Act	Bud	Est	Est	Est
Transport & Communications															
Department															
AUSTEL	1743	1698	1698	1698	1698	71.8	67.2	67.0	63.3	63.5	52.3	50.4	45.8	46.2	46.3
Aust Broadcasting Auth	136	137	129	129	129	6.6	7.2	7.3	7.0	7.0	4.9	3.1	2.9	3.0	3.1
Aust Broadcasting Corporation	-	156	221	163	134	-	6.1	8.6	6.0	5.4	-	4.0	6.1	4.4	4.3
Aust Broadcasting Tribunal	5853	5491	5491	5491	5491	278.4	278.9	290.8	307.0	317.9	296.0	302.9	318.7	324.3	332.8
Shipping Industry Reform Auth	138	37	-	-	-	5.3	1.5	-	-	-	4.4	1.2	-	-	-
Special Broadcasting Service	5	1	-	-	-	0.3	0.1	-	-	-	0.3	0.1	-	-	-
Waterfront Industry Reform Auth	626	650	642	642	642	24.9	25.3	26.5	27.4	28.4	43.0	44.1	49.5	51.0	52.6
	10	4	-	-	-	0.5	0.5	-	-	-	0.7	0.4	-	-	-
Total	8311	8174	8181	8123	8094	387.8	386.8	409.2	410.7	422.2	402.2	406.2	423.0	429.0	439.2
Treasury															
Department															
Aust Bureau of Statistics	462	471	464	459	453	19.7	20.4	21.4	20.7	21.1	6.8	9.9	7.8	8.1	8.3
Aust Taxation Office	4115	3549	3397	3333	3282	134.3	118.9	120.4	118.1	116.8	86.5	48.2	47.2	58.9	45.7
Industry Commission	18795	18160	17440	16560	15740	616.7	615.0	591.8	557.8	559.8	227.7	250.5	203.0	217.8	213.3
Insurance & Superannuation Commission	238	237	235	231	225	9.9	10.0	10.5	10.4	10.8	4.4	7.5	9.3	7.6	4.9
Prices Surveillance Auth	234	433	468	465	465	8.8	18.9	19.9	19.2	19.7	5.6	11.9	10.3	8.8	6.9
Royal Australian Mint	42	48	47	47	46	1.8	1.9	2.1	2.0	2.0	0.9	0.9	0.8	0.9	0.9
	224	196	194	191	189	8.0	6.5	6.7	6.7	6.8	4.7	6.0	6.1	6.5	7.1
Total	24110	23094	22245	21286	20400	799.2	787.7	772.7	734.9	737.0	336.5	334.8	284.6	306.6	287.1

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Table XV Running Costs Budgets & Staffing - by Agency (cont'd)

	Legal Services (\$m)					Property Operating Expenses (\$m)					Total Running Costs Budget (\$m)				
	91-92	92-93	93-94	94-95	95-96	91-92	92-93	93-94	94-95	95-96	91-92	92-93	93-94	94-95	95-96
	Act	Bud	Est	Est	Est	Act	Bud	Est	Est	Est	Act	Bud	Est	Est	Est
Transport & Communications															
Department	-	2.4	2.9	2.9	3.0	21.2	21.3	21.1	21.6	21.5	145.3	141.3	136.9	134.1	134.3
AUSTEL	-	-	-	-	-	1.5	1.7	1.7	1.7	1.7	13.0	12.0	11.9	11.7	11.8
Aust Broadcasting Auth	-	0.1	0.2	0.2	0.2	-	-	-	-	-	-	10.2	14.9	10.6	9.9
Aust Broadcasting Corporation	-	-	-	-	-	-	-	-	-	-	575.1	581.8	618.5	631.3	650.8
Aust Broadcasting Tribunal	-	-	-	-	-	-	-	-	-	-	9.7	2.7	-	-	-
Shipping Industry Reform Auth	-	-	-	-	-	-	-	-	-	-	0.6	0.1	-	-	-
Special Broadcasting Service	-	-	-	-	-	-	-	-	-	-	67.9	69.4	76.0	78.4	81.0
Waterfront Industry Reform Auth	-	-	-	-	-	-	-	-	-	-	1.2	0.9	-	-	-
Total	-	2.5	3.2	3.2	3.2	22.7	23.0	22.9	23.3	23.2	812.7	818.4	859.2	866.2	887.7
Treasury															
Department	-	0.3	0.4	0.4	0.4	4.0	4.1	4.1	4.1	4.1	30.4	34.6	33.7	33.3	33.8
Aust Bureau of Statistics	-	0.1	0.1	0.1	0.1	28.9	39.9	32.6	38.7	32.7	249.7	205.1	200.4	215.9	195.3
Aust Taxation Office	-	10.4	13.0	13.0	13.2	215.6	226.4	201.8	154.1	144.5	1060.0	1102.3	1009.4	942.7	930.7
Industry Commission	-	-	-	-	-	2.2	3.9	3.6	3.4	2.5	16.5	21.4	23.3	21.4	18.2
Insurance & Superannuation Commission	-	0.2	0.3	0.3	0.3	1.9	4.1	3.6	3.4	3.4	16.4	33.1	34.1	29.6	30.2
Prices Surveillance Auth	-	-	-	-	-	0.6	0.7	0.7	0.7	0.7	3.2	3.5	3.6	3.6	3.7
Royal Australian Mint	-	-	-	-	-	1.2	0.4	0.1	0.1	-	14.0	12.9	12.9	13.3	13.9
Total	-	11.1	13.8	13.8	14.0	254.5	279.4	246.2	204.4	187.9	1390.2	1412.9	1317.4	1256.7	1228.0

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STATEMENT 4 — REVENUE

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STATEMENT 4 — REVENUE

PART I: OVERVIEW

Total budget revenue in 1992-93 is estimated at \$96505m, an increase of 3.4 per cent over 1991-92. This represents 23.7 per cent of estimated GDP which is 4 percentage points below the historical peak of 27.8 per cent in 1986-87 and the lowest ratio since 1973-74.

Revenue collections in 1991-92 were \$93298m, \$3478m or 3.6 per cent lower than the budget estimate. Other individuals income tax, net PAYE, prescribed payments system, other excise, withholding tax and sales tax collections were the major contributors to the shortfall. In broad terms, the shortfall can be attributed to weaker than expected economic conditions and associated lower inflation. Collections from customs duty, petroleum resource rent tax and superannuation funds were significantly above the budget estimates.

Table I below provides outcomes and estimates by broad revenue classifications for 1991-92 and 1992-93. Part III details revenue outcomes for 1991-92 and estimates for 1992-93.

Table I: Revenue by Broad Classification

	1991-92			1992-93		
	Estimate	Actual	Change on 1990-91	Estimate	Change on 1991-92	
	\$m	\$m	%	\$m	\$m	%
Individuals Income Tax	49895	46541	-7.2	49410	2869	6.2
Other Income Tax	17625	17703	0.2	16760	-943	-5.3
Indirect Tax (a)	21971	21893	-6.0	22590	697	3.2
Other Taxes, Fees and Fines	1672	1640	-25.2	1683	43	2.6
Non-Tax Revenue	5613	5522	13.8	6062	540	9.8
Total Revenue	96776	93298	-4.7	96505	3207	3.4
Share of GDP (%)		24.2			23.7	
Real Growth (%)		-6.1			0.5	

Total revenue for 1992-93 has been reduced by a net \$442m as a result of measures announced since the 1991-92 Budget. These include provisional tax concessions, and reductions in the rate of sales tax on motor vehicles, which are partly offset by increases in tobacco excise. Appendix A summarises measures announced since the 1991-92 Budget, including in the *One Nation* and *Security in Retirement* statements.

A discussion of longer-term historical trends in revenue collections can be found in Part IV. Appendix B tabulates revenue information on a longer-run basis while Appendix C contains footnotes to Tables and Charts.

PART II: MEASURES

Table 2 sets out the estimated revenue impact in 1992-93 and 1993-94 of measures announced in the 1992-93 Budget and other measures announced since the 1991-92 Budget, including in the *One Nation* and *Security in Retirement* Statements.

Table 2: Revenue Measures

Measure	Estimated change in Revenue	
	1992-93	1993-94
	\$m	\$m
(i) Measures Announced in the 1992-93 Budget		
<i>Income Tax</i>		
Environment-related capital expenditures	*	*
Research and development (R&D) tax concession - extension of concession (a)	-	-
limit on tax exempt syndicates (b)	-	115
Income equalisation deposits	-1	-1
Limited partnerships - taxation as companies	*	*
Collection of tax on royalty payments to non-residents	-	50
Dividend streaming	-	-
Write-off for horse breeding stock	-	7
Zone rebates	-5	-19
Provisional tax exemption for pensioners	-6	-
Deductibility of gifts to environmental organisations	*	*
Deductibility of interest on borrowings to finance personal superannuation contributions and life insurance premiums	*	*
Occupational clothing	-	2
Medicare levy - rate	-	300
Medicare levy - low income thresholds	-	-18
<i>Fringe Benefits Tax (FBT)</i>		
Removal of FBT exemption for car parking	-	120
<i>Wholesale Sales Tax</i>		
Swimming pools (c)	3	5
<i>Customs and Excise Duty</i>		
Tobacco products	80	100
<i>Other Measures</i>		
Civil Aviation Authority - cost recovery	-15	-24
Increase in passport fees	9	12
Employer Nomination Scheme - sponsorship fee	-	-
Australian Securities Commission - annual returns fee increase	2	2
Insurance and Superannuation Commission - superannuation supervisory levy	12	13
Royal Australian Mint - efficiency measures	1	1
Child Support Agency - penalties	1	1
National Residue Survey - charges	-	2
User charging for the adult migrant English program	4	10
(ii) Measures Announced in the 'One Nation' Statement		
<i>Income Tax</i>		
Personal income tax rates scale (d)	-	-
Depreciation arrangements	-30	-215
Write-off of certain income producing buildings	-	-5
Development allowance	-	-
Pooled development funds	-	-
Offshore banking units (e)	-	-30
Deduction for bad debts	*	*
Capital gains tax goodwill exemption	-5	-10

Measure	Estimated change in Revenue	
	1992-93	1993-94
	\$m	\$m
Small company tax deferral	10	-
Infrastructure borrowings	-	-10
<i>Wholesale Sales Tax</i>		
Sales tax on passenger motor vehicles	-185	-210
(iii) Measures Announced in the 'Security in Retirement' Statement		
<i>Preservation</i>	*	*
Reasonable benefit limits	-	-
Minimum standards for pensions and annuities	-	-
Member contributions	-	230
Superannuation pensions and rollover annuities	*	*
Eligible termination payments	*	*
Death Benefits	*	*
Overseas superannuation funds	-	-
(iv) Other Measures Announced since the 1991-92 Budget		
<i>Income Tax</i>		
Deductibility of gifts: extensions	*	*
Exemption for Australian defence force personnel in Cambodia	-10	-10
Taxation of interests in foreign investment funds	-	-
Foreign source income	*	*
Foreign Tax Credit System	*	*
Changes to capital gains tax	*	*
Traditional securities	-	-1
Primary production definition	*	*
Superannuation guarantee charge	*	*
Provisional tax concessions	-250	-5
<i>Wholesale Sales Tax</i>		
Sales tax simplification (f)	14	30
Recycled paper	11	12
<i>Customs and Excise Duty</i>		
Tariff anomalies	8	9
Reduction of tariffs on steel flat products	-5	-4
Tariff on second hand motor vehicles	-	-
Coal export duty	-45	-41
AVGAS excise	*	*
<i>Other Measures</i>		
Interest on underpayments and overpayments of tax	-5	-14
Penalties for late payment of tax and related penalties	-16	-25
Indian Ocean Territories	2	4
Australian and Overseas Telecommunications Corporation interest	-126	-123
Cattle transaction levy	-13	-13
Dairy produce levy	117	114
Meat inspection charges	-3	-
Imported food inspection charges	2	3
Temporary entry fees	2	2
Business skills assessment panel fee	1	-
Migration agents registration scheme	1	1

- Less than \$0.5m.

* The nature of the measure is such that a reliable estimate cannot be provided.

- Nil

(a) The continuance of the research and development tax concession at 150 per cent is estimated to cost \$95m in 1994-95 and \$115m in 1995-96.

(b) This is the estimate of the revenue that would have been lost had this unintended use of the R&D tax concession remained.

(c) Does not include any allowance for refunds of tax collected before the February 1992 High Court decision, the 'Mutual Pools' Case; an estimate of the refunds has already been included in the base-line revenue estimates.

(d) The measures will first impact on revenue in 1994-95.

(e) 'One Nation' continued a figure of \$5m. The increase is due to the expanded range of offshore banking activities that will benefit from the concessional rate of tax.

(f) The estimate for 1992-93 assumes a 1 December commencement date and passage of amendments to the simplification bills.

MEASURES ANNOUNCED IN THE BUDGET

Income Tax

Environment-related Capital Expenditures

The Government announced in the 1990-91 Budget that Treasury would undertake a review of the taxation treatment of capital expenditures incurred by business in relation to the environment.

As a result of this review, the Government has decided to amend the *Income Tax Assessment Act 1936*. Under the measures a taxpayer will be able to claim an immediate deduction for expenditures incurred on, or after, 19 August 1992, to the extent to which they are incurred for certain environmental purposes, except expenditure on buildings, structures (including earthworks), plant and equipment. The expenditure must be incurred for the sole or dominant purpose of preventing, combating or rectifying pollution of the environment by the taxpayer's business or on the site of that business, or for the sole or dominant purpose of treating, cleaning up, removing or storing waste produced by the taxpayer's business or on the site of that business.

The *Income Tax Assessment Act 1936* will also be amended to ensure that the use of property for the environmental purposes noted in the previous paragraph is taken to be the use of the property for the purpose of producing assessable income. This would apply to buildings, structures (including earthworks), and plant and equipment. The measures will make certain the eligibility of expenditures on these items for the write-off provisions of the *Income Tax Assessment Act 1936*. Structural improvements, including earthworks, constructed for environmental purposes will be able to have their original cost written off in the same way as general structural improvements (over 40 years).

Expenditure must be able to satisfy the environmental purpose test described above to be eligible for deduction. For example, expenditure incurred by a taxpayer for the removal of redundant structures will only be eligible for deduction where the sole or dominant purpose is to control pollution or manage waste. Likewise, expenditures that merely beautify or otherwise enhance the appearance of a disused industrial site will not be eligible for deduction.

Example

A taxpayer buys a site for a steelworks. The site is a swamp which has been used by a former owner to dump industrial waste. The taxpayer spends money to reclaim the swamp and clean up the site before constructing a steel plant. Expenditures include: special equipment and chemicals to neutralise the waste and remove heavy metals; reclamation plant; power and other infrastructure; wages and waste consultancy fees.

The cost of all the equipment and consumables used for waste clean-up will be able to be depreciated or deducted in the usual way. All infrastructure expenditures, wages and fees related to the clean-up will be immediately deductible. However, costs of reclamation of the swamp will not be deductible as they relate to the capital cost of the site and are not for the sole or dominant purpose of pollution control or waste management.

Research and Development (R&D) Tax Concession

The Government has reviewed the operation of the tax concession for R&D and has decided to amend section 73B of the *Income Tax Assessment Act 1936* to:

- provide that the rate of concessional write-off for eligible R&D remain at 150 per cent (the Government had previously announced that the rate of the concession would be reduced to 125 per cent from the 1993-94 income year); and
- remove the \$10m limit applying to pilot plant eligible for concessional write-off for plant acquired or commenced to be constructed on, or after, 19 August 1992.

In addition, the Government has decided to limit the eligibility for the tax concession in the case of syndicates, or other structured financing arrangements, involving tax exempt researchers to those where the investors are fully at risk. Accordingly, no new syndicate, or structured financing, proposals submitted to the Industrial Research and Development (IR&D) Board on or after 19 August 1992 involving tax exempt bodies where investors are not fully at risk will be eligible for registration. Such arrangements have sought to use the existing provisions in a manner not intended by the Government. Further, only syndicate proposals that have been approved by the IR&D Board after 30 March 1992 and before 10 June 1992, with respect to either the eligibility of the proposed activities or joint registration, will be considered for registration. To administer this decision, the IR&D Board will be granted discretionary authority, the guidelines for which are to be developed by the Minister for Industry, Technology and Commerce in consultation with the Treasurer and interested parties.

Income Equalisation Deposits (IEDs)

Following a review, the Government has decided to amend the IED scheme in the following respects:

- the withholding tax rate applied to withdrawals will be reduced from 29 per cent to 20 per cent;
- the maximum amount of deposits will be increased to \$300000;
- the minimum deposit will be reduced to \$1000; and

- interest payable on deposits will be allowed to be reinvested automatically.

These amendments will be effective in respect of transactions occurring on or after 19 August 1992.

In addition, the Government has decided to incorporate an optional tranche of Farm Management Bonds within the IED scheme from 1 October 1992. These will be available for a maximum amount of \$80000 (forming part of the overall maximum limit for IEDs). The following terms and conditions will apply:

- only primary producers with taxable non-farm incomes of less than \$50000 will be eligible to deposit;
- the investment component will comprise 80 per cent of the total deposit (compared to 61 per cent for IEDs generally);
- it is intended that withdrawals will be made only in periods of hardship arising from circumstances such as drought and other natural events — withdrawals may be made in other periods of hardship but the benefit of the higher investment component will be removed; and
- all other conditions applying to the basic IEDs.

These changes to the IED scheme encourage farmers to adopt a more self reliant approach through the creation of reserves in good times to assist in managing downturns, particularly those brought about by natural events.

Limited Partnerships — Taxation as Companies

The Government has decided that limited partnerships established on or after 19 August 1992 are to be treated as companies for tax purposes. Limited partnerships established before 19 August 1992 will be taxed as companies from the 1995-96 year of income. This will eliminate the tax advantages which limited partnerships have over companies, particularly as regards passing of losses through directly to investors and the ability of investors, including non-residents, to receive tax-free distributions.

Limited partnerships are comparable to companies in providing limited liability investment vehicles (only a general partner has unlimited liability). In this light it is considered that the tax advantages over a company structure are inappropriate and have the potential to erode the revenue base unduly. This approach is in line with previous decisions of various Governments to tax company-like structures, such as corporate unit trusts and public trading trusts, as companies.

Limited partnerships established before 19 August 1992 will be able to operate under the existing rules until the 1995-96 income year provided continuity of business and at least 50 per cent continuity of ownership tests are satisfied.

Collection of Tax on Royalty Payments to Non-residents

The Government has decided to introduce a final withholding tax of 30 per cent on royalty payments to non-residents. This replaces the current assessment method of taxation where those payments (other than film and video tape royalties) are taxed at the rate of tax applicable to a non-resident's taxable Australian source income after deduction of allowable expenses. Where the recipient is resident in a country with which Australia has concluded a double tax agreement, the rate of withholding tax will be that specified in the agreement. To prevent possible abuse, an income tax deduction for royalty payments will not be allowable to the payer until the withholding tax is paid. In addition, the definition of a royalty will be amended to ensure that it covers payments or credits for all forms of electronic transmissions to the public.

The introduction of a final withholding tax on royalty payments to non-residents will counter avoidance of Australian tax and greatly simplify administrative procedures. It will also make Australia's tax treatment of such income consistent with international practice.

The new arrangements will apply to royalties paid or credited from the commencement of the recipient's 1993-94 year of income.

Dividend Streaming

The Government has decided to amend the tax law to ensure that the dividend streaming provisions it introduced in 1990 work as intended when applied to international dividend streaming arrangements. The amendments will ensure that the franking debit arising under the dividend streaming provisions can be taken into account when an Australian company is required to determine the extent to which dividends paid to its Australian resident shareholders under the streaming arrangement are to be franked. At the moment, when the dividend is paid to resident shareholders under the streaming arrangement, it is required to be franked to the extent permitted by the company's franking surplus. Where that dividend is paid before or at the same time as other dividends paid under the streaming arrangement, a subsequent franking debit that arises under the dividend streaming provisions may give rise to a franking deficit and franking deficit tax may be payable. The amendment will apply to dividends paid after the date of Royal Assent of the amending legislation.

Accelerated Write-off for Horse Breeding Stock

The Government has decided to attenuate the concessional taxation treatment accorded horse breeders.

Under provisions introduced in the 1985-86 Budget, having regard to provisions then applying in New Zealand, horse breeders have been able to elect to write down, under the trading stock provisions applicable to livestock, the cost of sires at the rate of 50 per cent per annum on a diminishing value basis and the cost of brood-mares either at the rate of $33\frac{1}{3}$ per cent per annum on a diminishing value basis or, depending on the mare's age, over a minimum of three years. Breeders have also been able, where appropriate, to bring brood-mares and sires to account at either cost or market selling value. Where breeders have elected to value their bloodstock at market value, the Commissioner of Taxation has normally allowed the closing value of the horse to be written down by 20 per cent each year, provided that the value of the animal has decreased. Moreover, the Commissioner also has the discretion to allow taxpayers who experience a sharp decline in the value of their livestock to recognise that decline for tax purposes.

Under the new arrangements for breeding stock purchased on or after 19 August 1992, the accelerated write-off option introduced in 1985 will be replaced with an option to enable horse breeders to write-off horse breeding stock such that:

- sires can be written down on a prime cost basis of up to 25 per cent per annum; and
- mares can be written down on a prime cost basis such that their value is not less than \$1 by the end of the year in which the horse is age 12, with a maximum rate of write-off of $33\frac{1}{3}$ per cent of cost price.

The above write-off arrangements are able to be commenced from the year in which the horse is first used for breeding purposes and breeders will still retain the option of bringing their bloodstock to account at either cost or market selling value.

The new arrangements for Australia's bloodstock write-off provisions will continue to be at least as favourable as those applying in New Zealand.

Review of Taxation of Financial Arrangements

The Government has decided to introduce a comprehensive legislative regime for the taxation of financial arrangements on an accruals basis. The new regime will operate only on a prospective basis from a date yet to be determined, and only after full consultation with professional and business groups. The proposed scope and details of the regime and the time frame for its implementation will be outlined in an information paper which is expected to be released later in the year.

The term 'financial arrangements' in this context refers to financial instruments and contracts used in the provision of credit and in the management of exposure to financial risk. Examples of the kinds of financial arrangements which would be

included in the new regime are loans, bills of exchange, promissory notes, forward foreign exchange contracts and interest rate swaps.

Under the new regime, gains and losses will be accrued or spread over the term of the financial arrangement for taxation purposes.

Zone Rebates

The base components of the income tax zone rebates will be increased by 25 per cent from 1 January 1993. The new levels will be \$338 for Zone A, \$57 for Zone B and \$1173 for special areas in the zones.

The change will be effective for PAYE purposes from 1 January 1993. For 1992-93 assessment and provisional tax purposes a proportional increase in the base rebate of 12.5 per cent will apply. For this year, the levels will be \$304 for Zone A, \$51 for Zone B and \$1056 for the special areas.

Provisional Tax Exemption For Pensioners

Pensioners who qualify for a full or part pensioner rebate in 1991-92 will be exempt from 1992-93 provisional tax.

More specifically, no pensioner will be liable for 1992-93 provisional tax where:

- the 1991-92 taxable income of a single pensioner is less than \$17516; and
- the combined taxable income for 1991-92 of a pensioner couple receiving the married-rate pension is less than \$27990 or is less than \$33680 for a couple receiving the separated-rate pension (living apart as a result of illness or infirmity).

Deductibility of Gifts to Environmental Organisations

The Government has decided to establish a Register of Environmental Organisations eligible to receive tax deductible donations. The Register will operate along similar lines to the Register of Cultural Organisations which was announced in March 1991.

Deductibility of Interest on Borrowings to Finance Personal Superannuation Contributions and Life Insurance Premiums

The Government has decided to remove the tax deductibility of interest and other expenses incurred in respect of money borrowed to finance personal (ie not employer) superannuation contributions and life insurance premiums where the underlying insurance policy contains an investment component. The measure will apply with respect to all expenses incurred in relation to borrowings taken out on or after 19 August 1992.

The proposal will prevent the loss of tax revenue that could arise from geared superannuation contributions or life insurance premiums and ensure that a person cannot accumulate a superannuation benefit without actually saving.

The change will not affect the deductibility of the cost of interest incurred on borrowings by an employer to make superannuation contributions for employees or to pay premiums on insurance policies which are wholly risk policies.

Occupational Clothing

The income tax law will be amended to deny income tax deductions for expenses incurred by employees in purchasing, repairing and cleaning items of a corporate wardrobe or a corporate uniform where the wearing of the wardrobe/uniform is not a compulsory condition of employment. The restriction will not apply to clothing worn to protect employees from injury or their normal clothing from damage (eg it does not restrict deductions for work overalls). This measure is intended to ensure that the tax laws do not confer an unfair advantage on some employees by permitting deductions for clothing which may not be essentially different from that worn to work by other employees for which no deductions are allowed. This amendment will take effect from 1 January 1993.

Medicare Levy— Rate

The rate of the Medicare levy is to be increased by 0.15 per cent to 1.4 per cent from 1 July 1993. The increase will fund outlays measures for health and aged care which are described in Statement No. 3.

Medicare Levy— Low Income Thresholds

The 1992-93 low income thresholds for Medicare levy purposes will be \$11887 for individuals and \$20070 for married couples and sole parents. The additional threshold for children will be \$2100.

Fringe Benefits Tax (FBT)

Removal of FBT Exemption for Car Parking

The Government has decided to remove the current exemption of car parking benefits from FBT. Many high income employees who have access to free or discounted parking, particularly in central business districts, are obtaining a significant benefit. The Government is concerned about the inequity which exists because some employees currently receive these benefits in a tax exempt form while other employees must pay for equivalent facilities out of their after-tax income.

From 1 April 1993 benefits in the form of car parking provided to employees, where cars are as defined in the *Fringe Benefits Tax Assessment Act 1986* (FBTAA), are to be removed from the scope of the FBT exemption for motor vehicle parking. This means that, on or after 1 April 1993, FBT will be payable in respect of car parking which employers provide to their employees on their own premises or for which the employer meets the costs or part thereof. Specific valuation rules will be included in the FBTAA to apply to any car parking facilities which an employer may provide to employees which are owned or controlled or leased, in whole or in part, by the employer.

The value of employer-provided car parking facilities will be determined generally by reference to the lowest cost all-day parking at a permanent commercial parking station available to the public within one kilometre of the employer-provided facilities. Where there is no such car parking available within one kilometre of the employee's place of car parking, the value of the benefit to the employee from using employer-provided facilities will be nil for FBT purposes. These valuation rules seek to minimise the compliance costs of the measure by ensuring that FBT will not be levied on employer-provided parking spaces in most suburban and rural areas, where car parking benefits will usually be of low or negligible value. However, the Government will not accept artificial arrangements which seek to have valuable parking benefits undervalued for FBT purposes. Details of the operation of the valuation rules will be announced in due course.

The value of parking benefits will be reduced by any amount that employees may pay to employers for parking space. The value of car parking fringe benefits will be deemed not to be 'otherwise deductible', except where a car parking benefit is an expense payment fringe benefit in respect of parking that is not all-day parking of a car used by an employee to commute to and from work. (The 'otherwise deductible' rule provides that where the value of the benefit would have been deductible for income tax purposes had the employee paid to obtain it, the benefit value for FBT purposes is reduced accordingly.)

Wholesale Sales Tax

Swimming Pools

A new tax will be imposed at 20 per cent on swimming pool shells constructed *in situ* (including spas and hot tubs constructed *in situ*) to replace the previous sales tax arrangements that applied prior to the High Court decision in the *Mutual Pools Case* of February 1992. The effect of the new tax will be the same as that intended by the prior arrangements, except that there will not be an exemption for persons who substantially construct their own swimming pools. The new tax will apply prospectively, from a date to be specified when relevant legislation is introduced. It will ensure neutral taxation treatment of different types of swimming pools.

The Government will also introduce legislation, with the earliest possible date of effect, to ensure that any refunds of amounts collected as sales tax on swimming pool shells constructed *in situ* under the provisions that existed prior to 12 February 1992 are passed through to the pool owners.

Customs and Excise Duty

Tobacco Products

The current rate of excise (and the equivalent component of the customs duty) on tobacco products (\$52.50 per kilogram (kg)) will be increased by \$5 per kg, effective for product cleared for home consumption after midnight on 18 August 1992. This measure will complement the range of health policies the Government already has in place which are aimed at discouraging smoking and hence reducing the health care, and other, costs to the community associated with smoking.

This measure is estimated to raise about \$80m in 1992-93 and \$100m in 1993-94 and raise the price of a pack of 30 cigarettes by around 15 to 20 cents.

Other Measures

Civil Aviation Authority (CAA) — Cost Recovery

In the 1990-91 Budget the Government announced its intention to phase in full cost recovery for aviation safety standard setting and enforcement services from 1 November 1991. Introduction of cost recovery was subsequently delayed to 1 July 1992. The Government has now, however, decided to provide on-going funding for 50 per cent of these costs up to a limit of \$22.8m a year. Recovery of the balance of these costs from the aviation industry will be phased in over two years commencing 1 July 1993.

Passport Fees

(a) Increase in Fees for Australian Passports

Fees for travel documents issued by the Australian Government are increased on 1 July each year in line with movements in the Consumer Price Index (CPI). The Government has decided that from 1 October 1992, there will be an additional one-off fee increase affecting all types of travel document. The fee for the issue of an ordinary adult Australian passport will increase from \$88 to \$100. Travel document fees will continue in future years to be increased in line with the CPI.

(b) Introduction of Fees for Diplomatic and Official Passports

At present, Diplomatic and Official passports are issued free-of-charge to persons travelling for official purposes, including State and Federal Members of Parliament, judges, and officials of Federal, State and Local governments. The Government has decided that these passports will attract a fee of \$100 (ie equivalent to the fee for an ordinary adult passport), to be increased annually in line with movements in the CPI.

Employer Nomination Scheme — Sponsorship Fee

The Employer Nomination Scheme sponsorship fee is to be increased in 1992-93 from \$100 to \$250, with the proceeds being used to fund enhanced labour-market testing and advisory services being provided by the Department of Employment, Education and Training.

Australian Securities Commission — Annual Returns Fee Increase

Fees for the lodgement of companies' annual returns are to be increased by 1.5 per cent from 1 August 1992.

Insurance and Superannuation Commission (ISC) — Superannuation Supervisory Levy

The levy was introduced in the 1991-92 financial year, replacing the superannuation registration fee. As the Government agreed to substantial increases in the resources of the ISC for Audit and related activities associated with superannuation supervision, the levy receipts are expected to increase. The levy recovers the full costs associated with superannuation supervision. Cost recovery provides a discipline on both the ISC and the industry in relation to their performances and responsibilities.

Royal Australian Mint (RAM) — Efficiency Measures

The Treasury and the RAM have been working together to improve the efficiency of the Mint. Further efficiencies are anticipated in 1992-93 as rationalisation of activities continues.

Child Support Agency — Imposition of Penalties on Outstanding Child Support

The Government has agreed to simplify and improve the method of calculating penalties on outstanding child support liabilities by calculating penalties on the balance outstanding. This replaces the method of calculating penalties each month of \$20 or 20 per cent per annum, whichever is the greater. The changed penalty arrangement will apply from January 1993.

National Residue Survey (NRS) Charges

The Government has agreed that the NRS should move from 60 per cent to full cost recovery from 1993-94.

User-Charging for the Adult Migrant English Program

On-shore and off-shore charging for English language courses provided mainly to newly-arrived migrants under the Adult Migrant English Program will be introduced from 1 January and 1 March 1993 respectively. Anticipated revenue is \$3.6m in 1992-93.

PART III: OUTCOMES AND ESTIMATES

Table 3 shows the 1991-92 Budget revenue estimates and outcomes and the estimates for 1992-93.

Table 3: Revenue Estimates

	1991-92			1992-93		
	Estimate	Actual	Change on 1990-91	Estimate	Change on 1991-92	
	\$m	\$m	%	\$m	\$m	%
Taxation Revenue						
Income Tax						
Individuals -						
Gross PAYE (a)	42460	41388	-0.8	43945	2557	6.2
Refunds (a)	4790	4537	13.2	4785	248	5.5
Net PAYE (a)	37670	36851	-2.2	39160	2309	6.3
Other (a) (b)	8295	6128	-29.0	6445	317	5.2
Medicare Levy (c)	2580	2385	-3.8	2505	120	5.0
Prescribed Payments System	1350	1178	-13.3	1300	122	10.3
Total Individuals (b)	49895	46541	-7.2	49410	2869	6.2
Companies (b)	13475	13419	-5.3	12110	-1309	-9.8
Superannuation Funds	990	1139	8.2	1200	61	5.3
Withholding Tax	1100	941	-4.5	870	-71	-7.6
Petroleum Resource Rent Tax	735	876	199.4	1200	324	37.0
Fringe Benefits Tax	1325	1327	5.2	1380	53	4.0
Total Income Tax	67520	64244	-5.3	66170	1926	3.0
Sales Tax	9237	9113	-2.7	9440	327	3.6
Excise Duty -						
Petroleum Products	7075	7110	7.7	7260	150	2.1
Other	2485	2324	-1.7	2350	26	1.1
Customs Duty -						
Imports	3125	3299	-0.6	3540	241	7.3
Coal Exports (d)	49	45	-4.5	-	-45	-
Debits Tax (e)	-	3	-	-	-3	-
Other Taxes, Fees and Fines	1672	1640	-16.5	1683	43	2.6
Total Taxation Revenue	91163	87776	-5.7	90443	2666	3.0
Non-Tax Revenue						
Interest	3034	2971	-10.0	2490	-480	-16.2
Dividends and Other	2579	2551	64.5	3572	1021	40.0
Total Non-Tax Revenue	5613	5522	13.8	6062	540	9.8
TOTAL REVENUE	96776	93298	-4.7	96505	3207	3.4

1991-92 OUTCOMES

Revenue collections in 1991-92 were \$93298m, which is \$3478m or 3.6 per cent lower than the budget estimate. As indicated in Table 3, the main areas that contributed to the shortfall were other individuals (mainly provisional taxpayers) and net PAYE. There were also substantial shortfalls in the Medicare levy, prescribed payments system, other excise, withholding tax and sales tax collections. Partly offsetting these shortfalls were lower PAYE refunds and stronger than estimated collections from customs duty on imports, superannuation tax and petroleum resource rent tax.

Revenue estimates are much more sensitive to changes in real economic activity than outlays estimates. Over 80 per cent of revenue is directly affected by economic activity as well as wages or prices — whereas a high proportion of outlays are either fixed in dollar terms or vary only with wages or prices. In particular, the bulk of the shortfall in revenue collections in 1991-92 can be explained by the weaker than expected economic activity and lower inflation.

The effect of specific factors on individual revenue heads is summarised in Table 4. This table shows that other individuals (mainly provisional taxpayers) revenue recorded the largest percentage and absolute variation of the major revenue items. Box 1 discusses some of the issues involved in forecasting collections for other individuals.

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Table 4: Major Deviations From Budget

Revenue Item	Deviation from Budget Estimate		Reasons
	\$m	%	
Other individuals	-2167	-26.1	Income growth in 1990-91 and 1991-92, both of which affect collectables, was revised down during the year. Property income was much weaker than originally estimated at budget time. Also contributed to the shortfall was an overestimation of additional income from stage 2 of the tax File Number (175) Scheme.
Gross PAYE	-1072	-2.5	The shortfall in collections reflected a larger decline in employment and lower growth in average weekly earnings (AWE) than forecast at budget time.
Medicare Levy	-195	-7.6	This shortfall reflects the shortfalls in gross PAYE and other individuals collections.
Prescribed Payments System	-172	-12.7	Construction activity was lower and refunds higher than forecast at budget time.
Other Excise	-161	-6.5	Beer and tobacco clearances were weaker than expected.
Withholding Tax	-159	-14.4	Major factors were lower interest and dividend payments and an increase in the estimation rate of interest payments and dividends subject to tax. The resident withholding component, collected for the first time in 1991-92, was \$238m compared with \$150m estimated at budget time.
Sales Tax	-124	-1.3	Sales of taxable goods in the 20 per cent rate class were lower than expected. The reduction in the rate of sales tax on motor vehicles announced in the One Nation Statement also contributed.
PAYE Refunds (b)	253	-5.3	The average refund per taxpayer was lower than expected thereby increasing net revenues. This partly offsets the refund for Other (A1D) initiatives to limit incorrect or excessive claims for work related expenses and superannuation contributions.
Customs Duty (Imports)	174	5.6	Collections were higher than anticipated at budget time owing to a higher level of imports than forecast.
Superannuation Funds Tax	149	15.1	Employer contributions were stronger than expected.
Petroleum Resource Rent Tax	141	19.2	Growth in oil production was stronger than expected.

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BOX 1 — FORECASTING COLLECTIONS FOR OTHER INDIVIDUALS

Over recent years, revenue collections under the other individuals revenue head have been the most difficult to forecast. This reflects:

- the income base being especially difficult to identify and measure for forecasting purposes;
- the volatility in income growth; and
- collection arrangements that can result in large adjustments to collections being carried between years.

By contrast to most other income-based taxes, many different sources of income are taxed under this revenue head. Tax is levied on income earned, for example, by primary producers and artists/musicians (who can average their incomes), retirees and small business. This variety of income types makes it very difficult to identify and measure accurately the income base of provisional taxpayers. Moreover, the income of many of these groups varies considerably from year to year. These difficulties can result in past year income movements (as recorded in the National Accounts) being subject to large revisions and, as explained below, these base revisions can in turn affect estimated budget year collections.

In addition to difficulties with the income base, accurate forecasting is made more difficult by the distinctive collection and refund arrangements of the provisional tax system. These arrangements are necessary as provisional tax payments are often different from the taxpayer's final assessed tax liability (unless a taxpayer lodges a provisional tax variation to reflect expected income movement).

In order to reconcile these differences, the provisional tax system provides for a range of reconciliation arrangements, including provisional credit carried forward and refunds which occur in the year after income is earned. The net effect of these adjustments is that tax collected in a particular year is influenced by prior year income movements and, therefore, may bear little relation to present year forecast income growth.

Changes to historical income data can lead to a changed interpretation of past year collections and the extent of any adjustments expected to be carried forward. Since the 1991-92 Budget, for example, average 1990-91 income growth for provisional taxpayers has been revised down substantially. In hindsight, this revision increased the gap between the uplift factor and income growth. Consequently, refunds and credits increased in 1991-92 (in respect of 1990-91 income) and the actual 1991-92 tax base was considerably smaller than estimated at budget time.

1992-93 ESTIMATES

Taxation Revenue

Total taxation revenue in 1992-93 is expected to increase by 3.0 per cent with the ratio of tax revenue to GDP falling to 22.2 per cent, compared with 22.8 in 1991-92.

While the recovery in economic activity is estimated to lead to a strengthening in collections under most revenue heads, company tax collections (which are predominantly based on 1991-92 incomes) are expected to weaken further and dampen overall revenue growth. The outlook for the major economic variables affecting revenue in 1992-93 is:

- average weekly earnings (AWE) (National Accounts basis) growth of approximately 3½ per cent;
- growth in wage and salary employment of around 1 per cent;
- a fall in company taxable income of 10 per cent;
- higher overall provisional income in respect of 1991-92 despite marked variations in growth between the different provisional income categories;
- growth in nominal GDP of around 5¼ per cent; and
- total nominal private consumption to increase by around 5¼ per cent.

Individuals Income Tax

A summary of the 1992-93 estimates for the major categories of individuals income tax compared with the actual 1991-92 outcome is contained in Table 5.

Table 5: Individuals Income Tax

	1991-92 Actual	1992-93 Estimate	Change on 1991-92
	\$m	\$m	%
Collections Net of Medicare Levy			
Gross PAYE	41388	43945	6.2
less PAYE Refunds	4537	4785	5.5
Net PAYE	36851	39160	6.3
Other Individuals (a)	6128	6445	5.2
Prescribed Payments System (b)	1178	1300	10.3
TOTAL	44156	46905	6.2
Collections of Medicare Levy			
Gross PAYE	2335	2455	5.1
less PAYE Refunds	255	265	3.9
Net PAYE	2080	2190	5.3
Other Individuals	305	315	3.3
TOTAL	2385	2505	5.0

PAYE Instalment Deductions

Wage and salary earners pay income tax on a 'pay as you earn' (PAYE) basis through deductions made by their employers from wages or salaries. For large employers, these deductions are remitted twice monthly to the Australian Taxation Office (ATO).

The forecast increase in gross PAYE collections (net of the Medicare levy) is based on expected growth in AWE (National Accounts basis) and wage and salary employment of 3½ per cent and 1 per cent, respectively.

PAYE Refunds

A final assessment of tax liability of PAYE taxpayers is made on the basis of returns lodged after the financial year. Refunds are made where PAYE deductions exceed the final assessment. Where PAYE deductions are insufficient to meet the tax liability, taxpayers make an additional payment. Any such payments are recorded under the other individuals revenue head.

PAYE refunds (net of the Medicare levy) are forecast to increase, as higher unemployment in 1991-92 is expected to result in greater refunds in 1992-93 to taxpayers who did not earn a full year of income.

Other Individuals

Other individuals generally pay provisional tax if they receive income of \$1000 or more from sources other than wages and salaries or capital gains in the previous financial year. Payments are made either once a year (mainly between March and May) or, if the previous year's provisional tax liability is over \$8000, in quarterly instalments (due in September, December, March and June). Taxpayers are also required to pay provisional tax where there has been a shortfall in the tax instalment deductions made from wages and salaries of \$3000 or more. Other revenue under this category includes amounts received from debit assessments for non-provisional taxpayers. Capital gains tax paid by individuals is also predominantly collected under this revenue head (see Box 2 — Capital Gains Tax).

Current year provisional tax liability is determined by increasing the previous year's assessed income by the provisional tax uplift factor. The uplifted provisional tax liability is then combined with any balance on assessment from the previous year's tax liability to determine current year tax payments.

On 1 July 1992, the Government announced its intention to lower the uplift factor from 10 per cent to 8 per cent. This change is subject to approval by Parliament.

The main factors underlying the expected increase in other individuals collections in 1992-93 include:

- growth in collections from the application of the provisional tax uplift factor at 8 per cent; and
 - a lower level of provisional tax variations (PTVs) in 1992-93 compared with 1991-92, as the gap between expected income growth and the lower provisional tax uplift factor narrows;
- partly offset by:
- weak income growth in 1991-92 resulting in a relatively high level of credits expected to be offset against provisional tax raised in 1992-93.

Prescribed Payments System (PPS)

PPS collections arise from withholding, at source, taxation on payments for prescribed labour and services in certain industries — in particular, the building and transport industries — where those payments are not covered by the PAYE system. Householders are required to report to the ATO payments made in connection with private construction projects if the value of the project exceeds \$10000.

The amount deducted is based on a standard rate of 20 per cent (or the approved variation rate) of the total expenditure and is paid to the ATO in the month following the expenditure. From 1 July 1992, payees now have the option to request a deduction at either a higher rate than the standard rate or the rate stated on their variation certificate.

These payments are offset against the final assessment of tax liability for that year (calculated using the prescribed rate scales) on the basis of returns lodged after the end of the financial year. Refunds are made when payments exceed the tax liability. Otherwise, where payments are insufficient to meet the tax liability, taxpayers are required to make an additional payment.

Revenue from this source is estimated to recover strongly in 1992-93 mainly as a result of:

- expected growth of about 10¼ per cent in the nominal value of dwelling investment compared with a fall of about 3 per cent in 1991-92;

partly offset by:

- continued weakness in the nominal value of non-residential construction which is forecast to decline by about 14¾ per cent compared with the very marked decline of about 23¼ per cent in 1991-92; and
- an expected further increase in the rate of refunds arising, in part, from the depressed activity levels in 1991-92.

Medicare Levy

Individuals with incomes above specified thresholds currently pay the Medicare levy at a rate of 1.25 per cent of their taxable income. Table 5 contains a decomposition of Medicare levy collections into particular individual income tax groups.

The Medicare levy is expected to increase in 1992-93 owing to stronger growth in wage and salary incomes.

Other Income Tax

Table 6 contains the forecasts for 1992-93 in respect of other income tax items compared with 1991-92 outcomes.

Table 6: Other Income Tax

	1991-92	1992-93	Change on
	Actual	Estimate	1991-92
	\$m	\$m	%
Companies (a)	13419	12110	-9.8
Superannuation Funds	1139	1200	5.3
Withholding Tax			
Resident	238	150	-37.0
Non-resident			
Interest	651	665	2.2
Dividend	50	53	5.2
Mining	2	2	0.0
Total Withholding Tax	941	870	-7.6
Petroleum Resource Rent Tax	876	1200	37.0
Fringe Benefits Tax	1327	1380	4.0
TOTAL	17703	16760	-5.3

Companies Income Tax

A company's tax liability is assessed as a fixed percentage of its taxable income. The statutory tax rate has been 39 per cent since the 1988-89 income year. In broad terms, taxable income is the total income of a company less allowable deductions such as wages paid to employees, purchases of goods and services as inputs, sales tax payments and allowances for depreciation. The tax liability of companies, unlike individuals, is payable in the financial year — or substituted accounting period — following the year in which the income is earned. A portion of capital gains tax is also collected under this revenue head (see Box 2 — Capital Gains Tax).

Companies income tax is forecast to fall in 1992-93 because of:

- an expected decline in company taxable income of 10 per cent during 1991-92 or substituted accounting period;
- a lower expected level of collections from the large-case audit program; and
- the impact in 1992-93 of the simplification of depreciation allowances announced in the March 1991 Economic Statement and One Nation Statement.

BOX 2 — CAPITAL GAINS TAX

Capital gains tax applies to assets acquired after 19 September 1985 and, with some exceptions, covers real gains on realisation of such assets. Collections from the tax are included under the other individuals, companies and superannuation funds revenue heads.

Table 7: Capital Gains Tax

Asset Type	1990-91 (Income Year 1989-90)			1991-92 (Income Year 1990-91)		
	No. of Taxpayers	Capital Gain	Tax Paid	No. of Taxpayers	Capital Gain	Tax Paid
		\$m	\$m		\$m	\$m
Individuals						
Shares	88352	437	108	78095	347	81
Real Estate	24985	264	81	20732	184	54
Partnerships and Trusts	33348	128	37	32960	115	32
Others (a)	8045	46	14	4719	23	7
Sub-total	154730	875	240	136506	669	174
Companies (b)	4160	573	275	2806	253	99
Superannuation Funds (b)	3889	444	116	2251	130	20
TOTAL	162779	1892	631	141563	1052	293

Collections were \$293m in 1991-92, 54 per cent lower than in 1990-91, of which:

- \$174m was collected from individuals;
- \$99m was collected from companies, with 62 per cent coming from companies with taxable income over \$1m; and
- \$20m was collected from superannuation funds, with 91 per cent coming from funds with taxable income over \$1m.

Superannuation Funds

Superannuation funds which comply with the *Occupational Superannuation Standards Act 1987* and its related regulations are taxed at the concessional rate of 15 per cent with payments made according to the arrangements for company tax. Tax liability applies to investment income of, and certain contributions to, complying superannuation funds. These include Federal, State and Local public funds, private funds and approved deposit funds. The tax liability also applies to the superannuation

business of life insurance companies, friendly societies and other registered organisations although, in these cases, the tax is collected under the companies head of revenue.

By investing in companies paying franked dividends, superannuation funds are able to use dividend credits under the imputation system as an offset to their tax liability but, as is the case with individuals, excess credits are not refunded or carried forward to future years. Capital gains tax is also collected under this revenue head (see Box 2 — Capital Gains Tax).

The expected increase in collections for 1992-93 reflects continued growth in employer contributions, partly offset by lower earnings by funds during 1991-92 and a continuing trend of contributions to these funds being passed, for management, to life insurance companies.

Withholding Tax

(a) Resident Withholding Tax

From 1 July 1991, where taxpayers do not supply an investment body with their tax file number (TFN) when making an investment, the investment body is required to withhold tax on any payments made in relation to the investment. Amounts withheld are then remitted to the ATO. Tax is withheld at the maximum marginal tax rate for individuals plus the Medicare levy. Interest forms the main type of payment from which tax is withheld.

Resident withholding tax is expected to fall significantly in 1992-93 because of the downward movement in interest rates and an increase in the notification of TFNs following the introduction of the scheme in 1991-92.

(b) Non-resident Interest Withholding Tax

Non-resident interest withholding tax is imposed at a flat rate of 10 per cent on gross interest paid to non-residents from Australian sources. The major exemptions from this tax allowed under Australian legislation include interest on certain public or widely spread debentures issued overseas by Australian borrowers.

The forecast decline in non-resident collections is largely attributable to the effect of downward movements in interest rates through 1991-92, together with a continuation of the higher rate of exemption from tax on interest paid overseas.

(c) Non-resident Dividend Withholding Tax

Non-resident dividend withholding tax is generally imposed at a rate of 30 per cent (generally reducing to 15 per cent for residents of countries which have double taxation

agreements with Australia) on unfranked dividends paid to non-residents by Australian companies.

Collections in 1992-93 are expected to be about the same as in 1991-92 as dividend payments are expected to remain subdued.

(d) *Mining Withholding Tax*

Mining withholding tax represents the amount withheld from payments to Aboriginals for the use of Aboriginal land for mineral exploration and mining. Expected revenue is unchanged in 1992-93.

Petroleum Resource Rent Tax (PRRT)

PRRT applies to offshore areas under the Commonwealth's *Petroleum (Submerged Lands) Act 1967*, other than the North West Shelf production licence areas and associated exploration permit areas that are subject to excise and royalty arrangements. PRRT is levied at the rate of 40 per cent of taxable profit from a petroleum project.

Taxable profit is the excess of taxable receipts over deductible expenditure. Receipts include income from the recovery of all petroleum including crude oil, condensate, natural gas, LPG and ethane. Deductible exploration expenditure, incurred after 1 July 1990 in PRRT liable areas, is transferable between projects held by the same entity. Deductible expenditure includes an allowance for the carry-forward of general and exploration expenditures incurred before a project becomes taxable.

From 1990-91, PRRT was extended to Bass Strait production. As a transitional arrangement, Bass Strait producers were liable for excise and royalties until the amending legislation became effective on 1 July 1991. Under these arrangements, a reconciliation between tax liabilities under the two regimes occurred early in 1991-92, when the 1990-91 final assessment was made and refunds were paid to the companies involved.

The estimated strong increase in PRRT revenue in 1992-93 is a result of:

- four quarterly collections in 1992-93 compared with three in 1991-92;
- a one-off refund of \$194m in August 1991, which reconciled the difference between the estimated PRRT liability and actual crude oil and LPG excise collections for 1990-91;
- a technical assumption of an average price of \$US19 per barrel of oil; and
- partly offsetting the above, an expected decrease in the average level of production.

Fringe Benefits Tax

FBT applies to a range of benefits provided by employers to their employees. The FBT rate was increased from 47 per cent to 48.25 per cent with effect from 1 April 1992 to include the Medicare levy. This, however, has no revenue impact until 1992-93. Liability for payment of FBT rests with the employer regardless of whether the benefit is provided by an associate of the employer or by a third party. Table 8 disaggregates collections for 1990-91 and 1991-92 by type of benefit and shows the taxable amount.

Table 8: Fringe Benefits Tax by Type of Benefit

Type of Benefit	1990-91(a)		1991-92 (b)		Change on 1990-91	Per Cent of Total
	Taxable Amount	Tax Collected	Taxable Amount	Tax Collected		
	\$m	\$m	\$m	\$m	%	%
Motor Vehicles						
Statutory Formula Method	1194	561	1153	542	-3.4	40.8
Log Book Method	51	24	49	23	-4.2	1.7
Low Interest Loans	411	193	389	183	-5.2	13.8
Expense Payments	462	217	568	267	23.0	20.1
Housing	179	84	177	83	-1.2	6.3
Other (c)	334	157	375	176	12.1	13.3
Not allocated (d)	55	26	113	53	103.9	4.0
TOTAL	2686	1262	2824	1327	5.2	100.0

Revenue from the FBT is estimated to rise in 1992-93 owing to:

- higher AWE (National Accounts basis) and wage and salary employment, resulting in an increase in total employee remuneration of which fringe benefits are assumed to be a fairly constant proportion;
 - a recovery in growth of motor vehicle benefits in line with the pick up in registrations; and
 - the effects of the application of the Medicare levy to the FBT rate;
- partly offset by:
- a decrease in the taxable value of low interest loans resulting from the reduction in the benchmark interest rate to 9.25 per cent from 1 April 1992; and
 - a reduction in revenue from audit operations compared with 1991-92.

Indirect Tax

A summary of the estimated outcome for indirect tax in respect of 1992-93 compared with the outcome for 1991-92 is contained in Table 9.

Table 9: Indirect Tax

	1991-92	1992-93	Change on 1991-92
	Actual	Estimate	
	\$m	\$m	%
Sales Tax	9113	9440	3.6
Excise Duty			
Petroleum Products (a)	7110	7260	2.1
Other	2324	2350	1.1
Customs Duty			
Imports	3299	3540	7.3
Coal Exports (b)	45	-	-
Debits Tax	3	-	-
TOTAL	21893	22590	3.2

Wholesale Sales Tax (WST)

Sales tax is imposed on a range of domestic goods destined for consumption in Australia and is levied at the last wholesale or import point on the wholesale sales value of taxable goods unless these goods are specifically exempted. Second-hand goods are generally not taxed because they have already borne the tax when first produced. Taxable goods are subject to tax rates of either 10, 15, 20 or 30 per cent. To a large extent, the use to which a particular good is put determines its sales tax classification and eligibility for exemption.

A turn-around in collections in 1992-93 is expected to occur as a result of stronger growth in nominal private consumption of around 5¼ per cent, partly offset by:

- the first full year for the exemption of certain business inputs at an additional cost to revenue of \$205m;
- the reduction from 20 per cent to 15 per cent in the WST rate on non-luxury passenger motor vehicles which took effect from 27 February 1992, with an estimated full-year cost of \$185m; and
- a reduction in revenue from audit operations compared with 1991-92.

Estimated collections of sales tax on goods falling within specified rate classes for 1991-92 and 1992-93 are provided in Table 10.

Table 10: Sales Tax by Rate Class

Rate Class	1991-92	1992-93	Change on 1991-92
	Actual	Estimate	
%	\$m	\$m	%
10	1160	1145	-1.2
15 (a)	131	1025	-
20	6713	6037	-10.1
30	634	698	10.1
Not allocated by rate (b)	475	535	12.7
TOTAL	9113	9440	3.6

Excise Duty

The main components of excise duty for 1991-92 and 1992-93 are shown in Table 11.

Table 11: Decomposition of Excise Duty

Rate Class	1991-92			1992-93	
	Estimate	Actual	Change on 1990-91	Estimate	Change on 1991-92
	\$m	\$m	%	\$m	%
Total Petroleum Excise (a)	7075	7110	-10.6	7260	2.1
Other Excise (b)					
Beer	912	829	-4.3	841	1.4
Potable Spirits	178	176	4.1	179	1.7
Tobacco products	1382	1312	-0.8	1323	0.8
Other (c)	13	7	0.0	7	0.0
Total Other Excise	2485	2324	-1.7	2350	1.1
TOTAL	9560	9434	-8.6	9610	1.9

(a) *Petroleum Products Excise*

Petroleum products excise is imposed on a number of petroleum fuels, the most important of which are motor spirit and diesel. It is imposed at a fixed rate per litre of product.

A small amount of crude oil excise will be collected from fields in the North West Shelf production licence areas and is now recorded under petroleum excise.

Revenue from petroleum products excise is expected to increase as a result of a modest growth in clearances of motor spirit and diesel fuel as economic activity increases.

(b) *Other Excise*

Other excise is derived from beer, potable spirits, tobacco products and coal. It is imposed at a fixed rate per quantity of product.

Revenue from these excises is forecast to increase slightly in 1992-93 owing to:

- the increase in average excise rates as a result of indexation; and
- the effect of the \$5 increase in the excise rate on tobacco products announced in the Budget;

partly offset by:

- the impact of increased State franchise fees on consumption of tobacco and alcohol.

Excise Indexation

The rates of duty for the main excisable commodities (with the exception of crude oil and LPG) are adjusted each August and February in line with half-yearly CPI movements. If the change in the CPI is negative, the excise rate is not reduced but instead the decline is carried forward to be offset against the next positive CPI movement.

The increase in the excise rate effective from February 1992 was 1.5 per cent. There was no change in the excise rate effective from August 1992 as a consequence of the 0.3 per cent decline in the CPI for the six months to June 1992.

Rates applying from 3 February 1992 and 3 August 1992 are shown in Table 12. As a result of the announcement in this Budget, the rate of excise on tobacco products applying after midnight 18 August will increase by \$5 per kilogram to \$57.50 per kilogram.

Table 12: Excise Rates

Commodity	Rates applying from -	
	3 February 1992 \$	3 August 1992 \$
Petroleum Products (per litre)		
Motor Spirit	0.26154	0.26154
Diesel (gross) (a)	0.26154	0.26154
Aviation Gasoline (b)	0.27480	0.26480
Fuel Oil	0.05425	0.05425
Heating Oil	0.05425	0.05425
Kerosene	0.05425	0.05425
Beer (per litre of alcohol over 1.15 per cent)	14.21	14.21
Potable Spirits (per litre of alcohol)		
Brandy	28.27	28.27
General rate for Other Spirits	33.11	33.11
Spirits nec. and other Liqueurs nec.	33.99	33.99
Tobacco Products (per kg) (c)	52.50	52.50
Coal Excise (per tonne)	0.25	0.25

Customs Duty on Imports

Ad valorem tariffs are applied to many categories of imports. Import customs duty revenue is affected by the SA value of imports, the exchange rate, the level of the statutory tariff rates applied to imports and the composition of imports between high and low tariff rates.

The tariff reforms announced in the *May 1988 Economic Statement* and in the *March 1991 Economic Statement* have resulted in a decline in the average rate of duty in recent years and will continue to do so. These reforms are gradually reducing the number and level of the multitude of tariff rates. In particular, tariffs in excess of 15 per cent have been phased down to 15 per cent — and tariffs between 10 and 15 per cent have been phased down to 10 per cent. Further phased reductions to a general tariff ceiling of 5 per cent by 1996 will follow. Separate arrangements are being implemented for the textiles, clothing and footwear and passenger motor vehicle industries.

Import duty revenue is forecast to rise by 7.3 per cent because of a forecast rise of 14 per cent in the total value of endogenous imports partly offset by the continued tariff rate reductions which will further reduce the underlying average rate of duty.

Coal Export Duty

The coal export duty was abolished as from 1 July 1992.

Other Taxes, Fees and Fines

Table 13 contains the revenue outcome for other taxes, fees and fines for 1991-92 and estimated revenue for 1992-93.

Table 13: Other Taxes, Fees and Fines

	1991-92	1992-93	Change on
	Actual	Estimate	1991-92
	\$m	\$m	%
Primary Industry Levies	728	636	-12.7
Primary Industry Charges	101	110	9.3
Broadcasting and Television Station Licence Fees	134	126	-5.8
Radiocommunications Licence Fees	73	79	9.3
Stevedoring Industry Collections	54	43	-20.6
Departure Tax	82	96	17.3
Passport Fees	60	71	17.7
Immigration Fees and Charges	60	73	23.2
Court Fees and Fines	19	19	0.4
Light Dues and Navigation Charges	43	40	-7.5
Other	287	390	35.9
TOTAL	1640	1683	2.6

The only item expected to exhibit a significant variation in dollar terms in 1992-93 is primary industry levies collected by the Commonwealth. The proceeds of these levies are passed to statutory marketing authorities, research corporations or to industry trust accounts to fund their market support, product promotion, research, disease control and eradication activities.

The expected reduction in revenue in 1992-93 from these levies mainly arises from reduced wool tax collections — down by \$97m — resulting from the reduction in the wool tax rate from 12 per cent to 8.5 per cent and an expected decrease in wool production.

Non-Taxation Revenue

Non-taxation revenue comprises interest paid to the Commonwealth Government from sources outside the budget sector, dividends from Government-owned enterprises and miscellaneous revenue. The outcome for 1991-92 and the estimates for 1992-93 are shown in Table 14.

Table 14: Non-Taxation Revenue

	1991-92	1992-93	Change on
	Actual	Estimate	1991-92
	\$m	\$m	%
Interest	2216	1923	-13.2
States, NT and ACT			
Non-budget Authorities:			
Australian and Overseas Telecommunications and Postal Corporations	355	170	-52.2
Australian National Railways Commission	9	3	-72.3
Civil Aviation Authority	5	2	-59.0
Federal Airports Corporation	49	49	-0.3
Pipeline Authority	14	9	-35.0
Snowy Mountains Hydro-Electric Authority	75	75	-0.7
Commonwealth Cash Balances with RBA	148	166	12.0
Other	98	94	-4.3
Total Interest	2971	2490	-16.2
Dividends and Other			
Transport and Communications Government			
Business Enterprises Dividends and Licence Sales (a)	412	821	99.1
Australian Industry Development Corporation	0	0	-
Financial Enterprises (Banks) (b)	2003	2654	32.5
Royal Australian Mint	31	22	-29.2
Petroleum Royalties	81	47	-42.0
Other	23	28	18.8
Total Dividends and Other	2551	3572	40.0
TOTAL	5522	6062	9.8

Interest Revenue

Interest Revenue from the States, Northern Territory and ACT

The Commonwealth receives interest payments from the States on advances made under the State Governments' Loan Council Program and from the Northern Territory on advances made under similar general purpose capital assistance arrangements. Payments relating to these advances are made in turn by the Commonwealth to bondholders. The Commonwealth also receives interest from the ACT on debts assumed upon self-government.

The expected decline in revenue in 1992-93 reflects the June 1990 Loan Council decision that each year the States (and Territories) would make additional payments to the National Debt Sinking Fund sufficient to permit the redemption of all maturing Commonwealth securities issued on their behalf.

Australian and Overseas Telecommunications Corporation (AOTC, previously Telecom)

Interest received from AOTC in 1992-93 is estimated to fall significantly. This reflects the progressive \$2 billion conversion of Commonwealth debt into equity. In 1992-93, \$1 billion of this debt is being converted, with the remaining \$1 billion to be converted in four instalments of \$250m each on 1 July 1993, 1994, 1995 and 1996. AOTC's remaining Commonwealth loans are due to be repaid over the next four years.

Dividends and Other

Transport and Communications Government Business Enterprises (GBEs) Dividends and Licence Sales

The total in Table 14 for Transport and Communications GBEs includes the bulk dividend for all enterprises under this classification as well as the proceeds from the licence sale of the third public mobile telecommunications service carrier.

Consistent with dividend determination arrangements established under the 1988 reform packages for Transport and Communications GBEs, the global estimate for 1992-93 is without prejudice to the eventual dividend to be settled with each of the enterprises after the finalisation of their accounts for the 1991-92 financial year.

Global dividends in 1992-93 are estimated to be substantially higher than in 1991-92. The increase in 1992-93 mainly reflects:

- an increase in dividends to more commercial levels consistent with the thrust of GBE reforms that require them to operate in a more commercial manner;
- a higher final dividend component from AOTC because of changes in the timing of receipt of the former Telecom and OTC dividends; and
- an expected improvement in the performance of certain GBEs.

The increase in this item also reflects the decision by the Government to licence a third public mobile telecommunications service carrier, to commence the provision of services from 1 July 1993 in competition with Mobilenet and Optus Mobile. A Communications Selection Team has been established in the Department of Transport and Communications to manage the process for selecting the licensee. It is expected that the process will be completed by the end of 1992.

Financial Enterprises (Bank) Dividends

This item includes dividends paid by the Reserve Bank of Australia (RBA) and the Commonwealth Bank of Australia (CBA).

The Reserve Bank Act 1959 requires the RBA to pay its net earnings to the Commonwealth after provisions for contingencies and appropriations to reserves.

The increase in the combined dividend in 1992-93 reflects:

- a significant increase in the final RBA dividend from \$1103m in respect of 1990-91 profits to \$1954m in respect of 1991-92 profits; and
- an expected increase in the interim RBA dividend from \$400m in respect of 1991-92 profits to \$600m in respect of 1992-93 profits, which is due in June 1993;

partly offset by:

- the unwinding of temporary factors which increased the 1991-92 payment by the CBA; in particular:
 - the dividend of \$177m in respect of surplus funds transferred from the Commonwealth Bank Officers' Superannuation Corporation; and
 - the deferral of dividends in respect of 1989-90 profits from 1990-91 into 1991-92, as a consequence of the partial float of the CBA.

Australian Industry Development Corporation (AIDC)

Owing to the AIDC not generating a profit in 1991-92 no dividend is expected to be paid in 1992-93.

Royal Australian Mint (RAM)

Revenue from the RAM relates to seignorage on circulating coin production and profits from the sale of numismatic coins.

The expected decline in 1992-93 is mainly due to:

- the low level of sales of circulating coins due, in part, to the 'money-box' effect associated with the return of 1 cent and 2 cent coins;
 - that is, old coins of other denominations are re-entering circulation; and
- an underlying structural change in the demand for coinage as new means of payment are increasingly being used in transactions.

Petroleum Royalties

Petroleum royalties include the Commonwealth's share of revenue from the Barrow Island resource rent royalty, royalties from the North West Shelf project (in Commonwealth jurisdiction) and a share of royalties from a number of projects in Western Australian state waters, including the Saladin and Harriet developments. This item has been affected by classification changes, as outlined in Statement 7.

Royalty revenue received in 1991-92 from the Bass Strait project has been credited against the producers' PRRT liability.

The forecast fall in gross petroleum royalty collections in 1992-93 reflects:

- a reduction in production estimates from a variety of fields in Western Australia;
- a partial refund of royalties to producers from the Saladin and Bass Strait projects; and
- an anticipated reduction in Barrow Island resource rent royalty owing to field maturity and higher production expenditures.

PART IV: LONGER-TERM TRENDS

Chart 1 shows trends in the major categories of revenue expressed as a proportion of nominal GDP since 1981-82 and includes the estimates for 1992-93. The tables in Appendix B present other information on revenue over the same period.

Part IV of last year's Statement 4 discussed longer-term trends in revenue collections by examining likely movements in the revenue base as a share of GDP.

While there were some unexpected shorter-term developments in 1991-92 — especially for other individuals collections (discussed in Part III) — the main conclusions in last year's statement appear to remain relevant.

- After an expected fall in 1991-92 to around 10 per cent of GDP, net PAYE is still likely to recover to around its historical average.
- The recovery in the company tax share is still expected but, because of the slower than expected economic recovery, has now been postponed for a year, or possibly longer, if the writing off of bad debts proves to be a significant factor.
- The indirect tax base is expected to narrow owing to the slow long-term growth in consumption of excisable products — chiefly, tobacco and alcohol. Phased tariff reductions are likely to continue reducing custom duty collections as a share of GDP.

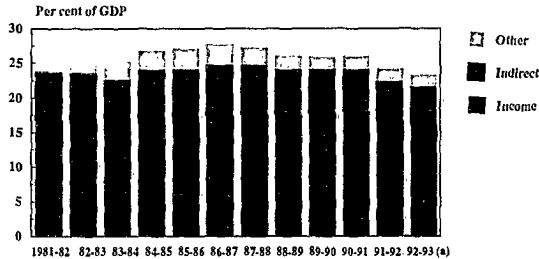
Part IV of Statement 4 in 1991-92 Budget Paper No 1 contains further details.

Another significant feature that emerged in 1991-92, and has consequences for the longer term, was the marked step down in both wage and price inflation. This has affected the extent of fiscal drag (or bracket creep) and the magnitude of interest flows due to lower nominal interest rates.

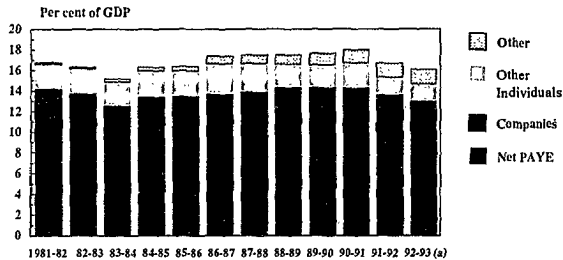
The reduction in fiscal drag will have little bearing on the longer-term outlook for revenue to GDP since the proceeds of bracket creep have generally been returned over time through cuts in tax rates. Short-term bracket creep will be less, so that the recovery in revenue will be somewhat slower, but the cost of rate scale adjustments to return bracket creep will also be lower.

The effects of lower interest flows are likely to cut both ways. Tax on interest income earned by domestic lenders and foreign lenders (the latter collected under the non-resident withholding tax head) will be lower. On the other hand, businesses, who make up a large proportion of domestic borrowing, will have smaller interest deductions and so company tax collections could be held up. On balance, given the private sector

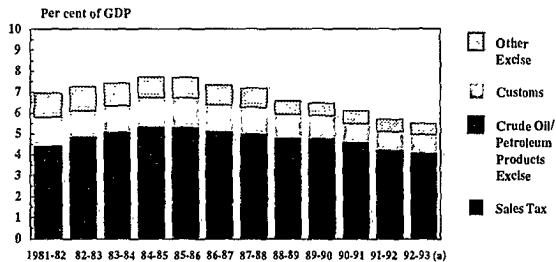
CHART 1: REVENUE AS A PER CENT OF GDP: 1981-82 TO 1992-93
Panel A: Total Revenue



Panel B: Income Tax Revenue



Panel C: Indirect Tax Revenue



(a) Estimate

is a net borrower from overseas, a favourable net effect on revenue from lower interest rates cannot be ruled out.

The revenue to GDP ratio is estimated to decline slightly on a no policy change basis over the coming years and on the basis of current projections, the budget deficit in 1995-96 would be around 1¼ per cent of GDP.

However, to maintain the structure of the revenue base and reduce the prospective deficit for 1995-96 the Government is prepared to consider reforms to the domestic interest withholding tax, the scope of the PPS arrangements and the FBT system (to make more neutral the taxation of remuneration in cash and kind), if nearer to the time the prospective deficit is as now projected.

Adoption of such measures could yield between \$2 billion and \$3 billion, which would point to a budget deficit of between ½ and 1 per cent of GDP.

APPENDIX A: REVENUE MEASURES ANNOUNCED SINCE THE
1991-92 BUDGET

MEASURES ANNOUNCED IN THE ONE NATION STATEMENT
— 26 FEBRUARY 1992

Income Tax

Personal Income Tax Rates Scale

The Government announced that new personal income tax rates scales will be introduced in two stages — on 1 July 1994 and 1 January 1996, as shown in Table A.1 below.

Table A.1: Personal Income Tax Rates Scale

Income Range (\$ per annum)	Marginal Rate (cents per dollar)		
	Current	From 1 July 1994	From 1 January 1996
0 - 5400	0	0	0
5400 - 20700	20	20	20
20700 - 36000	38	34	30
36000 - 38000	46	34	30
38000 - 40000	46	43	30
40000 - 50000	46	43	40
Over 50000	47	47	47

The Government is committed to delivering the *One Nation* tax cuts in 1994 and 1996. With lower inflation now in prospect there will be less bracket creep on tax scales. As a result, the tax cuts in 1994 and 1996 will provide an even lower effective tax burden in those years.

Depreciation Arrangements

Depreciation allowances for plant and equipment were accelerated, particularly for assets with long effective lives. Table A.2 compares the old and the new declining balance depreciation rates and their corresponding implied write-off periods for assets in each effective life class. The new rates apply to plant and equipment acquired, or commenced to be constructed, on or after 27 February 1992.

Table A.2: Depreciation Rate Schedules

Effective Life Class	New Rate of Depreciation	Implied Write-Off Life	Previous Rates (inclusive of loading)	Implied Write-Off Life
Years	%	Years	%	Years
less than 3	100	1	100	1
3 to less than 5	60	2.5	60	2.5
5 to less than 6 2/3	40	3.75	36	4.2
6 2/3 to less than 10	30	5	27	5.6
10 to less than 13	25	6	18	8.3
13 to less than 20	20	7.5	13.5	11.1
20 to less than 30	20	7.5	9	16.7
30 and over	10	15	9 or 4.5	16.7 or 33.3

Amortisation deductions were extended to income producing structural improvements at the 2 ½ per cent rate accorded income producing buildings. This extension applies to income producing structural improvements commenced to be constructed on or after 27 February 1992.

Amendments have been introduced to enable lessees to claim depreciation on improvements installed on Crown land. A taxpayer's entitlement for deduction in these circumstances will depend on whether the taxpayer has incurred the capital cost, has proprietary rights akin to 'ownership' and is the real end-user of the plant in production of assessable income. The amendment applies in respect of plant and equipment acquired, or commenced to be constructed, on or after 27 February 1992.

Write-Off of Certain Income Producing Buildings

The write-off allowances for short-term traveller accommodation and industrial buildings were increased from the previous 2 ½ per cent to 4 per cent per annum on a straight line basis. The measure applies in respect of buildings where construction commenced on or after 27 February 1992.

Development Allowance

The *One Nation* statement also introduced a development allowance which provides an additional tax deduction of 10 per cent of the cost of new plant and equipment used, or installed ready for use, in projects (including expansions and upgrades) with a capital cost of \$50m or more. Only those projects which commenced after 26 February 1992, register before 31 December 1992 and commence before 30 June 1996 will be eligible for the development allowance. The plant and equipment must be first used or installed ready for use in that project before 30 June 2002. Investments in sectors receiving high levels of border assistance will generally be ineligible for the development allowance as will investments in a number of other, predominantly non-traded goods and services, sectors. Apart from the sectoral requirement, projects which commence after the end of 1992 will need to demonstrate that they are internationally competitive with respect to labour management practices and input pricing. A

Statutory Authority, within the Treasury portfolio, has been established to assess project eligibility for the development allowance.

Pooled Development Funds (PDFs)

In response to problems faced by smaller firms in obtaining equity capital, the Government has provided for the establishment of concessionally taxed investment companies called Pooled Development Funds. PDFs have as their sole purpose the provision of equity capital to Australian resident companies which have total assets of less than \$30m. PDFs cannot invest in companies engaged in retailing operations or real estate (other than tourism projects and industrial buildings used in a manufacturing project).

PDFs are taxed at a concessional tax rate of 30 per cent. The general rule is that dividends received from PDFs are tax exempt. However, shareholders who receive franked dividends from a PDF may treat the dividends as taxable to take advantage of the benefits of imputation. Gains on the disposal of PDF shares are exempt from tax. To receive the concessional tax treatment a company must be registered as a PDF. Rules for the registration of PDFs are set out in the *Pooled Development Funds Act 1992*.

Offshore Banking Units (OBUs)

The Government decided that the taxable income derived from offshore banking transactions by authorised OBUs in Australia will be taxed at the reduced rate of 10 per cent from 1 July 1992. The measure is designed to stimulate development of offshore banking in Australia. Legislation setting out a broad range of eligible offshore banking transactions and anti-avoidance measures was introduced into Parliament on 25 June 1992.

Deduction for Bad Debts

The law relating to bad debts has been amended to ensure that, under broadly similar conditions for bad debt deductibility, taxpayers will be able to claim losses incurred in debt for equity swaps under debt restructuring arrangements. These provisions apply to debt/equity swaps where the debt is extinguished after 26 February 1992. As well, the existing law has been amended to ensure that taxpayers are entitled to deductions in respect of losses incurred in writing off a bad portion of a debt.

Capital Gains Tax (CGT) Goodwill Exemption

The CGT goodwill exemption for small business was increased from 20 per cent to 50 per cent and the eligibility ceiling was doubled from \$1m to \$2m of net business interests. The measure applies in respect of disposals of goodwill on or after

27 February 1992. This measure is expected to facilitate greater capital mobility in the small business sector.

Small Company Tax Deferral

Small companies will be allowed a deferral (of nine weeks) of their initial payment of company tax due in respect of the 1991-92 income year. For example, for a small company with a balance date in June 1992, the initial payment is now due on 28 September 1992, in lieu of 28 July 1992. Small companies are those with notional or estimated tax for the 1991-92 income year of less than \$400000.

Infrastructure Borrowings

The Government has introduced a category of non-assessable/non-deductible borrowings (referred to as infrastructure borrowings) to assist with private investment in, and operation of, eligible land transport, seaport and electricity generating facilities. Interest or similar income derived from investment in eligible infrastructure borrowings is exempt from tax, while the interest cost of such borrowings is not an allowable deduction to the borrowing company. This reduces the effective cost of such borrowings for infrastructure projects which typically generate tax losses in their early years. The eligibility requirements for such borrowings are provided in legislation passed by the Parliament in June 1992. While providing maximum flexibility for the design of infrastructure borrowings, the law contains rules to ensure that the funds will be used to finance genuine private sector investment in the selected infrastructure areas. The new arrangements apply to eligible borrowings undertaken on or after 1 July 1992.

Wholesale Sales Tax (WST)

Sales Tax on Passenger Motor Vehicles

The rate of WST applying to new passenger motor vehicles priced below the 'luxury' threshold was reduced from 20 per cent to 15 per cent, effective on or after 27 February 1992.

MEASURES ANNOUNCED IN THE SECURITY IN RETIREMENT STATEMENT — 30 JUNE 1992

Preservation

The current preservation arrangements will be replaced with provisions requiring all superannuation benefits to be preserved to the preservation age after 1 July 1996, apart from an amount equal to the greater of a person's cash vested resignation benefit (or retrenchment benefit, if greater) as at 1 July 1996, indexed to average weekly ordinary time earnings (AWOTE), or the person's undeducted contributions. Superannuation

Guarantee Charge (SGC) contributions are required to be fully preserved from 1 July 1993.

The preservation age will be increased under a phased scale, commencing from 2015, so that by 2025 most superannuation benefits will be preserved to age 60. For those affected by the higher preservation age, limited access to lump sum retirement benefits from age 55 will be provided, as long as the person takes the remainder of the benefit as a non-commutable lifetime pension or annuity.

Reasonable Benefit Limits (RBLs)

From 1 July 1994, the current RBLs, which are based upon a person's highest average salary in three consecutive years, will be replaced with fixed dollar limits which will be indexed to AWOTE:

- the lump sum RBL initially will be \$400000 with a total RBL of \$800000. The total RBL is applicable where at least half of a person's benefit is taken as a complying superannuation pension or annuity;
- the current RBL funding limits will be replaced with simpler age based limits on the deductible contributions a person or employer may contribute; and
- those people who already have accrued benefits that are within their existing RBL but in excess of the proposed limits will be allowed to retain those entitlements, indexed to AWOTE.

Minimum Standards for Pensions and Annuities

New rules will be introduced to provide a minimum standard definition that will apply to all pensions and annuities that provide retirement income streams.

These rules generally will apply to all pensions and annuities that commence after 30 June 1994. In the case of allocated pensions and pensions and annuities where the payment rate and basis of any variation are not fully defined in the trust deed or the annuity contract, the new rules will apply from the date of assent to the legislation, including to those already on issue.

Member Contributions

From 1 July 1992, a person will be treated as 'self employed' for the purpose of determining eligibility for deductions for superannuation contributions where that person's wage or salary income from employment is less than 10 per cent of assessable income.

From 1 July 1992, the current tax concessions for contributions made by supported employees will be replaced by an income tested rebate of 10 per cent for the first \$1000 contributions per annum for low income earners. The maximum rebatable contribution will be reduced by 25 cents for each dollar of assessable income of the contributor over \$27000, so that eligibility for the rebate is fully phased out for people with assessable income of \$31000 or over.

Superannuation Pensions and Rollover Annuities

From 1 July 1994, the rebate arrangements for superannuation pensions and annuities will be simplified by the introduction of a flat 15 per cent rebate on the amount of the pension or annuity included in assessable income up to the maximum amount allowed under the RBL.

The new rebate will apply to all superannuation pensions and rollover annuities that are rebatable under the current law, as well as to some categories of rollover annuity currently excluded by technicalities in the law.

To ensure consistent treatment of superannuation pensions and annuities, the undeducted purchase price (UPP) of rebatable superannuation pensions and rollover annuities issued after 1 July 1994 will be limited to the recipient's post-30 June 1983 undeducted contributions. The UPP of rebatable superannuation pensions and rollover annuities already on issue prior to that date will remain unaltered.

The definition of eligible termination payments will be amended so that the 'unused undeducted purchase price' of a commuted pension or rollover annuity can be rolled over direct to a rollover fund or to another pension or annuity benefit.

Eligible Termination Payments (ETPs)

(a) Rollovers

From 1 July 1994, the current provisions that allow a person to roll over an ETP up to 90 days after its receipt will be replaced with rules that:

- require benefits to be rolled directly from the source to the destination fund; and
- the 90 day rollover period will be replaced with a provision preventing a fund from requiring a person to withdraw a benefit for at least 90 days after termination of employment or of otherwise ceasing to be eligible for membership of that fund.

As an anti-tax avoidance measure, from 1 July 1992, people rolling benefits over are no longer allowed to elect to receive payments from any particular component of an ETP except from the undeducted contributions component and the concessional component. ETPs that are part payments of benefits are required to be taken in the

pre- and post-30 June 1983 proportions of the principal benefit and taxed accordingly. Any amounts rolled over retain the same eligible service period as the original ETP except where the ETP is rolled over into a fund where the person has an existing entitlement with a longer eligible service period.

(b) Bona Fide Redundancy Payments

From 1 July 1994, a limit will be placed on the amount of a payment allowed to receive concessional tax treatment where that payment is received as a bona fide redundancy payment (not including superannuation payments) or under an approved early retirement scheme;

- this limit will be \$4000 plus \$2000 per year of completed service with the employer concerned;
- payments within this limit will be exempt from tax, will not count for RBL purposes and will be excluded from the definition of an ETP (and so will not be allowed to be rolled over); and
- payments in excess of this limit will be taxed as *ex gratia* ETPs.

(c) Invalidity Payments

From 1 July 1994, the future service component of an ETP paid as a consequence of permanent invalidity (ie that part of the ETP deemed to represent a payment in respect of the period between the time of actual retirement and the person's 'normal' retirement age) will be exempt from tax and the RBL. Such payments will continue to be allowed to be rolled over and will count as undeducted contributions in the rollover fund.

Death Benefits

From 1 July 1994, the taxation treatment of death benefits will be changed so that death benefits are treated as if they were received by the deceased for RBL purposes, irrespective of whether they are paid direct or through an estate. ETP death benefits within the deceased's RBL will be exempt from tax if paid to dependants and taxed at 16 ¼ per cent if paid to non-dependants.

Overseas Superannuation Funds

From 1 July 1994, the current definition of 'foreign' superannuation fund will be replaced with definitions of 'resident' and 'non-resident' superannuation funds. Non-resident superannuation funds will not qualify for Australian tax concessions and the benefits accruing in such funds on behalf of Australian residents will be taxed in a manner similar to benefits accruing in a non-complying fund.

OTHER MEASURES ANNOUNCED SINCE THE 1991-92 BUDGET

Income Tax

Deductibility of Gifts: Extensions

The Treasurer announced that gifts of \$2 or more to the following bodies would qualify as deductible donations where made on or after the date of announcement, unless otherwise indicated.

- From 10 September 1991
 - Eritrean Relief Association in Australia Overseas Fund
- From 26 November 1991 until 1 July 1992
 - Australia-United States Coral Sea Commemorative Council
- From 3 February 1992
 - Daughters of our Lady of the Sacred Heart Overseas Aid Fund
 - Divine Word Missionaries Overseas Aid Fund
- From 15 May 1992
 - International Childrens Aid Limited — Overseas Fund

On 27 February 1992, the Treasurer announced 74 admissions to and three deletions from the Register of Cultural Organisations. A further 39 admissions and one deletion were announced on 11 June 1992.

The Treasurer announced that gifts of \$2 or more to the following bodies would no longer qualify as deductible donations from the date indicated.

- From 16 September 1991 to the overseas aid funds
 - International Disaster Emergency Committee (IDEC) Kampuchean Relief Appeal
 - IDEC African Relief Appeal
 - IDEC Tongan Relief Appeal

Exemption for Australian Defence Force (ADF) Personnel in Cambodia

The Government announced on 1 April 1992 that members of the ADF serving with the United Nations Transitional Authority in Cambodia will be exempt from tax on their pay and allowances by virtue of Cambodia being made an 'operational area' for the purposes of section 23AC of the *Income Tax Assessment Act 1936*. After the UN-declared ceasefire and handover of weapons, Cambodia will cease to be an 'operational area' but ADF personnel then serving in Cambodia will be eligible for a section 79B tax rebate. This announcement was given effect in *Taxation Laws Amendment Act (No.2) 1992* (Act no. 80 of 1992).

Taxation of Interests in Foreign Investment Funds (FIFs)

In last year's budget, the Government announced the broad design features of new measures to tax the income in respect of interests in FIFs held by Australian residents. An Information Paper detailing the proposed legislative arrangements was released by the Treasurer on 2 April 1992. On 25 June 1992, the Government introduced into Parliament a Bill containing legislation for the FIF measures, to take effect from 1 July 1992.

Foreign Source Income

The Government announced, on 6 September 1991, modifications to the measures for taxing foreign source income, which are to have effect from the 1990-91 income year. The modifications provide relief to taxpayers by taking into account losses incurred by a controlled foreign company (CFC) in a listed country or by another member of a group of companies in that country when calculating the attributable income of the CFC. These were given effect by Statutory Rules 1992 No. 38, issued on 7 February 1992.

Foreign Tax Credit System

The Government announced a technical amendment to the foreign tax credit system on 12 November 1991. The amendment clarifies the law relating to the carry forward of excess foreign tax credits to ensure that it operates as intended with effect from the 1990-91 income year, so that only excess credits that arose for the 1990-91 and subsequent years can be carried forward. *Taxation Laws Amendment Act 1992* (Act No. 35 of 1992) gave effect to this announcement.

Changes to the Capital Gains Tax (CGT)

The operation of subsections 160M(6) and 160M(7) of the *Income Tax Assessment Act 1936* dealing with the taxation of incorporeal assets, such as rights under an agreement, has been clarified.

The Government also made a number of other changes to the CGT — those changes were mainly of a technical nature and did not alter the basic design features of the CGT. Changes included more favourable arrangements for claiming losses on shares in companies that are liquidated, correction of some minor deficiencies in the principal residence exemption provisions and a number of amendments to the rollover relief arrangements.

Traditional Securities

As announced on 30 June 1992, the Government has decided to introduce amendments to prevent certain capital losses incurred on the disposal of traditional securities being deductible for income tax purposes. Traditional securities are, broadly, investments such as debentures, bonds or loans that do not have a deferred income element. Under existing law, gains made on the disposal of traditional securities acquired after 10 May 1989 are included in assessable income, and losses on disposal are allowable deductions.

Amendments will be introduced during the Budget sittings of Parliament to deny income tax losses of the capital amount of an investment in relation to traditional securities disposed of after 30 June 1992. Such losses could occur, for example, on the failure of a financial institution or by loans being forgiven.

The capital gains tax rules will be amended so that losses on traditional securities will be recognised under the capital gains tax provisions.

Primary Production Definition

The definition of primary production has been changed so as to include taxpayers engaged in horticulture.

Superannuation Guarantee Charge (SGC)

The SGC was announced in the 1991-92 Budget. Since then a number of changes have been made to the SGC prior to the enactment of legislation. Changes to the SGC include a slower implementation schedule, a higher threshold applied to an employer's annual national payroll used to determine the employer's prescribed minimum rate of superannuation support and changes to exemption requirements.

Provisional Tax Changes

The Government announced on 1 July 1992 that the provisional tax uplift factor would be reduced from 10 per cent to 8 per cent for 1992-93. Also, the margin for error if a taxpayer's provisional income is underestimated has been increased from 10 per cent to 15 per cent before penalty tax will be applied.

Wholesale Sales Tax (WST)

Sales Tax Simplification

The Government introduced into the House of Representatives on 26 May 1992 a package of Bills to simplify the WST system. The Bills and the Government's proposed amendments to them have been reviewed by a Senate Select Committee which is due to report to the Senate on 19 August 1992.

Recycled Paper

The Government introduced into the House of Representatives on 25 June 1992 a Bill to narrow the WST exemption for certain paper products made wholly from recycled fibre. The amendment will remove the exemption, with effect from 26 June 1992, for facial and toilet tissue; books of blank, lined or graph paper used for writing or drawing, such as exercise books; and paper bags.

Customs and Excise Duty

Tariff Anomalies

The Government removed anomalies in the *Customs Tariff Act* which allowed some passenger carrying vehicles to be imported at the lower commercial vehicle tariff rate. From 1 January 1992 all passenger carrying vans attract the prevailing passenger motor vehicle duty rate.

Reduction of Tariffs on Steel Flat Products

The Government announced on 12 April the accelerated reduction of tariffs on certain steel products. From 1 July 1992 tariffs on cold rolled and clad, plated or coated flat products of non-alloy iron and steel were reduced from 10 per cent to 5 per cent.

Tariff on Second-Hand Motor Vehicles

From 1 July 1992 large volume imports of second-hand cars will attract a tariff of \$12000 per car.

Coal Export Duty

The export duty of \$3.50 per tonne on high quality coking coal was abolished with effect from 1 July 1992.

Avgas Excise

Avgas excise was reduced by 1 cent per litre on 7 May 1992 in accordance with the Government's decision to phase out that proportion of the excise attributable to remaining Commonwealth aerodromes and the Aerodrome Local Ownership Plan, as the Commonwealth withdraws from those activities. Further reductions in the order of 2 cents per litre should occur during 1992-93.

Other Measures

Interest on Underpayments and Overpayments of Tax

The rate for calculating interest to be paid by taxpayers on underpayments of tax and interest to be paid to taxpayers on overpayments of tax was reduced from 14.026 per cent per annum to 10 per cent per annum on 1 July 1992.

Penalties for Late Payment of Tax and Related Penalties

The Government announced on 26 May 1992 that the late payment penalty and related penalties will be reduced from 20 per cent per annum to 16 per cent per annum to reflect lower market interest rates. The lower rate is to be effective from 1 October 1992.

Indian Ocean Territories

The Christmas Island casino is expected to commence operations in April or May 1993 and collection of the licence fee, based on the casino turnover, will commence in 1993-94.

Small scale phosphate mining recommenced on Christmas Island in 1991-92 and royalties collected are expected to increase from \$0.5m in 1991-92 to \$0.9m in 1993-94.

In accordance with its policy of bringing conditions on the Indian Ocean Territories of the Cocos (Keeling) Islands and Christmas Island up to the standard of those in the rest of Australia, the Government agreed to the introduction of new legal and administrative systems, based on those of Western Australia. This will lead to the introduction of 'state-type' fees, taxes and fines that are applicable in Western Australia.

Australian and Overseas Telecommunications Corporation Interest

AOTC will receive a progressive \$2 billion conversion of Commonwealth debt to equity over the period 1 July 1992 to 1 July 1996 following the Government's decision to provide the company with a more commercial capital structure.

As a result, the revenue from the interest on AOTC's Commonwealth loans will be significantly reduced in 1992-93 by the conversion of \$1 billion, effective from 1 July 1992, with a further conversion of \$250m due 1 July 1993 having an additional effect in 1993-94.

Cattle Transaction Levy

The disease eradication component of the Cattle Transaction Levy was reduced from \$2.10 to \$0.80, reflecting the end of the eradication phase of the Bovine Brucellosis and Tuberculosis Eradication Campaign.

Dairy Produce Levy

The Government agreed to continue support for dairy product exports by retaining the market support component of the dairy produce levy until 30 June 2000.

Meat Inspection Charges

The Government's policy is that the Australian Quarantine and Inspection Service (AQIS) should fully recover its costs. While AQIS has progressively increased charges in recent years to meet this objective, in 1992-93 there will be no real increase in meat inspection charges.

Imported Food Inspection Charges

Increased collections are expected from 1992-93 as the Imported Food Inspection Program will be extended to cover all imported foods.

Temporary Entry Fees

Revising arrangements agreed to in the 1991-92 budget context, a new fee for long-term visitors has been introduced, which along with increases in temporary resident and student fees, is expected to yield an extra \$2m in 1992-93 and in the forward years.

Business Skills Assessment Panel Fee

With the introduction of the new Independent-Business Skills Category (replacing the former Business Migration Program) a fee has been introduced to cover the costs of a panel that assesses applications. This fee will yield \$0.6m in 1992-93 only.

Migration Agents Registration Scheme

Under the Migration Agents Registration Scheme which commenced on 1 July 1992, in 1992-93, \$0.8m is expected for registration fees.

Appendix B: Revenue Statistics - 1981-82 to 1992-93

TAXATION REVENUE	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93(a)
Income Tax												
Individuals	18856	20812	22024	24403	27575	30657	33359	39106	41322	41704	41388	43545
Gross PAYE	1418	1971	2402	2072	2385	2520	2402	2550	3234	4007	4537	4785
Less Refunds												
Net PAYE	17417	18840	19621	22331	25189	28136	30957	36556	38088	37697	36851	39160
Other	3787	4101	4454	5122	5673	7444	7880	7352	7652	8633	6128	6445
Medicare Levy			365	1223	1335	1715	2080	2320	2545	2480	2385	2505
Prescribed Payments System			251	412	515	763	958	1508	1734	1538	1178	1280
Total Income Tax on Individuals	21204	22942	24691	29287	32713	38061	41875	47596	50019	50168	46541	49410
Companies	5053	4829	4503	5564	6111	6714	8801	10265	12926	14166	13419	12110
Superannuation	20	25	21	14	22	13	11	7	376	1053	1139	1200
Withholding Tax	205	259	305	404	562	639	667	737	915	901	941	870
Provisional Dividend Tax										235	216	216
Fringe Benefits Tax								881	990	1168	1262	1338
Total Income Tax	26482	28054	29580	35270	39408	45952	52324	58335	65646	67843	64244	66170
Sales Tax	2854	3490	4165	4986	5728	6348	7547	9402	10132	9165	9113	9440
Excise Duty	3163	3496	3660	4302	4610	5052	7056	1188	1322	1354	1100	1260
ALDC	970	1364	2137	3044	3044	5142	5350	5788	6567	6601	7110	7260
Provisional Products	1860	2028	2110	2145	2373	2578	2778	2252	2339	2364	2324	2350
Other Excise Duty	5993	6378	7897	8734	9436	9761	10185	9220	9839	10319	9434	9610
Culture Duty												
Customs Duty	2069	2056	2329	2927	2982	3327	3663	3752	3854	3319	3399	3540
Imports	87	87	87	87	87	87	87	87	87	87	87	87
Exports												
Total Customs Duty	2156	2102	2395	2987	3339	3388	3683	3802	4011	3366	3443	3540
Debits Tax		30	183	189	202	261	330	358	378	229	3	
Other Taxes, Fees and Fines	90	25	59	69	61	65	69	69	67	80	101	110
Primary Industry Charges	314	366	471	551	577	620	770	769	1238	1216	1216	1216
Provisional	31	40	48	59	69	77	86	110	110	110	124	128
Broadcasting and Television License Fees	135	164	209	284	316	296	331	331	407	527	677	811
Other Taxes, Fees and Fines nec	71	88	100	120	143	177	239	233	233	233	233	233
ACT Taxes and Charges	572	686	844	1062	1092	1182	1405	1515	1438	1963	1640	1683
Total Other Taxes, Fees and Fines	3808	4129	4584	5320	5920	6680	7583	8383	9124	9205	8776	9043
TOTAL TAXATION REVENUE												

Table B.I: Commonwealth Government Budget Revenue (\$m) - continued

	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93(a)
NON-TAXATION REVENUE												
Interest Received												
From Other Government												
On General Purpose Advances												
On Housing Agreements	1441	1619	1736	1904	1991	2073	2107	2082	2124	2032	1842	1562
On Other Specific	189	197	212	238	245	265	289	303	308	304	258	271
ACT Loan Council	113	124	137	98	97	91	85	141	86	127	117	90
Total Interest from Other Governments	1744	1940	2085	2230	2333	2429	2481	2527	2534	2466	2216	1923
From Non-Budget Authorities												
Australian National Railways	18	15	12	14	7	8	8	8	4	8	9	3
Snowy Mountains Hydro-Electric Authority	55	57	57	61	66	72	73	75	76	76	75	75
Pipeline Authority	31	33	35	34	34	33	30	28	26	23	14	9
Telecom and Postal Corporations	397	484	610	665	705	667	654	638	483	413	355	170
Civil Aviation Authority	-	-	-	-	-	-	-	16	17	18	5	2
Federal Airports Corporation	-	-	-	-	-	-	-	47	48	49	49	49
Other Non-Budget Authorities	8	8	6	6	4	-	-	14	23	50	50	50
Total Interest from Non-Budget Authorities	509	598	720	780	816	779	787	812	668	609	558	357
Defence Service Homes												
ACT Housing	52	60	66	69	71	75	76	56	-	-	-	-
Public Financial Enterprises	15	16	7	6	5	4	1	1	1	1	0	0
Other Interest Received	71	62	51	66	82	73	65	107	95	68	48	44
Total Interest from Non-Budget Authorities	2430	2719	2982	3200	3463	3575	3621	3755	3470	3302	2971	2490
Dividends and Other												
Public Trading Enterprises	23	12	32	8	75	60	94	70	279	452	412	821
Public Financial Enterprises	384	696	792	1053	2008	2701	2027	626	550	675	2003	2654
Banks	-	-	-	8	8	9	11	4	11	8	-	-
Australian Industry Development Corporation	2	0	4	2	7	12	11	1	3	4	2	1
Other Financial Enterprises	52	126	259	296	375	254	266	159	251	337	81	47
Petroleum Royalties	33	52	133	175	37	7	26	234	23	23	31	22
Royal Australian Mint	26	35	35	32	46	44	37	31	40	52	22	27
Other (including revenue nec)	-	-	-	-	-	-	-	-	-	-	-	-
Total Dividends and Other	520	921	1254	1571	2556	3088	2461	1125	1157	1550	2551	3572
TOTAL NON-TAX REVENUE												
	2951	3640	4236	4771	6019	6663	6083	4880	4627	4852	5522	6062
TOTAL REVENUE	41008	44879	49300	57979	65224	73466	81465	88713	95871	97937	93298	96505
(a) Forecast.												

Table B.II: Real Rate of Change in Commonwealth Government Budget Revenue Items (%) (a)

	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93(a)
TAXATION REVENUE												
Income Tax												
Individuals												
Gross PAYE	10.6	-0.4	-0.9	4.6	5.3	3.5	1.6	7.6	-0.5	-2.9	-2.2	3.2
Less Refunds	8.8	25.3	14.1	-18.6	7.3	-1.6	-11.0	-2.6	19.4	19.1	11.6	2.5
Net PAYE	10.8	-2.5	-2.5	7.5	5.1	4.0	2.7	8.3	-1.9	-4.8	-3.7	3.3
Other	-0.3	-2.4	1.7	12.8	-0.7	22.1	-13.2	-14.4	-2.0	8.5	-30.1	2.2
Medicare Levy	-	-	-	216.4	1.7	19.6	13.2	2.3	3.3	-6.3	-5.2	2.1
Prescribed Payments System	-	-	-	55.2	16.6	38.4	16.8	25.3	24.8	-24.7	-14.5	7.2
Total Income Tax on Individuals	8.6	-2.5	0.8	12.0	-4.1	8.3	2.7	-4.2	-0.9	-3.5	-8.6	3.2
Companies												
Superannuation	-3.4	-13.9	-11.5	15.1	2.4	2.3	22.4	7.0	18.6	5.4	-6.7	-12.3
Withholding Tax	59.9	14.6	-21.4	-36.7	-4.2	-44.4	-23.7	-36.3	-	169.4	6.6	2.4
Petroleum Resource Rent Tax	14.4	13.8	10.3	25.0	29.6	5.9	-2.6	1.4	17.0	-5.3	2.9	-10.2
Fringe Benefits Tax	-	-	-	-	-	-	-	-	-	-	195.0	33.1
Total Income Tax	6.2	-4.5	-1.3	12.6	-4.1	8.6	6.1	4.6	3.5	-0.3	-6.7	0.1
Sales Tax												
Excise Duty	21.9	10.2	11.7	12.6	7.5	3.2	11.0	14.3	1.5	-11.1	-4.1	0.7
Crude Oil and LPG	-8.6	-0.7	-2.0	8.7	-10.9	-52.3	-6.9	-47.0	-2.4	5.7	-	-
Petroleum Products	-5.8	26.7	46.7	5.5	18.9	57.2	-2.9	-0.9	3.7	-0.3	6.1	-0.8
Other Excise Duty	-7.2	-1.7	-2.6	-4.0	3.1	0.3	1.4	-25.6	-6.4	1.5	-3.1	-1.7
Total Excise Duty	-7.7	3.4	7.5	4.4	0.7	-3.7	-2.6	-16.9	0.5	0.9	-9.9	-1.0
Customs Duty												
Imports	2.7	-10.9	7.1	18.6	4.5	-8.2	4.8	-5.2	-0.8	-19.3	-2.1	4.3
Coal Exports	2.3	-38.3	-6.5	-14.5	-10.8	-16.4	-8.6	-9.5	7.4	-20.5	-5.9	-
Total Customs Duty	2.6	-12.2	6.7	17.7	-4.2	-8.3	4.5	-5.3	-0.7	-19.3	-2.1	2.9
Debit Tax												
Other Taxes, Fees and Fines	-	-	-478.1	-2.1	-0.6	20.1	18.0	-0.3	-0.5	-41.8	-	-
Primary Industry Charges												
Primary Industry Levies	-10.2	9.0	-6.4	125.1	-19.3	0.9	-0.8	-2.0	0.3	15.1	24.0	6.3
Broadcasting and Television Licence Fees	-20.0	5.7	7.0	18.9	-10.1	4.9	11.7	3.4	-4.5	50.3	-11.8	-15.1
Other Taxes, Fees and Fines nec	29.3	17.7	12.1	14.7	9.1	3.9	-4.4	17.8	-49.6	-32.1	6.7	-8.5
ACT Taxes and Charges	30.9	9.0	-31.1	10.8	6.4	-12.9	4.3	-8.1	15.6	24.5	26.7	16.4
Total Other Taxes, Fees and Fines	-6.5	8.0	15.3	18.7	-4.2	0.8	10.9	-1.0	-10.7	31.3	-17.7	-0.3
TOTAL TAXATION REVENUE	4.3	-2.3	2.3	11.5	3.7	5.0	5.3	2.0	2.5	-1.9	-7.1	0.1

Table B.II: Real Rate of Change in Commonwealth Government Budget Revenue Items (%) - continued

	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93(b)
NON-TAXATION REVENUE												
Interest Received												
From Other Government												
On General Purpose Advances	1.9	1.2	0.4	3.5	-2.6	-3.1	-5.1	-9.3	-4.0	-8.0	-10.7	-17.6
On Housing Agreements	-7.2	-5.9	0.5	1.4	0.5	1.8	-3.9	-4.3	-4.9	-16.5	2.2	
On Other Specific	-14.1	-1.2	3.0	-32.2	-8.3	-12.0	-13.1	52.5	-21.7	-42.4	-9.7	-25.2
ACT Loan Council	-	-	-	-	-	-	-	-	-	-84.0	-	-
Total Interest from Other Governments	-0.4	0.3	0.6	1.0	-2.5	-3.1	-4.6	-6.6	-5.6	-6.4	-11.5	-15.7
From Non-Budget Authorities												
Australian National Railways	2.0	-22.8	-26.9	8.6	-52.4	4.6	-10.8	-9.5	-43.9	62.4	22.2	-73.1
Snowy Mountains Hydro-Electric Authority	0.3	-6.6	-6.4	0.0	1.7	0.9	-5.6	-5.3	-4.7	-4.1	-2.1	-3.5
Pipeline Authority	-5.4	-2.6	-1.5	-8.3	-6.7	-9.3	-14.0	-14.4	-14.0	-14.6	-39.1	-36.8
Telecom and Postal Corporations	7.9	9.9	17.9	3.0	-1.2	-12.0	-8.4	-10.5	-28.7	-17.7	-15.3	-53.5
Civil Aviation Authority	-	-	-	-	-	-	-	-	-2.0	-0.5	-72.8	-60.2
Federal Airports Corporation	-	-	-	-	-	-	-	96.6	-4.4	-0.9	-0.7	-3.1
Other Non-Budget Authorities	-36.0	-7.3	-29.1	2.4	-41.2	-	-	-	-	55.9	112.5	-2.8
Total Interest from Non-Budget Authorities	4.9	5.9	12.7	2.3	-2.5	-11.2	-5.7	-5.3	-22.5	-12.3	-9.8	-37.8
Defense Service Homes												
ACT Housing	-9.3	2.7	-6.4	-4.3	-11.3	-5.3	-9.6	-24.8	-62.3	-56.2	-	-
Public Financial Enterprises	11.5	-6.9	-56.5	-19.8	-27.6	-27.0	-75.6	-27.6	-5.8	-3.8	-67.2	-100.0
Commonwealth Cash Balances - Reserve Bank	-52.0	-12.5	57.8	-18.8	472.9	36.0	-8.4	15.2	-33.4	-9.7	-5.1	8.9
Other Interest Received	81.2	-20.8	-22.4	21.0	16.5	-17.7	-16.7	50.3	-16.1	-31.3	-29.8	-10.8
Total Interest Received	1.2	0.8	2.7	1.3	0.9	-3.9	-5.4	-4.9	-13.0	-8.5	-11.3	-18.5
Dividends and Other												
Public Trading Enterprises												
Public Financial Enterprises	-25.9	-53.1	149.6	-77.7	834.3	-25.5	45.3	-31.0	272.6	55.9	-10.2	93.5
Banks												
Australian Industry Development Corporation	44	63	6	26	78	25	30	-72	-17	18	192	29
Other Financial Enterprises	-	-97	-	-61	309	70	-93	308	-21	22	-	-
Petroleum Royalties	-14	116	93	8	18	-37	-2	-45	49	29	-76	-44
Royal Australian Mint	-36	40	139	25	-80	-82	236	725	-91	-4	34	-31
Other (including revenue nec)	4	19	-5	-15	35	-10	-22	-23	21	24	-59	22
Total Dividends and Other	19.4	59.4	27.5	18.4	51.6	12.4	-25.6	-58.1	-3.1	28.9	62.1	36.1
TOTAL NON-TAX REVENUE												
	4.0	11.2	9.0	6.4	17.6	3.0	-14.8	-26.4	-10.7	0.8	12.1	6.7
TOTAL REVENUE												
	4.3	-1.4	2.8	11.0	4.8	4.8	3.5	-0.1	1.8	-1.8	-6.1	0.5

(a) Nominal increase deflated by movements in non-farm GDP deflator.
(b) Forecast.

Table B.III: Major Categories of Revenue as Proportions of Gross Domestic Product (per cent)

	Taxation Revenue												Non-Taxation Revenue				
	Income Tax					Other Taxation Revenue							Dividends and Other	Total Non-Tax Revenue			
	Individuals			Companies		Excises (c)		Total Excises	Sales Tax	Customs Duty on Imports	Total Other Tax (d)	Interest					
Net PAYE	Other Individuals	PPS	Total (a)	(b)	Crude Oil and LPG	Petroleum Products	Other (c)						Total Excises	Sales Tax	Customs Duty on Imports	Total Other Tax (d)	Interest
1981-82	11.0	2.4	-	13.4	3.2	-	16.7	2.0	0.6	1.2	3.8	1.8	1.4	7.3	1.5	0.3	1.9
1982-83	11.0	2.4	-	13.4	2.8	-	16.3	2.0	0.8	1.2	4.0	2.0	1.2	7.7	1.7	0.5	2.1
1983-84	10.2	2.3	0.1	12.7	2.3	-	15.2	1.9	1.1	1.1	4.1	2.1	1.2	7.9	1.7	0.6	2.2
1984-85	10.8	2.5	0.2	13.5	2.6	-	16.3	1.9	1.1	1.0	4.0	2.3	1.4	8.3	1.6	0.7	2.2
1985-86	11.0	2.4	0.2	13.6	2.5	-	16.4	1.7	1.3	1.0	3.9	2.4	1.4	8.2	1.6	1.1	2.5
1986-87	11.2	2.9	0.3	14.4	2.5	0.2	17.4	0.8	1.9	1.0	3.7	2.4	1.2	7.9	1.4	1.2	2.5
1987-88	11.0	2.8	0.3	14.0	3.0	0.3	17.5	0.3	1.7	0.7	2.7	2.8	1.1	7.2	1.1	0.3	1.4
1988-89	11.3	2.3	0.4	14.0	3.0	0.3	17.5	0.3	1.7	0.6	2.7	2.7	1.1	7.0	0.9	0.3	1.3
1989-90	10.9	2.2	0.5	13.5	3.5	0.3	17.7	0.3	1.7	0.6	2.7	2.5	0.9	6.7	0.9	0.4	1.3
1990-91	10.5	2.4	0.4	13.3	3.7	0.3	17.9	0.4	1.7	0.6	2.7	2.5	0.9	6.7	0.9	0.4	1.3
1991-92	10.1	1.7	0.3	12.1	3.5	0.3	16.7	-	1.8	0.6	2.5	2.4	0.9	6.1	0.8	0.7	1.4
1992-93(e)	10.1	1.7	0.3	12.1	3.0	0.3	16.2	-	1.8	0.6	2.4	2.3	0.9	6.0	0.6	0.9	1.5

Table B.IV: Major Categories of Revenue as Proportions of Total Revenue

	Taxation Revenue										Other Taxation Revenue			Non-Taxation Revenue				
	Income Tax					Excises (c)					Total			Total				
	Nr PAYE	Other Individuals	PPS	Companies	FBT	Total (b)	Crufts (b)	OH (b)	LPG (b)	Perishable Products (c)	Other Products (c)	Total Sales Tax (c)	Customs Duties (d)	Other Tax (e)	Dividends	Interest	Other Revenue	Total Non-Tax Revenue
1981-82	42.5	9.2	-	51.7	12.3	64.6	7.7	7.8	7.8	2.4	4.5	14.6	7.0	5.0	28.2	5.9	1.3	7.2
1982-83	42.0	9.1	0.5	50.1	9.3	62.5	7.8	7.4	7.4	3.0	4.5	15.3	7.8	4.5	29.4	6.1	2.1	8.1
1983-84	40.4	9.0	0.5	50.1	9.3	60.0	7.1	7.4	7.4	4.3	4.7	16.0	8.4	4.7	31.9	5.0	2.7	8.6
1984-85	40.4	9.0	0.8	50.2	9.4	60.4	6.2	7.7	7.7	4.7	3.6	14.5	8.8	5.0	30.4	5.3	3.9	9.2
1985-86	40.2	10.6	1.0	51.8	9.1	62.6	2.8	2.8	2.8	7.0	3.5	13.3	8.6	4.4	28.4	4.9	4.2	9.1
1986-87	40.1	10.1	1.2	51.4	10.8	64.1	2.5	2.5	2.5	6.6	3.4	12.5	9.3	4.5	28.4	4.4	3.0	7.5
1987-88	43.4	8.7	1.5	53.6	11.6	67.1	1.3	1.3	1.3	6.5	2.5	10.4	10.6	4.2	27.4	4.2	1.3	5.5
1988-89	41.9	8.4	1.8	52.2	13.5	68.3	1.4	1.4	1.4	6.6	2.3	10.3	10.6	4.1	26.9	3.6	1.2	4.8
1989-90	40.6	9.2	1.4	51.2	14.5	69.3	1.4	1.4	1.4	6.7	2.4	10.5	9.6	3.4	25.8	3.4	1.6	5.0
1990-91	41.7	6.9	1.3	49.9	14.4	68.9	-	-	-	7.6	2.5	10.1	9.8	3.5	25.2	3.2	2.7	5.9
1991-92	42.9	7.0	1.3	51.2	12.5	68.6	-	-	-	7.5	2.4	10.0	9.8	3.7	25.2	2.6	3.7	6.3
1992-93(e)																		

APPENDIX C: FOOTNOTES FOR CHARTS AND TABLES

TABLES

Table 1:

(a) Includes \$3m in debits tax for 1991-92 only.

Table 3:

- (a) Excludes an estimated amount for the Medicare levy listed separately.
- (b) Includes tax on realised capital gains.
- (c) The outcome for 1991-92 is an estimate only as the Medicare levy is not separately identified at the point of collection.
- (d) The coal export duty was abolished from 1 July 1992.
- (e) Transferred to the States in January 1991. Any collections recorded are due to audit activity.

Table 4:

(a) A positive (negative) number implies an addition (subtraction) to net revenue.

Table 5:

- (a) Includes tax on realised capital gains. Details of actual collections for Capital Gains Tax are provided in Table 7.
- (b) Includes in 1991-92 an estimated \$84m collected from companies under the Prescribed Payments System.

Table 6:

(a) Includes tax on realised capital gains. Details of actual collections for Capital Gains Tax are provided in Table 7.

Table 7:

- (a) This includes personal-use assets and other property.
- (b) The figures for 1991-92 are preliminary.

Table 8:

- (a) *Figures for particular benefits have been revised.*
- (b) *Figures of taxable amounts by types of benefit are preliminary only.*
- (c) *Includes board, living-away-from-home allowances, airline transport, property (goods), debt waiver, entertainment and other benefits.*
- (d) *Includes those returns where information by type of benefit was not provided and cases where annual return data have not yet been processed.*

Table 9:

- (a) *Includes motor spirit, diesel fuel, aviation gasoline, fuel oil, heating oil and kerosene. The figures are net of refunds/drawbacks. In 1991-92 this includes \$64m in crude oil collections from Western Australian fields not subject to PRRT.*
- (b) *Abolished as from 1 July 1992.*

Table 10:

- (a) *This rate applies only to non-luxury passenger motor vehicles, with effect from 27 February 1992. The rate applicable prior to this date was 20 per cent.*
- (b) *These collections can not be readily allocated to a particular rate class. They include collections of sales tax on imports at point of entry as well as amounts in respect of audit activity.*

Table 11:

- (a) *Includes motor spirit, diesel fuel, aviation gasoline, fuel oil, heating oil and kerosene. The figures are net of refunds/drawbacks. In 1991-92 this includes \$64m in crude oil collections from Western Australian fields not subject to PRRT.*
- (b) *The decomposition of other excise into beer, potable spirits and tobacco products is an estimate only.*
- (c) *Includes the coal excise duty and refunds/drawbacks relating to other excise items.*

Table 12:

- (a) *The refund rates applying to certain different users of diesel products under the Diesel Fuel Rebate Scheme can be found in Statement 3.*
- (b) *The excise rate applied to aviation gasoline was reduced by 1 cent per litre on 7 May 1992 as part of a program in which Commonwealth-owned aerodromes are transferred to local ownership.*
- (c) *An increase in the excise rate of \$5 per kg to \$57.50 was announced in the Budget effective immediately.*

Table 14:

- (a) *Includes AUSSAT Pty. Ltd., Australian Airlines Ltd., Australian Postal Corporation, Australian Shipping Commission, Australian and Overseas Telecommunications Corporation, Civil Aviation Authority, Federal Airports Corporation, and Qantas Airways Ltd.*
- (b) *Includes the Reserve Bank of Australia and the Commonwealth Bank of Australia.*

Table B.III

- (a) *The total for the individuals category includes Medicare levy collections (from 1983-84) and PAYE refunds.*
- (b) *The total for the income tax category also includes PAYE refunds, Medicare levy collections, collections from superannuation funds, PRRT and withholding tax.*
- (c) *The 'other' category includes excise from beer, potable spirits and tobacco. A more detailed decomposition - for 1991-92 and 1992-93 - is shown in Table 11 of this Statement.*
- (d) *As well as excises, sales tax and customs duty, 'other taxation revenue' includes other taxes, fees and fines (including estate, gift and stamp duties); ACT taxes and charges (1980-81 to 1988-89); and debits tax (from 1982-83 to 1991-92).*
- (e) *Forecast.*

Table B.IV

- (a) The total for the individuals category includes Medicare levy collections (from 1983-84) and PAYE refunds.
- (b) The total for the income tax category also includes PAYE refunds, Medicare levy collections, collections from superannuation funds, PRRT and withholding tax.
- (c) The 'other' category includes excise from beer, potable spirits and tobacco. A more detailed decomposition - for 1991-92 and 1992-93 - is shown in Table 11 of this Statement.
- (d) As well as excises, sales tax and customs duty, 'other taxation revenue' includes other taxes, fees and fines (including estate, gift and stamp duties); ACT taxes and charges (1980-81 to 1988-89); and debits tax (from 1982-83 to 1991-92).
- (e) Forecast.

STATEMENT 5 — THE BUDGET BALANCE AND FINANCING

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STATEMENT 5 — THE BUDGET BALANCE AND FINANCING

This Statement provides an overview of the budget balance and addresses recent budget outcomes from a longer term perspective. Details of the Commonwealth's recent and prospective financing transactions and debt management activities are also provided.

PART I: BALANCE

The direct impact of the budget on the economy depends significantly on the level and composition of outlays and revenue. However, the overall size of the Commonwealth budget balance — that is, the surplus or deficit — and the prospective movements in the balance can also be important indicators of the stance of fiscal policy and of the impact of the budget on financial markets. Statement 6 includes a discussion of the relationship between the size of the budget deficit and the level of economic activity.

A summary of the budget aggregates for 1991-92 and 1992-93 is in Table 1 below.

Table 1: Commonwealth Budget Outcome

	1991-92			1992-93		
	Actual \$m	Change on 1990-91 \$m	%	Estimate \$m	Change on 1991-92 \$m	%
Outlays	102638	6607	6.9	109894	7256	7.1
Revenue	93298	-4639	-4.7	96505	3207	3.4
Balance	-9339	-11246		-13389	-4050	

1991-92 Budget Outcome

The 1991-92 Budget deficit of \$9339m (2.4 per cent of GDP) represents a major turnaround of \$11246m from the surplus of \$1907m in 1990-91. The swing into deficit was in large part due to the impact of the automatic stabilisers in a year of relatively depressed economic activity. Some direct stimulus was also provided through the measures announced in the *March 1991 Economic Statement* and, subsequently, in the Budget.

Additional measures to boost domestic demand were taken during the course of 1991-92 mainly through the *November 1991 Statement on the Economy and Employment* and in the *One Nation Statement*.

Table 2 compares budget estimates and outcomes in 1991-92 and over the previous five years. The 1991-92 deficit was \$4607m higher than the budgeted deficit of \$4732m, with outlays \$1124m higher and revenue \$3484m lower than estimated at budget time.

Table 2: Comparison of Estimates and Outcomes from 1986-87 to 1991-92

	Estimate	Outcome	Change	
	\$m	\$m	\$m	%
OUTLAYS				
1986-87	75469	76097	628	0.8
1987-88	79068	79405	337	0.4
1988-89	82700	82820	120	0.1
1989-90	87552	87835	283	0.3
1990-91	93976	96030	2054	2.2
1991-92	101514	102638	1124	1.1
REVENUE				
1986-87	71975	73466	1491	2.1
1987-88	78904	81465	2561	3.2
1988-89	88153	88713	560	0.6
1989-90	96675	95871	-804	-0.8
1990-91	102083	97937	-4146	-4.1
1991-92	96782	93298	-3484	-3.6
BALANCE				
1986-87	-3494	-2631	863	
1987-88	-165	2061	2226	
1988-89	5453	5893	440	
1989-90	9123	8036	-1087	
1990-91	8107	1907	-6200	
1991-92	-4732	-9339	-4607	

1992-93 Budget Estimates

The expected increase in the size of the deficit in 1992-93 reflects the following:

- the delayed effects of the recession on income tax revenue;
- the effect of changing consumption patterns on excise revenue;
- the slow recovery in employment which is contributing to growth in outlays on unemployment benefits; and
- the impact of increased spending in priority areas.

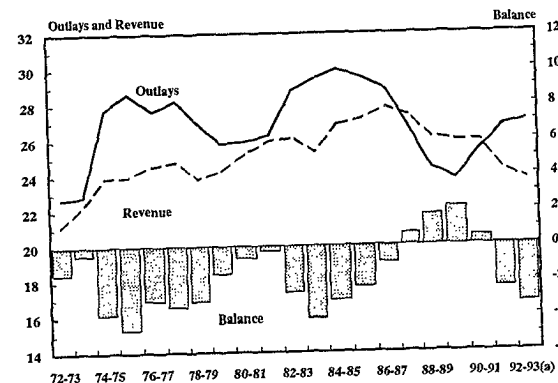
Budget outlays are estimated to increase by 7.1 per cent — and by 4.1 per cent in real terms. Expenditure on measures contained in the youth and employment packages in this Budget — together with measures contained in the two statements during 1991-92 — are expected to account for 2.5 percentage points of the overall real increase. Expenditure on employment related initiatives and growth in unemployment benefit

payments therefore account for much of the real increase in outlays forecast for 1992-93.

Revenue is estimated to increase by 3.4 per cent. This is a rise of only 0.5 per cent in real terms and reflects a further weakening in company tax and other excise collections due to weaker economic activity in 1991-92 and changes in the consumption of goods subject to excise.

The deficit for 1992-93 is estimated to be 3.3 per cent of GDP. This compares with a peak budget deficit of 4.1 per cent of GDP when the economy was emerging from the 1982-83 recession. Chart 1 shows trends in budget outlays, revenue and the balance since the early 1970s.

CHART 1. BUDGET AGGREGATES
Percentage of GDP



(a) Estimate

PART II: BUDGET AGGREGATES 1953-54 TO 1992-93

Table 3 provides details on the budget aggregates for the period 1953-54 to 1992-93. Care needs to be taken in making comparisons over such an extended period owing to classification differences and revisions as well as changes to the structure of the budget over this period.

Table 3: Commonwealth Budget Outlays, Revenue and Balance (a)
1953-54 to 1992-93

	Outlays			Revenue		Balance	
	\$m	% Real Growth	% of GDP	\$m	% of GDP	\$m	% of GDP
1953-54	2081		22.2	1940	20.7	-141	-1.5
1954-55	2140	3.0	21.5	2039	20.4	-110	-1.1
1955-56	2349	5.0	21.7	2190	20.2	-159	-1.5
1956-57	2461	-2.7	20.9	2415	20.5	-46	-0.4
1957-58	2619	6.9	21.7	2573	21.3	-46	-0.4
1958-59	2817	7.3	21.7	2546	19.7	-271	-2.1
1959-60	3061	9.5	21.4	2827	19.8	-234	-1.6
1960-61	3237	2.1	21.3	3204	21.1	-72	-0.2
1961-62	3620	9.6	23.2	3262	20.9	-358	-2.3
1962-63	3770	2.7	22.4	3356	19.9	-415	-2.5
1963-64	4145	7.8	22.2	3725	19.9	-419	-2.2
1964-65	4532	5.2	22.0	4349	21.1	-183	-0.9
1965-66	5029	7.2	23.3	4774	22.1	-255	-1.2
1966-67	5640	8.6	23.7	5088	21.3	-552	-2.3
1967-68	6225	5.7	24.4	5583	21.9	-643	-2.5
1968-69	6613	2.1	23.0	6228	21.7	-386	-1.3
1969-70	7348	6.2	23.1	7157	22.5	-191	-0.6
1970-71	8102	3.8	23.1	8093	23.0	-10	0.0
1971-72	9047	4.4	23.0	8913	22.7	-134	-0.3
1972-73	10166	4.6	22.7	9471	21.1	-696	-1.6
1973-74	12239	5.8	22.8	11977	22.3	-263	-0.5
1974-75	17912	19.9	27.7	15430	23.9	-2483	-3.8
1975-76	21943	5.1	28.6	18364	24.0	-3579	-4.7
1976-77	24230	-0.8	27.6	21545	24.6	-2685	-3.1
1977-78	26860	2.4	28.2	23600	24.8	-3260	-3.4
1978-79	29199	1.2	26.9	25812	23.8	-3387	-3.1
1979-80	31748	-0.9	25.8	29791	24.2	-1957	-1.6
1980-81	36304	3.4	25.9	35317	25.2	-987	-0.7
1981-82	41515	2.7	26.2	41008	25.9	-507	-0.3
1982-83	49790	7.2	28.8	44879	26.1	-4512	-2.6
1983-84	57287	8.6	29.4	49300	25.3	-7987	-4.1
1984-85	64675	6.6	29.9	57979	26.8	-6696	-3.1
1985-86	70860	2.1	29.5	65224	27.1	-5636	-2.3
1986-87	76097	0.0	28.8	73466	27.8	-2631	-1.0
1987-88	79405	-2.6	26.6	81465	27.3	2061	0.7
1988-89	82820	-4.3	24.4	88713	26.1	5893	1.7
1989-90	87835	-0.1	23.8	95871	25.9	8036	2.2
1990-91	96030	5.1	25.4	97937	25.9	1907	0.5
1991-92	102638	5.3	26.7	92298	24.2	-9339	-2.4
1992-93(est)	109894	4.1	27.0	96505	23.7	-13389	-3.3

a) Direct year comparisons between 1972-73 may be affected by classification differences and revisions; the data from that year are in a previous document with current classification treatment.

Classification of Transactions

Data in Table 3 for the period since 1972-73 are consistent, being classified according to the criteria being utilised in the 1992-93 Budget Statements. For example, from 1982-83 to 1989-90, the diesel fuel rebate was classified as an offset to revenue but the rebate was reclassified to an outlay in the 1990-91 Budget. This classification has now been carried back for earlier years to assist comparison. Compared with the original budget estimates over the period 1982-83 to 1989-90, the effect of this reclassification has been to increase both outlays and revenue.

Data for the period 1953-54 to 1971-72 have not been adjusted to establish a consistent basis for comparison and are derived directly from budget documents published between 1966 and 1976. Hence, those data reflect both the classification and coverage utilised in the year in which the estimates were originally published.

Details of changes to outlays and revenue classifications for the 1992-93 Budget are in Statement 8.

Coverage of the Commonwealth Budget Sector

The Commonwealth budget sector consists of those departments and authorities whose day to day transactions are recorded in the Commonwealth Public Account (CPA). Over time, the bodies that are recorded on the CPA vary. For example, transactions of the Federal Airports Corporation and Civil Aviation Authority were excluded from the budget aggregate series upon becoming statutory authorities in 1988.

Financial Arrangements with Other Sectors

Changes in the financial arrangements between the Commonwealth budget sector and other sectors — namely, the non-budget sector, the State and local government sector and the private sector — also influence the budget aggregates.

In respect of transactions with agencies in the non-budget sector, payments (including loans) to the non-budget sector are treated as budget outlays. The repayment of advances is treated as an offset to outlays. The volume of transactions with the non-budget sector has declined significantly since the series on budget aggregates commenced in 1953-54, as non-budget sector agencies have progressively been given greater autonomy to borrow in their own right.

Loans from the Commonwealth to the State and local government sector under the Financial Agreement were the major source of funds available to this sector until the early 1970s. The importance of such loans declined from the early 1970s as the State/local sector increasingly utilised borrowings by their own authorities to finance capital works. From 1987-88, no new loans under the Financial Agreement and related arrangements were advanced to the States, although outstanding debt continued to be

re-financed by Commonwealth borrowings until 1990-91. From that year, the States have assumed responsibility for re-financing debt raised on their behalf by the Commonwealth. This involves States repaying advances to the Commonwealth as they fall due — such repayments are treated as an offset to outlays in the Commonwealth's accounts.

Borrowings by the Commonwealth budget sector are classified as financing transactions while payments to the State/local sector are classified as outlays. Hence, the initial effect of advances to this sector is to increase budget outlays and add to the deficit. Consistent with ABS government accounting guidelines, repayments of advances, which are treated as an offset to outlays, reverse this effect.

The transfer of taxing powers between the Commonwealth and the States will have an effect on revenue and on outlays where there has been a consequent adjustment to the general level of financial assistance. For example, the Debts Tax base was transferred to the States and Territories in 1990-91. This transfer reduced both aggregate outlays and revenue for the Commonwealth budget sector, with no net effect on the overall budget balance.

Consistent with ABS government accounting guidelines, asset sales to the private sector are treated as an offset to outlays. Since the asset sales program commenced in 1987-88, this has served to reduce the level of outlays and improve the budget balance.

Transfer Payments

Changes in the way in which transfer payments are made also affect the comparability of budget aggregates. For example, since 1976 there has been a marked change in the arrangements for the provision of assistance to families with children, with tax rebates being replaced by increased payments through the social security system. This has increased both revenue and outlays compared with earlier periods.

Summary

The activities of the Commonwealth recorded in the Commonwealth budget sector have changed significantly over the past forty years. Approximate adjustments can be made to identify trends in budget aggregates on a generally consistent basis but, the further this analysis is taken back, the less manageable that task becomes. Establishing consistency becomes too difficult in respect of aggregate budget data collected prior to 1972-73.

Further details of the classification treatment and coverage of the budget sector are in Statement 8; major classification issues are discussed in Statement 8 to assist in the statistical analysis of trends in budget aggregates.

PART III: FINANCING TRANSACTIONS

For the first time since 1986-87, the Commonwealth was a substantial net issuer of debt in 1991-92 in order to finance the budget deficit. This situation will continue in 1992-93.

Details of the outstanding stock of Commonwealth Government Securities (CGS) at the end of 1991-92, and for earlier years, are in Budget Related Paper No 1, *Government Securities on Issue at 30 June 1992*.

Financing Transactions in 1991-92

Table 4 shows budget financing transactions over the past three years. In 1991-92 the financing task was met primarily by the issue of Treasury Bonds and Notes.

Table 4: Budget Financing Transactions (\$m) (a)

	1989-90	1990-91	1991-92
Treasury Bonds (b)			
Gross Issue (c)	1475	2510	12895
less Repayments	4260	3538	4646
Treasury Bond Financing (Net)	-2785	-1028	8249
Australian Savings Bonds	-1876	-335	-156
Treasury Notes	-1326	3689	1978
Overseas Financing: (d)			
Gross Raisings	-	-	-
less Repayments (e) (f)	2668	2056	603
Overseas Financing (Net)	-2668	-2056	-603
Use of Cash Balances (g)	467	-1409	649
GBE Superannuation Financing Transactions (h)	-111	-925	-1066
Other Financing (i)	263	157	288
Total Financing Transactions	-8036	-1907	9339

* See Appendix for footnotes

Domestic Debt

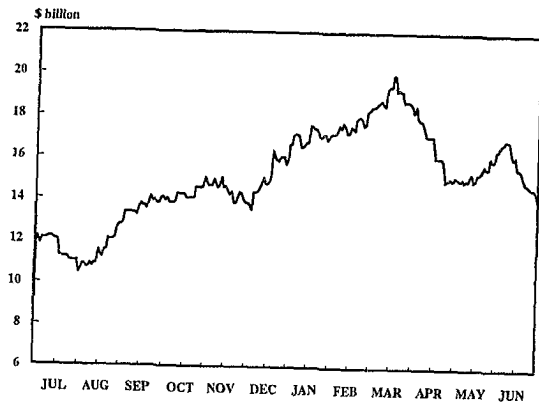
The stock of Commonwealth domestic debt on issue increased by \$10048m in 1991-92.

Ten Treasury Bond tenders were held through the year, issuing \$11995m to the non-official sector and \$900m to the Reserve Bank. The tenders involved the issue of both short and long term debt and the development of four new benchmark lines, in addition to further issuance into existing benchmark lines.

The stock of Treasury Notes on issue increased by \$1978m in 1991-92 following an increase of \$3689m in 1990-91. Chart 2 illustrates the seasonal pattern of Note

financing during the year, which reflects the within-year budget balance and the timing of other financing transactions. The monthly average stock of Notes outstanding in 1991-92 was \$15096m, \$1222m above the end-year level.

CHART 2. TREASURY NOTES ON ISSUE DURING 1991-92



A 5 week Treasury Note was introduced in November 1991 to supplement existing 13 week and 26 week maturities. The new maturity enables Note tenders to be more closely targeted to the Government's financing needs and enhances the flexibility of cash balance management.

Average cash balances in 1991-92 were maintained at around the same level as in the previous year but cash balances at end-year were \$649m lower than at 30 June 1991. Little scope is foreseen under present arrangements to further run down Commonwealth cash balances from 1991-92 levels.

Non-official holdings of domestically issued CGS rose by an estimated \$4730m in 1991-92 while official holdings rose by \$5318m. These changes are the net result of Treasury Note and Bond issue to the official and non-official sectors, maturities, early redemptions and market operations by the Reserve Bank. The Bank's increase in CGS holdings of \$5318m comprised a \$4829m increase in Treasury Bond holdings and a \$489m increase in Treasury Note holdings. The increase in Reserve Bank CGS holdings was in part a result of operations to sterilise official foreign exchange market transactions.

Foreign Currency Debt

There was a repayment of \$603m of foreign currency debt through 1991-92, comprising scheduled maturities of \$534m and early calls and optional sinking fund instalments of \$69m. Despite this repayment, the amount of foreign currency liabilities rose by \$54m as a result of the weaker Australian dollar.

DEBT MANAGEMENT AND DEBT ISSUED ON BEHALF OF THE STATES

In the past two years, the Commonwealth's debt management focus has shifted from total Commonwealth Government securities on issue (which includes debt issued on behalf of the States) to debt issued on behalf of the Commonwealth.

This change follows the agreement reached at the June 1990 Loan Council meeting, whereby the States and the Northern Territory now have responsibility for redeeming and refinancing debt (as it matures) previously raised by the Commonwealth on their behalf. From the bondholders' perspective, there is no distinction between Commonwealth securities issued on behalf of the States and those issued on the Commonwealth's own behalf. But from a debt management perspective, the Commonwealth is not directly affected by the cost and risk of debt issued on behalf of the States, and this debt is not taken into account in managing Commonwealth debt.

Debt issued on behalf of the States comprised 36 per cent of total Commonwealth Government securities on issue at 30 June 1990. By 30 June 1992 this proportion had dropped to 23 per cent, as all Commonwealth Government securities issued since July 1990 have been for the Commonwealth's own financing requirements and substantial amounts of debt previously issued on the States' behalf have matured. For the same reasons, this proportion will fall further over the years ahead.

As a proportion of GDP, total Commonwealth Government securities on issue have grown from 13.0 per cent at end June 1990 to 15.2 per cent at end June 1992, with this ratio expected to rise further to around 18 per cent at the end of 1992-93. The corresponding figures for debt issued on the Commonwealth's own behalf are 8.3 per cent, 11.8 per cent and just over 15 per cent respectively. The ratio of 15.2 per cent at end June 1992 for total Commonwealth securities on issue compares with a peak of 26.3 per cent in 1986.

Further details of Commonwealth debt to GDP ratios are provided in Budget Related Paper No 1.

1992-93 Financing Task

The Commonwealth gross funding task in 1992-93 is estimated at \$18.5 billion, comprising:

- the estimated budget deficit of \$13.4 billion;
- scheduled Treasury Bond maturities of \$3.1 billion;
- redemptions of Australian Savings Bonds estimated to be around \$200m;
- maturing foreign currency debt estimated at around \$700m; and
- around \$1 billion in net payments associated with Commonwealth business enterprise superannuation.

Debt Management in 1991-92 and 1992-93

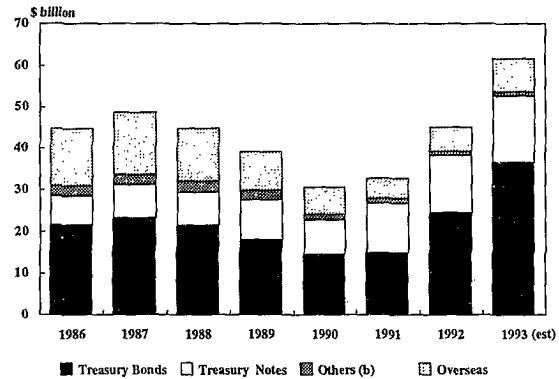
The Commonwealth manages the currency composition and maturity profile of its portfolio in order to balance cost and risk. As part of this process, active use has been made of cross currency and interest rate swaps to adjust the structure of the Commonwealth's foreign currency exposure. In 1991-92 this process was taken a step further with cross-currency swaps used to increase the level of foreign liabilities by around \$1 billion.

The main trends in the composition of the Commonwealth's debt portfolio in recent years, after adjustment for swap transactions, are shown in Chart 3. Further details are in Budget Related Paper No 1.

In 1991-92, the foreign currency component was broadly maintained as a proportion of the portfolio (following its decline over the previous several years) and became more concentrated in United States dollars. This involved a substantial increase in U.S. dollar-denominated obligations, which was achieved wholly by swapping from Australian dollar and other foreign currency obligations. There were no offshore borrowings by the Commonwealth in 1991-92.

The proportion of Treasury Notes (essentially the floating rate component of the domestic portfolio) declined from its historically high level at the end of 1990-91, though the stock of Notes on issue rose to help finance the increase in the budget deficit beyond the original estimate. For 1992-93, it is intended that the Treasury Note share be reduced somewhat further, but with the volume on issue rising by a little over \$2 billion.

CHART 3. COMPOSITION OF THE COMMONWEALTH PORTFOLIO AFTER SWAP TRANSACTIONS AT 30 JUNE (a)



(a) Excludes Commonwealth Government Securities on issue on behalf of the States and the NT.

(b) Other includes Treasury Indexed Bonds, Australian Savings Bonds, Income Equalisation Deposits and Overdue Securities.

The foreign currency proportion of the portfolio will be broadly maintained in 1992-93. A gross increase in foreign currency liabilities of up to \$3 billion (\$2¼ billion net) is implied, after allowance for scheduled maturities and possible early calls. This increase in foreign currency exposure could be achieved by several means, including issuing in the Australian market and swapping into the desired foreign currencies (as in 1991-92), issuing directly into overseas national or Eurobond markets, or some combination of these options. The approach used will be based primarily on cost considerations, allowing for the small additional risk involved in swap transactions and the depth of the relevant markets.

In 1991-92, the Commonwealth achieved its target increase in foreign currency exposure entirely through swap transactions. In 1992-93 swap transactions will again be used where they are cost-effective. As noted last year, the Commonwealth has the flexibility to borrow overseas if market conditions are attractive.

In the absence of any overseas borrowings, and after allowance for the increase in Treasury Notes, gross Treasury Bond issuance would be a little over \$16 billion. Taking into account the \$2.2 billion already raised in bond tenders in July and August, this leaves \$14 billion for the remainder of 1992-93. Consideration is being given to

issuing a portion of these bonds in indexed form. (The issue of indexed bonds has been suspended since 1988.)

During 1992-93 it is proposed to hold bond tenders at *more frequent intervals, with the average size of bond tenders being smaller. The more frequent tender pattern, involving tenders generally two or three weeks apart, will provide a smoother issue pattern during the year. The precise timing, size and composition of tenders will continue to be set in accordance with market conditions.*

APPENDIX

FOOTNOTES FOR TABLE 4

- (a) Movements in securities shown at face value.
- (b) Excludes securities held by the Loan Consolidation and Investment Reserve (LCIR) and consolidation transactions which have no effect on the stock of debt.
- (c) Includes \$675m and \$510m of Treasury Bonds sold from the LCIR to the Reserve Bank in 1989-90 and 1990-91 respectively.
- (d) \$A equivalent.
- (e) Includes Netherlands Guilder liabilities purchased as part of the Commonwealth's market repurchase program. Because the loan agreements under which the Commonwealth undertook public loans in the Guilder market expressly exclude prepayment, it is unable to cancel this debt as has been done with other foreign currency liabilities repurchased. Instead the Netherlands Guilder liabilities are to be held by the LCIR.
- (f) Includes the proceeds of unwinding of swap transactions in 1990-91.
- (g) Cash balances held at Reserve Bank. Positive sign denotes decrease in cash balances.
- (h) Statement 8 discusses the effect of government business enterprise superannuation on the financing requirement of the Budget sector.
- (i) Includes Treasury Indexed Bonds, State domestic raisings, Income Equalisation Deposits, *overdue securities, difference between face value of securities and proceeds, and other financing transactions not elsewhere identified.*

STATEMENT 6 — THE PUBLIC SECTOR

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STATEMENT 6 — THE PUBLIC SECTOR

This Statement reviews developments in public sector finances and provides a framework for analysing the combined impact of transactions by all levels of government on the Australian economy. The focus is on developments over the past decade.

The public sector in Australia is defined as all entities majority-owned and/or controlled by Commonwealth, State or local governments. Included are government departments and associated bodies that deliver traditional public services as well as government-owned businesses, other than financial enterprises such as the Commonwealth Bank and the AIDC.⁽¹⁾

Data on the public sector as a whole can be presented in a number of ways. This Statement classifies public sector entities by both institutional sector and level of government. Classification within a particular institutional sector allows entities to be grouped irrespective of their level of government. The broadest institutional sectors *distinguish between the general government and public trading enterprise (PTE) sectors* — and this Statement concentrates on that distinction.

The first section focuses on the outlays, revenue and net public sector borrowing requirement (PSBR) for the public sector as a whole. This examines some of the factors that contributed to the substantial decline and the subsequent upturn in the net PSBR over the last decade. The two subsequent sections analyse the general government and PTE sectors.

PUBLIC SECTOR AS A WHOLE

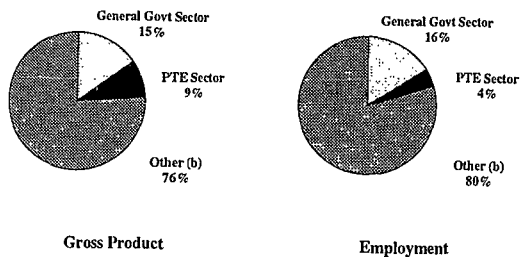
Measures of Size

There is no single correct measure of the size of the public sector; the most appropriate measure will depend on the purpose of the analysis. Commonly-used indicators are:

- public sector production of goods and services relative to total production; and
- public sector employment as a proportion of total employment.

The most recently available estimates of gross product and employment are depicted in *Chart 1*.

**CHART 1. GROSS PRODUCT AND EMPLOYMENT
BY INSTITUTIONAL SECTOR
1990-91 (a)**



The ratio of public sector outlays to GDP provides another measure of the public sector's role in the economy. Primarily because of transfers to other sectors, this ratio is higher than the above estimates, averaging around 40 per cent during the 1980s. Two aspects of this particular measure should be noted.

- First, for the general government sector, that proportion of national income that only flows through general government—including transfer payments to individuals and the PTE sector—does not form part of the sector's contribution to GDP. These transfer payments (and, on the other side of the government accounts, taxes and charges) redistribute income within the economy but their final disposition (or impact on GDP) is determined by the recipients, not the government.
- Second, for the PTE sector, outlays include only capital expenditure and transfers (mainly interest and income)—operating expenditure is not classified as an outlay.

Further, in deriving total public sector outlays, financial flows between general government and PTEs (such as transfers and advances) are netted out.

The ratio of outlays to GDP is, of course, also influenced by growth in GDP. Strong growth in GDP in the late 1980s caused this ratio to decline despite absolute growth in the public sector—while the more recent contraction in GDP has also contributed to the increase in the ratio.

Lastly, the distinction between the public and private sectors is not as clear now as it was twenty years or so ago, as the private sector has become more involved in what

have traditionally been 'public' areas. This includes such items as expanded provision of health and education services as well as elements of infrastructure. Hence, ideally, comparisons over the years should take account of not only the level of public sector resources applied to particular activities but also the level of private sector involvement in those activities. Unfortunately, however, a paucity of data limits the areas where direct comparisons of public and private activity can be made.

Trends in Public Sector Transactions

Outlays, Revenue and Net PSBR

Table 1 shows that, while total public sector revenues (as a ratio of GDP) have grown in every five year period since the first half of the 1970s, total public sector outlays as a ratio peaked in the five year period to 1986-87 and fell in the most recent five year period. However, they are still above the levels prior to the 1980s. These trends were influenced by the strong cyclical and asset price effects in the second half of the 1980s, which initially increased revenue and reduced outlays.

The net PSBR fell sharply in the most recent five year period to levels below those recorded during the 1970s broadly reflecting revenue growth and restraint in outlays.

Table 1: Public Sector Outlays, Revenue and Net Public Sector Borrowing Requirement (PSBR) by Institutional Sector as a Percentage of GDP

	Outlays			Revenue			Net PSBR (a)		
	General Government	PTEs	Total	General Government	PTEs (b)	Total	General Government	PTEs	Total
Averages:									
1972-73 to 1976-77	31.1	5.6	34.2	28.5	3.6	29.6	2.4	1.0	3.3
1977-78 to 1981-82	32.6	5.9	37.2	30.6	2.7	32.0	2.0	2.1	4.1
1982-83 to 1986-87	36.3	7.1	41.9	33.2	3.6	35.3	3.0	2.2	5.2
1987-88 to 1991-92	34.2	6.0	39.0	33.9	3.7	36.5	0.4	0.7	1.1
1982-83	35.4	7.2	41.1	32.6	3.1	34.2	2.7	2.8	5.6
1983-84	35.8	7.6	41.9	31.6	3.2	33.4	4.1	2.8	6.9
1984-85	36.8	6.8	42.2	33.3	3.8	35.6	3.4	1.7	5.1
1985-86	36.8	7.1	42.5	33.9	3.9	36.4	2.8	1.8	4.6
1986-87	36.6	6.9	42.0	34.7	3.8	36.9	1.8	1.7	3.6
1987-88	34.2	6.1	39.0	34.5	4.2	37.4	-0.3	0.5	0.1
1988-89	32.1	5.5	36.5	33.8	4.0	36.7	-1.7	-0.1	-1.8
1989-90	32.3	6.8	38.0	33.8	3.4	36.2	-1.5	1.9	0.4
1990-91	34.8	5.9	39.6	34.2	3.3	36.5	0.7	1.0	1.8
1991-92	37.5	5.7	41.9	33.0	3.8	35.5	4.7	0.4	5.0
1992-93(c)	na	na	na	na	na	na	4.5	0.5	5.0

Table 2 shows comparable data disaggregated by the level of government. As proportions of GDP, outlays in both Commonwealth and State/local sectors fell in the most recent five year period. These developments were indicative of restraint in Commonwealth outlays including, importantly, direct assistance provided to the States. The States, in turn, have also reduced their outlays.

Table 2: Public Sector Outlays, Revenue and Net Public Sector Borrowing Requirement (PSBR) by Level of Government as a Percentage of GDP (a)

	Outlays			Revenue			Net PSBR (b)				
	Com' wealth	State/local	Total	State/local			Com' wealth	State/local	Total		
				Com' wealth	Own Rev (c)	Transfers (d)				Total (c)(e)	
Averages:											
1972-73 to 1976-77	26.5	18.3	34.2	23.3	7.6	9.3	16.9	29.6	2.7	0.7	3.3
1977-78 to 1981-82	27.9	20.1	37.2	25.0	8.1	9.6	17.7	32.0	2.3	1.8	4.1
1982-83 to 1986-87	30.7	21.7	41.9	27.1	9.2	9.4	18.6	35.3	3.0	2.2	5.2
1987-88 to 1991-92	27.2	19.7	39.0	26.8	10.3	7.2	17.6	36.5	-0.1	1.2	1.1
1982-83	29.6	22.2	41.1	26.3	9.0	9.6	18.6	34.2	2.7	2.8	5.6
1983-84	31.1	21.7	41.9	25.7	8.8	9.7	18.5	33.4	4.7	2.2	6.9
1984-85	31.3	21.5	42.2	27.5	9.1	9.5	18.7	35.6	3.3	1.8	5.1
1985-86	31.2	21.5	42.5	27.8	9.5	9.2	18.7	36.4	2.8	1.8	4.6
1986-87	30.3	21.4	42.0	28.2	9.7	8.8	18.5	36.9	1.5	2.1	3.6
1987-88	28.0	19.9	39.0	28.4	9.9	8.0	17.9	37.4	-1.0	1.2	0.1
1988-89	25.8	18.6	36.5	27.2	10.2	7.1	17.3	36.7	-2.0	0.3	-1.8
1989-90	26.5	19.3	38.0	26.6	10.3	7.0	17.3	36.2	-0.7	1.1	0.4
1990-91	27.6	19.8	39.6	26.6	10.5	7.1	17.6	36.5	0.5	1.3	1.8
1991-92	28.4	21.0	41.9	25.3	10.8	7.0	17.7	35.5	2.7	2.3	5.0
1992-93(f)	na	na	na	na	na	na	na	na	3.9	1.1	5.0

Commonwealth revenue as a proportion of GDP declined slightly in the most recent five year period. State/local revenue also declined, primarily reflecting the decline in transfers from the Commonwealth. This decline in transfers more than offset the strong growth in State/local own revenue in the late 1980s stemming from the cyclical influences in the economy and the asset price boom.

Overall, the net borrowing requirement for both levels of government has fallen in the most recent five year period, but this masks rapid growth in the net borrowing requirement over recent years caused largely by the recession.

Analysis by Government Purpose Classification

Table 3 disaggregates the major components of public sector outlays according to purpose. The latest year for which data are available on this basis is 1990-91, so the

large rise in outlays in 1991-92 is not yet reflected in these data. There has been considerable variation between growth rates for the various purposes over the last two decades. Areas with above average rates of growth include Health, Social Security and Welfare, and the public debt interest component of Other. Areas which have either fallen as a proportion of GDP or grown much less than average include Defence (partly reflecting the impact on outlays of the Vietnam war in the late 1960s and early 1970s), Housing and Community Amenities, and Transport and Communications.

Table 3: Public Sector Outlays by Government Purpose Classification as a Percentage of GDP

	Defence	Educa-tion	Health	Social Security and Welfare	Housing and Community Amenities	Fuel and Energy	Transport and Communi-cations	Other (a)	Total
Averages:									
1971-72 to 1975-76	2.5	5.0	3.9	5.3	2.1	1.0	4.3	8.9	33.0
1976-77 to 1980-81	2.3	5.7	4.5	7.7	1.7	1.2	4.0	9.6	36.9
1981-82 to 1985-86	2.6	5.5	4.8	8.5	1.7	1.8	4.4	12.0	41.2
1986-87 to 1990-91	2.3	5.0	5.2	8.1	1.3	1.1	3.7	12.4	39.0
1981-82	2.5	5.4	4.4	7.7	1.5	2.0	4.1	10.8	38.4
1982-83	2.6	5.6	4.5	8.6	1.6	2.3	4.5	11.3	41.1
1983-84	2.6	5.5	4.7	8.9	1.6	1.8	4.6	12.2	41.9
1984-85	2.6	5.4	5.2	8.7	1.8	1.5	4.3	12.6	42.2
1985-86	2.6	5.4	5.2	8.5	1.7	1.4	4.6	13.0	42.5
1986-87	2.6	5.3	5.3	8.3	1.7	1.4	4.4	13.1	42.0
1987-88	2.3	4.9	5.2	8.1	1.4	1.1	3.6	12.4	39.0
1988-89	2.1	4.8	5.0	7.5	1.1	1.0	3.3	11.6	36.5
1989-90	2.1	4.9	5.1	7.7	1.3	1.0	3.8	12.3	38.0
1990-91	2.2	5.1	5.3	8.8	1.2	0.9	3.6	12.6	39.6

The following identifies the more recent developments from 1983-84 to 1990-91. For context, total public sector outlays declined by 2.3 per cent of GDP over this period.

- Health expenditure has risen as a proportion of GDP. This is a direct consequence of the introduction of Medicare and largely represents a substitution of public for private expenditure which mainly occurred in 1984-85. Since then, overall expenditure on health (public and private) has been relatively stable.
- The only area to undergo substantial growth since 1983-84, despite declining since 1986-87, was public debt interest. Total interest payments rose from 4.3 per cent of GDP in 1983-84 to 5.1 per cent in 1990-91. Of this outlays increase, however, almost three-quarters was offset by an increase in interest received (a revenue item).

- Defence expenditure fell from 2.6 per cent of GDP in 1983-84 to 2.2 per cent in 1990-91. Outlays in the early to mid-1980s were boosted by expenditures to replace capital equipment purchased in the 1960s. Since then, Defence expenditure has been maintained in real terms, implying a decline as a percentage of GDP.
- Education expenditure fell from 5.5 per cent of GDP in 1983-84 to 5.1 per cent in 1990-91. Factors influencing this development have included an ageing population which has restrained growth in school enrolments despite higher retention rates; and a relative increase in demand for non-government school places since the mid-1970s (which involves lower levels of public funding).
- Social Security and Welfare expenditure fell slightly from 8.9 per cent of GDP in 1983-84 to 8.8 per cent in 1990-91 although this masks substantial changes within that period. Outlays had fallen sharply to 7.5 per cent of GDP in 1988-89, the lowest level since the late 1970s and early 1980s, under the influence of a stronger economy and by such measures as more effective means testing—including income and assets—of entitlements. Since 1988-89, these outlays have risen sharply as a consequence of the recession.
- Expenditure on Fuel and Energy, which mainly reflects capital expenditure on electricity generation capacity, has fallen considerably to 0.9 per cent of GDP in 1990-91 from 2.3 per cent in 1982-83—the peak of 'resource boom' related capital expenditure.
- Transport and Communications expenditure has fallen from 4.6 per cent of GDP in 1983-84 to 3.6 per cent in 1990-91. Around two-thirds of this reduction has occurred on the capital side reflecting relative restraint on spending in the road and rail areas, partly offset by growth in the air and communications areas.

Public Sector Borrowing

The net PSBR provides a guide to the aggregate impact on capital markets of public sector calls on resources. Equivalent to the ABS concept of the net financing requirement, the net PSBR measures the public sector's direct call on financial markets. It is defined as total outlays less total revenue, less increases in provisions (including depreciation and superannuation) and, in the case of the PTE and State/local sectors, excludes net advances received from general government and from the Commonwealth, respectively. The term 'net borrowing requirement' is used in this Statement to represent the same concept at the institutional sector level of general government or PTEs.⁽²⁾

Through its measurement of the public sector's net call on national saving, the PSBR has been a focus of public policy. As such, it is integral to an understanding of the causes of the nation's call on domestic saving and, to the extent there is a shortfall

between saving and domestic investment, on overseas saving. Australia's call on overseas saving is reflected in the current account of the balance of payments.

The PSBR provides the benchmark for the Loan Council global borrowing limits. These limits influence the overall level of public spending and borrowing in the economy. Limits on borrowing levels constrain spending levels in general government and assist in moderating public sector calls on resources. Related to that, the borrowing limits also seek to ameliorate the pressures for higher than optimal levels of investment by PTEs that are, by their very nature, subject to less financial and other market pressures than private sector bodies.

Increasing emphasis on microeconomic reform has also involved greater efforts to achieve a more commercial PTE sector. In this regard, the Loan Council Meeting in May 1991 agreed to provide scope for PTEs which satisfy strict commerciality criteria to be exempted from global borrowing limits. As yet, no PTEs qualify for exemption but this change will provide further incentives to operate in a more commercial manner.

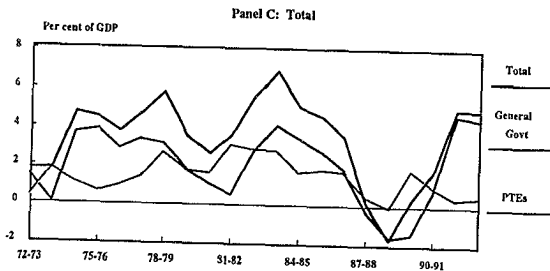
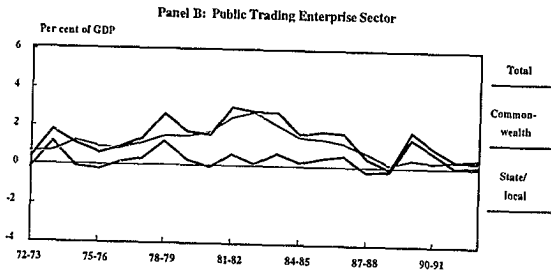
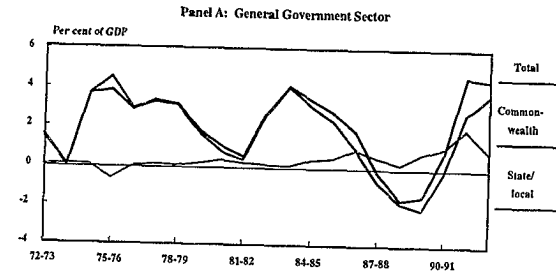
Movements in the Net PSBR

Chart 2 shows the net PSBR and the net borrowing requirement for each sector and includes forecasts for 1992-93.

- Since reaching a record level of 6.9 per cent of GDP in 1983-84, the net PSBR fell continuously, attaining a surplus of 1.8 per cent of GDP in 1988-89.
- Since 1988-89, the net PSBR has increased continuously, reaching a level of 5.0 per cent of GDP in 1991-92.
 - 3.2 percentage points of this increase occurred in 1991-92.
 - Virtually all of the deterioration occurred in the general government sector. This is discussed below.

Overall, the net PSBR is forecast to be unchanged in 1992-93. However, there is expected to be a further marked increase at the Commonwealth general government level, under the continuing influence of both the cyclical factors raising outlays and reducing revenue—and the discretionary measures to encourage recovery. This may be more than offset by a substantial reduction in the net borrowing requirement of the State/local sector, reflecting planned significant asset sales (which count as offsets to outlays).⁽³⁾ Some of these asset sales slipped from 1991-92. There is also the washing out of the impact of financial assistance provided to government business ventures in 1991-92.

CHART 2. NET PSBR BY COMPONENT (a)



(a) 1992-93 observations are Treasury estimates

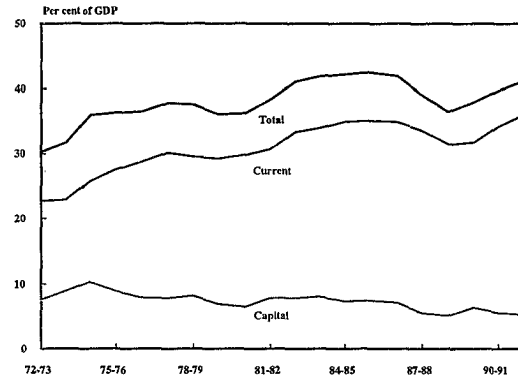
Factors influencing the Net PSBR

Movements in both outlays and revenue have contributed to the substantial medium-term fluctuations in the net PSBR since 1983-84, with cyclical factors playing an important role.

- The substantial falls in the net PSBR from 1983-84 were underpinned by the prolonged economic expansion which lowered outlays growth by reducing transfer payments (such as unemployment benefits) and increased revenue as a result of strong employment growth and high asset prices.
- Conversely, the recent recession and unwinding of the asset price boom has increased outlays and reduced revenue while there have been discretionary measures to encourage growth.

Falling outlays, as a share of GDP, account for about three-fifths of the reduction in the net PSBR from 1983-84 to 1988-89 while rising outlays account for some four-fifths of the increase since then.

CHART 3. PUBLIC SECTOR OUTLAYS



This substantial turn around in outlays has been concentrated in current outlays. Chart 3 shows the trends in current and capital outlays relative to GDP since 1972-73.

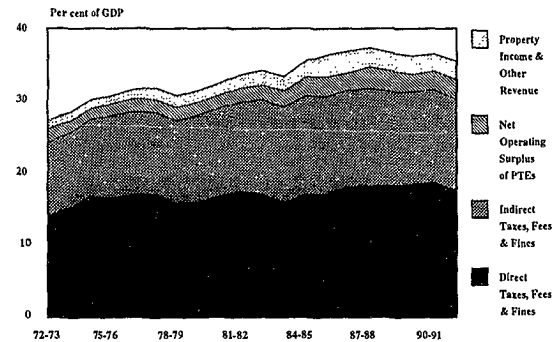
A decline in total public sector capital outlays had been in progress (with one notable interruption in the early 1970s) since the late 1960s before stabilising at a low level in the late 1980s. (The slight increase in 1989-90 reflected the temporary sharp increase in wool stocks.) This longer-term development has led to some calls for an increase in public capital expenditures on infrastructure. These issues are discussed briefly in Box 1.

On the revenue side, the main developments are:

- Most revenue growth has come from direct taxes, fees and fines, which rose from 15.8 per cent of GDP in 1983-84 to 17.5 per cent in 1991-92. This revenue category is dominated by Commonwealth taxes on income, which account for around half of all public sector revenue. A large part of this increase reflected the strong growth in employment and profitability through to 1989-90—and the repair of the income tax base through such measures as the fringe benefits tax, the capital gains tax and the prescribed payments system. Conversely, direct taxes, fees and fines declined in 1991-92, in line with the fall in employment and profitability.
- The contribution of indirect taxes, fees and fines has fallen, from 13.3 per cent of GDP in 1983-84 to 12.7 per cent in 1991-92. Over half of this reduction reflects the switch of taxing arrangements in respect of Bass Strait oil production from the crude oil excise—an indirect tax—to the petroleum resource rent tax—a direct tax. This reduction also masks a substantial fall in Commonwealth indirect taxes, fees and fines which has been partly offset by growth in the State sector.
- The increase in the net operating surplus of PTEs—from 2.2 per cent of GDP in 1983-84 to 2.8 per cent of GDP in 1991-92—has also contributed to higher public sector revenue despite falling subsidies over the period. Both the Commonwealth and the States have been striving to improve the efficiency and commercial focus of PTEs, a development which is discussed more fully below.

The major components of public sector revenue are shown in Chart 4 for the period 1972-73 to 1991-92.

CHART 4. PUBLIC SECTOR REVENUE



GENERAL GOVERNMENT SECTOR

The general government sector encompasses the traditional public sector role. At the broadest level, the principal functions cover: the establishment and maintenance of the legal and other essential institutional frameworks for the community; the provision of a range of non-market (or public) goods and services and such goods and services that governments are not prepared to leave entirely to the private sector (or PTEs) to provide; and the administration of the income transfer system. Allocation of resources in this sector is determined by the Commonwealth Government and State and local Governments.

The transactions of the general government sector reflect the fiscal policy decisions of government more clearly than the transactions of the public sector as a whole. Movement in the general government net borrowing requirement from year to year provides one guide to the overall stance of fiscal policy. In that regard, the stance of Commonwealth fiscal policy is crucial: this policy is implemented through adjustments to the outlays and revenue of the Commonwealth Budget including adjustments in payments to the States. Adjustments in assistance to the States influence—directly and indirectly—the outlays, revenue and financing needs of the State general government sector.

A significant feature of the general government sector is that the Commonwealth raises around three-quarters of all general government revenue but it undertakes around half of general government outlays. This imbalance flows formally from the uniform income tax arrangements agreed with the States during World War II and gives rise to

a requirement for significant transfers to the State/local sector. As a consequence, the Commonwealth Government has much greater influence over total public sector spending and taxation.

BOX 1 - PUBLIC INFRASTRUCTURE INVESTMENT

In light of the long-term reduction in the levels of public capital outlays, there have been calls from some quarters for sharp increases in public capital expenditures on infrastructure.

The level of public capital spending is not a reliable indicator of the adequacy of infrastructure investment.

- There has been an increase in private sector provision of infrastructure, including suburban land development, port facilities, schools, hospitals etc.
- The figures are affected by significant asset sales which are recorded as negative capital outlays.

Assessments of adequacy also need to consider the efficiency of the utilisation of existing and proposed investment and the extent to which demand for infrastructure reflects inadequate charging.

- Too often in the past, investments have not been based on rigorous assessments of benefits and costs—resulting in a misallocation of scarce community resources into projects with less than optimal returns.
- A pre-condition for better efficiency in infrastructure use is that prices charged are appropriately aligned with underlying economic costs, including a more commercially-related return on the public investment.

The Commonwealth's infrastructure initiatives announced in *One Nation* and in this Budget recognise the critical importance of achieving the best use of existing infrastructure and allocating additional funds to projects that provide lasting benefits and high returns.

- Key structural reforms identified as necessary to maximise the benefits from increased spending on infrastructure include increased competition, more effective management of public sector infrastructure and workplace reforms to reduce input costs to industry. To this end, additional funding for areas such as rail investment have been made conditional on successful labour and management reform outcomes.

Trends in General Government Transactions

Chart 5 shows the outlays, revenue and net borrowing requirement of the general government sector. In broad terms, these aggregates have moved in line with longer-term developments in the public sector as a whole. In terms of the five year average data in Table 1, revenues have increased in each five year period since the first half of the 1970s, while outlays and the net borrowing requirement peaked in the first half of the 1980s.

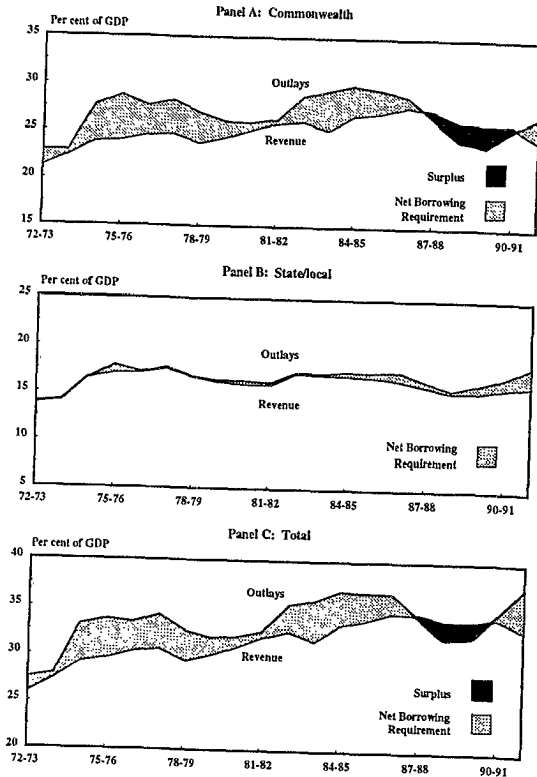
Further, the general government net borrowing requirement has broadly tracked developments in the net PSBR over the past decade—reaching a peak in 1983-84 before a sustained fall until 1988-89 and then climbing substantially since then.

- After achieving three years of surplus from 1987-88 to 1989-90 (as a consequence of both cyclical factors and concerted effort by governments to consolidate their fiscal positions to address the nation's saving/investment imbalance), the general government net borrowing requirement has deteriorated in the past two years by 6.2 per cent of GDP, with nearly two-thirds of this occurring in 1991-92. This turn around:
 - confirms the sensitivity of the general government sector to the slower than expected recovery in economic activity, the slowing of inflation and the unwinding of the asset price boom, with a consequent reduction in revenue collections (particularly Commonwealth income taxes on individuals and companies and State payroll taxes and stamp duties);
 - reflects discretionary measures by governments to encourage higher levels of economic activity, such as bringing forward infrastructure spending and measures to address labour market access; and
 - also reflects slippage in the timing of intended asset sales programs. If planned 1991-92 sales had taken place, recorded outlays, and consequently the net borrowing requirement, would have been around two-thirds of a percentage point of GDP lower in 1991-92.

Increases in outlays since 1988-89 (5.4 per cent of GDP) have accounted for around four-fifths of the turn around in the net borrowing requirement.

- General government outlays reached 37.5 per cent of GDP in 1991-92, well above the previous peak in 1984-85 of 36.8 per cent of GDP.

CHART 5. GENERAL GOVERNMENT OUTLAYS, REVENUE AND NET BORROWING REQUIREMENT



Commonwealth-State Comparisons

A disaggregation of general government transactions into Commonwealth and State/local sectors reveals major sectoral differences.

- The move to surplus in the net borrowing requirement in the latter part of the 1980s was a consequence of a surplus in the Commonwealth general government sector that more than offset the increased net borrowing requirement at the State/local level.
- The major factor behind this surplus was a substantial reduction in Commonwealth outlays from their peak in 1984-85, which has been only partly unwound during the recent recession. As proportions of GDP, by the end of the 1980s, the State/local sector had made only minor reductions in outlays from the peak of the mid-1980s and these reductions have been more than offset by the recent turn around. Chart 6 identifies trends in the major components of outlays. Within those overall developments, the key compositional changes over recent years have been:

- at the Commonwealth level, increased personal benefit payments (see Box 2) and reduced transfers to the State/local governments; and
- at the State/local level, reduced capital outlays and subsidies to the PTE sector.

That said, there have been substantial changes in the relationships both within the general government sector and between that sector and the PTE sector over the past decade.

- Until 1983-84, the deficits of the State/local general government sector were largely funded by net advances from the Commonwealth. (Further details are in the 1991-92 version of this Statement and in Budget Paper No 4 *Commonwealth Financial Relations with Other Levels of Government 1991-92*.)
- The general government sector now provides considerably lower advances to the PTE sector. This reflects measures to make PTEs more responsible for their borrowings — part of the PTE reform process — and the improved efficiency and cost recovery those processes are encouraging.

Table 4 seeks to identify these developments.

- On the unadjusted data, the Commonwealth net borrowing requirement moved from deficit in the first period to surplus in the most recent period, while the State/local sector moved from small deficits to a larger deficit more recently.

CHART 6. GENERAL GOVERNMENT SECTOR OUTLAYS BY MAIN ECONOMIC TYPE AS A PERCENTAGE OF GDP

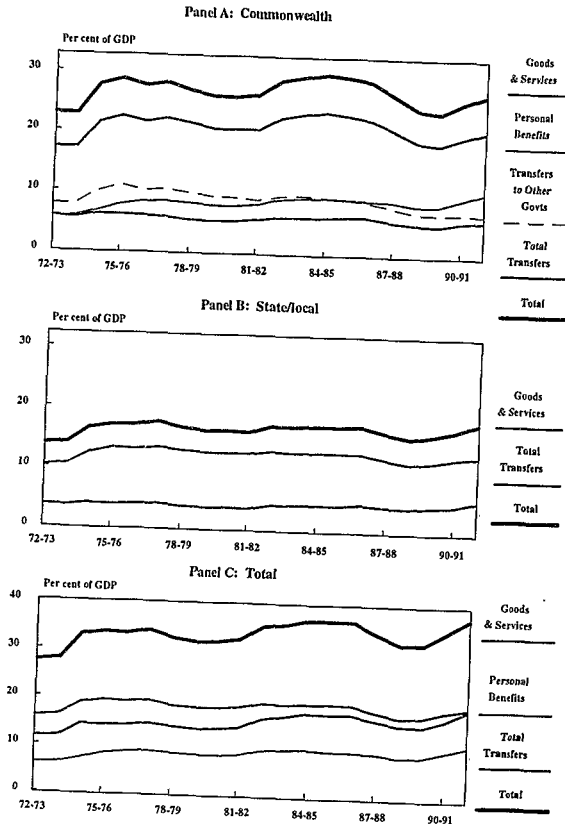


Table 4: Commonwealth and State/local General Government Net Borrowing Requirement (NBR) as a Percentage of GDP (a)

	Commonwealth			State/local		
	NBR	NBR less Advances to:		NBR	NBR less Advances:	
		State/local Sector	State/local & PTEs		From Cwth	From Cwth & to PTEs
1961-62 to 1973-74	1.4	-0.8	-1.7	0.1	2.3	1.6
1974-75 to 1986-87	2.6	1.7	1.5	0.1	1.0	0.6
1987-88 to 1990-91	-1.3	-1.1	-1.0	0.6	0.4	0.4

(a) Negative signifies a surplus.

- Adjusting for advances from the Commonwealth to the State/local general government sector, the Commonwealth surplus in the most recent period was only marginally larger than in the first period, while the State/local sector showed a large and continuing reduction in the size of the deficit.
- Further adjusting for advances by both levels of government to the PTE sector changes the picture again for the Commonwealth — the recent surplus was smaller than that of the first period — while the State/local sector deficit was smaller than in the earlier periods.

Care should be taken in interpreting the advances-adjusted data in Table 4. Advances represent one of several financial linkages between sectors of government. A full assessment of changing relationships between government sectors would require an analysis of all the various linkages.

Tax Expenditures

A further means by which government can direct resources to a particular purpose is through tax expenditures. They are provisions of the tax law which tax certain classes of taxpayers or particular types of activity concessionally, as compared with the chosen benchmark structure. Tax expenditures are difficult to quantify and often difficult to target effectively.

Detailed information on tax expenditures is only available for the Commonwealth general government sector.

Revenue forgone from Commonwealth tax expenditures as a proportion of GDP is estimated to have declined over the 1980s from 4 per cent in 1981-82 to 3.1 per cent in

1990-91. This reinforced the outlays restraint exercised by the Commonwealth over the second half of the 1980s.

- The tax expenditures associated with the concessional treatment of superannuation contributions, fund incomes and benefits is the largest single tax expenditure item. However, its relative importance has been gradually decreasing, accounting for 31 per cent of tax expenditures in 1990-91, down from 36 per cent in 1984-85.

BOX 2 - PERSONAL BENEFIT PAYMENTS

Personal benefit payments are primarily the responsibility of the Commonwealth Government. Over the period 1971-72 to 1991-92, these transfers increased from around a quarter of Commonwealth general government outlays to over a third.

The increase in outlays reflects:

- Demographic factors — the growth rate of the population and changes in the age structure.
- Cyclical factors — this has its most obvious impact on the level of unemployment benefits but can also affect the level of outlays on other social security payments.
- Policy changes — the range of social security benefits has increased since the 1960s and the introduction of Medicare led to the replacement of certain tax expenditures by personal benefit payments.

In the 1960s, social security outlays (the largest component of personal benefit payments) comprised three main benefits — namely, to ex-servicemen and their dependants, the age pension and family and child benefits. Unemployment benefits were an insignificant component of social security outlays. By the end of the 1980s, those three categories of benefits represented less than 60 per cent of all social security payments.

While social justice objectives resulted in a wider range of social security benefits in the 1970s and 1980s, the need for expenditure restraint in the 1980s resulted in better targeting of social security payments. In the six years to 1989-90, outlays on personal benefits declined as a percentage of GDP even though they increased as a percentage of Commonwealth general government outlays and rates of benefits generally increased in real terms.

Reflecting the recession, Commonwealth personal benefit payments reached 10.6 per cent of GDP in 1991-92, compared with a previous high of 9.6 per cent of GDP in 1984-85.

- There has also been some recent decline in tax expenditures for Industry Assistance and Development, reflecting, inter alia, the termination of the 5/3 accelerated depreciation provisions in 1988.⁽⁴⁾

Cyclical Influences on the General Government Sector

With the continued weakness in the economy through 1991-92, there was a further increase in the net borrowing requirement for both the Commonwealth and State/local sectors.

In last year's Statement, estimates of the movement in the discretionary component of the Commonwealth Budget balance were provided. Those results were based on a methodology which sought to distinguish movements in the budget balance from one year to the next into two components: one component reflecting changes in underlying economic conditions and a residual discretionary component reflecting policy or other decisions made by the Government.

As noted in last year's Statement, several factors militate against any firm conclusions being drawn from this type of analysis, including:

- while this approach is more practical than other techniques, it says nothing about the level of structural and cyclical components of the budget deficit or surplus. The analysis focuses solely on movements between years;
- the identification of the discretionary component in a residual manner allows for no further distinction between policy-determined and other influences in this residual; and
- the analysis does not distinguish between discretionary adjustments on the basis of their impact on other policy areas. For example, a discretionary policy measure may detract from the structural position of the budget in itself but work in the opposite direction in other areas of the budget or, indeed, in later years. A reduction in taxation in one year that led to an increase in later year revenue, or a measure to increase spending on program administration that secured savings in other programs or in later years, are cases in point.

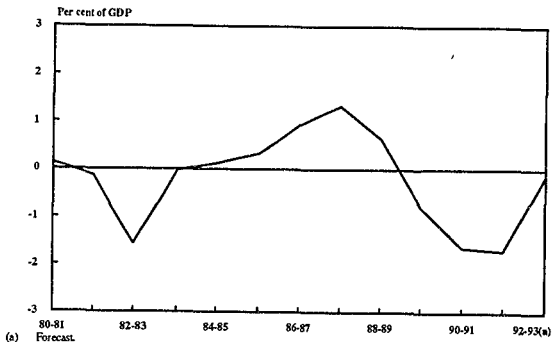
The analysis has now been updated in the light of final outcomes for 1991-92 and the economic and fiscal outlook for 1992-93. In the updated analysis, a number of factors should be borne in mind:

- the analysis for 1991-92 in last year's Statement was based on an estimated balance of \$4.7 billion compared with an outcome of \$9.3 billion;

- the 1991-92 analysis was based on June quarter 1991 National Accounts data which have been subsequently revised and this has affected the precise outcomes but not the overall pattern over the past decade; and
- some methodological improvements have also been made — again, affecting precise numbers but not the overall pattern.

The revised estimates of movements in the discretionary component are shown in Chart 7.

CHART 7. DISCRETIONARY CHANGES IN THE BUDGET BALANCE



In essence the broad observations made last year still apply. The residual discretionary component appears to detract from the balance in the early 1980s; improves the balance during the fiscal consolidation of the mid to late 1980s; and then detracts from the balance in recent years.

The discretionary developments in the late 1980s — including the structural movement in 1989-90 — are driven mainly by the tax cuts associated with the wage-tax trade-offs.

In both 1990-91 and 1991-92, there was further significant discretionary loosening reflecting the decisions in the Budgets for those two years as well as the three economic statements during this period.

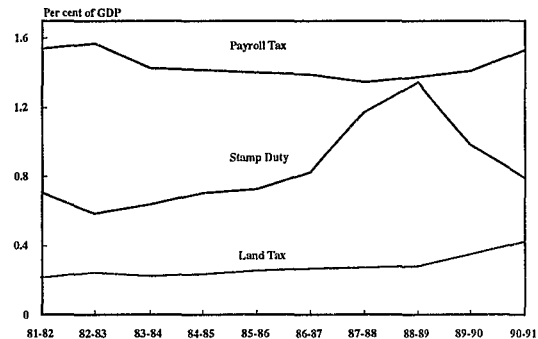
For 1992-93, and following the large structural easings in the previous two years, the analysis suggests that there is a further structural easing. However, while there are a range of significant identifiable measures in *One Nation* and the 1992-93 Budget, these

have been partly offset in the analysis by the effects of asset sales and subdued underlying growth in outlays.

An analysis of some of the major elements of the 1992-93 Budget is contained in the accompanying *Working for the Future Statement*. As economic circumstances permit, the Government will be able to wind back this stimulus in 1992-93 and allow the Budget to move toward balance.

The State/local sector has not been subject to the same analysis because of a range of limitations in securing State specific data and forecasts of underlying economic parameters. However, the slowdown in economic growth has also had a major impact on State Budgets and, in particular, by slowing revenue growth. Lower levels of activity and falling prices in the property and share markets have led to a sharp reduction in stamp duty revenue, while payroll tax has remained fairly flat, as shown in Chart 8.

CHART 8. STATE/LOCAL TAXES, FEES & FINES



The relative contribution of cyclical and structural factors to the States' deteriorating fiscal position is unclear, although it is apparent that cyclical factors have had a significant impact. This issue is to be addressed in a report on the medium-term budgetary outlook for both the Commonwealth and the States that will be prepared by a working party of officials from Commonwealth, State and Territory Treasuries. The aim is to prepare the report early in 1993 to assist consideration of longer-term financial relations between the Commonwealth and the States at the 1993 Premiers' Conference.

Discussion on financial developments in the State sector is in Chapter II of Budget Paper No 4 *Commonwealth Financial Relations with other Levels of Government 1992-93*.

PUBLIC TRADING ENTERPRISE SECTOR

PTEs provide much of the nation's economic infrastructure. In 1990-91, they accounted for about 4 per cent of total employment, 9 per cent of GDP, 14 per cent of gross fixed capital expenditure (GFCE) and 17 per cent of the total capital stock. About one-third (in terms of total assets identified in enterprises' annual reports) are Commonwealth-owned, two-thirds are owned by State or local governments.

Government ownership or control is the decisive factor in the inclusion of PTEs within the broad definition of the public sector. While market forces generally play a greater role in determining resource allocation in the PTE sector than in the general government sector, this can vary greatly from one organisation to another.

For the more commercial PTEs the bulk of decisions relating to provision of services, prices, operating costs and borrowing may be formulated in a fashion similar to that for private sector businesses even though the government may retain some control over broad approaches and even over some specific decisions. Where the parent government requires services to be produced on a non-commercial basis, this requirement is explicitly stated as a Community Service Obligation (CSO) and explicitly costed. In other PTEs, only limited consideration may be given to: seeking appropriate returns on the community's assets; principles of efficient pricing; and making CSOs explicit. Decision making is then more akin, in many respects, to that in the general government sector.

The Commonwealth Government and several States have been moving to place the operations of their PTEs on a more commercial footing, although with varying degrees of progress. In some cases, this has involved, or may in the near future involve, partial or full privatisation of some enterprises. PTEs operating in a more commercial environment are less likely to be constrained by governments for policy purposes. Their investment, pricing and net borrowing decisions are more likely to reflect commercial decisions than government policy.

Trends in PTE Transactions

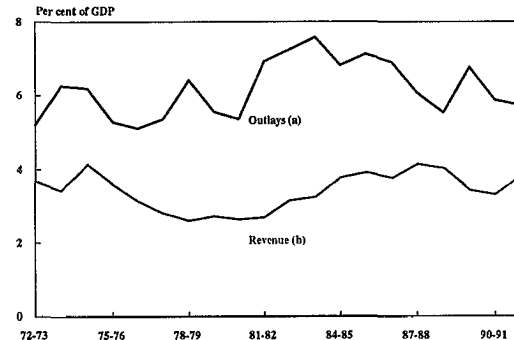
Outlays, Revenue and Net Borrowing Requirement

Chart 9 shows the outlays and revenue of the PTE sector while Chart 10 shows the net borrowing requirement and investment flows.

The major components of PTE outlays under ABS Government Finance Statistics are net expenditure on goods and services, and interest and dividend payments. Operating expenditures are excluded.

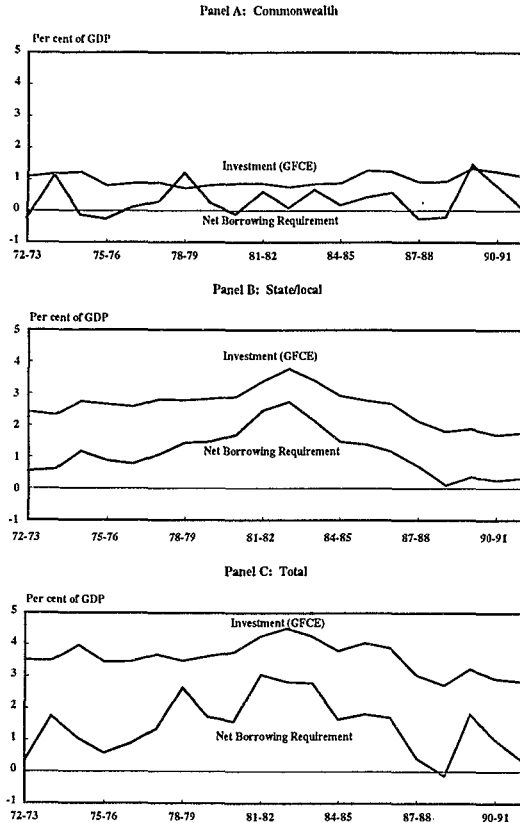
PTE net expenditure on goods and services has generally fluctuated over the range 3 per cent to 5 per cent of GDP in the past decade. Underlying this have been swings in Commonwealth PTE net expenditure associated with the peaks and troughs of investment cycles, particularly by the two government-owned airlines. Also, a significant jump occurred in 1989-90 reflecting the large accumulation of stocks by the Australian Wool Corporation due to weakening wool prices. Since then these Commonwealth PTE expenditures have halved. State/local net expenditure on goods and services was high in the early 1980s as State electricity authorities invested in expanded electricity generating capacity. With the gradual completion of projects, these State/local expenditures have declined from a peak of 3.9 per cent of GDP in 1982-83 to 1.8 per cent in 1991-92.

CHART 9. PTE OUTLAYS AND REVENUE



PTE revenue rose steadily through the 1980s, mainly attributable to increased operating revenue among both Commonwealth and State/local PTEs. It temporarily turned down in 1989-90 and 1990-91 as Commonwealth PTE revenue fell partly because of the Australian Wool Corporation's negative net operating surpluses. In 1991-92 Commonwealth PTE revenue returned to its pre-1989-90 levels. State/local PTE revenue has remained roughly constant since 1988-89.

CHART 10. PTE NET BORROWING REQUIREMENT AND INVESTMENT



The net borrowing requirement of the PTE sector peaked in the early 1980s. Borrowing by Commonwealth PTEs continued to be fairly low during that period and the increase mainly reflected the rapid expansion of State infrastructure projects. With the completion of these projects the net borrowing requirement for the PTE sector as a whole fell steadily until 1988-89. It increased sharply during 1989-90 — attributable to a rapid increase in Australian Wool Corporation purchases and, to a lesser degree, an increase in aircraft purchases by Qantas and Australian Airlines — before falling again back to approximate balance in 1991-92.

Performance of PTEs

The past decade has seen an overall improvement in the performance of most PTEs under the influence of owner governments striving to create a more commercial approach to service delivery. Table 5 shows a number of indicators of performance. For the Commonwealth sector, the main features of the data are strong improvements up until 1988-89 before a significant downturn in the next two years and then a rebound last year. The major factor in the downturn was the weaker operating results of the Australian Wool Corporation in 1989-90 and 1990-91 which lowered the aggregate Commonwealth PTE operating result for those years by around \$2¼ billion. This factor was not present in 1991-92, and operating results returned to a level more commensurate with their pre-1989-90 levels.

Table 5: Operating Results and Cost Recovery Ratios of Public Trading Enterprises

Net Operating Surplus (a)		Operating Results (b)		Cost Recovery Ratios (excl. net interest paid) (c)		Cost Recovery Ratios (incl. net interest paid) (d)		
Commonwealth \$m	State/local \$m	Commonwealth \$m	State/local \$m	Commonwealth %	State/local %	Commonwealth %	State/local %	
1983-84	1328	3023	-72	-1670	109.37	108.1	99.4	91.5
1984-85	2034	3630	404	-1789	113.21	110.0	103.0	91.8
1985-86	2322	4227	621	-1926	115.11	110.5	104.4	92.1
1986-87	1453	5035	-107	-1890	108.50	112.3	99.3	92.8
1987-88	3304	5746	1101	-1628	118.90	114.2	106.5	94.3
1988-89	3768	6146	1927	-1516	120.78	114.3	110.7	95.0
1989-90	2598	6345	493	-1017	111.70	114.0	102.4	97.0
1990-91	2884	6919	-530	-817	107.74	114.1	97.7	97.7
1991-92	3993	6953	950	-445	115.37	114.6	104.1	98.8

State/local PTEs, in aggregate, have largely preserved their improving performance of recent years although the aggregate operating results continue to be negative. However, these aggregate results mask very significant differences between the States in the performance of their PTEs. Debt servicing is a significant factor affecting financial performance of State/local PTEs. If interest is excluded, the results suggest that the

State/local PTEs as a whole are covering operating costs — but they do not yet derive sufficient revenue from their operations to cover the servicing costs of borrowed capital.

The negative operating results of the State/local PTE sector is partly due to deliberate decisions by some governments to subsidise certain PTEs to a substantial extent — on the basis that wider community benefits may flow from certain PTE services. Urban transport is a case but there are others. However, some of these subsidies may also underwrite inefficient management and work practices.

Two performance indicators for PTEs are rates of return and productivity growth. Rates of return are an imperfect indicator for PTEs since high returns could reflect monopoly pricing, and low ones provision of CSOs. Nevertheless, very low rates of return are likely to reflect some degree of cost inefficiency.

In 1990, the Industry Commission examined the rates of return on capital for several PTEs (focussing on Commonwealth transport and communications PTEs and the Australian water industry).⁽⁵⁾ It found that, after allowing for specified CSOs, PTEs generally performed poorly compared with rates of return in the private sector. In 1992, an EPAC research paper examined public enterprise rates of return from 1988-89 to 1990-91 — and found that they were on average about two-thirds of private sector rates of return, although the gap had narrowed somewhat over the period because of declining private sector rates of return.⁽⁶⁾ The study also found that Commonwealth PTE rates of return were about twice those of the States. The highest rates of return were for communications and electricity and gas PTEs; the lowest, by far, were for transport PTEs. In particular, some State rail authorities had very large negative rates of return.

Total factor productivity can provide an indication of PTE productive efficiency. EPAC has evaluated PTEs on this basis in three industries — electricity, gas and water; transport and storage; and communications. Over 80 per cent of PTE activity is concentrated in these industries. EPAC research indicates that the total factor productivity of PTEs increased by an average annual growth rate of 4.1 per cent between 1979-80 and 1990-91, compared with an increase of only 0.2 per cent *per annum* in the private non-farm market sector. In the year to 1990-91, the increase was 4.2 per cent for PTEs, compared with a fall of 3.5 per cent for the private non-farm market sector.

The best performing sectors were communications, and electricity, gas and water. Communications PTEs, in particular, achieved very high levels of total factor productivity growth — average annual growth of 6.2 per cent between 1979-80 and 1990-91 — perhaps, associated with rapid technological progress. As with rates of return, the worst performing sector was transport and storage, with total factor productivity growth of only 0.7 per cent *per annum* between 1979-80 and 1990-91.⁽⁷⁾

Despite the growth in PTE productivity, the absolute productivity of Australian PTEs as a whole appears to remain quite low. The OECD estimated that capital and labour productivity in Australia's electricity, gas and water utilities was about half the average of OECD economies in the early to mid-1980s.⁽⁸⁾ More recent studies suggest there was a gap of about 30 per cent between Australian government business enterprises' productivity and overseas best practice levels at the beginning of the 1990s.⁽⁹⁾

In all, a range of evidence suggests PTE performance has improved over recent years, but there appears to be scope for further improvement, particularly at the State/local level. Reflecting this, greater attention has begun to be paid to PTE operating efficiency at both the Commonwealth and State level. The July 1991 Special Premiers' Conference agreed to establish a framework for national performance monitoring of PTEs. A report on 1991-92 PTE results is planned for the middle of 1993.

APPENDIX

FOOTNOTES FOR TEXT, CHARTS AND TABLES

TEXT

1 This discussion follows ABS Government Finance Statistics, which do not include outlays, revenue and borrowing of public financial enterprises (PFEs). The Notes on the Estimates in Budget Paper No 10 *National Income and Expenditure 1985-86* provide further discussion of PFE data.

Unless otherwise stated, data in this Statement are sourced from ABS Government Finance Statistics and Australian National Accounts.

2 At the total public sector level, there is no difference between the net PSBR and the public sector deficit. At the State/local sector and the PTE sector level, the relationship between the net borrowing requirement concept and the deficit concept is:

net borrowing requirement = deficit - net advances received.

3 Classification issues such as the treatment of asset sales (eg. physical assets or government enterprises) are discussed in Budget Statement 8.

4 For further detail, see The Treasury, *Tax Expenditures Statement*, December 1991.

5 Industry Commission, *Measuring the Performance of Selected Government Business Enterprises*, 1990.

6 & 7 Clare R. and Johnston K., EPAC Research Paper No 2, *Profitability and Productivity of Government Business Enterprises*, 1992.

8 OECD *Economic Survey, Australia 1989/90*, p50.

9 Summarised in EPAC Council Paper No 44, *The Size and Efficiency of the Public Sector*, 1990.

CHARTS

Chart 1

(a) Gross Product (at factor cost): ABS 5204.0; Employment: ABS 6203.0.

(b) Other comprises the PFE and private sectors. The PFE sector contributes around 0.5 per cent to GDP and around 1 per cent to total employment.

Chart 9

(a) Outlays comprise: net expenditure on goods and services (gross fixed capital expenditure, changes in stocks and net expenditure on land and intangibles), and transfers and advances (mainly interest payments, income transfers and unrequited transfers such as tax payments).

(b) Revenue comprises: net operating surpluses; property income and other revenue (including interest); and grants from general government.

TABLES

Table 1:

(a) Negative signifies a surplus.

(b) Includes net advances from general government. In ABS Government Finance Statistics, net advances are not classified as revenue but as financing transactions of the recipient.

(c) Preliminary Treasury estimates.

Table 2:

(a) The Northern Territory has been treated as part of the State/local sector from 1978-79 and the ACT from 1989-90.

(b) Negative signifies a surplus.

(c) Comprises taxes, fees and fines, PTEs' net operating surpluses and property income and other revenue.

(d) Comprises grants and net advances from the Commonwealth. In ABS Government Finance Statistics, net advances are not classified as revenue but as financing transactions of the recipient.

(e) Net of transactions, including interest payments, between the Commonwealth and State/local sectors.

(f) Preliminary Treasury estimates.

Table 3:

- (a) Comprises: general public services; public order and safety; recreation and culture; agriculture, forestry, fishing and hunting; mining, manufacturing and construction; other economic affairs; and other purposes (largely public debt interest).

Table 5:

- (a) Subsidies and other operating revenue less operating expenditure.
- (b) PTE net operating surplus less subsidies received plus interest received less interest paid.
- (c) PTE operating revenue (excluding subsidies received) as a percentage of operating expenditure.
- (d) PTE operating revenue (excluding subsidies received) as a percentage of operating expenditure plus interest payments less interest received.

STATEMENT 7 — THE COMMONWEALTH SECTOR

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STATEMENT 7 — THE COMMONWEALTH SECTOR

Statement 6 is concerned with the public sector as a whole and within that, the general government and the public trading enterprise sectors. Within each of these sectors the Commonwealth element has been identified. The Statement 6 analysis is based on Australian Bureau of Statistics (ABS) Government Financial Statistics.

This Statement builds up a picture of the Commonwealth public sector progressing from the budget sector, through the general government sector to the total Commonwealth sector including public trading enterprises. For this purpose budget statistics have been supplemented by ABS data on Commonwealth non-budget sector activity.

At the 1991 Premiers' Conference respective governments agreed to publish in their budget documents from 1992-93 comparable data based on Australian Bureau of Statistics (ABS) classification concepts for the whole of their public sub-sector. Reporting requirements are:

- from the 1992-93 Budget, current and capital outlays, revenue and financing transactions (for at least the budget and previous year), categorised by its impact on the economy or type of tax, for general government, trading and total activities; and
- from the 1993-94 Budget, additional dissections of current and capital outlays by function and a dissection of financial assets and liabilities (for the two years preceding the budget year) for general government, trading and total activities.

This Statement has been introduced to satisfy these requirements and to bring together information previously published on the Commonwealth sector.

Some differences exist between the presentation in this Statement and ABS statistics, mostly for the period prior to 1988-89. These differences are detailed in the section on Budget statistics and ABS standards.

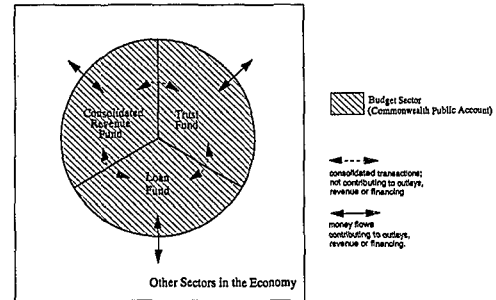
To align with ABS standards, the Budget sector tables included in this statement differ in some respects to those included in Statement 3. Points of difference are highlighted in the section on table sources and methods in this statement.

COMMONWEALTH FINANCIAL SECTORS

THE COMMONWEALTH BUDGET SECTOR

Most of the information in the Budget Statements relates to transactions between the Commonwealth budget sector and other sectors of the economy, including transactions with off-budget Commonwealth entities. The Commonwealth budget sector consists of those departments and agencies whose day to day transactions are recorded in the Commonwealth Public Account, whether via the Consolidated Revenue Fund (CRF), Trust Fund or Loan Fund.

Transactions between budget sector agencies such as payments of fringe benefits tax, customs duty and interdepartmental charges, are identified but net out when calculating total budget outlays or revenue as shown in the following diagram.



Transactions of the Commonwealth budget sector are recorded in the Statistical Appendix to Statement 3.

Excluded from the budget sector are many Commonwealth government authorities, such as CSIRO and AOTC, that operate outside the Public Account through bank accounts. Even though in some cases they may be budget dependent, that is, depend upon appropriations from the Commonwealth budget, they are classified as part of the non-budget sector and budget payments to them are classed as transfers to the non-budget sector. (The ABS refers to this budget/non-budget distinction as the Administrative Sector classification.)

OTHER COMMONWEALTH FINANCIAL SECTORS

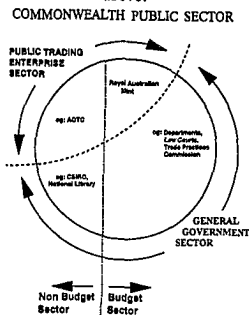
Another classification of the Commonwealth Sector is between general government and public trading enterprises (PTEs). This classification is used in ABS statistics and in Statement 6.

General government units supply non-market services and PTEs deliver the commercially oriented activities of government. (The ABS refers to this distinction as the Institutional Sector classification). In recent years the general government sector has moved towards a more commercial focus by increasing its use of user charging and external funding of activities, for example, private sector funding of CSIRO research and development. From 1989-90 almost all budget sector activity has been classified to general government (the only exception being the PTE activities of the Mint which are small). However, the general government sector goes wider than the budget sector to include non-budget activities such as the ABC and CSIRO.

Public financial enterprises (PFEs) are regarded as outside the scope of ABS government statistics on the grounds that their inclusion and associated offsetting of their transactions with other public sector units would provide a less meaningful account of public sector activity.

Government Business Enterprises (GBEs) is a concept not used by the ABS but has been used as a general term in discussion of the reform of government commercial activities. It includes PTEs and certain general government units and PFEs.

The following diagram illustrates the relationship between the sectors of the Commonwealth government outlined above.



COMMONWEALTH SECTOR TABLES

Following are tables on Commonwealth PTEs (replacing Commonwealth non-budget data previously published) and the general government and total Commonwealth sectors. Budget year estimates are included (previously budget year data was restricted to general government).

Tables included in this Statement are:

- Table I Commonwealth General Government Budget Sector Transactions by Economic Type
- Table II Commonwealth General Government Non-Budget Sector Transactions by Economic Type
- Table III Commonwealth General Government Transactions by Economic Type
- Table IV Commonwealth Public Trading Enterprise Transactions by Economic Type
- Table V Commonwealth Government Transactions by Economic Type
- Table VI Commonwealth General Government Budget Sector Taxes, Fees and Fines
- Table VII Commonwealth General Government Sector Taxes, Fees and Fines

Terminology and layout of the seven tables are consistent with those used by the ABS in Government Finance Statistics (5501.0).

Notes on sources and methods used to compile these tables are given in the section on statistical concepts, sources and methods.

	82-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93
CURRENT OUTLAYS	8521	9869	11139	12553	13905	14103	14836	15657	17396	18417	19803
Final Consumption Expenditure	3444	4393	5653	7037	7940	7913	7483	7344	6147	5706	6468
Current Transfer Payments	1326	1548	1824	1657	1629	1581	1581	1742	2677	2993	2515
Interest	15651	18375	20851	22338	24081	28815	25011	26320	30566	35114	37403
Subsidies	612	724	881	969	1123	960	1105	1174	1168	1542	1914
Grants to Non-Profit Institutions	1299	1444	1621	2045	2057	2427	6171	7937	8762	9914	10033
Grants to Non-Budget Sector	13266	15220	16739	17992	19488	20990	21562	22934	24244	25901	27125
Grants to Other Governments	717	758	840	840	810	843	916	1070	1038	1124	1178
Other Transfers	—	—	—	—	3	4	5	—	—	—	—
Other Transfers - Payments	28315	25382	28309	30858	27133	6130	6379	7493	8117	8362	825
Other Transfers - Receipts	48336	52331	59348	65221	70734	75895	76890	84384	92002	99527	104661
TOTAL CURRENT OUTLAYS	452	439	570	695	560	697	533	686	970	1089	1077
Gross Capital Formation	-31	-52	-100	-111	-87	-378	-121	24	-65	10	-10
Net Land and Intangible Assets	258	291	387	515	678	664	321	103	100	174	156
Capital Transfer Payments	2229	2791	3164	3247	3250	3038	3062	3506	4308	3076	5170
Grants to Non-Budget Sector	240	328	387	329	304	349	353	320	255	301	312
Grants to Other Governments	2727	3330	3938	4091	4232	4051	3736	3928	4683	4150	5038
Total Capital Transfer Payments	226	-18	4	-99	-123	-46	29	-136	-260	320	221
Net Advances	1056	1002	799	777	546	-46	-124	-485	-1958	-2753	-2754
To Non-Budget Sector	80	151	114	119	106	-573	-110	-575	578	295	-295
To Other Governments	1382	1135	917	797	529	-685	-205	-1187	-1590	-2138	-2327
Total Net Advances	4510	4902	5225	5582	5224	3615	3943	3441	4028	3111	4815
TOTAL CAPITAL OUTLAYS	49346	57233	64673	70603	79558	78510	82853	87635	96030	102638	110284
REVENUE	41195	45013	52008	59153	66871	75505	83697	91035	93085	97776	99443
Excise Revenue	1646	1824	2024	2414	2668	2887	3087	3267	3462	3692	3923
Income Tax	43365	49237	57979	65167	73833	81954	90597	97937	97937	99336	98925
TOTAL REVENUE	4511	7888	6685	5636	3831	-2074	-5931	-3036	-1507	3830	13783
FINANCING TRANSACTIONS (b)	37	20	115	152	213	-51	-179	-94	-94	-914	-1049
Increase in Provisions	474	766	651	564	2348	-2025	-572	-7943	-591	1074	14827
NET FINANCING REQUIREMENT	4707	7807	6322	5118	441	-2266	-2770	-3037	-3037	-3037	-3037

(a) Budget sector data adjusted for ABS treatments of certain transactions and PTE transactions conducted on-budget prior to 1989-90.
 (b) The estimated Budget deficit in 1992-93 is \$400m higher than recorded elsewhere in budget documents because of the proposed ABS treatment of the sale of Australian Airlines to Carnia.

TABLE II—Commonwealth General Government Non-Budget Sector Transactions by Economic Type(\$m)

	82-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93
CURRENT OUTLAYS											
Final Consumption Expenditure	1370	1473	1739	1894	2189	2239	2480	2805	3521	3733	3841
Current Transfer Payments											
Interest	1	1	4	6	7	5	108	75	116	106	85
Subsidies	22	17	16	162	126	256	204	160	167	178	190
Personal Benefit Payments	3	4	4	4	5	5	3397	5035	5459	5833	6296
Grants to Non-Profit Institutions	6	7	11	18	9	67	77	28	30	34	38
Other Transfers	4	4	5	5	6	5	-	-	-	-	-
Total Current Transfer Payments	38	33	40	195	153	338	3706	5296	5772	6151	6819
TOTAL CURRENT OUTLAYS	1408	1508	1779	2089	2342	2577	6286	8101	9293	9884	10460
CAPITAL OUTLAYS											
Gross Capital Formation	273	291	392	539	693	622	543	506	392	416	430
Net Land and Intangible Assets	-1	5	5	21	5	3	43	50	-4	18	10
Capital Transfer Payments	34	41	52	56	54	57	64	61	5	4	5
Net Advances	13	10	13	19	25	31	26	7	0	0	0
TOTAL CAPITAL OUTLAYS	319	347	462	635	777	713	676	624	393	438	445
TOTAL OUTLAYS	1725	1853	2241	2724	3119	3290	6962	8725	9688	10320	10905
REVENUE											
Grants from the Budget Sector	1551	1698	1997	2547	2718	3073	6471	8031	8859	9418	10123
Taxes	2	2	3	4	8	87	360	331	432	489	510
Taxes on Provision of Goods and Service	2	1	2	3	3	4	6	-	-	-	-
Taxes on Use of Goods and Performance of Activities	-	-	-	-	-	-	24	-	-	-	-
Fees	0	1	1	1	5	5	330	331	432	489	510
Interest, Rent, Dividends etc	19	24	37	45	84	187	243	298	317	283	300
TOTAL REVENUE	1572	1724	2037	2596	2810	3347	7074	8860	9608	10180	10933
FINANCING TRANSACTIONS											
Net Advances received	153	129	204	128	309	-57	-132	65	78	130	-28
Increase in Provisions	-2	-4	-5	-4	-9	69	53	139	72	-34	-81
NET FINANCING REQUIREMENT	155	133	207	130	317	-127	-188	-74	6	164	33

(a) Derived from ABS data adjusted for the difference in ABS and Budget statistics definition of the non-budget sector prior to 1989-90.

7.6

TABLE III—Commonwealth General Government Sector Transactions by Economic Type (\$m)

	82-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93
CURRENT OUTLAYS											
Final Consumption Expenditure	9891	11342	12878	14447	15794	16347	17316	18462	20917	22150	23844
Current Transfer Payments											
Interest	3444	4393	5653	7037	7940	7913	7483	7344	6147	5706	6488
Subsidies	1348	1565	1840	1819	1755	1991	1795	1902	2844	2571	2705
Personal Benefit Payments	15654	16379	20855	22342	24086	26820	28408	31355	36025	40947	43899
Grants to Non-Profit Institutions	618	731	892	987	1132	1027	1182	1200	1198	1576	1952
Grants to Other Governments	13286	15220	16739	17982	19488	20890	21582	22934	24244	25901	27125
Grants Overseas	717	758	840	840	810	843	916	1070	1038	1124	1176
Other Transfers	4	4	5	5	9	9	5	7	5	17	25
Total Current Transfer Payments	35051	41050	46624	51012	55218	59493	61361	65812	71499	77842	83150
TOTAL CURRENT OUTLAYS	44942	52392	59502	65459	71012	75840	78877	84274	92416	99992	108794
CAPITAL OUTLAYS											
Gross Capital Formation	725	730	962	1144	1243	1229	1076	1192	1382	1505	1507
Net Land and Intangible Assets	-32	-47	-95	-90	-82	-375	-78	74	-69	26	-
Capital Transfer Payments											
Grants to Public Trading Enterprises	6	7	11	13	17	18	21	9	3	70	66
Grants to Other Governments	2229	2791	3164	3247	3250	3038	3062	3506	4308	3676	5170
Grants to Other Sectors	274	369	439	385	358	406	417	381	260	305	317
Total Capital Transfer Payments	2509	3167	3614	3645	3625	3462	3500	3896	4571	4051	5553
Net Advances											
To PTE Sector	228	-14	9	-95	-114	-115	-24	-275	-332	354	302
To Other Governments	1056	1002	799	777	548	-46	-124	-485	-1858	-2753	-2754
To Other Sectors	93	161	127	138	131	-542	-84	-568	578	295	-295
Total Net Advances	1377	1149	935	820	563	-703	-232	-1328	-1612	-2104	-2747
TOTAL CAPITAL OUTLAYS	4379	4999	5418	5519	5349	3613	4266	3834	4252	3478	4313
TOTAL OUTLAYS	49321	57391	64918	70978	76361	79453	82943	88108	96668	103470	111087
REVENUE											
Taxation Revenue	41197	45015	53211	59157	66679	75392	84027	91366	93518	88265	90953
Non-Tax Revenue	3658	4257	4802	6053	6743	6261	5022	4850	5053	5699	6267
TOTAL REVENUE	44855	49272	58013	65210	73422	81653	89049	96216	98571	93964	97220
FINANCING TRANSACTIONS											
4666	8119	6905	5768	2939	-2200	-6106	-8108	-1903	9506	13842	
Net Domestic and Overseas Borrowing	4771	7945	6847	5697	4090	-2568	-3922	-7994	659	9191	14650
Increase in Provisions	37	20	117	174	274	-50	-178	-94	-914	-1074	-1049
Other Financing Transactions	-142	154	-59	-103	-1425	418	-2006	-20	-1648	1389	241
NET FINANCING REQUIREMENT	4629	8099	6788	5594	2665	-2150	-5928	-8014	-989	10580	14891

(a) Derived from the addition of budget and non-budget sector data less intra-sector transactions. NFRs are additive.

7.7

TABLE IV—Commonwealth Public Trading Enterprise Sector Transactions by Economic Type (\$m)

	82-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93
CURRENT OUTLAYS											
Current Transfer Payments											
Interest to Commonwealth general government	601	723	782	819	782	795	802	643	575	504	306
Interest to other sectors	418	525	654	872	949	1481	1392	1795	2065	2268	2291
Transfers to Commonwealth general government	39	31	17	83	97	124	89	277	450	412	721
Other Transfers	30	27	26	47	47	90	114	133	186	173	182
TOTAL CURRENT OUTLAYS	1087	1306	1480	1820	1875	2489	2377	2848	3258	3357	3500
CAPITAL OUTLAYS											
Gross Capital Formation											
Gross Fixed Capital Expenditure	1297	1662	1910	3082	3269	2744	3155	4987	4700	4201	4353
Increase in stocks	-111	931	168	-295	-577	-395	196	2701	340	-229	-19
Net Land and Intangible Assets	-6	5	-	29	33	24	167	72	117	29	31
Capital Transfer Payments	-	-	-	-	-	-	-	-	-	-	-
Net Advances	-	-	-	-	-	-	-	-	-	-	-
Total Capital Outlays	28	44	14	129	7	-	-	-	-	-	-
TOTAL OUTLAYS	1208	2642	2092	2845	2732	2373	3519	7760	5157	4601	4385
REVENUE											
Net Operating Surplus											
Subsidies received	273	299	434	370	201	447	338	370	1271	768	587
Other operating revenue	9981	12027	13711	14860	16000	17973	19938	21332	22530	24203	25491
Operating expenditure	9453	10997	12111	12900	14747	15116	16520	19111	20921	20978	21916
Total Net Operating Surplus	801	1328	2034	2322	1453	3304	3754	2590	2880	3993	4163
Other Revenue and Grants Received											
Interest received	188	146	241	361	371	520	696	702	496	497	421
Other revenue	-	-	-	-	-	10	20	6	8	9	9
Grants from Commonwealth general government	6	7	11	13	17	18	21	9	3	70	66
TOTAL REVENUE	995	1482	2287	2696	1841	3852	4491	3307	3387	4569	4659
FINANCING TRANSACTIONS											
Net advances received											
Net borrowing	228	-14	9	-95	-114	-115	-24	-275	-332	354	302
Provisions	-38	1404	1299	712	2601	398	1450	3128	3483	643	1281
depreciation											
other	708	944	855	1051	1188	1669	2081	2068	2425	2450	2450
Other	201	247	20	67	202	207	84	85	29	-61	-64
Total Net Operating Surplus	1300	2466	1285	2070	2766	1010	1405	7300	5025	-597	-763
NET FINANCING REQUIREMENT	164	1289	400	1047	1479	-751	-717	5423	2808	48	518

(a) ABS data. The NFRs for 1991-92 and 1992-93 differs from that published in ABS 5515.0 on 13 August 1992 due to late revisions to grants received.

TABLE V—Commonwealth Government Sector Transactions by Economic Type (\$m)

	82-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93
CURRENT OUTLAYS											
Final Consumption Expenditure	9891	11342	12878	14447	15794	16347	17316	18462	20917	22150	23644
Current Transfer Payments											
Interest	3862	4918	6307	7909	8889	9394	8875	9139	8212	7974	8759
Subsidies	1348	1585	1840	1819	1755	1991	1785	1902	2844	2571	2705
Personal Benefit Payments	19654	18379	20655	22342	24088	26820	28408	31355	36025	40847	43699
Grants to Non-Profit Institutions	618	791	892	897	1132	1027	1192	1200	1188	1576	1952
Grants to Other Governments	13266	15220	16739	17882	19488	20890	21582	22934	24244	25901	27125
Grants Overseas	717	758	840	840	810	843	916	1070	1038	1124	1178
Other Transfers	4	4	5	5	9	9	5	7	5	17	25
Total Current Transfer Payments	35469	41575	47278	51884	56167	60974	62753	67607	73564	80110	85441
TOTAL CURRENT OUTLAYS	45360	52917	60156	66331	71961	77321	80069	86069	94481	102260	109605
CAPITAL OUTLAYS											
Gross Capital Formation	1911	3323	3040	3931	3935	3578	4427	8880	6402	5477	5841
Net Land and Intangible Assets	-38	-42	-95	-61	-49	-351	89	146	48	55	31
Capital Transfer Payments											
Grants to Other Governments	2229	2791	3164	3247	3250	3038	3062	3506	4308	3676	5170
Grants to Other Sectors	274	369	439	385	358	406	417	381	260	305	317
Total Capital Transfer Payments	2503	3160	3603	3632	3608	3444	3479	3887	4568	3981	5487
Net Advances											
To Other Governments	1056	1002	799	777	546	-46	-124	-485	-1858	-2753	-2754
To Other Sectors	121	265	141	257	138	-542	-84	-568	578	295	-295
Total Net Advances	1177	1267	940	1044	684	-588	-208	-1053	-1280	-2458	-3049
TOTAL CAPITAL OUTLAYS	5953	7848	7488	8546	8178	8083	7787	11860	9738	7055	6310
Contingency Reserve	-	-	-	-	-	-	-	-	-	-	-45
TOTAL OUTLAYS	50913	60565	67644	74877	80139	83404	87856	97929	104219	109315	117350
REVENUE											
Taxation Revenue	41167	44988	53185	59110	66632	75302	83913	91233	93352	88092	90771
Interest, Rent, Dividends etc	3206	3649	4244	5512	6235	5872	4867	4638	4532	5289	5670
PTE Net Operating Surplus	801	1328	2034	2322	1453	3304	3754	2590	2880	3993	4163
TOTAL REVENUE	45174	49965	59463	66944	74320	84478	92534	98461	100764	97374	100604
FINANCING TRANSACTIONS											
Increase in Provisions	946	1211	992	1292	1674	1826	1967	2057	1537	1315	1337
NET FINANCING REQUIREMENT	4793	3389	7189	6641	4145	-2900	-6645	-2589	1918	10626	15409

(a) Derived from the addition of general government and PTE sector data less intra-sector transactions. NFRs are additive.

TABLEVI-Commonwealth General Government Budget Sector - Taxes, Fees and Fines (\$m)											
	82-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93
Taxes on Income, Profits and Capital Gains (a)											
Income and Capital Gains Levied on Individuals	22942	24691	29287	32713	38061	41875	47538	50019	50168	46541	49410
Income and Capital Gains Levied on Enterprises	4854	4585	5579	6133	6727	8811	10273	13344	15512	15434	14510
Other	259	305	404	562	639	667	737	915	901	941	870
Total	28054	29580	35270	39408	45427	51353	58546	64278	66581	62917	64790
Taxes on Employers' Payroll and Labour Force (b)	39	43	56	61	599	953	1069	1204	1312	1381	1423
Taxes on Property (c)	76	237	250	273	354	471	489	384	243	13	17
Taxes on the Provision of Goods and Services (d)											
Sales Tax	3490	4165	4966	5728	6348	7547	9402	10132	9365	9113	9440
Excises	7201	8265	9262	9893	10202	10793	9827	10414	11548	10157	10242
Taxes on International Trade	2103	2397	2994	3357	3310	3705	3827	4022	3370	3345	3542
Total	12794	14827	17223	18978	19860	22046	23055	24568	24282	22615	23225
Taxes on Use of Goods and Performance of Activities (e)	85	95	109	122	138	160	164	238	183	239	246
Fees (f)	147	232	299	311	292	322	342	357	460	597	719
Fines	-	-	-	-	-	1	3	6	23	15	23
Total Taxes, Fees and Fines	41195	45013	53208	59153	66671	75305	83867	91035	93086	87776	90443

(a) Excludes Fringe Benefits Tax (FBT) which is included in Income tax in Statement 4 Tables.

ABS includes non-resident company tax in the Other category while it is included in the Enterprise category here.

(b) Includes FBT. Includes payroll tax (when the ACT was part of the Commonwealth government) and Stevedoring Industry collections recorded in Other Taxes in Statement 4.

(c) Includes Debits Tax. Also includes other financial transactions taxes, government borrowing guarantee levy and estate/gift duties recorded in Other Taxes in Statement 4.

(d) Excises include the bulk of primary industry charges and levies recorded in Other taxes in Statement 4. Consistent with ABS treatment wool tax refunds are offset against Budget collections (although refunds are paid off-budget) thus reducing the level of recorded Budget sector tax.

Refunds were \$44m 82-83, \$51m 83-84, \$52m 85-86, \$132m 86-87, \$78m 87-88, \$166m 88-89, \$209m 89-90.

Taxes on International Trade include agricultural product export taxes.

(e) Includes departure tax and broadcasting and television licences recorded in Other Taxes in Statement 4.

(f) Includes any aviation en-route and light dues and navigation Act charges, passport fees, radio licence fees and immigration fees recorded in Other Taxes in Statement 4.

TABLEVII-Commonwealth Government Sector - Taxes, Fees and Fines (\$m)											
	82-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93
Taxes on Income, Profits and Capital Gains											
Income and Capital Gains Levied on Individuals	22942	24691	29287	32713	38061	41875	47538	50019	50168	46541	49410
Income and Capital Gains Levied on Enterprises	4854	4585	5579	6133	6727	8811	10273	13344	15512	15434	14510
Other	259	305	404	562	639	667	737	915	901	941	870
Total	28054	29580	35270	39408	45427	51353	58546	64278	66581	62917	64790
Taxes on Employers' Payroll and Labour Force	39	43	56	61	599	953	1069	1204	1312	1381	1423
Taxes on Property	76	237	250	273	354	471	489	384	243	13	17
Taxes on the Provision of Goods and Services											
Sales Tax	3490	4165	4966	5728	6348	7547	9402	10132	9365	9113	9440
Excises	7201	8265	9262	9893	10202	10793	9827	10414	11548	10157	10242
Taxes on International Trade	2103	2397	2994	3357	3310	3705	3827	4022	3370	3345	3542
Other	2	1	2	3	3	4	6	-	-	-	-
Total	12796	14828	17225	18981	19863	22050	23061	24568	24282	22615	23225
Taxes on Use of Goods and Performance of Activities	85	95	109	122	138	160	188	238	183	239	246
Fees	147	233	300	312	297	327	672	688	892	1086	1229
Fines	-	-	-	-	-	1	3	6	23	15	23
Total Taxes, Fees and Fines	41197	45015	53211	59157	66679	75314	84027	91366	93518	88265	90953

(a) Derived from the addition of Budget and Non-budget data.

COMMONWEALTH NET FINANCING REQUIREMENT

The Net Financing Requirement (NFR) aggregate, commonly referred to as the Net Public Sector Borrowing Requirement (PSBR), provides a measure of the public sector's demand for financing from the rest of the economy and overseas. It is defined by the ABS as the deficit less advances received from other Australian governments and provisions.

The budget deficit is defined as outlays less revenue. In line with ABS standards, net receipts by the budget sector of PTE superannuation and compensation provisions are classified as financing transactions, and are not included in the calculation of the deficit, as they are not regarded as part of normal general government activity. However, since these provisions are regarded as self-financing they are excluded from the measurement of the budget sector NFR. The budget sector does not receive advances from other governments.

Provisions by Commonwealth PTEs for depreciation, superannuation, compensation etc are regarded as self financing transactions and are excluded from the measurement of the NFR for the Commonwealth PTE sector. Advances (loans and equity) from the budget sector are also excluded to provide an accurate measure of the Commonwealth's demand for financing.

TRENDS IN COMMONWEALTH SECTOR STATISTICS

BUDGET SECTOR NFR

Table I shows General Government Budget statistics.

In past years there was a reasonably close relationship between the recorded budget deficit or surplus and the budget sector NFR, however, this has not been the case from 1990-91. Approximately \$900m of the surplus in 1990-91 was not available to redeem debt because of net payments associated with PTE superannuation (and small amounts of PTE compensation payments). Substantial payments arose because of the establishment of separate schemes for some enterprises, a bunching of retirements due to the new schemes and a number of retrenchment programs. There has also been a reduction in receipts of employer contributions by PTEs as Commonwealth Superannuation Scheme members transferred to the PTE schemes. These net payments have continued into 1991-92 and 1992-93 mainly because of the establishment of separate schemes and reduction in employer contributions by PTEs.

Table I shows the effect of provisions on the financing requirement of the budget sector and shows that it has significantly added to the budget sector net financing requirement since 1990-91.

GENERAL GOVERNMENT

Table III shows General Government statistics.

Outlays

Outlays and revenue, as a percentage of GDP, fell between 1987-88 and 1989-90, but outlays more markedly. A significant general government surplus was recorded in each of these years. Since 1989-90 outlays have increased while revenue has been somewhat static, leading to a significantly reduced general government surplus in 1990-91 and to a deficit in 1991-92. An increased net financing requirement for the Commonwealth general government sector is estimated for 1992-93.

Commonwealth consumption expenditure, which comprises all current purchases of goods and services, fell as a percentage of GDP in the period from 1987-88 to 1989-90 corresponding to the recording of significant Commonwealth surpluses. However, as a percentage of GDP it has now returned to the level of the early 1980s and is expected to reach 5.8% of GDP in 1992-93. Most Commonwealth investment is conducted by PTEs with general government investment representing less than 0.5% of GDP.

Interest payments in the 1980s peaked at over 10% of outlays in 1986-87 but then declined in every year to 1991-92 as improvements in the budget balance reduced the Commonwealth's borrowing requirements and allowed for repayments of past borrowings. In 1990-91 and 1991-92 falling interest rates also lowered interest payments. The return to a deficit in 1991-92 is expected to impact on the level of interest payments from 1992-93 but will be partially offset by other factors outlined in *Statement 3, 9B Public Debt Interest*.

Personal benefit payments (which include payments to the unemployed and pension payments) is expected to represent almost 40% of outlays in 1992-93 compared to around 32% in the early 1980s.

Grants (current and capital) to the States and Territories peaked at over 31% of outlays in 1983-84. Periods of low and negative real growth since then resulted in grants falling to under 29% of outlays in 1991-92. The 6% real growth in grants expected in 1992-93 is mainly in capital payments, reflecting compensation to NSW for the sale of the GIO (although the effect of this should be close to Budget neutral) and funding of employment generating projects.

The Loan Council's agreement in 1990 for States to gradually assume responsibility for debt previously raised on their behalf by the Commonwealth, by making additional payments to the National Debt Sinking Fund as State designated debt falls due, is reflected in net advances to other governments. These receipts have contributed to the level of recorded surplus in 1990-91 and helped reduce the level of the deficit in 1991-92. Details are provided in *Statement 3, 9A Assistance to Other Governments*.

Revenue

Taxes, fees and fines accounted for over 90% of revenue for the Commonwealth general government sector in 1991-92. Revenue declined substantially as a percentage of GDP from around 26% in 1990-91 to about 24.4% in 1991-92. The main category of revenue to fall was tax receipts. The fall in tax was largely due to the recession, impacting particularly severely on Individuals and Company Tax, see *Statement 4*. In 1992-93 it is expected to fall further to around 23.9% of GDP.

Net Financing Requirement

Commonwealth general government sector net financing requirement peaked at just over 4% of GDP in 1983-84, falling to a surplus of around 2% in 1989-90. In 1991-92 the ratio to GDP rose to around 2.7% and is expected to rise to about 3.7% in 1992-93.

PUBLIC TRADING ENTERPRISES (PTE)

Table IV shows Public Trading Enterprise statistics.

Outlays

Interest peaked at almost 47% of PTE outlays in 1987-88 but is expected to fall to just above 30% of outlays in 1992-93.

Gross fixed capital expenditure was almost \$5b in 1989-90 which represents over 1.3% of GDP. PTE investment has been volatile over this analysis period with a real growth of approximately 50% recorded in 1985-86 and 1989-90 compared to a real fall of over 20% recorded in 1987-88. The peaks and troughs of the investment cycle is reflected in this pattern, particularly of the two government-owned airlines.

The jump in stock accumulation in 1989-90 reflects the large accumulation of wool by the then Australian Wool Corporation in the face of weakening wool prices. With the change in wool marketing the series has returned to a normal pattern.

Revenue

Subsidies rose to approximately 38% of revenue in 1990-91. After accounting for subsidies received and net interest payments (an approximate measure of profit), PTEs generally recorded a surplus on operations except in 1982-83, 1983-84, 1986-87 and 1990-91.

Net operating surplus reached over 1% of GDP in 1991-92 compared to a low of around 0.5% in 1982-83 and 1986-87. The volatility of this series reflects fluctuating growth in operating revenue and expenditure.

Net Financing Requirement

PTEs recorded a net financing surplus in 1987-88 and 1988-89 however this was reversed significantly in 1989-90 where the largest net financing deficit was recorded at almost 1.5% of GDP. The major factors driving this change in 1989-90 were purchase of stocks by the then Australian Wool Corporation and, to a lesser degree, an increase in aircraft purchases by Qantas and Australian Airlines. In 1992-93 the net financing requirement is expected to be around 0.1% of GDP.

STATISTICAL CONCEPTS, SOURCES AND METHODS

BUDGET STATISTICS AND ABS STANDARDS

ADHERENCE TO STANDARDS

Over recent years the alignment of Budget and ABS statistics has been improved. There was a major reconciliation of Budget and ABS statistics during 1987-88, documented in *Statement 8* of the 1988-89 Budget Paper 1. A major component of the alignment was the reclassification in budget statistics of primary industry charges and levies as revenue (budget and ABS statistics had been out of alignment in the treatment of these transactions since 1975-76).

A regular review process has been established since then to achieve consistent application of ABS concepts and standards. This process resulted in significant variations to the measurement of outlays in the 1991-92 Budget. Major changes were made to the treatment of payments under the Diesel Fuel Rebate Scheme, petroleum royalty payments to the States and payments under the Pharmaceutical Benefits Scheme and Medicare Payments as documented in *Statement 7* of the 1991-92 Budget Paper 1.

However there are some remaining differences:

- In the 1988-89 Budget, discounts and premiums on Treasury Bonds were brought above-the-line as outlays, and discounts on Treasury Notes were recorded at redemption rather than at issue. The ABS has since revised its advice on the appropriate treatment of security repurchase and premium transactions, holding that premiums should also be recorded at redemption and repurchase gains and losses, net of accrued interest and any issue discount/premium, be recorded as financing transactions. Until changes can be made, the ABS have adopted the revised budget treatment in its government statistics (but only from 1988-89);
- The revised treatment of PTEs' superannuation transactions as financing transactions, which increases outlays (final consumption expenditure) and provisions has not as yet been incorporated in ABS statistics for years prior to 1988-89; and
- The ACT became self-governing on 11 May 1989 and therefore in Budget statistics payments to the ACT from that date are recorded as grants or advances to/through other governments. However, the ABS treated the ACT as part of the Commonwealth until 30 June 1989.

COMPARISON OF BUDGET AND ABS STATISTICS

A common comparison is that between ABS Commonwealth general government and Budget statistics. There are, however, significant conceptual differences between the two.

The ABS series includes both budget and non-budget activity, the latter accounting for approximately 4% of general government outlays. Secondly, the consolidation of transactions of the general government sector results in the elimination of payments and receipts between budget and non-budget general government entities. Thirdly, there remains some differences in the classification of budget sector transactions. Finally, in order to record transactions in the appropriate sector, the ABS imputes some transactions, for example the imputing of budget sector transactions to record the refund of the wool tax under the now defunct Reserve Price Scheme.

TABLES SOURCES AND METHODS

TABLE I - Commonwealth General Government Budget Sector

Budget statistics are used in this table. The ABS no longer publishes statistics on the budget sector, however such data are the major contributor to the ABS's published general government statistics.

Budget and ABS budget sector NFRs are comparable for 1988-89 and beyond as from that time the ABS has directly loaded Budget statistics into their processing system. However, there are differences in the comparability of individual series.

The Commonwealth General Government budget sector is derived by excluding transactions of budget PTEs (those recognised by the ABS) from Budget statistics. Only three such units are recognised in 1988-89: ACT bus service and Forestry operations and the Royal Australian Mint (RAM). As a result of ACT self-government in May 1989, the ACT units no longer operate within the Public Account. In recent years the PTE transactions of RAM have not been significant. Therefore no PTE adjustments have been made to Budget statistics from 1989-90.

The ABS imputes the refund of the Wool Tax under the Reserve Price Scheme to the budget sector. Therefore this table has in some years a lower 'subsidies paid and taxes received' series than the equivalent table in the Appendix to *Statement 3*. Also in line with the proposed ABS treatment, the tables exclude the effect in 1992-93 of the sale of Australian Airlines to Qantas. Therefore this table has a higher Budget deficit estimate in 1992-93 than quoted elsewhere in this document.

TABLE II - Commonwealth General Government Non-budget Sector

The Commonwealth non-budget sector consists of units that operate outside the Public Account. This includes both general government, which largely depend upon budget funding (eg ABC) and provide public goods and services and PTEs, which are largely self-financing and provide marketable goods and services.

ABS statistics on the non-budget general government transactions are used in this table after adjustment for the difference in ABS and Budget statistics definition of the non-budget sector prior to 1989-90.

Budget year estimates for final consumption and gross capital formation of the Commonwealth General Government non-budget sector are based on budget grants to the non-budget sector and various indicators.

TABLE III - Commonwealth General Government Sector

The Commonwealth General Government sector is derived by adding Tables I and II data after excluding intra-sector transactions. The NFRs of the component sectors are additive.

TABLE IV - Commonwealth Public Trading Enterprise (PTE) Sector

The Commonwealth PTE sector data is supplied by the ABS and is based on a survey of Commonwealth non-budget commercial activities (excluding financial enterprises).

TABLE V - Commonwealth Government Sector

The Commonwealth Government sector is derived by adding Tables III and IV data after excluding intra-sector transactions. The NFRs of the component sectors are additive.

TABLE VI - Commonwealth General Government Budget Sector - Taxes, Fees and Fines

This contains budget data from *Statement 4* presented in an ABS format. Consistent with ABS treatment wool tax refunds are offset against Budget collections of tax, although refunds are paid off-budget, thus reducing the level of reported Budget sector tax. The only significant variance from ABS treatment is that non-resident company income tax cannot be separated and included in the Other Income Tax category.

TABLE VII - Commonwealth General Government Sector - Taxes, Fees and Fines

This is derived by adding to budget sector aggregates the small amount of taxes and fees (identified in Table II) collected off-budget.

**STATEMENT 8 — CLASSIFICATION OF BUDGET
INFORMATION**

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STATEMENT 8 — CLASSIFICATION OF BUDGET INFORMATION

CLASSIFICATION FRAMEWORK

GOVERNMENT ACCOUNTING CONVENTIONS

In presenting budget statistics the Government adopts the standards established by the Australian Bureau of Statistics (ABS) in its *Classification Manual for Government Financial Statistics Australia* (ABS 1217.0). These standards integrate the 1968 United Nations (UN) publication *A System of National Accounts* (currently being revised) and the 1986 International Monetary Fund (IMF) publication *A Manual on Government Finance Statistics*, drawing on features of both.

PAYMENTS AND RECEIPTS

In the Budget Statements, the terms payment and receipt indicate money flows out of and into the CPA. These are essentially accounting concepts used to present the Appropriation Bills and tax and non-tax monies paid to the Budget (see Budget Paper 2, *The Commonwealth Public Account*).

OUTLAY, REVENUE AND FINANCING TRANSACTIONS

Budget sector transactions can also be viewed from an economic perspective and categorised into outlay, revenue and financing transactions. Financing transactions are undertaken to finance the deficit or invest the surplus and consist of borrowings and changes in holdings of financial assets such as cash or investments (excluding advances). Outlays less revenue determine the level of the deficit or surplus and are therefore referred to as above-the-line transactions. Financing transactions are consequently referred to as below-the-line transactions.

Outlays

Outlays provide a measure of the cost of providing non-marketable goods and services (commonly referred to as public goods and services) that are distributed using collective political choice rather than through the operation of the market. Therefore user charges are offset against relevant payments in calculating outlays. The alternative treatment of classifying the receipts from such sales as revenue would increase both outlays and revenue and inflate the reported cost of providing public goods and services.

Two other categories of receipts are offset against payments in the calculation of outlays. Advances (including loans to government enterprises and to the States, provision of equity to enterprises and the purchase of Commonwealth equity in enterprises by the private sector) are classified as outlays to reflect their public policy importance. This treatment is consistent with the IMF view adopted by the ABS. However, some countries, for example Canada, follow the UN treatment and classify such transactions as financing transactions on the grounds that advances are no different from any other financial investment.

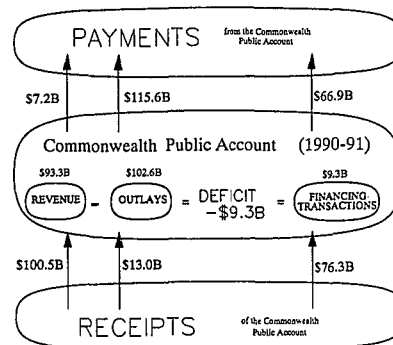
Consistent with the UN treatment adopted by the ABS, receipts from the sales of physical assets are recorded as offsets within outlays to assist in the measurement of the

net stock of capital assets in the economy. Under the IMF treatment such receipts would be classified as capital revenue.

Transactions under the asset sales program, covering equity and physical assets, are separately identified by function in the Budget Papers to enable analysts to make specific allowance for them. Those undertaken in the normal course of government activity remain classified to appropriate functional categories. All asset sales remain classified to specific economic types.

Revenue

Revenue consists of the remainder of above-the-line transactions. It comprises tax receipts (net of refunds) and non-tax receipts (interest, dividends etc) but excludes receipts from user charging, sale of assets and repayments of advances (loans and equity) classified as outlays. The relationship between accounting and economic concepts is shown in the following diagram.



RECEIPTS CLASSIFIED AS OUTLAYS

Table 1. CRF Payments and Receipts Classified as Outlays 1982-83 to 1992-93.

	CRF Payments \$m (1)	CRF Receipts \$m	CRF Receipt as a % of CRF Payments
1982-83	47259.7	-1167.6	2.5%
1983-84	53906.6	-1269.8	2.4%
1984-85	61240.3	-1622.3	2.6%
1985-86	67890.5	-1609.9	2.4%
1986-87	73705.6	-2212.8	3.0%
1987-88	82047.2	-3323.1	4.1%
1988-89	85774.2	-2853.0	3.3%
1989-90	92405.9	-4014.4	4.3%
1990-91	98784.5	-2793.4	2.8%
1991-92	103561.9	-3672.2	3.5%
1992-93	117865.2	-5170.7	4.4%

(1) Includes amounts anticipated to be charged to the Loan Fund in 1992-93.

Table 1 shows the level of CRF receipts and payments classified as outlays over the last ten years. This table presents CRF outlays rather than total outlays to reduce the effect of transfers between funds in the CPA. However, caution still needs to be exercised in the interpretation of the level of CRF receipts classified as outlays as they are affected by significant CRF transactions between budget agencies, such as user charging, that net out in the recording of aggregate outlays.

Receipts items having most effect on the measurement of CRF outlays in 1992-93 include:

- NZ contribution to the ANZAC ship program; rent; sales of property, materials and equipment; and Defence superannuation contributions and transfers in the *Defence* function;
- the overseas student charge in the *Education* function;
- repayment of advances from government enterprises in the *Transport and Communications* function;
- Patent Office and Bureau of Meteorology fees in the *Other Economic Services* function;
- sales of property and assets undertaken in the normal course of government activity; receipt of Fringe Benefit Tax (FBT) and Customs Duty paid by on-budget agencies; and employer superannuation contributions and compensation premiums paid by general government in the *Administrative Services* function;
- proceeds from the assets sale program; and
- receipt of user charges and proceeds from asset sales by individual departments and agencies in various functions.

REPORTING CLASSIFICATIONS FOR BUDGET TRANSACTIONS

Budget information in the Statements accompanying the Budget Speech is classified in three ways.

- The *functional* classification brings together outlays directed towards like objectives or purposes. It thus facilitates presentation of information on the basic purposes of Government activities and on the total resources devoted by the Commonwealth to those purposes. *Statement 3* is presented on this basis.
- The *economic* type classification is designed to facilitate the study of the macroeconomic effect of Commonwealth transactions and to provide the means of grouping transactions for inclusion in the Australian National Accounts. This classification scheme defines the previously mentioned concepts of outlays, revenue, financing items and the budget balance (deficit/surplus). Outlays are further divided into current and capital classifications. The statistical appendix to *Statement 3* contains tables on outlays by economic type.
- The *portfolio* classification refers to the aggregation of outlays according to the Minister who has prime administrative responsibility. Budget Paper 3, *Portfolio Program Estimates* is presented on this basis and the statistical appendix to *Statement 3* contains tables on 1992-93 outlays by portfolio.

REASONS FOR CHANGES IN CLASSIFICATION

Although the basic aim of a functional classification is to categorise budget outlays according to the broad purposes for which they are undertaken, such a classification cannot always be applied without some ambiguity. Particular outlays can often serve two or more distinct functions. In this situation an outlay is classified to the function which is considered to be its primary purpose.

From time to time it is necessary to amend the functional classification to reflect shifts in the purpose of programs or changes in the organisation, coverage and nature of government activities. Furthermore, additional information sometimes becomes available which provides grounds for a reclassification or allows items that had previously been classified to a single function to be split between functions.

Changes in the classification of transactions by economic type generally arise from ongoing reconciliation of ABS and budget statistics on the Commonwealth budget sector. In addition, information sometimes becomes available which justifies reclassification or allows items that had previously been classified to a single economic type to be disaggregated and more appropriately classified.

Changes in the classification of transactions by portfolio mainly arise from any reorganisation of departments and budget agencies following machinery of government changes.

LEVEL OF REPORTED OUTLAYS AND REVENUE

Receipts offset within outlays or payments offset within revenue can significantly affect the level of and growth in reported outlays and revenue. There have been major changes to the level of reported aggregates in recent years. In the 1988-89 Budget, receipts from primary industry charges and levies were reclassified from outlays to revenue, to align with ABS and international practice. In the 1991-92 Budget, petroleum royalties and diesel fuel rebates were reclassified from offsets within revenue to outlays to more accurately reflect the public policy intention of the payments.

Table 2 shows the increase in reported aggregates due to major reclassifications.

Table 2. Major Reclassifications Affecting Outlays and Revenue.

YEAR	DIESEL FUEL REBATE SCHEME	PRIMARY INDUSTRY CHARGES	PRIMARY INDUSTRY LEVIES	PETROLEUM ROYALTIES	TOTAL ADJUSTMENT TO OUTLAYS AND REVENUE
9596	1255	139	656	88	2138
9495	1155	134	643	76	2008
9394	1063	128	631	34	1856
9293	976	110	636	30	1752
9192	907	101	728	149	1885
9091	837	80	1233	191	2341
8990	744	67	789	141	1741
8889	617	63	778	98	1556
8788	517	59	691	149	1416
8687	477	55	577	151	1260
8586	231	51	512	206	1000
8485	180	59	531	198	968
8384	164	25	421	174	784
8283	71	25	369	57	522

CLASSIFICATION CHANGES FOR 1992-93 BUDGET

All changes to the application of the functional and economic type classifications since the last Budget are outlined in the following tables. A list of changes is provided in the footnotes and explanations of significant changes are provided in the accompanying text.

Table 3. Effects of Significant Reclassifications of Transactions by Function for 1992-93 Budget (\$m).

	1982-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92
Education	-0.2	-0.8	-0.8	-1.6	-2.1	-2.4	-3.3	-3.2	-4.0	-4.1
Health	0.0	0.0	0.0	0.2	0.4	0.0	0.0	0.1	0.3	0.1
Social Security and Welfare	0.0	0.0	0.0	-0.1	-0.5	0.0	-0.3	-1.1	-1.1	-1.1
Housing and Community Amenities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6
Culture and Recreation	0.0	0.0	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.2	-0.1
Transport and Communication	0.1	0.6	1.4	1.5	1.4	1.6	1.9	1.1	0.0	0.0
Industry Assistance and Development	-11.0	-12.0	-13.5	-15.5	-19.3	-19.9	-19.1	-21.5	-22.4	-22.2
Labour and Employment	0.3	0.8	0.9	1.4	2.1	2.7	3.6	3.6	4.1	3.5
Other Economic Services	-0.1	-0.8	-1.4	-1.4	-1.4	-1.6	-1.9	-1.1	0.0	0.0
Legislative Services	0.5	0.5	0.4	0.4	0.4	0.4	0.7	0.8	1.0	0.7
Law, Order and Public Safety	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-6.8	-4.5
Foreign Affairs and Overseas Aid	11.0	12.0	13.3	15.3	19.3	19.9	19.4	22.3	23.8	23.2
Administrative Services	-0.4	-0.5	-0.5	-0.4	-0.4	-0.4	3.8	3.3	22.7	69.9
Assistance to Other Governments	0.0	0.0	0.0	0.0	0.0	0.0	-4.1	-4.1	-17.0	-65.0
Public Debt Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-10.7	0.0
Financing Transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.7	0.0
Effect on Balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

- (a) A component of welfare and administration (DFAAT) incorrectly classified as Industry Assistance and Development reclassified to Foreign Affairs and Overseas Aid.
 (b) Property operating expenses for the Administrative Appeals Tribunal incorrectly classified to Law, Order and Public Safety reclassified to Administrative Services.
 (c) Debt repayments from the ACT reclassified from Administrative Services to Assistance to Other Governments.
 (d) Certain interest receipts (LICR) reclassified from Financing Transactions to Public Debt Interest - see text.

Table 4. Effects of Significant Reclassifications of Transactions by Economic Type for 1992-93 Budget (\$m).

	1982-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92
Current Outlays on Goods and Services										
Non-Defence Salaries	1.3	1.4	1.8	1.9	1.9	2.2	2.5	2.7	3.0	3.3
Non-Defence Non-Salaries	12.0	12.1	15.1	39.4	46.9	85.7	116.4	128.4	150.6	124.5
Current Transfer Payments										
Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-10.7	5.8
Subsidies	-4.7	-26.2	1.0	-45.2	-54.6	-89.8	-123.4	-108.4	-166.1	-192.6
Personal Benefit Payments	-1.3	-0.9	-0.9	-1.3	-0.8	-3.8	-3.4	-5.1	-3.7	3.8
Grants to Non-Profit Institutions	2.9	1.4	2.0	2.2	2.5	2.5	4.4	13.1	16.4	20.0
Grants to the Non-Budget Sector	-42.0	-23.5	-58.9	-69.9	-8.4	-8.1	-11.0	-43.4	-13.8	-24.9
Grants to State Governments	-526.4	-595.4	-638.0	-742.2	9.7	11.1	13.5	12.2	-402.1	38.8
Grants through State Governments	554.4	627.4	672.9	750.6	0.0	0.0	0.0	0.0	0.0	0.0
Grants Overseas	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2
Other Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-3.3
Capital Outlays on Goods	5.7	4.2	2.4	1.9	2.2	0.7	1.3	-1.4	-1.4	1.3
Capital Transfer Payments										
Grants to the Non-Budget Sector	-2.9	-1.0	-0.4	-0.9	-1.4	-0.8	-0.8	-1.2	0.0	0.0
Grants to State Governments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	413.0	19.7
Grants to Other Sectors	0.7	0.5	0.4	0.5	0.5	0.5	1.0	3.5	4.5	3.2
Tax Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-7.3	-0.4
Non-Tax Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.3	0.4
Other Financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.7	0.0
Effect on Balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

- (a) Labour Market Programs, Entry Level Training & Skills Training reclassifications as detailed in Table 5.
 (b) \$14.5m (91/92) for Rural Adjustment Scheme administration incorrectly classified to Non-Defence Non-Salaries was reclassified to Current Grants to the States.
 (c) Certain interest payments incorrectly classified to Non-Defence Non-Salaries were reclassified to Interest (\$5.8m 91/92).
 (d) Certain interest receipts (LICR) reclassified from Financing Transactions to Interest - see text.
 (e) Certain payments to marketing authorities incorrectly classified to Current Grants to the Non-Budget sector were reclassified to Subsidies - see Table 6.
 (f) Grants for Aboriginal hotels incorrectly classified to Subsidies were reclassified to Current Grants to the Non-Budget Sector (\$5.3m 91/92, \$26.0m 91/92).
 (g) Non-government schools grants incorrectly classified as payments to the States were reclassified to payments through the States.
 (h) \$413m (90/91) compensation to Victoria for sale of State Bank & \$14m (91/92) for the Tasmanian Banks merger reclassified from Current to Capital grants.
 (i) Disposal of forfeited foreign fishing vessels incorrectly classified to Non-Tax Revenue was reclassified to Tax Revenue.

SIGNIFICANT CLASSIFICATION CHANGES

Labour Market Programs

The JOBTRAIN program provides for the placement of unemployed people onto training courses. Outlays under the program have been classified as personal benefit payments and subsidies to other enterprises in the economic type classification. A review of the appropriation has shown that since 1986, the nature of training assistance has changed from the provision of subsidies to employers to cover the cost of training and payments to course participants to cover the costs of attendance. Training courses are now purchased directly from TAFE and other training providers on the basis of competitive tenders. The changes have evolved in line with the Government's training reform agenda, which seeks to foster the creation of a more efficient and competitive training market in Australia. It is therefore more appropriate to classify these direct purchases of training courses by the Government as current outlays on goods and services.

Entry Level Training and Skills Training

The Entry Level Training appropriation provides wage subsidies and other support for apprentices and Australian Traineeship System trainees. The Skills Training appropriation mainly provides funds for organisations concerned with the development of industry training and implementation of training reform. Several items belonging to these appropriations have previously been classified to subsidies to other enterprises in the economic type classification. A review of these appropriations permitted the disaggregation of some of the items and their reclassification to more appropriate economic types including current grants to State governments, current outlays on goods and services and current and capital grants to non-profit institutions.

Table 5. Effects of Reclassification of Labour Market Programs, Entry Level Training and Skills Training.

	82-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92
Subsidies	-44.6	-47.0	-52.7	-49.6	-58.7	-94.8	-132.5	-149.6	-177.2	-215.3
Current Outlays										
Non-Defence Non-Sals	13.0	13.3	14.9	37.6	44.9	82.9	114.2	122.6	145.7	142.9
Personal Benefit Payments	0.3	0.9	0.9	1.4	2.1	-1.0	0.7	-0.8	1.6	5.4
Grants to Non-Profit Institutions	2.5	1.0	1.5	1.6	1.6	1.4	3.4	12.1	14.7	17.8
Grants to the States	28.1	31.6	34.9	8.4	9.7	11.1	13.3	12.2	10.9	44.1
Capital Outlays										
Grants to Other Sectors	0.7	0.3	0.4	0.5	0.5	0.4	1.0	3.5	4.3	5.2

Marketing Authorities

To align with ABS treatment, payments to certain Commonwealth marketing authorities have been reclassified from current grants to the Commonwealth non-budget sector to subsidies paid to PTEs.

Table 6. Marketing Authorities \$m.

Year	\$m
82-83	38.9
83-84	19.8
84-85	52.7
85-86	2.4
86-87	2.1
87-88	3.0
88-89	5.2
89-90	43.3
90-91	29.7
91-92	43.4

Interest Receipts

The reported surplus for 1990-91 has increased due to the reclassification of certain interest receipts of the Loan Consolidation and Investment Reserve (LCIR), a trust fund that deals in Commonwealth securities, from financing transactions to interest outlays. Under current classification practice, interest on securities held by the LCIR should be offset against payments so there is no net effect on reported outlays.

CLASSIFICATION ISSUES FOR 1992-93 BUDGET

REPAYMENT OF STATE DEBT

At the 1990 Premiers' Conference and Loan Council meeting, the States took over responsibility for their own debt as outstanding debt matures. This will affect the presentation of Budgets until 2005-06 because, in line with IMF government accounting conventions, State repayments of debt to the Commonwealth are treated as an offset within outlays thus reducing the level of recorded outlays. In 1990-91 the effect was approximately -\$1b and in 1991-92 it was -\$2.3b. The effect on the Budget and forward years is expected to be -\$2.4b in 1992-93, -\$0.9b in 1993-94, -\$1.8b in 1994-95 and -\$0.9b in 1995-96.

PAYMENTS TO OR THROUGH THE STATES

Following concerns expressed by the States at the 1990 Premiers' Conference, the Special Premiers' Conference process was established to review functional responsibilities and funding arrangements between the three levels of Government. One of the outcomes has been the decision to introduce a distinction between Commonwealth payments 'to' and payments 'through' the States and Territories. Payments 'to' States and Territories are those made directly to those Governments and excludes those intended for onpassing to local governments, other bodies and individuals, which are classified as payments 'through' States and Territories. This distinction is reflected in the economic type classification.

Grants that have been classified to the 'through' category for reporting purposes in the 1991-92 Budget are higher education, non-government schools, general purpose assistance for local government, Australian Research Council grants and coal mining industry long service leave payments.

Table 7. Grants made Through the States 1981-82 to 1995-96 Effects.

	Higher Education		Non-government Schools		Local Govt Assistance	ARC Grants	Coal Mining LSL	Total	Total	Total
	Current	Capital	Current(a)	Capital	Current	Current	Current	Current	Capital	Total
1981-82	1388	87	423	49	353	2	8	2173	136	2309
1982-83	1515	92	555	50	427	6	14	2516	142	2658
1983-84	1632	113	630	46	462	6	18	2747	159	2906
1984-85	1757	122	678	49	489	6	19	2949	171	3119
1985-86	1949	144	758	59	539	6	18	3270	203	3473
1986-87	1991	190	823	52	586	6	20	3425	242	3667
1987-88	2137	233	887	58	642	9	43	3718	291	4009
1988-89	2147	161	1008	68	664	12	29	3859	228	4088
1989-90	2261	128	1112	59	689	77	24	4163	187	4351
1990-91	2436	208	1198	73	711	169	23	4537	282	4819
1991-92	2557	219	1302	86	1040	225	27	5151	306	5457
1992-93	2791	333	1363	116	1079	266	16	5516	448	5964
1993-94	3081	263	1449	122	1105	290	-	5926	385	6311
1994-95	3403	240	1526	121	1147	288	-	6364	361	6725
1995-96	3574	100	1605	125	1186	279	-	6644	225	6870

(a) Figures for this series from 1981-82 to 1985-86 published last year in Statement 7 were incorrect.
(b) From 1991-92 includes funds previously paid as tied local government road grants to the States.

Local Government Grants

As part of its regional employment strategy, the Government is to introduce a temporary program of grants to local governments for economic and social infrastructure projects. An amount of \$250m has been allocated for this purpose in 1992-93 with a further \$100m in 1993-94. Almost all of this amount is for capital grants to local government in the economic type classification.

Student Loans

As of 1 January 1993, students will be able to obtain loans from financial institutions, generally by forgoing part or all of an AUSTUDY or ABSTUDY grant. The Government will assist in the operation of the scheme by disbursing the loans to the students at regular intervals by means of a budget trust account (transactions of which will be classified as below-the-line and have no impact on the recorded deficit). It will also pay the lender an interest subsidy, on behalf of the students, which will be classified as a personal benefit payment (outlay). If, after five years a loan is outstanding, the Commonwealth will buy the loan from the institution, and the student will repay the loan to the Commonwealth through the tax system as with HECS. Both of these transactions will be classified as advances (outlays).

Road Funding

As outlined in last year's *Statement 7*, Local Government road funding from 1991-92 has been delivered by means of general revenue assistance rather than conditional grants for road programs. In addition, from January 1994 the Commonwealth has agreed to also remove conditions on funding for State arterial roads. Both these changes have resulted in a reclassification of the funds from *Transport and Communications* to the *Assistance to Other Governments* function and from the Capital to Current Grants economic type. The level of funding is detailed in *9A Assistance to Other Governments nec*.

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